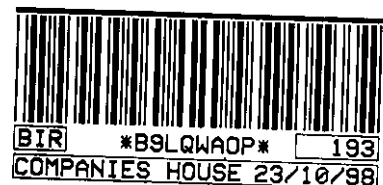


# Sovereign Leasing (Northern) Limited

## Report and Financial Statements

for the year ended 31st December 1997

Registration number 1562865



**Sovereign Leasing (Northern) Limited**  
**Directors and Officers**

**DIRECTORS**

J. Jardine  
A.P. Lee  
N. Marks  
C.S. Taylor

**SECRETARY**

I. Sinclair-Ford

**REGISTERED OFFICE**

Sovereign House  
298 Deansgate  
Manchester  
M3 4HH

**AUDITORS**

KPMG Audit Plc  
2 Cornwall Street  
Birmingham  
B3 2DL

**BANKERS**

Girobank plc  
Bridle Road  
Bootle  
Merseyside  
GIR OAA

**Sovereign Leasing (Northern) Limited**  
**Directors' Report**

The directors present their report and financial statements for the year ended 31st December 1997.

**Principal activities and Business Review**

The principal activities during the year continued to be those of lessors and financiers.

New business written in the year was £12,800 which is wholly represented by finance leases.

**Results and dividends**

The profit on ordinary activities after taxation for the year amounted to £1,364 (1996: £47 profit).

The directors do not recommend the payment of a dividend (1996: £nil).

**Directors and directors' interests**

All of the directors at the year end held share options in Alliance & Leicester plc, the ultimate parent undertaking. The details of the share options are disclosed in the accounts of the immediate parent undertaking, Sovereign Finance plc.

The directors who served during the year were:

J Jardine  
A P Lee  
N Marks  
I G Scott                      - resigned 31st December 1997  
C S Taylor

**Auditor**

On 2nd January 1997, KPMG Audit Plc was appointed auditor of the Company by the directors to fill a casual vacancy, replacing Binder Hamlyn. In accordance with Section 385 of the Companies Act 1985, a resolution proposing that KPMG Audit Plc be re-appointed as auditor of the Company will be put to the Annual General Meeting.

On behalf of the Board

A handwritten signature in black ink, appearing to read 'A.P. Lee', with a stylized flourish at the end.

A.P. Lee  
Director  
15th October 1998

**Sovereign Leasing (Northern) Limited**  
**Statement of Directors' Responsibilities**

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the Company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**Sovereign Leasing (Northern) Limited**  
**Auditors' Report**

**Report of the auditors, KPMG Audit Plc**  
**to the members of Sovereign Leasing (Northern) Limited**

We have audited the financial statements on pages 5 to 11.

**Respective responsibilities of directors and auditors**

As described on page 3, the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion to you.


**Basis of opinion**

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**Opinion**

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 31st December 1997 and of the profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

  
KPMG Audit Plc  
Chartered Accountants  
Registered Auditor  
2 Cornwall Street  
Birmingham  
B3 2DL

15th October 1998

**Sovereign Leasing (Northern) Limited**  
**Profit and Loss Account**  
**as at 31st December 1997**

	<u>Notes</u>	<u>31/12/97</u> <u>£</u>	<u>31/12/96</u> <u>£</u>
Gross earnings from finance and rental agreements	2	2,364	85
Administrative expenses		(1,000)	-
<b>Operating profit</b>		<u>1,364</u>	<u>85</u>
Interest payable	4	-	(38)
<b>Profit on ordinary activities before taxation</b>	3	<u>1,364</u>	<u>47</u>
Taxation on profit on ordinary activities	5	-	-
<b>Profit on ordinary activities after taxation, retained for the financial year</b>		<u>1,364</u>	<u>47</u>
<b>Retained profit brought forward</b>		263,130	263,083
<b>Retained profit carried forward</b>		<u><u>264,494</u></u>	<u><u>263,130</u></u>

All of the above results are derived from continuing activities and there were no acquisitions in the year.

All of the gains and losses for the year and the previous year have been recognised in arriving at the profit disclosed above.

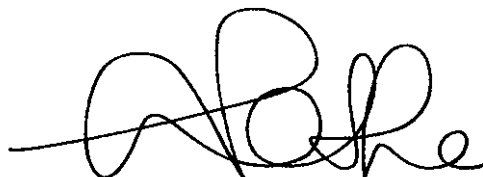
**Sovereign Leasing (Northern) Limited**  
**Balance Sheet**  
**as at 31st December 1997**

	<u>Notes</u>	<u>31/12/97</u> <u>£</u>	<u>31/12/96</u> <u>£</u>
<b>Fixed assets</b>			
Tangible assets	6	7,850	9,940
<b>Current assets</b>			
Debtors falling due within one year	7	253,315	253,290
Debtors falling due after one year	7	<u>3,429</u>	<u>-</u>
		256,744	253,290
<b>Creditors: amounts falling due within one year</b>	9	-	-
<b>Net current assets</b>		<u>256,744</u>	<u>253,290</u>
<b>Total assets less current liabilities</b>		<u>264,594</u>	<u>263,230</u>
<b>Provisions for liabilities and charges</b>	10	-	-
		<u>264,594</u>	<u>263,230</u>
<b>Capital and reserves</b>			
Called up share capital	11	100	100
Profit and loss account		264,494	263,130
<b>Equity shareholders' funds</b>	12	<u>264,594</u>	<u>263,230</u>

The financial statements on pages 5 to 11 were approved by the board of directors on 15th October 1998.



C.S. Taylor  
Director



A.P. Lee  
Director

**Sovereign Leasing (Northern) Limited**  
**Notes to the Accounts**  
**at 31st December 1997**

**1 Accounting Policies**

a) Accounting convention

The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards.

b) Cashflow Statement

As a wholly owned subsidiary of Alliance & Leicester plc, Sovereign Leasing (Northern) Limited is exempt under Financial Reporting Standard 1 (revised) from producing a cashflow statement.

c) Depreciation

Operating lease assets

Depreciation is provided on operating lease assets at rates calculated to write off the cost of the assets, less estimated residual value, over their useful lives using methods which allocate depreciation charges on a systematic basis to the periods which are expected to benefit from their use.

d) Deferred taxation

Deferred taxation is provided on the liability method on all timing differences which are expected to reverse in the foreseeable future, calculated at the rate at which it is estimated that the tax will be payable.

e) Finance and rental agreements

In accordance with Statement of Standard Accounting Practice No. 21 the minimum lease payments receivable from finance lease and other finance agreements, less appropriate future income arising from finance charges, are included in debtors.

Assets acquired for the purpose of renting out under operating lease agreements are capitalised and depreciated in accordance with the accounting policy set out above.

Gross earnings comprise:

- (i) Finance and rental agreements: the income component of repayments which are credited to the profit and loss account using methods which produce an approximate constant rate of return on the net cash investment.
- (ii) Provisions for bad and doubtful debts: a charge equal to the losses written off in the year, recoveries and the movement in provisions. Specific provisions are calculated on agreements in arrears in relation to their age. General provisions are assessed on all other agreements according to the risks attached to the class of business.



**Sovereign Leasing (Northern) Limited**  
**Notes to the Accounts**  
**at 31st December 1997**

**2 Gross earnings from Finance and Rental agreements**

Gross earnings and pre-tax profit are attributable to the principal activities as shown in the directors' report and are carried out in the U.K.

Amounts receivable during the year from which gross earnings were derived are as follows:

	<u>1997</u>	<u>1996</u>
	<u>£</u>	<u>£</u>
Amounts due on:		
Finance leases	4,041	-
Operating leases	3,918	723
	<u>7,959</u>	<u>723</u>

**3 Profit on ordinary activities before taxation represents**

<u>31/12/97</u>	<u>31/12/96</u>
<u>£</u>	<u>£</u>

Operating profits is stated after charging:

Depreciation of owned fixed assets	2,090	998
Net interest payable (note 4)	<u>-</u>	<u>38</u>

The company had no employees, and the directors received no remuneration in either the current or preceding year.

Auditors remuneration was borne by the immediate parent company, Sovereign Finance plc.

**4 Interest payable**

<u>31/12/97</u>	<u>31/12/96</u>
<u>£</u>	<u>£</u>

Amounts payable to parent undertaking	<u>-</u>	<u>38</u>
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**5 Taxation**

**Tax on profit on ordinary activities**

<u>31/12/97</u>	<u>31/12/96</u>
<u>£</u>	<u>£</u>

Group relief receivable - 1996 @ 33%  
Group relief receivable - 1997 @ 31.25%  
Deferred taxation (note 10)

	-	-
	-	-
	-	-
	<u>-</u>	<u>-</u>

**Sovereign Leasing (Northern) Limited**  
**Notes to the Accounts**  
**at 31st December 1997**

**6 Tangible fixed assets**

	<b><u>Operating Lease Assets</u></b> £
<b>Cost</b>	
As at 1st January 1997	10,938
Additions	-
Disposals	-
At 31st December 1997	<u>10,938</u>
<b>Depreciation</b>	
As at 1st January 1997	998
Charge for the year	<u>2,090</u>
At 31st December 1997	<u>3,088</u>
<b>Net book value</b>	
At 31st December 1997	<u>7,850</u>
At 1st January 1997	<u>9,940</u>

**7 Debtors**

	<b><u>31/12/97</u></b> £	<b><u>31/12/96</u></b> £
<b>Falling due within one year</b>		
Net investment in finance agreements	3,664	-
Amounts owed by parent undertaking	249,651	251,802
Other debtors	-	1,488
	<u>253,315</u>	<u>253,290</u>
<b>Falling due after more than one year</b>		
Net investment in finance agreements	<u>3,429</u>	<u>-</u>

**8 Finance Agreements**

*Net investment in finance agreements*

	<b><u>31/12/97</u></b> £	<b><u>31/12/96</u></b> £
Due within one year	3,664	-
Due after more than one year	<u>3,429</u>	<u>-</u>
	<u>7,093</u>	<u>-</u>

**Sovereign Leasing (Northern) Limited**  
**Notes to the Accounts**  
**at 31st December 1997**

<b>9 Creditors: amounts falling due within one year</b>	<b><u>31/12/97</u></b>	<b><u>31/12/96</u></b>
	<b><u>£</u></b>	<b><u>£</u></b>
Trade creditors	-	-
	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>

<b>10 Provisions for liabilities and charges</b>	<b><u>31/12/97</u></b>	<b><u>31/12/96</u></b>
	<b><u>£</u></b>	<b><u>£</u></b>
Deferred taxation:		
As at 1st January 1997	-	-
Charged to the profit and loss account	-	-
	<u>-</u>	<u>-</u>
At 31st December 1997	<u>-</u>	<u>-</u>

Deferred taxation provided in the accounts and the amounts not provided are as follows:

	<b><u>Provided</u></b>	<b><u>Potential</u></b>	<b><u>Provided</u></b>	<b><u>Potential</u></b>
	<b><u>31/12/97</u></b>	<b><u>31/12/97</u></b>	<b><u>31/12/96</u></b>	<b><u>31/12/96</u></b>
	<b><u>£</u></b>	<b><u>£</u></b>	<b><u>£</u></b>	<b><u>£</u></b>
Capital allowances in advance of depreciation	-	(487)	-	(291)
Other timing differences	-	233	-	-
	<u>-</u>	<u>(254)</u>	<u>-</u>	<u>(291)</u>

The deferred tax asset has not been recognised in the accounts.

<b>11 Share capital</b>	<b><u>31/12/97</u></b>	<b><u>31/12/96</u></b>
	<b><u>£</u></b>	<b><u>£</u></b>
Authorised:		
100 Ordinary shares of £1 each	<u>100</u>	<u>100</u>
Allotted, called up and fully paid:		
100 Ordinary shares of £1 each	<u>100</u>	<u>100</u>
	<u>100</u>	<u>100</u>
<b>12 Reconciliation of movements in shareholders funds</b>	<b><u>31/12/97</u></b>	<b><u>31/12/96</u></b>
	<b><u>£</u></b>	<b><u>£</u></b>
Profit for the financial year	1,364	47
Opening shareholders funds	263,230	263,183
	<u>264,594</u>	<u>263,230</u>
As at 31st December 1997	<u>264,594</u>	<u>263,230</u>

Sovereign Leasing (Northern) Limited  
Notes to the Accounts  
at 31st December 1997

**13 Ultimate Parent Undertaking**

The company is a subsidiary of Sovereign Finance plc, which is the smallest higher group of undertakings for which group accounts are drawn up. The results of the Company are consolidated within the group accounts of Sovereign Finance plc, and copies of those accounts can be obtained from Companies House.

The group accounts of Sovereign Finance Plc are consolidated within the group accounts of the Alliance & Leicester Building Society (up to 21st April 1997) and Alliance & Leicester plc thereafter, which the directors regard as the ultimate parent undertaking. Copies of those accounts can be obtained from Alliance & Leicester plc's principal office at 49 Park Lane, London, W1Y 4EQ.