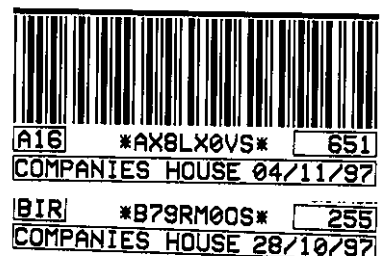


SOVEREIGN LEASING (NORTHERN) LTD
REPORT AND FINANCIAL STATEMENTS
PERIOD ENDED 31ST DECEMBER 1996

Company No: 1562865



SOVEREIGN LEASING (NORTHERN) LTD
REPORT OF THE DIRECTORS

The directors present their report and financial statements for the period ended 31st December 1996.

DIRECTORS' RESPONSIBILITIES

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

- (1) select suitable accounting policies and then apply them consistently;
- (2) make judgements and estimates that are reasonable and prudent;
- (3) state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- (4) 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 any other irregularities.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The company's principal activities during the period was that of lessors and financiers. The company was previously dormant and commenced to trade in December 1996.

New business in the period was £10,938.

RESULTS AND DIVIDENDS

The profit on ordinary activities after taxation for the period amounted to £47 (1995: £nil).

The directors do not recommend the payment of a dividend.

SOVEREIGN LEASING (NORTHERN) LTD
REPORT OF THE DIRECTORS (Continued)

DIRECTORS AND THEIR INTERESTS

The directors who served during the period were as follows:

J. Jardine	
A.P. Lee	(Appointed 1st July 1996)
N. Marks	(Appointed 1st July 1996)
I.G. Scott	
C.S. Taylor	

No director at the end of the period held (or held during the period under review) any beneficial interests in any securities of the company.

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 384 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.P. Lee
Director
23 October 1997

AUDITOR'S REPORT
TO THE MEMBERS OF SOVEREIGN LEASING (NORTHERN) LTD

We have audited the financial statements on pages 4 to 10.

Respective responsibilities of directors and auditors

As described on page 1, 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 company'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 1996 and of the profit of the company for the period 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
23 October 1997

SOVEREIGN LEASING (NORTHERN) LTD
PROFIT AND LOSS ACCOUNT
PERIOD ENDED 31ST DECEMBER 1996

	<u>Notes</u>	<u>Period</u> <u>to 31.12.96</u> £	<u>Year</u> <u>to 25.6.96</u> £
Gross earnings from finance and rental agreements	2	85	-
Administrative expenses		-	-
		<u>85</u>	<u>-</u>
Net interest payable		(38)	-
<i>Profit on ordinary activities before taxation</i>	3	<u>47</u>	<u>-</u>
Tax on profit on ordinary activities	4	-	-
<i>Profit on ordinary activities after taxation</i>	8	<u>47</u>	<u>-</u>
Retained profit brought forward		263,083	263,083
Retained profit carried forward		<u>263,130</u>	<u>263,083</u>

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

All gains and losses have been recognised in arriving at the profit disclosed above.

SOVEREIGN LEASING (NORTHERN) LTD
BALANCE SHEET
AS AT 31ST DECEMBER 1996

	<u>Notes</u>	<u>31.12.96</u> £	<u>25.6.96</u> £
<i>Fixed assets</i>			
Tangible assets	5	9,940	-
<i>Current assets</i>			
Debtors: amounts falling due within one year	6	253,290	263,183
<i>Net assets</i>		<u>263,230</u>	<u>263,183</u>
<i>Capital and reserves</i>			
Called up share capital	7	100	100
Profit and loss account		263,130	263,083
<i>Equity shareholders' funds</i>	8	<u>263,230</u>	<u>263,183</u>

The financial statements on pages 4 to 10 were approved by the Board of Directors on 23 October 1997.



A.P. Lee
Director

SOVEREIGN LEASING (NORTHERN) LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31ST DECEMBER 1996

1. **ACCOUNTING POLICIES**

a) **Accounting convention**

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

b) **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 below.

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.

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 to the extent that the directors consider that they are likely to crystallise in the foreseeable future.

e) **Related party transactions**

The company have taken advantage of the exemption offered by Financial Reporting Standard 8 and are therefore not required to disclose transactions with other group companies.

SOVEREIGN LEASING (NORTHERN) LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31ST DECEMBER 1996

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 period from which gross earnings were derived are as follows:

	<u>Period to</u> <u>31.12.96</u> £	<u>Year to</u> <u>25.6.96</u> £
Amounts due on:		
Operating leases	723	=

3. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

This represents the operating profit of the company and is stated after charging :

	<u>Period to</u> <u>31.12.96</u> £	<u>Year to</u> <u>25.6.96</u> £
Net interest payable to parent undertaking	38	=

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

The Audit fee is borne by another group company.

SOVEREIGN LEASING (NORTHERN) LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31ST DECEMBER 1996

4. TAX ON PROFIT ON ORDINARY ACTIVITIES

No liability to corporation tax arises on the profit for the period due to the availability of group loss relief for £nil consideration.

No provision has been made for deferred tax on the basis that it is not considered necessary.

5. TANGIBLE FIXED ASSETS

(a) *Summary*

	<u>Operating lease assets £</u>
<i>Cost</i>	
At 26th June 1996	-
Additions	10,938
At 31st December 1996	<u>10,938</u>
<i>Depreciation</i>	
At 26th June 1996	-
Charge for the Period	998
At 31st December 1996	<u>998</u>
<i>Net book value</i>	
At 31st December 1996	<u>9,940</u>
At 26th June 1996	<u>-</u>

SOVEREIGN LEASING (NORTHERN) LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31ST DECEMBER 1996

6. DEBTORS

(a) *Amounts falling due within one year*

	<u>31.12.96</u>	<u>25.6.96</u>
	<u>£</u>	<u>£</u>
Amount owed by immediate parent undertaking	251,802	263,183
Other debtors	1,488	-
	<u>253,290</u>	<u>263,183</u>

7. SHARE CAPITAL

	<u>31.12.96</u>	<u>25.6.96</u>
	<u>£</u>	<u>£</u>
<i>Authorised; issued and fully paid</i>		
100 Ordinary Shares of £1 each	<u>100</u>	<u>100</u>

8. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	<u>31.12.96</u>	<u>25.6.96</u>
	<u>£</u>	<u>£</u>
Profit for the period	47	-
Opening shareholders' funds	263,183	263,183
Closing shareholders' funds	<u>263,230</u>	<u>263,183</u>

SOVEREIGN LEASING (NORTHERN) LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31ST DECEMBER 1996

9. 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.

On 12th November 1996, OLB Holdings (UK) plc of which Sovereign Finance plc is a wholly owned subsidiary was acquired by Girobank plc, a subsidiary of the Alliance and Leicester Building Society, (now Alliance & Leicester plc) which the directors regard as the ultimate parent undertaking. Prior to that date the directors regarded Bank Austria Aktiengesellschaft, a company incorporated in Austria, as the Company's ultimate parent undertaking.

The group accounts of Sovereign Finance plc were consolidated within the group accounts of the Alliance and Leicester Building Society for the year ended 31 December 1996. Copies of those accounts can be obtained from the Alliance and Leicester plc's principal office at 49 Park Lane, London, W1Y 4EQ.