

**NPIL Hold Co Limited**

**Directors' report and financial statements**

31 March 2007

Registered number 4659491

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## Directors' report

*for the year ended 31 March 2007*

The directors present their annual report and the audited financial statements for the year ended 31 March 2007

### Principal activities

The principal activity of NPIL Hold Co Limited ("the Company") is to act as the financial holding company of various Group undertakings whose principal activities include lease hire, engineering, hotels and catering and financial services

### Results and dividend

The Group made an after tax profit of £69,741,000 (2006 £13,970,000) for the year ended 31 March 2007. The directors do not recommend the payment of a dividend

### Business review

#### *Key performance indicators (KPIs)*

Owing to the range of business interests within the Group, the directors do not believe that an analysis using KPIs would be meaningful

#### *Review of operations*

The Company holds the entire share capital of Nikko Principal Investments Limited ("NPIL"), a principal finance company that commits capital provided by Nikko Cordial Corporation ("Nikko") to purchase, or finance the acquisition of assets that generate cash flow. NPIL considers those investments in which it is able to control the day to day operations of the investee company to be subsidiaries and therefore the consolidated accounts of the Company include the results of a number of companies in the financial, lease hire, engineering, hotel and catering, and retail sectors

During the current year, NPIL continued to expand its portfolio, with acquisitions in the UK, Europe, Australia and New Zealand

In April 2006, NPIL acquired Cabot Financial Holdings Group ("Cabot"), one of the UK's leading debt purchasing business in a £275 million transaction. This acquisition fits well with NPIL's experience in the consumer finance and financial assets sector

In June 2006, NPIL continued its strategy of actively seeking European investment opportunities, and acquired a 51% stake in the LifeBond group, the Munich based specialist funds manager and originator of US and Germany secondary life policies

In August 2006, NPIL continued to build its investment in the financial services sector, with the acquisition of an 85% shareholding in Clarity Credit Management Solutions Limited, a rapidly growing debt collection agency

In October 2006, the company sold the Menzies Hotel Group business to aAim and R20. This exit, together with the sale of the Salcombe Hotel in summer of 2006, resulted in proceeds in excess of £190m

On 1 November 2006, NPIL, through a subsidiary company, part funded the acquisition of ANZ's fleet management and leasing business, FleetPartners Pty Limited and Truck Leasing Limited, for an enterprise value of \$1.65 billion Australian dollars

In addition, in November 2006, NPIL disposed of its investment in the Student Loans Company, recognising an accounting gain of £14.8 million

## **Directors' report**

*for the year ended 31 March 2007 (continued)*

### *Review of operations (continued)*

On 19 December 2006, NPIL funded the acquisition of Hire Equipment Group Limited, New Zealand's leading national dry hire general equipment business, committing NZD 49 million of equity

On 30 March 2007, NPI Ventures Limited ("NPIV"), a wholly owned subsidiary of NPIL, successfully sold its 51% investment in MSA Acquisitions Limited, a motorway service station provider which had been treated as a Joint Venture in the consolidated accounts, for proceeds of £91,583,000. The recognised profit for the Group shown in these accounts is £30,277,000.

### **Financial risk management**

The nature of the Group's operations expose it to a variety of financial risks that include the effects of changes in debt market prices, liquidity risk, credit risk and interest rate risk. Risk management is an inherent part of NPIL's investment activities. The Group's risk management and governance structure are designed to provide a controlled framework which facilitates continuing oversight and management of the Group's primary risks, seeking to limit the adverse effects of these risks on the financial performance of the company. The Group exercises management and oversight through the Board of Directors.

An overview of the Group's financial risk management objectives and policies is provided below.

#### *Market Risk*

Market risk represents the potential loss in value caused by adverse movements in debt market prices, foreign exchange rates and interest rates. The Group seeks to minimise the effect of variability in debt funding rates by borrowing from its parent company at prevailing commercial interest rates at negotiated intervals, and by borrowing from third parties at fixed and floating rates. This is managed at a company level.

To mitigate the effect of currency exposures on the Group's foreign borrowings, the Group swaps its foreign borrowings into sterling using currency swaps. The Group's only significant currencies of operations are sterling and Australian dollars. An analysis of the Group's foreign monetary assets and foreign monetary liabilities can be found in Note 25.

#### *Credit Risk*

Credit risk for the Group arises from the exposure to the possibility that counterparties may default on their obligations to the company. The Group has implemented policies that require appropriate understanding of the expected returns on capital invested and that require appropriate credit checks on potential customers before sales are made. The amount of exposure to any individual counterparty is subject to a limit which is reassessed should additional funding be requested.

#### *Liquidity Risk*

Liquidity risk arises from the general funding needs of the Group's activities and planned investment, and in the management of its assets and liabilities. Where possible, the Group actively seeks to maintain a mixture of long-term and short-term debt finance to ensure that the Group has access to sufficient funding to meet its objectives.

## **Directors' report**

*for the year ended 31 March 2007 (continued)*

### **Interest rate cash flow risk**

The Group has both interest bearing assets and interest bearing liabilities. Interest bearing assets include cash balances. The Group has raised borrowings at both fixed and floating rates, and has used interest rate swaps to generate the desired interest rate profile and to manage its exposure to interest rate fluctuations. The directors will revisit the appropriateness of this policy should the Group's operations change in size or nature.

### **Post balance sheet events**

In April 2007, Nikko Principal Investments Ltd, a member of the Group, received a distribution and repayment of loan notes as a result of a return of capital at \$59 million by Catalina Holding Limited, a Joint Venture company and the parent company of Catalina Reinsurance Limited, which holds a non-life insurance business in run off.

On 9 May 2007, Citigroup Inc acquired a 61.08% stake in Nikko Cordial Corporation and has subsequently acquired the remaining shares. As a result of the change of control, certain triggers were met in relation to the Nikko Principal Investments Limited's Carried Interest Plan ("the Plan"), a staff incentivisation scheme. Subsequent to an independent valuation in August 2007, a payment to the order of £46,837,109 will arise under the Plan rules, which the Company will be required to settle by 9 May 2008. This will result in a related charge to the Profit and Loss in the financial year ended 31 March 2008 of £36,378,858.

Since the balance sheet date, one of the subsidiaries in the Group has taken out a 20 year lease on new office premises. This lease has an optional break point at 16 years and will cost £783,522 per annum with rent reviews at 5, 10 and 15 years.

In April 2007 and October 2007, one of the UK subsidiaries of the group, Pall Mall Hirequip Limited, sold a total of 14% of the shareholding in its New Zealand subsidiary to management of the operating subsidiary. In November 2007, the Group sold 3.97% of its holding in the Fleet Partners Pty Limited and Truck Leasing Limited investment to incumbent management.

A return of capital by PD USA Limited resulted in a decrease of £30,000,000 in group debtors and a corresponding reduction in group creditors.

As a result of the significant increase in uncertainty in the current credit environment, the directors believe that the ability to obtain ongoing finance/refinance on commercially acceptable terms for certain of our investee companies may be adversely affected, and in some scenarios this may significantly impair the future earnings of the group.

### **Future development of the business**

It is expected that the future growth of the Group is to be derived from the growth of the investments held by NPIL. The composition of the portfolio is under review by the ultimate parent company which has announced an intention to dispose of some or all of the portfolio.

### **Political and charitable donations**

The Group made no political contributions during the year (2006: £nil). Donations made to UK charities during the year totalled £10,000 (2006: £4,000).

## Directors' report

for the year ended 31 March 2007 (continued)

### Employees

The Group has a policy of ensuring employees are kept informed of its activities and events which have an impact on the Group. In the UK, the Group operates a system of staff appraisal which encourages discussion between staff and management and a discretionary performance related bonus scheme, which will be dependent on both the Group's and individual employees' performance during a financial year.

It is the policy of the Group to consider fully, fairly and equally applications for staff vacancies from disabled (as defined in the Disability Discrimination Act 1995) and able-bodied persons alike, having regard to individuals' aptitudes and abilities.

If a member of staff should become disabled whilst employed by the Group, every reasonable effort would be made, consistent with the requirements of the Group's business, to ensure that his or her employment with the Group could continue.

The Group is also committed to ensuring that all disabled persons employed by it receive appropriate training, career development and promotion to enable them to compete fairly with other employees of the Group.

### Liability insurance

The Group may take out liability insurance in respect of its directors and officers. In the normal course of business, members of staff may be requested to become directors, shadow directors or officers of companies in which the Group has invested. In return, certain companies in the Group may provide an indemnity to these individuals for any liabilities they may incur while properly acting in that capacity.

### Directors and directors' interests

The directors who held office during the year were as follows:

#### *Resident:*

##### *Executive*

Brian Berry

Philip Busfield

##### *Non - executive*

Michel De Carvalho (appointed 19 October 2007)

#### *Non-Resident:*

##### *Executive*

Hirofumi Hirano (resigned 22 January 2007)

##### *Non-executive*

Takashi Aragane (appointed 19 October 2007)

Shinya Tamoto (appointed 19 October 2007)

According to the Register of Directors' Interests maintained under Section 325 of the Companies Act 1985, none of the Directors had, at the end of the financial year, any interest pursuant to Section 324 of the Companies Act 1985 in the Company.

In addition, according to the Register maintained under Section 325 of the Companies Act 1985, none of the Directors or any member of their respective immediate family (as defined in paragraph 2(B) (3) of Schedule VII of the Companies Act 1985) was granted or exercised during the financial year any right to subscribe for shares in or debentures of the Company.

## Directors' report

for the year ended 31 March 2007 (continued)

### Company Secretary

The Secretary to the Company during the year was

John Beck

### Creditors' payment policy

It is the Group's policy to agree the terms of payment to creditors at the start of business with that supplier, ensure that suppliers are aware of the terms of payment and to pay in accordance with its contractual and other legal obligations

### Statement of disclosure of information to auditors

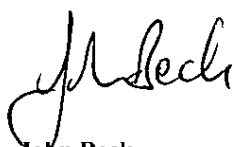
The directors confirm that,

- (a) so far as each director is aware there is no relevant audit information of which the company's auditors are unaware, and
- (b) the directors have taken all the steps they ought to have taken as directors to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information

### Auditors

Pursuant to Section 386 of the Companies Act 1985, the Company has passed an elective resolution to dispense with the obligation to appoint auditors annually. The auditors, PricewaterhouseCoopers LLP, will therefore continue in office

By order of the board



**John Beck**  
Secretary to NPIL Hold Co Limited  
100 Pall Mall  
London  
SW1Y 5NN  
5 March 2008

## **Statement of directors' responsibilities**

Company law requires the directors to prepare financial statements for each financial period that give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group 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,
- 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 the Group and enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.



**B Berry**  
*Director*  
5 March 2008



## **Independent auditors' report to the members of NPIL Hold Co Limited**

We have audited the Group and parent Company financial statements (the "financial statements") of NPIL Hold Co Limited for the year ended 31 March 2007 which comprise the Group profit and loss account, the Group and Company balance sheets, the Group cash flow statement, the Group statement of total recognised gains and losses and the related notes. These financial statements have been prepared under the accounting policies set out therein.

### **Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition, we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Group's and of the Company's affairs as at 31 March 2007 and of the Group's profit and cash flows for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.

**Independent auditors' report to the members of NPIL Hold Co Limited (continued)**

**Emphasis of matter – going concern**

In forming our opinion, which is not qualified, we have considered the adequacy of the disclosure in Note 1 to the financial statements which indicates that a material subsidiary grouping of the Company may not be able to renew its current financing facilities. A major loan facility is scheduled for renewal in March 2008 and, in the current market conditions, there can be no certainty that the lender will agree to renew the facility. In the event that the subsidiary is unable to renew the facility or obtain replacement funding, it is unlikely that it would be able to continue to trade. These events indicate a material uncertainty which may cast significant doubt on the subsidiary's ability to continue to trade. If the subsidiary was accounted for on a non-going concern basis, this would have a consequential impact on the investment of £198 million in the Company's direct subsidiary, Nikko Principal Investments Limited, which has issued loan notes to the subsidiary for a principal value of £123 million, included in Fixed Asset Investments in that company's balance sheet, and on goodwill of £110 million included in Intangible Assets in the Consolidated balance sheet. Neither the loan notes nor the goodwill would be expected to have any value if the subsidiary was no longer considered to be a going concern.

*PricewaterhouseCoopers LLP*

PricewaterhouseCoopers LLP  
Chartered Accountants and Registered Auditors  
London  
7 March 2008

## Consolidated Profit and loss account

for the year ended 31 March 2007

	Note	2007 £000	2006 £000
Turnover (including share of joint venture)			
Continuing operations		288,040	283,467
- Acquisitions		174,363	-
Discontinued operations		24,246	-
	1 & 2	486,649	283,467
Less share of turnover of joint venture (continuing)		(2,136)	(155,066)
Less share of turnover of joint venture (discontinuing)		(158,431)	-
<b>Turnover</b>		<b>326,082</b>	<b>128,401</b>
Cost of sales		(170,482)	(61,397)
<b>Gross profit</b>		<b>155,600</b>	<b>67,004</b>
Net operating expenses		(121,416)	(69,061)
<b>Group operating profit / (loss)</b>			
Continuing operations		(6,093)	(2,057)
- Acquisitions		29,279	-
Discontinued operations		10,998	-
		34,184	(2,057)
<b>Exceptional items</b>			
Profit on sale of investments	3	55,347	40,098
<b>Group operating profit after exceptional items</b>		<b>89,531</b>	<b>38,041</b>
Share of operating profit of joint venture		16,411	9,929
Exceptional expenses – Joint venture	3	-	(5,144)
Income from fixed and current asset investments		926	1,959
<b>Profit on ordinary activities before interest and taxation</b>		<b>106,868</b>	<b>44,785</b>
Interest payable and similar items			
- Group	4	(9,498)	(14,192)
- Joint venture	4	(26,142)	(24,881)
		(35,640)	(39,073)
Other finance income - Group	5	4,400	5,700
Other finance expense – Group	6	(315)	-
Other finance expense – Joint venture	6	(69)	(93)
<b>Profit on ordinary activities before taxation</b>	2 & 7	<b>75,244</b>	<b>11,319</b>
Taxation on profit on ordinary activities	11	(5,503)	2,651
<b>Profit for the year after taxation</b>		<b>69,741</b>	<b>13,970</b>
Equity minority interests		615	-
<b>Retained profit for the year</b>	28	<b>70,356</b>	<b>13,970</b>

There is no difference between the profit on ordinary activities before taxation and the retained profit for the years stated above and their historical cost equivalents

The notes on pages 17 to 58 form part of these financial statements

Auditors' report – pages 8-9

**Statement of group total recognised gains and losses**  
*for the year ended 31 March 2007*

	Note	2007 £000	2006 £000
Profit for the year			
- Group		80,156	34,159
- Joint venture		(9,800)	(20,189)
		<hr/>	<hr/>
Actuarial (loss) / gain recognised in the pension scheme - Group	10	70,356	13,970
Actuarial loss recognised in the pension scheme – Joint venture		(4,950)	19,700
Pension deficit recognised per FRS17	10	(3,271)	-
Unrealised holding losses on securities for sale – Joint venture		(3,213)	-
Exchange adjustment offset in reserves		-	(207)
- Investments in subsidiaries	28	(2,649)	-
- Investments in Joint ventures	28	(464)	1,045
		<hr/>	<hr/>
<b>Total recognised gains for the year</b>		<b>55,809</b>	<b>34,508</b>
		<hr/>	<hr/>

**NPIL Hold Co Limited**  
**Consolidated Balance sheet**  
*at 31 March 2007*

	Note	2007 £000	2006 £000
<b>Fixed assets</b>			
Intangible assets	13	344,223	23,150
Tangible assets	14	499,039	157,290
Investments	15	9,904	17,887
		<u>853,166</u>	<u>198,327</u>
<b>Current assets</b>			
Stock	16	19,871	4,558
Debtors: amounts falling due after one year	17	241,453	134,687
Debtors: amounts falling due within one year	18	303,920	134,373
Investments	20	57,606	77,905
Investments in joint ventures			
Share of gross assets		47,259	265,687
Share of gross liabilities		(13,753)	(257,810)
		<u>33,506</u>	<u>7,877</u>
Investment in associates		765	36
Cash at bank and in hand	21	184,149	43,273
		<u>841,270</u>	<u>402,709</u>
<b>Creditors: amounts falling due within one year</b>	22	<b>(1,161,322)</b>	<b>(257,378)</b>
<b>Net current (liabilities) assets</b>		<b><u>(320,052)</u></b>	<b><u>145,331</u></b>
<b>Total assets less current liabilities</b>		<b>533,114</b>	<b>343,658</b>
<b>Creditors: amounts falling due after more than one year</b>	23	<b>(235,185)</b>	<b>(122,261)</b>
<b>Provisions for liabilities and charges</b>	26	<b>(15,330)</b>	<b>(8,463)</b>
<b>Net assets excluding pension liability</b>		<b><u>282,599</u></b>	<b><u>212,934</u></b>
Pension liability	10	(8,535)	(4,110)
<b>Net assets including pension liability</b>		<b><u>274,064</u></b>	<b><u>208,824</u></b>

**NPIL Hold Co Limited**  
**Consolidated Balance sheet (continued)**  
*at 31 March 2007*

		<b>2007</b>	2006
		<b>£000</b>	£000
<b>Capital and reserves – Equity</b>			
Called up share capital	27	<b>100,010</b>	100,010
Share premium account		<b>98,312</b>	98,312
Profit and loss account	28	<b>66,075</b>	10,266
<b>Total shareholders' funds</b>	<b>29</b>	<b>264,397</b>	208,588
Equity minority interests	30	<b>9,667</b>	236
<b>Capital employed</b>		<b>274,064</b>	208,824

The financial statements on pages 10 to 58 were approved by the board of directors on 5 March 2008 and signed on its behalf by

  
**B Berry**  
*Director*

The notes on pages 17 to 58 form part of these financial statements Auditors report – pages 8-9

**NPIL Hold Co Limited**  
**Balance sheet**  
*at 31 March 2007*

	Note	2007 £000	2006 £000
<b>Fixed assets</b>			
Investments	15	198,322	198,322
		<hr/>	<hr/>
<b>Current assets</b>			
Debtors amounts falling due within 1 year	18	4	7
<b>Current liabilities</b>			
Creditors amounts falling due within one year	22	(365)	(243)
<b>Net current liabilities</b>		<hr/> (361) <hr/>	<hr/> (236) <hr/>
<b>Net assets</b>		<hr/> 197,961 <hr/>	<hr/> 198,086 <hr/>
<b>Capital and reserves – Equity</b>			
Called up share capital	27	100,010	100,010
Share premium account		98,312	98,312
Profit and loss account	28	(361)	(236)
<b>Total shareholders' funds</b>	29	<hr/> 197,961 <hr/>	<hr/> 198,086 <hr/>

The financial statements on pages 10 to 58 were approved by the board of directors on 5 March 2008 and signed on its behalf by



**B Berry**  
*Director*

The notes on pages 17 to 58 form part of these financial statements

Auditors' report – pages 8-9

## Consolidated cash flow statement for the year ended 31 March 2007

	Note	2007 £000	£000	2006 £000	£000
<b>Net cash outflow from operating activities</b>	31		(68,194)		(45,991)
<b>Returns on investments and servicing of finance</b>					
Interest received		41,498		1,953	
Interest paid		(44,230)		(15,562)	
Dividend received from investment		912		1,572	
Issue costs of new bank loans		(3,677)		-	
Other income received from investments		-		387	
		<hr/>		<hr/>	
<b>Net cash outflow from returns on investments and servicing of finance</b>			(5,497)		(11,650)
<b>Taxation (paid) recovered</b>			(3,215)		5,740
<b>Capital expenditure and financial investments</b>					
Purchase of tangible fixed assets and investments		(110,620)		(103,687)	
Disposal of tangible fixed assets and investments		112,681		152,401	
		<hr/>		<hr/>	
<b>Net cash outflow from capital expenditure and financial investments</b>			2,061		48,714
<b>Acquisitions and disposals</b>					
Purchase of subsidiary undertakings – cash	32	(435,558)		-	
- loan stock	32	60,202		-	
Cash acquired with subsidiary undertakings	32	2,450		-	
Disposal of subsidiary undertakings	32	68,450		-	
Cash disposed of with subsidiary undertakings	32	(13,972)		-	
Purchase of shares in associated company		(715)		-	
Sale of share in joint venture	32	91,583		(26,359)	
		<hr/>		<hr/>	
			(227,560)		(26,359)
<b>Net cash outflow before management of liquid resources and financing</b>			(302,405)		(29,546)
<b>Financing</b>					
Increase (decrease) in borrowing	33	443,163		(18,800)	
Issue of shares to minority interests		138		-	
		<hr/>		<hr/>	
<b>Net cash inflow (outflow) from financing</b>			443,301		(18,800)
			<hr/>		<hr/>
<b>Increase (decrease) in cash in the year</b>			140,896		(48,346)



## Consolidated cash flow statement for the year ended 31 March 2007 (continued)

	Note	2007 £000	£000	2006 £000	£000
<b>Reconciliation to net debt</b>					
Net debt at 1 April	33	(238,480)		(208,703)	
Increase (decrease) in net cash		140,896		(48,346)	
Borrowings net of short term deposits acquired with subsidiaries		(634,621)			-
Borrowings disposed with subsidiaries		118,384			-
Movements on borrowings		(439,486)			18,800
Other non-cash changes		(1,392)			(231)
Exchange adjustments		(11,067)			-
<b>Net debt at 31 March</b>	33	<u>(1,065,766)</u>		<u>(238,480)</u>	

## Notes to the financial statements for the year ended 31 March 2007

### 1 Accounting policies

#### *Basis of accounting*

These accounts have been prepared under the historical cost convention and in accordance with the Companies Act 1985, applicable Accounting Standards issued by the Accounting Standards Board and the Statement of Recommended Accounting Practice (Accounting issues in the asset finance and leasing industry)

The directors have taken advantage of the exemption available under section 230 of the Companies Act 1985 and not presented a profit and loss account for the Company

#### *Basis of consolidation*

The consolidated profit and loss account and balance sheet include the financial statements of the Company and its subsidiary undertakings made up to 31 March 2007. Intra-group transactions are eliminated fully on consolidation.

Investments in subsidiaries are accounted for using the acquisition basis of accounting. The gross equity accounting method is used to consolidate investments in joint ventures and investments in associates are accounted for using the equity method.

#### *Going concern basis of preparation*

The Directors have carefully considered the adoption of the going concern basis of preparation of the financial statements of the Company and of the Group, bearing in mind the current financial situation of a material subsidiary grouping, FleetPartners (Proprietary) Limited in Australia and Truck Leasing Limited in New Zealand. These companies rely on external bank facilities to fund their businesses, primarily from two major banks. The facilities provided by one of these banks, amounting to AUD 510 million and NZD 260 million respectively, are scheduled for renewal in March 2008. In the current market conditions, there can be no certainty that the bank will decide to renew the facilities.

If the financing facility was not renewed, and no replacement facility could be obtained, the subsidiaries could not continue to trade and the business would go into run-off. After repayment of the bank facilities, it is unlikely that any funds would remain to repay the loan notes with a principal value of £123 million issued to the subsidiaries by Nikko Principal Investments Limited, a direct subsidiary of the Company. The write-off of this amount would have a material adverse impact on the net assets of Nikko Principal Investments Limited, which would impact on the cost of investment in this company of £198 million in the Company's balance sheet. The Group balance sheet includes £110m of goodwill arising from the acquisition of FleetPartners (Proprietary) Limited and Truck Leasing Limited which would be impaired and would not be expected to have any value.

The Directors have considered the history of the relationship with the bank and consulted with local management on the recent contacts with the bank and the nature of those discussions. The Directors have also assessed the financial and reputational implications for the bank if it decided not to renew the facilities, and the likelihood of the subsidiary being able to obtain replacement funding. The Directors have concluded that, on balance, the funding is more likely than not to be renewed, although the terms on which it is renewed may be less favourable than the current terms. The Directors have also considered the potential impact on the Group if the goodwill was written off and noted that Total Shareholders Funds at 31 March 2007 were £264 million and would still be in excess of £150 million if goodwill was fully written off. For these reasons, and based on the information presently available, the Directors have concluded that the going concern basis remains appropriate and no provision is considered necessary in relation to the investment in the subsidiaries nor any impairment of the goodwill at Group level.

## Notes to the financial statements

for the year ended 31 March 2007 (continued)

### 1 Accounting policies (continued)

#### *Going concern basis of preparation (continued)*

In addition, another subsidiary company is currently experiencing increased levels of arrears on its outstanding loans and is close to the limits on its funding facility provided by the Group. One of the external funding facilities is scheduled for renewal in March 2008 and it is currently unclear whether this will be renewed and, if not, what the repayment period will be. In the event that the subsidiary cannot access sufficient funding to meet its operational requirements, it may be necessary to cease writing new business and put the existing loan portfolio into a controlled run-off.

The Directors consider that if this was to take place, based on the information presently available the investment in the subsidiary could be substantially recovered, with an appropriate amount of financial support from the Group. The Group is currently considering an application for an increase in the Funding facility, and the directors understand that it is Nikko Cordial Corporation's intention to approve the follow on funding. On this basis no provision for losses would be required in the consolidated financial statements. However, the Directors note that this is subject to inherent uncertainty as it requires a projection into the future. In particular, this is based on the losses on the loan portfolio remaining within predicted levels, if delinquency rates increase significantly, this would adversely impact the value realised in the run-off and the ability of the Company to recover its investment.

#### *Turnover*

##### *Financial services*

Turnover represents interest, commissions and fees receivable excluding value added tax. Similarly, any interest, commissions and fees paid in respect of trading activities are shown within cost of sales. Profits and losses on disposal of investments are also included with turnover.

Charges made for instalment finance are brought into revenue on a basis to reflect a consistent rate of return on the outstanding principal balance over the life of the related consumer loan.

Income is recognised on debt portfolios acquired using a yield basis as follows: total collections are estimated on a prudent basis reflecting the characteristics and quality of the portfolio on acquisition together with the collection experience since acquisition. A yield on each portfolio is calculated using total estimated collections by portfolio projecting forward calculations for a maximum of five years. The yield percentage is applied to allocate amounts collected from the customers between profit and the cost of the loan portfolio.

##### *Hotel, catering and retail services*

Turnover is defined as the amounts derived from the provision of goods and services falling within the Group's ordinary activity in the area of owning and operating hotels and motorway service stations.

##### *Engineering services*

This is based on sales of goods and services at invoiced value less local sales taxes and excludes transactions between subsidiary undertakings.

Profit is recognised on long-term contracts, if the final outcome can be assessed with reasonable certainty, by including in the profit and loss account turnover and related costs as contract activity progresses. Turnover is calculated as that proportion of the total contract value which costs incurred to date bear to total expected costs for that contract.

## Notes to the financial statements

for the year ended 31 March 2007 (continued)

### 1 Accounting policies (continued)

#### *Turnover (continued)*

##### Lease hire services

##### *(a) Finance lease interest*

Interest income is accrued on a time proportionate basis, by reference to the principal outstanding and the effective interest rate applicable which is the rate that exactly discounts estimated future cash receipts through the expected life of the lease to that asset's net carrying value

##### Lease hire services (continued)

##### *(b) Operating lease rentals*

Rental income from operating leases is recognised on a straight line basis over the term of the relevant lease including any lease incentives

#### **Discontinued operations**

Following the exit (sale) of a subsidiary company, in accordance with FRS3 the group results arising from the related subsidiary is included within discontinued operations in the profit and loss account in the year of sale

#### **Tangible fixed assets**

Fixed assets are held at cost and depreciated at rates considered reasonable to reduce the book value of the asset to its estimated future residual value over the expected useful life of the asset. Depreciation is provided at the following rates

Office equipment	-	20% per annum on original cost
Furniture and fittings	-	10%- 33% per annum on original cost
Office improvements	-	20% per annum on original cost
Computer software	-	33% per annum on original cost
Leasehold improvements	-	20% per annum on original cost or the minimum period of the lease if shorter
Plant and machinery	-	6 66% - 20% per annum on original cost
Lease property	-	see below
Assets held under finance leases	-	as above or over the lease period if shorter

No depreciation is charged on Construction in Progress

No depreciation is provided for land or the freehold and long-leasehold property on the basis that the residual value is not expected to be materially different from the carrying value. An impairment review is carried out at the end of each year and expenses are charged to the profit and loss account when incurred

Short leasehold land and buildings are depreciated over the unexpired term of the lease, where less than 50 years

In respect of the hotels, expenditure on repairs and renewals is charged to the profit and loss account at the time of expenditure. Major refurbishment projects forming part of the planned programme of maintaining the properties in good repair are capitalised at cost under the appropriate asset category and depreciated in accordance with the accounting policy. Any net book value attributable to the asset being replaced is written off to the profit and loss account when the refurbishment takes place

## Notes to the financial statements

for the year ended 31 March 2007 (continued)

### 1 Accounting policies (continued)

#### *Tangible fixed assets (continued)*

Depreciation is provided on lease property on a straight line basis so as to write off the net cost of each asset over its expected useful life (being the term of the related lease contract) to estimated residual value. The estimated useful lives, depreciation method, and residual values are reviewed regularly.

#### *Financial instruments*

Derivative instruments utilised by the Group are interest rate swaps and forward foreign currency exchange contracts. The Group does not enter into speculative derivative contracts. All such instruments are used for hedging purposes to alter the risk profile of an existing underlying exposure of the Group in line with the Group's risk management policies.

Derivatives used to hedge interest rate risk are taken to the profit and loss account in accordance with the accounting treatment of the underlying transaction that is being hedged. Hedge transactions, which cease to be effective or are terminated early, are measured at fair value and any profit and loss arising is recognised in full.

#### *Foreign currencies*

Transactions denominated in foreign currencies are translated into sterling monthly and recorded at the rate of exchange ruling at the date of translation. Profits and losses of subsidiaries, joint ventures and associates which have currencies of operation other than sterling are translated into sterling at average rates of exchange except for material exceptional items which are translated at the rate ruling at the date of transaction.

Assets and liabilities at the balance sheet date denominated in foreign currencies have been translated into sterling at the market rates of exchange at that date and the exchange differences are recognised in the profit and loss account.

Exchange differences arising from the retranslation of the opening net assets of subsidiaries, joint ventures and associates which have currencies of operation other than sterling and any related loans are taken to reserves together with the differences arising when the profit and loss accounts are translated at average rates and compared with the rates ruling at the year end.

#### *Leases*

##### *Finance leases*

Assets held under finance leases are recognised as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and the reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to the profit and loss account. Where assets are subject to sale and leaseback, the excess of sales proceeds over the carrying amount is deferred and amortised over the lease term.

##### *Operating leases*

Rentals paid under operating leases are charged to the profit and loss account on a basis representative of the pattern of benefits expected to be derived from the leased asset (usually straight line).

## Notes to the financial statements

for the year ended 31 March 2007 (continued)

### 1 Accounting policies (continued)

#### *Financing fees*

Financing fees incurred in relation to borrowings are capitalised and amortised to the profit and loss over the term to maturity of the related debt. Debt is shown in the balance sheet at the amount of the net proceeds received after deduction of the capitalised financing fees.

#### *Intangible assets*

##### *Goodwill*

Goodwill arising on consolidation as a result of the acquisition of a subsidiary undertaking is capitalised as an intangible fixed asset. The excess of the fair value of the consideration paid over the fair value of net assets acquired which is not otherwise allocated to individual assets and liabilities is determined to be goodwill and is amortised on a straight line basis over a period not exceeding 20 years.

The unamortised goodwill is subject to impairment review in accordance with FRS 11 "Impairment of fixed assets and goodwill".

##### *Service Contracts*

Service contracts acquired are recognised at the present value of the future income to be derived from those contracts. At the end of each accounting period these calculations are reviewed and any reduction is recognised as amortisation and is written off to the profit and loss account against the relevant income received from the contract.

#### *Fixed asset investments*

Debt securities, equity shares and other similar interests intended to be held for the long term or to maturity are treated as fixed asset investments, and are valued at cost less provision for permanent diminution in value.

#### *Current asset investments*

All other debt securities, equity shares and other similar interests are treated as current asset investments and are valued at the lower of cost or net realisable value. The intention of holding each asset is regularly reviewed and if appropriate, the investment classification altered accordingly.

#### *Deferred tax*

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised to the extent that it is more likely than not there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Deferred tax is measured at the tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Deferred tax is not recognised when fixed assets are revalued unless by the balance sheet date there is a binding agreement to sell the revalued assets and the gain or loss expected to arise on sale has been recognised in the accounts. Neither is deferred tax recognised when fixed assets are sold and it is more likely than not that the taxable gain will be rolled over, being charged to tax only if and when the replacement assets are sold.

## **Notes to the financial statements**

*for the year ended 31 March 2007 (continued)*

### **1 Accounting policies (continued)**

#### ***Pension costs***

The Group operates a variety of schemes. The defined contribution schemes are accounted for by charging contributions payable for the year to the profit and loss account.

For defined benefit schemes, the operating cost of providing pensions, as calculated periodically by independent actuaries, is charged to the company's operating profit and loss in the period that those benefits are earned by the employees. The financial return expected on the schemes' assets is recognised in the period in which it arises as part of the finance income and the effect of unwinding the discounted value of the schemes' liabilities is treated as part of finance costs. The changes in the value of the schemes' assets and liabilities are reported as actuarial gains or losses as they arise in the statement of recognised gains and losses. The pension schemes' surplus or deficit is recognised in full and presented on the balance sheet net of any related deferred tax to the extent that any deferred tax asset is considered recoverable.

#### ***Stocks and work in progress***

These are valued on bases which are consistent from one year to another, and which are specifically related to the individual operating activities. In general, stocks of raw materials, components, manufactured goods, purchases for resale and consumable stores are valued at the lower of cost and net realisable value.

Work in progress on long-term contracts is valued to include a prudent portion of expected profit where this can be reliably foreseen. Where any contracts are expected to be unprofitable, full provision is made for anticipated losses.

Stocks of ex-hire vehicles and equipment are shown at the lower of cost and net realisable value where costs may include labour and materials incurred in bringing the assets to their current location and condition.

#### ***Acquired Loan Portfolios***

Non-performing loan portfolios are purchased from financial institutions at a substantial discount from their face amounts and are recorded at cost to acquire the portfolio. The carrying value of the portfolios is shown in the balance sheet as "loan portfolios" and these are carried at the lower of amortised historic cost and net realisable value.

#### ***Amounts recoverable under finance leases***

Amounts due from lessees under finance leases are recorded as receivables. Finance lease receivables are initially recognised at amounts equal to the present value of the minimum lease payments plus the present value of any unguaranteed residual value expected to accrue at the end of the lease term. Finance lease payments are allocated between interest revenue and reduction in the lease receivable over the term of the lease in order to reflect a constant periodic rate of return on the net investment outstanding in respect of the lease.

#### ***Share based payments***

Equity-settled share-based payments with employees and others providing similar services are measured at the fair value of the equity instrument at the grant date. The fair value is expensed on a straight-line basis over the vesting period based on the Group's estimate of shares that will eventually vest.

**Notes to the financial statements**  
*for the year ended 31 March 2007 (continued)*

**2 Segmental reporting**

All material business is conducted in the United Kingdom unless it is stated otherwise.

	2007	2006
Net assets by class	£000	£000
Engineering services	11,839	17,557
Financial services	94,252	147,327
Hotel - Group	-	36,063
Lease hire services (Australia & New Zealand)	134,467	-
	<u>240,558</u>	<u>200,947</u>
Catering and retail - Joint venture	-	(13,779)
Reinsurance - Joint venture (Bermuda)	25,855	20,656
Property development - Joint venture	1,078	1,000
Financial services - Joint venture	6,573	-
	<u>274,064</u>	<u>208,824</u>
Net assets	<u>274,064</u>	<u>208,824</u>

Turnover and Profit and Loss by class	2007	2006	2007	2006	2007	2006
	Turnover	Turnover	Profit/(loss)	Profit/(loss)	Profit/(loss)	Profit/(loss)
	£000	£000	before tax	before tax	before tax	before tax
			after goodwill	after goodwill	before goodwill	before goodwill
			£000	£000	£000	£000
Engineering services	55,519	46,105	5,309	5,523	5,309	5,523
Financial services	146,711	39,931	21,778	(16,391)	32,995	(14,891)
Hotel - Group	24,246	42,365	7,013	2,278	7,100	2,495
Lease hire services (Australia & New Zealand)	99,606	-	(4,403)		(1,760)	
	<u>326,082</u>	<u>128,401</u>	<u>29,697</u>	<u>(8,590)</u>	<u>43,644</u>	<u>(6,873)</u>
Catering & retail - Joint venture	158,431	154,127	(18,827)	(15,615)	(18,827)	(15,615)
Reinsurance - Joint venture (Bermuda)	2,136	939	8,305	570	8,558	570
Financial services - Joint venture	-	-	722	-	722	-
Exceptional items	-	-	55,347	40,098	55,347	40,098
Exceptional expenses - Joint venture	-	-	-	(5,144)	-	(5,144)
	<u>486,649</u>	<u>283,467</u>	<u>75,244</u>	<u>11,319</u>	<u>89,444</u>	<u>13,036</u>

The exceptional items in 2007 relate to profits on the sale of a subsidiary and a Joint venture See also note 3



## Notes to the financial statements

for the year ended 31 March 2007 (continued)

### 2 Segmental reporting (continued)

The exceptional item in 2006 relates to the profit on sale of a fixed asset investment. The exceptional expenses arising in 2006 in the Joint Venture relate to restructuring costs. See also note 3.

### 3 Exceptional items

	2007 £000	2006 £000
Profit on sale of investments	25,070	40,098
Profit on sale of Joint venture	30,277	-
	<u>55,347</u>	<u>40,098</u>

The sale of the Menzies Hotel group in October 2007, which had been a Group company since December 2004, resulted in a profit of £25,070,000. The profit is stated after a goodwill write-off of £3,059,000.

On 30 March 2007 a subsidiary of the Company, NPI Ventures Limited, sold its entire interest in MSA Acquisitions Limited, a motorway service area operator which had been treated as a Joint Venture in the accounts of the Group. The profit on this disposal has been recognised as follows:

	£000	£000
Proceeds		91,583
Less: settlement of debt		(97,185)
Net assets of Joint venture disposed	42,056	
Less: Group share of revaluation of fixed assets recognised in the reserves of the Joint venture during the period	(77,935)	
	<u>          </u>	
Add back: net liabilities of Joint venture disposed excluding current year revaluations		35,879
		<u>          </u>
Profit recognised on the disposal of Joint venture		30,277
		<u>          </u>

There are no related tax charges included in the taxation charge within the profit and loss account because of losses available from Group relief.

On 12 September 2005 a subsidiary of the Company, Pall Mall Life Limited, sold its entire interest in the investment in Resolution Life Group, which had recently merged with the Britannic Group Plc involving a share for share exchange. The proceeds of this sale were £89,414,428 and this gave rise to a profit for the Group of £40,098,000.

**Notes to the financial statements**  
*for the year ended 31 March 2007 (continued)*

**3 Exceptional items (continued)**

	2007 £000	2006 £000
Restructuring expenses – Joint venture	-	(5,144)

During the prior one of the joint venture companies, MSA Acquisitions Limited, embarked on a major outsourcing project and the Group share of the costs involved is stated above

**4 Interest payable and similar items**

	2007 £000	2006 £000
Interest payable on bank loans and overdrafts	(41,214)	(13,189)
Amortisation of issue costs of bank loan	(1,625)	(229)
Interest payable on other loans	(5,510)	(2,268)
Interest payable to parent company	(2,761)	(459)
Group interest and similar charges	(51,110)	(16,145)
Share of joint venture interest payable	(26,142)	(24,881)
Total interest and similar charges payable	(77,252)	(41,026)
Group interest receivable	2,308	1,953
Interest receivable from Joint venture	23,631	-
Release of provision against interest receivable from Joint venture	15,673	-
Net interest payable and similar items	(35,640)	(39,073)

**5 Other finance income**

	2007 £000	2006 £000
Other finance income (see note 10)	4,400	5,700

**Notes to the financial statements**  
*for the year ended 31 March 2007 (continued)*

**6 Other finance costs**

	2007 £000	2006 £000
Other finance costs – Group (see note 10)	(315)	-
Other finance costs – Joint venture	(69)	(93)
	<u>          </u>	<u>          </u>

**7 Profit on ordinary activities before taxation**

	2007 £000	2006 £000
Profit on ordinary activities before tax is stated after charging		
Staff costs (note 9)	64,589	42,206
Depreciation of tangible fixed assets – owned assets	44,188	4,670
Amortisation of goodwill	14,200	1,717
(Profit) loss on disposal of fixed and current asset investments	(25,033)	4,021
Hire of machinery and equipment	284	124
Other operating lease rentals	541	499
Property lease rentals	3,058	1,413
Audit services provided by firms other than Group auditor	275	37
Non-audit services provided by firms other than Group auditor	353	69
Income from operating leases	(80,811)	-

Rentals receivable under finance leases during the year was £11,071,000 (2006 £nil)

**Services provided by the Group's auditor and network firms**

During the year the Group obtained the following services from the Group's auditor at costs as detailed below

	2007 £000	2006 £000
Fees for the audit of the parent Company and consolidated financial statements	125	75
Fees for the audit of subsidiaries of the Company	261	299
Tax services	265	319
Other services – including due diligence fees	638	227

## Notes to the financial statements

for the year ended 31 March 2007 (continued)

### 8 Directors' emoluments

No directors received any emoluments as a result of the services provided to the Company. Three of the directors of the Company were directors of a subsidiary company (Nikko Principal Investments Limited) during the years ended 31 March 2007 and 31 March 2006 and of these, two received emoluments which are disclosed in that subsidiary's financial statements. These disclosures are given below.

	2007 £000	2006 £000
Aggregate emoluments	7,965	3,345
Company pension contributions to money purchase scheme	33	40

The aggregate of the emoluments paid to the highest paid director was £5,294,943 (2006 £2,055,146), including pension contributions paid to a defined contribution scheme of £21,825 (2006 £29,100).

Amounts receivable by directors under long term incentive schemes is Nil (2006 Nil). Retirement benefits are accruing to 2 (2006 2) directors under a money purchase scheme.

### 9 Employee Information

Staff costs for the Group during the year were as follows:

	Group		Company	
	2007 £000	2006 £000	2007 £000	2006 £000
Wages and salaries	57,852	36,722	-	-
Social security costs	4,876	4,371	-	-
Other pension costs (note 10)	1,861	1,113	-	-
	<u>64,589</u>	<u>42,206</u>	<u>-</u>	<u>-</u>

The average monthly number of people employed was as follows:

	Group		Company	
	2007	2006	2007	2006
Engineering services	441	426	-	-
Financial services	461	129	-	-
Hotel and catering	630	1,260	-	-
Lease hire services	227	-	-	-
	<u>1,759</u>	<u>1,815</u>	<u>-</u>	<u>-</u>

## Notes to the financial statements

for the year ended 31 March 2007 (continued)

### 10 Pensions

The group has established a number of pension schemes covering many of its employees. The principal funds are the PD Pension Plan and the Nikko Europe Plc Retirement and Death Benefit Plan (Nikko). In the financial statements for the year ended 31 March 2006, the figures for these funds were shown separately because the deficit for the Nikko Plan was not disclosed in accordance with FRS17 as it was sponsored by a company outside the Group as it was envisaged that the plan would wind up in the current financial year and that the funding of the plan along with the assets realised by other group companies would be sufficient to cover any deficit. The disclosures required by FRS 17 were given only in the context of a contingent liability payable if the funds on liquidation were insufficient to cover the liabilities of the employers in the scheme and a claim was made against a Group company for the shortfall. The wind up is now expected to complete in the financial year to March 2008 but notwithstanding this the deficit in the plan is now disclosed in accordance with FRS 17 and the numbers have been aggregated with the disclosures in respect of the PD Pension Plan. It is not anticipated that the Company will be required to make any contribution to the Plan on winding up.

The latest full update to the last actuarial valuation of the Nikko scheme was performed by firstactuarial at 31 March 2007 by performing an accurate calculation of the Plan's liabilities and comparing them to the Plan assets. The valuation shows that the deficit is £1,715,000 at 31 March 2007 (2006 £3,213,000) and no contributions were made into the scheme during the year (2006 £nil).

Hewitt Bacon and Woodrow Limited and Watson Wyatt Worldwide valued the PD Pension Plan at 31 March 2003 using the projected unit method. This valuation has been rolled forward each year to 31 March 2007 and shows a deficit of £6,820,000 (2006 £4,110,000). No contributions were made into this scheme during the year (2006 £nil).

The principal assumptions made by the actuaries were

	Assumption 2007 % p.a.	Assumption 2006 % p.a.
Rate of increase in salaries	3.2 – 4.7	4.5
Rate of increase in pension payments (Limited Price Indexation)	2.1 – 3.3	2.0 – 2.9
Discount rate	5.4	4.9
Inflation	3.3	3

The assets and estimated liabilities of the pension schemes are shown below

	2007 £000	2006 £000
Total fair value of assets	513,211	487,090
Present value of Plans' liabilities	(521,746)	(491,200)
Net pension liability	<u>(8,535)</u>	<u>(4,110)</u>

There is a potential deferred tax asset of £2,560,000 (2006 £1,233,000) which has not been recognised above as it is unlikely to be recoverable. This represents 30% of the deficit in the schemes.

**Notes to the financial statements**  
*for the year ended 31 March 2007 (continued)*

**10 Pensions (continued)**

The following table sets out the expected rates of return in different classes of assets together with the value of assets at the start and end of the accounting year

	Long term expected rate of return at 31 March 2007	Fair value at 31 March 2007 £000	Long term expected rate of return at 31 March 2006	Fair value at 31 March 2006 £000
Equity	7.75%	213,600	7.25%	246,200
Government bonds (gilts)	4.75%	125,991	4.25%	96,400
Corporate bonds	5.25%	74,200	4.65%	58,000
Other	5.5%	99,420	4.55%	86,490
Total		<u>513,211</u>		<u>487,090</u>

The change in the financial position of the schemes can be broken down into the following areas

	2007 £000	2006 £000
Deficit of scheme at beginning of the year	(4,110)	(29,500)
Nikko Plan deficit at beginning of year	(3,213)	-
Current service cost (net of employee contributions)	(347)	(10)
Other finance income	4,400	5,700
Other finance expense	(315)	
Actuarial (loss) / gain (see below)	(4,950)	19,700
Deficit at the end of the year	<u>(8,535)</u>	<u>(4,110)</u>

Amounts that have been charged to the profit and loss account under FRS17 in respect of defined benefit scheme are as follows

	2007 £000	2006 £000
<b>Operating profit</b>		
Current service cost	(387)	(50)
Employee contributions	40	70
Past service costs	-	(30)
Total operating charge	<u>(347)</u>	<u>(10)</u>

**Notes to the financial statements**  
*for the year ended 31 March 2007 (continued)*

**10 Pensions (continued)**

**Net credit to finance income**

	2007 £000	2006 £000
Expected return on pension scheme assets	29,001	29,100
Interest on pension scheme liabilities	(24,916)	(23,400)
Net return	<u>4,085</u>	<u>5,700</u>

This amount is the net of the credit to finance income of £4,400,000 less the finance cost of £315,000

The amounts that have been recognised in the Statement of total recognised gains and losses under FRS17 in the year are

	2007 £000	2006 £000
Actual return less expected return on scheme assets	(3,328)	60,600
Experience gains and losses arising on the scheme liabilities	6,684	(3,300)
Changes in assumptions underlying the present value of the scheme liabilities	(8,306)	(37,600)
Actuarial (loss) / gain	<u>(4,950)</u>	<u>19,700</u>

<b>History of experience gains and losses</b>	<b>2007 £000</b>	<b>2006 £000</b>
Difference between the actual and expected return on scheme assets		
Amount (£'000)	(3,328)	60,600
Percentage of scheme assets	(0.6%)	12.4%
Experience gains and losses on scheme liabilities		
Amount (£'000)	6,684	(3,300)
Percentage of scheme liabilities	1.3%	(0.7%)
Total amount to be recognised in Statement of total recognised gains and losses		
Amount (£'000)	(4,950)	19,700
Percentage of scheme liabilities	(0.9%)	4.0%

**Defined contribution schemes**

In addition to the above schemes, the Group operates a number of defined contribution schemes in the UK. The assets and liabilities are not material to the Group accounts and have been excluded from any disclosures. Contributions paid to these schemes totalled £1,514,000 for the year (2006: £1,103,000).

## Notes to the financial statements

for the year ended 31 March 2007 (continued)

### 11 Tax on profit on ordinary activities

	Group	
	2007	2006
	£000	£000
Analysis of credit during the year		
<b>United Kingdom</b>		
Corporation tax at 30%	5,358	1,500
Adjustment in respect of prior periods	-	(2,277)
	<u>5,358</u>	<u>(777)</u>
<b>Foreign tax</b>		
Corporation tax	(144)	25
Adjustments in respect of prior periods	(19)	(469)
	<u>(163)</u>	<u>(444)</u>
<b>Total Current Tax</b>	<b>5,195</b>	<b>(1,221)</b>
<b>Deferred tax</b>		
Origination and reversal of timing differences		
- Reversing from deferred tax asset – note 19	712	(1,393)
- Reversing from deferred tax liability (UK tax) – note 26	(230)	(37)
- Reversing from deferred tax liability (foreign tax)– note 26	(174)	-
	<u></u>	<u></u>
<b>Tax charge / (credit) on profit on ordinary activities</b>	<b>5,503</b>	<b>(2,651)</b>

The tax for the year is different from the standard rate of corporation tax in the UK (30%) as explained below

	2007	2006
	£000	£000
Profit on ordinary activities before tax	75,244	11,319
Profit on ordinary activities multiplied by the standard tax rate of corporation tax in the UK	22,573	3,395
Effects of		
Adjustment in respect of previous periods	(19)	(2,746)
Expenses not deductible for tax purposes	6,549	5,897
Adjustment in respect of foreign taxes	51	-
Pension cost charge in excess of pension relief	-	(1,710)
Effect of gains on sale of current asset investments	(19,665)	(11,882)
Capital allowances in excess of depreciation for the period	(496)	(681)
Non-taxable income	(8,345)	(1,902)
Other timing differences	819	-
UK UK transfer pricing adjustment	1,054	-
	<u></u>	<u></u>
<b>Tax on profit less adjustments carried forward</b>	<b>2,521</b>	<b>(9,629)</b>



**Notes to the financial statements**  
*for the year ended 31 March 2007 (continued)*

**11 Tax on profit on ordinary activities (continued)**

	2007 £000	2006 £000
Tax on profit less adjustments brought forward	2,521	(9,629)
Losses not available for utilisation or group relief	6,005	9,407
Interest not taxable	(5,254)	-
Tax life expired	-	(450)
Other	275	(549)
Utilisation of losses brought forward	(3,166)	-
Losses available to carry forward for relief	4,814	-
	<hr/>	<hr/>
Current tax on profit on ordinary activities	5,195	(1,221)
	<hr/>	<hr/>

**12 Profit of the holding company**

As permitted by Section 230 of the Companies Act 1985, the profit and loss account for the parent Company has not been included in these accounts. The loss after tax for the year to 31 March 2007 was £125,000 (2006 loss of £97,625)

**13 Intangible fixed assets**

	Goodwill 2007 £000	Service contracts 2007 £000	Total 2007 £000
<b>Group</b>			
<b>Cost</b>			
At 1 April 2006	27,001	-	27,001
Goodwill from acquisitions	332,291	-	332,291
Acquired with subsidiary company	-	3,536	3,536
Additions	-	52	52
Exchange differences	2,931	-	2,931
Disposals	(3,363)	-	(3,363)
	<hr/>	<hr/>	<hr/>
<b>At 31 March 2007</b>	358,860	3,588	362,448
	<hr/>	<hr/>	<hr/>
<b>Aggregate amortisation</b>			
At 1 April 2006	3,851	-	3,851
Charge for the year	14,200	478	14,678
Disposals	(304)	-	(304)
	<hr/>	<hr/>	<hr/>
<b>At 31 March 2007</b>	17,747	478	18,225
	<hr/>	<hr/>	<hr/>
<b>Net book amount at 31 March 2007</b>	341,113	3,110	344,223
	<hr/>	<hr/>	<hr/>
Net book amount at 31 March 2006	23,150	-	23,150
	<hr/>	<hr/>	<hr/>

## Notes to the financial statements

for the year ended 31 March 2007 (continued)

### 13 Intangible fixed assets (continued)

The net book value of goodwill disposed of £3,059,000 relates to the goodwill that arose on the purchase of the Menzies Hotel group which was sold on 10 October 2006. This goodwill has been allocated against the profit on that sale.

Goodwill was acquired during the year from the following acquisitions

	2007 £000
Cabot Financial Holdings Group	183,335
LifeBond Holding GmbH & Co KG	4,743
Clarity Credit Management Solutions Limited	4,456
Fleet Partners (Pty) Limited	66,246
Truck Leasing Limited	43,931
Hire Equipment Group	23,326
Others	5,639
Associate company	615
	<hr/> 332,291 <hr/>

### 14 Tangible fixed assets

#### Group

	Freehold land & buildings	Leasehold land & buildings	Plant & machinery	Fixtures & fittings	Assets under Construction	Lease Property	Total
	£000	£000	£000	£000	£000	£000	£000
<b>Cost</b>							
At 1 April 2006	102,594	22,401	11,278	34,677	31	-	170,981
Additions at cost	861	448	1,750	3,027	46	68,214	74,346
Adjustments	-	878	-	-	-	(878)	-
Acquired or disposed with subsidiary company	(99,499)	(21,114)	(5,547)	(23,954)	26	718,114	568,026
Disposals	(4,481)	(1)	(437)	(1,548)	-	(65,898)	(72,365)
Exchange differences	-	51	40	(86)	(31)	14,829	14,803
Revaluations	525	147	-	-	-	-	672
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2007	-	2,810	7,084	12,116	72	734,381	756,463
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

**Notes to the financial statements**  
*for the year ended 31 March 2007 (continued)*

**14 Tangible fixed assets (continued)**

	Freehold land & buildings	Leasehold land & buildings	Plant & machinery	Fixtures & fittings	Assets under Construction	Lease Property	Total
<i>Accumulated depreciation</i>							
At 1 April 2006	-	997	2,414	10,280	-	-	13,691
Adjustments	-	85	-	-	-	1,136	1,221
Acquired or disposed with subsidiary company	-	(164)	703	(3,772)	-	231,205	227,972
Charge for the year	-	214	785	2,557	-	40,632	44,188
Disposals	-	(13)	(225)	(772)	-	(33,766)	(34,776)
Exchange differences	-	2	53	(33)	-	5,106	5,128
At 31 March 2007	-	1,121	3,730	8,260	-	244,313	257,424
<i>Net book value</i>							
At 31 March 2007	-	1,689	3,354	3,856	72	490,068	499,039
At 31 March 2006	102,594	21,404	8,864	24,397	31	-	157,290

The Company holds no tangible fixed assets

<b>Group:</b>	<b>2007</b>	<b>2006</b>
<b>Analysis of net book value of leasehold land and buildings</b>	<b>£000</b>	<b>£000</b>
Long leasehold at least 50 years unexpired	-	17,930
Short leasehold less than 50 years unexpired	1,689	3,474
<b>At 31 March</b>	<b>1,689</b>	<b>21,404</b>

Net book value of plant and fixtures held under finance leases is £128,000 (2006 £nil) The related depreciation charged during the year amounts to £37,000 (2006 £nil) and the accumulated depreciation at the end of the year is £93,000 (2006 £55,894)

## Notes to the financial statements

for the year ended 31 March 2007 (continued)

### 15 Fixed asset investments

	2007	2006
Group	£000	£000
Cost:		
At 1 April	17,887	17,549
Additions	5,237	4,736
Disposals	(12,599)	(3,908)
Revaluation	(621)	(490)
	<hr/>	<hr/>
At 31 March	9,904	17,887
	<hr/>	<hr/>

The investments held at 31 March 2007 comprise listed and unlisted investments. The listed investments with a book value of £6,059,981 (2006 £2,151,560) are listed on the Alternative Investment Market and had a market value of £7,809,320 (2006 £5,162,584) at the balance sheet date.

On 15 November 2006, the Group disposed of its entire investment in the Student Loans Company, consisting of fixed asset investments of £11,298,000 and a current asset investment of £398,000 for proceeds of £26,519,000 resulting in a net gain of £14,823,000.

Sundry small investments in biomedical start-up companies held at a cost of £1,301,000 were sold during the year for proceeds of £2,403,000 resulting in gains totalling £1,102,000.

The Group's principal operating subsidiaries are

Subsidiary	Activity	Ownership %	Country of Incorporation
Nikko Principal Investments Limited	Investment company	100	UK
Hamworthy Combustion Engineering Limited	Engineering	100	UK
Powell Duffryn Limited	Holding company	100	UK
British Credit Trust Limited	Finance provider	100	UK
NPI Ventures Limited	Investment company	100	UK
Nikko Energy Limited	Investment company	100	UK
Cabot Financial (Europe) Limited	Debt collection	68.6	UK
LifeBond Management GmbH	Purchase of secondary life insurance policies	50.5	Germany
Clarity Credit Management Solutions Limited	Debt collection	85	UK
FleetPartners (Pty) Limited	Fleet hire	96.3	Australia
Truck Leasing Limited	Truck leasing	96.3	New Zealand
Hirequip Limited	Plant leasing	100	New Zealand
Nikko Principal Investments Australia (Pty) Limited	Investment company	100	Australia

Foreign exchange exposure on foreign currency equity and debt investments are managed using currency swaps hedging future foreign currency flows into sterling as detailed in note 25.

**Notes to the financial statements**  
*for the year ended 31 March 2007 (continued)*

**15 Fixed asset investments (continued)**

Company	2007 £000	2006 £000
Cost:		
At 1 April and 31 March	198,322	198,322

Investments in Group undertakings are stated at cost. All the investments held at 31 March 2007 and 31 March 2006 are unlisted.

**16 Stock**

	Group 2007 £000	2006 £000
Raw materials	3,593	1,959
Work in progress	3,533	1,624
Finished products and goods available for resale	12,745	1,008
	19,871	4,591
Less: payments on account	-	(33)
	19,871	4,558

The replacement cost of stocks and work-in-progress does not differ materially from the actual cost shown above.

The Company held no stock at 31 March 2007 (2006: Nil).

**17 Debtors**

	Group		Company	
	2007 £000	2006 £000	2007 £000	2006 £000
Amounts falling due after one year				
Trade debtors	119,636	84,009	-	-
Amounts recoverable on finance leases	71,444	-	-	-
Amounts due from group companies -- note 37	38,517	43,495	-	-
Deferred financing costs	9,576	6,970	-	-
Other debtors	52	213	-	-
Deferred tax asset -- note 19	2,228	-	-	-
	241,453	134,687	-	-

**Notes to the financial statements**  
*for the year ended 31 March 2007 (continued)*

**18 Debtors**

	<b>Group</b>		<b>Company</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Amounts falling due within one year</b>				
Trade debtors	130,161	83,682	-	-
Amounts recoverable on finance leases	21,207	-	-	-
Loan portfolio	132,909	-	-	-
Amounts due from group companies – note 37	100	121	-	-
Amounts due from joint ventures	-	38,400	-	-
Deferred financing costs	3,754	2,835	-	-
Other debtors	8,810	3,255	-	-
Prepayments and accrued income	4,172	1,950	4	7
Deferred tax asset – note 19	2,807	4,130	-	-
	<u>303,920</u>	<u>134,373</u>	<u>4</u>	<u>7</u>

Amounts recoverable on finance leases are stated at cost less future finance charges

The loan portfolio comprises loans recoverable immediately and is stated at cost to acquire the portfolio. It is likely that a portion of these loans will not be recovered until after one year but this portion cannot be calculated with any certainty.

**19 Deferred tax asset**

	<b>Group</b>		<b>Company</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Deferred tax asset comprises</b>				
Accelerated capital allowance	-	140	-	-
Short-term timing differences	1,579	3,990	-	-
Other timing differences	3,456	-	-	-
	<u>5,035</u>	<u>4,130</u>	<u>-</u>	<u>-</u>
 <b>At 1 April</b>	 <b>4,130</b>	 <b>2,737</b>	 <b>-</b>	 <b>-</b>
Acquired with subsidiary company	302	-	-	-
Transferred to deferred tax liability	1,315	-	-	-
Tax (charge) / credit for the year – note 11	(712)	1,393	-	-
	<u>5,035</u>	<u>4,130</u>	<u>-</u>	<u>-</u>
 <b>At 31 March</b>	 <b>5,035</b>	 <b>4,130</b>	 <b>-</b>	 <b>-</b>
 <b>Shown as</b>				
Amounts recoverable within one year	2,807	4,130	-	-
Amounts recoverable in more than one year	2,228	-	-	-
	<u>5,035</u>	<u>4,130</u>	<u>-</u>	<u>-</u>

## Notes to the financial statements

for the year ended 31 March 2007 (continued)

### 20 Current asset investments

	Group		Company	
	2007	2006	2007	2006
	£000	£000	£000	£000
<b>Valuation:</b>				
At 1 April	77,905	122,672	-	-
Additions	30,984	56,934	-	-
Exchange differences	(1,723)	-	-	-
Disposals	(49,560)	(101,701)	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
<b>At 31 March</b>	<b>57,606</b>	<b>77,905</b>	<b>-</b>	<b>-</b>
	<hr/>	<hr/>	<hr/>	<hr/>

Current asset investments comprise unlisted investments (2006 unlisted investments)

During the year, the Group company acquired a 2.38% shareholding in the Viridian Group Plc for a consideration of £27,797,657 and incurred costs of purchase of £1,791,383. On the 22 December 2006, the company sold its entire interest in the investment in Viridian Group Plc for proceeds of £38,697,447.

An investment of £19,572,673 acquired in 2005 with a subsidiary company, MSA Acquisitions Limited, which comprised loan notes issued to a joint venture was repaid in full on 30 March 2007.

As disclosed in note 15, the sale of the investment in the Student Loans Company in November 2006 included a current asset investment of £398,000.

### Joint ventures

In addition to the above, the Group has the following investments in Joint ventures which are accounted for under the gross equity method:

Company and principal activity	Country of Incorporation	Details of Shares held	Shareholding of Group	Shareholding of Company
Catalina Holdings Limited – property and casualty reinsurance	Bermuda	\$0.001 Class A redeemable	40%	0%
Regeneration Capital Limited – property investment and management	UK	£0.01 Class B ordinary	50%	0%
BVT LifeBond Management GmbH	Germany	Ordinary	50%	0%

The shares in Catalina Holdings Limited entitle the Group and other shareholders to priority of payment on liquidation, reduction of capital, redemption of shares, payment of dividends and on any sale.

**Notes to the financial statements**  
*for the year ended 31 March 2007 (continued)*

**21 Cash at bank and in hand**

	<b>Group</b>		<b>Company</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Cash held for the benefit of employees	1,209	32	-	-
Cash at bank and in hand	182,940	43,241	-	-
	<u>184,149</u>	<u>43,273</u>	<u>-</u>	<u>-</u>

Cash held for the benefit of employees by the Nikko Principal Investments Limited Employee Benefit Trust is invested in a trust administered by The Royal Bank of Canada Trustees Limited. At 31 March 2007, the trust funds totalled £1,203,646 (2006 £26,005).

Cash held for the benefit of employees by the NPIL Employee Benefit Trust is administered by Ogier Employee Benefit Trustees Limited ("the Trustees"). At 31 March 2007, the trust funds totalled £5,968 (2006 £5,886).

**22 Creditors: amounts falling due within one year**

	<b>Group</b>		<b>Company</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Bank loans and other borrowings – see below	735,454	147,619	-	-
Amounts due to group undertakings – note 37	32,888	33,671	231	168
Amounts due to parent company – see below	285,038	17,006	-	-
Obligations under finance leases	57	-	-	-
Trade creditors	26,792	13,498	-	-
Corporation tax	1,049	7,037	-	-
Other tax and social security payable	12,077	2,506	-	-
Other creditors	33,526	5,297	-	-
Accruals and deferred income	34,441	30,744	134	75
	<u>1,161,322</u>	<u>257,378</u>	<u>365</u>	<u>243</u>

Bank loans do not include any amounts advanced from other Group undertakings. Amounts due to Group undertakings are unsecured and repayable on demand.



**Notes to the financial statements**  
*for the year ended 31 March 2007 (continued)*

**22 Creditors: amounts falling due within one year (continued)**

	2007 £000	2006 £000
Analysis of debt		
Secured bank loans and overdrafts	730,011	145,194
Unsecured bank loans and overdrafts	23	37
Non-bank debentures and secured loans	1,954	2,288
Non bank unsecured loans	3,466	100
	<u>735,454</u>	<u>147,619</u>

Included in the Secured amounts due within one year are the following

(a) £192,825,000 of the loans from banks is secured by a fixed and floating charge over the assets of British Credit Trust Management Limited and by a charge over the shares of British Credit Trust Management Limited held by British Credit Trust Holdings Limited

(b) £4,585,000 of the loans is from DZ Bank in Germany and is secured on German life policies. Interest is charged at EONIA plus a margin of 0.55% and the loan is repayable on 31 August 2008

(c) AUD\$ 884,128,367 or £361,870,000 of the secured loans is due to a syndicate of banks, namely Macquarie Bank and Bank of Scotland, with Westpac Bank in Australia acting as agent. This facility is due and repayable by 31 October 2007. It is secured by a fixed and floating charge over the assets of the operating company in Australia with priority over the enforcement proceeds from the sale of receivables, and other assets. It attracts interest at a rate of base rate plus a margin of 0.67%. Subsequent to year end, the facility was extended to 14 December 2007.

(d) NZD\$ 465,512,592 or £168,348,000 of the secured loans is due to a syndicate of banks, namely Macquarie Bank and Bank of Scotland, with Westpac Bank in New Zealand acting as agent. This facility is due and repayable by 31 October 2007. The vast majority of it is secured by a fixed and floating charge over the assets of the operating company in New Zealand with priority over the enforcement proceeds from the sale of receivables, and other assets. It attracts interest at a rate of base rate plus a margin of 0.67%. Subsequent to year end, the facility was extended to 14 December 2007.

(e) £2,383,000 of the loans from banks is secured by a floating charge over the plant, equipment and current assets of the Hire Equipment group, is repayable by instalments until 29 December 2012, and attracts an interest rate of base rate plus a margin of 2.15%.

(f) £1,954,000 of non-bank secured loans relate to loan notes which attract interest of 6 months LIBOR less 1% and are secured on cash collateral.

**Analysis of amount due to parent company 31 March 2007**  
**Group**

Maturity date		Interest rate on loan advanced	Loan balance £000
16 May 2007	JPY	67,035,168,425	1.3544%
Accrued interest			284,655 383
Amount due 31 March 2007			<u>285,038</u>

**Notes to the financial statements**  
*for the year ended 31 March 2007 (continued)*

**22 Creditors: amounts falling due within one year (continued)**

Analysis of amount due to parent company 31 March 2006  
Group

Maturity date			Interest rate on loan advanced	Loan balance £000
16 May 2006	JPY	3,495,200,000	0.8375%	17,000
Accrued interest				6
Amount due 31 March 2006				<u>17,006</u>

Currency swaps are used to manage the interest and currency exposure on foreign borrowings

**23 Creditors: amounts falling due after one year**

	Group		Company	
	2007 £000	2006 £000	2007 £000	2006 £000
Bank loans and other borrowings – see below	229,806	117,128	-	-
Amounts due to group undertakings – note 37	5,133	5,133	-	-
Obligations under finance leases	64	-	-	-
Accruals and deferred income	182	-	-	-
	<u>235,185</u>	<u>122,261</u>	<u>-</u>	<u>-</u>
	Group		Company	
Analysis of debt	2007 £000	2006 £000	2007 £000	2006 £000
Secured loans	150,575	109,913	-	-
Bank unsecured loans	41,654	301	-	-
Non-bank unsecured loans	37,577	6,914	-	-
	<u>229,806</u>	<u>117,128</u>	<u>-</u>	<u>-</u>

## Notes to the financial statements

for the year ended 31 March 2007 (continued)

### 23 Creditors' amounts falling due after one year (continued)

Included in the amounts falling due after one year are the following

(a) £43,640,000 of the loans from banks is secured by a floating charge over the plant, equipment and current assets of the Hire Equipment group, is repayable by instalments until 29 December 2012, and attracts an interest rate of base rate plus 2.15%

(b) AUD\$ 75,000,000 or £30,798,000 of the unsecured loans is due to a syndicate of banks led by Westpac Bank in Australia, and is repayable by 29 October 2012. It attracts interest at a rate of base rate plus 2.25% during the period ended 31 March 2007. Subsequent to this, the rate decreased to base rate plus 1.75%

(c) NZD\$ 29,093,250 or £10,555,000 of the unsecured loans is due to a syndicate of banks led by Westpac Bank in New Zealand, and is repayable by 29 October 2012. It attracts interest at a rate of base rate plus 2.25% during the period ended 31 March 2007. NZD\$ 11,326,320 was paid down in April 2007. Subsequent to this, the rate decreased to base rate plus 1.75%

(d) £106,935,000 of the loans from banks is secured by a fixed and floating charge over the majority of the non-performing assets in the Cabot group of companies. The bank loans are repayable on 7 April 2009 and the interest rate is variable and fluctuates in accordance with LIBOR.

(e) The non-bank unsecured debt relates to loan notes issued by a subsidiary company to minority investors. These are fixed rate securities with interest rates of 8% and 13% and are repayable in 2016.

### 24 Obligations under finance leases

	Group		Company	
	2007	2006	2007	2006
	£000	£000	£000	£000
Net obligations under finance leases				
Payable within one year	57	-	-	-
Payable within 1-2 years	43	-	-	-
Payable within 2-5 years	21	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	121	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>

### 25 Derivatives and financial instruments

The main financial risks faced by the Group relate to interest rates. It has raised borrowings at both fixed and floating rates, and has used interest rate swaps to generate the desired interest rate profile and to manage its exposure to interest rate fluctuations. Its market risk comprises primarily interest rate exposures, but the directors consider that a rise or fall in interest rates would not have a material effect on its financial position. The Group's treasury activities principally relate to the investment of any surplus funds it may have, based on its forecast cash requirements and in accordance with its treasury policies. These policies prohibit the use of derivatives for speculation. As permitted by FRS13, the Group has excluded short-term debtors and creditors from these disclosures.

**Notes to the financial statements**  
*for the year ended 31 March 2007 (continued)*

**25 Derivatives and financial instruments (continued)**

**Currency and interest rate profile of financial liabilities**

A financial liability is defined as any liability that is a contractual obligation to deliver cash or another financial asset to another entity or to exchange financial instruments with another financial entity

The interest rate risk profile of the Group's financial liabilities at 31 March 2007, after taking account of the currency swaps used to manage the interest and currency profile was

		Floating rate financial liabilities £000	Fixed rate financial liabilities £000	Financial liabilities on which no interest is paid £000
<b>31 March 2007</b>	<b>Total £000</b>			
Bank loans and borrowings				
- Sterling	343,081	301,714	40,943	424
- AUD	392,668	-	392,668	-
- NZD	224,926	-	224,926	-
- Euro	4,585	4,585	-	-
Loans from parent company				
- Sterling	144,407	144,407	-	-
- Australian dollar	76,419	76,419	-	-
- New Zealand dollar	63,827	63,827	-	-
Other financial liabilities	38,142	-	121	38,021
	<u>1,288,055</u>	<u>590,952</u>	<u>658,658</u>	<u>38,445</u>
 <b>31 March 2006</b>				
Loans from parent company- sterling	17,000	17,000	-	-
Other loans – Sterling	264,747	240,389	23,920	438
	<u>281,747</u>	<u>257,389</u>	<u>23,920</u>	<u>438</u>

The weighted average period for which the fixed rate financial liabilities' rates are fixed is less than 1 year (2006 less than 1 year) The weighted average interest rate of the floating rate financial liabilities is 5.00% (2006 6.02%)

**Notes to the financial statements**  
*for the year ended 31 March 2007 (continued)*

**25 Derivatives and financial instruments (continued)**

**Currency and interest rate risk profile of financial assets**

A financial asset is defined as any asset that is to be received in cash, including cash at bank and short term deposits

Currency	Total £000	Floating rate financial assets £000	Fixed rate financial assets £000	Financial assets on which no interest is received £000
Sterling	543,892	26,015	246,944	270,933
Australian dollars	121,971	18,578	90,084	13,309
New Zealand dollars	35,218	23,520	2,839	8,859
Euro	5,907	1,669	63	4,175
Other currencies	(3)	(3)	-	-
<b>At 31 March 2007</b>	<b>706,985</b>	<b>69,779</b>	<b>339,930</b>	<b>297,276</b>
Sterling	310,112	21,014	35,797	253,301
US Dollars	(1,092)	(1,092)	-	-
Euro	(1,458)	(1,458)	-	-
Other currencies	169	169	-	-
<b>At 31 March 2006</b>	<b>307,731</b>	<b>18,633</b>	<b>35,797</b>	<b>253,301</b>

**Maturity of financial liabilities**

The maturity profile of the carrying amount of the Group's financial liabilities at 31 March 2007 was as follows

	Group		Company	
Maturity of debt	2007 £000	2006 £000	2007 £000	2006 £000
<b>Due for repayment</b>				
In one year or less or on demand	1,053,052	164,619	-	-
In more than one year, but not more than two years	4,158	1,800	-	-
In more than two years, but not more than five years	125,290	5,701	-	-
In more than five years	105,555	109,627	-	-
	<b>1,288,055</b>	<b>281,747</b>	<b>-</b>	<b>-</b>

**Notes to the financial statements**  
*for the year ended 31 March 2007 (continued)*

**25 Derivatives and financial instruments (continued)**

***Borrowing facilities***

The Group has the following undrawn committed borrowing facilities available at 31 March 2007 in respect of which all conditions precedent had been met at that date

	Floating rate £000	Fixed rate £000	Total 2007 £000	Total 2006 £000
Expiring within 1 year	85,897	-	85,897	1,606
Expiring between 1 and 2 years	12,036	-	12,036	-
Expiring in more than 2 years	21,065	-	21,065	-
	<u>118,998</u>	<u>-</u>	<u>118,998</u>	<u>1,606</u>

***Fair values of financial assets and financial liabilities***

There are no significant differences between the carrying amounts and fair values of the Group's financial assets and liabilities at 31 March 2007. A comparison of the book values and fair values of the Group's borrowings and financial assets is set out below

	Book value 2007 £000	Fair value 2007 £000	Book value 2006 £000	Fair value 2006 £000
<b>Primary financial instruments held or issued to finance the Group's operations</b>				
Short term borrowing	(1,020,107)	(1,020,107)	(164,619)	(164,619)
Long term borrowing	(229,806)	(229,806)	(117,128)	(117,128)
Other creditors	(38,021)	(38,021)	-	-
Finance lease obligations	(121)	(121)	-	-
Finance lease receivable	92,651	92,651	-	-
Other debtors including trade	430,185	430,185	252,962	252,962
Investments	-	-	11,496	11,496
Short-term deposits	118,021	118,021	-	-
Cash and overdrafts	66,128	66,128	43,273	43,273
	<u>(581,070)</u>	<u>(581,070)</u>	<u>25,984</u>	<u>25,984</u>

**Notes to the financial statements**  
*for the year ended 31 March 2007 (continued)*

**25 Derivatives and financial instruments (continued)**

	Book value 2007 £000	Fair value 2007 £000	Book value 2006 £000	Fair value 2006 £000
<b>Derivative financial instruments held to manage the interest rate and currency profile</b>				
Interest rate swaps	57	1,826	-	(162)
Forward foreign currency contracts	(4,737)	(1,328)	(782)	(738)
	<u>(4,680)</u>	<u>498</u>	<u>(782)</u>	<u>(900)</u>

**Currency exposures**

To mitigate the effect of currency exposures on the Group's foreign borrowings, the Group swaps its foreign borrowings into sterling using currency swaps

The Group's only significant currencies of operations are sterling and Australian dollars. An analysis of the Group's foreign monetary assets is disclosed in the table headed Currency and interest rate risk profile of financial assets

**Gains and losses on hedges**

The Group uses interest rate swaps to manage its interest rate and foreign exchange contracts to manage its currency profiles. Changes in the fair value of instruments used as hedges are not recognised in the financial statements until the hedged position matures. An analysis of these unrecognised gains and losses is as follows

	Gains £000	Losses £000	Total net £000
At 1 April 2006	43	(162)	(119)
Arising in previous year included in 2007 income	(43)	162	119
Gains arising in the year not yet recognised	5,178	-	5,178
Net gains on hedges at 31 March 2007	<u>5,178</u>	<u>-</u>	<u>5,178</u>
Of which			
Gains expected to be included in 2008 income	<u>3,409</u>	<u>-</u>	<u>3,409</u>

**Notes to the financial statements**  
*for the year ended 31 March 2007 (continued)*

**26 Provisions for liabilities and charges**

**Group**

	Deferred Tax	Claims and	Other	Total
	£000	warranties £000	£000	£000
At 1 April 2006	5,095	3,309	59	8,463
Charged/(released) to the profit and loss account	(404)	(920)	711	(613)
Utilised in year	620	(250)	(443)	(73)
Acquired with subsidiary company	11,414	-	-	11,414
Disposed with subsidiary	(4,857)	-	690	(4,167)
Transferred from deferred tax asset	1,315	-	-	1,315
Exchange difference	(1,009)	-	-	(1,009)
<b>At 31 March 2007</b>	<b>12,174</b>	<b>2,139</b>	<b>1,017</b>	<b>15,330</b>

**Provision for deferred tax comprises:**

	2007 £000	2006 £000
Accelerated capital allowance	-	4,857
Other timing differences	12,174	238
	<b>12,174</b>	<b>5,095</b>

**27 Called up share capital**

	Group & Company 2007 £000	Group & Company 2006 £000
<b>Authorised</b>		
10,001,000,000 ordinary shares of 1p each	100,010	100,010
<b>Allotted, called up and fully paid</b>		
10,001,000,000 ordinary shares of 1p each	100,010	100,010



**Notes to the financial statements**  
*for the year ended 31 March 2007 (continued)*

**28 Profit and loss account reserve**

	Group 2007 £000	Company 2007 £000
At 1 April 2006	10,266	(236)
Exchange adjustments	(3,113)	-
Retained profit (loss) for the year	70,356	(125)
Actuarial losses on pension scheme - Group	(4,950)	-
- Joint venture	(3,271)	-
Pension deficit recognised for first time	(3,213)	-
	<hr/>	<hr/>
At 31 March	66,075	(361)
	<hr/>	<hr/>

**29 Reconciliation of movements in shareholders' funds**

	Group 2007 £000	Group 2006 £000	Company 2007 £000	Company 2006 £000
At 1 April	208,588	174,080	198,086	198,184
Profit (loss) for the year	70,356	13,970	(125)	(98)
Exchange adjustments	(3,113)	1,045	-	-
FRS17 revaluation of pension liability - Group	(4,950)	19,700	-	-
FRS17 revaluation of pension liability - Joint venture	(3,271)	-	-	-
Pension deficit recognised for first time	(3,213)	-	-	-
Unrealised profits (losses) on securities - Joint venture	-	(207)	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Shareholders' funds at 31 March	264,397	208,588	197,961	198,086
	<hr/>	<hr/>	<hr/>	<hr/>

**Notes to the financial statements**  
*for the year ended 31 March 2007 (continued)*

**30 Equity minority interests**

	2007 £000	2006 £000
At 1 April	236	236
Minority interests acquired on purchase of subsidiaries	9,872	-
Share based payment allocated to minority interest director	272	-
Shares issued and purchased by management of existing subsidiary	138	-
Share of profit or loss allocated to minority interests	(615)	-
Minority interest disposed with subsidiary	(236)	-
	<hr/>	<hr/>
At 31 March	9,667	236
	<hr/>	<hr/>

Minority interests were acquired on purchase of the Cabot Financial group of companies, the LifeBond group of companies, Clarity Credit Management Solutions Limited, the Fleet Partners (Australia) group, and Truck Leasing (New Zealand) group as detailed in note 32

Shares were issued and purchased by management of an existing subsidiary, Consumer Finance Acquisitions Company Limited, which solely allocate certain rights on the disposal of the British Credit Trust group

**31 Cash flow from operating activities**

	Group 2007 £000	Group 2006 £000
<b>Continuing operations</b>		
Operating profit (loss)	23,186	(2,057)
Depreciation charge	42,755	4,670
Profit on sale of investment asset	(25,033)	(4,021)
Goodwill amortisation	14,338	1,717
Investment revaluations	621	454
Movement in provisions	(902)	(3,119)
Share based expense	272	-
Net movement in exchange differences	(113)	1,045
Decrease in stocks	607	913
Increase in debtors	(146,085)	(52,168)
Increase in creditors	16,795	6,575
	<hr/>	<hr/>
Net cash outflow from continuing operations	(73,559)	(45,991)
	<hr/>	<hr/>

**Notes to the financial statements**  
*for the year ended 31 March 2007 (continued)*

**31 Cash flow from operating activities (continued)**

	Group	Group
	2007	2006
	£000	£000
<b>Discontinued operations</b>		
Operating profit	10,998	-
Depreciation charge	1,982	-
Goodwill amortisation	87	-
Profit on sale of fixed assets	(7,473)	-
Decrease in stocks	44	-
Increase in debtors	(378)	-
Increase in creditors	105	-
	<hr/>	<hr/>
Net cash inflow from discontinued operations	5,365	-
	<hr/>	<hr/>
<b>Total net cash outflow</b>	<b>(68,194)</b>	<b>(45,991)</b>
	<hr/>	<hr/>

**32 Acquisitions and disposals**

**Disposal of Menzies group**

On 8 October 2006 Nikko Principal Investments Limited disposed of its holding of 85% in the Menzies group of companies. The assets and liabilities sold at this date are shown below

	2007
	£000
Tangible fixed assets	149,090
Stocks	301
Debtors	3,323
Creditors	(3,449)
Minority interests	(241)
Provisions	(4,291)
Loans	(118,384)
Cash at bank	13,972
Goodwill	3,059
	<hr/>
Net assets disposed	43,380
Profit on disposal	25,070
	<hr/>
Cash proceeds	68,450
	<hr/>

## Notes to the financial statements

for the year ended 31 March 2007 (continued)

### 32 Acquisitions and disposals (continued)

#### Disposal of MSA Acquisitions Limited

On 30 March 2007 the group sold its 51% share in the Joint Venture company, MSA Acquisitions Limited. The total assets and liabilities sold at this date are shown below:

	2007 £000
Gross assets	182,042
Gross liabilities	(217,921)
Net liabilities disposed	(35,879)
Investment and debtor balances repaid	97,185
Profit on disposal	30,277
Cash proceeds	91,583

#### Acquisition of the Cabot Financial group

On 7 April 2006 Nikko Principal Investments Limited acquired 65% of the Cabot Financial group of companies. The assets and liabilities acquired are as shown below at fair value and any adjustments to book value are shown:

	2007 £000
Tangible fixed assets	919
Loan portfolio	94,863
Debtors	315
Creditors	(1,094)
Taxation	(469)
Loans	(138,157)
Minority interests	(78)
Cash at bank	2,622
Net liabilities acquired	(41,079)
Goodwill	183,335
Total consideration	142,256
Cash consideration	202,458
Loan stock	(60,202)
Total consideration	142,256

## Notes to the financial statements

for the year ended 31 March 2007 (continued)

### 32 Acquisitions and disposals (continued)

#### Acquisition of the Cabot Financial group (continued)

Cabot Financial contributed £16,136,000 to the operating profit of the Group recognised as turnover of £72,398,000, cost of sales of £30,466,000 and net operating expenses of £25,796,000. The Cabot Financial group utilised £12.1m of the Group's net operating cashflow, and paid interest of £10.2m. In its last financial year to 31 October 2005, the Cabot Financial Holdings Group Limited recorded a profit after tax of £3.2m in their audited financial statements. The management accounts for the current financial year to the date of acquisition show the following results:

	1 November 2005 to 7 April 2006 £000
Turnover	24,734
Operating profit	6,604
Profit before taxation	814
Taxation	(2,226)
Retained loss for the period	(1,412)

#### Acquisition of FleetPartners (Australia) group

On 31 October 2006 Nikko Principal Investments Limited acquired 96.3% of the FleetPartners group of companies in Australia. The assets and liabilities acquired are as shown below at fair value and any adjustments to book value are shown:

	2007 £000
Tangible fixed assets - other	437
Tangible fixed assets - lease property (book value £285,580,000)	292,332
Stocks	3,247
Debtors (book value £9,093,000)	8,987
Amounts recoverable on finance leases	92,080
Other debtors	168
Creditors	(1,675)
Other liabilities	554
Taxation	(360)
Loans	(350,479)
Provisions	(9,413)
Minority interests	(201)
Cash at bank	3,427
Net assets acquired	39,104
Goodwill	66,246
Cash consideration	105,350

## Notes to the financial statements

for the year ended 31 March 2007 (continued)

### 32 Acquisitions and disposals (continued)

#### Acquisition of FleetPartners (Australia) group (continued)

FleetPartners (Pty) Ltd (Australia) contributed £10,029,000 to the operating profit of the Group recognised as turnover of £63,281,000, cost of sales of £45,275,000 and net operating expenses of £7,977,000. This group contributed £36m of the Group's net operating cashflow, and paid interest of £10.8m. In its last financial year to 30 September 2006, the FleetPartners group recorded a profit after tax of A\$15.9m (unaudited). The management accounts for the current financial year to the date of acquisition show the following results:

	1 October 2006 to 31 October 2006 AUS\$000
Turnover	6,056
Operating profit	2,470
Profit before taxation	2,470
Taxation	(741)
Retained profit for the period	1,729

#### Acquisition of Truck Leasing (New Zealand) group

On 31 October 2006 Nikko Principal Investments Limited acquired 96.3% of the Truck Leasing group of companies in New Zealand. The assets and liabilities acquired are as shown below at fair value and any adjustments to book value are shown:

	2007 £000
Tangible fixed assets - other	350
Tangible fixed assets - lease property (book value £152,865,000)	159,851
Stocks	9,815
Debtors (book value £4,699,000)	4,451
Amounts recoverable on finance leases	2,216
Other debtors	680
Deferred tax asset	2,595
Creditors	(1,641)
Other liabilities	(2,415)
Taxation	(10,087)
Loans	(145,693)
Provisions	(4,918)
Minority interests	(114)
Overdraft at bank	(4,023)
Net assets acquired	11,067
Goodwill	43,931
Cash consideration	54,998

## Notes to the financial statements

for the year ended 31 March 2007 (continued)

### 32 Acquisitions and disposals (continued)

#### Acquisition of Truck Leasing (New Zealand) group (continued)

Truck Leasing Limited (New Zealand) contributed £5,921,000 to the operating profit of the Group recognised as turnover of £27,431,000, cost of sales of £18,226,000 and net operating expenses of £3,284,000. This group contributed £26.7m of the Group's net operating cashflow, and paid interest of £5.9m. In its last financial year to 30 September 2006, the Truck Leasing group recorded a profit after tax of NZ\$3.9m (unaudited). The management accounts for the current financial year to the date of acquisition show the following results:

	1 October 2006 to 31 October 2006 NZ\$000
Turnover	14,198
Operating profit	31
Profit before taxation	31
Taxation	(14)
Retained profit for the period	17

#### Acquisition of the Hire Equipment (New Zealand) group

On 19 December 2006 Nikko Principal Investments Limited acquired 100% of the Hire Equipment group of companies in New Zealand. The assets and liabilities acquired are as shown below at provisional fair value and any adjustments to book value are shown:

	2007 £000
Tangible fixed assets – other	
Tangible fixed assets including lease property	34,928
Stocks	3,203
Debtors	5,435
Creditors	(4,104)
Specific provisions	(3,264)
Taxation	399
Cash at bank	14
Net assets acquired	36,611
Goodwill	23,326
Cash consideration	59,937

Provisional fair values of the assets are shown above as the fair value of some assets cannot be ascertained with certainty and are subject to ongoing review.

Hire Equipment (New Zealand) contributed £1,181,000 to the operating profit of the Group recognised as turnover of £9,703,000, cost of sales of £1,076,000 and net operating expenses of £7,446,000. This group contributed £2.9m of the Group's net operating cashflow, and paid interest of £1.3m. In its last financial year to 30 June 2006, the Hire Equipment group recorded a profit after tax of NZ\$5.9m (unaudited).

**Notes to the financial statements**  
*for the year ended 31 March 2007 (continued)*

**32 Acquisitions and disposals (continued)**

**Acquisition of the Hire Equipment (New Zealand) group (continued)**

The management accounts for the current financial year to the date of acquisition show the following results

	1 July 2006 to 19 December 2006 NZ\$000
Turnover	34,612
Operating profit	2,738
Profit before taxation	2,738
Taxation	(764)
Retained profit for the period	1,974

**Acquisition of other companies**

During the year the Group acquired controlling interests in a number of smaller companies. The aggregated assets and liabilities acquired are shown below at fair value

	2007 £000
Tangible fixed assets	326
Intangible fixed assets	3,536
Investment in Joint venture	5,929
Debtors	4,178
Creditors	(6,897)
Taxation	301
Loans	(292)
Minority interests	(9,479)
Overdrafts at bank	(381)
Cash at bank	791
Net liabilities acquired	(1,988)
Goodwill	14,802
Cash consideration	12,814

These other acquisitions contributed a loss of £3,357,000 to the profit of the Group recognised as turnover of £2,359,000, cost of sales of £1,608,000 and operating expenses of £4,108,000



**Notes to the financial statements**  
*for the year ended 31 March 2007 (continued)*

**33 Reconciliation of movement in net debt**

	1 April 2006 £000	Cash flow £000	Acquisition (excluding cash and overdrafts) £000	Disposal £000	Other non- cash changes £000	Exch Movts £000	Year ended 31 March 2007 £000
Cash in hand / at bank	43,273	147,326	6,840	(13,972)	-	682	184,149
Overdrafts	(37)	4,410	(4,390)	-	-	-	(17)
Debt due after 1 year	(117,128)	(89,478)	(138,157)	116,584	(215)	(1,412)	(229,806)
Debt due within	(164,588)	(350,008)	(496,464)	1,800	(1,177)	(9,655)	(1,020,092)
	<u>(238,480)</u>	<u>(287,750)</u>	<u>(632,171)</u>	<u>104,412</u>	<u>(1,392)</u>	<u>(10,385)</u>	<u>(1,065,766)</u>

Other non-cash changes include issue costs which have been capitalised and amortised over the term of the related debt finance (see below)

**The increase in borrowings comprises:**

	2007 £'000
Cashflow generated from increase in debt after 1 year (see above)	89,478
Cashflow generated from increase in debt within 1 year (see above)	350,008
Add back bank issue costs deducted from loan balance	3,677

**Increase in borrowings** 443,163

**34 Capital and other commitments**

Contracts placed for future capital expenditure not provided in the financial statements at 31 March 2007 amount to £5,000,000 (2006 £1,256,000) Contracts placed for commitments in respect of finance leases not provided in the financial statements amount to £21,678,000 (2006 £Nil)

At 31 March 2007 the Group had no committed undrawn facilities (2006 Nil)

**35 Contingent liabilities**

On 2 June 2004 a subsidiary of the Company gave a guarantee to the Trustees of the PD Pension Plan, a scheme sponsored by an investee company, which allows the Trustees to call upon the subsidiary for a contribution to the scheme of up to a maximum amount of £50million in the event that certain triggers are met and the scheme is in deficit

On 22 September 2006 Nikko Principal Investments Limited gave a guarantee to DZ Bank on behalf of a fellow subsidiary for Euro 1,625,000, should the related company fail to fulfil its obligations under the loan agreement

**Notes to the financial statements**  
*for the year ended 31 March 2007 (continued)*

**36 Subsidiary Undertakings**

The principal operating subsidiaries are stated in Note 15

**37 Related party transactions**

The company is controlled by Nikko Cordial Corporation. As 100% of the voting rights of the company are controlled within the group headed by Nikko Cordial Corporation, incorporated in Tokyo, the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions with entities which form part of the group. The consolidated financial statements of Nikko Cordial Corporation, within which this company is included, can be obtained from the address given in Note 38.

As at 31 March, the amounts due by related parties were as follows

	<b>Group</b>		<b>Company</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Prestige (US) Limited	38,205	43,129	-	-
Hamworthy South Africa	100	121	-	-
Hamworthy Peabody Combustion Inc	312	366	-	-
	<u>38,617</u>	<u>43,616</u>	<u>-</u>	<u>-</u>

As at 31 March, the amounts due to related parties were as follows

	<b>Group</b>		<b>Company</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Hamworthy Combustion Engineering USA	5,133	5,133	-	-
Prestige (US) Limited	32,537	33,344	-	-
Nikko Principal Investments Limited	-	-	231	168
Powell Duffryn USA	-	311	-	-
Hamworthy Korea	351	16	-	-
	<u>38,021</u>	<u>38,804</u>	<u>231</u>	<u>168</u>

The Group enters into transactions at arms length with other members of The Nikko Cordial Group in the normal course of its business.

The Group has made use of the exemption in Financial Reporting Standard No 8 ("Related Party Disclosures") not to disclose transactions with other Nikko Group companies and investees of the Nikko Cordial Group qualifying as related parties.

**Notes to the financial statements**  
*for the year ended 31 March 2007 (continued)*

**38 Ultimate parent undertaking**

Name	Country of Registration or incorporation	Address from where group accounts are obtainable
<i>Immediate and Ultimate Parent Company to 9 May 2007</i>		
Nikko Cordial Corporation	Japan	6-5, Nihonbashi Kabuto-cho, Chuo-ku, Tokyo 103-8825 Japan
<i>Ultimate Parent Company from 9 May 2007</i>		
Citigroup Inc	United States	399 Park Avenue, New York NY10043

Nikko Cordial Corporation, a Company incorporated in Japan, has the beneficial ownership of the entire shareholding of NPIL Hold Co Limited as at 31 March 2007. On 9 May 2007, Citigroup Inc acquired a 61.08% stake in Nikko Cordial Corporation, and has subsequently acquired the remaining shares, and is therefore regarded as the ultimate parent company at the date of signing these financial statements.

Copies of the financial statements for NPIL Hold Co Limited are available from the Company Secretary at the above address. Copies of the financial statements for Nikko Cordial Corporation are available from Companies House or on request from Nikko Cordial Corporation at the above address.

**39 Post balance sheet events**

In April 2007, Nikko Principal Investments Ltd, a member of the Group, received a distribution and repayment of loan notes as a result of a return of capital at \$59 million by Catalina Holding Limited, a Joint Venture company and the parent company of Catalina Reinsurance Limited, which holds a non-life insurance business in run off.

On 9 May 2007, Citigroup Inc acquired a 61.08% stake in Nikko Cordial Corporation and has subsequently acquired the remaining shares. As a result of the change of control, certain triggers were met in relation to the Nikko Principal Investments Limited's Carried Interest Plan ("the Plan"), a staff incentivisation scheme. Subsequent to an independent valuation in August 2007, a payment to the order of £46,837,109 will arise under the Plan rules, which the Company will be required to settle by 9 May 2008. This will result in a related charge to the Profit and Loss in the financial year ended 31 March 2008 of £36,378,858.

Since the balance sheet date, one of the subsidiaries in the Group has taken out a 20 year lease on new office premises. This lease has an optional break point at 16 years and will cost £783,522 per annum with rent reviews at 5, 10 and 15 years.

In April 2007 and October 2007, one of the UK subsidiaries of the group, Pall Mall Hirequip Limited, sold a total of 14% of the shareholding in its New Zealand subsidiary to management of the operating subsidiary. In November 2007, the Group sold 3.97% of its holding in the Fleet Partners Pty Limited and Truck Leasing Limited investment to incumbent management.

A return of capital by PD USA Limited resulted in a decrease of £30,000,000 in group debtors and a corresponding reduction in group creditors.

As a result of the significant increase in uncertainty in the current credit environment, the directors believe that the ability to obtain ongoing finance/refinance on commercially acceptable terms for certain of our investee companies may be adversely affected, and in some scenarios this may significantly impair the future earnings of the group.