

# SOVEREIGN FINANCE PLC

(FORMERLY SOVEREIGN LEASING PLC)

## ANNUAL REPORT 1993



Company No: 1533123

	<u>Page</u>
Chief Executives' Statement	3
Report of the Directors	4
Auditors' Report	6
Consolidated Profit and Loss Account	7
Consolidated Balance Sheet	8
Balance Sheet	9
Notes to the Financial Statements	10

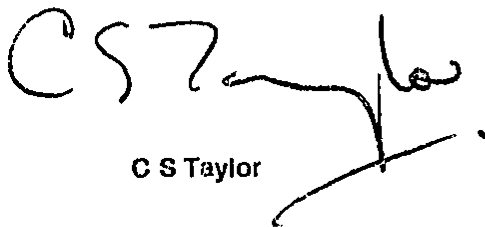
The financial year has seen a significant improvement in the Company's performance. The loss has reduced from £61 million to £19.9 million and we are confident that our continuing drive for good quality business will see a return to profitability by 30th June 1994.

We felt it beneficial to change our name from Sovereign Leasing plc to Sovereign Finance plc. The new name ties our identity more closely to Bank Austria, our parent, and more accurately reflects the business we are writing.

Bank Austria has continued to provide us with strong financial support and has given us the necessary funding facilities and capital base to progress forward. The Board has been strengthened by the appointment of John Jardine (on 30th November 1992) and we thank Klaus Gugglberger (who has returned to Austria) for his services and major contribution to the company over the past 2 years. We are delighted that Dr Peter Scheithauer will be proposed as our Chairman for the forthcoming financial year.

We continue to improve efficiency and cost control and are pleased that substantial savings have been made in administration costs. Vigilance will continue to be exercised in this area.

We would like to thank the staff for their continued hard work and loyalty in a year of intense change. This change will continue as we return the Company to profitability and the forthcoming year presents a challenge to staff and management alike. Together, as a team, we can ensure the Company progresses forward and together we can enjoy the satisfaction of reporting profits at 30th June 1994.



C S Taylor



I G Scott

The Directors present their report and financial statements for the year ended 30th June 1993.

**Directors' Responsibilities**

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

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

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

**Principal Activities**

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

**Results and Dividends**

The group loss for the year amounted to £19,979,880 (1992:£60,974,423) and as such a dividend will not be paid.

**Share Capital**

Changes in the called up share capital are shown in note 16 to the accounts. The issue of shares was made to widen the capital base of the company.

**Change in Name**

On 1st October 1992 the company changed its name to Sovereign Finance PLC.

**Fixed Assets**

Details of changes in fixed assets are shown in the notes 7 and 8 to the accounts.

**Directors and their interests**

The Directors who served during the year were as follows:

Frederick H. Brittain	
Klaus Gugglberger	
Ian G. Scott	
Charles S. Taylor	
Michael J. Duval	Resigned 30th November 1992
John Jardine	Appointed 30th November 1992

None of the Directors held beneficial interests in the shares of the Company or the ultimate parent undertaking.

On 15th October 1992 Frederick Brittain resigned as Chairman. On the same day Klaus Gugglberger was appointed Chairman. Mr Gugglberger resigned on 1st July 1993.

On 1st January 1993 Michael Duval resigned as Company Secretary. On the same day Charles Taylor was appointed Company Secretary.

Employee  
Involvement

*The company's policy is actively to encourage the commitment of its employees at all levels through the process of consultation and communication. In-house publications and open meetings provide the environment by which this is achieved.*

Disabled Persons

*Applications for employment from disabled persons are given full and fair consideration, taking account of the aptitudes and abilities each position requires. In the event of employees becoming disabled whilst in the service of the company every effort will be made to continue their employment.*

Auditors

*In accordance with Section 385 of the Companies Act 1985, a resolution for the reappointment of BDO Binder Hamlyn as auditors will be proposed at the forthcoming Annual General Meeting.*



By Order of the Board,  
C.S. TAYLOR  
Director

1st September 1993

We have audited the financial statements on pages 7 to 18 which have been prepared on the basis of the accounting policies set out on page 10.

**Respective responsibilities of directors and auditors.**

As described on page 4, the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

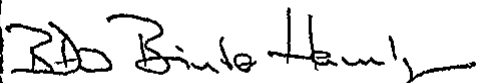
**Basis of opinion**

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

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

**Opinion**

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group as at 30th June 1993 and of the group's loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



BDO Binder Hamlyn  
Chartered Accountants  
Registered Auditors  
20 Old Bailey London EC4M 7BH

*Handwritten note: 20 Old Bailey*

**GOVERNMENT FINANCE PLC  
(FORMERLY GOVERNMENT LEASING PLC)**

**CONSOLIDATED PROFIT AND LOSS ACCOUNT  
For the year ended 30th June 1993**

Page 7

	<i>Notes</i>	1993 £	1992 £
<b>Gross earnings from finance and rental agreements</b>			
Gross earnings before bad debt charges	2	40,741,298	54,380,458
Bad debt charges	3	(27,454,912)	(61,285,214)
<b>Gross earnings/(loss) after bad debt charges</b>		<u>13,286,386</u>	<u>(6,884,758)</u>
Administrative expenses		(13,503,208)	(16,249,303)
		<u>(216,822)</u>	<u>(23,134,061)</u>
Interest receivable and similar income		218,482	652,040
		<u>1,660</u>	<u>(22,482,021)</u>
Interest payable and similar charges		(19,981,540)	(38,492,402)
<b>Loss on ordinary activities before taxation</b>	4	<u>(19,979,880)</u>	<u>(60,974,423)</u>
Tax on loss on ordinary activities		-	-
<b>Loss for the financial year transferred to reserves</b>		<u>(19,979,880)</u>	<u>(60,974,423)</u>
<b>Deficit brought forward</b>		(111,789,495)	(50,815,072)
<b>Loss for the financial year</b>		(19,979,880)	(60,974,423)
<b>Cancellation against share capital</b>	16	117,204,494	-
<b>Deficit carried forward</b>		<u>(14,564,881)</u>	<u>(111,789,495)</u>

All of the gains and losses for the period have been recognised in arriving at the loss for the financial year.

The notes on pages 10 to 18 form part of these financial statements

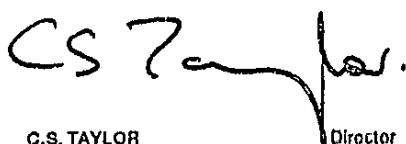
**SOVEREIGN FINANCE PLC**  
**(FORMERLY SOVEREIGN LEASING PLC)**

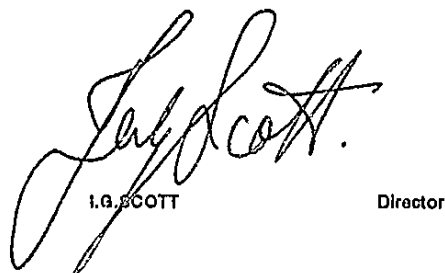
**CONSOLIDATED BALANCE SHEET**  
**As at 30th June 1993**

Page 8

	Notes	1993 £	1992 £
<b>Fixed assets</b>			
Tangible assets	7	8,990,574	8,975,003
<b>Current assets</b>			
Debtors: Amounts falling due within one year	9	75,543,039	101,735,403
Debtors: Amounts falling due after more than one year	10	95,004,360	119,328,911
Cash at bank and in hand		6,063,834	16,973,820
		177,611,233	238,038,134
<b>Creditors: amounts falling due within one year</b>	12	(57,355,129)	(117,322,641)
<b>Net current assets</b>		120,256,104	120,715,493
<b>Total assets less current liabilities</b>		130,246,678	129,690,496
<b>Creditors: amounts falling due after more than one year</b>			
Bank and other loans	13	(109,617,717)	(89,081,655)
		20,628,961	40,608,841
<b>Subordinated loans and loan stock</b>	14	—	35,250,000
<b>Capital and reserves</b>			
Called up share capital	16	35,045,506	117,000,000
Other Reserves: capital reserve	17	148,336	148,336
Profit and loss account		(14,564,881)	(111,789,495)
	18	20,628,961	5,358,841
		20,628,961	40,608,841

The financial statements were approved by the Board of Directors on 1st September 1993

  
**C.S. TAYLOR**  
 Director

  
**I.G. SCOTT**  
 Director

The notes on pages 10 to 18 form part of these financial statements.



**GOVERNOR FINANCE PLC**  
(FORMERLY GOVERNOR LEASING PLC)

**BALANCE SHEET**  
As at 30th June 1993

Page 9

**Fixed assets**

Tangible assets  
Investments

**Current assets**

Debtors: Amounts falling due within one year  
Debtors: Amounts falling due after more than one year  
Cash at bank and in hand

Creditors: amounts falling due within one year

Net current assets

Total assets less current liabilities

Creditors: amounts falling due after more than one year

Bank and other loans

Subordinated loans and loan stock

**Capital and reserves**

Called up share capital  
Profit and loss account

Notes	1993 £	1992 £
7	9,990,574	8,975,000
8	597,676	323,340
	<u>10,588,250</u>	<u>9,298,340</u>
9	75,628,170	101,722,625
10	98,117,634	119,322,389
	<u>6,063,699</u>	<u>16,973,799</u>
	177,803,503	238,018,812
12	(58,648,047)	(117,990,033)
	<u>119,161,456</u>	<u>120,028,779</u>
	129,749,706	129,327,122
13	(109,617,717)	(89,081,655)
	<u>20,131,989</u>	<u>40,245,467</u>
14	-	35,250,000
16	35,045,506	117,000,000
22	(14,913,517)	(112,004,533)
	<u>20,131,989</u>	<u>4,995,467</u>
	<u>20,131,989</u>	<u>40,245,467</u>

The financial statements were approved by the Board of Directors on 1st September 1993

C.S. Taylor

C.S. TAYLOR

Director

I.C. SCOTT

Director

The notes on pages 10 to 18 form part of these financial statements.

**1 Accounting policies** *Accounting convention*

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

*Basis of consolidation*

The group financial statements consolidate the financial statements of Sovereign Finance plc and all of its subsidiaries at 30th June 1993. The results of companies acquired during the year are dealt with from the date of acquisition using the principles of acquisition accounting. Where the cost of acquisition exceeds the fair values attributable to the net assets acquired, the difference is recognised as goodwill. Goodwill is written off against reserves in the year of acquisition.

*Finance and Rental Agreements*

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

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

Gross earnings comprise:

- (i) Finance Agreements: the income component of finance lease and hire purchase agreement rentals, together with estimated residual values where applicable, which are credited to the profit and loss account principally using the sum of digits method after recognising sufficient income to cover appropriate initial direct costs.
- (ii) Short Term Loan Agreements: the income component of short term loan agreements credited to the profit and loss account principally using the actuarial before tax method.
- (iii) Rental Agreements: rentals due in the year under operating lease agreements.

*Depreciation*

Depreciation is provided on tangible fixed assets at rates calculated to write off the cost of the assets less estimated residual value over their useful lives, as follows:

Operating Lease Assets	the period of the lease
Motor Vehicles	4 years
Office Equipment	5 years
Computer Hardware	4 years
Computer Software	3 years

The long leasehold property is depreciated in equal annual instalments over the remaining life of the lease.

*Hire Purchase Contracts and Finance Agreements*

Assets acquired under hire purchase contracts and finance agreements are capitalised in the balance sheet and depreciated in accordance with the depreciation policy. The interest element is charged to the profit and loss account over the period of the agreement and represents a constant proportion of the capital outstanding.

*Interest rate policy*

The company employs various interest rate products to provide a hedge against fluctuations in interest rates. The equalised interest charge is recognised on an accruals basis.

*Deferred taxation*

Deferred taxation is provided on the liability method on all timing differences to the extent that they are likely to crystallise in the foreseeable future.

*Pension contributions*

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The Company's contributions to the scheme are charged to the profit and loss account as they fall due.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June 1993

Page 11

**2 Gross earnings from finance and rental agreements**

Gross earnings and pre-tax loss are attributable to the principal activities as shown in the Directors' Report, all of which are carried out in the U.K.

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

	1993 £	1992 £
Amounts due on finance and rental agreements	153,365,039	166,512,076

**3 Bad Debt Charges**

In providing for doubtful debts the directors have recognised the inherent risk in respect of certain leases written prior to June 1991 and subject to underwriting procedures set by former directors.

The directors consider that the bad debt provisions are fairly assessed on the basis of arrears' collection rates currently being achieved and the performance of these pre June 1991 leases to date.

**4 Loss on ordinary activities before taxation**

This represents the operating loss of the group and is stated after charging:

	1993 £	1992 £
Directors' remuneration : salary, pension contributions and other benefits	565,835	566,653
Directors' remuneration : compensation for loss of office	—	488,859
Auditors' remuneration — audit fees	65,000	70,000
— non audit work	6,000	—
Depreciation (note 7)	2,271,768	1,756,135
Non-recurring reorganisation costs	—	898,955
Interest payable on:		
Bank and other loans wholly repayable within five years	19,903,055	38,220,202
Hire purchase and finance agreements wholly repayable within five years	76,485	272,200

**5 Employees**

	1993 £	1992 £
Staff costs:		
Wages and salaries	4,554,097	5,609,404
Social security costs	452,168	586,183
Other pension costs	182,837	147,493
	5,189,102	6,343,080

The average weekly number of employees during the year was as follows:

Office, sales support and management	222	326
External Sales and Direct Selling	51	41

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June 1993

Page 12

6 Directors

Directors' remuneration includes the following:

Emoluments (excluding pension contributions and compensation for loss of office) were paid as follows:

	1993 £	1992 £
Chairmen	-	-
Highest paid director	170,977	126,309

Other directors received emoluments (excluding pension contributions and compensation for loss of office) as follows:

£ 0	1	1
£ 55,001 - £80,000	-	1
£ 85,001 - £90,000	-	1
£ 90,001 - £95,000	-	2
£ 105,001 - £110,000	1	-
£ 165,001 - £170,000	1	-

7 Tangible fixed assets

Group & Company	Operating Lease Assets £	Long Leasehold Property £	Computer & Office Equipment £	Motor Vehicles £	Total £
Cost					
At 1 July, 1992	-	4,571,752	6,431,982	1,957,149	12,960,883
Additions	2,467,685	-	1,227,839	192,820	3,888,344
Disposals	-	-	(197,391)	(1,836,344)	(2,033,735)
At 30 June, 1993	2,467,685	4,571,752	7,462,430	313,625	14,815,492
Depreciation					
At 1 July, 1992	-	37,169	2,610,004	1,338,707	3,985,880
Charge for the year	388,319	37,164	1,750,255	98,030	2,271,768
Disposals	-	-	(83,654)	(1,349,076)	(1,432,730)
At 30 June, 1993	388,319	74,333	4,276,605	85,661	4,824,918
Net book value					
At 30 June, 1993	2,079,366	4,497,419	3,185,825	227,964	9,990,574
At 30 June, 1992	-	4,534,583	3,821,978	618,442	8,975,003
Net book value of assets held under hire purchase and finance lease contracts					
At 30 June, 1993	-	-	712,584	-	712,584
At 30 June, 1992	-	-	840,344	235,478	1,075,822
Depreciation of assets held under hire purchase and finance lease contracts	-	-	127,760	-	127,760

8 Fixed asset investments

Cost or written down value	1993	1992
	£	£
Sovereign Equipment Finance Ltd ~	100,000	100,000
The Sovereign Building Ltd *	100	100
Sovereign Leasing(Northern)Ltd ~	100	100
Sovereign Leasing(Southern)Ltd ~	100	100
Sovereign Holdings Ltd *	2	2
Sovereign Financial Systems Ltd *	2	2
Sovereign Leasing(Scotland)Ltd *	2	2
Sovereign Finance(Scotland)Ltd *	2	2
Sovereign Agricultural Ltd *	2	2
Sovereign Car Leasing Ltd *	2	2
Sovereign Contract Hire Ltd *	4	2
Sovereign Tower Ltd *	2	2
Sovereign Marine Ltd *	2	2
Sovereign Ltd *	2	2
Sovereign Rentals Ltd ~	100	-
Sovereign Corporate Ltd ~	99,286	99,286
Sovereign Financial Services (Manchester) Ltd ~	123,732	123,732
Sovereign Finance (Northern) Ltd ~	274,134	-
Evansgrove Ltd ~	100	-
Executive Rentals Ltd *	2	2
	597,676	323,340
~ lost or dormant		

All subsidiaries are wholly owned and registered in England and Wales except for Sovereign Leasing (Scotland) Ltd, Sovereign Finance (Scotland) Ltd and Sovereign Finance (Northern) Ltd which are registered in Scotland.

All shareholdings in subsidiaries are of ordinary shares and are stated at cost except for Evansgrove Limited which has been written down by £2,827,309 to its net asset value following a proposed dividend payment from pre-acquisition profits to Sovereign Finance PLC. The net effect of these transactions on the consolidated results for the year is £nil.

All subsidiaries have a year end of 30th June except the following which for commercial reasons have the year ends stated below. For these companies, interim statements at 30th June were used for consolidation.

Sovereign Leasing(Northern)Ltd ~	31st March
Sovereign Leasing(Southern)Ltd ~	30th September
Sovereign Corporate Ltd ~	25th June
Sovereign Financial Services (Manchester) Ltd ~	30th April
Sovereign Finance (Northern) Ltd ~	17th December
Evansgrove Ltd ~	31st March
Sovereign Rentals Ltd ~	28th May

9 Debtors:  
amounts falling due within  
one year

	1993		1992	
	Group	Company	Group	Company
	£	£	£	£
Net investment in finance agreements (note 11)	74,936,080	75,022,232	68,704,862	98,692,320
Trade debtors	39,062	39,062	681,593	681,457
Other debtors	267,205	266,184	1,320,215	1,320,215
Prepayments and accrued income	300,692	300,692	1,028,633	1,028,633
	75,543,039	75,628,170	101,735,403	101,722,625

10 Debtors:  
amounts falling due after more  
than one year

	1993		1992	
	Group	Company	Group	Company
	£	£	£	£
Net investment in finance agreements (note 11)	96,004,360	96,117,634	118,328,911	119,322,389

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 30th June 1993

Page 14

**11 Finance agreements**

	1993		1992	
	Group	Company	Group	Company
	£	£	£	£
Net investment in finance agreements:				
Due within one year	74,936,080	75,022,232	98,704,962	98,692,320
Due after more than one year	96,004,360	96,117,634	119,328,911	119,322,389
Net investment in finance agreements	170,940,440	171,139,866	218,033,873	218,014,709
Net investment in finance agreements with purchase option	12,238,573	12,238,573	20,162,074	20,162,074
Cost of assets acquired during the year for the purpose of finance lease and hire purchase agreements	89,010,134	88,834,016	45,929,876	45,926,897
Short term loans	13,865,038	13,865,038	-	-
Total advances during year	102,875,172	102,699,054	45,929,876	45,926,897

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

	1993		1992	
	Group	Company	Group	Company
	£	£	£	£
Bank loans(see below)	34,500,000	34,500,000	87,770,401	87,770,401
Other loans (see below)	10,183,536	10,183,536	15,810,110	15,810,110
Obligations under hire purchase contracts and finance agreements	307,181	307,181	132,648	132,648
Trade creditors	1,795,093	1,795,093	1,300,073	1,300,073
Amounts owed to subsidiaries	-	1,413,053	-	758,587
Tax and social security costs	925,970	816,523	4,122,749	4,063,611
Accruals and deferred income	9,643,349	9,632,661	8,186,660	8,154,603
	57,355,129	58,648,047	117,322,641	117,990,033

Bank loans of £nil (1992: £15,000,000) were secured by way of fixed charges over finance agreements.

Bank loans included loans of £34,500,000 (1992:£72,770,401) due to the ultimate parent undertaking and bearing commercial rates of interest.

Subsequent to the year end the repayment terms of the parent funding facility relating to the bank loans of £34,500,000 were extended to being payable after more than one year.

Other loans include £10,183,536 (1992:£15,454,156) in respect of back to back lease agreements. The head leases are secured on the underlying sub lease agreements.

Included in group tax and social security costs is a mainstream corporation tax liability of £104,677 (1992:£55,807) resulting from the pre-acquisition tax position of the subsidiaries acquired during the year

**13 Creditors:**  
**amounts falling due after more**  
**than one year**

	<u>1993</u>		<u>1992</u>	
	<u>Group</u>	<u>Company</u>	<u>Group</u>	<u>Company</u>
	£	£	£	£
Bank loans (see below)	101,799,400	101,799,400	75,700,000	75,700,000
Other loans (see below)	7,706,401	7,706,401	13,288,596	13,288,596
Obligations under hire purchase contracts and finance agreements	111,916	111,916	93,059	93,059
	<u>109,617,717</u>	<u>109,617,717</u>	<u>89,081,655</u>	<u>89,081,655</u>

All loans and obligations are repayable within five years and bear commercial rates of interest.

Bank loans of £13,950,000 (1992: £53,000,000) were secured by way of fixed charges over finance agreements in favour of the ultimate parent undertaking.

Bank loans of £nil (1992: £3,700,000) were secured by way of fixed charges over leasehold property.

Bank loans include loans of £101,799,400 (1992: £50,000,000) due to the ultimate parent undertaking.

Other loans include £7,706,401 (1992: £12,963,814) in respect of back to back lease agreements. The head leases are secured on the underlying sub lease agreements.

**14 Subordinated loans**

The company had loans of £nil (1992: £35,250,000) which were subordinated to all creditors of the company. All subordinated loans were due to the ultimate parent undertaking.

	<u>Group &amp; Company</u>
	£
At 1st July 1992	35,250,000
Repaid 1st July 1992	(25,000,000)
Repaid 31st March 1993	(10,250,000)
At 30th June 1993	<u>—</u>

**15 Deferred taxation**

No provision has been made for deferred taxation on the basis that a liability is unlikely to crystallize. The full potential liability is as follows:

	<u>1993</u>	<u>1992</u>
	<u>Group &amp; Company</u>	<u>Group &amp; Company</u>
	£	£
Accelerated Capital Allowances	(24,700,000)	18,100,000
Short term timing differences	(13,800,000)	17,100,000
	(38,500,000)	35,200,000
Less: Offset of taxable losses	<u>—</u>	<u>(35,200,000)</u>
	<u>(38,500,000)</u>	<u>—</u>
Required provision	<u>—</u>	<u>—</u>

16 Share Capital

	1993		1992	
	No.	£	No.	£
Authorised:				
Ordinary Shares of 10p each	2,000,000,000	200,000,000	2,000,000,000	200,000,000
Alotted, issued, and fully paid:				
Ordinary Shares of 10p each	350,455,000	35,045,508	1,170,000,000	117,000,000

On 1st July 1992 250,000,000 10p ordinary shares with a nominal value of £25,000,000 were allotted at par fully paid to OLB Holdings (UK) Limited in consideration for cash.

On 31st March 1993 102,500,000 10p ordinary shares with a nominal value of £10,250,000 were allotted at par fully paid to OLB Holdings (UK) Limited in consideration for cash.

On 20th July 1992 the courts confirmed the cancellation of 508,150,720 10p ordinary shares held by OLB Holdings (UK) Limited representing the consolidated accumulated deficit of Sovereign Finance PLC as at 30th June 1991.

On 31st March 1993 the courts confirmed the cancellation of 663,894,220 10p ordinary shares held by OLB Holdings (UK) Limited representing the consolidated accumulated deficit of Sovereign Finance PLC as at 30th November 1992.

Allotments of ordinary shares were made to widen the capital base of the company.

17 Other reserves: Capital Reserve

	1993	1992
	£	£
Capital Reserve	148,336	148,336

The capital reserve arose on the acquisition of Sovereign Equipment Finance Ltd on 6th September 1987, Sovereign Financial Services (Manchester) Ltd on 30th April 1992 and of Sovereign Corporate Ltd on 25th June 1992.

18 Reconciliation of movements in shareholders' funds

	1993	1992
	£	£
Loss for the financial year	(19,979,880)	(80,974,423)
New share capital subscribed	35,250,000	84,000,000
Conversion of Sub-ordinated Convertible Bonds to share capital	—	14,500,000
Capital reserve on consolidation of acquisitions	—	50,423
Net additions to shareholders' funds	15,270,120	37,576,000
Opening shareholders' funds	5,358,841	(32,217,159)
Closing shareholders' funds	20,628,961	5,358,841



**19 Commitments**

Capital commitments at 30th June for which no provision has been made in these accounts, were as follows:

	<u>1993</u>	<u>1992</u>
	<u>Group &amp; Company</u>	
	£	£
Authorised and contracted for	517,250	-

**20 Obligations under operating leases**

Annual commitments due in the next financial year under non-cancellable operating leases are as follows:

	<u>1993</u>	<u>1992</u>
	<u>Group &amp; Company</u>	
	£	£
Operating leases which expire:		
within one year	-	88,414
between two and five years	13,029	169,680
over five years	36,524	151,187
	<u>49,553</u>	<u>409,281</u>

**21 Interest rate agreements**

The group has purchased various "interest rate products" for periods of up to five years on principal amounts of £93m. The contracts provide a hedge against fluctuations in interest rates during the period of the contracts.

**22 Loss of parent company**

As permitted by section 230 of the Companies Act 1985 the profit and loss account of the parent company is not presented as part of these accounts. Loss on ordinary activities after tax is dealt with in the accounts of the parent company as follows:

	£
Deficit:	
At 1 July 1992	112,004,533
Cancellation against share capital - 20th July 1992 (see note 16)	(50,815,072)
Cancellation against share capital - 31st March 1993 (see note 16)	(66,389,422)
Loss on ordinary activities after taxation for the year	20,113,478
At 30th June 1993	<u>14,913,517</u>

**23 Pension arrangements**

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. Payments to this scheme amounted to £59,776 (1992:£63,986). All amounts due had been paid by the year end. In addition £123,061 (1992:£83,507) had been paid to employees' and directors' personal pension schemes.

**24 Ultimate parent undertaking**

The ultimate parent undertaking is Bank Austria Aktiengesellschaft, a company incorporated in Austria. This is the largest group of which Sovereign Finance PLC is a member which prepares group accounts.

The smallest group of which Sovereign Finance PLC is a member which prepares group accounts is the group of OLB Holdings (UK) Limited, which is registered in England and Wales.

The cashflows of the group up to 30th June 1993 will be included in the consolidated cashflow statement of OLB Holdings (UK) Limited for the year ended 30th June 1993. Consequently the company is exempt under the terms of Financial Reporting Standard No. 1 from publishing a cashflow statement.

25 Acquisition of subsidiaries

The fair values attributable to the net assets and liabilities acquired are:

	Book value at acquisition	Fair value adjustments	Total fair value to group
Net investment in finance leases	63,059,316	(8,883,198)	54,176,118
Creditors and provisions	(59,402,158)	8,327,683	(51,074,475)
Net Assets	3,657,158	(555,515)	3,101,643

The total consideration for the acquisitions was £3,101,643 paid in cash.

The fair value adjustments reflect the revaluation of certain assets on acquisition.

The creditors taken on by way of acquisition were subsequently refinanced by the company's normal funding lines.

The operating results of the companies acquired during the year were not material in relation to the group loss for the year as they were principally acquired near to the year end.