

**SOVEREIGN FINANCE PLC**  
**REPORT AND FINANCIAL STATEMENTS**  
**18 MONTHS ENDED 31ST DECEMBER 1994**  
**COMPANY NO: 1533123**



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**SOVEREIGN FINANCE PLC**  
**REPORT AND FINANCIAL STATEMENTS**  
**18 MONTHS ENDED 31ST DECEMBER 1994**  
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**SOVEREIGN FINANCE PLC**

**LIST OF DIRECTORS, ADVISERS AND OTHER INFORMATION**

**DIRECTORS**

Dr. P. Scheithauer  
F.H. Brittain  
C.S. Taylor  
I.G. Scott  
J. Jardine

**SECRETARY**

C.S. Taylor

**AUDITORS**

Binder Hamlyn  
1 Norfolk Street  
Manchester  
M60 8BH

**BANKERS**

National Westminster Bank plc  
55 King Street  
Manchester  
M60 2DB

**REGISTERED OFFICE**

Sovereign House  
298 Deansgate  
Manchester M60 3AL

## SOVEREIGN FINANCE PLC

### CHIEF EXECUTIVES' STATEMENT

During 1994 we changed our financial year end from 30th June to 31st December to be co-terminous with Bank Austria. The eighteen month period that has just ended has been satisfactory and the company has returned to profitability. This has been achieved in a very competitive market hungry for new assets which has created pressure on margins across all sectors.

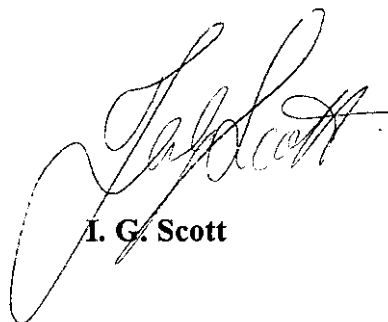
Despite this, our new business growth was more than three times greater than in 1993 and we have successfully entered several new markets. Investment in new software and computer systems has been undertaken to ensure that we continue to provide quick and professional service to enable this growth to continue and to achieve the aggressive targets which we have set ourselves for 1995.

Bank Austria has continued to provide us with strong financial support and their commercial approach and speed of decision has been vital in assisting our growth and profitability. With their assistance we have substantially improved the quality of the book and this will continue.

We would again like to thank our staff for their hard work and loyalty over a period of intense change and pressure. We are proud to be the first finance house to achieve the "Investors in People" award, and it is encouraging for us all to see the company prosper.



C.S. Taylor



I. G. Scott

1st March 1995

**SOVEREIGN FINANCE PLC**  
**REPORT OF THE DIRECTORS**

The directors present their report and financial statements for the 18 months ended 31st December 1994.

**DIRECTORS' RESPONSIBILITIES**

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company and 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 period continued to be those of lessors and financiers.

**RESULTS AND DIVIDENDS**

The group profit on ordinary activities after taxation for the period amounted to £2,178,000 (1993: loss:£19,980,000 ).

A dividend of £100,000 was paid in the period which leaves a profit of £2,078,000 to be retained.

**SHARE CAPITAL**

The change in called up share capital is shown in note 13 to the financial statements.

## SOVEREIGN FINANCE PLC

### REPORT OF THE DIRECTORS (Continued)

#### FIXED ASSETS

The changes in fixed assets during the period are summarised in notes 8 and 9.

#### DIRECTORS AND THEIR INTERESTS

The directors who served during the period were as follows:

Dr. P. Scheithauer	Appointed 1st July 1993
K. Gugglberger	Resigned 1st July 1993
F.H. Brittain	
C.S. Taylor	
I.G. Scott	
J. Jardine	

No director held any beneficial interest in the shares of the company or the ultimate parent undertaking.

On 1st July 1993 K. Gugglberger resigned as chairman and on the same date Dr. P. Scheithauer was appointed as chairman.

#### EMPLOYEE INVOLVEMENT

The company's policy is actively to encourage the commitment of its employees at all levels through the process of consultation and communications. In-house publications and open meetings provide the environment for this. Employee involvement was one of the factors which enabled the company to achieve the "Investors in People" award on 1st December 1994.

#### DISABLED PERSONS

Applications for employment from disabled persons are given full and fair consideration, taking account of 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

From 1st October 1994 our auditors, BDO Binder Hamlyn, practise in the name, Binder Hamlyn, and have signed their audit report in their new name. In accordance with section 385 of the Companies Act 1985, a resolution proposing that Binder Hamlyn be re-appointed as auditors of the company will be put to the Annual General Meeting.

On behalf of the Board



C. S. Taylor  
Director  
1st March 1995

# AUDITORS' REPORT TO THE MEMBERS OF

## SOVEREIGN FINANCE PLC

We have audited the financial statements on pages 7 to 19 which have been prepared on the basis of the accounting policies set out on pages 10 and 11.

### 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.

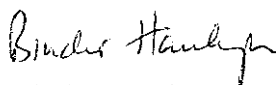
### Basis of opinion

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 relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

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

### Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group as at 31st December 1994 and of the group's profit for the 18 months then ended and have been properly prepared in accordance with the Companies Act 1985.



Binder Hamlyn  
Chartered Accountants  
Registered Auditors  
1 Norfolk Street  
Manchester  
M60 8BH

1st March 1995

**SOVEREIGN FINANCE PLC**

**GROUP PROFIT AND LOSS ACCOUNT**

**FOR THE 18 MONTHS ENDED 31ST DECEMBER 1994**

	<u>Notes</u>	<u>18 months to 31.12.94 £'000</u>	<u>12 months to 30.06.93 £'000</u>
Gross earnings from finance and rental agreements	2	35,320	13,286
Administrative expenses		(16,262)	(13,503)
		<hr/> 19,058	<hr/> (217)
Net interest payable	3	(16,880)	(19,763)
		<hr/>	<hr/>
<i>Profit / (loss) on ordinary activities before taxation</i>	4	2,178	(19,980)
Tax on profit / (loss) on ordinary activities	7	-	-
		<hr/>	<hr/>
<i>Profit / (loss) on ordinary activities after taxation</i>		2,178	(19,980)
Dividend paid		(100)	-
		<hr/>	<hr/>
<i>Retained profit / (loss) for the period</i>		2,078	(19,980)
Retained loss brought forward		(14,565)	(111,789)
Cancellation against share capital	13	14,389	117,204
		<hr/>	<hr/>
<i>Retained profit / (loss) carried forward</i>		<u>1,902</u>	<u>(14,565)</u>

**GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**  
**FOR THE 18 MONTHS ENDED 31ST DECEMBER 1994**

All of the gains and losses for the period have been recognised in arriving at the profit / (loss) disclosed above.



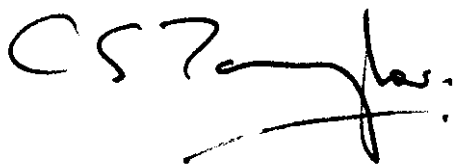
**SOVEREIGN FINANCE PLC**

**GROUP BALANCE SHEET**

**AS AT 31ST DECEMBER 1994**

	<u>Notes</u>	<u>31.12.94</u> <u>£'000</u>	<u>30.06.93</u> <u>£'000</u>
<i>Fixed assets</i>			
Tangible assets	8	18,739	9,990
<i>Current assets</i>			
Debtors: amounts falling due within one year	10	78,377	75,543
Debtors: amounts falling due after more than one year	10	94,538	96,004
Cash at bank and in hand		4,846	6,064
		177,761	177,611
Creditors: amounts falling due within one year	12	(35,176)	(57,355)
<i>Net current assets</i>		142,585	120,256
<i>Total assets less current liabilities</i>		161,324	130,246
Creditors: amounts falling due after more than one year	12	(138,617)	(109,617)
		22,707	20,629
<i>Capital and reserves</i>			
Called up share capital	13	20,657	35,046
Capital reserve		148	148
Profit and loss account		1,902	(14,565)
		22,707	20,629

The financial statements on pages 7 to 19 were approved by the Board of Directors on 1st March 1995.



**C.S. Taylor**  
Director



**I.G. Scott**  
Director

**SOVEREIGN FINANCE PLC**  
**COMPANY BALANCE SHEET**  
**AS AT 31ST DECEMBER 1994**

	<u>Notes</u>	<u>31.12.94</u> <u>£'000</u>	<u>30.06.93</u> <u>£'000</u>
<i>Fixed assets</i>			
Tangible assets	8	18,739	9,990
Investments	9	598	598
		<hr/>	<hr/>
<i>Current assets</i>		19,337	10,588
Debtors: amounts falling due within one year	10	78,405	75,628
Debtors: amounts falling due after more than one year	10	94,584	96,118
Cash at bank and in hand		4,846	6,064
		177,835	177,810
		<hr/>	<hr/>
Creditors: amounts falling due within one year	12	(36,462)	(58,649)
		<hr/>	<hr/>
<i>Net current assets</i>		141,373	119,161
		<hr/>	<hr/>
<i>Total assets less current liabilities</i>		160,710	129,749
		<hr/>	<hr/>
Creditors: amounts falling due after more than one year	12	(138,617)	(109,617)
		<hr/>	<hr/>
		<u>22,093</u>	<u>20,132</u>
		<hr/>	<hr/>
<i>Capital and reserves</i>			
Called up share capital	13	20,657	35,046
Profit and loss account	16	1,436	(14,914)
		<hr/>	<hr/>
		<u>22,093</u>	<u>20,132</u>
		<hr/>	<hr/>

The financial statements on pages 7 to 19 were approved by the Board of Directors on 1st March 1995.

C.S. Taylor  
Director

I.G. Scott  
Director

# SOVEREIGN FINANCE PLC

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE 18 MONTHS ENDED 31ST DECEMBER 1994

#### 1. ACCOUNTING POLICIES

##### a) Accounting convention

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

##### b) Basis of consolidation

The group financial statements consolidate the financial statements of Sovereign Finance plc and all of its subsidiaries at 31st December 1994. The results of companies acquired during the period 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.

##### c) 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, hire purchase and loan agreements: the income component of repayments, after recognising sufficient income to cover initial direct costs, which are credited to the profit and loss account using methods which produce an approximate constant rate of return on the net cash investment.
- (ii) Rental agreements: rentals due under operating lease agreements which are credited to the profit and loss account on a straight line basis.
- (iii) Provisions for bad and doubtful debts: a charge equal to the movement in specific provisions, which are calculated on agreements in arrears in relation to their age, and general provisions, which are assessed on all other agreements according to the risks attached to the class of business.

##### (d) 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 using methods which allocate depreciation charges on a systematic basis to the periods which are expected to benefit from their use, as follows:

Long leasehold property	50 years
Operating lease assets	the period of the lease
Motor vehicles	4 years
Office equipment	5 years
Computer hardware	4 years
Computer software	3 years

# SOVEREIGN FINANCE PLC

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE 18 MONTHS ENDED 31ST DECEMBER 1994

#### 1. ACCOUNTING POLICIES (continued)

##### (e) 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.

##### (f) Interest rates

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. To the extent that hedging mismatches occur, provisions are made for deficits based on the mark to market valuation at the balance sheet date.

##### (g) Deferred taxation

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

##### (h) Pension contributions

The company operates a money purchase 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.

#### 2. GROSS EARNINGS FROM FINANCE AND RENTAL AGREEMENTS

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

##### (a) Amounts due on finance agreements

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

	18 months to 31.12.94 £'000	12 months to 30.06.93 £'000
Amounts due on finance agreements	<u>169,895</u>	<u>153,365</u>

##### (b) Provisions for bad and doubtful debts

During the year to 30th June 1993 there was an exceptional charge of £27,455,000. There is no exceptional charge in the period to 31st December 1994.

Provisions for bad and doubtful debts were disclosed on the face of the profit and loss account in the previous financial statements because of the exceptional charge referred to above. The directors consider that disclosure by way of a note is more appropriate in these financial statements because of the absence of an exceptional charge in the period to 31st December 1994.

# SOVEREIGN FINANCE PLC

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE 18 MONTHS ENDED 31ST DECEMBER 1994

#### 3. NET INTEREST PAYABLE

	18 months to 31.12.94 £'000	12 months to 30.06.93 £'000
Interest payable on:		
Bank and other loans wholly repayable within five years	16,610	19,903
Other loans not wholly repayable within five years	231	-
Finance agreements wholly repayable within five years	126	79
	<u>16,967</u>	<u>19,982</u>
Interest receivable	(87)	(219)
	<u>16,880</u>	<u>19,763</u>

#### 4. PROFIT / (LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION

This represents the operating profit / (loss) of the group and is stated after charging:

	18 months to 31.12.94 £'000	12 months to 30.06.93 £'000
Auditors' remuneration - audit fee	51	65
- non audit work	14	6
Depreciation (note 8) - operating lease assets	3,535	388
- other assets	2,849	1,884
Operating lease rentals - computer equipment	25	-
Net interest payable (note 3)	16,880	19,763

#### 5. STAFF COSTS

	18 months to 31.12.94 £'000	12 months to 30.06.93 £'000
Wages and salaries	6,438	4,554
Social security costs	647	452
Other pension costs	297	183
	<u>7,382</u>	<u>5,189</u>

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

	<u>No.</u>	<u>No.</u>
Office, sales support and management	169	222
External sales and direct selling	52	51
	<u>221</u>	<u>273</u>

**SOVEREIGN FINANCE PLC**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE 18 MONTHS ENDED 31ST DECEMBER 1994**

**6. DIRECTORS' EMOLUMENTS**

**(a) *Emoluments***

	18 months to 31.12.94 £'000	12 months to 30.06.93 £'000
Salaries, benefits and pension contributions	<u>1,529</u>	<u>566</u>

The emoluments, excluding pension contributions, of the chairmen and highest paid director were as follows:

Chairmen	<u>-</u>	<u>-</u>
Highest paid director	<u>314</u>	<u>171</u>

Other directors received emoluments, excluding pension contributions, as follows:

£	nil	1	1
£	105,001 - 110,000	-	1
£	165,001 - 170,000	-	1
£	200,001 - 205,000	1	-
£	305,001 - 310,000	1	-
		<u>1</u>	<u>1</u>

**(b) *Provision for emoluments***

Total directors' emoluments above include a provision for £500,000 which relates to an amount payable under the directors' service contracts. The amount payable is based on the performance of the company up to 31st December 1997 and can only be determined at that date. The provision represents that part of the expected amount payable which is estimated to have accrued from the directors' services in the 18 months to 31st December 1994. The method of payment, whether by pension or salary, has not yet been agreed and therefore no allocation to the bandings is possible. No payments had been made at the balance sheet date.

**7. TAX ON PROFIT / (LOSS) ON ORDINARY ACTIVITIES**

No liability to corporation tax arises on the profit for the period due to the availability of accumulated losses from earlier years.

No provision has been made for deferred taxation on the basis that no liability is considered likely to crystallise. The potential net deferred tax asset, calculated at a corporation tax rate of 33%, and which has not been included in the financial statements, is as follows:

	<u>Group &amp; Company</u> 31.12.94 £'000	30.06.93 £'000
Accelerated capital allowances	25,771	24,700
Short term differences	(6,306)	13,800
	<u>19,465</u>	<u>38,500</u>

# SOVEREIGN FINANCE PLC

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE 18 MONTHS ENDED 31ST DECEMBER 1994

#### 8. TANGIBLE FIXED ASSETS

##### (a) *Summary*

<u>Group &amp; Company</u>	<u>Operating Lease Assets £'000</u>	<u>Long Leasehold Property £'000</u>	<u>Computer &amp; Office Equipment £'000</u>	<u>Motor Vehicles £'000</u>	<u>Total £'000</u>
<i>Cost</i>					
At 1st July 1993	2,467	4,572	7,462	314	14,815
Additions	14,200	-	1,356	265	15,821
Disposals	(435)	-	(494)	(204)	(1,133)
At 31st December 1994	<u>16,232</u>	<u>4,572</u>	<u>8,324</u>	<u>375</u>	<u>29,503</u>
<i>Depreciation</i>					
At 1st July 1993	388	74	4,277	86	4,825
Charge for the period	3,535	108	2,609	132	6,384
Disposals	(202)	-	(166)	(77)	(445)
At 31st December 1994	<u>3,721</u>	<u>182</u>	<u>6,720</u>	<u>141</u>	<u>10,764</u>
<i>Net book value</i>					
At 31st December 1994	<u>12,511</u>	<u>4,390</u>	<u>1,604</u>	<u>234</u>	<u>18,739</u>
At 30th June 1993	<u>2,079</u>	<u>4,498</u>	<u>3,185</u>	<u>228</u>	<u>9,990</u>
<i>Net book value of assets held under finance lease contracts</i>					
At 31st December 1994	<u>-</u>	<u>-</u>	<u>521</u>	<u>-</u>	<u>521</u>
At 30th June 1993	<u>-</u>	<u>-</u>	<u>713</u>	<u>-</u>	<u>713</u>
<i>Depreciation of assets held under finance lease contracts</i>					
Charge for the period	<u>-</u>	<u>-</u>	<u>192</u>	<u>-</u>	<u>192</u>

##### (b) *Commitments*

Capital commitments for which no provision has been made in these financial statements were as follows:

	<u>Group &amp; Company</u>
	<u>31.12.94</u> <u>30.06.93</u>
	<u>£'000</u> <u>£'000</u>
Authorised and contracted for	<u>67</u> <u>517</u>

# SOVEREIGN FINANCE PLC

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE 18 MONTHS ENDED 31st DECEMBER 1994

### 9. FIXED ASSET INVESTMENTS

	<u>31.12.94</u>	<u>30.06.93</u>
	<u>Company</u>	<u>Company</u>
	<u>£'000</u>	<u>£'000</u>
Cost	<u>598</u>	<u>598</u>

Investments consist entirely of the company's wholly owned subsidiary companies. Details of the principal subsidiaries, which all trade as lessors and are registered in England and Wales, are as follows:

	<u>Financial</u>
	<u>Year End</u>
Sovereign Business Finance Limited	30th September
Sovereign Commercial Limited	30th June
Sovereign Corporate Limited	31st March

As permitted under section 231 of the Companies Act 1985, details of the company's dormant subsidiaries are not given.

Interim statements at 31st December 1994 and 30th June 1993 were used for consolidation. None of the subsidiary companies has 31st December as its year end for commercial reasons

### 10. DEBTORS

#### (a) *Amounts falling due within one year*

	<u>31.12.94</u>	<u>30.06.93</u>
	<u>Group</u>	<u>Group</u>
	<u>£'000</u>	<u>£'000</u>
Net investment in finance agreements (note 11)	76,725	74,936
Trade debtors	-	39
Amount owed by immediate parent undertaking	1,272	-
Other debtors	83	267
Prepayments and accrued income	297	301
	<u>78,377</u>	<u>75,543</u>
	<u>76,756</u>	<u>75,022</u>

#### (b) *Amounts falling due after more than one year*

	<u>31.12.94</u>	<u>30.06.93</u>
	<u>Group</u>	<u>Group</u>
	<u>£'000</u>	<u>£'000</u>
Net investment in finance agreements (note 11)	<u>94,538</u>	<u>96,004</u>
	<u>94,584</u>	<u>96,118</u>



# SOVEREIGN FINANCE PLC

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE 18 MONTH ENDED 31ST DECEMBER 1994

#### 11. FINANCE AGREEMENTS

##### (a) *Net investment in finance agreements*

	<u>31.12.94</u>		<u>30.06.93</u>	
	<u>Group</u>	<u>Company</u>	<u>Group</u>	<u>Company</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Due within one year	76,725	76,756	74,936	75,022
Due after more than one year	94,538	94,584	96,004	96,118
	<u>171,263</u>	<u>171,340</u>	<u>170,940</u>	<u>171,140</u>

##### (b) *Net investment in finance agreements with purchase option*

	<u>31.12.94</u>		<u>30.06.93</u>	
	<u>Group</u>	<u>Company</u>	<u>Group</u>	<u>Company</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
	<u>71,493</u>	<u>71,493</u>	<u>12,238</u>	<u>12,238</u>

##### (c) *Total advances during the period*

	<u>Group</u>	<u>Company</u>	<u>Group</u>	<u>Company</u>
	<u>18 months</u>	<u>18 months</u>	<u>12 months</u>	<u>12 months</u>
	<u>to 31.12.94</u>	<u>to 31.12.94</u>	<u>to 30.06.93</u>	<u>to 30.06.93</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Cost of assets acquired during the period for the purpose of finance lease and hire purchase agreements	157,375	157,375	89,010	88,834
Cost of assets acquired during the period for the purpose of hiring under operating leases (note 8)	14,200	14,200	2,468	2,468
Loan advances	27,893	27,893	13,865	13,865
	<u>199,468</u>	<u>199,468</u>	<u>105,343</u>	<u>105,167</u>

# SOVEREIGN FINANCE PLC

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE 18 MONTHS ENDED 31ST DECEMBER 1994

#### 12. CREDITORS

##### (a) *Amounts falling due within one year*

	<u>31.12.94</u>		<u>30.06.93</u>	
	<u>Group</u>	<u>Company</u>	<u>Group</u>	<u>Company</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Bank loans (see notes below)	-	-	34,500	34,500
Other loans (see notes below)	16,870	16,870	10,184	10,184
Obligations under finance agreements	-	-	307	307
Trade creditors	4,375	4,373	1,795	1,795
Amounts owed to ultimate parent undertaking	1,372	1,372	-	-
Amounts owed to subsidiary undertakings	-	1,290	-	1,413
Tax and social security costs	1,032	1,032	926	816
Accruals and deferred income	11,527	11,525	9,643	9,634
	<u>35,176</u>	<u>36,462</u>	<u>57,355</u>	<u>58,649</u>

##### (b) *Amounts falling due after more than one year*

	<u>31.12.94</u>		<u>30.06.93</u>	
	<u>Group</u>	<u>Company</u>	<u>Group</u>	<u>Company</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Bank loans (see notes below)	120,200	120,200	101,799	101,799
Other loans (see notes below)	18,417	18,417	7,706	7,706
Obligations under finance agreements	-	-	112	112
	<u>138,617</u>	<u>138,617</u>	<u>109,617</u>	<u>109,617</u>

##### (c) Notes

All loans and obligations bear commercial rates of interest.

All bank loans are due to the ultimate parent undertaking.

Other loans relate to back to back lease agreements where the head leases are secured on the underlying sublease agreements. These loans include £20,498,000 (1993:£nil) not wholly repayable within five years and repayable by instalments. Of this amount, £1,181,000 (1993:£nil) is repayable after five years but within eight years.

Included in group tax and social security costs is mainstream corporation tax liability of £nil (1993: £105,000 ).

# SOVEREIGN FINANCE PLC

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE 18 MONTHS ENDED 31ST DECEMBER 1994

#### 13. SHARE CAPITAL

	<u>31.12.94</u>		<u>30.06.93</u>	
	<u>No. ('000)</u>	<u>£'000</u>	<u>No. ('000)</u>	<u>£'000</u>
<i>Authorised:</i>				
Ordinary Shares of 10p each	<u>1,192,216</u>	<u>119,222</u>	<u>1,336,106</u>	<u>133,611</u>
	<u>No. ('000)</u>	<u>£'000</u>	<u>No. ('000)</u>	<u>£'000</u>
<i>Allotted, issued, and fully paid:</i>				
Ordinary Shares of 10p each	<u>206,565</u>	<u>20,657</u>	<u>350,455</u>	<u>35,046</u>

On 26th October 1994 the High Court of Justice, Chancery Division, approved the cancellation of 143,890,000 10p ordinary shares held by the company's immediate parent undertaking, OLB Holdings (UK) Limited, representing the accumulated deficit of Sovereign Finance plc at 31st May 1994. Authorised share capital at 30th June 1993 has been adjusted to reflect the cancellation of 663,894,220 10p ordinary shares at 30th November 1992.

#### 14. RECONCILIATION OF MOVEMENTS IN GROUP SHAREHOLDERS' FUNDS

	<u>18 Months</u> <u>to 31.12.94</u> <u>£'000</u>	<u>12 Months</u> <u>to 30.06.93</u> <u>£'000</u>
Profit / (loss) for the period	2,178	(19,980)
New share capital subscribed	-	35,250
Dividend paid	(100)	-
Net additions to shareholders' funds	2,078	15,270
Opening shareholders' funds	20,629	5,359
Closing shareholders' funds	<u>22,707</u>	<u>20,629</u>

# SOVEREIGN FINANCE PLC

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE 18 MONTHS ENDED 31ST DECEMBER 1994

#### **15. OBLIGATIONS UNDER OPERATING LEASES**

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

	<u>Group &amp; Company</u>	
	<u>31.12.94</u>	<u>30.06.93</u>
	<u>£'000</u>	<u>£'000</u>
Operating leases which expire:		
within one year	42	-
between two and five years	-	13
over five years	37	37
	<u>79</u>	<u>50</u>

#### **16. PROFIT OF SOVEREIGN FINANCE PLC**

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

	<u>£'000</u>
At 1st July 1993	(14,914)
Cancellation against share capital - 26th October 1994	14,389
Profit on ordinary activities after taxation for the period	2,061
Dividend paid	(100)
	<u>          </u>
At 31st December 1994	<u>1,436</u>

#### **17. PENSION ARRANGEMENTS**

The company operates a money purchase pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. All amounts due had been paid by the year end.

#### **18. ULTIMATE PARENT UNDERTAKING**

The ultimate parent undertaking is Bank Austria Atkiengesellschaft, 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.