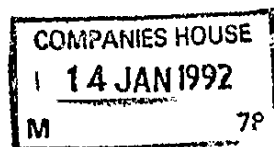


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BDO Binder Hamlyn
Chartered Accountants

SOVEREIGN LEASING PLC

DIRECTORS' REPORT AND
FINANCIAL STATEMENTS

for the year ended
30 June 1991

SOVEREIGN LEASING PLC

REPORT AND ACCOUNTS 1991 — CONTENTS

Page1

	<u>Page</u>
Chairman's Statement	2
Report of the Directors	4
Auditors' Report	6
Group Profit and Loss Account	7
Group Balance Sheet	8
Balance Sheet	9
Group Statement of Source and Application of Funds	10
Notes to the Accounts	11

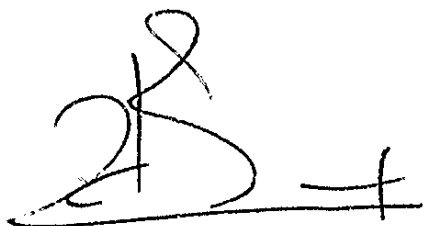


As a consequence of this inadequacy and the continuing deterioration of Sovereign's lease portfolio, the company had to make a £55.8 million charge in order to increase the reserve for doubtful debts and a further £6.9 million write down of residual values in order to state fairly the accounts at 30 June 1991. In my opinion these additional charges were due in part to the marked deterioration of the U.K. economy which had a particularly adverse impact upon small businessmen but in addition there can be little doubt that the accounts presented to Landerbank at the time we bought into Sovereign mis—stated the condition of the company at that time and its readiness to withstand a downturn in the sales aid leasing industry.

In addition to attending to the Company's financial needs it was also decided in July that by drawing on the human resources of Landerbank an interim management team with strong leasing, financial and organisational skills should be appointed, led by myself as Chairman and Chief Executive. As a first priority this team completely revised the underwriting criteria; financial and operating controls were tightened and new controls were instituted; and a major reorganisation of the Credit Control Division was undertaken. A cost cutting programme was also introduced and redundancies were announced. Although employee morale suffered during this uncomfortable period, I am happy to report that the staff have shown their resilience and are now making a major contribution to our efforts to turn Sovereign into a highly competitive and profitable company.

With the support of the international banking community and Bank Austria behind us we have now been able to appoint a new management team whose task it will be to take Sovereign into the future. These three gentlemen bring with them over 60 years of financial company experience and their knowledge of the market will enable Sovereign to become a diversified leasing company with a wide range of services to offer to its clientele.

The Board and the staff of Sovereign have a great deal of hard work in front of them. Moreover there remains considerable room for improvement in the U.K. economic climate. I am confident nonetheless that together; our banking partners; our parent bank; and the new management team can surge ahead and establish Sovereign as a major diversified force in the U.K. leasing market.

A handwritten signature in black ink, appearing to be 'F.H. Brittain', written over a horizontal line.

F.H. BRITTAIN

20th November 1991

SOVEREIGN LEASING PLC

REPORT OF THE DIRECTORS

Page 4

The Directors present their report and accounts for the year ended 30th June 1991.

Results and Dividends The group loss for the year amounted to £51,651,144, as such a dividend will not be paid. For the year ended 30th June 1990 a profit of £4,068,313 was reported. However, it is now considered that those profits were overstated and that some of the losses recognised in 1991 are attributable to the prior year.

During the year, the directors undertook a detailed investigation into the operations and financial position of the company in the light of substantial losses which it was apparent that the company would incur for the year ended 30 June 1991. A number of changes were made in the composition of the Board, in senior management and certain operating policies, with a view to re-establishing long term profitability.

In May 1991, in the light of these losses, the directors sought interim financial support from its ultimate parent company, Z-Landerbank Bank Austria Aktiengesellschaft (Bank Austria). As a result, new subordinated debt of £30m was introduced.

Post Balance Sheet Events

Subsequent to the balance sheet date, Bank Austria resolved to have its wholly owned subsidiary, OLB Holdings (UK) Ltd (Holdings), the immediate parent of Sovereign Leasing Plc (Sovereign) contribute £54,500,000 of equity into Sovereign. Prior to December 31, 1991, Holdings will exercise its right to convert £14,500,000 of convertible bonds for 145,000,000 new ordinary shares and then Holdings will subscribe for 400,000,000 new ordinary shares for £40,000,000. Sovereign will utilise £15,000,000 of the above proceeds to repay £15,000,000 of subordinated loans to Bank Austria.

The above recapitalisation will result in £73,000,000 of called up share capital and £25,250,000 subordinated debt to Bank Austria. Sovereign intends to apply to the courts to offset the accumulated deficit against share capital.

The respective balance sheet categories appear below as reported at June 30, 1991 and on a proforma basis after recapitalisation.

	Reported £	Proforma £
Subordinated loans	40,250,000	25,250,000
Subordinated convertible bonds	14,500,000	—
Called up share capital	18,500,000	22,184,928
Capital reserve	97,913	97,913
Profit and loss account	(50,815,072)	—
	<u>22,532,841</u>	<u>47,532,841</u>

On 22nd August 1991 NPW plc a company of which P.S Green and M.D. Harrison were Directors and Shareholders went into liquidation. M.D. Harrison resigned as a Director of NPW plc prior to the liquidation. The levels of trading between Sovereign and NPW plc are detailed in note 25. At the date of liquidation NPW plc owed Sovereign £1,300,000 under a subordinated loan facility.

Share Capital

The authorised share capital remains at £100,000,000.

Fixed Assets

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

SOVEREIGN LEASING PLC

REPORT OF THE DIRECTORS

Page 5

Directors and their Interests

The Directors who served during the year and their beneficial interests in the ordinary share capital of the company were as follows:

	At 30th June, 1991	At 30th June, 1990
	'A' Shares	'A' Shares
Paul S. Green	40,000,000	40,000,000
Martin D. Harrison	40,000,000	40,000,000
Martin B. Richards	—	—
Diane Rothwell	—	—
Frederick H. Brittain	—	—
Timothy J. Emmott	—	—
Michael Duval	—	—

M. Duval was appointed as Director on 21st June, 1991. On the same date T.J.Emmott and M.B.Richards both resigned as Directors.

On 20th June, 1991 P.S.Green and M.D.Harrison resigned as Directors. Their shareholdings were transferred on 23rd July, 1991 to Holdings (79,999,999) and F.H.Brittain (one share as nominee for Holdings). On the same date M.D.Harrison was reappointed as Director.

An option has been granted to M.D.Harrison to purchase up to 2.5% of the Company's nominal value equity share capital at a cost of £1. The option is exercisable at any time from 23rd July, 1996 until 22nd July, 1998.


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.

Political and Charitable Donations During the financial investigation referred to above, the new management discovered that a donation of £100,000 to the Conservative Party made in 1990 was not recorded as an expense in last years accounts. The expense is therefore included in this year's accounts. In addition, £5,651 (1990: £6,329) was donated to a range of local charities.

Auditors The 1990 auditors KPMG Peat Marwick McLintock and Downham Train Epstein were not appointed to conduct the 1991 Audit. BDO Binder Hamlyn were appointed as the new auditors.

In accordance with Section 384 of the Companies Act 1985, a resolution for the reappointment of BDO Binder Hamlyn will be proposed at the forthcoming Annual General Meeting.


By Order of the Board,
M.DUVAL
Secretary

20th November 1991

SOVEREIGN LEASING PLC

AUDITORS' REPORT TO THE MEMBERS OF SOVEREIGN LEASING PLC
For the year ended 30th June 1991

Page 6

We have audited the financial statements on pages 7 to 17 in accordance with Auditing Standards except that the scope of our work was limited by the matter referred to below.

We were not appointed auditors of the company until 22nd May 1991 and did not report on the financial statements for the year ended 30th June 1990. In our opinion, the amount included for net investment in finance leases in those financial statements was overstated by amounts which may have affected the truth and fairness of those financial statements. However, the directors have not been able to quantify the amount of such misstatement and, therefore, to determine whether it represents an error in the financial statements for prior years which would have required a prior year adjustment in those financial statements. Any such adjustment would have affected the loss for the year ended 30th June 1991. In this respect we have not been able to obtain all the information and explanations that we consider necessary for the purpose of our audit.

In our opinion, the financial statements give a true and fair view of the state of affairs of the company and of the group at 30th June 1991. Subject to the effect of any adjustments which would have been made had the directors been able to quantify the overstatement of net investment in finance leases at 30th June 1990, in our opinion the financial statements give a true and fair view of the loss and source of application of funds of the group for the year ended 30th June 1991 and have been properly prepared in accordance with the Companies Act 1985.

BDO Binder Hamlyn
Chartered Accountants
Registered Auditor
20th November 1991

20 Old Bailey
London EC4M 7BH

SOVEREIGN LEASING PLC
GROUP PROFIT AND LOSS ACCOUNT
For the year ended 30th June 1991

Page 7

	Notes	1991 £	1990 £
Gross earnings from finance agreements		64,866,587	39,988,120
Administration expenses		(15,683,941)	(11,130,007)
		<u>49,182,646</u>	<u>28,858,113</u>
Interest received		929,065	1,031,494
Other income		—	3,049
		<u>50,111,711</u>	<u>29,892,656</u>
Interest payable	3	(39,063,209)	(22,582,125)
Profit before exceptional items		<u>11,048,502</u>	<u>7,310,531</u>
Exceptional items	6	(62,699,646)	(3,240,449)
(Loss) Profit on ordinary activities before taxation	3	<u>(51,651,144)</u>	<u>4,070,082</u>
Taxation on (loss) profit on ordinary activities		—	1,769
(Loss) Profit for the financial year		<u>(51,651,144)</u>	<u>4,068,313</u>
Retained profits brought forward, as previously reported		836,072	276,740
Prior year adjustment		—	(3,508,981)
Restated Profits brought forward		<u>836,072</u>	<u>(3,232,241)</u>
(Loss) Profit for the financial year		<u>(51,651,144)</u>	<u>4,068,313</u>
Retained (deficit) profits carried forward		<u>(50,815,072)</u>	<u>836,072</u>

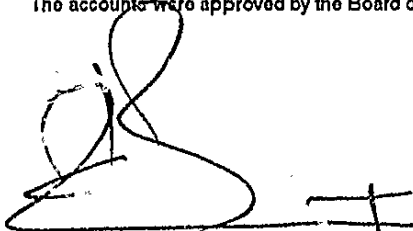
The notes on pages 11 to 17 form part of these accounts

SOVEREIGN LEASING PLC
GROUP BALANCE SHEET
 As at 30th June 1991

Page 8

	Notes	1991 £	1990 £
Fixed assets			
Tangible assets	7	10,850,120	10,477,816
Current assets			
Debtors	9	291,910,908	244,177,932
Investments	11	1,592	1,592
Cash at bank and in hand		10,489,973	23,505,597
		302,402,473	267,685,121
Creditors: amounts falling due within one year	12	(259,772,868)	(68,958,565)
Net current assets		42,629,605	198,726,556
Total assets less current liabilities		53,479,725	209,204,372
Creditors: amounts falling due after more than one year			
Bank and other loans	13	30,946,884	165,020,387
Subordinated loans and loan stock	14	40,250,000	10,250,000
Subordinated convertible bonds	15	14,500,000	14,500,000
		54,750,000	24,750,000
Capital and reserves			
Called up share capital	17	18,500,000	18,500,000
Capital reserve	18	97,913	97,913
Profit and loss account		(50,815,072)	836,072
		(32,217,159)	19,433,985
		53,479,725	209,204,372

The accounts were approved by the Board of Directors on 20th November 1991.



F.H. BRITTAIN

Chairman and Director

The notes on pages 11 to 17 form part of these accounts.

SOVEREIGN LEASING PLC
BALANCE SHEET
As at 30th June 1991

Page 9

	Notes	1991 £	1990 £
Fixed assets			
Tangible assets	7	10,850,120	10,477,816
Investments	8	100,320	100,320
		<u>10,950,440</u>	<u>10,578,136</u>
Current assets			
Debtors	9	291,872,791	244,177,450
Investments	11	1,592	1,592
Cash at bank and in hand		10,489,491	23,505,495
		<u>302,363,874</u>	<u>267,684,537</u>
Creditors: amounts falling due within one year	12	(259,898,551)	(69,110,053)
Net current assets		<u>42,465,323</u>	<u>198,574,484</u>
Total assets less current liabilities		<u>53,415,763</u>	<u>209,152,620</u>
Creditors: amounts falling due after more than one year			
Bank and other loans	13	30,946,884	165,020,387
Subordinated loans and loan stock	14	40,250,000	10,250,000
Subordinated convertible bonds	15	14,500,000	14,500,000
		<u>54,750,000</u>	<u>24,750,000</u>
Capital and reserves			
Called up share capital	17	18,500,000	18,500,000
Profit and loss account		(50,781,121)	882,233
		<u>(32,281,121)</u>	<u>19,382,233</u>
		<u>53,415,763</u>	<u>209,152,620</u>

The accounts were approved by the Board of Directors on 20th November 1991.


 F.H. BRITTAIN

Chairman and Director

The notes on pages 11 to 17 form part of these accounts.

GROUP STATEMENT OF SOURCE AND APPLICATION OF FUNDS
As at 30th June 1991

Page 10

	1991 £	1990 £
Source of funds		
(Loss) Profit on ordinary activities before taxation	(51,651,144)	4,070,082
Adjustment for items not involving the movement of funds:		
Depreciation	2,535,316	816,144
Loss on disposal of tangible fixed assets	89,792	102,132
	2,625,108	918,276
Funds (absorbed) generated from operations	(49,026,036)	4,988,358
Funds from other sources		
Proceeds of disposal of tangible fixed assets	67,900	2,218,000
Subordinated loans and loan stock	30,000,000	16,750,000
Proceeds of share issue	—	8,500,000
Increase in loans and finance agreements	114,000,000	90,788,719
	144,067,900	118,256,725
	95,041,864	123,245,083
Application of funds		
Purchase of tangible fixed assets	3,065,312	6,071,982
Tax paid	—	1,769
Purchase of subsidiaries	—	20
Repayment of loans and finance agreements	61,373,503	4,800,000
	64,438,815	10,873,771
	30,603,049	112,371,312
Increase in working capital		
Debtors	47,732,976	119,463,208
Investments	—	(411,472)
Creditors: falling due within one year	(4,114,303)	(17,185,206)
	43,618,673	101,866,530
Movement in net liquid funds:		
Bank and cash balances	(13,015,624)	10,504,782
	30,603,049	112,371,312

Note: The reclassifications at 30th June 1991 of certain liabilities outstanding at 30th June 1990 have not been disclosed separately as sources or applications of funds.

1 Accounting policies *Accounting convention*

The accounts are prepared under the historical cost convention in accordance with applicable accounting standards. They are prepared on a going concern basis given the financial support from the ultimate parent company.

Basis of consolidation

The group accounts consolidate the accounts of Sovereign Leasing plc and all of its subsidiaries to 30 June 1991.

Finance Agreements

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

Gross earnings comprise:

- (i) The income component of finance agreement rentals which is credited to the profit and loss account using the sum of digits method after recognising sufficient income to cover initial direct costs.
- (ii) The estimated residual value of certain leased assets credited to the profit and loss account on the sum of digits method.

Depreciation

It is the policy of the company to maintain its property in a good state of repair to prolong its useful life. The directors therefore have not provided for depreciation on the property.

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

Motor Vehicles	2-4 years
Office equipment	10 years
Computer Hardware	4 years
Computer Software	3 years

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 contract 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.

SOVEREIGN LEASING PLC
NOTES TO THE ACCOUNTS

For the year ended 31st June 1991

Page 12

2 Gross earnings from finance agreements

Gross earnings from finance agreements and pre-tax profit are attributable to the principal activity which is that of lessors, the whole of which is carried out in the U.K.

The rentals receivable during the year from which gross earnings are derived are as follows:

	1991 £	1990 £
Rentals on finance agreements	<u>150,028,924</u>	<u>96,024,927</u>

3 (Loss) Profit on ordinary activities before taxation

This is stated after charging:

	1991 £	1990 £
Directors' remuneration	870,818	883,136
Auditors' remuneration	35,000	59,000
Depreciation (note 7)	2,535,316	816,144
Interest payable on:		
Bank overdraft	33,480	53,682
Bank and other loans payable within five years	38,389,885	21,859,472
Hire purchase and finance lease costs	639,844	668,991

4 Employees

Staff costs:
Wages and salaries
Social security costs
Pension costs

	1991 £	1990 £
Wages and salaries	5,726,635	5,012,574
Social security costs	646,203	497,816
Pension costs	<u>115,791</u>	<u>143,677</u>
	<u>7,492,629</u>	<u>5,654,067</u>

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

	1991	1990
Office, sales support and management	365	289
External sales and direct marketing	55	50

5 Directors:

Directors' remuneration includes the following:

Emoluments (excluding pension contributions) were paid as follows:

	1991 £	1990 £
Chairman	—	300,000
Chief executive director	<u>308,675</u>	<u>300,000</u>

Other directors received emoluments (excluding pension contributions) as follows:

£	0	2	2
£ 1—£5,000	—	—	—
£ 60,001—£65,000	—	—	1
£ 75,001—£80,000	—	—	1
£ 85,001—£90,000	1	—	—
£ 90,001—£95,000	1	—	—
£ 300,001—£305,000	1	—	—

SOVEREIGN LEASING PLC
NOTES TO THE ACCOUNTS

For the year ended 30th June 1991

Page 13

6 Exceptional items

	1991 £	1990 £
Charge for doubtful debts	55,799,646	5,301,949
Recognition of revised estimate of residual values	6,900,000	—
Profits arising on disposal of interest rate agreements	—	(2,529,000)
Legal costs associated with capital reorganisation	—	466,000
	<u>62,699,646</u>	<u>3,240,449</u>

The prior year charge for doubtful debts is included as exceptional for comparative purposes, and the profit and loss account is restated accordingly.

7 Tangible fixed assets

Group & Company	Long Leasehold Property £	Office Equipment £	Motor Vehicles £	Total £
Cost				
At 1 July, 1990	4,408,517	3,605,629	3,506,129	11,610,275
Additions	73,235	1,884,713	1,107,364	3,065,312
Disposals	—	—	(215,903)	(345,903)
At 30 June, 1991	<u>4,571,752</u>	<u>5,490,342</u>	<u>4,267,590</u>	<u>14,329,684</u>
Depreciation				
At 1 July, 1990	—	797,275	335,184	1,132,459
Charge for the year	—	615,053	1,920,263	2,535,316
Disposals	—	—	(188,211)	(188,211)
At 30 June, 1991	<u>—</u>	<u>1,412,328</u>	<u>2,067,236</u>	<u>3,479,564</u>
Net book value				
At 30 June, 1991	<u>4,571,752</u>	<u>4,078,014</u>	<u>2,200,354</u>	<u>10,850,120</u>
At 30 June, 1990	<u>4,408,517</u>	<u>2,808,354</u>	<u>3,170,945</u>	<u>10,477,816</u>
Net book value of assets held under hire purchase and finance lease contracts				
At 30 June, 1991	<u>—</u>	<u>948,104</u>	<u>1,526,673</u>	<u>2,474,777</u>
At 30 June, 1990	<u>—</u>	<u>1,085,450</u>	<u>3,114,235</u>	<u>4,199,685</u>
Depreciation of assets held under hire purchase and finance lease contracts				
At 30 June, 1991	<u>—</u>	<u>117,348</u>	<u>1,429,870</u>	<u>1,547,218</u>

SOVEREIGN LEASING PLC
NOTES TO THE ACCOUNTS

For the year ended 30th June 1991

Page 14

8 Fixed asset investments

	1991	1990
	£	£
Sovereign 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 Rentals Ltd *	2	2
Sovereign Leasing(Scotland)Ltd *	2	2
Sovereign Finance(Scotland)Ltd *	2	2
Sovereign Aviation Ltd *	2	2
Sovereign Car Leasing Ltd *	2	2
Sovereign Contract Hire Ltd *	2	2
Sovereign Tower Ltd *	2	2
Sovereign Marine Ltd *	2	2
Sovereign Ltd *	2	2
	<u>100,320</u>	<u>100,320</u>
~ lessor		
* dormant		

All subsidiaries are wholly owned and registered in England and Wales.

All subsidiaries have a year end of 30th June except for Sovereign Leasing (Northern) Ltd which, for commercial reasons, has a year end of 31st March. For this company, audited interim statements at 30th June were used for consolidation.

9 Debtors

	1991		1990	
	Group	Company	Group	Company
	£	£	£	£
Net investment in finance agreement receivables (note 10)	289,342,547	289,307,944	240,384,129	240,382,102
Trade debtors	1,651,437	1,651,437	3,129,282	3,130,925
Other debtors	3,514	-	405,901	405,803
Prepayments	913,410	913,410	278,620	278,620
	<u>291,910,908</u>	<u>291,872,791</u>	<u>244,177,932</u>	<u>244,177,450</u>

10 Finance agreement receivables

	1991		1990	
	Group	Company	Group	Company
	£	£	£	£
Net investment in finance agreement receivables:				
Due within one year	100,975,203	100,968,472	76,058,040	76,056,013
Due after more than one year	188,367,344	188,339,472	164,306,089	164,306,089
Net investment in finance agreements	<u>289,342,547</u>	<u>289,307,944</u>	<u>240,364,129</u>	<u>240,362,102</u>
Cost of assets acquired during the year for the purpose of finance leasing	<u>102,865,168</u>	<u>192,825,000</u>	<u>180,879,254</u>	<u>180,879,254</u>
Net investment in finance agreements with purchase option	<u>25,389,345</u>	<u>25,389,345</u>	<u>14,471,123</u>	<u>14,471,123</u>

NOTES TO THE ACCOUNTS

For the year ended 30th June 1991

Page 15

11 Investments

	1991 Group & Company £	1990 £
Shares in listed companies:-		
Cost	38,150	38,150
Provision for reduction in value	(34,558)	(34,558)
	<u>1,592</u>	<u>1,592</u>
Market Value	<u>5,710</u>	<u>9,710</u>

12 Creditors:
falling due within
one year

	1991		1990	
	Group £	Company £	Group £	Company £
Bank loans (see below)	235,000,000	235,000,000	48,300,000	48,300,000
Other loans (see below)	21,012,171	21,012,171	14,781,543	14,781,543
Obligations under hire purchase contracts and finance agreements	1,209,665	1,209,665	1,158,952	1,158,952
Trade creditors	389,230	388,299	294,272	126,479
Amount owed to subsidiaries	—	126,778	—	158,282
Tax and social security costs	904,250	904,086	166,259	168,259
Accruals	1,257,552	1,257,552	4,257,539	4,418,538
	<u>259,772,868</u>	<u>259,898,551</u>	<u>68,958,565</u>	<u>69,110,053</u>

Bank loans of £195,300,000 (1990: £48,300,000) were secured by way of fixed charges over finance agreements and Bank loans of £3,700,000 (1990: £Nil) by way of fixed charges over leasehold property. All loans bear commercial rates of interest.

Bank loans include a loan of £5,000,000 due to the ultimate parent company.

Other loans include £20,716,675 (1990: £14,606,263) in respect of Back to Back lease agreements, which were previously not included in the Balance Sheet. The comparative amounts have been adjusted accordingly. The head leases are secured on the underlying sub lease agreements.

13 Creditors:
falling due after more
than one year

	1991		1990	
	Group £	Company £	Group £	Company £
Bank loans (see below)	—	—	121,700,000	121,700,000
Other loans (see below)	29,623,342	29,623,342	40,655,477	40,655,477
Obligations under hire purchase contracts and finance agreements	1,323,542	1,323,542	2,664,910	2,664,910
	<u>30,946,884</u>	<u>30,946,884</u>	<u>165,020,387</u>	<u>165,020,387</u>

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

Bank loans of £Nil (1990: £116,000,000) were secured by way of fixed charges over finance agreements and Bank loans of £Nil (1990: £3,700,000) by way of fixed charges over leasehold property.

Other loans include £29,336,095 (1990: £39,677,440) in respect of Back to Back lease agreements, which were previously not included in the Balance Sheet. The comparative amounts have been adjusted accordingly. The head leases are secured on the underlying sub lease agreements.

SOVEREIGN LEASING PLC

NOTES TO THE ACCOUNTS

For the year ended 30th June 1991

Page 16

14 Subordinated loans and loan stock

The company has loans of £40,250,000 (1990: £4,000,000) which are subordinated to all creditors of the company. In addition in the previous year the company had £6,250,000 loan stock. The loan stock was repaid during the year.

All subordinated loans bear a commercial rate of interest and mature as follows:

Year ending 30th June 1995 £10,250,000
Year ending 30th June 1996 £30,000,000

All subordinated loans are due to the ultimate parent company.

15 Subordinated convertible bonds

As at 30th June 1991 the company had £14,500,000 of convertible bonds which, had been issued to OLB Holdings (UK) Limited on 29th June 1990.

These bonds are convertible into ordinary shares. All unconverted bonds are due to mature on 30th April 1995.

The bonds carry a commercial floating rate of interest and rank subordinate to all other subordinated loans.

16 Deferred taxation

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

	1991 Group & Company £	1990 £
Accelerated Capital Allowances	12,200,000	10,800,000
Short term timing differences	12,900,000	—
	25,100,000	10,800,000
Less: Offset of taxable losses	(25,100,000)	(6,800,000)
	—	4,200,000

17 Share Capital

Authorised:
30th June 1990 and 30th June 1991
A' shares of 10p each
B' shares of 10p each
C' shares of 10p each

	No.	£
A' shares of 10p each	427,500,000	42,750,000
B' shares of 10p each	427,500,000	42,750,000
C' shares of 10p each	145,000,000	14,500,000
	1,000,000,000	100,000,000

Allotted, issued, and fully paid:
30th June 1990 and 30th June 1991
A' shares of 10p each
B' shares of 10p each
C' shares of 10p each

	No.	£
A' shares of 10p each	80,000,000	8,000,000
B' shares of 10p each	105,000,000	10,500,000
C' shares of 10p each	—	—
	185,000,000	18,500,000

18 Capital Reserve

The capital reserve arose on the acquisition of Sovereign Finance Ltd on 6th September, 1987.

SOVEREIGN LEASING PLC

NOTES TO THE ACCOUNTS

For the year ended 30th June 1991

Page 17

19 Commitments

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

	1991 Group & Company £	1990 Group & Company £
Authorised and contracted for	141,000	—
Authorised, not contracted for	—	213,438

20 Obligations under operating leases

The company has future leasing commitments amounting to £279,670 of which £73,170 is payable within one year, £44,250 is repayable within two to five years and £162,250 is repayable after more than five years.

21 Interest rate agreements

The group has purchased various "interest rate products" for periods up to five years covering up to £140m of the group's borrowings. The contracts provide a hedge against fluctuations in interest rates during the period of the contracts.

22 Loss/Profit 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 of £51,583,354 (1990: £4,069,074 profit) is dealt with in the accounts of the parent company.

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. The pension cost charge represents contributions payable by the company to the fund and amounted to £125,791 (1990: £143,677). All amounts due had been paid by the year end.

24 Ultimate parent company

The ultimate parent company is Österreichische Landerbank Aktiengesellschaft, a company incorporated in Austria. The company has merged since the year end and is known as Z-Landerbank Bank Austria Aktiengesellschaft.

25 Related Party Transactions

As at 30th June 1991 NPW plc had loan and lease balances due to Sovereign Leasing Plc of £1,090,896 (1990: £1,599,579). The maximum outstanding during the year was £1,599,579. During the year goods to the value of £8,587,866 were purchased from NPW plc by Sovereign Leasing plc. M.D. Harrison and P.S. Green were directors of and shareholders in NPW plc throughout the year.