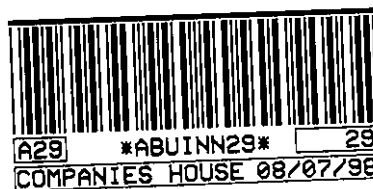


**SOVEREIGN FINANCE PLC**  
**REPORT AND FINANCIAL STATEMENTS**  
**YEAR ENDED 31ST DECEMBER 1995**  
**COMPANY NO: 1533123**



**SOVEREIGN FINANCE PLC**  
**REPORT AND FINANCIAL STATEMENTS**  
**YEAR ENDED 31ST DECEMBER 1995**  
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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  
Bank House  
9 Charlotte Street  
Manchester  
M1 4EU

### **BANKERS**

National Westminster Bank plc  
55 King Street  
Manchester  
M60 2DB

### **REGISTERED OFFICE**

Sovereign House  
298 Deansgate  
Manchester M60 3AL

### **COMPANY NUMBER**

1533123

**SOVEREIGN FINANCE PLC**

**CHIEF EXECUTIVES' STATEMENT**

We are pleased to report an operating profit of £3.1 million for the 12 months to 31st December 1995, compared with £2.1 million for the 18 months to 31st December 1994.

Our overall book debt has grown by more than 10% and we wrote over £170 million of new business which represents a 32% increase over the previous comparative 12 month period. Costs were further reduced over the period and will continue to be tightly controlled.

Further investment in staff training and in computer development ensures that we are in a position to build on the growth achieved in 1995. We are determined to meet the targets we have set for 1996.

Bank Austria has again provided strong support and their assistance is vital to the continuing growth of the Sovereign Group.

The market background of increasing competition and decreasing margins has placed extra pressure on all our staff. We are delighted in the way they have responded and the satisfactory result for the year reflects their hard work and loyalty.

We look forward with enthusiasm to 1996 and the challenge to grow our book. We are confident that we will succeed.

  
C.S. Taylor

  
I. G. Scott

29th February 1996

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

The directors present their report and financial statements for the year ended 31st December 1995.

**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 year continued to be those of lessors and financiers.

**RESULTS AND DIVIDENDS**

The group profit on ordinary activities after taxation for the year amounted to £3,127,000 (18 months ended 31st December 1994: £2,178,000).

A dividend of £300,000 was paid in the year (18 months ended 31st December 1994: £100,000) which leaves a profit of £2,827,000 to be retained.

## SOVEREIGN FINANCE PLC

### REPORT OF THE DIRECTORS (Continued)

#### FIXED ASSETS

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

#### DIRECTORS AND THEIR INTERESTS

The directors who served during the year were as follows:

Dr. P. Scheithauer (Chairman)  
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.

#### 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 for this. The company holds the "Investors in People" award.

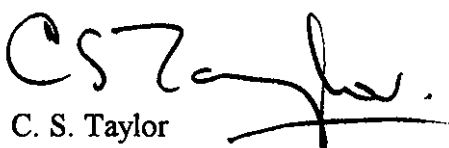
#### DISABLED PERSONS

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 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

29th February 1996

**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 1995 and of the group's profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Binder Hamlyn  
Chartered Accountants  
Registered Auditors  
Bank House  
9 Charlotte Street  
Manchester  
M1 4EU

29th February 1996

**SOVEREIGN FINANCE PLC**  
**GROUP PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED 31ST DECEMBER 1995**

	<u>Notes</u>	<u>12 months to 31.12.95 £'000</u>	<u>18 months to 31.12.94 £'000</u>
Gross earnings from finance and rental agreements	2	25,705	35,320
Administrative expenses		(10,608)	(16,262)
		<hr/> 15,097	<hr/> 19,058
Net interest payable	3	(11,970)	(16,880)
<i>Profit on ordinary activities before taxation</i>	4	<hr/> 3,127	<hr/> 2,178
Tax on profit on ordinary activities	7	-	-
<i>Profit on ordinary activities after taxation</i>	14	<hr/> 3,127	<hr/> 2,178
Dividend paid		(300)	(100)
<i>Retained profit for the period</i>		<hr/> 2,827	<hr/> 2,078
Retained profit/(loss) brought forward		1,902	(14,565)
Cancellation against share capital		-	14,389
<i>Retained profit carried forward</i>		<hr/> <u>4,729</u>	<hr/> <u>1,902</u>

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

**GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**  
**FOR THE YEAR ENDED 31ST DECEMBER 1995**

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

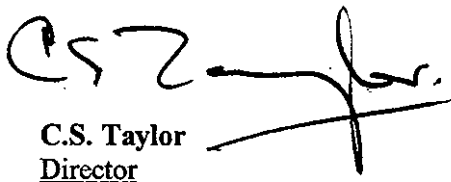
**SOVEREIGN FINANCE PLC**

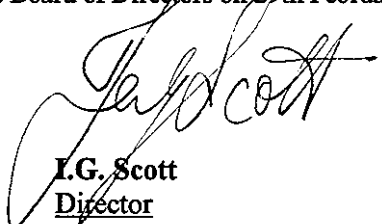
**GROUP BALANCE SHEET**

**AS AT 31ST DECEMBER 1995**

	<u>Notes</u>	<u>1995</u> <u>£'000</u>	<u>1994</u> <u>£'000</u>
<i>Fixed assets</i>			
Tangible assets	8	29,356	18,739
<i>Current assets</i>			
Debtors: amounts falling due within one year	10	70,695	78,377
Debtors: amounts falling due after more than one year	10	109,086	94,538
Cash at bank and in hand		4,731	4,846
		184,512	177,761
Creditors: amounts falling due within one year	12	(23,208)	(35,176)
<i>Net current assets</i>		161,304	142,585
<i>Total assets less current liabilities</i>		190,660	161,324
Creditors: amounts falling due after more than one year	12	(165,126)	(138,617)
<i>Net assets</i>		<u>25,534</u>	<u>22,707</u>
<i>Capital and reserves</i>			
Called up share capital	13	20,657	20,657
Capital reserve		148	148
Profit and loss account		4,729	1,902
<i>Equity Shareholders' funds</i>	14	<u>25,534</u>	<u>22,707</u>

The financial statements on pages 7 to 19 were approved by the Board of Directors on 29th February 1996.

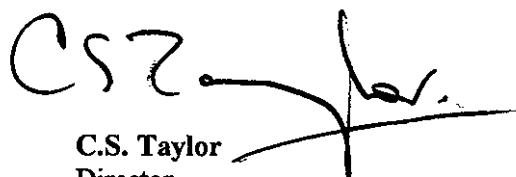
  
C.S. Taylor  
Director

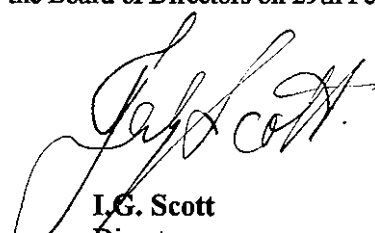
  
I.G. Scott  
Director

**SOVEREIGN FINANCE PLC**  
**COMPANY BALANCE SHEET**  
**AS AT 31ST DECEMBER 1995**

	<u>Notes</u>	<u>1995</u> <u>£'000</u>	<u>1994</u> <u>£'000</u>
<i>Fixed assets</i>			
Tangible assets	8	29,356	18,739
Investments	9	598	598
		<hr/>	<hr/>
		29,954	19,337
<i>Current assets</i>			
Debtors: amounts falling due within one year	10	70,673	78,405
Debtors: amounts falling due after more than one year	10	109,054	94,584
Cash at bank and in hand		4,731	4,846
		<hr/>	<hr/>
		184,458	177,835
Creditors: amounts falling due within one year	12	(24,415)	(36,462)
		<hr/>	<hr/>
<i>Net current assets</i>		160,043	141,373
		<hr/>	<hr/>
<i>Total assets less current liabilities</i>		189,997	160,710
Creditors: amounts falling due after more than one year	12	(165,126)	(138,617)
		<hr/>	<hr/>
<i>Net assets</i>		<u>24,871</u>	<u>22,093</u>
<i>Capital and reserves</i>			
Called up share capital	13	20,657	20,657
Profit and loss account	16	4,214	1,436
		<hr/>	<hr/>
<i>Equity Shareholders' funds</i>		<u>24,871</u>	<u>22,093</u>

The financial statements on pages 7 to 19 were approved by the Board of Directors on 29th February 1996.

  
C.S. Taylor  
Director

  
I.G. Scott  
Director

# **SOVEREIGN FINANCE PLC**

## **NOTES TO THE FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED 31ST DECEMBER 1995**

#### **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 1995. 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 YEAR ENDED 31ST DECEMBER 1995**

1. **ACCOUNTING POLICIES (continued)**

(c) **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 over-hedging occurs, provisions are made based on mark to market valuations 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.

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

	<u>12 months</u> <u>to 31.12.95</u> <u>£'000</u>	<u>18 months</u> <u>to 31.12.94</u> <u>£'000</u>
Amounts due on:		
Finance leases	63,748	122,458
Operating leases	9,668	5,564
Hire purchase and loan agreements	86,415	41,873
	<u>159,831</u>	<u>169,895</u>

# SOVEREIGN FINANCE PLC

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31ST DECEMBER 1995

#### 3. NET INTEREST PAYABLE

	12 months to 31.12.95 £'000	18 months to 31.12.94 £'000
Interest payable on:		
Bank loans wholly repayable within five years	10,218	14,674
Finance leases wholly repayable within five years	1,681	2,062
Finance leases not wholly repayable within five years	95	231
	<u>11,994</u>	<u>16,967</u>
Interest receivable	(24)	(87)
	<u>11,970</u>	<u>16,880</u>

#### 4. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

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

	12 months to 31.12.95 £'000	18 months to 31.12.94 £'000
Auditors' remuneration		
- audit fee	53	51
- non audit work	3	14
Depreciation (note 8)		
- operating lease assets	3,690	3,535
- other assets	1,228	2,849
Operating lease rentals		
- buildings	37	56
- computer equipment	8	25
Net interest payable (note 3)	<u>11,970</u>	<u>16,880</u>

#### 5. STAFF COSTS

	12 months to 31.12.95 £'000	18 months to 31.12.94 (restated) (note 6(b)) £'000
Wages and salaries	5,683	6,938
Social security costs	561	699
Other pension costs	228	297
	<u>6,472</u>	<u>7,934</u>

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

	<u>No.</u>	<u>No.</u>
Office, sales support and management	153	169
External sales and direct selling	59	52
	<u>212</u>	<u>221</u>

**SOVEREIGN FINANCE PLC**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31ST DECEMBER 1995**

**6. DIRECTORS' EMOLUMENTS**

**(a) *Emoluments***

	12 months to 31.12.95 £'000	18 months to 31.12.94 £'000
Salaries	549	784
Benefits in kind	31	41
Pension contributions	138	204
Profit-related commission (note 6(b))	782	500
	<u>1,500</u>	<u>1,529</u>

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

Chairman	<u>-</u>	<u>-</u>
Highest paid director	<u>515</u>	<u>502</u>

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

£ nil	2	2
£ 325,001 - 330,000	-	1
£ 335,001 - 340,000	1	-
£ 495,001 - 500,000	-	1
£ 500,001 - 505,000	-	1
£ 510,001 - 515,000	<u>2</u>	<u>-</u>

**(b) *Profit-related commission***

Profit-related commission comprises an amount payable under the directors' service contracts. The total amount payable is based on the performance of the company up to 31st December 1997 and can only be determined at that date. A provision has been made for that part of the expected amount payable which is estimated to have accrued from the directors' services in the year to 31st December 1995. The comparative figures for the bandings above and staff costs (note 5) have been restated to reflect the payment in 1995 of the profit-related commission for which provision had been made at 31st December 1994. This commission had not been allocated to the bandings and staff costs on the basis that the method of payment, whether by pension contribution or salary, had not been determined at that date.

**7. TAX ON PROFIT ON ORDINARY ACTIVITIES**

No liability to corporation tax arises on the profit for the year 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> 1995 £'000	1994 £'000
Accelerated capital allowances	17,343	25,771
Short term differences	1,523	(6,306)
	<u>18,866</u>	<u>19,465</u>

# SOVEREIGN FINANCE PLC

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31ST DECEMBER 1995

#### 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 January 1995	16,232	4,572	8,324	375	29,503
Additions	14,767	-	663	655	16,085
Disposals	(854)	-	(133)	(166)	(1,153)
At 31st December 1995	<u>30,145</u>	<u>4,572</u>	<u>8,854</u>	<u>864</u>	<u>44,435</u>
<i>Depreciation</i>					
At 1st January 1995	3,721	182	6,720	141	10,764
Charge for the Year	3,690	94	962	172	4,918
Disposals	(465)	-	(45)	(93)	(603)
At 31st December 1995	<u>6,946</u>	<u>276</u>	<u>7,637</u>	<u>220</u>	<u>15,079</u>
<i>Net book value</i>					
At 31st December 1995	<u>23,199</u>	<u>4,296</u>	<u>1,217</u>	<u>644</u>	<u>29,356</u>
At 31st December 1994	<u>12,511</u>	<u>4,390</u>	<u>1,604</u>	<u>234</u>	<u>18,739</u>
<i>Net book value of assets held under finance lease contracts</i>					
At 31st December 1995	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
At 31st December 1994	<u>-</u>	<u>-</u>	<u>521</u>	<u>-</u>	<u>521</u>
<i>Depreciation of assets held under finance lease contracts</i>					
Charge for the year	<u>-</u>	<u>-</u>	<u>521</u>	<u>-</u>	<u>521</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>1995</u>	<u>1994</u>
	<u>£'000</u>	<u>£'000</u>
Authorised and contracted for	<u>-</u>	<u>67</u>

# SOVEREIGN FINANCE PLC

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31st DECEMBER 1995

#### 9. FIXED ASSET INVESTMENTS

	<u>1995</u> <u>Company</u> <u>£'000</u>	<u>1994</u> <u>Company</u> <u>£'000</u>
Cost	<u>598</u>	<u>598</u>

Investments consist entirely of the company's wholly owned subsidiary undertakings. 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 1995 and 31st December 1994 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>1995</u>	<u>1995</u>	<u>1994</u>	<u>1994</u>
	<u>Group</u> <u>£'000</u>	<u>Company</u> <u>£'000</u>	<u>Group</u> <u>£'000</u>	<u>Company</u> <u>£'000</u>
Net investment in finance agreements (note 11)	68,445	68,423	76,725	76,756
Amount owed by immediate parent undertaking	972	972	1,272	1,272
Other debtors	954	954	83	80
Prepayments and accrued income	324	324	297	297
	<u>70,695</u>	<u>70,673</u>	<u>78,377</u>	<u>78,405</u>

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

	<u>1995</u>	<u>1995</u>	<u>1994</u>	<u>1994</u>
	<u>Group</u> <u>£'000</u>	<u>Company</u> <u>£'000</u>	<u>Group</u> <u>£'000</u>	<u>Company</u> <u>£'000</u>
Net investment in finance agreements (note 11)	<u>109,086</u>	<u>109,054</u>	<u>94,538</u>	<u>94,584</u>

**SOVEREIGN FINANCE PLC**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31ST DECEMBER 1995**

**11. FINANCE AGREEMENTS**

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

	<u>1995</u>		<u>1994</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	68,445	68,423	76,725	76,756
Due after more than one year	109,086	109,054	94,538	94,584
	<u>177,531</u>	<u>177,477</u>	<u>171,263</u>	<u>171,340</u>

**(b) *Net investment in hire purchase agreements***

	<u>1995</u>		<u>1994</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>97,660</u>	<u>97,660</u>	<u>71,493</u>	<u>71,493</u>

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

	<u>Group</u>	<u>Company</u>	<u>Group</u>	<u>Company</u>
	<u>12 months</u>	<u>12 months</u>	<u>18 months</u>	<u>18 months</u>
	<u>to 31.12.95</u>	<u>to 31.12.95</u>	<u>to 31.12.94</u>	<u>to 31.12.94</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	132,542	132,433	157,375	157,375
Cost of assets acquired during the period for the purpose of hiring under operating leases (note 8)	14,767	14,767	14,200	14,200
Loan advances	32,107	32,107	27,893	27,893
	<u>179,416</u>	<u>179,307</u>	<u>199,468</u>	<u>199,468</u>

# SOVEREIGN FINANCE PLC

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31ST DECEMBER 1995

#### 12. CREDITORS

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

	<u>1995</u>		<u>1994</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>
Obligations under finance leases	8,379	8,379	16,870	16,870
Trade creditors	2,254	2,254	4,375	4,373
Amount owed to ultimate parent undertaking	1,372	1,372	1,372	1,372
Amounts owed to subsidiary undertakings	-	1,207	-	1,290
Tax and social security costs	417	417	1,032	1,032
Accruals and deferred income	10,786	10,786	11,527	11,525
	<u>23,208</u>	<u>24,415</u>	<u>35,176</u>	<u>36,462</u>

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

	<u>1995</u>		<u>1994</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 loan	150,875	150,875	120,200	120,200
Obligations under finance leases	14,251	14,251	18,417	18,417
	<u>165,126</u>	<u>165,126</u>	<u>138,617</u>	<u>138,617</u>

##### (c) *Notes*

The bank loan is due to the ultimate parent undertaking, and bears a commercial rate of interest. The facility is renewable on 31st December 1997.

Obligations under finance leases relate to back to back lease agreements where the head leases are secured on the underlying sublease agreements. These leases include £1,969,000 (1994: £4,331,000) not wholly repayable within five years and repayable by instalments. Of this amount, £642,000 (1994: £1,181,000) is repayable after five years but within seven years.

**SOVEREIGN FINANCE PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31ST DECEMBER 1995**

**13. SHARE CAPITAL**

	No. ('000)	<u>1995</u> £'000	No. ('000)	<u>1994</u> £'000
<i>Authorised :</i>				
Ordinary Shares of 10p each	<u>1,192,216</u>	<u>119,222</u>	<u>1,192,216</u>	<u>119,222</u>
<i>Allotted, issued, and fully paid :</i>				
Ordinary Shares of 10p each	<u>206,565</u>	<u>20,657</u>	<u>206,565</u>	<u>20,657</u>

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

	<u>12 months</u> to 31.12.95 £'000	<u>18 months</u> to 31.12.94 £'000
Profit for the period	3,127	2,178
Dividend paid	(300)	(100)
Net addition to shareholders' funds	2,827	2,078
Opening shareholders' funds	22,707	20,629
Closing shareholders' funds	<u>25,534</u>	<u>22,707</u>

**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>1995</u>	<u>1994</u>	
	<u>Buildings</u> £'000	<u>Buildings</u> £'000	<u>Motor</u> <u>vehicles</u> £'000
Operating leases which expire :			
within one year	-	-	42
over five years	37	37	-
	<u>37</u>	<u>37</u>	<u>42</u>

# **SOVEREIGN FINANCE PLC**

## **NOTES TO THE FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED 31ST DECEMBER 1995**

#### **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 January 1995	1,436
Profit on ordinary activities after taxation for the period	3,078
Dividend paid	(300)
At 31st December 1995	<u><u>4,214</u></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 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 ("OLB"), which is registered in England and Wales.

Copies of the group accounts of OLB will be delivered to, and will be available from the Registrar of Companies, Companies Registration Office, Crown Way, Maindy, Cardiff CF4 3UZ.