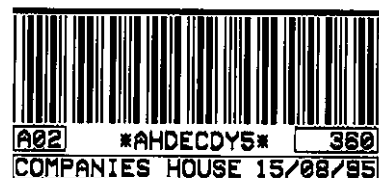


GENERAL ACCIDENT CREDIT SERVICES LIMITED

Directors' Report and Financial Statements
31 December 1994

Registered Number 184857



DIRECTORS AND SECRETARY

Directors: N G Lister, FCII
R Newton, BSc FIA
R A Scott

Secretary: P M White, FCIS, MAAT

DIRECTORS' REPORT

The Directors present their report and audited financial statements for the year ended 31st December 1994.

PRINCIPAL ACTIVITY AND BUSINESS REVIEW

The Company is engaged in the provision of instalment credit in respect of General Accident insurance premiums. Over the course of the year the effects of a reduction in the number of UK qualifying policies issued were offset by an increase in the share of General Accident customers opting to pay by instalments.

DIVIDEND AND RESERVES

Profit after tax amounted to £10,320,619 as compared with £10,519,341 for 1993. After adding the balance of £6,794,507 brought forward from 1993 the amount available for appropriation is £17,115,126. An interim dividend of £10,000,000 was paid on 30th December 1994 and the directors do not recommend the payment of a final dividend.

The balance of profits retained thus amounts to £7,115,126 as compared with £6,794,507 at the end of 1993.

DIRECTORS AND THEIR INTERESTS

The names of the present Directors are shown above.

The interests of Mr Scott in the share capital of other companies in the General Accident Group are stated in the Directors' Report of General Accident plc. The interests of the remaining Directors are set out overleaf:-

IN GENERAL ACCIDENT PLCORDINARY SHARES

	1st January 1994	31st December 1994
N G Lister	7,122	9,254
R Newton	2,782	3,764

OPTIONS

	1st January 1994	Options Granted during the year	Options Exercised or Lapsed during the year	31st December 1994
N G Lister	64,350	10,050	1,022	73,378
R Newton	34,086	20,295	Nil	54,381

AUDITORS

On 6th February 1995 our auditors changed the name under which they practise to KPMG and, accordingly, have signed their report in their new name.

Pursuant to a shareholders' resolution the Company is not obliged to re-appoint its auditors annually and KPMG will therefore continue in office.

By order of the Board.



P M White
Secretary
22nd March 1995

Statement of Directors' Responsibilities

The following statement, which should be read in conjunction with the auditors' statement set out on page 4, is made with a view to distinguishing for shareholders the respective responsibilities of the directors and of the auditors in relation to the financial statements.

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 as at the end of the financial year and of its profit or loss for the year and which comply with the provisions of the Companies Act 1985.

The directors consider that in preparing the financial statements on pages 5 to 9, the company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates and that all accounting standards which they consider to be applicable have been followed. The directors are required to use a going concern basis in preparing the financial statements unless this is inappropriate.

The directors are responsible for ensuring that the company keeps proper accounting records which disclose with reasonable accuracy the financial position of the company and which enable them to ensure that the financial statements comply with the Companies Act 1985. They also have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

The directors, having prepared the financial statements on pages 5 to 9, have requested the auditors to take whatever steps and undertake whatever inspections they consider to be appropriate for the purpose of enabling them to give their audit opinion on page 4.

Report of the Auditors to the Members of General Accident Credit Services Limited

We have audited the financial statements on pages 5 to 9.

Respective responsibilities of Directors and Auditors

As described on page 3 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 the company's affairs at 31 December 1994 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG

KPMG
Chartered Accountants
Registered Auditors

24 Blythswood Square
Glasgow G2 4QS

15th June 1995

GENERAL ACCIDENT CREDIT SERVICES LIMITED

Profit and Loss Account

for the year ended 31st December 1994

	Note	1994 £	1993 £
Turnover	2	17,307,288	17,483,411
(Decrease)/Increase in Unearned Fees		<u>(64,785)</u>	<u>(294,611)</u>
		17,372,073	17,778,022
Staff costs	4	195,888	411,043
Other operating charges		<u>1,781,202</u>	<u>1,682,453</u>
Operating profit	3	15,394,983	15,684,526
Other interest receivable and similar income		<u>8,225</u>	<u>8,225</u>
Profit on ordinary activities before Taxation		15,403,208	15,692,751
Taxation	5	<u>5,082,589</u>	<u>5,173,410</u>
Profit on ordinary activities after Taxation and for the financial year		10,320,619	10,519,341
Retained profit brought forward		<u>6,794,507</u>	<u>6,275,166</u>
Total available for appropriation		17,115,126	16,794,507
Dividends for the year 1994			
Interim - paid December 1994		<u>10,000,000</u>	<u>10,000,000</u>
Retained profit carried forward		<u>7,115,126</u>	<u>6,794,507</u>

There are no discontinued operations or acquisitions which require disclosure under the terms of FRS3.

Statement of Total Recognised Gains and Losses
for the year ended 31st December 1994

	Note	1994 £	1993 £
Profit for the year attributable to shareholders		10,320,619	10,519,341
Other recognised gains (losses) for the period not included in profit			
Net movement on Investment Reserve	10	<u>369</u>	<u>(6,098)</u>
Total recognised gains and losses relating to the year		<u>10,320,988</u>	<u>10,513,243</u>

Reconciliation of the Movement in Shareholders' Funds
for the year ended 31st December 1994

	Note	1994 £	1993 £
Total recognised gains and losses relating to the year		10,320,988	10,513,243
Dividends		<u>10,000,000</u>	<u>10,000,000</u>
Movement in shareholders funds		320,988	513,243
Balance as at 1st January		<u>6,857,198</u>	<u>6,343,955</u>
Balance as at 31st December		<u>7,178,186</u>	<u>6,857,198</u>

Balance Sheet
at 31st December 1994


	Note	1994 £	1993 £
Investments	6	91,186	91,186
Current Assets			
Debtors	7	181,500,722	183,397,121
Accrued interest		2,727	2,727
Cash at bank and in hand		<u>751,779</u>	<u>417,632</u>
		182,346,414	183,908,666
Creditors: amounts falling due within one year	8	<u>170,484,070</u>	<u>172,302,525</u>
Total assets less current liabilities		11,862,344	11,606,141
Provisions for liabilities and charges			
Provision for unearned fees		<u>4,684,158</u>	<u>4,748,943</u>
Net Assets		<u>7,178,186</u>	<u>6,857,198</u>

Representing:

Capital and reserves

Share capital	9	25,000	25,000
Investment Reserve	10	38,060	37,691
Profit and loss account		<u>7,115,126</u>	<u>6,794,507</u>
		<u>7,178,186</u>	<u>6,857,198</u>

These financial statements were approved by the Board of Directors on 22nd March 1995 and were signed on its behalf by:


N G Lister
Director

Notes to the Accounts**1. ACCOUNTING POLICIES****(a) Accounting Convention**

The accounts are prepared under the historical cost convention.

(b) Charges on Agreements

Credit is taken for fees on an earned basis.

(c) Investment Income

Investment income is brought into account in the year in which it is earned.

(d) Investments

Investments are shown in the balance sheet at or under cost. Profits and losses on realisation of investments, after adjusting for taxation and exchange adjustments, are dealt with through investment reserve.

(e) Deferred Taxation

Deferred taxation is provided at the rate expected to apply when the liabilities crystallise on all timing differences other than those considered likely to continue in the foreseeable future.

(f) Cash Flow Statement

Under Financial Reporting Standard 1, the company is exempt from the requirement to prepare a cash flow statement on the grounds that it is a wholly owned subsidiary undertaking.

2. TURNOVER

Turnover represents fees received on financing agreements.

	1994 £	1993 £
UK	16,960,783	17,217,432
Republic of Ireland	<u>346,505</u>	<u>265,979</u>
	<u>17,307,288</u>	<u>17,483,411</u>

3. OPERATING PROFIT

	1994 £	1993 £
This is stated after charging:		
Directors' remuneration	Nil	Nil
Audit fees	7,344	7,344

Notes to the Accounts**4. STAFF COSTS**

	1994	1993
Wages and salaries	164,901	292,126
Pension Fund Charge	15,575	108,006
Other Personnel Costs	<u>15,412</u>	<u>10,911</u>
	<u>195,888</u>	<u>411,043</u>

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

	No.	No.
Administration	15	21

The company is a member of the General Accident Companies UK Pension Scheme, a funded defined benefit scheme. Actuarial details of the scheme are contained in the accounts of the ultimate holding company, General Accident plc.

The pension charge represents the proportionate charge for normal contributions less amortisation of the surplus of the fund over the average remaining service lives of group employees.

5. TAXATION

1994	1993
£	£

Based on the profit for the year:

UK Corporation Tax at 33%	<u>5,082,589</u>	<u>5,173,410</u>
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6. INVESTMENTS

Cost at beginning of year	<u>91,186</u>	<u>91,186</u>
Cost at end of year	<u>91,186</u>	<u>91,186</u>
Valuation:		
Listed investments - market value	<u>94,705</u>	<u>103,753</u>

7. DEBTORS

Instalments due under financing agreements	181,498,666	183,395,065
Tax on Unfranked Investment Income	<u>2,056</u>	<u>2,056</u>
	<u>181,500,722</u>	<u>183,397,121</u>

8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

Corporation tax	12,852,728	13,757,003
Due to parent company	157,618,842	158,382,536
Accruals and deferred income	<u>12,500</u>	<u>162,986</u>
	<u>170,484,070</u>	<u>172,302,525</u>

Notes to the Accounts**9. SHARE CAPITAL**

Authorised:	No.	No.
Ordinary shares of £1 each	<u>25,000</u>	<u>25,000</u>
Issued:	£	£
25,000 Ordinary shares of £1 each, fully paid	<u>25,000</u>	<u>25,000</u>

10. INVESTMENT RESERVE

	1994	1993
	£	£
Opening balance	37,691	43,789
Exchange on Republic of Ireland net assets	<u>369</u>	<u>(6,098)</u>
Closing balance	<u>38,060</u>	<u>37,691</u>

11. ULTIMATE HOLDING COMPANY

The largest group in which the results of the company are consolidated is that headed by General Accident plc, the ultimate holding company incorporated in Great Britain and registered in Scotland. The smallest group in which they are consolidated is that headed by General Accident Fire and Life Assurance Corporation plc, incorporated in Great Britain and registered in Scotland.

The consolidated accounts of these groups are available to the public and may be obtained from Pitheavlis, Perth, Scotland, PH2 ONH.