

733011.

ALEX. LAWRIE FACTORS LTD

REPORT AND ACCOUNTS

1998



Managing Director's Review

The sales volumes we handled for our clients in 1998 grew to £4,800 million from £4,400 million in the previous period. Export volumes rose by 8% to £167 million in a year which had its challenges for exporters.

We continued our investment programme in systems and client technology. These developments included the introduction of a new Internet based service - CashConnect - specifically designed to meet the requirements of smaller businesses.

The feedback on our service quality from a survey of clients across all of our products was extremely encouraging and will help us to ensure we continue to focus on client needs throughout the coming year.

I am pleased to report a record profit before tax of £19.63 million for the year which reflects the excellent commitment of all our staff during a period of economic uncertainty and change.



Keith Higley
Managing Director

ALEX. LAWRIE FACTORS LIMITED

Incorporated 1962

SHARE CAPITAL

Authorised £1,011,000

Issued £1,011,000

DIRECTORS

H Bartlett

B P Birch

J A Green

K J Higley, Managing Director

A K Hutton

F M P Riding, Chairman

P K Saunders

D M Singleton

J A Spence

SECRETARY

H Bartlett

AUDITORS

PricewaterhouseCoopers

BANKERS

Lloyds Bank Plc

The Royal Bank of Scotland Plc

REGISTERED OFFICE

Beaumont House

Beaumont Road

Banbury

Oxfordshire

OX16 7RN

Tel 01295 272272 Telex 83627 Facsimile 01295 271634

Registered in England number 733011

ALEX. LAWRIE FACTORS LIMITED

Report of the directors

The directors present their report for the year ended 31 December 1998.

Principal activities

The principal activities of the group are invoice factoring and invoice discounting both on a disclosed and undisclosed basis.

During the year the group achieved increases in its client portfolio of 205, and in the aggregate value of invoices handled of £346 million (8%).

No changes in the underlying business are foreseen.

Results and dividends

The group made a profit before taxation for the year of £19,634,000 (1997: £18,363,000) on a turnover of £78,241,000 (1997: £71,934,000) as shown in the consolidated profit and loss account on page 6.

The directors recommend the payment of a first and final dividend of £13,141,000 leaving a transfer to reserves of £Nil.

Directors

The names of the present directors of the company are shown on page 1.

Mr A E Moore resigned on 30 April 1998.

Mr D M Singleton was appointed on 11 May 1998.

Reference is made on pages 18 and 19 in note 14 to the interests of the directors in the capital of Lloyds TSB Group plc, the ultimate parent undertaking, and its subsidiary undertakings.

ALEX. LAWRIE FACTORS LIMITED
Report of the directors (continued)

Policy and practice on payment of creditors.

The company's policy is to agree terms of payment with suppliers and these normally provide for payment within 30 days after the date of the invoice, except where other arrangements have been negotiated. It is the policy of the company to abide by the agreed terms of payment, provided the supplier performs according to the terms of the contract.

The number of days to be shown in this report, to comply with the provisions of paragraph 12(3) of part V1 of schedule 7 to the Companies Act 1989, is 9. This bears the same proportion to the number of days in the year as the aggregate of the amounts owed to trade creditors at 31st December 1998 bears to the aggregate of the amounts invoiced by suppliers during the year.

Staff

During the year the company continued its policy of encouraging employee involvement in its affairs by monthly communications meetings, Joint Consultative Committee meetings and presentations on the company's business progress.

It is the policy of the company that the employment opportunities of a disabled person should, as far as possible, be identical to those of a person who is fortunate enough not to suffer from a disability.

Year 2000

The company and the group recognises the far-reaching implications of the Year 2000 problem. The principal risk faced by the company is a failure to maintain electronic based services to its customers. A review of the company and group's computerised systems has, therefore, been undertaken to identify any alterations needed to deal with problems arising from the failure to recognise dates before, on or after 1 January 2000. A significant proportion of the necessary changes have now been made and there are plans to ensure that customer service will be maintained at all times. In that regard, comprehensive testing will continue throughout 1999.

The company and the group is liaising with its customers, suppliers and others to assess and minimise the impact on the company should they fail to deal adequately with these issues.

Costs incurred to the end of December 1998 for the review and the remedial action taken, including capital expenditure and internal costs directly related to ensuring that systems are Year 2000, compliant, are £1.3 million and it is estimated that the total cost in this regard will be in the region of £3.6 million.

Auditors

PricewaterhouseCoopers have indicated their willingness to continue in office. The company has by elective resolution dispensed with the obligation to appoint an auditor annually as permitted by s.386 of the Companies Act 1985.

On behalf of the board


H Bartlett
Secretary

9 February 1999

ALEX. LAWRIE FACTORS LIMITED

Report of the auditors to the members of Alex. Lawrie Factors Limited

We have audited the financial statements set out on pages 6 to 20 which have been prepared under the historical cost convention (as modified by the revaluation of certain fixed assets) and the accounting policies set out on pages 10 and 11.

Respective responsibilities of directors and auditors

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

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

The directors have responsibility for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and the group and which 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 the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatement or material inconsistencies with the financial statements.

ALEX. LAWRIE FACTORS LIMITED

Report of the auditors (continued)

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 relevant 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 the information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company and the group's affairs at 31 December 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
31 Great George Street
Bristol
BS1 5QD

9 February 1999

ALEX. LAWRIE FACTORS LIMITED

Consolidated profit and loss account for the year ended 31 December 1998

	<u>Note</u>	<u>1998</u>	<u>1997</u>
		<u>£'000</u>	<u>£'000</u>
Turnover	2	78,241	71,934
Staff costs	3	(15,231)	(14,007)
Depreciation	7	(2,059)	(1,903)
Other operating charges		(17,011)	(16,131)
		<hr/>	<hr/>
		(34,301)	(32,041)
		<hr/>	<hr/>
Operating profit		43,940	39,893
Interest payable	4	(24,306)	(21,530)
		<hr/>	<hr/>
Profit on ordinary activities before taxation	5	19,634	18,363
Taxation on profit on ordinary activities	6	(6,493)	(5,983)
		<hr/>	<hr/>
Profit on ordinary activities after taxation		13,141	12,380
Proposed dividend		(13,141)	(12,380)
		<hr/>	<hr/>
Retained profit for the financial year	13	-	-
		<hr/>	<hr/>

The notes on pages 10 to 20 form part of these accounts.

The group has no recognised gains or losses other than its profit for the periods.

All income and expenditure arises from continuing activities.

ALEX. LAWRIE FACTORS LIMITED

Company profit and loss account for the year ended 31 December 1998

	<u>Note</u>	<u>1998</u>	<u>1997</u>
		<u>£'000</u>	<u>£'000</u>
Turnover	2	53,900	49,977
Staff costs	3	(13,558)	(12,555)
Depreciation	7	(1,925)	(1,802)
Other operating charges		(16,128)	(15,164)
		<hr/>	<hr/>
		(31,611)	(29,521)
		<hr/>	<hr/>
Operating profit		22,289	20,456
Interest payable	4	(10,503)	(9,641)
		<hr/>	<hr/>
		11,786	10,815
Income from shares in group undertakings		5,367	5,115
		<hr/>	<hr/>
Profit on ordinary activities before taxation	5	17,153	15,930
Taxation on profit on ordinary activities	6	(4,012)	(3,550)
		<hr/>	<hr/>
Profit on ordinary activities after taxation		13,141	12,380
Proposed dividend		(13,141)	(12,380)
		<hr/>	<hr/>
Retained profit for the financial year	13	-	-
		<hr/>	<hr/>

The notes on pages 10 to 20 form part of these accounts.

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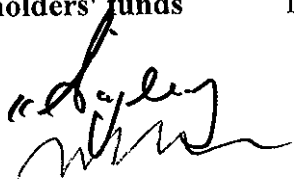
All income and expenditure arises from continuing activities.

ALEX. LAWRIE FACTORS LIMITED

Consolidated balance sheet at 31 December 1998

	<u>Note</u>	<u>1998</u>	<u>1997</u>
		<u>£'000</u>	<u>£'000</u>
Fixed assets			
Tangible assets	7	5,527	5,370
Current assets			
Debtors	9	440,180	437,076
Cash at bank and in hand		50	404
		<hr/>	<hr/>
		440,230	437,480
Creditors: amounts falling due within one year	10	(433,739)	(430,832)
		<hr/>	<hr/>
Net current assets		6,491	6,648
		<hr/>	<hr/>
Total assets less current liabilities		12,018	12,018
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	11	1,011	1,011
Profit and loss account	12	11,007	11,007
		<hr/>	<hr/>
Equity shareholders' funds	13	12,018	12,018
		<hr/>	<hr/>

K J Higley
F M P Riding
Directors



9 February 1999

The notes on pages 10 to 20 form part of these accounts.

ALEX. LAWRIE FACTORS LIMITED

Company balance sheet at 31 December 1998

	<u>Note</u>	<u>1998</u>	<u>1997</u>
		<u>£'000</u>	<u>£'000</u>
Fixed assets			
Tangible assets	7	5,090	5,045
Investments	8	3,408	3,408
		<hr/>	<hr/>
		8,498	8,453
Current assets			
Debtors	9	432,321	428,361
Cash at bank and in hand		50	404
		<hr/>	<hr/>
		432,371	428,765
Creditors: amounts falling due within one year	10	(428,851)	(425,200)
		<hr/>	<hr/>
Net current assets		3,520	3,565
		<hr/>	<hr/>
Total assets less current liabilities		12,018	12,018
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	11	1,011	1,011
Profit and loss account	12	7,676	7,676
Revaluation reserve	12	3,331	3,331
		<hr/>	<hr/>
Equity shareholders' funds	13	12,018	12,018
		<hr/>	<hr/>

K J Higley

F M P Riding

Directors

9 February 1999

The notes on pages 10 to 20 form part of these accounts.

ALEX. LAWRIE FACTORS LIMITED

Notes to the accounts

1. Accounting policies

a) **Basis of accounting**

The accounts have been prepared under the historical cost convention as modified by the revaluation of the investment in a subsidiary company, in compliance with the Companies Act 1985, and in accordance with applicable accounting standards.

The group is exempt from producing a cashflow statement since a consolidated cashflow statement prepared in accordance with the requirements of Financial Reporting Standard 1 is included in the accounts of its ultimate parent undertaking.

No disclosure under Financial Reporting Standard 8 has been made of transactions with entities within the Lloyds TSB Group plc, since the standard exempts subsidiary undertakings from this requirement where the consolidated financial statements are publicly available.

b) **Basis of consolidation**

Assets, liabilities and the results of subsidiary undertakings are included in the consolidated accounts on the basis of accounts made up to 31 December. Premiums and discounts on the acquisition of subsidiary undertakings are taken directly to reserves in the year of acquisition.

c) **Investments in subsidiary undertakings**

Investments in subsidiary undertakings are stated in the balance sheet of the company at its share of the subsidiaries' net assets.

d) **Deferred income**

A proportion of the factoring fees levied when debts are purchased, relating to total debts outstanding at the balance sheet date, is carried forward against future collection and other costs.

e) **Depreciation**

Depreciation is provided on tangible fixed assets so as to write off their cost less residual value on a straight line basis over their expected useful lives as follows:

Furniture, fittings and equipment	5-10 years
Motor vehicles	4 years

ALEX. LAWRIE FACTORS LIMITED

Notes to the accounts (continued)

Accounting policies (continued)

f) Deferred taxation

Deferred taxation is provided at the appropriate rates of taxation where there is a reasonable probability that a liability or asset will crystallise within the foreseeable future.

g) Pensions

For the first 10 months of the year, the company and its subsidiary undertakings were members of the Lloyds Bank Factors Pension Scheme, a fully funded defined benefit scheme.

Contributions to the scheme, which are based upon the total pension cost across the companies participating in the scheme, are charged to the profit and loss account so as to spread the expected cost of pensions, calculated in accordance with actuarial advice, on a systematic basis over employees' working lives.

The pension cost relating to the scheme is assessed in accordance with the advice of qualified actuaries, using the projected unit method. Variations from the regular cost are allocated by equal annual instalments over the expected remaining service lives of employees currently in the scheme.

As from 1 November 1998 the company and its subsidiary undertakings switched to the Lloyds Bank Scheme.

Pension arrangements for staff are operated through a defined benefit scheme funded by Lloyds Bank Plc. The pension cost relating to this scheme is assessed in accordance with the advice of qualified actuaries using the projected unit method. Variations from the regular cost are allocated by equal instalments over the average remaining service lives of current employees. The latest full actuarial valuation of the scheme was carried out at 30 June 1996 and details of this valuation are given in the accounts of Lloyds Bank Plc.

Contributions to the pension scheme which are based upon the total pension cost for Lloyds Bank Plc employees as a whole, are charged to the profit and loss account so as to spread the expected cost of pensions, calculated in accordance with actuarial advice, on a systematic basis over employees' working lives.

h) Leases

Rentals under operating leases are charged in the profit and loss account on a straight line basis over the lease term. The company has no finance leases.

i) Foreign currency

Transactions and cash balances denominated in foreign currencies are recorded in sterling at actual exchange rates as of the date of the transaction. Cash at bank in foreign currencies is not retranslated at year end rates as the funds are used to reimburse clients in that currency and there is no exposure to exchange rate fluctuations.

ALEX. LAWRIE FACTORS LIMITED

Notes to the accounts (continued)

2. Turnover

Turnover, which arose principally in the UK, represents factoring fees earned on debts purchased and discount income on prepayments to clients, and is analysed as follows:

	<u>Group</u>		<u>Company</u>	
	<u>1998</u>	<u>1997</u>	<u>1998</u>	<u>1997</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Invoice factoring	53,900	49,977	53,900	49,977
Invoice discounting	24,341	21,957	-	-
	<u>78,241</u>	<u>71,934</u>	<u>53,900</u>	<u>49,977</u>

3. Directors and employees

a) Staff Costs

The average number of persons employed during the year was as follows:

	<u>Group</u>		<u>Company</u>	
	<u>1998</u>	<u>1997</u>	<u>1998</u>	<u>1997</u>
Invoice factoring	675	635	675	635
Invoice discounting	87	77	-	-
	<u>762</u>	<u>712</u>	<u>675</u>	<u>635</u>

The aggregate staff costs were:-

	<u>Group</u>		<u>Company</u>	
	<u>1998</u>	<u>1997</u>	<u>1998</u>	<u>1997</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Salaries	13,264	12,131	11,817	10,889
Social security costs	1,093	973	972	870
Other pension costs	874	903	769	796
	<u>15,231</u>	<u>14,007</u>	<u>13,558</u>	<u>12,555</u>

ALEX. LAWRIE FACTORS LIMITED**Notes to the accounts (continued)****Directors and employees (continued)****b) Directors' emoluments**

The emoluments of the directors have been apportioned between Lloyds Bank Plc and Alex. Lawrie Factors Ltd according to their services as directors or officers of those companies.

On that apportioned basis, the aggregate emoluments of the directors were £667,856 (1997:£529,016). Retirement benefits in respect of services to Alex. Lawrie Factors Ltd are accruing to six directors under defined benefit pension schemes.

Reference is made on page 19 in note 14 to share options exercised by the directors.

The aggregate emoluments of the highest paid director were £142,597. (1997:£104,478).

At 31 December 1998, the highest paid director had an accrued pension of £46,179 per annum (1997:£41,718).

4. Interest payable

	<u>Group</u>		<u>Company</u>	
	<u>1998</u>	<u>1997</u>	<u>1998</u>	<u>1997</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
On balance with group undertakings repayable within five years	24,306	21,530	10,503	9,641

5. Profit on ordinary activities before taxation**a) The analysis by activity is as follows:**

	<u>Group</u>		<u>Company</u>	
	<u>1998</u>	<u>1997</u>	<u>1998</u>	<u>1997</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Invoice factoring	11,786	10,815	11,786	10,815
Invoice discounting	-	7,548	-	-
Income from shares in group undertakings	7,848	-	5,367	5,115
	<u>19,634</u>	<u>18,363</u>	<u>17,153</u>	<u>15,930</u>

b) Profit on ordinary activities before taxation is stated after charging:

	<u>Group</u>		<u>Company</u>	
	<u>1998</u>	<u>1997</u>	<u>1998</u>	<u>1997</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Operating lease rentals:				
Land and buildings	1,372	1,391	1,372	1,391

ALEX. LAWRIE FACTORS LIMITED
Notes to the accounts (continued)

c) Payments made to the auditors were as follows:

	<u>Group</u>		<u>Company</u>	
	<u>1998</u>	<u>1997</u>	<u>1998</u>	<u>1997</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Audit fee	31	28	19	18
Fees for non audit services	1	1	1	1
	<u>=====</u>	<u>=====</u>	<u>=====</u>	<u>=====</u>

6. Taxation on profit on ordinary activities

	<u>Group</u>		<u>Company</u>	
	<u>1998</u>	<u>1997</u>	<u>1998</u>	<u>1997</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Corporation tax	6,493	5,985	4,012	3,552
Prior year adjustment	-	(2)	-	(2)
	<u>6,493</u>	<u>5,983</u>	<u>4,012</u>	<u>3,550</u>
	<u>=====</u>	<u>=====</u>	<u>=====</u>	<u>=====</u>

The charge for taxation on the profit for the year is based on an average United Kingdom corporation tax rate of 31% (1997:31.5%). There is no liability to deferred taxation at 31 December 1998 (1997:Nil).

A potential deferred tax asset arises at the year-end in respect of the following:

	<u>Accelerated capital allowances £'000</u>	<u>Other timing differences £'000</u>	<u>Total £'000</u>
<u>Group</u>			
As at 1 January 1998	59	826	885
Movement	64	251	315
	<u>-----</u>	<u>-----</u>	<u>-----</u>
At 31 December 1998	123	1,077	1,200
	<u>=====</u>	<u>=====</u>	<u>=====</u>
<u>Company</u>			
As at 1 January 1998	62	402	464
Movement	64	211	275
	<u>-----</u>	<u>-----</u>	<u>-----</u>
At 31 December 1998	126	613	739
	<u>=====</u>	<u>=====</u>	<u>=====</u>

No amounts have been included in the accounts in respect of the asset.

ALEX. LAWRIE FACTORS LIMITED
Notes to the accounts (continued)

7. Tangible fixed assets

	<u>Furniture Fittings & Equipment £'000</u>	<u>Motor Vehicles £'000</u>	<u>Total £'000</u>
Group			
Cost			
At 1 January 1998	10,900	2,465	13,365
Additions	1,206	1,525	2,731
Disposals	(81)	(1,278)	(1,359)
At 31 December 1998	12,025	2,712	14,737
Depreciation			
At 1 January 1998	7,137	858	7,995
Charge for the year	1,402	657	2,059
Disposals	(64)	(780)	(844)
At 31 December 1998	8,475	735	9,210
Balance sheet amount at 31 December 1998	3,550	1,977	5,527
Balance sheet amount at 31 December 1997	3,763	1,607	5,370
Company			
Cost			
At 1 January 1998	10,900	2,014	12,914
Additions	1,206	1,183	2,389
Disposals	(81)	(1,060)	(1,141)
At 31 December 1998	12,025	2,137	14,162
Depreciation			
At 1 January 1998	7,137	732	7,869
Charge for the year	1,402	523	1,925
Disposals	(64)	(658)	(722)
At 31 December 1998	8,475	597	9,072
Balance sheet amount at 31 December 1998	3,550	1,540	5,090
Balance sheet amount at 31 December 1997	3,763	1,282	5,045

ALEX. LAWRIE FACTORS LIMITED**Notes to the accounts (continued)****8. Investments****£'000****Investment in subsidiary undertakings**At 1 January and at 31 December 1998 3,408

Subsidiary undertakings both of which are registered in England and Wales and whose results are included in the consolidation, are:

	<u>Percentage held</u>	<u>Principal country of operation</u>
Alex. Lawrie Receivables Financing Limited 200,000 Ordinary Shares £1 each	100	Great Britain
Alex. Lawrie Computer Services Limited 100 Ordinary Shares £1 each	100	Great Britain

Alex. Lawrie Receivables Financing Limited is engaged in the business of invoice discounting on a disclosed and undisclosed basis. Alex. Lawrie Computer Services Limited did not trade during the year.

9. Debtors

All falling due within one year:

	<u>Group</u>		<u>Company</u>	
	<u>1998</u>	<u>1997</u>	<u>1998</u>	<u>1997</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Prepayments to clients	377,186	388,108	212,762	215,566
Amounts owed by subsidiary undertakings	-	-	163,682	173,013
Amounts owed by other group undertakings	26,420	28,884	13,938	14,585
Other debtors	605	550	605	550
Prepayments	765	654	763	652
Debtors receivable under non recourse factoring agreements	35,204	18,880	35,204	18,880
Dividend receivable	-	-	5,367	5,115
	<u>440,180</u>	<u>437,076</u>	<u>432,321</u>	<u>428,361</u>

The underlying gross figures for prepayments to clients are:

	<u>Group</u>		<u>Company</u>	
	<u>1998</u>	<u>1997</u>	<u>1998</u>	<u>1997</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Factored debts receivable	714,814	699,506	358,321	359,051
Due to clients on collection	(337,628)	(311,398)	(145,559)	(143,485)
Prepayments to clients	<u>377,186</u>	<u>388,108</u>	<u>212,762</u>	<u>215,566</u>

ALEX. LAWRIE FACTORS LIMITED

Notes to the accounts (continued)

10. Creditors: amounts falling due within one year:

	<u>Group</u>		<u>Company</u>	
	<u>1998</u>	<u>1997</u>	<u>1998</u>	<u>1997</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Amounts owed to group undertakings	361,263	377,880	361,263	377,880
Corporation Tax	6,494	5,985	4,012	3,552
Taxation and Social Security	754	952	476	671
Accruals	3,314	3,073	3,034	2,875
Deferred income	2,702	2,755	2,668	2,745
Proposed dividend	13,141	12,380	13,141	12,380
Amounts due to clients	9,672	7,937	7,858	5,227
Due to clients on collection under non-recourse factoring agreements	35,204	18,880	35,204	18,880
Other creditors	1,195	990	1,195	990
	<u>433,739</u>	<u>430,832</u>	<u>428,851</u>	<u>425,200</u>

The underlying gross figures for amounts due to clients are:

	<u>Group</u>		<u>Company</u>	
	<u>1998</u>	<u>1997</u>	<u>1998</u>	<u>1997</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Factored debts receivable	(39,769)	(40,505)	(23,225)	(25,876)
Due to clients on collection	49,441	48,442	31,083	31,103
	<u>9,672</u>	<u>7,937</u>	<u>7,858</u>	<u>5,227</u>

11. Called up share capital

	<u>1998</u>	<u>1997</u>
	<u>£'000</u>	<u>£'000</u>
Authorised, allotted, called up and fully paid: 101,100,000 Ordinary shares 1p each	1,011	1,011

12. Reserves

	<u>Group</u>	<u>Company</u>
	<u>£'000</u>	<u>£'000</u>
Retained profit		
At 1 January and 31 December 1998	11,007	7,676
Revaluation reserve		
At 1 January and 31 December 1998		3,331
Total reserves		<u>11,007</u>

ALEX. LAWRIE FACTORS LIMITED

Notes to the accounts (continued)

13. Reconciliation of movements in shareholders' funds

	<u>Group and Company</u>	
	<u>1998</u>	<u>1997</u>
	<u>£'000</u>	<u>£'000</u>
Profit for the financial year attributable to shareholders	13,141	12,380
Dividends	(13,141)	(12,380)
Net movement in shareholders' funds	-	-
Shareholders' funds at the beginning of the year	12,018	12,018
	<hr/>	<hr/>
Shareholders' funds at the end of the year	12,018	12,018
	<hr/>	<hr/>

14. Directors' interests

The interests, all beneficial, of those who were directors of Alex. Lawrie Factors Limited at 31 December in the capital of Lloyds TSB Group plc were:

Number of shares:	<u>Lloyds TSB Group plc</u>	
	<u>At 1 January 1998</u>	<u>At 31 December 1998</u>
	<u>or later date of appointment</u>	
H Bartlett	9,570	8,347
B P Birch	10,524	9,024
J A Green	10,426	10,569
K J Higley	40,839	41,273
A K Hutton	14,656	14,656
F M P Riding	56,348	7,289
P K Saunders	12,624	12,041
D M Singleton	17,515	17,537
J A Spence	60,727	61,601

ALEX. LAWRIE FACTORS LIMITED

Notes to the accounts (continued)

14. Directors' interests (continued)

Options to subscribe for shares in Lloyds TSB Group plc:

Number of shares:		During the year		At 31 December
<u>At 1 January 1998</u>		<u>Granted</u>	<u>Exercised</u>	<u>1998</u>
<u>or later date of appointment</u>				
H Bartlett	7,076	-	-	7,076
B P Birch	7,949	-	-	7,949
J A Green	7,400	-	-	7,400
K J Higley	60,717	-	-	60,717
A K Hutton	7,883	-	-	7,883
F M P Riding	113,503	35,449	45,197	103,755
P K Saunders	6,937	-	-	6,937
D M Singleton	19,412	6,918	-	26,330
J A Spence	72,690	10,000	13,520	69,170

Options outstanding are exercisable between 1999 and 2009 and at prices of between 115.1p and 880p.

None of the above directors had an interest at the beginning of the year or at the end of the year in the loan capital of Lloyds TSB Group plc or any other interest in the share or loan capital of its subsidiaries.

15. Lease commitments

Commitments under operating leases, all of which relate to buildings, in respect of payments which the group and company are due to make in the following year were:

	<u>Group and Company</u>	
	<u>1998</u>	<u>1997</u>
	<u>£'000</u>	<u>£'000</u>
Commitments expiring within one year	97	34
Commitments expiring between one and five years	231	271
Commitments expiring after five years or more	1,211	1,210
	<hr/>	<hr/>
	1,539	1,515
	<hr/>	<hr/>

ALEX. LAWRIE FACTORS LIMITED

Notes to the accounts (continued)

16. Capital commitments

Capital expenditure not provided for in these accounts comprises:

	<u>Group and Company</u>	
	<u>1998</u>	<u>1997</u>
	<u>£'000</u>	<u>£'000</u>
Contracted	248	377
Authorised but not contracted	31	62

17. Contingent liabilities

The company has given certain guarantees to clients' banks in respect of amounts owed by clients.

The total amount of such guarantees at 31 December 1998 was as follows:

<u>Group</u>		<u>Company</u>	
<u>1998</u>	<u>1997</u>	<u>1998</u>	<u>1997</u>
<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
83	83	55	63

In addition, the company has contingent liabilities in respect of holding certain non-recourse debts.

18. Ultimate parent undertaking

The ultimate parent company is Lloyds TSB Group plc, which is also the parent undertaking of the largest group of the undertakings for which group accounts are drawn up and of which the company is a member. Lloyds Bank Plc is the parent undertaking of the smallest such group of undertakings. Lloyds TSB Group plc is registered in Scotland and Lloyds Bank Plc is registered in England and Wales. Copies of the group accounts of both may be obtained from the Company Secretary's Office, Lloyds TSB Group plc, 71 Lombard Street, London EC3P 3BS.

The company's immediate parent undertaking does not produce group accounts.

19. Date of approval

The directors approved the accounts on 9 February 1999.