

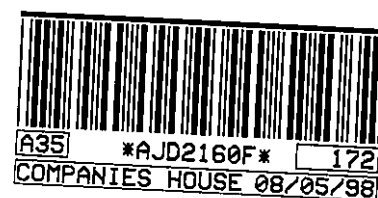
TSB FACTORS LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 1997

Registered no: 1360153

Member of Lloyds TSB Group



TSB FACTORS LIMITED

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 1997.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the company during the period continued to be debt factoring.

The trading profit for the year after taxation amounted to £478,505 (1996: £462,341).

DIVIDENDS AND APPROPRIATIONS

The directors propose the payment of a dividend of £91,000 (1996:£nil) to the holders of the 'A' 13% cumulative preference shares and £109,414 (1996:£nil) to the ordinary shareholders.

DIRECTORS AND INTERESTS IN SHARES

The directors during the period were as follows:

Mr E M G Ettershank	Chairman
Mr M Forman	Managing Director
MR M J Chisholm	
Mr R J Eddowes	
Mr M Jerrard	
Ms P J Lloyd	
Mr J L Shulman	
Mr J A Spence	(resigned 19 September 1997)

The directors' interests in the ordinary shares of 25p each in the company's ultimate holding company, Lloyds TSB Group plc, were as follows:

	31 December 1997		31 December 1996	
	Shares	Options	Shares	Options
Mr M Forman	2,662	10,714	-	10,714
Mr M Jerrard	-	9,934	-	9,934
Mr J L Shulman	965	6,354	-	6,018
	Options at 1 January 1997	Granted	Exercised	Options at 31 December 1997
Mr M Forman	10,714	-	-	10,714
Mr M Jerrard	9,934	-	-	9,934
Mr J L Shulman	6,018	336	-	6,354

The interests of Messrs Ettershank, Chisholm, Eddowes and Ms Lloyd in the share capital of Lloyds TSB Group plc are disclosed in the financial statements of Lloyds TSB Commercial Finance Limited.

TSB FACTORS LIMITED

DIRECTORS' REPORT (Continued)

The options to purchase shares were granted under the terms of the Lloyds TSB Group Share Save Scheme. The terms of this scheme may be found in the financial statements of Lloyds TSB Group plc.

Except as disclosed on page 1, no director who held office at 31 December 1997 held any interest in shares or debentures of the Lloyds TSB Group plc or any of its subsidiaries on 31 December 1997 or on 1 January 1998.

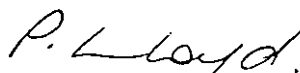
STATEMENT OF DIRECTORS' RESPONSIBILITIES

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 of the profit or loss of the company for that period. 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue its business;
- state whether applicable accounting standards have been followed subject to any material departures disclosed and explained in the financial statements.

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

By order of the Board



TSB Factors Limited
P J Lloyd (Secretary)

Boston House
The Little Green
Richmond
Surrey
TW9 1QE

29 January 1998

Price Waterhouse



REPORT OF THE AUDITORS TO THE MEMBERS OF TSB FACTORS LIMITED

We have audited the financial statements on pages 4 to 13.

Respective responsibilities of directors and auditors

As described on page 2 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 as at 31 December 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Price Waterhouse

Chartered Accountants
and Registered Auditors

29 January 1998

TSB FACTORS LIMITED

PROFIT AND LOSS ACCOUNT YEAR ENDED 31 DECEMBER 1997

	Notes	1997 £	1997 £	1996 £	1996 £
TURNOVER	2		4,752,750		4,131,400
Staff costs		(1,808,356)		(1,611,301)	
Other administrative expenses		(1,422,134)		(1,229,793)	
			<u>(3,230,490)</u>		<u>(2,841,094)</u>
			1,522,260		1,290,306
Other operating income	3		57,694		34,464
OPERATING PROFIT			1,579,954		1,324,770
Interest payable	4		(875,662)		(685,412)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	5		704,292		639,358
Tax on profit on ordinary activities	7		(225,787)		(177,017)
PROFIT AFTER TAXATION FOR THE YEAR			478,505		462,341
Dividend	8		(200,414)		-
			<u>278,091</u>		<u>462,341</u>
Loss brought forward			(278,091)		(740,432)
LOSS CARRIED FORWARD			<u>-</u>		<u>(278,091)</u>

The notes on pages 6 to 13 form part of these financial statements.

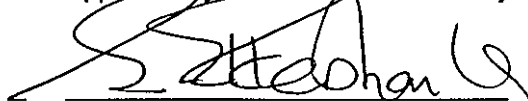
There are no recognised gains or losses attributable to the shareholders other than as described above. All activities are continuing.

TSB FACTORS LIMITED

BALANCE SHEET AT 31 DECEMBER 1997

	Notes	1997 £	1997 £	1996 £	1996 £
FIXED ASSETS					
Tangible assets	9		597,876		543,760
CURRENT ASSETS					
Debtors	10	17,157,627		14,627,701	
Cash at bank and in hand		472,412		993,438	
		<u>17,630,039</u>		<u>15,621,139</u>	
CREDITORS - amounts falling due within one year	11	<u>(15,977,915)</u>		<u>(14,192,990)</u>	
NET CURRENT ASSETS			1,652,124		1,428,149
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>2,250,000</u>		<u>1,971,909</u>
CAPITAL AND RESERVES					
Called up share capital	13		2,250,000		2,250,000
Profit and loss account			-		(278,091)
Equity shareholders' funds		1,550,000		1,271,909	
Non equity shareholders' funds		700,000		700,000	
Shareholders' Funds	16		<u>2,250,000</u>		<u>1,971,909</u>

Approved by the board on 29 January 1998 and signed on its behalf by:



Director MR E M G Ettershank



Director Ms P J Lloyd

The notes on pages 6 to 13 form part of these accounts.

TSB FACTORS LIMITED

NOTES TO THE ACCOUNTS

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

(a) Basis of accounting

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

As permitted by Financial Reporting Standard 1, no cash flow statement is presented in these accounts, as the company is ultimately owned by Lloyds TSB Group plc which presents such a statement in its own accounts. In addition, advantage has been taken of the exemption available under Financial Reporting Standard 8 not to disclose details of transactions with Lloyds TSB Group plc or other group undertakings, as the consolidated accounts of Lloyds TSB Group plc, in which the company, is included are publicly available.

(b) Depreciation of tangible fixed assets

Fixed assets are being depreciated by equal annual instalments so as to write them off over their anticipated useful lives as follows:

Furniture and fixtures	- 8 years
Computer hardware	- 5 years
Motor vehicles	- 4 years
Leasehold improvements	- 5 years

(c) Deferred taxation

The charge for taxation is based on profit for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

(d) Operating leases

Rentals under operating leases are charged on a straight line basis over the term of the lease in arriving at the operating result.

(e) Provision for bad and doubtful debts

Specific provisions are made for amounts included within factored debts which are recognised to be bad or doubtful. In addition, general provisions are maintained to cover losses that, although not specifically identified, are known from experience to be present at the year end in respect of commercial exposures. Such provisions are offset against factored debts within the balance sheet.

TSB FACTORS LIMITED

NOTES TO THE ACCOUNTS (Continued)

1 Accounting policies

(f) Policy and practice on payment of creditors

The company agrees payment terms and conditions with individual suppliers; once agreed it is the policy of the company to abide by the terms of payment.

The number of days to be shown in this report, to comply with the provisions of paragraph 12 (3) of part VI of schedule 7 to the Companies Act 1985, 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 31 December 1997 bears to the aggregate of the amounts invoiced by suppliers during the year.

TSB FACTORS LIMITED

NOTES TO THE ACCOUNTS (Continued)

2 Turnover

Turnover comprises the value of charges rendered to clients (net of VAT) in the normal course of business.

3 Other operating income

Other operating income is comprised of rental income on property amounting to £57,694 (1996: £34,464).

4 Interest payable

	1997 £	1996 £
On bank loans, overdrafts and other loans wholly repayable within 5 years, not by instalments	875,662	685,412

Included in the above is £869,355 (1996: £681,541) payable to the holding company Lloyds TSB Commercial Finance Limited.

5 Profit on ordinary activities before taxation

	1997 £	1996 £
Profit on ordinary activities has been arrived at after charging:		
Depreciation of fixed assets (note 8)	185,573	146,965
Profit/(loss) arising on sale of fixed assets	(128)	24,847
Staff costs	1,803,356	1,611,300
Auditors' remuneration - for audit work	6,527	6,483
Operating rentals - plant and machinery	8,089	11,001
- land and buildings	154,005	138,420

TSB FACTORS LIMITED

NOTES TO THE ACCOUNTS (Continued)

6 Directors and other employees

The average number of persons employed by the company during the period was 62 (1996: 57).

Staff costs, including executive directors, include the following:

	1997 £	1996 £
Wages and salaries	1,510,060	1,291,991
Social security costs	126,768	114,106
	<u>1,636,828</u>	<u>1,406,097</u>

The emoluments of the directors were as follows:

	1997 £	1996 £
Aggregate directors' emoluments	<u>241,149</u>	<u>213,047</u>

Retirement benefits are accruing to 7 directors (1996:8) under defined benefit pension schemes.

The aggregate emoluments of the highest paid director were £96,520 (1996: £83,809) and his accrued pension at 31 December 1997 totalled £4,005 per annum.

The emoluments of the chairman amounted to £nil (1996: £nil).

TSB FACTORS LIMITED

NOTES TO THE ACCOUNTS (Continued)

7 Tax on profit on ordinary activities

	1997 £	1996 £
Corporation tax at 31½% (1996: 33%) less group relief	223,866	163,875
Adjustment to current taxation in respect of prior years	1,921	13,142
	<u>225,787</u>	<u>177,017</u>

8 Dividends

	1997 £	1996 £
'A' 13% cumulative redeemable preference shares	91,000	-
Ordinary shares	109,414	-
	<u>109,414</u>	<u>-</u>

The holders of the 'A' 13% cumulative redeemable preference shares have formally waived the accrued right to dividends to 31 December 1996.

9 Tangible fixed assets

	Fixtures and fittings £	Computer equipment £	Motor vehicles £	Leasehold improvements £	Total £
Cost					
At 1 January 1997	221,724	441,390	245,527	60,683	969,324
Additions	66,483	31,723	144,606	1,344	244,156
Disposals	-	-	(12,122)	-	(12,122)
At 31 December 1997	<u>288,207</u>	<u>473,113</u>	<u>378,011</u>	<u>62,027</u>	<u>1,201,358</u>
Depreciation					
At 1 January 1997	109,559	189,821	70,406	55,778	425,564
Charge	30,941	75,082	77,978	1,572	185,573
Disposals	-	-	(7,655)	-	(7,655)
At 31 December 1997	<u>140,500</u>	<u>264,903</u>	<u>140,729</u>	<u>57,350</u>	<u>603,482</u>
Net Book amount					
At 31 December 1997	<u>147,707</u>	<u>208,210</u>	<u>237,282</u>	<u>4,677</u>	<u>597,876</u>
At 31 December 1996	<u>112,165</u>	<u>251,569</u>	<u>175,121</u>	<u>4,905</u>	<u>543,760</u>

TSB FACTORS LIMITED

NOTES TO THE ACCOUNTS (Continued)

10 Debtors

	1997 £	1996 £
Factored debts	16,798,144	14,480,661
Other debtors	47,979	33,694
Prepayments and accrued income	311,504	113,346
	<u>17,157,627</u>	<u>14,627,701</u>
Gross factored debts	32,065,482	28,469,118
Due to clients on collection	(15,267,338)	(13,988,457)
Factored debts	<u>16,798,144</u>	<u>14,480,661</u>

11 Creditors: amounts falling due within one year

	1997 £	1996 £
Bank overdrafts	14,760,781	13,416,429
Group relief payable	225,547	158,366
Dividend owed to parent undertaking	200,414	-
Other taxes and social security costs	105,603	90,435
Other creditors	54,641	88,184
Accruals and deferred income	630,929	439,576
	<u>15,977,915</u>	<u>14,192,990</u>
Bank overdrafts are made up of:		
Due to immediate parent undertaking	14,550,420	13,394,589
Due to fellow subsidiary undertakings	210,188	21,667
Due to other bank	173	173
	<u>14,760,781</u>	<u>13,416,429</u>

The bank overdrafts are unsecured and repayable on demand.

12 Provisions for liabilities and charges

As at 31 December 1997 a deferred taxation asset amounting to £45,956 (1996: £61,176) exists in relation to excess depreciation over tax allowances claimed on fixed assets, but in accordance with Statement of Standard Accounting Practice No. 15 no asset is recognised in the balance sheet.

TSB FACTORS LIMITED

NOTES TO THE ACCOUNTS (Continued)

13 Called up share capital

	1997 £	1996 £
Authorised , issued and fully-paid share capital:		
700,000 A 13% redeemable cumulative preference shares of £1 each (non equity)	700,000	700,000
1,550,000 Ordinary shares of £1 each (equity)	1,550,000	1,550,000
	<u>2,250,000</u>	<u>2,250,000</u>

The holders of non-equity shares have the following rights:

- preferential dividend at a rate of 13% per annum (see note 8);
- on a return of assets the surplus assets of the company remaining after payment of its liabilities shall be applied first to repaying the amount paid up on each share plus any accrued dividend arrears;
- fully paid up shares may be redeemed by the company at par with one month's notice.
- the shares do not confer the right to receive notice of general meetings nor to attend or vote at such meetings.

14 Financial commitments

Annual commitments under non-cancellable operating leases are as follows:

	1997 Land & buildings £	1997 Other £	1996 Land & buildings £	1996 Other £
Expire within 1 year	-	5,647	-	-
Expire within 2 to 5 years	120,680	-	74,420	8,085
Expire after 5 years	64,000	-	64,000	-
	<u>184,680</u>	<u>5,647</u>	<u>138,420</u>	<u>8,085</u>

The company has unprovided capital commitments at 31 December 1997 of £30,000 (1996: £40,000.)

15 Pensions and similar obligations

The company's employees are members of the TSB Group Pension Scheme which is of the defined benefit, final salary type. Contributions to 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 the employees' working lives. The pension cost relating to the scheme is assessed in accordance with the advice on qualified actuaries, using the projected unit method. Variations from regular cost are allocated by equal annual instalments over the average remaining service lives of current employees. The latest full actuarial valuation was carried out at 30 June 1996 and details of this valuation are given in the accounts of TSB Bank plc.

TSB FACTORS LIMITED

NOTES TO THE ACCOUNTS (Continued)

16 Reconciliation of shareholders' funds

	1997 £	1996 £
Profit for the year	478,505	462,341
Dividend proposed	(200,414)	-
Shareholders' funds at 31 December 1996	1,971,909	1,509,568
	<hr/>	<hr/>
Shareholder' funds at 31 December 1997	2,250,000	1,971,909
	<hr/>	<hr/>

17 Ultimate and immediate holding company

The ultimate holding company and the parent undertaking of the largest group of undertakings for which group accounts are drawn up is Lloyds TSB Group plc, a company incorporated and registered in Great Britain. Copies of the group accounts may be requested from 71 Lombard Street, London EC3P 3BS.

The immediate holding company is Lloyds TSB Commercial Finance Limited, which is the parent of the smallest group of undertakings for which group accounts are drawn up. Copies of these group accounts may be requested from Boston House, The Little Green, Richmond, Surrey, TW9 1QE.