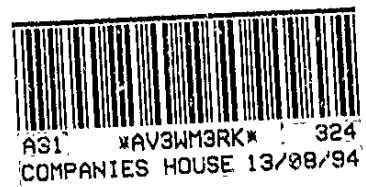


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TSB FACTORS LIMITED
ANNUAL REPORT
YEAR ENDED 31 MARCH 1994



TSB FACTORS LIMITED
(Registered Number 1360153)
ANNUAL REPORT
YEAR ENDED 31 MARCH 1994

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TSB FACTORS LIMITED
DIRECTORS AND ADVISERS
YEAR ENDED 31 MARCH 1994

TSB Factors Limited
Mountcliff House
154 Brent Street
London NW4 2DR
Telephone 081-202-4521

Directors

F M G Ettershank	(Chairman)
M Forman	(Managing Director)
M J Chisholm	
R J Eddowes	
M N Ellse	
M Jerrard	
P J Lloyd	
J L Shulman	

Secretary

P J Lloyd

Registered Office

Boston House
The Little Green
Richmond
Surrey TW9 1QE

Bankers

TSB Bank plc
Barclays Bank plc
Midland Bank plc

Auditors

Pannell Kerr Forster
New Garden House
78 Hatton Garden
London EC1N 8JA

Solicitors

Bermans
7 Rall Courts
West Riverside
New Bailey Street
Manchester M3 5FT

Wilde & Partners
10 John Street
London WC1N 2EB

Michael Wydra & Co
Broughton House
6-8 Sackville Street
London W1X 1DD

TSB FACTORS LIMITED DIRECTORS' REPORT

The directors present their annual report with the financial statements and auditors' report for the year ended 31 March 1994.

CHANGE OF NAME

On 3 May 1994 the company, having by special resolution changed its name from Chancery Factors Limited, was incorporated as TSB Factors Limited.

PRINCIPAL ACTIVITY, REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

The principal activity of the company is that of debt factoring. The profit on ordinary activities of £100,796 (1993: loss £108,366) prior to taxation, exceptional and extraordinary items is stated after charging £72,031 for changes in accounting policies and depreciation methods in order to bring the company into line with TSB Group policy. This is a most encouraging turnaround.

Becoming part of the TSB Group on 31 March 1994 and with the economy showing signs of improvement the company is in an excellent position to take advantage of future opportunities.

RESULTS AND DIVIDENDS

The loss for the year after exceptional and extraordinary items totalling £244,466, resulting from the purchase of the company by TSB Commercial Finance Limited on 31 March 1994, was £143,670 (1993: loss £25,302). This loss has been added to the retained losses brought forward.

No preference or ordinary dividends are proposed for the year (1993: £nil).

ULTIMATE HOLDING COMPANY

As at 31 March 1994 the ultimate parent company was TSB Group plc.

DIRECTORS AND THEIR INTERESTS

The directors who served during the year ended 31 March 1994 were as follows:-

E M G Ettershank	Chairman	(appointed 31 March 1994)
M Forman	Managing director	
M J Chisholm		(appointed 31 March 1994)
R J Eddowes		(appointed 31 March 1994)
M N Ellse		
M Jerrard		
J L Shulman		
H Cohen		(resigned 29 September 1993)
D E J Griffiths		(resigned 31 March 1994)
T P Masney		(resigned 31 March 1994)
P E Stevenson		(resigned 31 March 1994)

Since the year end Ms P J Lloyd was appointed as a director on 14 April 1994.

None of the directors held any beneficial interest in the company's shares during the year. As at 31 March 1994 there were no interests to be recorded in the register maintained under Section 325 of the Companies Act 1985. The interests of Messrs Ettershank, Chisholm and Eddowes in the share capital of TSB Group plc are disclosed in the financial statements of TSB Commercial Finance Limited.

No director of the company was materially interested in any contract of significance subsisting during, or at the end of, the financial year to which the company was a party.

TSB FACTORS LIMITED
DIRECTORS' REPORT
(continued)

FIXED ASSETS

Information relating to tangible fixed assets is included in Note 10 to the financial statements.

AUDITORS

The auditors, Pannell Kerr Forster, have agreed to resign following the completion of their audit. It is proposed that KPMG Peat Marwick will be appointed auditors in their place.

BY ORDER OF THE BOARD

P. J. Lloyd

P J Lloyd
Secretary

29th June 1994

TSB FACTORS LIMITED
STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

The directors are responsible for keeping 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 other irregularities.

**AUDITORS' REPORT TO THE SHAREHOLDERS OF
TSB FACTORS LIMITED**

We have audited the financial statements on pages 6 to 14 which have been prepared under the accounting policies set out on page 8.

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. 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 at 31 March 1994 and of the company's results for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

London

27 July 1994

Pannell Kerr Forster

PANNELL KERR FORSTER
Chartered Accountants
Registered Auditors

TSB FACTORS LIMITED
PROFIT AND LOSS ACCOUNT
YEAR ENDED 31 MARCH 1994

	<u>Notes</u>	<u>1994</u> £	<u>1993</u> £
Contributions to gross profit			
Factoring and trade finance charges		2,391,317	2,974,984
Other operating income		150,712	147,627
Interest expense	2	(567,365)	(1,125,119)
Gross profit		<u>1,974,664</u>	<u>1,997,492</u>
Administrative expenses		<u>(1,873,868)</u>	<u>(2,105,858)</u>
Profit/(loss) on ordinary activities before taxation and exceptional items	3	100,796	(108,366)
Exceptional items	4	<u>(130,466)</u>	<u>-</u>
Loss on ordinary activities before taxation		(29,670)	(108,366)
Taxation	7	<u>-</u>	<u>(83,064)</u>
Loss on ordinary activities after taxation		(29,670)	(25,302)
Extraordinary items	8	<u>(114,000)</u>	<u>-</u>
Loss for the financial year		<u>(143,670)</u>	<u>(25,302)</u>
Retained loss brought forward		<u>(988,432)</u>	<u>(963,130)</u>
Retained loss carried forward		<u>(1,132,102)</u>	<u>(988,432)</u>

All amounts relate to continuing operations.

The company has no recognised gains or losses other than the loss for the year of £143,670 (1993: loss £25,302).

TSB FACTORS LIMITED
BALANCE SHEET
31 MARCH 1994

	<u>Notes</u>	<u>£</u>	<u>1994</u>	<u>£</u>	<u>1993</u>	<u>£</u>
FIXED ASSETS						
Tangible assets	10		214,309		370,158	
CURRENT ASSETS						
Debtors	11	18,878,045		16,074,945		
Bills receivable	12	-		71,383		
Cash at bank and in hand		1,536,349		920,379		
			<u>20,414,394</u>	<u>17,066,707</u>		
CREDITORS						
Amounts falling due within one year	13	(19,510,805)		(16,175,297)		
NET CURRENT ASSETS			<u>903,589</u>	<u>891,410</u>		
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>1,117,898</u>	<u>1,261,568</u>		
CAPITAL AND RESERVES						
Called up share capital	15		2,250,000		2,250,000	
Profit and loss account			(1,132,102)		(988,432)	
SHAREHOLDERS' FUNDS	16		<u>1,117,898</u>	<u>1,261,568</u>		

Approved by the board on *29 June* 1994

M Forman



Director

TSB FACTORS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 1994

1 ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the financial statements of the company are described below.

(a) Basis of accounting

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

The company has not presented a cash flow statement, as required by Financial Reporting Statement No.1 on grounds of its size.

(b) Factoring and trade finance charges

Income represents the value of charges rendered to clients (excluding VAT) in the normal course of business.

(c) Depreciation

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

Fixtures and fittings	- 8 years
Motor vehicles	- 4 years
Computer hardware	- 5 years
Leasehold improvements	- 5 years

Rates of depreciation have been adjusted during the year to bring them into agreement with TSB group policy. In addition, computer software costs previously capitalised have been written off. The net effect of these changes is to make a charge to the profit and loss account of £72,031.

(d) Deferred taxation

Deferred taxation has been calculated using the liability method. Deferred taxation is provided on timing differences, which will probably reverse at rates of tax likely to be in force at the time of reversal. Deferred tax is not provided on timing differences which in the opinion of the directors, will probably not reverse.

(e) Operating leases

Rentals paid under operating leases are charged to the profit and loss account on a straight line basis over the term of the lease.

2 INTEREST EXPENSE

	<u>1994</u> £	<u>1993</u> £
On bank loans, overdrafts and other loans wholly repayable within five years, nor by instalments	567,365	1,125,119

Included in the above is £566,031 (1993 - £1,124,947) payable to the holding company during the year, Chancery PLC, and £1,334 (1993: £Nil) to TSB Commercial Finance Limited the immediate parent company at 31 March 1994

TSB FACTORS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 1994

**3 PROFIT/(LOSS) ON ORDINARY ACTIVITIES
BEFORE TAXATION**

	<u>1994</u> £	<u>1993</u> £
Profit (loss) before taxation is stated after charging the following:		
Depreciation	106,329	119,697
Loss arising on write off of computer software costs capitalised in prior years	90,188	-
Staff costs (see Note 6)	1,083,588	968,718
Auditors' remuneration	11,000	8,500
Operating lease rentals for plant and equipment	41,515	42,952
Bad debt provisions	(16,297)	297,344
	<u> </u>	<u> </u>

4 EXCEPTIONAL ITEMS

Directors' bonuses contractually payable on the acquisition of the company by the TSB Group

130,466	-
<u> </u>	<u> </u>

5 EMOLUMENTS OF DIRECTORS

Remuneration in respect of directors of the company including exceptional items (see note 4) was as follows:

Fees as directors	307,366	175,486
Other emoluments (including pension contributions)	24,241	23,135
	<u> </u>	<u> </u>
	331,607	198,621
	<u> </u>	<u> </u>

The directors' remuneration shown above (excluding pensions and pension contributions) included:

Highest paid director	99,950	55,750
	<u> </u>	<u> </u>

The chairman received no emoluments during the year (1993 - £Nil).

The other directors received emoluments (excluding pensions and pension contributions) in the following ranges:

	<u>Number</u>	<u>Number</u>
£Nil	7	5
£40,001 - £45,000	-	2
£45,001 - £50,000	-	1
£70,001 - £75,000	2	-
£75,001 - £80,000	1	-
	<u> </u>	<u> </u>

TSB FACTORS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 1994

6 STAFF NUMBERS AND COSTS

The average weekly number of persons employed by the company (including directors) during the year was 46 (1993 - 49).

	<u>1994</u> £	<u>1993</u> £
The aggregate staff costs (including directors' remuneration) were as follows:		
Wages and salaries	949,573	852,306
Social security costs	95,890	81,590
Other pension costs (see also Note 20)	38,125	34,822
	<u>1,083,588</u>	<u>968,718</u>

7 TAXATION

The tax credit of £83,064 in respect of 1993 represents an adjustment in respect of prior years

No corporation tax arises on the loss for the current or previous year.

8 EXTRAORDINARY ITEM

	<u>1994</u> £	<u>1993</u> £
Acquisition costs charged to the company by TSB Commercial Finance Limited	114,000	-
Taxation thereon	-	-
	<u>114,000</u>	<u>-</u>

9 DIVIDENDS

No provision has been made for the dividends payable in respect of the 13% "A" cumulative redeemable preference shares at the year end (1993 - £Nil).

Unaccrued preference dividends at the year-end amounted to £286,700 (1993 - £195,700). No ordinary dividend is proposed (1993 - £Nil).

TSB FACTORS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 1994

10 TANGIBLE ASSETS

The movement in the year was as follows:

	<u>Leasehold improvements</u> £	<u>Fixtures and fittings</u> £	<u>Motor vehicles</u> £	<u>Computer equipment</u> £	<u>Total</u> £
Cost					
At 31 March 1993	53,746	228,293	213,525	226,285	721,849
Additions	-	15,613	-	33,218	48,831
Disposals	-	-	(19,180)	(130,844)	(150,024)
At 31 March 1994	53,746	243,906	194,345	128,659	620,656
Depreciation					
At 31 March 1993	19,418	155,989	92,041	84,243	351,691
Charged in year	25,104	8,823	52,582	19,820	106,329
Disposals	-	-	(13,187)	(38,486)	(51,673)
At 31 March 1994	44,522	164,812	131,436	65,577	406,347
Net book value					
At 31 March 1994	9,224	79,094	62,909	63,082	214,309
At 31 March 1993	34,328	72,304	121,484	142,042	370,158

The net book value of leasehold assets included within tangible fixed assets is £9,224 (1993 - £34,328).

11 DEBTORS

	<u>1994</u> £	<u>1993</u> £
Amounts falling due within one year:		
Factored debtors	19,487,897	16,974,219
Provision for doubtful debts	(733,607)	(1,179,646)
Net factored debts	18,754,290	15,794,573
Other debtors (including corporation tax £Nil (1993 - £129,225))	123,755	280,372
	18,878,045	16,074,945

TSB FACTORS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 1994

12	BILLS RECEIVABLE	<u>1994</u> £	<u>1993</u> £
	Bills receivable within one year	223,235	325,887
	Provision for doubtful debts	(223,235)	(254,304)
		<hr/>	<hr/>
		-	71,383
		<hr/>	<hr/>
13	CREDITORS		
	Bank loans and overdraft	972	19,829
	Amounts due to clients on collection	9,610,637	7,988,767
	Amounts owed to group undertakings	9,277,045	7,777,337
	Other creditors including		
	- other taxes	57,769	59,268
	- social security	25,041	22,081
	Accruals and deferred income	539,341	308,015
		<hr/>	<hr/>
		19,510,805	16,175,297
		<hr/>	<hr/>
14	DEFERRED TAXATION		
	No deferred taxation has been provided at the directors have concluded, on the basis of reasonable assumptions, that it is improbable that any liability will crystallise (1993 - £Nil).		
15	CALLED UP SHARE CAPITAL	<u>1994</u> £	<u>1993</u> £
	Authorised, issued and fully-paid share capital		
	700,000 "A" 13% cumulative redeemable preference shares of £1 each	700,000	700,000
	1,550,000 Ordinary shares of £1 each	1,550,000	1,550,000
		<hr/>	<hr/>
		2,250,000	2,250,000
		<hr/>	<hr/>

The "A" 13% cumulative redeemable preference shares may at the company's option be redeemed at par not earlier than at 31 December 1996.

TSB FACTORS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 1994

16 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	<u>1994</u> £	<u>1993</u> £
Loss for the financial year	(143,670)	(25,302)
Balance at 1 April 1993	1,261,568	1,286,870
	<hr/>	<hr/>
Balance at 31 March 1994	1,117,898	1,261,568
	<hr/>	<hr/>

17 LEASE COMMITMENTS

The company has entered into non-cancellable operating leases in respect of plant and machinery, the payments for which extend over a period of up to five years. The total rental for 1994 was £41,515 (1993 - £42,952). The computer lease agreement allows the company to exchange equipment prior to the expiry of the lease; all risks relating to insurance, obsolescence and wear and tear are borne by the lessor. Other plant and machinery lease agreements fall into two categories, either:

- (i) All insurance repairs and maintenance are payable by the company and the company (at its option) may use plant and machinery after the expiration of the initial lease period at nominal rental.
- or (ii) Repairs and maintenance are payable by the lessor. Plant and machinery at the end of the lease is returned to the lessor.

In addition, the company leases certain properties on short term, full repairing leases. The rental on these leases during the year was £138,420 (1993 - £138,420). The rent payable under these leases is subject to renegotiation at various intervals specified in the leases.

The minimum annual rentals under the foregoing leases are as follows:

	<u>1994</u>		<u>1993</u>
	<u>Property</u>	<u>Plant and</u>	<u>Property</u>
	£	machinery	£
		£	
Operating leases which expire			
- within 1 year	-	1,098	-
- within 2-5 years	-	39,819	38,708
- after 5 years	138,420	-	138,420
	<hr/>	<hr/>	<hr/>
	138,420	40,917	138,420
	<hr/>	<hr/>	<hr/>
			38,708

18 CAPITAL COMMITMENTS

There were unprovided capital commitments of £3,920 at 31 March 1994 (1993 - £8,800)

19 CONTINGENT LIABILITIES

The company had no contingent liabilities at 31 March 1994 (1993 - £48,748 in the form of letters of credit entered into in the ordinary course of business).

TSB FACTORY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 1994

20 PENSION ARRANGEMENTS

The company operates a defined contribution pension scheme covering senior and long-serving employees. The assets of the scheme are held separately from those of the company in an independently administered fund. The amount charged in the profit and loss account for pension costs was £38,125 (1993 - £34,822) and is equal to the contributions payable in the year.

21 ULTIMATE PARENT COMPANY

The ultimate parent company during the year was Chancery PLC, a company incorporated in Great Britain and registered in England and Wales. As at 31 March 1994 the ultimate parent company was TSB Group plc, a company incorporated in Great Britain and registered in Scotland. Group accounts are prepared by TSB Group plc which may be obtained from P O Box 260, 60 Lombard Street, London, EC3V 9DN. The parent undertaking of the smallest group of undertakings for which group accounts are drawn up is TSB Bank plc a company registered in England and Wales. Copies of these accounts can be obtained from P O Box 260, 60 Lombard Street, London, EC3V 9DN.