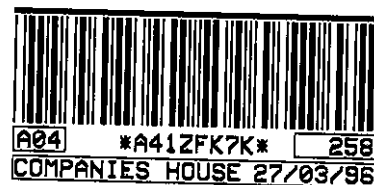


T S B FACTORS LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOURTEEN MONTHS ENDED 31ST DECEMBER 1995



(Registered Number: 1360153)

T S B FACTORS LIMITED

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the fourteen month period ended 31st December 1995.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

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

The trading profit for the fourteen months after taxation amounted to £306,454 (7 month period ended 31st October 1994: £85,216).

DIVIDENDS AND APPROPRIATIONS

The directors do not propose the payment of a dividend (1994: Nil).

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.N. Ellse | (Resigned 8th September 1995) |
| Mr. M.Jerrard | |
| Ms. P. J. Lloyd | |
| Mr. E. Owen | (Appointed 5th May 1995) |
| Mr. J.L Shulman | |

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

| | 31st December 1995 | | 1st November 1994 | |
|-----------------|--------------------|---------|-------------------|---------|
| | Shares | Options | Shares | Options |
| Mr. M. Forman | - | 10,714 | - | 10,714 |
| Mr. M.Jerrard | - | 8,571 | - | 8,571 |
| Mr. E. Owen | - | 1,769 | - | 1,769 |
| Mr. J.L Shulman | - | 6,018 | - | 2,142 |

| | Options at 1st November 1994 | Granted | Exercised | Options at 31st December 1995 |
|------------------|---------------------------------|---------|-----------|----------------------------------|
| Mr. M. Forman | 10,714 | - | - | 10,714 |
| Mr. M. Jerrard | 8,571 | - | - | 8,571 |
| Mr. E. Owen | 1,769 | - | - | 1,769 |
| Mr. J.L. Shulman | 2,142 | 3,876 | - | 6,018 |

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

TSB FACTORS LIMITED

DIRECTORS' REPORT (continued)

The options to purchase shares were granted under the terms of the TSB Group share save schemes.

Except as disclosed on page 1, no director who held office at 31st December 1995 held any interest in shares or debentures of the Lloyds TSB Group plc or any of its subsidiaries on 31st December 1995 or in the TSB Group plc or any of its subsidiaries on 1st November 1994.

INSURANCE

The company's ultimate holding company maintains directors' and officers' liability insurance in respect of Lloyds TSB Group plc and its subsidiaries.

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 and 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

29th February 1996

**REPORT OF THE AUDITORS, KPMG , TO THE MEMBERS OF
T S B FACTORS LIMITED**

We have audited the financial statements on pages 4 to 11.

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 Practice 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 31st December 1995 and of its profit for the fourteen month period then ended and have been properly prepared in accordance with the Companies Act 1985.

8 Salisbury Square
London
EC4Y 8BB

KPMG

KPMG
Chartered Accountants
Registered Auditors

~~29th February 1996~~

21st March 1996

T S B FACTORS LIMITED

**PROFIT AND LOSS ACCOUNT
FOURTEEN MONTHS ENDED 31ST DECEMBER 1995**

| | | Fourteen months Ended 31st December 1995 | | Seven months Ended 31st October 1994 | |
|--|-------------|---|-------------------------|---|---------------------------|
| | Note | £ | £ | £ | £ |
| TURNOVER | 2 | | 4,088,698 | | 1,526,520 |
| Staff costs | | (1,645,148) | | (607,550) | |
| Other administrative expenses | | <u>(1,341,638)</u> | | <u>(574,105)</u> | |
| | | | <u>(2,986,786)</u> | | <u>(1,181,655)</u> |
| | | | 1,101,912 | | 344,865 |
| Other operating income | 3 | | <u>40,869</u> | | <u>20,104</u> |
| OPERATING PROFIT | | | 1,142,781 | | 364,969 |
| Interest payable | 4 | | <u>(780,385)</u> | | <u>(260,938)</u> |
| PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION | 5 | | 362,396 | | 104,031 |
| Tax on profit on ordinary activities | 7 | | <u>(55,942)</u> | | <u>(18,815)</u> |
| PROFIT FOR THE FINANCIAL PERIOD | | | 306,454 | | 85,216 |
| Retained profit brought forward | | | <u>(1,046,886)</u> | | <u>(1,132,102)</u> |
| RETAINED PROFIT CARRIED FORWARD | | | <u><u>(740,432)</u></u> | | <u><u>(1,046,886)</u></u> |

The notes on pages 6 to 11 form part of these financial statements.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

There are no recognised gains or losses other than the profit attributable to the shareholders of the Company of £306,454 in the fourteen months ended 31st December 1995 and of £85,216 in the seven months ended 31st October 1994.

T S B FACTORS LIMITED**BALANCE SHEET
AT 31ST DECEMBER 1995**

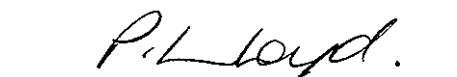
| | | 31st December 1995 | | 31st October 1994 | |
|--|------|---------------------|------------------|--------------------|--------------------|
| | Note | £ | £ | £ | £ |
| FIXED ASSETS | | | | | |
| Tangible assets | 8 | | 365,209 | | 197,756 |
| CURRENT ASSETS | | | | | |
| Debtors | 9 | 13,940,613 | | 9,949,373 | |
| Cash at bank and in hand | | <u>124,377</u> | | <u>395,523</u> | |
| | | 14,064,990 | | 10,344,896 | |
| CREDITORS - amounts falling due within one year | | | | | |
| | 10 | <u>(12,920,631)</u> | | <u>(9,339,538)</u> | |
| NET CURRENT ASSETS | | | <u>1,144,359</u> | | <u>1,005,358</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | | <u>1,509,568</u> | | <u>1,203,114</u> |
| CAPITAL AND RESERVES | | | | | |
| Called up share capital | 12 | | 2,250,000 | | 2,250,000 |
| Profit and loss account | | | <u>(740,432)</u> | | <u>(1,046,886)</u> |
| Shareholders' Funds | 16 | | 1,509,568 | | 1,203,114 |

Approved by the board on 29th February 1996 and signed on its behalf by :



Director

Mr. E. M. G. Ettershank



Director

Ms. P. J. Lloyd

The notes on pages 6 to 11 form part of these accounts.

T S B 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 preparation

The financial statements have been prepared on a 14 month basis to 31st December 1995 as the accounting reference date has been changed to be coterminous with that of the ultimate parent company.

(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.

(f) Cash Flow Statement

Under Financial Reporting Standard Number 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 of a U.K. group that prepares a cash flow statement.

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 £ 40,869 (7 months to 31st October 1994 £20,104).

T S B FACTORS LIMITED**NOTES TO THE ACCOUNTS (continued)****4. INTEREST PAYABLE**

| | 14 Months Ended 31st December 1995 £ | 7 Months Ended 31st October 1994 £ |
|---|---|---|
| On bank loans, overdrafts and other loans wholly repayable within 5 years, not by instalments | <u>780,385</u> | <u>260,938</u> |

Included in the above is £751,570 (1994: £260,259) payable to the holding company, TSB Commercial Finance Limited.

5. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

| | 14 Months Ended 31st December 1995 £ | 7 Months Ended 31st October 1994 £ |
|---|---|---|
| Profit on ordinary activities has been arrived at after charging: | | |
| Depreciation of fixed assets (note 8) | 120,292 | 51,935 |
| Profit/(Loss) arising on sale of fixed assets | 18,544 | (14,910) |
| Staff Costs | 1,645,148 | 607,550 |
| Auditors' remuneration - for audit work | 11,250 | 9,000 |
| Operating rentals - plant and machinery | 56,523 | 25,357 |
| - land and buildings | 161,490 | 80,746 |

6. DIRECTORS AND OTHER EMPLOYEES

The average number of persons employed by the company during the period was 54 (1994: 45).

Staff costs, including executive directors, include the following:

| | 14 Months Ended 31st December 1995 £ | 7 Months Ended 31st October 1994 £ |
|-----------------------|---|---|
| Wages and salaries | 1,373,387 | 504,748 |
| Social security costs | 124,003 | 46,162 |
| Pension costs | 15,217 | 23,395 |
| | <u>1,512,607</u> | <u>574,305</u> |

The emoluments of the directors were as follows:

| | £ | £ |
|---|----------------|----------------|
| For services as executives | <u>264,048</u> | <u>129,315</u> |
| Pension contributions included in above | <u>4,239</u> | <u>6,002</u> |

NOTES TO THE ACCOUNTS (continued)**6. DIRECTORS AND OTHER EMPLOYEES - continued**

The individual emoluments, excluding pension contributions, of all the directors who served during the period fell into the following brackets:

| | 14 Months Ended 31st December 1995 | 7 Months Ended 31st October 1994 |
|---------------------|---|---|
| NIL - £ 5,000 | 5 | 4 |
| £ 25,001 - £ 30,000 | - | 3 |
| £ 35,001 - £ 40,000 | - | 1 |
| £ 45,001 - £ 50,000 | 1 | - |
| £ 60,001 - £ 65,000 | 1 | - |
| £ 65,001 - £ 70,000 | 1 | - |
| £ 85,001 - £ 90,000 | 1 | - |

The emoluments, excluding pension contributions of the chairman amounted to £ NIL (1994 - £ NIL) and those of the highest paid director amounted to £86,734 (1994 - £39,233).

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

| | 14 Months Ended 31st December 1995 £ | 7 Months Ended 31st October 1994 £ |
|--|---|---|
| Corporation tax at 33% less ACT surrendered available for group relief | 55,942 | 13,990 |
| Adjustment to current taxation in respect of prior years | - | 4,825 |
| | <u>55,942</u> | <u>18,815</u> |

NOTES TO THE ACCOUNTS (continued)
8. TANGIBLE FIXED ASSETS

| | Fixtures & fittings £ | Computer equipment £ | Motor vehicles £ | Leasehold improvements £ | TOTAL £ |
|-----------------------------|--|-------------------------------------|---------------------------------|---|--------------------|
| Cost: | | | | | |
| At 1st November 1994 | 121,524 | 173,475 | 198,265 | 53,356 | 546,620 |
| Additions during the period | 55,611 | 33,593 | 195,770 | 7,327 | 292,301 |
| Disposals during the period | - | - | (86,822) | - | (86,822) |
| At 31st December 1995 | <u>177,135</u> | <u>207,068</u> | <u>307,213</u> | <u>60,683</u> | <u>752,099</u> |
| Depreciation: | | | | | |
| At 1st November 1994 | 60,840 | 79,584 | 159,206 | 49,234 | 348,864 |
| Charge for the period | 23,352 | 38,582 | 53,326 | 5,032 | 120,292 |
| On disposals | - | - | (82,266) | - | (82,266) |
| At 31st December 1995 | <u>84,192</u> | <u>118,166</u> | <u>130,266</u> | <u>54,266</u> | <u>386,890</u> |
| Net book value: | | | | | |
| At 31st December 1995 | <u>92,943</u> | <u>88,902</u> | <u>176,947</u> | <u>6,417</u> | <u>365,209</u> |
| At 31st October 1994 | <u>60,684</u> | <u>93,891</u> | <u>39,059</u> | <u>4,122</u> | <u>197,756</u> |

9 DEBTORS

| | 31st December 1995 | 31st October 1994 |
|--------------------------------|---------------------------|--------------------------|
| Factored debts | 13,816,319 | 9,855,508 |
| Other debtors | 23,172 | 22,649 |
| Prepayments and accrued income | <u>101,122</u> | <u>71,216</u> |
| | <u>13,940,613</u> | <u>9,949,373</u> |
| Gross Factored debts | 29,489,972 | 20,380,359 |
| Due to clients on collection | <u>(15,673,653)</u> | <u>(10,524,851)</u> |
| Factored debts | <u>13,816,319</u> | <u>9,855,508</u> |

T S B FACTORS LIMITED

NOTES TO THE ACCOUNTS (continued)

10. CREDITORS - amounts falling due within one year

| | 31st December 1995 | 31st October 1994 |
|---------------------------------------|---------------------------|--------------------------|
| | £ | £ |
| Bank overdrafts | 12,348,694 | 8,974,364 |
| Group relief payable | 44,933 | 18,815 |
| Other taxes and social security costs | 46,882 | 82,492 |
| Other creditors | 91,813 | 1,637 |
| Accruals and deferred income | 388,309 | 262,230 |
| | <u>12,920,631</u> | <u>9,339,538</u> |

Bank overdrafts are made up of:

| | | |
|---------------------------------------|-------------------|------------------|
| Due to immediate parent company | 12,125,012 | 8,961,569 |
| Due to fellow subsidiary undertakings | 134,078 | 5,094 |
| Due to other bank | 89,604 | 7,701 |
| | <u>12,348,694</u> | <u>8,974,364</u> |

The bank overdrafts are unsecured and repayable on demand.

11. PROVISIONS FOR LIABILITIES AND CHARGES

A deferred taxation asset 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 (31st October 1994 - £nil).

12. CALLED UP SHARE CAPITAL

| | 31st December 1995 | 31st October 1994 |
|--|---------------------------|--------------------------|
| | £ | £ |
| 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 |
| | <u>2,250,000</u> | <u>2,250,000</u> |

13. FINANCIAL COMMITMENTS

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

| | 31st December 1995 | | 31st October 1994 | |
|------------------------------|---------------------------|-----------------------------|--------------------------|-----------------------------|
| | £ | £ | £ | £ |
| | Other | Land & Buildings | Other | Land & Buildings |
| Expire within 1 year | 3,258 | - | - | - |
| Expire between 2 and 5 years | 7,710 | 74,420 | 40,744 | 74,420 |
| Expire after 5 years | - | 64,000 | - | 64,000 |
| | <u>10,968</u> | <u>138,420</u> | <u>40,744</u> | <u>138,420</u> |

The company has unprovided capital commitments at 31st December 1994 of £195,125 (31st October 1994: £114,218).

T S B FACTORS LIMITED

NOTES TO THE ACCOUNTS (continued)

14. PENSIONS AND SIMILAR OBLIGATIONS

The company operated a defined contribution pension scheme covering senior and long-serving employees. The assets of the scheme were 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 £15,217 (31st October 1994 - £23,395) and is equal to the contributions paid in the period. From the 1st April 1995 TSB Factors Limited became a member of the TSB Group Pension Scheme.

15. CONTINGENT LIABILITIES

The company had no contingent liabilities at 31st December 1995 (31st October 1994 - £Nil).

16. RECONCILIATION OF SHAREHOLDERS' FUNDS

| | 31st December 1995 | 31st October 1994 |
|-------------------------------------|---------------------------|--------------------------|
| | £ | £ |
| Profit for the financial period | 306,454 | 85,216 |
| Shareholders' funds at commencement | <u>1,203,114</u> | <u>1,117,898</u> |
| Shareholders' funds at period end | <u>1,509,568</u> | <u>1,203,114</u> |

17. ULTIMATE 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. (formerly TSB Group plc.), a company incorporated in Great Britain and registered in Scotland. Copies of the group accounts can be obtained from 71 Lombard Street, London EC3P 3BS.

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 & Wales. Copies of these accounts can be obtained from 71 Lombard Street, London EC3P 3BS.