

TSB FACTORS LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 31ST DECEMBER 1996

(Registered Number: 1360153)



T S B FACTORS LIMITED

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31st December 1996.

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 £462,341.
(14 month period ended 31st December 1995: £306,454).

DIVIDENDS AND APPROPRIATIONS

The directors do not propose the payment of a dividend (1995: 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. Jerrard	
Ms. P. J. Lloyd	
Mr. E. Owen	Resigned 24th October 1996.
Mr. J. L. Shulman	
Mr. J. A. Spence	Appointed 16th August 1996.

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 1996		1st January 1996	
	Shares	Options	Shares	Options
Mr. M. Forman	-	10,714	-	10,714
Mr. M. Jerrard	-	9,934	-	8,571
Mr. J. L. Shulman	-	6,018	-	6,018
Mr. J. A. Spence	64,063	53,690	36,408	70,151

	Options at 1st January 1996	Granted	Exercised	Options at 31st December 1996
Mr. M. Forman	10,714	-	-	10,714
Mr. M. Jerrard	8,571	1,363	-	9,934
Mr. E. Owen	1,769	-	-	1,769
Mr. J. L. Shulman	6,018	-	-	6,018
Mr. J. A. Spence	70,151	13,718	30,179	53,690

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 TSB Commercial Finance Limited.

T S B 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 1996 held any interest in shares or debentures of the Lloyds TSB Group plc or any of its subsidiaries on 31st December 1996 or in the TSB Group plc or any of its subsidiaries on 1st January 1996.

INSURANCE

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

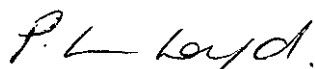
STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

28th February 1997

**REPORT OF THE AUDITORS, KPMG AUDIT PLC , 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 1996 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

8 Salisbury Square
London
EC4Y 8BB

KPMG Audit Plc .
KPMG Audit Plc
Chartered Accountants
Registered Auditor

14 March 1997

T S B FACTORS LIMITED**PROFIT AND LOSS ACCOUNT
YEAR ENDED 31ST DECEMBER 1996**

		Twelve months Ended 31st December 1996		Fourteen months Ended 31st December 1995	
	Note	£	£	£	£
TURNOVER	2		4,131,400		4,088,698
Staff costs		(1,611,301)		(1,645,148)	
Other administrative expenses		<u>(1,229,793)</u>		<u>(1,341,638)</u>	
			<u>(2,841,094)</u>		<u>(2,986,786)</u>
			1,290,306		1,101,912
Other operating income	3		<u>34,464</u>		<u>40,869</u>
OPERATING PROFIT			1,324,770		1,142,781
Interest payable	4		<u>(685,412)</u>		<u>(780,385)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	5		639,358		362,396
Tax on profit on ordinary activities	7		<u>(177,017)</u>		<u>(55,942)</u>
PROFIT FOR THE FINANCIAL PERIOD			462,341		306,454
Retained profit brought forward			<u>(740,432)</u>		<u>(1,046,886)</u>
RETAINED PROFIT CARRIED FORWARD			<u>(278,091)</u>		<u>(740,432)</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 £462,341 in the year ended 31st December 1996 and of £306,454 in the fourteen months ended 31st December 1995.

T S B FACTORS LIMITED**BALANCE SHEET
AT 31ST DECEMBER 1996**

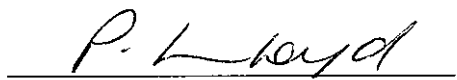
		31st December 1996		31st December 1995	
	Note	£	£	£	£
FIXED ASSETS					
Tangible assets	8		543,760		365,209
CURRENT ASSETS					
Debtors	9	14,627,701		13,940,613	
Cash at bank and in hand		<u>993,438</u>		<u>124,377</u>	
		15,621,139		14,064,990	
CREDITORS - amounts falling due within one year					
	10	<u>(14,192,990)</u>		<u>(12,920,631)</u>	
NET CURRENT ASSETS			<u>1,428,149</u>		<u>1,144,359</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>1,971,909</u>		<u>1,509,568</u>
CAPITAL AND RESERVES					
Called up share capital	12		2,250,000		2,250,000
Profit and loss account			<u>(278,091)</u>		<u>(740,432)</u>
Shareholders' Funds	16		1,971,909		1,509,568

Approved by the board on 28th February 1997 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 accounting

The financial statements have been prepared under the historic cost convention.

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 or associated 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.

(f) Creditor payment policy

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

2. TURNOVER

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

T S B FACTORS LIMITED**NOTES TO THE ACCOUNTS (continued)****3. OTHER OPERATING INCOME**

Other operating income is comprised of rental income on property amounting to £ 34,464.
(14 months to 31st December 1995 £40,869).

4. INTEREST PAYABLE

	12 Months Ended 31st December 1996 £	14 Months Ended 31st December 1995 £
On bank loans, overdrafts and other loans wholly repayable within 5 years, not by instalments	<u>685,412</u>	<u>780,385</u>

Included in the above is £681,541 (1995: £751,570) payable to the holding company, TSB Commercial Finance Limited.

5. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	12 Months Ended 31st December 1996 £	14 Months Ended 31st December 1995 £
Profit on ordinary activities has been arrived at after charging:		
Depreciation of fixed assets (note 8)	146,965	120,292
Profit/(Loss) arising on sale of fixed assets	24,847	18,544
Staff Costs	1,611,300	1,645,148
Auditors' remuneration - for audit work	6,483	11,250
Operating rentals - plant and machinery	11,001	56,523
- land and buildings	138,420	161,490

6. DIRECTORS AND OTHER EMPLOYEES

The average number of persons employed by the company during the period was 57.
(1995: 54).

Staff costs, including executive directors, include the following:

	12 Months Ended 31st December 1996 £	14 Months Ended 31st December 1995 £
Wages and salaries	1,291,991	1,373,387
Social security costs	114,106	124,003
Pension costs	-	15,217
	<u>1,406,097</u>	<u>1,512,607</u>

The emoluments of the directors were as follows:

	£	£
For services as executives	<u>213,047</u>	<u>264,048</u>
Pension contributions included in above	<u>-</u>	<u>4,239</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:

	12 Months Ended 31st December 1996	14 Months Ended 31st December 1995
NIL - £ 5,000	6	5
£ 25,001 - £ 30,000	-	-
£ 35,001 - £ 40,000	-	-
£ 45,001 - £ 50,000	-	1
£ 55,001 - £ 60,000	1	-
£ 60,001 - £ 65,000	-	1
£ 65,001 - £ 70,000	1	1
£ 80,001 - £ 85,000	1	-
£ 85,001 - £ 90,000	-	1

The emoluments, excluding pension contributions of the chairman amounted to £ NIL (1995: £ NIL) and those of the highest paid director amounted to £83,809 (1995:£86,734).

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

	12 Months Ended 31st December 1996 £	14 Months Ended 31st December 1995 £
Corporation tax at 33% less ACT surrendered available for group relief	163,875	55,942
Adjustment to current taxation in respect of prior years	13,142	-
	<u>177,017</u>	<u>55,942</u>

NOTES TO THE ACCOUNTS (continued)

8. TANGIBLE FIXED ASSETS

	Fixtures & fittings £	Computer equipment £	Motor vehicles £	Leasehold improvements £	TOTAL £
Cost:					
At 1st January 1996	177,135	207,068	307,213	60,683	752,099
Additions during the period	44,589	234,322	49,757	0	328,668
Disposals during the period	-	-	(111,443)	-	(111,443)
At 31st December 1996	<u>221,724</u>	<u>441,390</u>	<u>245,527</u>	<u>60,683</u>	<u>969,324</u>
Depreciation:					
At 1st January 1996	84,192	118,166	130,266	54,266	386,890
Charge during the period	25,367	71,655	48,431	1,512	146,965
Disposals during the period	-	-	(108,291)	-	(108,291)
At 31st December 1996	<u>109,559</u>	<u>189,821</u>	<u>70,406</u>	<u>55,778</u>	<u>425,564</u>
Net book value:					
At 31st December 1996	<u>112,165</u>	<u>251,569</u>	<u>175,121</u>	<u>4,905</u>	<u>543,760</u>
At 31st December 1995	<u>92,943</u>	<u>88,902</u>	<u>176,947</u>	<u>6,417</u>	<u>365,209</u>

9 DEBTORS

	31st December 1996	31st December 1995
Factored debts	14,480,661	13,816,319
Other debtors	33,694	23,172
Prepayments and accrued income	<u>113,346</u>	<u>101,122</u>
	<u>14,627,701</u>	<u>13,940,613</u>
Gross Factored debts	28,469,118	29,489,972
Due to clients on collection	<u>(13,988,457)</u>	<u>(15,673,653)</u>
Factored debts	<u>14,480,661</u>	<u>13,816,319</u>

T S B FACTORS LIMITED

NOTES TO THE ACCOUNTS (continued)

10. CREDITORS - amounts falling due within one year

	31st December 1996	31st December 1995
	£	£
Bank overdrafts	13,416,429	12,348,694
Group relief payable	158,366	44,933
Other taxes and social security costs	90,435	46,882
Other creditors	88,184	91,813
Accruals and deferred income	439,576	388,309
	<u>14,192,990</u>	<u>12,920,631</u>

Bank overdrafts are made up of:

Due to immediate parent company	13,394,589	12,125,012
Due to fellow subsidiary undertakings	21,667	134,078
Due to other bank	173	89,604
	<u>13,416,429</u>	<u>12,348,694</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 December 1995: £nil).

12. CALLED UP SHARE CAPITAL

	31st December 1996	31st December 1995
	£	£
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 1996		31st December 1995	
	£	£	£	£
	Land & Buildings	Other	Land & Buildings	Other
Expire within 1 year	-	-	-	3,258
Expire between 2 and 5 years	74,420	8,085	74,420	8,085
Expire after 5 years	64,000	-	64,000	-
	<u>138,420</u>	<u>8,085</u>	<u>138,420</u>	<u>11,343</u>

The company has unprovided capital commitments at 31st December 1996 of £40,000. (31st December 1995: £195,125).