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T S B FACTORS LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS
7 MONTHS ENDED 31ST OCTOBER 1994

(Registered Number: 1360153)



TSB FACTORS LIMITED

DIRECTORS' REPORT

The directors submit their report and the accounts for the 7 months ended 31st October 1994.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

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

Profit on ordinary activities before taxation amounted to £104,031 for the 7 month period (year ended 31st March 1994 £100,796 before exceptional item).

DIVIDENDS AND APPROPRIATIONS

In view of the company's current and future requirements for the maintenance and development of its business, the directors do not recommend that a preference or ordinary dividend be declared (year ended 31st March 1994 £Nil) but that the profit be transferred to accumulated reserves.

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	
Mr. M.Jerrard	
Ms. P.J. Lloyd	
Mr. J.L. Shulman	

Appointed 14th April 1994

No director had a shareholding interest required to be disclosed by the Companies Act 1985 other than those set out below. The number of 25p ordinary shares and options over ordinary shares in the share capital of TSB Group plc, this company's ultimate holding company, in which the directors had an interest were as follows:

	31.10.94		31.03.94	
	Shares	Options	Shares	Options
Mr. M. Forman	-	10,714	-	-
Mr. M.N. Ellse	-	2,142	-	-
Mr. M.Jerrard	-	8,571	-	-
Mr. J.L. Shulman	-	2,142	-	-

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)

INSURANCE

During the year the ultimate parent company purchased liability insurance for the directors of the company.

AUDITORS

Our auditors KPMG Peat Marwick have informed us that they will practice under the name of KPMG with effect from the 6th February 1995. In accordance with section 385 of the Companies Act 1985, a resolution for the re-appointment of KPMG as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

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 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 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.

By order of the Board

TSB Factors Limited
P.J. Lloyd (Secretary)
P.J. Lloyd
Boston House
The Little Green
Richmond
Surrey
TW9 1QE

31st January 1995

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

We have audited the financial statements on pages 4 to 12.

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 31st October 1994 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

1 Puddle Dock
Blackfriars
London
EC4V 3PD

KPMG Peat Marwick

Chartered Accountants
Registered Auditors

31st January 1995

T.S.B. FACTORS LIMITED

PROFIT AND LOSS ACCOUNT 7 MONTHS ENDED 31ST OCTOBER 1994

		7 Months Ended 31st October 1994		Year Ended 31st March 1994	
	Note	£	£	£	£
TURNOVER	2		1,526,520		2,542,029
Staff costs	6	(574,305)		(1,083,588)	
Other administrative expenses		<u>(607,350)</u>		<u>(824,740)</u>	
			<u>(1,181,655)</u>		<u>(1,908,328)</u>
			344,865		633,701
Other operating income	3		<u>20,104</u>		<u>34,460</u>
OPERATING PROFIT			364,969		638,161
Interest payable	4		<u>(230,938)</u>		<u>(567,385)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION AND EXCEPTIONAL ITEM	5		104,031		100,796
Exceptional item	7		<u>-</u>		<u>(130,466)</u>
			104,031		(29,670)
Taxation	8		<u>(18,815)</u>		<u>-</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION			85,216		(29,670)
Extraordinary item	9		<u>-</u>		<u>(114,000)</u>
PROFIT/(LOSS) FOR THE FINANCIAL PERIOD			85,216		(143,670)
Retained losses brought forward			<u>(1,132,102)</u>		<u>(988,432)</u>
RETAINED LOSSES CARRIED FORWARD			<u>(1,046,886)</u>		<u>(1,132,102)</u>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

There are no recognised gains or losses other than the profit/(loss) attributable to the shareholders of the Company of £85,216 in the period ended 31st October 1994 and of £(143,670) in the year ended 31st March 1994.

The notes on pages 6 to 12 form part of these financial statements.

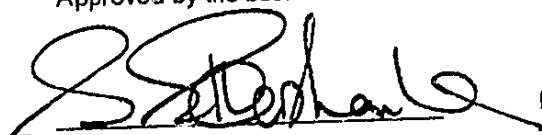
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T.S.B. FACTORS LIMITED

BALANCE SHEET AT 31ST OCTOBER 1994


		31st October 1994	31st March 1994
	Note	£	£
FIXED ASSETS			
Tangible assets	10	197,756	214,309
CURRENT ASSETS			
Debtors	11	9,949,373	9,267,408
Cash at bank and in hand		<u>395,523</u>	<u>1,536,349</u>
		10,344,896	10,803,757
CREDITORS - amounts falling due within one year	12	<u>(9,339,538)</u>	<u>(9,900,168)</u>
NET CURRENT ASSETS		<u>1,005,358</u>	<u>903,589</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,203,114</u>	<u>1,117,898</u>
CAPITAL AND RESERVES			
Called up share capital	14	2,250,000	2,250,000
Profit and loss account		<u>(1,046,886)</u>	<u>(1,132,102)</u>
SHAREHOLDERS' FUNDS	18	<u>1,203,114</u>	<u>1,117,898</u>

Approved by the board on the 31st January 1995 and signed on its behalf by :



Director

Mr. E. M. G. Ettershank



Director

Mr. M. Forman

The notes on pages 6 to 12 form part of these accounts.

01-03-95

T S B FACTORS LIMITED

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

(a) Basis of preparation

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

(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

Deferred taxation has been calculated, using the liability method, in respect of timing differences other than those which are expected to continue for the foreseeable future.

(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. There are no assets held under finance leases.

(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 V.A.T) in the normal course of business.

3. OTHER OPERATING INCOME

Other operating income is comprised of rental income on property amounting to £ 20,104 (to 31st March 1994 £34,460).

TSB FACTORS LIMITED

NOTES TO THE ACCOUNTS (continued)

4. INTEREST PAYABLE

	7 Months Ended 31st October 1994 £	Year Ended 31st March 1994 £
On bank loans, overdrafts and other loans wholly repayable within 5 years, not by instalments	<u>260,938</u>	<u>567,365</u>

Included in the above is £260,259 (to 31st March 1994 £1,334) payable to the holding company, TSB Commercial Finance Limited. In the year ended 31st March 1994 £566,031 was payable to the former holding company, Chancery plc.

5. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	7 Months Ended 31st October 1994 £	Year Ended 31st March 1994 £
Profit on ordinary activities has been arrived at after charging:		
Depreciation of fixed assets (note 10)	51,935	106,329
Loss on sale of fixed assets	14,910	487
Loss arising on write off of software capitalised in prior years	-	90,188
Staff Costs (note 6)	574,305	1,083,588
Auditors' remuneration - for audit work	9,000	11,000
Operating rentals - plant and machinery	25,357	41,515
- land and buildings	80,746	138,420

6. DIRECTORS AND OTHER EMPLOYEES

The average number of persons employed by the company during the period was 45 (to 31st March 1994: 46).

Staff costs, including executive directors, include the following:

	7 Months Ended 31st October 1994 £	Year Ended 31st March 1994 £
Wages and salaries	504,748	949,573
Social security costs	46,162	95,890
Pension costs	23,395	38,125
	<u>574,305</u>	<u>1,083,588</u>

The emoluments of the directors were as follows:

	£	£
For services as executives	<u>129,315</u>	<u>331,607</u>
Pension contributions included in above	<u>6,002</u>	<u>9,806</u>

T.S.B FACTORS LIMITED

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:

	7 Months Ended 31st October 1994	Year Ended 31st March 1994
NIL - £ 5,000	4	7
£ 25,001 - £ 30,000	3	-
£ 35,001 - £ 40,000	1	-
£ 70,001 - £ 75,000	-	2
£ 75,001 - £ 80,000	-	1
£ 95,001 - £100,000	-	1

The emoluments, excluding pension contributions of the chairman amounted to £ NIL
(to 31st March 1994 - £ NIL) and those of the highest paid director amounted to £ 39,233
(to 31st March 1994 - £99,950).

7. EXCEPTIONAL ITEMS

	7 Months Ended 31st October 1994 £	Year Ended 31st March 1994 £
Directors' bonuses contractually payable on the acquisition of the company by TSB Group plc.	-	<u>130,466</u>

8. TAX ON PROFIT ON ORDINARY ACTIVITIES

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

9. EXTRAORDINARY ITEM

	7 Months Ended 31st October 1994 £	Year Ended 31st March 1994 £
Acquisition costs	-	114,000
Taxation thereon	-	-
	<u>-</u>	<u>114,000</u>

T S B FACTORS LIMITED

NOTES TO THE ACCOUNTS (continued)

10. TANGIBLE FIXED ASSETS		Fixtures & fittings £	Computer equipment £	Motor vehicles £	Leasehold improvements £	TOTAL £
COST:						
At 1st April 1994		243,906	128,659	194,345	53,746	620,656
Additions during the period		1,556	44,816	3,920	-	50,292
Disposals during the period		(123,938)	-	-	(390)	(124,328)
At 31st October 1994		<u>121,524</u>	<u>173,475</u>	<u>198,265</u>	<u>53,356</u>	<u>546,620</u>
Depreciation:						
At 1st April 1994		164,812	65,577	131,436	44,522	406,347
Charge for the period		5,179	14,007	27,770	4,979	51,935
On disposals		(109,151)	-	-	(267)	(109,418)
At 31st October 1994		<u>60,840</u>	<u>79,584</u>	<u>153,206</u>	<u>49,234</u>	<u>348,864</u>
Net book value:						
At 31st October 1994		<u>60,684</u>	<u>93,891</u>	<u>39,059</u>	<u>4,122</u>	<u>197,756</u>
At 31st March 1994		<u>79,094</u>	<u>63,082</u>	<u>62,909</u>	<u>9,224</u>	<u>214,309</u>

T.S.R. FACTORS LIMITED

NOTES TO THE ACCOUNTS (continued)

11 DEBTORS

	31st October 1994 £	31st March 1994 £
Factored debts	9,855,508	9,143,653
Other debtors	22,649	27,817
Prepayments and accrued income	71,216	95,938
	<u>9,949,373</u>	<u>9,267,408</u>
Gross Factored debts	20,380,359	18,754,290
Due to clients on collection	<u>(10,524,851)</u>	<u>(9,610,637)</u>
Factored debts	<u>9,855,508</u>	<u>9,143,653</u>

12. CREDITORS - amounts falling due within one year

	31st October 1994 £	31st March 1994 £
Bank overdrafts	8,974,364	9,278,017
Group relief payable	18,815	-
Other taxes and social security costs	82,492	82,810
Accruals and deferred income	263,867	539,341
	<u>9,339,538</u>	<u>9,900,168</u>
Bank overdrafts are made up of:		
Due to immediate parent company	8,961,569	9,277,045
Due to fellow subsidiary undertakings	5,094	-
Due to other bank	7,701	972
	<u>8,974,364</u>	<u>9,278,017</u>

The bank overdrafts are unsecured and repayable on demand.

13. 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 March 1994 - £nil).

14. CALLED UP SHARE CAPITAL

	31st October 1994 £	31st March 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	<u>1,550,000</u>	<u>1,550,000</u>
	<u>2,250,000</u>	<u>2,250,000</u>

T S B FACTORS LIMITED

NOTES TO THE ACCOUNTS (continued)

15. FINANCIAL COMMITMENTS

The company has financial commitments in respect of operating leases. The amounts to be paid in the next year under these leases are:

	31st October 1994 £		31st March 1994 £	
	Land & Buildings	Other	Land & Buildings	Other
Expire within 1 year	-	-	-	1,098
Expire between 2 and 5 years	74,420	40,744	-	39,819
Expire after 5 years	64,000	-	138,420	-
	<u>138,420</u>	<u>40,744</u>	<u>138,420</u>	<u>40,917</u>

The company has unprovided capital commitments at 31st October 1994 of £114,218 (31st March 1994: £3,920).

16. PENSIONS AND SIMILAR OBLIGATIONS

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 £23,395 (to 31st March 1994 - £38,125) and is equal to the contributions paid in the period.

17. CONTINGENT LIABILITIES

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

18. RECONCILIATION OF SHAREHOLDERS' FUNDS

	31st October 1994 £	31st March 1994 £
Profit for the financial period / year	85,216	(143,670)
Shareholders' funds at commencement	<u>1,117,898</u>	<u>1,261,568</u>
Shareholders' funds at period / year end	<u>1,203,114</u>	<u>1,117,898</u>

T.S.B. FACTORS LIMITED

NOTES TO THE ACCOUNTS (continued)

19. 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 TSB Group plc, a company incorporated in Great Britain and registered in Scotland. Copies of the group accounts can be obtained from PO 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 & Wales. Copies of these accounts can be obtained from PO Box 260, 60 Lombard Street, London EC3V 9DN.