

REPORT OF THE DIRECTORS

The directors present the audited financial statements for the year ended 31 October 1993.

PRINCIPAL ACTIVITY

The principal activities of the Company are the provision of unit stocking facilities for motor dealers, consumer finance for motor vehicles through instalment credit and contract hire agreements and the leasing of passenger cars and other vehicles.

BUSINESS REVIEW AND RESULTS FOR THE YEAR

The result for the year after taxation was a profit of 14,468,000 (1992 - 12,636,000) which has been added to the retained profit brought forward of 14,728,000 leaving a retained profit of 19,216,000 to be carried forward.

FIXED ASSETS

Details of these are set out in note 7 to the accounts.

DIVIDENDS

The directors do not recommend the payment of a dividend (1992 - Nil).

DIRECTORS

C E Hunter-Pease

C A Cole

J L Davies

J T Heath

P G Holt

O P A Johannesson

G Keaney

J A Osbaldiston

D E Potts

R L Sterry

Appointed 6 July 1993

Resigned 16 June 1993

Appointed 21 January 1994

Resigned 31 December 1993

Except where noted above all directors served throughout the year.

INTERESTS IN SHARE CAPITAL

The directors' beneficial interests in ordinary shares of 25p each in the Company's ultimate parent undertaking, TSB Group plc at 31 October 1993 and at 1 November 1992 (or at date of appointment, if later) are shown below:-

	<u>31.10.93</u>		<u>1.11.92</u> (or at date of appointment, if later)	
	<u>Shares</u>	<u>Shares under option</u>	<u>Shares</u>	<u>Shares under option</u>
C A Cole	4,062	-	4,062	-
J L Davies	150	82,771	150	113,911
J T Heath	-	6,961	-	6,961
D K Potts	4,780	44,333	3,963	41,785
R L Sterry	-	13,274	795	33,887

The options to purchase the shares were granted under the terms of the executive share option and sharesave schemes of the TSB Group plc and are exercisable in normal circumstances between 1993 and 2003 at prices ranging from 96 pence to 162.5 pence per share. During the year the movement in options shown above arose as a result of the grant and exercise of options. Options were exercised by J L Davies 54,524; D K Potts 13,274; and R L Sterry 13,274. No other options were exercised.

Except as disclosed above, no director held any interests in shares or debentures of TSB Group plc or any of its subsidiary undertakings at 1 November 1992 (or at date of appointment, if later) or at 31 October 1993.

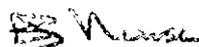
DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

The Company's ultimate parent undertaking maintains directors' and auditors' liability insurance in respect of TSB Group plc and its subsidiary undertakings.

AUDITORS

A resolution for the re-appointment of KPMG Peat Marwick as auditors of the Company is to be proposed at the forthcoming annual general meeting.

By order of the board



B J Marsb

Secretary

20 APRIL 1994

AUDITORS' REPORT TO THE MEMBERS OF VOCS FINANCE LIMITED

We have audited the financial statements on pages 4 to 17.

Respective responsibilities of directors and auditors

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 then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.
- prepare the financial statements on the 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. It is our responsibility to form an independent opinion, based on 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 October 1993 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Per Mawd

KPMG PEAT MARWICK

18 May 1994

Chartered Accountants
Registered Auditors

London

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 OCTOBER 1993

	Note	<u>1993</u> £'000	<u>1992</u> £'000
Turnover	1	201,394	159,513
Cost of sales		176,897	133,785
		<hr/>	<hr/>
Gross profit		24,497	25,728
Administrative expenses		5,482	4,695
		<hr/>	<hr/>
Operating profit		19,015	21,033
Interest payable to immediate parent company		13,785	17,029
		<hr/>	<hr/>
Profit on ordinary activities before taxation	3	5,230	4,004
Tax on profit on ordinary activities	6	742	,168
		<hr/>	<hr/>
Profit on ordinary activities after taxation for the financial year		4,488	2,836
Balance brought forward		4,728	1,892
		<hr/>	<hr/>
Balance carried forward		9,216	4,728

There are no recognised gains or losses other than those shown in the profit and loss account.

The notes on pages 7 to 12 form an integral part of these financial statements.

BALANCE SHEET AS AT 31 OCTOBER 1993

	Note	1993 £'000	1992 £'000
FIXED ASSETS			
Tangible assets			
Premises and equipment	7	10,251	5,134
CURRENT ASSETS			
Debtors			
Trade debtors	8	194,725	168,441
Other debtors		1,349	708
		<u>196,074</u>	<u>169,149</u>
Creditors: Amounts falling due within one year			
Trade creditors		5,987	6,725
Amounts owed to immediate parent undertaking		184,916	157,747
Other creditors	9	4,206	3,083
		<u>195,109</u>	<u>167,555</u>
Net liabilities due within one year		(70,173)	(57,332)
Net assets due after one year		71,138	58,926
Net current assets		965	1,594
Total assets less current liabilities		<u>11,216</u>	<u>6,728</u>
		<u>11,216</u>	<u>6,728</u>
CAPITAL AND RESERVES			
Called up share capital	10	2,000	2,000
Profit and loss account		9,216	4,728
		<u>11,216</u>	<u>6,728</u>

Approved by the board of directors on 22 APRIL, 1994

C E Hunter-Pease

J L Davies

The notes on pages 7 to 12 form an integral part of these financial statements.

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 OCTOBER 1993

	Note	1993 £'000	1992 £'000
Net cash flow from operating activities	11(a)	(4,972)	652
Servicing of finance:			
Interest paid		(13,785)	(17,029)
Net cash flow from servicing of finance		(13,785)	(17,029)
Taxation:			
Tax movement		(1,399)	(1,144)
Tax received		236	-
Net tax movement		(1,163)	(1,144)
Investing activities:			
Purchase of equipment		(7,716)	(5,825)
Receipts from sales of equipment		467	51
Net cash flow from investing activities		(7,249)	(5,774)
Net cash flow before financing		(27,169)	(23,305)
(Increase) in intercompany funds	11(b)	(27,169)	(23,305)

The notes on pages 7 to 12 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1 ACCOUNTING POLICIES

Basis of Accounting

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

Turnover

Turnover represents the total of sales, income earned on instalment credit business, interest income, rents receivable on leasing business, proceeds from the disposal of leased assets and insurance commission

Income earned on instalment credit agreements

In the case of such business where the charges are added to the amount lent at the commencement of the period the general principle adopted for crediting income to the profit and loss account is to spread the income, net of commissions, over the period in which repayments are due in proportion to the reducing balance outstanding, using the "rule of 78".

Finance Leases

Income from finance leases, net of commissions, is credited to the profit and loss account in proportion to the net funds invested using the actuarial method. Finance leases are included in the balance sheet as advances to customers at amounts based on the discounted value of future rentals.

Operating Leases

Income from operating leases is credited to the profit and loss account on a straight line basis over the lease term. Assets held for use in operating leases are included in the balance sheet as fixed assets. Assets held for use in operating leases are depreciated so as to write down the value of these assets over the lease term to their estimated residual value.

Unit Stocking

Finance is provided for unit stocking on which interest is charged and credited to the profit and loss account on a daily basis on balances outstanding.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1 ACCOUNTING POLICIES (Continued)

Provisions for bad and doubtful debts

Specific provisions are made against advances which are recognised to be bad or doubtful. In addition, general provisions are maintained to cover bad and doubtful debts which may be present at the year end in the portfolio of advances but which have not been specifically identified.

Deferred Taxation

Provision is made in the financial statements for deferred taxation arising from timing differences between the accounting and taxation treatment of assets on lease except to the extent that the potential tax liability is not expected to arise in the foreseeable future. The rates of taxation used are those which are expected to apply in the year in which the timing differences are expected ultimately to reverse.

2. INSTALMENT CREDIT AND LEASING ACTIVITY

- (a) The cost of assets acquired for use in instalment credit and finance lease agreements is as follows:

	<u>1993</u> £'000	<u>1992</u> £'000
Instalment credit	132,180	98,965
Finance leases	1,241	1,571
	<u>133,421</u>	<u>100,536</u>

- b) Amounts receivable during the year under finance agreements:

	<u>1993</u> £'000	<u>1992</u> £'000
Instalment credit repayments	129,980	119,042
Finance lease rentals	3,050	5,234
	<u>133,030</u>	<u>124,276</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

The profit on ordinary activities before taxation is stated after charging auditors' remuneration of £10,000 (1992 - £10,000), depreciation of £2,032,000 (1992 - £637,000) and a management fee payable to the immediate parent undertaking of £2,770,000 (1992 - £1,988,000).

4. DIRECTORS/EMPLOYEES EMOLUMENTS

	<u>1993</u>	<u>1992</u>
	£	£
Total directors' emoluments for services to the Company	50,764	63,659
Chairman's emoluments	-	-
Highest paid directors' emoluments (excluding pension contribution)	50,764	60,126

None of the other directors received any emoluments for services to the Company during the year (1992-£NIL).

The Company had no employees (1992 - Nil).

5. TRANSACTIONS WITH DIRECTORS AND OFFICERS

At 1 November 1992 Mr C.A. Cole had a conditional sale agreement with the Company. The principal terms of which were: amount advanced £6000, interest at 8.25% flat per annum and a repayment period of 24 months. This agreement was repaid during February 1993.

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

(a) UK Corporation Tax @ 33.0% (1992: 33.0%)

	<u>1993</u>	<u>1992</u>
	£'000	£'000
Current year:		
Based on profit for the current year	1,797	1,368
Deferred taxation	(415)	-
Prior year credit	(640)	(200)
	<u>742</u>	<u>1,168</u>

The prior year credit relates to utilisation of deferred tax assets not previously recognised.

(b) Deferred Taxation

Deferred tax assets of £415,000 relating to capital allowances have been included in other debtors as it is considered that a reversal will occur in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

7. FIXED ASSETS

<u>Cost</u>	<u>Operating Leases</u>	<u>Total</u>
	£'000	£'000
At 1 November 1992	5,760	5,760
Additions	7,716	7,716
Disposals	(702)	(702)
At 31 October 1993	<u>12,774</u>	<u>12,774</u>
<u>Depreciation</u>		
At 1 November 1992	626	626
Charge for the year	2,032	2,032
Disposals	(135)	(135)
At 31 October 1993	<u>2,523</u>	<u>2,523</u>
Net book value at 31 October 1993	<u>10,251</u>	<u>10,251</u>
Net book value at 31 October 1992	<u>5,134</u>	<u>5,134</u>

8. TRADE DEBTORS

	Note	<u>1993</u>	<u>1992</u>
		£'000	£'000
Receivable on instalment credit balances	8(a)	120,103	102,489
Receivable on leased assets	8(b)	2,187	3,478
Other advances		72,435	62,474
		<u>194,725</u>	<u>168,441</u>
(a) RECEIVABLE ON INSTALMENT CREDIT BALANCES			
		<u>Gross Investment</u>	<u>Finance Charges</u>
		£'000	£'000
At 31 October 1993			<u>Net Investment</u>
			£'000
Due within one year	65,222	12,686	52,536
Due after one year	75,416	7,849	67,567
		<u>140,638</u>	<u>120,103</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	<u>Gross Investment</u> £'000	<u>Finance Charges</u> £'000	<u>Net Investment</u> £'000
<u>At 31 October 1992</u>			
Due within one year	60,236	12,514	47,722
Due after one year	62,170	7,403	54,767
	<u>122,406</u>	<u>19,917</u>	<u>102,489</u>
(b) RECEIVABLE ON LEASED ASSETS			
	<u>Gross Investment</u> £'000	<u>Finance Charges</u> £'000	<u>Net Investment</u> £'000
<u>At 31 October 1993</u>			
Due within one year	1,355	265	1,090
Due after one year	1,234	137	1,097
	<u>2,589</u>	<u>402</u>	<u>2,187</u>
<u>At 31 October 1992</u>			
Due within one year	2,467	455	2,012
Due after one year	1,675	209	1,466
	<u>4,142</u>	<u>664</u>	<u>3,478</u>
9. OTHER CREDITORS		<u>1993</u> £'000	<u>1992</u> £'000
Taxation		1,410	1,416
Other		2,796	1,667
		<u>4,206</u>	<u>3,083</u>
10. CALLED UP SHARE CAPITAL		<u>1993</u> £'000	<u>1992</u> £'000
Authorised, allotted, called up and fully paid ordinary shares of £1 each			
980,000 A shares		980	980
1,020,000 B shares		1,020	1,020
		<u>2,000</u>	<u>2,000</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11. CASH FLOW STATEMENT

- (a) Reconciliation of operating profit before taxation to net cash flow from operating activities

	<u>1993</u> £'000	<u>1992</u> £'000
Operating profit	19,015	21,033
Losses on disposal of tangible fixed assets	100	-
Depreciation charges	2,032	637
(Increase) in debtors	(26,510)	(28,544)
Increase in creditors	391	7,916
	<hr/>	<hr/>
Net cash flow from operating activities	<u>(4,972)</u>	<u>642</u>

Analysis of changes in cash and cash equivalents during the year

	<u>1993</u> £'000	<u>1992</u> £'000
Balance at 1 November	(157,747)	(134,442)
Net cash flow	(27,169)	(23,305)
	<hr/>	<hr/>
Balance at 31 October	<u>(184,916)</u>	<u>(157,747)</u>

- (b) Analysis of the balances of cash and cash equivalents

	<u>1993</u> £'000	<u>1992</u> £'000
Inter company funding at 1 November	(157,747)	(134,442)
Inter company funding at 31 October	(184,916)	(157,747)
	<hr/>	<hr/>
(Increase) in intercompany funds	<u>(27,169)</u>	<u>(23,305)</u>

12. IMMEDIATE AND ULTIMATE PARENT UNDERTAKING

The Company's immediate parent undertaking is United Dominions Trust Limited which is registered in England and Wales. The consolidated accounts of United Dominions Trust Limited are available from the Secretary, United Dominions Trust Limited, Holbrook House, 116 Cockfosters Road, Barnet, Herts, EN4 0BY.

The Company's ultimate parent undertaking is TSB Group plc which is registered in Scotland. The consolidated accounts of TSB Group plc are available from the Secretary, TSB Group plc, 25 Milk Street, London, EC2V 8JH.