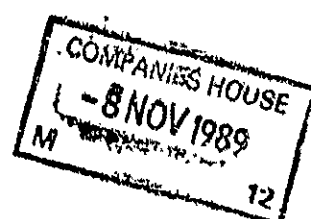


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CHANCERY FACTORS LIMITED
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ACCOUNTS -- 31 MARCH 1989

TOGETHER WITH DIRECTORS' AND AUDITORS' REPORTS



CHANCERY FACTORS LIMITED

INDEX TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 1989

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CHANCERY FACTORS LIMITED

DIRECTORS AND ADVISERS

Chancery Factors Limited
Mountcliff House
154 Brent Street
London NW4 2DR
Telephone: 01-202-4521

Directors

G.D. Berger (Chairman)
M. Forman (Managing Director)
M.D. Hill
I.J. Brownstein

M. Jerrard
M.N. Ellse
J.L. Shulman

Secretary

Mrs. A.J. Joseph

Registered Office

14 Fitzhardinge Street
Manchester Square
London W1H 9PL

Bankers

Barclays Bank plc
Midland Bank plc
Chancery plc

Auditors

Arthur Andersen & Co.
1 Surrey Street
London WC2R 2PS

Solicitors

Bermans
2 Ralli Courts
West Riverside
New Bailey Street
Manchester M3 5FT

Fruhman, Davies & Co.
40 King Street West
Manchester M3 2WY

Wilde & Partners
10 John Street
London WC1N 2EB

Michael Wydra & Co
114 Park Street
London W1Y 4AB

CHANCERY FACTORS LIMITED

CHAIRMAN'S STATEMENT

FOR THE YEAR ENDED 31 MARCH 1989

The year ending 31 March 1989 was an important and exciting period for Chancery Factors Limited. The company celebrated its tenth anniversary during its first full year with the Chancery Group and continued to enjoy the benefits arising from introductions, which contributed to its new business intake and development of banking relationships.

Factoring activities continued to expand despite a lower than expected growth of our existing client base and an ever increasing competitive climate. Our sophisticated computer system, experienced staff and personal approach served us well in ensuring growth was maintained.

During the year, factored sales increased to a record £74 million (prior 9 months period - £50 million), with profits before tax increasing to £365,000 (prior 9 months period - £230,000), yet another record.

We have expanded the range and business capability of our factoring services by joining Factors Chain International, the world's largest association in this specialist field, with more than 80 major autonomous factoring companies in over 30 countries. (Members - linked by mutual dedication to provide international factoring services to their clients based on standard procedures - achieved factored sales of US\$60 billion in 1988.)

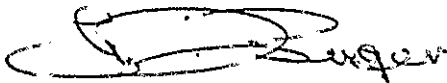
As a result we are now able to provide export factoring services to our clients in the knowledge that the ledgering, collection and credit risk aspects of factoring can be provided at local level, through close co-operation with factors in the countries to which our clients export. Consequently, during this coming year we expect to expand the export sales volume that we handle for existing and new clients.

Business conducted under our existing factoring facilities continues to expand, and the number of clients using remote terminals to access their data base on our central computer continues to grow. We offer the full range of with recourse factoring, bulk factoring, invoice discounting and confidential fee discounting for professional partnerships.

CHAIRMAN'S STATEMENT (Continued)

We have found that a number of clients would benefit from increased purchasing power, particularly where seasonal trading patterns are strong and goods or raw materials need to be imported. We have therefore formed a new division, Chancery Trade Finance, to enable clients to open Letters of Credit or to obtain extra credit in other ways from foreign or UK suppliers who do not operate on a Letter of Credit basis. Normally, as part of this facility, we will provide transaction-based finance to bridge the period between the client obtaining control of the goods and realising the resulting sales value. This new service can be offered on its own or linked to our normal factoring facilities, providing a total answer to the client's working capital requirements. We believe this division should make a real contribution to profitability in the coming financial year.

This period has been stimulating and competitive. Our progress has been real and I extend my thanks to my colleagues on the board, particularly the full time operating directors appointed this year and all other members of staff, without whom the progressive developments detailed above would not have been possible.

A handwritten signature in dark ink, appearing to read 'G.D. Berger', with a large, stylized initial 'G'.

G.D. Berger
Chairman

CHANCERY FACTORS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 1989

The directors present their annual report and statement of accounts for the year ended 31 March 1989.

PRINCIPAL ACTIVITY:

The principal activity of the company is that of debt factoring. The development of the business of the company during the year is referred to in the chairman's statement on page 3.

RESULTS:

The results for the year ended 31 March 1989 are set out in the profit and loss account on page 8 and show a profit before taxation of £365,216. .

DIVIDEND:

The company proposes to pay a preference dividend of £37,500 (1988 - £28,125) in respect of the 5% Cumulative Redeemable Preference Shares. No ordinary dividend is proposed.

DIRECTORS AND DIRECTORS' INTERESTS:

The directors who served during the year ended 31 March 1989 were as follows-

G.D. Berger	Chairman
M. Forman	Managing Director
M. Jerrard	(appointed 24 June 1988)
M.N. Ellse	(appointed 24 June 1988)
J.L. Shulman	(appointed 24 June 1988)
M.D. Hill	(appointed 24 June 1988)
I.J. Brownstein	(appointed 24 June 1988)
H. Cohen	(resigned 24 June 1988)
A.H. Grant	(resigned 24 June 1988)

None of the directors held any beneficial interest in the company's shares during the year. Mr H. Cohen, Mr. G.D. Berger and Mr. M.D. Hill are directors of Chancery PLC, the parent company. Their beneficial interests in the shares of Chancery PLC are disclosed in that company's accounts.

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.

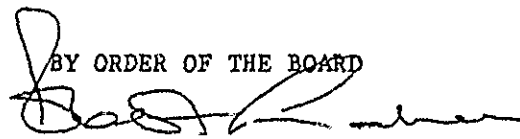
DIRECTORS' REPORT (Continued)

FIXED ASSETS:

Information relating to tangible fixed assets is included in Note 8 to the accounts.

AUDITORS:

The directors will place a resolution before the annual general meeting to re-appoint Arthur Andersen & Co. as auditors for the ensuing year.

BY ORDER OF THE BOARD

R. Graham
A.J. Joseph
Secretary

21 June 1989

ARTHUR ANDERSEN & Co.

1 SURREY STREET
LONDON WC2R 2PS

To the Members of CHANCERY FACTORS LIMITED:

We have audited the financial statements on pages 8 to 15 in accordance with Auditing Standards.

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 March 1989 and of its profit and source and application of funds for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.

Arthur Andersen & Co.

London

21 June 1989

13-11-89

CHANCERY FACTORS LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 MARCH 1989

		Year ended 31 March 1989	9 months to 31 March 1988
	<u>Notes</u>		
CONTRIBUTIONS TO GROSS PROFIT:			
Factoring service charges		£1,856,859	£1,186,227
Other operating income		46,959	31,814
Interest expense	2	(597,427)	(349,130)
GROSS PROFIT		1,306,391	868,911
Administrative expenses		(941,175)	(638,987)
PROFIT BEFORE TAXATION	3	365,216	229,924
Taxation	6	(129,146)	(81,371)
PROFIT AFTER TAXATION		236,070	148,553
Dividends	7	(37,500)	(28,125)
PROFIT FOR THE FINANCIAL YEAR		198,570	120,428
Retained profit brought forward		320,795	200,367
RETAINED PROFIT CARRIED FORWARD		£ 519,365	£ 320,795

The notes on pages 11 to 15 form part of these accounts.

CHANCERY FACTORS LIMITED
BALANCE SHEET -- 31 MARCH 1989

	<u>Notes</u>	<u>1989</u>	<u>1988</u>
FIXED ASSETS			
Tangible assets	8	£ 142,002	£ 216,571
CURRENT ASSETS			
Debtors	9	12,774,718	10,687,361
Cash at bank and in hand		399	495
		12,775,117	10,687,856
CREDITORS: Amounts falling due within one year	10	(11,392,730)	(9,572,548)
NET CURRENT ASSETS		1,382,387	1,115,308
TOTAL ASSETS LESS CURRENT LIABILITIES		1,524,389	1,331,879
DEFERRED TAXATION	11	(5,024)	(11,084)
NET ASSETS		£ 1,519,365	£ 1,320,795
CAPITAL AND RESERVES			
Called up share capital	12	£ 1,000,000	£ 1,000,000
Profit and loss account		519,365	320,795
		£ 1,519,365	£ 1,320,795

SIGNED ON BEHALF OF THE BOARD ON 21 JUNE 1989

G.D. Berger

G.D. Berger

) Directors

M. Forman

M. Forman

The notes on pages 11 to 15 form part of these accounts.

CHANCERY FACTORS LIMITED
STATEMENT OF SOURCE AND APPLICATION OF FUNDS
FOR THE YEAR ENDED 31 MARCH 1989

	<u>1989</u>	<u>1988</u>
SOURCE OF FUNDS		
Profit before taxation	£ 365,216	£ 229,924
Adjustment for items not involving the movement of funds		
- depreciation	65,111	48,977
- (profit) loss on sale of tangible fixed assets	(1,254)	2,726
Total funds from operations	429,073	281,627
Proceeds from sale of tangible fixed assets	62,459	18,238
	491,532	299,865
APPLICATION OF FUNDS		
Purchase of fixed assets	51,747	124,162
Dividend paid	28,125	-
	(79,872)	(124,162)
INCREASE IN WORKING CAPITAL	£ 411,660	£ 175,703
INCREASE (DECREASE) IN WORKING CAPITAL		
Debtors	£ 2,087,357	£(1,262,781)
Creditors falling due within one year	(1,146,065)	1,070,546
Movement in net liquid funds		
- cash at bank and in hand	(96)	(287,087)
- bank overdraft	(529,536)	655,025
	(529,632)	367,938
	£ 411,660	£ 175,703

The notes on pages 11 to 15 form part of these accounts.

CHANCERY FACTORS LIMITED

NOTES TO ACCOUNTS -- 31 MARCH 1989

1. PRINCIPAL ACCOUNTING POLICIES:

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's accounts-

a) Basis of accounting

The accounts have been prepared on the historical cost basis.

b) Depreciation

Depreciation is provided to write off fixed assets over their expected useful lives as follows-

Fixtures and fittings	- 15% on cost
Motor vehicles	- 20% on cost
Improvements to leasehold premises	- over term of the lease on a straight line basis
Computer equipment	- 25% on cost

c) Deferred taxation

Deferred taxation is provided in full at current rates of tax using the liability method in respect of taxation deferred by accelerated capital allowances and short-term timing differences.

2. INTEREST EXPENSE:

	<u>1989</u>	<u>1988</u>
On bank loans, overdrafts and other loans wholly repayable within five years	£ 597,427 =====	£ 349,130 =====

3. PROFIT BEFORE TAXATION:

Profit before taxation is stated after charging the following-

	<u>1989</u>	<u>1988</u>
Depreciation	£ 65,111	£ 48,977
Directors' emoluments (see Note 4)	135,458	36,330
Auditors' remuneration and expenses	6,000 =====	3,500 =====

NOTES TO ACCOUNTS (Continued)

4. EMOLUMENTS OF DIRECTORS:

The chairman received no emoluments; the emoluments of the highest paid director were £47,537 (1988 - £33,405); the emoluments of the other directors were within the following ranges:-

	<u>1989</u>	<u>1988</u>
£Nil - £ 5,000	4	9
£25,000 - £30,000	3	-
	===	===

5. STAFF NUMBERS AND COSTS:

The average number of persons employed by the company (including directors) during the year was 35 (1988 - 31).

The aggregate payroll costs (including directors' remuneration) of these persons were as follows-

	<u>1989</u>	<u>1988</u>
Wages and salaries	£449,176	£289,984
Social security costs	43,606	28,193
Other pension costs	9,109	5,862
	-----	-----
	£501,891	£324,039
	=====	=====

6. TAXATION:

	<u>1989</u>	<u>1988</u>
Taxation based on the profit for the year-		
Corporation tax at 35% (1988 - 35%)	£135,206	£ 86,535
Deferred taxation	(6,060)	(5,164)
	-----	-----
	£129,146	£ 81,371
	=====	=====

7. DIVIDENDS:

A preference share dividend of £37,500 (1988 - £28,125) in respect of the 5% cumulative redeemable preference shares was payable during year. No ordinary dividend is proposed.

NOTES TO ACCOUNTS (Continued)

8. TANGIBLE FIXED ASSETS:

	<u>Leasehold improvements</u>	<u>Fixtures and fittings</u>	<u>Motor vehicles</u>	<u>Computer equipment</u>	<u>Total</u>
COST-					
At 31 March 1988	£22,494	£99,931	£ 97,150	£161,195	£380,770
Additions	1,375	16,656	-	33,716	51,747
Disposals	-	(1,140)	(90,785)	-	(91,925)
	-----	-----	-----	-----	-----
At 31 March 1989	23,869	115,447	6,365	194,911	340,592
	-----	-----	-----	-----	-----
DEPRECIATION-					
At 31 March 1988	4,343	52,507	16,518	90,831	164,199
Charged in year	1,735	13,270	17,000	33,106	65,111
Disposals	-	(385)	(30,335)	-	(30,720)
	-----	-----	-----	-----	-----
At 31 March 1989	6,078	65,392	3,183	123,937	198,590
	-----	-----	-----	-----	-----
NET BOOK VALUE					
At 31 March 1989	£17,791	£50,055	£ 3,182	£ 70,974	£142,002
	=====	=====	=====	=====	=====
NET BOOK VALUE					
At 31 March 1988	£18,151	£47,424	£ 80,632	£ 70,364	£216,571
	=====	=====	=====	=====	=====

9. DEBTORS:

	<u>1989</u>	<u>1988</u>
Amounts falling due within one year-		
Factored debts	£12,728,544	£10,622,907
Amount owed by group companies	215	7,634
Other debtors	45,959	56,820
	-----	-----
	£12,774,718	£10,687,361
	=====	=====

NOTES TO ACCOUNTS (Continued)

10. CREDITORS- AMOUNTS FALLING DUE WITHIN ONE YEAR:

	<u>1989</u>	<u>1988</u>
Amounts due to clients on collection	£ 6,417,876	£ 5,306,657
Bank loans and overdrafts	482,308	58,415
Amounts owed to group companies	4,004,625	3,889,385
Dividend proposed	37,500	28,125
Other creditors including		
- corporation tax	£293,086	£157,880
- other taxes	29,331	25,139
- social security	6,538	5,225
Accruals and deferred income	121,466	101,722
	<u>£11,392,730</u>	<u>£ 9,572,548</u>
	=====	=====

Of the amounts owed to group companies, £3,993,402 (1988 - £3,887,759) represents an overdraft held with the parent company.

11. DEFERRED TAXATION:

Deferred taxation is provided in full under the liability method as follows-

	<u>1989</u>	<u>1988</u>
Difference between accumulated depreciation and amortisation and capital allowances	£ 5,024	£ 11,084
	=====	=====

12. CALLED UP SHARE CAPITAL:

	<u>1989</u>	<u>1988</u>
Authorised, issued and fully paid-		
10,000 ordinary shares of £1 each	£ 10,000	£ 10,000
750,000 5% cumulative redeemable preference shares of £1 each	750,000	750,000
240,000 deferred shares of £1 each	240,000	240,000
	<u>£ 1,000,000</u>	<u>£ 1,000,000</u>
	=====	=====

The preference shares are redeemable at par not earlier than 1 July 1991.

13-11-89

NOTES TO ACCOUNTS (Continued)

13. LEASE COMMITMENTS:

The company leases the ground and first floors of Mountcliff House in Hendon. The rental on this lease was £46,380 (1988 - £34,785). The rent payable on this lease is subject to renegotiation at various intervals specified in the lease. The minimum annual rental under the foregoing lease is £46,380.

14. CAPITAL COMMITMENTS:

There were unprovided capital commitments of £9,042 at 31 March 1989 (1988 - £8,108).

15. PENSION ARRANGEMENTS:

The company maintains a pension scheme covering senior and long-serving employees. The scheme provides for a defined contribution of 5% of gross salaries of the employees on the scheme. The amount charged in the profit and loss account for pension costs was £9,109 (1988 - £5,862).

16. ULTIMATE PARENT COMPANY:

The company is a wholly-owned subsidiary of Chancery PLC, a company incorporated in England.

DIRECTORS' ADDITIONAL INFORMATION

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CHANCERY FACTORS LIMITED
DETAILED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 1989

	Year ended 31 March 1989	9 months to 31 March 1988
Factoring service charge	£ 885,436	£ 614,655
Advance payment charge	971,423	571,572
	<hr/>	<hr/>
Interest expense	£1,856,859 597,427	£1,186,227 349,130
	<hr/>	<hr/>
GROSS PROFIT	1,259,432	837,097
OTHER INCOME	46,959	31,814
	<hr/>	<hr/>
	1,306,391	868,911
EXPENSES		
Salaries and National Insurance	492,782	318,177
Staff pension costs	9,109	5,862
Staff recruitment	17,599	9,901
Staff welfare and training	14,806	7,625
Rent and rates	62,348	47,658
Repairs and maintenance	7,767	1,925
Printing, postage and stationery	77,092	51,059
Telephone and telex	13,356	9,403
Heat and light	3,662	2,495
Insurance	1,210	970
Motor expenses	13,698	6,350
Travel and entertainment	9,750	5,469
Legal fees and collection expenses	21,891	19,714
Audit fee	6,000	3,500
Computer expenses	12,881	9,484
Comissions payable	19,607	14,262
Advertising	33,824	13,274
Bank charges	17,443	17,358
Subscriptions	715	424
Cleaning	2,693	1,898
(Profit) loss on sale of fixed assets	(1,254)	2,726
Credit expenses	12,999	7,651
Depreciation	65,111	48,977
Bad debts	425	18,093
Sundry expenses	17,514	14,732
Tenth anniversary expenses	3,034	-
Factors Chain International	5,113	-
	<hr/>	<hr/>
	941,175	638,987
	<hr/>	<hr/>
NET PROFIT BEFORE TAXATION	£ 365,216	£ 229,924
	<hr/>	<hr/>