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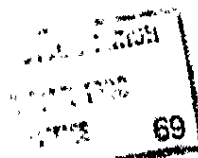
CHANCERY FACTORS LIMITED  
(formerly Benchmark Factors Limited)

DIRECTORS' REPORT AND ACCOUNTS

30TH JUNE, 1987

PEAT MARWICK McLINTOCK  
1 Budge Dock, Blackfriars, London, EC4V 3PD.

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CHANCERY FACTORS LIMITED  
(formerly Benchmark Factors Limited)

INDEX TO THE ACCOUNTS

FOR THE YEAR ENDED 30TH JUNE, 1987

	<u>Page no.</u>
Directors and advisers	1
Chairman's report	2
Report of the directors	3
Report of the auditors	5
Profit and loss account	6
Balance sheet	7
Statement of source and application of funds	8
Notes to the accounts	9-12

CHANCERY FACTORS LIMITED  
(formerly Benchmark Factors Limited)

DIRECTORS AND ADVISERS

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

Directors

H. Cohen (Chairman)  
M. Forman (Managing Director)  
G.D. Berger  
A.H. Grant

Secretary

G.D. Berger

Registered office

14 Fitzhardinge Street,  
Manchester Square,  
London W1H 9PL.

Bankers

Barclays Bank  
Midland Bank  
Chancery Securities

Auditors

Peat Marwick McLintock,  
1 Puddle Dock,  
Blackfriars,  
London, EC4V 3PD.

CHANCERY FACTORS LIMITED  
(formerly Benchmark Factors Limited)

CHAIRMAN'S STATEMENT

The year ended 30th June, 1987 was eventful for Chancery Factors Limited. The principal change was the agreement for the acquisition of its shares by Chancery Securities PLC in June, 1987. As a consequence of this acquisition Mr. L.A.W. Evans relinquished his position as Chairman and I was most pleased to accept the appointment of Chairman in succession to Mr. Evans. At this point I wish to record our thanks and appreciation to Mr. Evans for the contribution made by him to the development of the company. In September the name of the company changed to Chancery Factors Limited to reflect its position as a subsidiary of Chancery Securities PLC.


The company continued its excellent progress during the year. Factored sales of £58.5m were once again a record, being an increase of £21m (56%) over the prior year. Profits of £181,420 were again at a record level, despite extraordinary costs of the previous name change at the start of the year, with the rate of profitability increasing to a very satisfactory level in the last six months of the year.

The number of clients continues to expand, now exceeding 100, and many showed good progress given the assistance provided by us in managing the sales ledger on a professional basis, and financing an enlarged debtor item as required. Our computer system continues to be enhanced, providing us with greater management and cost controls and our clients with sophisticated support. We can now provide clients with computer terminals to access their customer information and current status on an immediate basis and we expect this facility to be used by an increasing number of clients in the immediate future.

In addition to the growth of our Full Factoring Facilities the year saw a substantial development in our Bulk Factoring and Confidential Invoice Discounting Facilities, particularly our Confidential Fee Discounting Facilities for accountancy practices. These facilities concentrate on the provision of financial assistance related to the clients' debts outstanding.

To accommodate existing and expected needs, the company has occupied additional space at its main office in Mountcliff House, Hendon and has increased its regional representation in Manchester, Birmingham and Bristol. We expect business opportunities to expand and to benefit through close association with, and the ability to offer the other banking services of, other members of the Chancery Securities Group, which is itself expanding both organically and by acquisition in other related financial services fields.

The company is well placed in its industry to maintain substantial momentum given its high level of service to clients, experienced staff, and our expectation of increased areas of new business. The record profits and sales just achieved, and our continuing growth, is a tribute to our staff who have coped admirably with the various changes in this very busy year and I wish to express my appreciation of their efforts and to extend a sincere welcome upon the company joining the Chancery Securities Group.

  
Chairman

CHANCERY FACTORS LIMITED  
(formerly Benchmark Factors Limited)

REPORT OF THE DIRECTORS

The Directors present their Annual Report and Statement of Accounts for the year ended 30th June, 1987.

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, page 2.

RESULTS

The results for the year ended 30th June, 1987 are set out in the Profit and Loss Account on page 6 and show a Profit Before Taxation of £181,420.

DIVIDEND

The company has paid a Preference Dividend of £37,500 (1986:£22,917) in respect of the 5% Cumulative Redeemable Preference Shares and an Ordinary Dividend of £19,000 (1986:£50,000).

DIRECTORS AND DIRECTORS' INTERESTS

The Directors who served during the year ended 30th June, 1987 were as follows:

L.A.W. Evans	(resigned 2nd July, 1987)
M. Forman	
L.C. Quek	(resigned 2nd July, 1987)
R. Williams	(resigned 2nd July, 1987)
E.E. Sander	(resigned 2nd July, 1987)
J.H.B. Muentert	(resigned 2nd July, 1987)
E.J. Hewitt	(resigned 22nd December, 1986)
R.C. Westmacott	(appointed 22nd December, 1986; resigned 2nd July, 1987)

Mr. H. Cohen, Mr. G.D. Berger and Mr. A.H. Grant were appointed to the Board on 2nd July, 1987.

None of the Directors held any beneficial interest in the Company's shares during the year. Mr. M. Forman and Mr. E.J. Hewitt did not hold any beneficial interest in the shares of Benchmark Group PLC during the year. The other Directors are also Directors of Benchmark Group PLC and their beneficial shareholdings therein are disclosed in the Accounts of that Company. 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 or any subsidiary of the Company was a party.

CHANCERY FACTORS LIMITED  
(formerly Benchmark Factors Limited)

REPORT OF THE DIRECTORS

COMPANY STATUS

The Directors have been advised that the Company is a close company within the meaning of the Income and Corporation Taxes Act 1970, as amended.

POST BALANCE SHEET EVENT

On 2nd July, 1987 Benchmark Factors Limited was sold by Benchmark Trust Limited to Chancery Securities PLC.

As a result of this change in holding company, Benchmark Factors Limited changed its name to Chancery Factors Limited on 14th September, 1987.

AUDITORS

At the last annual general meeting Peat Marwick McLintock were reappointed as auditors of the company. A resolution will be proposed at the forthcoming annual general meeting to appoint Arthur Andersen & Co. as auditors of the company in accordance with Section 384 of the Companies Act 1985.

By Order of the Board



Secretary

15th September, 1987.

AUDITORS' REPORT TO THE MEMBERS OF  
CHANCERY FACTORS LIMITED

We have audited the financial statements on pages 6 to 12 in accordance with approved Auditing Standards.

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 30th June, 1987 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.

LONDON

*Robert Mervin McQuinn*

15th September, 1987

Chartered Accountants

CHANCERY FACTORS LIMITED  
(formerly Benchmark Factors Limited)

PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 30TH JUNE, 1987

	<u>Note</u>	<u>1987</u> <u>£</u>	<u>1986</u> <u>£</u>
TURNOVER	2	1,302,915	1,039,045
Interest cost payable	3	(368,104)	(310,405)
GROSS PROFIT		<u>934,811</u>	<u>728,640</u>
Administrative expenses		(769,839)	(589,962)
Other operating income		16,448	3,573
PROFIT BEFORE TAXATION	4	<u>181,420</u>	<u>142,251</u>
Taxation	7	(64,548)	(54,400)
PROFIT AFTER TAXATION		<u>116,872</u>	<u>87,851</u>
Dividends	8	(56,500)	(72,917)
RETAINED PROFIT FOR THE FINANCIAL YEAR		<u>60,372</u>	<u>14,934</u>
Retained profit brought forward		139,995	125,061
RETAINED PROFIT CARRIED FORWARD		<u>200,367</u>	<u>139,995</u>

The notes on pages 9 to 12 form part of these accounts.





CHANCERY FACTORS LIMITED  
(formerly Benchmark Factors Limited)

BALANCE SHEET AT 30TH JUNE, 1987

	Note	1987	1986
		£	£
FIXED ASSETS			
Tangible assets	9	162,350	161,681
CURRENT ASSETS			
Factored debts		11,911,472	6,766,691
Other debtors		38,670	48,078
Cash at bank and in hand		287,582	715
		<u>12,237,724</u>	<u>6,815,484</u>
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	10	<u>11,183,459</u>	<u>5,814,122</u>
NET CURRENT ASSETS		1,054,265	1,001,362
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,216,615</u>	<u>1,163,043</u>
DEFERRED TAXATION	11	(16,248)	(23,048)
NET ASSETS		<u>1,200,367</u>	<u>1,139,995</u>
CAPITAL AND RESERVES			
Called up share capital	12	1,000,000	1,000,000
Profit and loss account		200,367	139,995
		<u>1,200,367</u>	<u>1,139,995</u>

These accounts were approved by the board  
of directors on 15th September, 1987.

  
 ) Directors

The notes on pages 9 to 12 form part of these accounts.

CHANCERY FACTORS LIMITED  
(formerly Benchmark Factors Limited)

STATEMENT OF SOURCE AND APPLICATION OF FUNDS  
FOR THE YEAR ENDED 30TH JUNE, 1987

	£	<u>1987</u>	£	£	<u>1986</u>	£
SOURCE OF FUNDS						
Profit before taxation			181,420		142,251	
Adjustment for items not involving the movement of funds:						
Depreciation	51,727			37,808		
Deficit on sale of tangible fixed assets	<u>1,454</u>			<u>677</u>		
			53,181		38,485	
FUNDS GENERATED FROM OPERATIONS			<u>234,601</u>		<u>180,736</u>	
FUNDS FROM OTHER SOURCES						
Proceeds of sale of tangible fixed assets	3,500			1,800		
Issue of shares	<u>-</u>			<u>500,000</u>		
			3,500		501,800	
			<u>238,101</u>		<u>682,536</u>	
APPLICATION OF FUNDS						
Purchase of fixed assets	57,350			103,310		
Dividend paid	56,500			72,917		
Group relief	<u>51,607</u>			<u>51,604</u>		
			(165,457)		(227,831)	
INCREASE IN WORKING CAPITAL			<u>72,644</u>		<u>454,705</u>	
COMPONENTS OF INCREASE IN WORKING CAPITAL						
Debtors			5,135,373		1,618,934	
Creditors falling due within one year			(1,075,780)		(458,600)	
Movement in net liquid funds:						
Increase in cash at bank and in hand	286,867			150		
(Increase) in overdraft	<u>(2,273,816)</u>			<u>(705,779)</u>		
			(1,986,949)		(705,629)	
			<u>72,644</u>		<u>454,705</u>	

The notes on pages 9 to 12 form part of these accounts.

CHANCERY FACTORS LIMITED  
(formerly Benchmark Factors Limited)

NOTES TO THE ACCOUNTS

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 written down value
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. TURNOVER

Turnover represents debt factoring charges.

3. INTEREST PAYABLE

	<u>1987</u> £	<u>1986</u> £
On bank loans, overdrafts and other loans wholly repayable within five years	368,104	310,405

4. PROFIT BEFORE TAXATION

Profit before taxation is stated after charging the following:

	<u>1987</u> £	<u>1986</u> £
Depreciation of tangible fixed assets	51,727	37,808
Directors' emoluments (see note 5)	41,264	39,661
Auditors' remuneration and expenses	2,500	3,000

CHANCERY FACTORS LIMITED  
(formerly Benchmark Factors Limited)

NOTES TO THE ACCOUNTS

5. EMOLUMENTS OF DIRECTORS

The chairman received no emoluments; the emoluments of the highest paid director were £34,795 (1986:£33,650); the emoluments of the other directors were within the following ranges:

	<u>1987</u>	<u>1986</u>
£0 - £5,000	<u>6</u>	<u>5</u>

6. STAFF NUMBERS AND COSTS

The average number of persons employed by the company (including directors) during the year was 32 (1986:28).

The aggregate payroll costs of these persons were as follows:

	<u>1987</u>	<u>1986</u>
	<u>£</u>	<u>£</u>
Wages and salaries	354,352	274,779
Social security costs	32,048	25,732
Other pension costs	8,503	5,410
	<u>394,903</u>	<u>305,921</u>

7. TAXATION

	<u>1987</u>	<u>1986</u>
	<u>£</u>	<u>£</u>
Taxation based on the profit for the year of the company:		
Corporation tax at 35% (1986:38.75%)	71,345	51,240
Corporation tax adjustment in respect of prior years	3	364
Deferred taxation	(6,800)	2,796
	<u>64,548</u>	<u>54,400</u>

8. DIVIDENDS

A preference share dividend of £37,500 (1986:£22,917) in respect of the 5% cumulative redeemable preference shares, and an ordinary dividend of £1.90 per share (1986:£5) were paid on 30th June, 1987.

CHANCERY FACTORS LIMITED  
(formerly Benchmark Factors Limited)

NOTES TO THE ACCOUNTS

9. TANGIBLE FIXED ASSETS

	<u>Leasehold improvements</u>	<u>Fixtures and fittings</u>	<u>Motor vehicles</u>	<u>Plant and machinery</u>	<u>Total</u>
	£	£	£	£	£
Cost:					
At 1st July, 1986	16,533	70,107	59,698	96,382	242,720
Additions	1,410	7,278	14,026	34,636	57,350
Disposals	-	(576)	(7,399)	-	(7,975)
At 30th June, 1987	<u>17,943</u>	<u>76,809</u>	<u>66,325</u>	<u>131,018</u>	<u>292,095</u>
Depreciation:					
At 1st July, 1986	1,904	33,678	10,967	34,490	81,039
Charged in year	1,231	10,277	11,301	28,918	51,727
Disposals	-	(296)	(2,725)	-	(3,021)
At 30th June, 1987	<u>3,135</u>	<u>43,659</u>	<u>19,543</u>	<u>63,408</u>	<u>129,745</u>
Net book value:					
At 30th June, 1987	<u>14,808</u>	<u>33,150</u>	<u>46,782</u>	<u>67,610</u>	<u>162,350</u>
At 30th June, 1986	<u>14,629</u>	<u>36,429</u>	<u>48,731</u>	<u>61,892</u>	<u>161,681</u>

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1987	1986
	£	£
Amounts due to clients on collection	6,050,610	3,280,221
Bank loans and overdrafts	-	2,327,383
Amounts owed to group companies:		
Holding and fellow subsidiary companies	4,957,034	128,916
Other creditors including taxation and social security:		
Corporation tax	71,345	-
Other taxes	25,736	4,869
Social security	<u>5,203</u>	<u>4,022</u>
	102,284	8,891
Accruals and deferred income	73,531	68,711
	<u>11,183,459</u>	<u>5,814,122</u>

Of the amounts owed to group companies £4,601,199 (1986:£nil) represents an overdraft on a bank account held with Benchmark Trust Limited.

CHANCERY FACTORS LIMITED  
 (formerly Benchmark Factors Limited)

NOTES TO THE ACCOUNTS

11. DEFERRED TAXATION

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

	<u>1987</u> £	<u>1986</u> £
Difference between accumulated depreciation and amortisation and capital allowances	16,248	23,048

12. SHARE CAPITAL

	<u>1987</u> £	<u>1986</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 1st July, 1991.

13. COMMITMENTS

There were unprovided capital commitments of £5,305 at 30th June, 1987 (1986:£15,035).

14. HOLDING COMPANY

The immediate holding company is Benchmark Trust Limited. The ultimate holding company is Benchmark Group PLC.

On 2nd July, 1987 Benchmark Factors Limited was sold to Chancery Securities PLC.