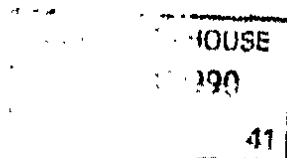
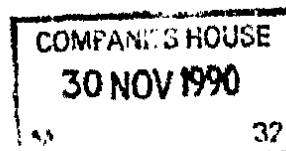


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CHANCERY FACTORS LIMITED  
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ACCOUNTS -- 31 MARCH 1990

TOGETHER WITH DIRECTORS' AND AUDITORS' REPORTS



CHANCERY FACTORS LIMITED  
INDEX TO THE ACCOUNTS  
FOR THE YEAR ENDED 31 MARCH 1990

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CHANCERY FACTORS LIMITED

DIRECTORS AND ADVISORS

Chancery Factors Limited  
Mountcliff House  
154 Brent Street  
London NW4 2DR  
Telephone: 021-202-4521

Directors

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

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

Secretary

A.J. Joseph (resigned 11 August 1989)  
R.T. Graham (appointed 11 August 1989)

Registered Office

100 Avenue Road  
London NW3 3HF

Bankers

Barclays Bank plc  
Midland Bank plc  
Chancery PLC

Dresdner Bank AG  
Australia and New Zealand Banking Group Ltd

Auditors

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

Solicitors

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

Wilde & Partners  
10 John Street  
London WC1N 2EB

Michael Wydra & Co  
Broughton House  
6-8 Sackville Street  
London W1X 1DD

CHANCERY FACTORS LIMITED

CHAIRMAN'S STATEMENT

FOR THE YEAR ENDED 31 MARCH 1990

Once again I am delighted to report a year in which records were broken. Despite the difficult economic environment, for the fifth successive year Chancery Factors can report record volumes of sales of £95m (prior year £74m), a record final debt outstanding of £18.4m (prior year £12.8) and a record profit of £447,000 (prior year £365,000). In addition, the number of clients being serviced in the factoring division rose to 130, a further record.

Furthermore, we have emphasised our positive posture within the factoring industry by purchasing the outstanding and continuing invoice factoring business of Clifton Mercantile Company Limited in March 1990. We have demonstrated our capacity to move extremely quickly in assessing, negotiating and transferring client accounts with a minimum of dislocation. Our experienced and stable management enables us to cope with such situations without disturbing our main line activities.

Our service continues to improve. A record number of our clients are using remote terminals connected to our computer to access their data base; our computer is also geared to handle foreign currency transactions as necessary. Chancery Factors has established itself as a viable, flexible, professional alternative to any of the other major factors, with an experienced senior management to ensure that our growth is controlled and our service maintained. Our four operating directors have factoring experience, in total, exceeding 60 years.

The Trade Finance Division, established in the early part of the year, has developed successfully. It now has 15 clients who are all benefitting from the ability to use their enhanced buying power which we place at their disposal, to obtain goods or raw materials at the right time and at the right price. Whilst the Trade Finance Division develops its own new client base, nevertheless a number of clients find there is very real benefit in using both factoring and trade finance facilities which are complementary to each other, forming in total an unbroken line of assistance throughout the working capital cycle. Recently, we have strengthened our senior management in this division to ensure our exciting plans for growth are allied to management resources. We expect to enhance our Trade Finance product throughout the year and look forward to a material contribution to profits from this division.

03-01-91

CHAIRMAN'S STATEMENT (Continued)

For the factoring industry as a whole, the climate has been excessively competitive. There are now more than 30 factoring companies in the UK and it is only by continuing innovation and development of our product and the personal service of our staff that we maintain our unbroken record of expansion. Our full with recourse factoring, bulk factoring, invoice discounting and confidential fee discounting for professional partnership facilities continue to be in strong demand and there is a continuing inflow of introductions to us from financial intermediaries who have become aware of the professional service that we offer.

In spite of the competitive environment in which we work, we look forward to the future with confidence. We have started the year at higher levels of activity in both the factoring and trade finance divisions and continue to work closely with our colleagues in the Chancery Group.

Our progress would not be possible without the continued commitment of all of our staff. I would like to express my appreciation for their efforts.

G.D. Berger

Chairman

CHANCERY FACTORS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 1990

The directors present their annual report and statement of accounts for the year ended 31 March 1990.

**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 1990 are set out in the profit and loss account on page 8 and show a profit before taxation of £446,746 (1989 - £365,216).

**DIVIDEND:**

The company proposes to pay a preference dividend of £37,500 (1989 - £37,500) 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 1990 were as follows-

G.D. Berger  
M. Forman  
M. Jerrard  
M.N. Ellse  
J.L. Shulman  
M.D. Hill  
I.J. Brownstein

Chairman  
Managing Director

None of the directors held any beneficial interest in the company's shares during the year. Messrs G.D. Berger and 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.

DIRECTORS' REPORT (Continued)

DIRECTORS AND DIRECTORS' INTERESTS (Continued):

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.

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.

100 Avenue Road  
London NW3 3HF

BY ORDER OF THE BOARD



R.T. Graham  
Secretary

21 June 1990

03-01-91

AUDITORS' REPORT

ARTHUR ANDERSEN & Co.

1 SURREY STREET  
LONDON WC2R 2PS

To the members of CHANCERY FACTORS LIMITED:

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

In our opinion the accounts give a true and fair view of the state of the company's affairs at 31 March 1990 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

*Arthur Andersen & Co.*

21 June 1990



CHANCERY FACTORS LIMITED  
PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31 MARCH 1990

	<u>Notes</u>	<u>1990</u>	<u>1989</u>
CONTRIBUTIONS TO GROSS PROFIT:			
Factoring and trade finance service charges		£ 2,516,902	£1,856,859
Other operating income		39,859	46,959
Interest expense	2	(977,508)	(597,427)
GROSS PROFIT		<u>1,579,253</u>	<u>1,306,391</u>
Administrative expenses		(1,132,507)	(941,175)
PROFIT BEFORE TAXATION	3	<u>446,746</u>	<u>365,216</u>
Taxation	6	(158,981)	(129,146)
PROFIT AFTER TAXATION		<u>287,765</u>	<u>236,070</u>
Dividends	7	(37,500)	(37,500)
PROFIT FOR THE FINANCIAL YEAR		<u>250,265</u>	<u>198,570</u>
Retained profit brought forward		519,365	320,795
RETAINED PROFIT CARRIED FORWARD		<u>£ 769,630</u>	<u>£ 519,365</u>

The accompanying notes are an integral part of these accounts.

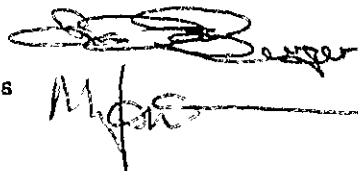
CHANCERY FACTORS LIMITED

BALANCE SHEET -- 31 MARCH 1990

	<u>Notes</u>	<u>1990</u>	<u>1989</u>
<b>FIXED ASSETS</b>			
Tangible assets	8	£ 155,022	£ 142,002
<b>CURRENT ASSETS</b>			
Debtors	9	18,542,300	12,774,718
Bills receivable		815,771	-
Cash at bank and in hand		47,926	399
		<u>19,405,997</u>	<u>12,775,117</u>
CREDITORS: Amounts falling due within one year	10	(17,788,143)	(11,392,730)
NET CURRENT ASSETS		<u>1,617,854</u>	<u>1,382,387</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,772,876</u>	<u>1,524,389</u>
DEFERRED TAXATION	11	(3,246)	(5,024)
NET ASSETS		<u>£ 1,769,630</u>	<u>£ 1,519,365</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	12	£ 1,000,000	£ 1,000,000
Profit and loss account		769,630	519,365
		<u>£ 1,769,630</u>	<u>£ 1,519,365</u>

SIGNED ON BEHALF OF THE BOARD

G.D. Berger     )  
                  ) Directors  
M. Forman       )



21 June 1990

The accompanying notes are an integral part of these accounts.

# CHANCERY FACTORS LIMITED

## STATEMENT OF SOURCE AND APPLICATION OF FUNDS

FOR THE YEAR ENDED 31 MARCH 1990

	<u>1990</u>	<u>1989</u>
<b>SOURCE OF FUNDS</b>		
Profit before taxation	£ 446,746	£ 365,216
Adjustment for items not involving the movement of funds		
-- depreciation	52,908	65,111
- profit on sale of tangible fixed assets	(823)	(1,254)
Total funds from operations	498,831	429,073
Proceeds from sale of tangible fixed assets	3,793	62,459
	502,624	491,532
<b>APPLICATION OF FUNDS</b>		
Purchase of fixed assets	68,898	51,747
Dividend paid	37,500	28,125
Tax paid	294,006	-
	(400,404)	(79,872)
<b>INCREASE IN WORKING CAPITAL</b>	£ 102,220	£ 411,660
<b>INCREASE IN WORKING CAPITAL</b>		
Debtors	£ 5,767,582	£ 2,087,357
Creditors falling due within one year	(3,243,423)	(1,146,065)
	2,524,159	941,292
Movement in net liquid funds		
- cash at bank and in hand	47,527	(96)
- bank overdraft	(3,285,237)	(529,536)
- bills receivable	815,771	-
	(2,421,939)	(529,632)
	£ 102,220	£ 411,660

The accompanying notes are an integral part of these accounts.

CHANCERY FACTORS LIMITED

NOTES TO ACCOUNTS --- 31 MARCH 1990

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 under the historical cost convention.

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 on timing differences which will probably reverse, at rates of tax likely to be in force at the time of reversal using the liability method in respect of taxation deferred by accelerated capital allowances and short-term timing differences.

2. INTEREST EXPENSE:

	<u>1990</u>	<u>1989</u>
On bank loans, overdrafts and other loans wholly repayable within five years, not by instalments	£ 977,508 =====	£ 597,427 =====

3. PROFIT BEFORE TAXATION:

Profit before taxation is stated after charging the following-

	<u>1990</u>	<u>1989</u>
Depreciation	£ 52,908	£ 65,111
Directors' emoluments (see Note 4)	184,015	135,458
Auditors' remuneration and expenses	5,500	6,000
Car leasing	34,135	-
	=====	=====

NOTES TO ACCOUNTS (Continued)

4. EMOLUMENTS OF DIRECTORS:

The chairman received no emoluments; the emoluments of the highest paid director were £58,674 (1989 - £47,537); the emoluments of the other directors were within the following ranges-

	<u>1990</u>	<u>1989</u>
£Nil - £ 5,000	2	4
£25,000 - £30,000	-	3
£40,000 - £45,000	3	-
	===	===

5. STAFF NUMBERS AND COSTS:

The average number of persons employed by the company (including directors) during the year was 39 (1989 - 35).

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

	<u>1990</u>	<u>1989</u>
Wages and salaries	£547,536	£449,176
Social security costs	54,079	43,606
Other pension costs	11,958	9,109
	-----	-----
	£613,573	£501,891
	=====	=====

6. TAXATION:

Taxation based on the profit for the year-

	<u>1990</u>	<u>1989</u>
Corporation tax at 35% (1989 - 35%)	£159,839	£135,206
Deferred taxation	(1,778)	(6,060)
Underprovision in previous year	920	-
	-----	-----
	£158,981	£129,146
	=====	=====

7. DIVIDENDS:

A preference share dividend of £37,500 (1989 - £37,500) 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:

The movement in the year was as follows-

	<u>Leasehold improvements</u>	<u>Fixtures and fittings</u>	<u>Motor vehicles</u>	<u>Computer equipment</u>	<u>Total</u>
COST-					
At 31 March 1989	£23,869	£115,447	£ 6,365	£194,911	£340,592
Additions	850	37,551	-	30,497	68,898
Disposals	-	-	(6,365)	-	(6,365)
At 31 March 1990	24,719	152,998	-	225,408	403,125
DEPRECIATION-					
At 31 March 1989	6,078	65,392	3,183	123,937	198,590
Charged in year	1,820	16,468	212	34,408	52,908
Disposals	-	-	(3,395)	-	(3,395)
At 31 March 1990	7,898	81,860	-	158,345	248,103
NET BOOK VALUE					
At 31 March 1990	£16,821	£71,138	£ -	£ 67,063	£155,022
NET BOOK VALUE					
At 31 March 1989	£17,791	£50,055	£ 3,182	£ 70,974	£142,002

## 9. DEBTORS:

	<u>1990</u>	<u>1989</u>
Amounts falling due within one year-		
Factored debts	£18,425,916	£12,728,544
Amount owed by group companies	215	215
Other debtors	116,169	45,959
	£18,542,300	£12,774,718

## 10. CREDITORS- AMOUNTS FALLING DUE WITHIN ONE YEAR:

	<u>1990</u>	<u>1989</u>
Amounts due to clients on collection	£ 9,570,861	£ 6,417,876
Bank loans and overdrafts	1,096,878	482,308
Amounts owed to group companies	6,681,809	4 004,625
Dividend proposed	37,500	37,500
Other creditors including		
- corporation tax	159,839	293,086
- other taxes	33,175	29,331
- social security	7,665	6,538
Accruals and deferred income	200,416	121,466
	£17,788,143	£11,392,730

Of the amounts owed to group companies, £6,664,069 (1989 - £3,993,402) represents an overdraft held with the parent company.

## NOTES TO ACCOUNTS (Continued)

### 11. DEFERRED TAXATION:

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

	<u>1990</u>	<u>1989</u>
Difference between accumulated depreciation and amortisation and capital allowances	£ 3,246	£ 5,024
	=====	=====

### 12. CALLED UP SHARE CAPITAL:

	<u>1990</u>	<u>1989</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
	=====	=====
	£ 1,000,000	£ 1,000,000
	=====	=====

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

### 13. LEASE COMMITMENTS:

The company has entered into non-cancellable leases in respect of plant and machinery, the payments for which extend over a period of up to 2 years. The total annual rental for 1990 was £34,135 (1989 - £Nil). The lease agreements provide that the company will pay all insurance, maintenance and repairs. The company may continue, at its option, to use the plant and machinery after the expiration of the initial lease period at a nominal rental.

In addition, the company leases the ground and first floors of Mountcliff House in Hendon. The rental on this lease was £64,577 (1989 - £46,380). The rent payable on this lease is subject to renegotiation at various intervals specified in the lease.

The minimum annual rentals under the foregoing leases are as follows-

	<u>1990</u>		<u>1989</u>	
	<u>Property</u>	<u>Plant and machinery</u>	<u>Property</u>	<u>Plant and machinery</u>
Operating leases which expire				
- within 1 year	£ -	£12,527	£ -	£ -
- within 2-5 years	-	23,189	-	-
- after 5 years	81,413	-	46,380	-
	=====	=====	=====	=====
	£81,413	£35,716	£46,380	£ -
	=====	=====	=====	=====

### 14. CAPITAL COMMITMENTS:

There were unprovided capital commitments of £Nil at 31 March 1990 (1989 - £9,042).

03-01-91

NOTES TO ACCOUNTS (Continued)

15. CONTINGENT LIABILITIES:

The company had contingent liabilities of £325,868 at 31 March 1990 (1989 - £Nil). These were in the form of letters of credit entered into in the ordinary course of business.

16. 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 £11,958 (1989 - £9,109).

17. ULTIMATE PARENT COMPANY:

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