

AMENDING DOCUMENT  
CHANCERY FACTORS LIMITED

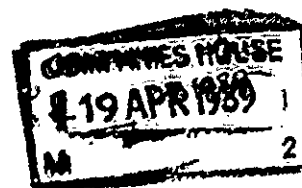


REPORT AND ACCOUNTS  
PERIOD ENDED 31ST MARCH 1988

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## Chairman's Statement

I am very pleased to report that during the first nine months of its operations within the Chancery Group, Chancery Factors Limited continued to increase turnover and profitability, and improve the quality of service offered to clients. In order to establish a financial period coterminous with other group companies, the company changed its financial year end from 30th June to 31st March. Factored sales in the nine months ended 31st March 1988 exceeded £50 million, compared to £58 million for the prior twelve month period. Profits before tax were £230,000, an increase of £49,000 over the prior year, despite being earned over a nine month period. Further, the current period's results do not reflect the results of the June quarter, which are normally higher than the average earnings for the previous three quarters. It is clear from these results that satisfactory progress was made, with a record growth in sales and profitability.

In my last report I mentioned that we expected new business opportunities to arise from our close association with other Chancery companies. Our expectations have been fully realised and, I believe, we will continue to benefit from our association with the Chancery Group. A number of additional clients were gained from contacts through and within the Chancery Group and we are about to commence a joint marketing operation in Bristol with ADC Holdings, a fellow subsidiary company, to increase our market penetration in the west and south-west of England. Our ability to offer a wide range of financial services, through other Group companies, enhances the overall quality of the service we can offer clients. Our "with no course" factoring service continues to increase in sophistication, such that our product compares well with that of other market leaders. An increasing number of our clients are using terminals to access directly their database on our computer system.

We continue to offer bulk factoring and confidential invoice discounting facilities to our clients and to work closely with other institutions to develop solutions to requests for working capital that may extend beyond financing of debtors.

We have increased the depth of our experienced management and staff. We have been fortunate in obtaining additional space in our head office

building at Mountcliff House, Hendon, to accommodate our continuing growth. I look forward to a further year of progress in terms of business volume and profitability. Our staff have maintained a continuing commitment to the development of the company and I would like to record my sincere appreciation for their efforts and the tangible results achieved.

**HARVEY COHEN**  
Chairman

## Directors' Report

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The directors present their annual report and statement of accounts for the period ended 31st March 1988.

### 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 period ended 31st March 1988 are set out in the profit and loss account on page 6 and show a profit before taxation of £229,924.

### Dividend

The company proposes to pay a preference dividend of £28,125 (1987 — £37,500) in respect of the 5% Cumulative Redeemable Preference Shares and an Ordinary Dividend of £Nil (1987 — £19,000).

### Directors and Directors' Interests

The directors who served during the period ended 31 March 1988 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)
R C Westmacott	(resigned 2nd July 1987)
H Cohen	(appointed 2nd July 1987)
G D Berger	(appointed 2nd July 1987)
A H Grant	(appointed 2nd July 1987)

None of the directors held any beneficial interest in the company's shares during the year. Mr H Cohen and Mr G D Berger are directors of Chancery Securities plc, the parent company. Their beneficial interests in the shares of Chancery Securities 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.

### Fixed Assets

Information relating to tangible fixed assets is included in Note 9 to the accounts.

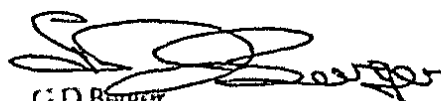
### Company Status

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.

### 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

  
G D Berger  
Secretary

29th June 1988



## Auditors' Report

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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 31st March 1988 and of its profit and source and application of funds for the period then ended, and comply with the Companies Act 1985.

Arthur Andersen & Co  
Chartered Accountants  
London

29th June 1988

## Profit and Loss Account

for the period ended 31st March 1988

		9 months to 31st March 1988	Year to 30th June 1987
	<i>Notes</i>		
Turnover	2	£ 1,186,227	£ 1,302,915
Interest expense	3	(349,130)	(368,104)
Gross Profit		837,097	934,811
Administrative expenses		(638,987)	(769,839)
Other operating income		31,814	16,448
Profit before taxation	4	229,924	181,420
Taxation	7	(81,371)	(64,548)
Profit after taxation		148,553	116,872
Dividends	8	(28,125)	(56,500)
Retained profit for the financial period		120,428	60,372
Retained profit brought forward		200,367	139,995
Retained profit carried forward		£ 320,795	£ 200,367

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



## Balance Sheet

at 31st March 1988

	Notes	1988	1987
<b>Fixed Assets</b>			
Tangible assets	9	£ 216,571	£ 162,350
<b>Current Assets</b>			
Factored debts	10	10,622,907	11,911,472
Amounts owed from group companies	10	7,634	-
Other debtors	10	56,820	38,670
Cash at bank and in hand		495	287,582
		<u>10,687,856</u>	<u>12,237,724</u>
<b>Creditors: Amounts falling due within one year</b>	11	<u>(9,572,548)</u>	<u>(11,183,459)</u>
<b>Net current assets</b>		<u>1,115,308</u>	<u>1,054,265</u>
<b>Total assets less current liabilities</b>		<b>1,331,879</b>	<b>1,216,615</b>
<b>Deferred taxation</b>	12	<u>(11,084)</u>	<u>(16,248)</u>
<b>Net assets</b>		<u><u>£ 1,320,795</u></u>	<u><u>£ 1,200,367</u></u>
<b>Capital and reserves</b>			
Called up share capital	13	£ 1,000,000	£ 1,000,000
Profit and loss account		320,795	200,367
		<u><u>£ 1,320,795</u></u>	<u><u>£ 1,200,367</u></u>

These accounts were approved by the board of directors on 29th June 1988

G D Berger  
M Forman Directors

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

# CHANCERY FACTORS LIMITED

## Statement of Source and Application of Funds

for the period ended 31st March 1988

	1988	1987
<b>Source of Funds</b>		
Profit before taxation	£ 229,924	£ 181,420
Adjustment for items not involving the movement of funds		
depreciation	48,977	51,727
loss on sale of tangible fixed assets	2,726	1,454
	<u>51,703</u>	<u>53,181</u>
<b>Funds generated from operations</b>	<b>281,627</b>	<b>234,601</b>
Proceeds of sale of tangible fixed assets	18,238	3,500
	<u>299,865</u>	<u>238,101</u>
<b>Application of funds</b>		
Purchase of fixed assets	124,162	57,350
Dividend paid	—	56,500
Group relief	—	51,607
	<u>(124,162)</u>	<u>(165,457)</u>
<b>Increase in working capital</b>	<b>£ 175,703</b>	<b>£ 72,644</b>
<b>Components of increase in working capital</b>		
Debtors	£ (1,262,781)	£ 5,135,373
Creditors falling due within one year	1,070,546	(3,075,780)
Movement in net liquid funds		
decrease/increase in cash at bank and in hand	(287,087)	286,867
decrease/increase in overdraft	655,025	(2,273,816)
	<u>367,938</u>	<u>(1,986,949)</u>
	<u>£ 175,703</u>	<u>£ 72,644</u>

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



## Notes to the Accounts

for the period ended 31st March 1988

### 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 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

	1988	1987
On bank loans, overdrafts, and other loans wholly repayable within five years	<u>£ 349,130</u>	<u>£ 368,104</u>

### 4 Profit before taxation

Profit before taxation is stated after charging the following —

	1988	1987
Depreciation of tangible fixed assets	£ 48,977	£ 51,727
Directors' emoluments (see Note 5)	39,271	41,264
Auditors' remuneration and expenses	<u>3,500</u>	<u>2,500</u>

### 5 Emoluments of directors

The chairman received no emoluments; the emoluments of the highest paid director were £33,405 (1987 — £34,795); the emoluments of the other directors were within the following ranges —

	1988	1987
£0-£5,000	<u>9</u>	<u>6</u>

### 6 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year was 31 (1987-32).

The aggregate payroll costs (including directors' emoluments) of these persons were as follows —

	1988	1987
Wages and salaries	£289,984	£354,352
Social security costs	28,193	32,048
Other pension costs	5,862	8,503
	<u>£324,039</u>	<u>£394,903</u>



# Notes to the Accounts

for the period ended 31st March 1988 (continued)

## 7 Taxation

	1988	1987
Taxation based on the profit for the year —		
Corporation tax at 35% (1987 — 35%)	£ 86,535	£ 71,345
Corporation tax adjustment in respect of prior years	—	3
Deferred taxation	(5,164)	(6,800)
	<u>£ 81,371</u>	<u>£ 64,548</u>

## 8 Dividends

A preference share dividend of £28,125 (1987 — £37,500) in respect of the 5% cumulative redeemable preference shares, and an ordinary dividend of £Nil per share (1987 — £1.90) are proposed.

## 9 Tangible fixed assets

	Leasehold improvements	Fixtures and fittings	Motor vehicles	Plant and machinery	Total
<b>Cost</b>					
At 1st July 1987	£17,943	£76,809	£ 66,325	£131,018	£292,095
Additions	4,551	23,122	66,312	30,177	124,162
Disposals	—	—	(35,487)	—	(35,487)
At 31st March 1988	<u>22,494</u>	<u>99,931</u>	<u>97,150</u>	<u>161,195</u>	<u>380,770</u>
<b>Depreciation</b>					
At 1st July 1987	3,135	43,659	19,543	63,408	129,745
Charged in year	1,208	8,848	11,498	27,423	48,977
Disposals	—	—	(14,523)	—	(14,523)
At 31st March 1988	<u>4,343</u>	<u>52,507</u>	<u>16,518</u>	<u>90,831</u>	<u>164,199</u>
<b>Net book value</b>					
At 31st March 1988	<u>£18,151</u>	<u>£47,424</u>	<u>£ 80,632</u>	<u>£ 70,364</u>	<u>£216,571</u>
<b>Net book value</b>					
At 30th June 1987	<u>£14,808</u>	<u>£33,150</u>	<u>£46,782</u>	<u>£ 67,610</u>	<u>£162,350</u>

## 10 Debtors

All debtors fall due within one year.



## Notes to the Accounts

for the period ended 31st March 1988 (continued)

### 11 Creditors — amounts falling due within one year

	1988	1987
Amounts due to clients on collection	£ 5,306,657	£ 6,050,610
Bank loans and overdrafts	58,415	—
Amounts owed to group companies — holding and fellow subsidiary companies	3,889,385	4,957,034
Dividend proposed	28,125	—
Other creditors including taxation and social security		
— corporation tax	157,880	71,345
— other taxes	25,139	25,736
— social security	5,225	5,203
	188,244	102,284
Accruals and deferred income	101,722	73,531
	<u>£ 9,572,548</u>	<u>£11,183,459</u>

(Of the amounts owed to group companies, £3,887,759 (1987 — £4,601,199) represents an overdraft held with the parent company.

### 12 Deferred taxation

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

	1988	1987
Difference between accumulated depreciation and amortisation and capital allowances	<u>£ 11,084</u>	<u>£ 16,248</u>

### 13 Called up share capital

	1988	1987
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.

### 14 Lease commitments

The company leases the ground and first floors of Mountcliff House in Hendon. The rental on this lease was £34,785 (1987 — £46,380). 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.

### 15 Capital commitments

There were unprovided capital commitments of £8,108 at 31st March 1988 (1987 — £5,305).

### 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 £5,862 (1987 — £8,503).



## Notes to the Accounts

for the period ended 31st March 1988 (*continued*)

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- 17 **Ultimate parent company**  
The company is a wholly-owned subsidiary of Chancery Securities plc.