

Hampshire Trust Factors Limited

Annual Report for the year ended 30 April 2002



Hampshire Trust Factors Limited

Annual report

For the year ended 30 April 2002

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Registered no: 3612551

Hampshire Trust Factors Limited

Directors and advisers

Directors

P G Cordrey (Chairman)
M G Byrne
C L Watt
M J Wilks
J E Pakenham-Walsh (Secretary)

Registered Office

Fareham House
69 High Street
Fareham
Hants PO16 7BB
Tel: 01329-234294

Website: www.htfactors.co.uk

Auditors

PricewaterhouseCoopers
The Quay
30 Channel Way
Ocean Village
Southampton
Hants SO14 2QG

Clearing Bankers

Bank of Scotland
144-148 High Street
Southampton
Hants SO14 2JF

Solicitors

Paul Davidson Taylor
Chancery Court
Queen Street
Horsham
Sussex RH13 5AD

Hampshire Trust Factors Limited

Directors' report for the year ended 30 April 2002

The directors present their report and the financial statements for the year ended 30 April 2002.

Principal Activities

The principal activity of the company is debt factoring

Review of business and future developments

This year the company has continued to expand its client base with the emphasis on managing risk and costs. The company has also developed its use of internet technology including an ability to download client information which should enable further expansion without a significant increase in costs.

Dividends and transfers to reserves

The directors do not recommend the payment of a dividend. The retained profit of the year of £61,082 will be transferred to reserves.

Directors' interests

The interests of the directors in the shares of the company, all of which were held throughout the year, were as follows:

	Ordinary £1 shares
P G Cordrey (Chairman)	25,000
M G Byrne (Executive Director)	12,500
C L Watt (Executive Director)	12,500
M J Wilks (Non-executive Director)	Nil
J E Pakenham-Walsh (Non-executive Director)	Nil

All of the above have been directors of the company throughout the year.

Hampshire Trust Factors Limited

At the year end, shares held by directors in the ultimate holding company, Hampshire Trust Plc, were as follows:

	£1 Ordinary Shares	£1 Class A Preference Shares	£1 Class B Preference Shares
P G Cordrey	246,125	-	-
M J Wilks	137,773	-	30,000
J E Pakenham-Walsh	-	18,000	-

During the year the directors' interests in the shares of Hampshire Trust Plc increased as follows:

	£1 Ordinary Shares	£1 Class A Preference Shares
P G Cordrey	38,084	
J E Pakenham-Walsh		11,250

All the shareholdings noted above include shares held either legally or beneficially together with shares held by connected parties.

Share Options

During the year the following directors held options in respect of the £1.00 ordinary shares in Hampshire Trust Plc, to be exercised at a price of £2.10, as follows:

<u>Director</u>	<u>Date Granted</u>	<u>Number of Shares</u>
P G Cordrey	21.09.98	10,000
M J Wilks	04.09.98	15,000
	04.09.98	20,000
J E Pakenham-Walsh	08.06.99	2,500

The options are subject to performance hurdles, details of which are contained in the accounts of Hampshire Trust Plc.

Hampshire Trust Factors Limited

Directors' responsibilities

Directors are required by UK company law to prepare financial statements that give a true and fair view of the state of affairs of the company as at the end of the financial period and of the profit or loss of the company for that period.

The directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 30 April 2002. The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on a going concern basis.

The directors are responsible for keeping proper accounting records, for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of going concern

After making enquiries, the directors are satisfied that the company has adequate resources to continue to operate as a going concern for the foreseeable future and have prepared the financial statements on that basis.

Auditors

In accordance with S386 Companies Act 1985, as a result of an elective resolution, PricewaterhouseCoopers are deemed reappointed as auditors of the company for the forthcoming financial year.

By order of the board

A handwritten signature in black ink, appearing to read 'J E Pakenham-Walsh', is written over a horizontal line.

J E Pakenham-Walsh
Company Secretary

20 June 2002

Hampshire Trust Factors Limited

Independent auditors' report to the members

We have audited the financial statements which comprise the profit and loss account, the balance sheet and the related notes which have been prepared under the historical cost convention and the accounting policies set out in the statement of accounting policies.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the directors' report, and the chairman's statement.

Basis of audit 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 affairs of the company at 30 April 2002 and of the profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Southampton
27 June 2002

Hampshire Trust Factors Limited

Profit and loss account for the year ended 30 April 2002

	Notes	2002 £	2001 £
Income	2	697,924	526,983
Interest payable and other direct costs	3	<u>(158,932)</u>	<u>(141,647)</u>
Operating income		538,992	385,336
Administrative expenses	4	422,200	303,175
Depreciation	10	13,215	12,717
Provision for bad and doubtful debts	7	<u>29,000</u>	<u>2,865</u>
Profit on ordinary activities before taxation		74,577	66,579
Tax on profit on ordinary activities	8a	<u>(13,495)</u>	<u>(17,703)</u>
Retained profit for the year	15	<u>61,082</u>	<u>48,876</u>

All the operations of the company are continuing.

The company has no recognised gains and losses other than the losses above and therefore no separate statement of total recognised gains and losses has been presented.

Hampshire Trust Factors Limited

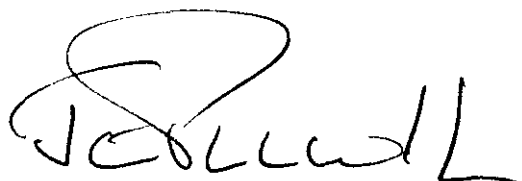
Balance sheet as at 30 April 2002

	Notes	2002 £	2001 £
Assets			
Cash at bank and in hand		162,063	207,327
Debtors and prepayments	9	5,251,184	2,579,337
Tangible fixed assets	10	31,364	26,637
Other assets – deferred tax	13	<u>2,716</u>	<u>-</u>
Total Assets		<u>5,447,327</u>	<u>2,813,301</u>
Liabilities			
Creditors	11	<u>4,962,314</u>	<u>2,589,370</u>
Subordinated loan stock	12	<u>300,000</u>	<u>100,000</u>
Capital and reserves			
Called-up share capital	14	200,000	200,000
Profit and loss account	15	<u>(14,987)</u>	<u>(76,069)</u>
	16	<u>185,013</u>	<u>123,931</u>
Shareholders funds and subordinated loan stock		<u>485,013</u>	<u>223,931</u>
Total liabilities		<u>5,447,327</u>	<u>2,813,301</u>

The financial statements on pages 7 to 15 were approved by the board of directors on 20 June 2002 and were signed on its behalf by:



M J Wilks
Director



J E Pakenham-Walsh
Director

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Notes to the financial statements for the year ending 30 April 2002

1 Principal accounting policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently, is set out below.

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention.

Cash flow statement

The company qualifies as a small company under the terms of Section 247 of the Companies Act 1985. As a consequence it is exempt from the requirement to publish a cash flow statement.

Tangible fixed assets

Tangible fixed assets are stated in the balance sheet at cost, together with any incidental costs of acquisition, less depreciation.

Depreciation is calculated so as to write off the cost of tangible fixed assets, less their estimated residual values, on a straight line basis over the expected useful economic lives of the assets concerned. The periods used for this purpose are:

	Years
Computer hardware and software	4
Other equipment	5
Fixtures and fittings	10

Bad and doubtful debts

Specific provision is made against all commitments considered to be impaired. Movements on provisions are charged/credited to the profit and loss account when made. When there is no longer any realistic prospect of recovery, the asset is written off. A general provision is maintained against all prepayments to customers where there is no apparent impairment.

Operating leases

Costs in respect of operating leases are charged on a straight line basis over the lease term.

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Deferred taxation

The requirements of Financial Reporting Statement 19 "Deferred taxation" have been fully adopted during the year.

Deferred tax is recognised on all timing differences where the transaction or events that give rise to an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

The adoption of FRS 19 did not result in a material prior year adjustment to the company's financial statements, nor did the adoption of FRS 19 have a material impact on the taxation charge for the year ended 30 April 2002.

2 Income

	2002 £	2001 £
Factoring fees	457,369	332,467
Discount income	154,844	130,651
Other factoring charges	83,110	56,266
Bank interest	<u>2,601</u>	<u>7,599</u>
	<u>697,924</u>	<u>526,983</u>

3 Interest payable and other direct costs

	2002 £	2001 £
Interest		
- payable to parent undertaking	106,977	95,159
- external	3	5
Commissions payable	41,508	34,154
Bank charges		
- payable to parent undertaking	-	5,654
- external	<u>10,444</u>	<u>6,675</u>
	<u>158,932</u>	<u>141,647</u>

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4 Administrative expenses

	2002 £	2001 £
Operating leases		
- motor vehicles	3,539	10,616
- plant and equipment	836	756
- property	7,750	7,846
Auditors remuneration (excluding VAT)		
- audit	6,400	6,200
- other	1,004	4,167
Staff costs		
- wages and salaries	218,932	158,784
- pension costs	4,457	-
- other benefits	3,926	-
- social security costs	20,265	14,166
Other	<u>155,091</u>	<u>100,640</u>
	<u>422,200</u>	<u>303,175</u>

5 Directors' emoluments

	2002 £	2001 £
Aggregate emoluments		
- contributions to group personal pension plan	3,300	-
- other emoluments	<u>101,734</u>	<u>92,675</u>
	<u>105,034</u>	<u>92,675</u>

Included within the figures noted above are fees of £10,000 (2001: £10,000) to directors who were also directors of other group companies. Apart from these fees the company made no payments to directors of other group companies.

6 Employee information

The average monthly number of persons (including executive directors) employed by the company during the period was:

	2002 Number	2001 Number
Administration	5	4
Selling and marketing	<u>4</u>	<u>4</u>
	<u>9</u>	<u>8</u>

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7 Provisions for bad and doubtful debts

	General £	2002 Specific £	Total £	General £	2001 Specific £	Total £
As at 1 May	14,000	-	14,000	10,000	23,000	33,000
Charge to profit and loss	6,000	23,000	29,000	4,000	(1,135)	2,865
Debts written off	-	-	-	-	(21,865)	(21,865)
As at 30 April	<u>20,000</u>	<u>23,000</u>	<u>43,000</u>	<u>14,000</u>	<u>-</u>	<u>14,000</u>

8a Tax on profit on ordinary activities

	2002 £	2001 £
UK corporation tax		
- current period	17,519	16,654
- previous periods	<u>(1,308)</u>	<u>1,154</u>
Current tax	16,211	17,808
Deferred tax – origination and reversal of timing differences	<u>(2,716)</u>	<u>(105)</u>
Tax on profit on ordinary activities	<u>13,495</u>	<u>17,703</u>

8b Matters affecting tax charge for period

The tax assessed in the period is lower than the standard rate of corporation tax in the UK (20%) as indicated below:

	2002 £	2001 £
Profit on ordinary activities before tax	<u>74,577</u>	<u>66,579</u>
Profit on ordinary activities before tax multiplied by standard rate of UK corporation tax (20%) (2001:20%)	14,915	13,316
Effects of:		
- non tax deductible expenses	2,708	1,040
- capital allowances in excess of depreciation	(104)	2,298
- adjustment to tax charge re previous periods	<u>(1,308)</u>	<u>1,154</u>
Current tax charge for period	<u>16,211</u>	<u>17,808</u>

9 Debtors and prepayments

	2002 £	2001 £
Prepayments to recourse clients	2,680,360	1,369,743
Due to recourse clients on collection	2,599,353	1,208,189
Less general and specific provisions	<u>(43,000)</u>	<u>(14,000)</u>
Net factored debts receivable	5,236,713	2,563,932
Prepayments and accrued income	<u>14,471</u>	<u>15,405</u>
	<u>5,251,184</u>	<u>2,579,337</u>

Of the net factored debts receivable, debts totalling £366,751 (2001:£nil) are receivable within 1-5 years. All other amounts are receivable within 1 year.

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10 Tangible fixed assets

	Office Equipment £	Fixtures and Fittings £	Total £
Cost			
At 1 May 2001	45,236	5,191	50,427
Additions	<u>14,984</u>	<u>2,958</u>	<u>17,942</u>
At 30 April 2002	<u>60,220</u>	<u>8,149</u>	<u>68,369</u>
Depreciation			
At 1 May 2001	22,888	902	23,790
Charge for period	<u>12,654</u>	<u>561</u>	<u>13,215</u>
At 30 April 2002	<u>35,542</u>	<u>1,463</u>	<u>37,005</u>
Net book value at 30 April 2002	<u>24,678</u>	<u>6,686</u>	<u>31,364</u>
Net book value at 30 April 2001	<u>22,348</u>	<u>4,289</u>	<u>26,637</u>

11 Creditors

	2002 £	2001 £
Factoring clients	2,599,353	1,208,189
Amounts owed to parent undertaking - overdraft and accrued interest	200,687	22,887
- loan facility	2,100,000	1,300,000
Corporation tax	17,519	16,655
Other taxation and social security	26,568	13,833
Other creditors and accruals	<u>18,187</u>	<u>27,806</u>
	<u>4,962,314</u>	<u>2,589,370</u>

The overdraft bears interest at 2.0% above the Bank of Scotland base rate, is repayable on demand and is subject to an annual review. The loan facility is available in tranches of £50,000 for periods of 1, 3 or 6 months at the appropriate rate of LIBOR plus a margin of 1.5% or 2.0%. The overdraft and the loan facility were both provided by the parent company and secured by a floating charge over the assets of the company.

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12 Subordinated Loan Stock

	2002 £	2001 £
Subordinated loan stock	<u>300,000</u>	<u>100,000</u>

The loan stock bears interest at the higher of (i) 14% and (ii) 3% above 6-month LIBOR. The loan stock is repayable in 2006 or, at the company's option, on 30 days notice, at the end of March or September and is subordinated to the claims of other creditors. The loan stock is provided by the parent company.

13 Deferred taxation

Deferred tax has been provided in the financial statements using a rate of 20% as follows:

	Provided		Unprovided	
	2002 £	2001 £	2002 £	2001 £
Tax effect of timing differences because of:				
- excess of tax allowances over depreciation	1,284	-	-	962
- short term timing differences	<u>(4,000)</u>	<u>-</u>	<u>-</u>	<u>(2,800)</u>
	<u>(2,716)</u>	<u>-</u>	<u>-</u>	<u>(1,838)</u>

The movement in provisions is as follows:

At 1 May	-	105
Charge to profit (see note 8a)	<u>(2,716)</u>	<u>(105)</u>
At 30 April	<u>(2,716)</u>	<u>-</u>

14 Called up share capital

	2002 £	2001 £
Authorised – ordinary shares of £1 each	<u>300,000</u>	<u>300,000</u>
Allotted, called up and fully paid – ordinary shares of £1 each	<u>200,000</u>	<u>200,000</u>

15 Profit and loss account

	2002 £	2001 £
At 1 May (loss)	(76,069)	(124,945)
Retained profit for the year	<u>61,082</u>	<u>48,876</u>
At 30 April (loss)	<u>(14,987)</u>	<u>(76,069)</u>

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16 Reconciliation of movements in equity shareholders' funds

	2002 £	2001 £
Opening shareholders' funds	123,931	75,055
Retained profit for the year	<u>61,082</u>	<u>48,876</u>
Closing shareholders' funds	<u>185,013</u>	<u>123,931</u>

17 Memorandum commitments

	2002 £	2001 £
Factoring commitments	<u>250,943</u>	<u>113,310</u>

18 Financial commitments

At 30 April 2002 the company had annual commitments under non-cancellable operating leases relating to other assets as follows:

	2002 £	2001 £
Expiring - within one year	-	12,660
- between one and two years	10,750	-
- between two and five years	<u>-</u>	<u>8,750</u>
	<u>10,750</u>	<u>21,410</u>

19 Controlling party

The company's ultimate parent undertaking and controlling party is Hampshire Trust plc whose principal place of business is:

Fareham House
69 High Street
Fareham
Hampshire
PO16 7BB

The consolidated accounts of the group are available to the public and may be obtained from the above address.

20 Related party transactions

The company had no material business dealings with any connected party other than those disclosed in this report.