

Factor 21 plc
Financial Statements
for the period ended 30th June 2002



Chairman

Mr J G Ethelston

Registered Office

9 Saint Marys Street
Wallingford
Oxfordshire
OX10 0EL

Directors

Mr J G Ethelston
Mr N A Ethelston

Secretary

Mr J Burnett

Auditors

BKR Haines Watts Reading
7/11 Station Road
Reading
BERKS
RG1 1LG

Bankers

NatWest Bank plc
13 Market Place
Reading
Berkshire
RG1 2EP

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Directors' Report

for the period ended 30th June 2002

The directors submit their report together with the audited financial statements for the period ended 30th June 2002.

Directors' Statement

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss for that period. In preparing those financial statements the directors are required to:

Select suitable accounting policies and then apply them consistently;

Make judgements and estimates that are reasonable and prudent;

State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;

Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose, with reasonable accuracy at any time, the financial position of the company and to enable them to ensure the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Results and Dividends

The profit on the ordinary activities of the company before taxation amounted to £85,329. After deducting taxation, the profit of £67,715 has been transferred to reserves.

The directors do not recommend a dividend.

Incorporation

The company incorporated on 26 April 2001 and commenced trade on 6 June 2001.

Principal Activity and Business Review

The principal activity of the company is that of debt factoring.

Post Balance Sheet Events

On 30 September 2002, the company entered an agreement for a 10 year, £25,000, lease on new premises.

Directors and their Interests

The directors who served during the period and their beneficial interests in the share capital of the company were as follows:

	Ordinary	Preference
	2002	2002
	No.	No.
Mr J G Ethelston	30,000	240,000
Mr N A Ethelston	30,000	-

Directors' Report

for the period ended 30th June 2002

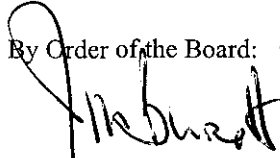
Policy on the payment of creditors

The company pays all invoices in the month they are received, therefore, year-end creditors amount to £nil.

Auditors

The Auditors, BKR Haines Watts Reading, Chartered Accountants, have indicated that they are willing to be reappointed at the forthcoming Annual General Meeting.

By Order of the Board: 17 OCT 2002

A handwritten signature in black ink, appearing to read 'J Burnett', is written over the text 'By Order of the Board: 17 OCT 2002'.

Mr J Burnett, Secretary

Auditors' Report to the Shareholders
on the Financial Statements for the period ended 30th June 2002

We have audited the financial statements on pages 4 to 12, which have been prepared under the historical cost convention and the accounting policies set out on page 7.

Respective responsibilities of the directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities.

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

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 with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of 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 information and explanations which we consider 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, other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of the information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 30th June 2002 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

BKR Haines Watts

BKR Haines Watts Reading
Chartered Accountants
and Registered Auditors
7/11 Station Road
Reading
BERKS
RG1 1LG

31 October 2002

Profit and Loss Account

for the period ended 30th June 2002

	Notes	2002 £
Turnover	2	337,288
Administrative expenses		(204,740)
Operating profit	3	132,548
Interest payable	4	(47,219)
Profit on ordinary activities before Taxation		85,329
Tax on profit on ordinary activities	6	(17,614)
Profit on ordinary activities after Taxation		67,715

All amounts relate to continuing activities.

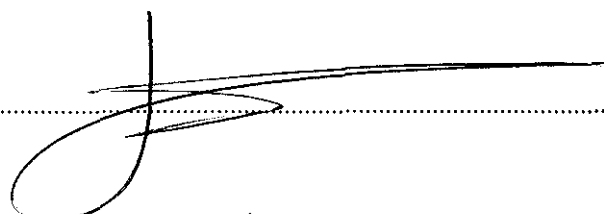
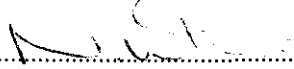
There have been no recognised gains or losses, other than the results for the financial period, and all profits or losses have been accounted for on an historical cost basis.

Balance Sheet

as at 30th June 2002

	Notes	2002 £	2002 £
Fixed Assets			
Tangible fixed assets	7		35,446
Current Assets			
Debtors	8	1,721,436	
Cash at bank and in hand		1,560	
		<u>1,722,996</u>	
Creditors:			
Amounts falling due within one year	9	(1,190,523)	
Net Current Assets			<u>532,473</u>
Total Assets Less Current Liabilities			<u>567,919</u>
Creditors:			
Amounts falling due after more than one year	10		(200,000)
Provision for Liabilities and Charges			
Deferred taxation	11		(204)
			<u>367,715</u>
Capital and Reserves			
Share capital	12		300,000
Profit and loss account			67,715
	13		<u>367,715</u>
Analysis of Shareholders' Funds			
Equity interests			127,715
Non-equity interests			240,000
			<u>367,715</u>

These accounts were approved by the board on . 17 October 2002


 Mr J G Ethelston

 Mr N A Ethelston

Directors

The notes on pages 7 to 12 form part of these financial statements.

Cash Flow Statement

for the period ended 30th June 2002

	Notes	2002 £
Cash Flow from Operating Activities	16	(1,326,038)
Returns on Investments and Servicing of Finance	17	(47,219)
Taxation		(204)
Capital Expenditure and Financial Investment	17	(47,779)
Cash (outflow) before use of liquid resources and financing		(1,421,240)
Financing	17	1,422,800
Increase in Cash in the period	18	1,560
Reconciliation of Net Cash Flow to movement in Net Debt		
Increase in Cash in the period		1,560
Cash inflow from increase in debt and lease financing	18	(1,122,800)
Change in net debt resulting from cashflows		(1,121,240)
Net Debt at 26th April 2001		-
Net Debt at 30th June 2002	18	(1,121,240)

Notes to the Financial Statements

for the period ended 30th June 2002

1 Principal Accounting Policies***Accounting Convention***

The financial statements have been prepared in accordance with applicable Accounting Standards under the historical cost convention.

Turnover

Turnover is the total amount receivable by the company for services provided, excluding VAT and trade discounts.

Depreciation

Depreciation is calculated to write down the cost, less estimated residual value, of all tangible fixed assets over their expected useful lives. The rates generally applicable are:

Motor vehicles	25% straight line
Furniture and equipment	20% straight line

Deferred Taxation

Deferred tax is provided for under the liability method using the tax rates estimated to arise when the timing differences reverse and is accounted for to the extent that it is probable that a liability or asset will crystallise. Unprovided deferred tax is disclosed as a contingent liability.

Debit balances arising in respect of advanced corporation tax on dividends payable or proposed are carried forward to the extent that they are expected to be recoverable.

Contribution to Pension Funds

The pension costs charged against profits represent the amount of the contributions payable to employees' personal pension plans.

2 Turnover

The turnover and operating profit for the period was derived from the company's principal activity as was carried out wholly in the UK.

3 Operating Profit

The operating profit is stated after charging or crediting:

	2002
	£
Amounts payable to the auditors in respect of audit services	11,180
Depreciation - owned assets	10,378
Loss on disposal of fixed assets	1,955
	<u>23,513</u>

Notes to the Financial Statements

for the period ended 30th June 2002

4	Interest Payable	2002
		£
	Bank loans and overdrafts	47,219

5 Directors and Employees

Staff costs during the period were as follows:

	2002
	£
Wages and salaries	80,068
Social security costs	7,623
Other pension costs	6,690
	94,381

The average monthly number of employees, including directors, during the period was as follows:

	2002
	Number
Management	5

Remuneration in respect of directors was as follows:

	2002
	£
Aggregate amount of emoluments paid in respect of qualifying services	41,539
Contributions made to Personal Pension Plans	4,800
	46,339

6	Tax on Profit on Ordinary Activities	2002
		£
	Based on the profit for the period:	
	U.K. Corporation tax at 20%	17,614

Notes to the Financial Statements

for the period ended 30th June 2002

7 Tangible Fixed Assets

	Motor vehicles	Furniture and equipment	Total
Cost	£	£	£
Additions	14,995	32,784	47,779
Disposals	-	(1,955)	(1,955)
At 30th June 2002	14,995	30,829	45,824
Depreciation			
Charged for the period	4,061	6,317	10,378
At 30th June 2002	4,061	6,317	10,378
Net Book Value			
At 30th June 2002	10,934	24,512	35,446

8 Debtors

	2002 £
Factored Debts	3,433,045
Amounts Due to Clients with respect to Factored Debts	(1,715,842)
Prepayments and accrued income	4,233
	1,721,436

9 Creditors: Amounts falling due within one year

	2002 £
Other Loans	722,800
Bank loans and overdrafts	400,000
Corporation tax	17,410
Other taxes and social security	13,490
Accruals and deferred income	36,823
	1,190,523

The Bank Loan is secured by way of a fixed and floating charge over all current and future assets of the company.

With the exception of £222,081, Other Loans all require 6 months written notice before repayment. As at the balance sheet date, no formal requests had been received.

10 Creditors: Amounts falling due after one year

	2002 £
Directors' loan account	200,000
	200,000

Notes to the Financial Statements

for the period ended 30th June 2002

11 Deferred Taxation

Deferred taxation provided and unprovided for in the financial statements is set out below. The amount unprovided represents a contingent liability at the Balance Sheet date and is calculated using a tax rate of 20%.

	Amount Provided 2002 £
Accelerated capital allowances	(204)
	<u>204</u>

12 Share Capital

Authorised	2002 £
760,000 Ordinary shares of £1 each	760,000
240,000 6% preference shares of £1 each	240,000
	<u>1,000,000</u>
Allotted, called up and fully paid	2002 £
60,000 Ordinary shares of £1 each	60,000
240,000 6% preference shares of £1 each	240,000
	<u>300,000</u>

Movements during the period

	Ordinary shares of £1 each	6% preference shares of £1 each	Total
Issues during the period	60,000	240,000	300,000
At 30th June 2002	<u>60,000</u>	<u>240,000</u>	<u>300,000</u>

Notes to the Financial Statements

for the period ended 30th June 2002

At incorporation, 60,000 ordinary shares and 240,000 redeemable convertible preference shares were issued fully paid at par of £1 each.

On the preference shares, both redemption and conversion can be at the request of either the shareholder or company, with three months' written notice required, with terms being as agreed by the parties at the transaction date.

The preference dividend entitlement will be 6% but is non-cumulative. Any payment will occur annually after the financial year-end.

The preference shares will not carry any voting right, but the shareholders will be informed of, and can attend, all shareholder meetings. On any potential dissolution of the company, the shares will not participate in any surplus asset distribution.

13	Reconciliation of the Movement in Shareholders' Funds	2002
		£
	Profit for the financial period	67,715
	New share capital subscribed	300,000
	Increase in shareholders' funds	367,715
	Closing shareholders' funds	367,715

14 Transactions With Directors

Throughout the year, the company has been controlled by its two Directors.

15 Post Balance Sheet Events

On 30 September 2002, the company negotiated and signed a 10 year, £25,000 per annum, lease for new premises.

16 Reconciliation of Operating Profit to Operating Cash Flows

	2002
	£
Operating profit	132,548
Depreciation charges	10,378
Loss on disposal of fixed assets	1,955
(Increase) in debtors	(1,721,436)
Increase in creditors	250,313
Other non-cash movements	204
Net Cash (Outflow) from Operating Activities	(1,326,038)

17 Analysis of Cash Flows for Headings Netted in the Cash Flow Statement

Returns on Investments and Servicing of Finance	2002
	£
Interest paid	(47,219)
Net Cash (Outflow) for Returns on Investments and Servicing of Finance	(47,219)

Notes to the Financial Statements

for the period ended 30th June 2002

Capital Expenditure and Financial Investment	2002
	£
Purchase of tangible fixed assets	(47,779)
Net Cash (Outflow) for Capital Expenditure and Financial Investment	(47,779)

Financing	2002
	£
Issue of share capital	300,000
Debt due within a year: increase in short-term borrowings	1,122,800
Net Cash Inflow from Financing	1,422,800

18 Analysis of Changes in Net Debt

	At 26th April 2001 £	Cash flows £	At 30th June 2002 £
Debt due within one year	-	(1,122,800)	(1,122,800)
Total	-	(1,121,240)	(1,121,240)