

FACTOR 21 PLC
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

Registration number 04206708



FACTOR 21 PLC

CONTENTS

Company Information	1
Directors' Report	2 to 4
Statement of Directors' Responsibilities	2
Independent Auditor's Report	5 to 6
Profit and Loss Account	7
Balance Sheet	8
Cash Flow Statement	9 to 10
Notes to the Financial Statements	11 to 22

The following pages do not form part of the statutory financial statements

Detailed Profit and Loss Account	23
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FACTOR 21 PLC
COMPANY INFORMATION

Directors	J G Ethelston N Errington N Ethelston D J Tilling
Company secretary	H J Fernandes
Registered office	9 Thames Park Lester Way Wallingford Oxfordshire OX10 9TA
Auditors	MHI Audit LLP Chartered Certified Accountants and Registered Auditors Hamilton House 25 High Street Rickmansworth Hertfordshire WD3 1ET

FACTOR 21 PLC

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2013

The directors present their report and the audited financial statements for the year ended 30 June 2013

Statement of Directors' Responsibilities

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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.

Directors of the company

The directors who held office during the year were as follows:

J G Ethelston

N Errington

N Ethelston

D J Tilling (appointed 3 April 2013)

Principal activity

The principal activity of the company is debt factoring.

FACTOR 21 PLC

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2013

..... **CONTINUED**

Business review

Fair review of the business

The directors are pleased to report that the Company continued to achieve significant growth in the year under review coupled with positive development in a number of areas

Factored turnover increased by 23% to £198 million whilst client numbers grew by 8% to 180. This naturally led to an increase in cash requirements and the strong, enthusiastic support of Royal Bank of Scotland has been of paramount importance. The Directors are able to report that the bank have committed to increased facilities for the coming year.

The Board has been strengthened by the appointment of David Tilling as Managing Director. David is very experienced and highly regarded within the invoice finance industry and brings a range of skills which complement those of the existing team.

The latest version of Dancerace software referred to in last year's Review has been implemented successfully and is providing the anticipated benefits of extra information and improved operating procedures.

Following the decision by the industry body, the Asset Based Finance Association, to introduce a meaningful code of conduct which members must adhere to, it has been decided to apply for membership and it is anticipated that this will be approved in the near future.

For some time, the directors have been aware of the benefits of operating from a second location and have considered various means of achieving improved geographical presence. It has finally been decided to form an associate company, Factor 21 (North) Limited, based in Manchester and headed by Darren Cottenden who is both well acquainted with and well regarded by the business community in the North West. The companies are associated by common directors and ownership and the new company will adopt the same operating platform together with marketing, sales and service ethos in order to develop the Factor 21 brand.

The directors believe that the Company is well placed to take advantage of improving economic conditions and to continue to increase turnover and profitability and they are approaching the coming year with confidence.

The company's key financial and other performance indicators during the year were as follows:

	Unit	2013	2012
Factored turnover growth	%	23	14
Turnover	£	3,222,378	2,869,753
Turnover growth	%	12	18
Operating profit margin	%	42	43
Client numbers	No	180	166

Principal risks and uncertainties

Land and Buildings

In the opinion of the directors, the market value of land and buildings is not substantially different to the balance sheet value.

Company's policy for payment of creditors

The company pays all invoices in the month they are received unless the supplier offers fixed instalment settlement.

Currency risk

The company operates solely in the UK but has some clients who have foreign currency invoices. The company therefore has a need to have foreign currency bank accounts. The company does not currently hedge such foreign currency cash flows and as a consequence is exposed through fluctuations in foreign exchange rates. During the year the company had an overall loss on foreign currency exchange amounting to £18,225 (2012 £7,946) which has been charged to the profit and loss account.

FACTOR 21 PLC

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2013

..... **CONTINUED**

Financial instruments

Objectives and policies

Environment

The company's policy with regard to the environment is to ensure that we understand and effectively manage the actual and potential environmental impact of our activities. Our operations are conducted such that we comply with all legal requirements and new ways of multi-functional working. Employees' performance is aligned to our goals through a performance review process that is carried out with all employees.

Price risk, credit risk, liquidity risk and cash flow risk

Credit risk

The company has a strict credit approval policy which is applied to all clients to minimise the risk of bad debts. All clients have a detailed contract to reduce the exposure of the company to credit risk.

Interest rate risk

The company uses financial instruments to facilitate onward lending which are subject to variable interest rates. The company minimises interest rate risk by passing on any increased rate costs to customers in accordance with their factoring agreement.

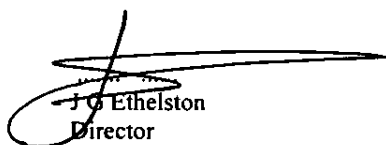
Disclosure of information to the auditors

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information. The directors confirm that there is no relevant information that they know of and which they know the auditors are unaware of.

Reappointment of auditors

The auditors MHI Audit LLP are deemed to be reappointed under section 487(2) of the Companies Act 2006.

Approved by the Board on 9 Oct 2013 and signed on its behalf by



J G Ethelston
Director

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF FACTOR 21 PLC

We have audited the financial statements of Factor 21 Plc for the year ended 30 June 2013, set out on pages 7 to 22. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities (set out on page 2), the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 30 June 2013 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

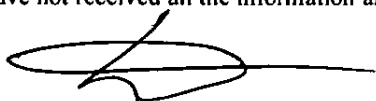
**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
FACTOR 21 PLC**

..... **CONTINUED**

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



Mr Chris Bleach FCCA (Senior Statutory Auditor)
For and on behalf of MHI Audit LLP
Chartered Certified Accountants and Statutory Auditor

Hamilton House
25 High Street
Rickmansworth
Hertfordshire
WD3 1ET

Date 24/10/13

FACTOR 21 PLC**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 JUNE 2013**

	Note	2013 £	2012 £
Turnover	2	3,222,378	2,869,753
Administrative expenses		<u>(1,872,941)</u>	<u>(1,645,054)</u>
Operating profit	3	1,349,437	1,224,699
Other interest receivable and similar income	7	13	6
Interest payable and similar charges	8	<u>(393,482)</u>	<u>(330,151)</u>
Profit on ordinary activities before taxation		955,968	894,554
Tax on profit on ordinary activities	9	<u>(230,998)</u>	<u>(223,114)</u>
Profit for the financial year		<u>724,970</u>	<u>671,440</u>

Turnover and operating profit derive wholly from continuing operations

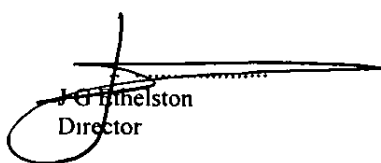
The company has no recognised gains or losses for the year other than the results above

FACTOR 21 PLC (REGISTRATION NUMBER: 04206708)

BALANCE SHEET AT 30 JUNE 2013

		2013		2012	
	Note	£	£	£	£
Fixed assets					
Tangible fixed assets	10		555,325		518,550
Current assets					
Debtors	11	18,482,238		14,927,995	
Cash at bank and in hand		<u>57,592</u>		<u>17,769</u>	
		18,539,830		14,945,764	
Creditors: Amounts falling due within one year	12	<u>(15,111,496)</u>		<u>(11,932,906)</u>	
Net current assets			<u>3,428,334</u>		<u>3,012,858</u>
Total assets less current liabilities			3,983,659		3,531,408
Creditors: Amounts falling due after more than one year	13		(353,795)		(463,595)
Provisions for liabilities	14		<u>(4,894)</u>		<u>(5,813)</u>
Net assets			<u>3,624,970</u>		<u>3,062,000</u>
Capital and reserves					
Called up share capital	15	60,000		60,000	
Profit and loss account		<u>3,564,970</u>		<u>3,002,000</u>	
Shareholders' funds	18		<u>3,624,970</u>		<u>3,062,000</u>

Approved by the Board on 9 Oct. 2013 and signed on its behalf by


J G Hinchelston
Director

FACTOR 21 PLC**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2013****Reconciliation of operating profit to net cash flow from operating activities**

	2013	2012
	£	£
Operating profit	1,349,437	1,224,699
Depreciation, amortisation and impairment charges	58,371	39,928
Profit on disposal of fixed assets	(1,083)	-
Increase in debtors	(3,554,243)	(3,197,266)
Increase/(decrease) in creditors	69,504	(549)
Net cash outflow from operating activities	<u>(2,078,014)</u>	<u>(1,933,188)</u>

Cash flow statement

	2013	2012
	£	£
Net cash outflow from operating activities	<u>(2,078,014)</u>	<u>(1,933,188)</u>
Returns on investments and servicing of finance		
Interest received	13	6
Interest paid	(385,742)	(318,271)
Preference dividend paid	(7,740)	(11,880)
	<u>(393,469)</u>	<u>(330,145)</u>
Taxation paid	<u>(229,237)</u>	<u>(157,085)</u>
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(61,883)	(33,101)
Sale of tangible fixed assets	7,500	-
	<u>(54,383)</u>	<u>(33,101)</u>
Equity dividends paid	<u>(162,000)</u>	<u>(150,000)</u>
Net cash outflow before management of liquid resources and financing	<u>(2,917,103)</u>	<u>(2,603,519)</u>
Financing		
Value of new loans obtained during the period	3,026,431	2,967,436
Repayment of loans and borrowings	51,146	(336,900)
Purchase of own shares	(69,000)	(42,000)
Repayment of capital element of finance leases and HP contracts	(16,748)	-
	<u>2,991,829</u>	<u>2,588,536</u>
Increase/(decrease) in cash	<u>74,726</u>	<u>(14,983)</u>

FACTOR 21 PLC**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2013****..... CONTINUED****Reconciliation of net cash flow to movement in net debt**

	Note	2013 £	2012 £
Increase/(decrease) in cash		74,726	(14,983)
Cash inflow from increase in loans		(3,026,431)	(2,967,436)
Cash outflow from repayment of loans		(51,146)	336,900
Cash outflow from repayment of capital element of finance leases and hire purchase contracts		16,748	-
Cash outflow from decrease in other debt		<u>69,000</u>	<u>42,000</u>
Change in net debt resulting from cash flows	20	(2,917,103)	(2,603,519)
 New finance leases		<u>(39,680)</u>	<u>-</u>
Movement in net debt	20	(2,956,783)	(2,603,519)
Net debt at 1 July	20	<u>(11,922,442)</u>	<u>(9,318,923)</u>
Net debt at 30 June	20	<u>(14,879,225)</u>	<u>(11,922,442)</u>

FACTOR 21 PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

1 Accounting policies

Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards

Turnover

Turnover represents amounts chargeable, net of value added tax, in respect of the sale of services to customers

Depreciation

Depreciation is provided on tangible fixed assets so as to write off the cost or valuation, less any estimated residual value, over their expected useful economic life as follows

Asset class	Depreciation method and rate
Freehold property	10 to 50 years straight line
Motor vehicles	4 years straight line
Office equipment	5 years straight line

Deferred tax

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes, which have arisen but not reversed by the balance sheet date, except as required by FRS19

Deferred tax is measured at the rates that are expected to apply in the periods when the timing differences are expected to reverse, based on the tax rates and law enacted at the balance sheet date

Foreign currency

Transactions in foreign currencies are recorded at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the closing rates at the balance sheet date. All exchange differences are included in the profit and loss account.

Hire purchase and leasing

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the company, are capitalised in the balance sheet as tangible fixed assets and are depreciated over the shorter of the lease term and their useful lives. The capital elements of future obligations under the leases are included as liabilities in the balance sheet. The interest element of the rental obligation is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding. Assets held under hire purchase agreements are capitalised as tangible fixed assets and are depreciated over the shorter of the lease term and their useful lives. The capital element of future finance payments is included within creditors. Finance charges are allocated to accounting periods over the length of the contract and represent a constant proportion of the balance of capital repayments outstanding.

Financial instruments

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities. Where shares are issued, any component that creates a financial liability of the company is presented as a liability in the balance sheet. The corresponding dividends relating to the liability component are charged as interest expense in the profit and loss account.

FACTOR 21 PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

Pensions

The company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the company to the fund in respect of the year

2 Turnover

The whole of turnover is attributable to the company's principal activity of debt factoring

All turnover arose within the United Kingdom

3 Operating profit

Operating profit is stated after charging

	2013 £	2012 £
Foreign currency losses	18,225	7,946
Profit on sale of tangible fixed assets	(1,083)	-
Depreciation of owned assets	58,371	39,928
Auditor's remuneration	<u>13,550</u>	<u>11,000</u>

4 Auditor's remuneration

	2013 £	2012 £
Audit of the financial statements	<u>11,300</u>	<u>9,000</u>
Other fees to auditors		
Tax services	850	-
Other services	<u>1,400</u>	<u>2,000</u>
	<u>2,250</u>	<u>2,000</u>
	<u>13,550</u>	<u>11,000</u>

5 Particulars of employees

The average number of persons employed by the company (including directors) during the year, analysed by category was as follows

	2013 No.	2012 No.
Administration and support	<u>19</u>	<u>18</u>

The aggregate payroll costs were as follows

FACTOR 21 PLC**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE
2013**

	2013 £	2012 £
Wages and salaries	848,206	799,302
Social security costs	94,594	83,642
Staff pensions	53,270	50,070
	<u>996,070</u>	<u>933,014</u>

6 Directors' remuneration

The directors' remuneration for the year was as follows

	2013 £	2012 £
Remuneration (including benefits in kind)	225,060	206,892
Company contributions paid to money purchase schemes	<u>10,200</u>	<u>10,200</u>

During the year the number of directors who were receiving benefits and share incentives was as follows

	2013 No.	2012 No.
Accruing benefits under defined contribution pension schemes	<u>2</u>	<u>2</u>

In respect of the highest paid director

	2013 £	2012 £
Remuneration	141,148	145,169
Company contributions to money purchase pension schemes	<u>5,400</u>	<u>5,400</u>

7 Other interest receivable and similar income

	2013 £	2012 £
Other interest receivable	<u>13</u>	<u>6</u>

FACTOR 21 PLC**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE
2013**

8 Interest payable and similar charges

	2013	2012
	£	£
Interest on bank borrowings	358,642	281,629
Interest on other loans	18,136	26,690
Other interest payable	8,964	9,952
Preference share dividends	7,740	11,880
	<u>393,482</u>	<u>330,151</u>

FACTOR 21 PLC**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE
2013****9 Taxation****Tax on profit on ordinary activities**

	2013 £	2012 £
Current tax		
Corporation tax charge	233,000	229,358
Adjustments in respect of previous years	(1,083)	-
UK Corporation tax	<u>231,917</u>	<u>229,358</u>
Deferred tax		
Origination and reversal of timing differences	(919)	(6,244)
Total tax on profit on ordinary activities	<u>230,998</u>	<u>223,114</u>

Factors affecting current tax charge for the year

Tax on profit on ordinary activities for the year is higher than (2012 - higher than) the standard rate of corporation tax in the UK of 23.75% (2012 - 25.5%)

The differences are reconciled below

	2013 £	2012 £
Profit on ordinary activities before taxation	<u>955,968</u>	<u>894,554</u>
Corporation tax at standard rate	227,042	228,111
Capital allowances for year in excess of depreciation	2,869	(1,209)
Short term timing difference leading to an increase / (decrease) in taxation	(259)	918
Marginal relief	(4,671)	(6,919)
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	8,019	8,456
Adjustments to tax charge in respect of prior periods	(1,083)	-
Total current tax	<u>231,917</u>	<u>229,358</u>

FACTOR 21 PLC**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE****2013****10 Tangible fixed assets**

	Freehold land and buildings £	Motor vehicles £	Office equipment £	Total £
Cost or valuation				
At 1 July 2012	454,703	109,965	77,258	641,926
Additions	7,089	77,599	16,875	101,563
Disposals	-	(29,972)	-	(29,972)
At 30 June 2013	<u>461,792</u>	<u>157,592</u>	<u>94,133</u>	<u>713,517</u>
Depreciation				
At 1 July 2012	24,242	76,916	22,218	123,376
Charge for the year	14,573	27,919	15,879	58,371
Eliminated on disposals	-	(23,555)	-	(23,555)
At 30 June 2013	<u>38,815</u>	<u>81,280</u>	<u>38,097</u>	<u>158,192</u>
Net book value				
At 30 June 2013	<u>422,977</u>	<u>76,312</u>	<u>56,036</u>	<u>555,325</u>
At 30 June 2012	<u>430,461</u>	<u>33,049</u>	<u>55,040</u>	<u>518,550</u>

Leased assets

Included within the net book value of tangible fixed assets is £30,546 (2012 - £nil) in respect of assets held under finance leases and similar hire purchase contracts. Depreciation for the year on these assets was £7,373 (2012 - £nil).

11 Debtors

	2013 £	2012 £
Gross debts (after provision for charges)	31,768,834	24,504,485
Due to clients	(13,343,850)	(9,609,370)
Other debtors	-	1,500
Prepayments and accrued income	<u>57,254</u>	<u>31,380</u>
	<u>18,482,238</u>	<u>14,927,995</u>

FACTOR 21 PLC**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE
2013****12 Creditors. Amounts falling due within one year**

	2013 £	2012 £
Preference shares	129,000	198,000
Bank loans and overdrafts	14,189,751	11,171,988
Other loans	258,775	106,628
Obligations under finance lease and hire purchase contracts	5,496	-
Trade creditors	42,066	15,227
Corporation tax	235,873	233,193
Other taxes and social security	157,667	131,505
Accruals and deferred income	92,868	76,365
	<u>15,111,496</u>	<u>11,932,906</u>

Disclosure of the terms and conditions attached to the non-equity shares are made in note 14

The bank facility is secured by a fixed and floating charge over all current and future assets of the company. The commercial mortgage is secured on the company's freehold property.

The other loans all require 6 months notice before repayment. As at the balance sheet date, no formal requests have been received.

13 Creditors: Amounts falling due after more than one year

	2013 £	2012 £
Bank loans and overdrafts	187,359	213,595
Obligations under finance lease and hire purchase contracts	17,436	-
Directors' current accounts	149,000	250,000
	<u>353,795</u>	<u>463,595</u>

Included in the creditors are the following amounts due after more than five years

	2013 £	2012 £
After more than five years by instalments	<u>72,892</u>	<u>103,421</u>

The commercial mortgage is repayable over ten years with interest charged at 3.5% over base.

The directors' current account represents a formal loan made to the company by a director, J G Ethelston, attracting interest at 2.5% above the Natwest Bank base rate.

FACTOR 21 PLC**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE
2013**

Obligations under finance leases and HP contracts**Amounts repayable:**

	2013	2012
	£	£
In one year or less on demand	5,496	-
Between one and two years	17,436	-
	<u>22,932</u>	<u>-</u>

14 Provisions

	Deferred tax	Total
	£	£
At 1 July 2012	5,813	5,813
Utilised during the year	<u>(919)</u>	<u>(919)</u>
At 30 June 2013	<u>4,894</u>	<u>4,894</u>

Analysis of deferred tax

	2013	2012
	£	£
Difference between accumulated depreciation and amortisation and capital allowances	<u>4,894</u>	<u>5,813</u>

FACTOR 21 PLC**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013****15 Share capital****Allotted, called up and fully paid shares**

	2013		2012	
	No	£	No.	£
Ordinary shares of £1 each	<u>60,000</u>	<u>60,000</u>	<u>60,000</u>	<u>60,000</u>

Redeemable preference shares

The redeemable preference shares are redeemable at the option of the company or holder. They are redeemable at £1 per share and carry no voting rights.

Shares classified as debt

129,000 Redeemable Preference Shares of £1 each were in issue at the balance sheet date.

The preference shares can be redeemed or converted at the request of either the company or the shareholder, with three months written notice required, with terms being agreed by the parties at the transaction date. The annual dividend entitlement is at a rate of 6%, payable at the discretion of the company and is non-cumulative. The dividends paid on preference shares are treated as an expense in the profit and loss account in accordance with FRS 25. The shares will not carry any voting right, but the shareholders will be informed, and can attend all shareholder meetings. On any potential dissolution of the company, the shares will not participate in any surplus asset distribution.

16 Dividends

	2013 £	2012 £
Dividends paid		
Current year interim dividend paid	<u>162,000</u>	<u>150,000</u>

Dividends paid on shares classed as debt

Dividends paid on shares classed as debt 2013 - £7,740 (2012 - £11,880)

17 Reserves

	Profit and loss account £	Total £
At 1 July 2012	3,002,000	3,002,000
Profit for the year	724,970	724,970
Dividends	<u>(162,000)</u>	<u>(162,000)</u>
At 30 June 2013	<u>3,564,970</u>	<u>3,564,970</u>

FACTOR 21 PLC**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE
2013**

18 Reconciliation of movement in shareholders' funds

	2013 £	2012 £
Profit attributable to the members of the company	724,970	671,440
Dividends	<u>(162,000)</u>	<u>(150,000)</u>
Net addition to shareholders' funds	562,970	521,440
Shareholders' funds at 1 July	<u>3,062,000</u>	<u>2,540,560</u>
Shareholders' funds at 30 June	<u>3,624,970</u>	<u>3,062,000</u>

19 Pension schemes**Defined contribution pension scheme**

The company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the company to the scheme and amounted to £53,270 (2012 - £50,070)

FACTOR 21 PLC**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013****20 Analysis of net debt**

	At 1 July 2012 £	Cash flow £	Other non-cash changes £	At 30 June 2013 £
Cash at bank and in hand	17,769	39,823	-	57,592
Bank overdraft	(71,419)	34,903	-	(36,516)
	(53,650)	74,726	-	21,076
Debt due within one year	(11,405,197)	(3,135,813)	-	(14,541,010)
Debt due after more than one year	(463,595)	127,236	-	(336,359)
Finance leases and hire purchase contracts	-	16,748	(39,680)	(22,932)
Net debt	(11,922,442)	(2,917,103)	(39,680)	(14,879,225)

21 Post balance sheet events

The company has entered into a Multi Client Guarantee with effect from 29 August 2013 with a related party, Factor 21 (North) Limited. Each company has provided a cross guarantee to RBS Invoice Finance Limited, in so far as where the Bank gives time or credit or makes invoice finance facilities available, Factor 21 Plc and Factor 21 (North) Limited (together defined as 'the companies'), jointly and severally guarantee whenever a client does not pay any of its obligations to discharge on demand all the obligations of each client, with interest from the date of the demand. Any item or amount claimed by RBS Invoice Finance Limited to be included in either of the companies' obligations which is not recoverable from the companies under the terms of this guarantee shall nevertheless be recoverable from the companies as principal debtors by way of indemnity as a separate and independent obligation, and the companies jointly and severally agree to discharge that liability on demand with interest from the date of the demand.

FACTOR 21 PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

22 Related party transactions

Other related party transactions

During the year the company made the following related party transactions

Close members of J G Ethelston's family

(Close members of the director, J G Ethelston's family)

The company has received loans from close members of J G Ethelston's family. Interest charged on these loans during the year amounts to £6,887 (2012 - £4,571). At the balance sheet date the amount due to Close members of J G Ethelston's family was £224,849 (2012 - £84,209).

L A Ethelston

(Shareholder and wife of the director, J G Ethelston)

A dividend on the ordinary share capital of the company was paid in the year in the sum of £27,000 (2012 - £25,000). At the balance sheet date the amount due to L A Ethelston was £nil (2012 - £nil).

N A Ethelston

(Director)

A dividend on the ordinary share capital of the company was paid in the year in the sum of £81,000 (2012 - £75,000). At the balance sheet date the amount due to N A Ethelston was £nil (2012 - £nil).

J G Ethelston

(Director)

A dividend on the ordinary share capital of the company was paid in the year in the sum of £54,000 (2012 - £50,000). During the current and previous year, loans have been provided to the company, attracting an interest at 2.5% above Natwest Bank base rate. The maximum amount outstanding on this loan was £250,000 (2012 - £300,000). The total of amounts repaid in the year was £101,000 (2012 - £50,000). At the balance sheet date the amount due to J G Ethelston was £149,000 (2012 - £250,000).

The Ethelston 1998 Discretionary Trust

(The director J G Ethelston is a trustee)

Dividends in respect of preference shares were paid totalling £7,740 (2012 - £11,880). At the balance sheet date the amount due to The Ethelston 1998 Discretionary Trust was £nil (2012 - £nil).

23 Control

The company is controlled by J G Ethelston and N A Ethelston, directors and shareholders.