

Report of the Directors and  
Financial Statements  
for the Year Ended 31st March 2004  
for  
CHANCERY PARTNERSHIP LTD.



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CHANCERY PARTNERSHIP LTD.

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for the Year Ended 31st March 2004

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CHANCERY PARTNERSHIP LTD.

Company Information  
for the Year Ended 31st March 2004

**DIRECTORS:** P Nichols  
R Sparrow  
Miss E S Heesom  
Mrs K Nichols  
S James

**SECRETARY:** R Sparrow

**REGISTERED OFFICE:** Chancery Pavillion  
Boycott Avenue  
Oldbrook  
Milton Keynes  
Buckinghamshire  
MK6 2TA

**REGISTERED NUMBER:** 3340066

**AUDITORS:** L W Hartwell  
183 Watling Street West  
Towcester  
Northamptonshire. NN12 6BX  
Chartered Certified Accountant  
Registered Auditor

**BANKERS:** Lloyds TSB Bank PLC  
1st Floor  
39 Threadneedle Street  
London  
EC2R 8AU

CHANCERY PARTNERSHIP LTD.

Report of the Directors  
for the Year Ended 31st March 2004

The directors present their report with the financial statements of the company for the year ended 31st March 2004.

**PRINCIPAL ACTIVITY**

The principal activity of the company in the year under review was that of the provision of audit, accountancy, taxation and business consultancy services.

**REVIEW OF BUSINESS**

The results for the year and financial position of the company are as shown in the annexed financial statements.

**DIVIDENDS**

Interim dividends per share on the Ordinary non voting £1 shares were paid as follows:

19250	- 25th April 2003
19250	- 27th May 2003
19250	- 27th June 2003
19250	- 25th July 2003
19250	- 27th August 2003
18500	- 26th September 2003
18250	- 27th October 2003
18250	- 27th November 2003
18750	- 23rd December 2003
18696	- 27th January 2004
18500	- 27th February 2004
<u>18500</u>	- 26th March 2004
<u>225696</u>	

The directors recommend that no final dividend be paid on these shares.

No interim dividend was paid on the Ordinary £1 shares. The directors recommend that no final dividend be paid on these shares.

The total distribution of dividends for the year ended 31st March 2004 will be £225,696.

CHANCERY PARTNERSHIP LTD.

Report of the Directors  
for the Year Ended 31st March 2004

**DIRECTORS**

The directors during the year under review were:

P Nichols  
R Sparrow  
Miss E S Heesom  
Mrs K Nichols  
S James

The beneficial interests of the directors holding office on 31st March 2004 in the issued share capital of the company were as follows:

	<b>31.3.04</b>	<b>1.4.03</b>
<b>Ordinary £1 shares</b>		
P Nichols	1,000	1,000
R Sparrow	1,000	1,000
Miss E S Heesom	-	-
Mrs K Nichols	800	800
S James	1,200	1,200
<b>Ordinary non voting £1 shares</b>		
P Nichols	10	10
R Sparrow	10	10
Miss E S Heesom	10	10
Mrs K Nichols	10	10
S James	10	10

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

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 of the company 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;
- 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 that 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.

**AUDITORS**

The auditors, L W Hartwell, will be proposed for re-appointment in accordance with Section 385 of the Companies Act 1985.

**ON BEHALF OF THE BOARD:**

  
S James - Director

9th July 2004

Report of the Independent Auditors to the Shareholders of  
CHANCERY PARTNERSHIP LTD.

We have audited the financial statements of CHANCERY PARTNERSHIP LTD. for the year ended 31st March 2004 on pages five to seventeen. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 auditors' 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 auditors**

As described on page three the company's directors are responsible for the preparation of financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with 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 Report of the Directors 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 Report of the Directors and consider the implications for our report if we become aware of any apparent misstatements within it.

**Basis of audit opinion**

We conducted our audit in accordance with United Kingdom 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 the company's affairs as at 31st March 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



L W Hartwell  
183 Watling Street West  
Towcester  
Northamptonshire. NN12 6BX  
Chartered Certified Accountant  
Registered Auditor

9th July 2004

CHANCERY PARTNERSHIP LTD.

Profit and Loss Account  
for the Year Ended 31st March 2004

		<u>2004</u>	<u>2003</u>
	Notes	£	£
<b>TURNOVER</b>		2,019,454	2,242,002
Cost of sales		<u>258,134</u>	<u>475,659</u>
<b>GROSS PROFIT</b>		1,761,320	1,766,343
Administrative expenses		<u>1,409,597</u>	<u>1,432,097</u>
<b>OPERATING PROFIT</b>	3	351,723	334,246
Interest payable and similar charges	4	<u>62,492</u>	<u>39,263</u>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		289,231	294,983
Tax on profit on ordinary activities	5	<u>62,210</u>	<u>57,597</u>
<b>PROFIT FOR THE FINANCIAL YEAR AFTER TAXATION</b>		227,021	237,386
Dividends	6	<u>225,696</u>	<u>221,825</u>
		1,325	15,561
Retained profit brought forward		<u>38,005</u>	<u>22,444</u>
<b>RETAINED PROFIT CARRIED FORWARD</b>		<u>£39,330</u>	<u>£38,005</u>

**CONTINUING OPERATIONS**

None of the company's activities were acquired or discontinued during the current and previous years.

**TOTAL RECOGNISED GAINS AND LOSSES**

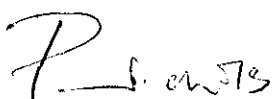
The company has no recognised gains or losses other than the profits for the current and previous years.

CHANCERY PARTNERSHIP LTD.

Balance Sheet  
31st March 2004

		2004		2003	
	Notes	£	£	£	£
<b>FIXED ASSETS:</b>					
Intangible assets	7		8,750		9,375
Tangible assets	8		<u>145,816</u>		<u>152,026</u>
			154,566		161,401
<b>CURRENT ASSETS:</b>					
Stocks and work-in-progress	9	306,926		250,217	
Debtors	10	1,310,338		484,242	
Cash in hand		<u>42</u>		<u>124</u>	
		1,617,306		734,583	
<b>CREDITORS: Amounts falling due within one year</b>	11	<u>1,587,174</u>		<u>839,478</u>	
<b>NET CURRENT ASSETS/(LIABILITIES):</b>			<u>30,132</u>		<u>(104,895)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES:</b>			184,698		56,506
<b>CREDITORS: Amounts falling due after more than one year</b>	12		<u>141,098</u>		<u>14,231</u>
			<u>£43,600</u>		<u>£42,275</u>
<b>CAPITAL AND RESERVES:</b>					
Called up share capital	16		4,270		4,270
Profit and loss account			<u>39,330</u>		<u>38,005</u>
<b>SHAREHOLDERS' FUNDS:</b>	18		<u>£43,600</u>		<u>£42,275</u>

**ON BEHALF OF THE BOARD:**



P Nichols - Director



S James - Director

Approved by the Board on 9th July 2004

The notes form part of these financial statements



CHANCERY PARTNERSHIP LTD.

Cash Flow Statement  
for the Year Ended 31st March 2004

		<u>2004</u>		<u>2003</u>	
	Notes	£	£	£	£
<b>Net cash (outflow)/inflow from operating activities</b>	1		(123,806)		275,120
<b>Returns on investments and servicing of finance</b>	2		(62,492)		(39,263)
<b>Taxation</b>			(62,210)		(57,597)
<b>Capital expenditure</b>	2		(40,731)		(47,174)
<b>Equity dividends paid</b>			<u>(225,696)</u>		<u>(221,825)</u>
			<b>(514,935)</b>		<b>(90,739)</b>
<b>Financing</b>	2		<u>325,149</u>		<u>(62,068)</u>
<b>Decrease in cash in the period</b>			<b><u>£(189,786)</u></b>		<b><u>£(152,807)</u></b>
<hr/>					
<b>Reconciliation of net cash flow to movement in net debt</b>	3				
<b>Decrease in cash in the period</b>			<b>(189,786)</b>		<b>(152,807)</b>
Cash inflow from increase in debt and lease financing			<u>(296,370)</u>		<u>(8,371)</u>
Change in net debt resulting from cash flows			<u>(486,156)</u>		<u>(161,178)</u>
<b>Movement in net debt in the period</b>			<b>(486,156)</b>		<b>(161,178)</b>
<b>Net debt at 1st April</b>			<u>(529,413)</u>		<u>(368,235)</u>
<b>Net debt at 31st March</b>			<b><u>£(1,015,569)</u></b>		<b><u>£(529,413)</u></b>

The notes form part of these financial statements

CHANCERY PARTNERSHIP LTD.

Notes to the Cash Flow Statement  
for the Year Ended 31st March 2004

1. RECONCILIATION OF OPERATING PROFIT TO NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES

	2004 £	2003 £
Operating profit	351,723	334,246
Depreciation charges	49,538	40,172
Profit on sale of fixed assets	(1,972)	-
Increase in stocks	(56,709)	(80,018)
Increase in debtors	(826,096)	(107,529)
Increase in creditors	<u>359,710</u>	<u>88,249</u>
<b>Net cash (outflow)/inflow from operating activities</b>	<u>(123,806)</u>	<u>275,120</u>

2. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

	2004 £	2003 £
<b>Returns on investments and servicing of finance</b>		
Interest paid	(62,150)	(38,296)
Interest element of hire purchase payments	<u>(342)</u>	<u>(967)</u>
Net cash outflow for returns on investments and servicing of finance	<u>(62,492)</u>	<u>(39,263)</u>
<b>Capital expenditure</b>		
Purchase of tangible fixed assets	(45,330)	(47,174)
Sale of tangible fixed assets	<u>4,599</u>	<u>-</u>
Net cash outflow for capital expenditure	<u>(40,731)</u>	<u>(47,174)</u>
<b>Financing</b>		
New loan taken out in year	355,000	-
Loan repayments in year	(26,722)	(21,082)
Hire purchase repayments	(4,904)	(2,454)
Amount introduced by directors	1,775	-
Amount withdrawn by directors	-	(38,732)
Issuing of ordinary share cap	<u>-</u>	<u>200</u>
Net cash inflow/(outflow) from financing	<u>325,149</u>	<u>(62,068)</u>

The notes form part of these financial statements

CHANCERY PARTNERSHIP LTD.

Notes to the Cash Flow Statement  
for the Year Ended 31st March 2004

3. ANALYSIS OF CHANGES IN NET DEBT

	At 1.4.03 £	Cash flow £	At 31.3.04 £
Net cash:			
Cash at bank and in hand	124	(82)	42
Bank overdraft	<u>(461,808)</u>	<u>(189,704)</u>	<u>(651,512)</u>
	<u>(461,684)</u>	<u>(189,786)</u>	<u>(651,470)</u>
Debt:			
Hire purchase	(4,904)	4,904	-
Debts falling due within one year	(48,594)	(174,407)	(223,001)
Debts falling due after one year	<u>(14,231)</u>	<u>(126,867)</u>	<u>(141,098)</u>
	<u>(67,729)</u>	<u>(296,370)</u>	<u>(364,099)</u>
Total	<u>(529,413)</u>	<u>(486,156)</u>	<u>(1,015,569)</u>
<b>Analysed in Balance Sheet</b>			
Cash at bank and in hand	124		42
Bank overdraft	(461,808)		(651,512)
Hire purchase			
within one year	(2,455)		-
after one year	(2,449)		-
Debts falling due within one year	(48,594)		(223,001)
Debts falling due after one year	<u>(14,231)</u>		<u>(141,098)</u>
	<u>(529,413)</u>		<u>(1,015,569)</u>

Notes to the Financial Statements  
for the Year Ended 31st March 2004

1. **ACCOUNTING POLICIES**

**Accounting convention**

The financial statements have been prepared under the historical cost convention.

**Turnover**

Turnover represents net invoiced fees for services rendered, excluding value added tax.

**Goodwill**

Goodwill, being the amount paid in connection with the acquisition of a business in 1999, is being written off evenly over its estimated useful life of twenty years.

**Tangible fixed assets**

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life or, if held under a finance lease, over the lease term, whichever is the shorter.

Office equipment	- 20% on cost
Improvements to property	- 15% on cost
Fixtures & fittings	- 15% on cost
Motor vehicles	- 25% on reducing balance
Computer equipment	- 33% on cost

**Stocks and work-in-progress**

Stocks and work-in-progress is valued at the lower of cost and net realisable value. Cost includes all direct expenditure and an appropriate proportion of fixed and variable overheads.

**Deferred tax**

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

**Hire purchase and leasing commitments**

Assets obtained under hire purchase contracts or finance leases are capitalised in the balance sheet. Those held under hire purchase contracts are depreciated over their estimated useful lives. Those held under finance leases are depreciated over their estimated useful lives or the lease term, whichever is the shorter.

The interest element of these obligations is charged to the profit and loss account over the relevant period. The capital element of the future payments is treated as a liability.

**Pensions**

The company operates a defined contribution pension scheme. Contributions payable for the year are charged in the profit and loss account.

2. **STAFF COSTS**

	2004	2003
	£	£
Wages and salaries	627,746	661,667
Social security costs	68,003	64,791
Other pension costs	<u>80,341</u>	<u>84,098</u>
	<u>776,090</u>	<u>810,556</u>

The average monthly number of employees during the year was as follows:

2004	2003
<u>29</u>	<u>29</u>

CHANCERY PARTNERSHIP LTD.

Notes to the Financial Statements  
for the Year Ended 31st March 2004

3. **OPERATING PROFIT**

The operating profit is stated after charging/(crediting):

	2004	2003
	£	£
Hire of plant and machinery	15,352	13,543
Depreciation - owned assets	47,296	36,516
Depreciation - assets on hire purchase contracts	1,617	3,031
Profit on disposal of fixed assets	(1,972)	-
Goodwill written off	625	625
Auditors' remuneration	<u>4,479</u>	<u>5,321</u>
Directors' emoluments	<u>227,640</u>	<u>305,905</u>

Information regarding the highest paid director is as follows:

	2004	2003
	£	£
Emoluments etc	<u>105,762</u>	<u>63,029</u>

4. **INTEREST PAYABLE AND SIMILAR CHARGES**

	2004	2003
	£	£
Bank interest	33,439	25,068
Bank loan interest	28,610	11,432
Interest on late tax	101	1,796
Hire purchase	<u>342</u>	<u>967</u>
	<u>62,492</u>	<u>39,263</u>

5. **TAXATION**

**Analysis of the tax charge**

The tax charge on the profit on ordinary activities for the year was as follows:

	2004	2003
	£	£
Current tax:		
UK corporation tax	58,000	56,000
Under provision in prior years	<u>4,210</u>	<u>1,597</u>
Total current tax	<u>62,210</u>	<u>57,597</u>
Tax on profit on ordinary activities	<u>62,210</u>	<u>57,597</u>

UK corporation tax has been charged at 19% (2003 - 19%).

No provision has been made for notional deferred taxation owing to the absence of material accelerated capital allowances.

CHANCERY PARTNERSHIP LTD.

Notes to the Financial Statements  
for the Year Ended 31st March 2004

6. **DIVIDENDS**

	2004	2003
	£	£
Equity shares: 270 Ordinary non voting shares of £1 each		
Interims	<u>225,696</u>	<u>221,825</u>
	<u>225,696</u>	<u>221,825</u>

7. **INTANGIBLE FIXED ASSETS**

	<u>Goodwill</u>
	£
<b>COST:</b>	
At 1st April 2003 and 31st March 2004	<u>12,500</u>
<b>AMORTISATION:</b>	
At 1st April 2003	3,125
Charge for year	<u>625</u>
At 31st March 2004	<u>3,750</u>
<b>NET BOOK VALUE:</b>	
At 31st March 2004	<u>8,750</u>
At 31st March 2003	<u>9,375</u>

8. **TANGIBLE FIXED ASSETS**

	<u>Office equipment</u>	<u>Improvements to property</u>	<u>Fixtures &amp; fittings</u>
	£	£	£
<b>COST:</b>			
At 1st April 2003	43,748	10,894	130,913
Additions	<u>982</u>	<u>-</u>	<u>33,715</u>
At 31st March 2004	<u>44,730</u>	<u>10,894</u>	<u>164,628</u>
<b>DEPRECIATION:</b>			
At 1st April 2003	16,578	720	47,065
Charge for year	<u>7,626</u>	<u>2,179</u>	<u>20,242</u>
At 31st March 2004	<u>24,204</u>	<u>2,899</u>	<u>67,307</u>
<b>NET BOOK VALUE:</b>			
At 31st March 2004	<u>20,526</u>	<u>7,995</u>	<u>97,321</u>
At 31st March 2003	<u>27,170</u>	<u>10,174</u>	<u>83,848</u>

CHANCERY PARTNERSHIP LTD.

Notes to the Financial Statements  
for the Year Ended 31st March 2004

8. **TANGIBLE FIXED ASSETS - continued**

	Motor vehicles	Computer equipment	Totals
	£	£	£
<b>COST:</b>			
At 1st April 2003	28,592	66,891	281,038
Additions	-	10,633	45,330
Disposals	<u>(13,264)</u>	-	<u>(13,264)</u>
At 31st March 2004	<u>15,328</u>	<u>77,524</u>	<u>313,104</u>
<b>DEPRECIATION:</b>			
At 1st April 2003	19,498	45,151	129,012
Charge for year	1,617	17,249	48,913
Eliminated on disposals	<u>(10,637)</u>	-	<u>(10,637)</u>
At 31st March 2004	<u>10,478</u>	<u>62,400</u>	<u>167,288</u>
<b>NET BOOK VALUE:</b>			
At 31st March 2004	<u>4,850</u>	<u>15,124</u>	<u>145,816</u>
At 31st March 2003	<u>9,094</u>	<u>21,740</u>	<u>152,026</u>

Fixed assets, included in the above, which are held under hire purchase contracts are as follows:

	Motor vehicles
	£
<b>COST:</b>	
At 1st April 2003	28,592
Disposals	<u>(13,264)</u>
At 31st March 2004	<u>15,328</u>
<b>DEPRECIATION:</b>	
At 1st April 2003	19,498
Charge for year	1,617
Eliminated on disposals	<u>(10,637)</u>
At 31st March 2004	<u>10,478</u>
<b>NET BOOK VALUE:</b>	
At 31st March 2004	<u>4,850</u>
At 31st March 2003	<u>9,094</u>

9. **STOCKS AND WORK-IN-PROGRESS**

	2004	2003
	£	£
Stocks and work-in-progress	<u>306,926</u>	<u>250,217</u>

CHANCERY PARTNERSHIP LTD.

Notes to the Financial Statements  
for the Year Ended 31st March 2004

10. **DEBTORS: AMOUNTS FALLING  
DUE WITHIN ONE YEAR**

	2004 £	2003 £
Trade debtors	192,186	159,654
Other debtors	1,090,293	213,212
Prepayments	39,531	112,903
Amounts due from Chancery UK LLP	2,975	-
Provision for bad debts	(14,647)	(1,527)
	<u>1,310,338</u>	<u>484,242</u>

11. **CREDITORS: AMOUNTS FALLING  
DUE WITHIN ONE YEAR**

	2004 £	2003 £
Bank loans and overdrafts (see note 13)	840,763	485,847
Loans from employees (see note 13)	32,550	-
Loans from directors (see note 13)	1,200	-
Hire purchase contracts (see note 14)	-	2,455
Trade creditors	306,291	31,833
Directors current account V.A.T.	9,616	7,841
Social security & other taxes	21,819	164,773
Amounts due to Chancery Independent Advisers Limited	19,198	13,714
Taxation	67,063	40,472
Accruals & sundry creditors	118,210	56,000
	<u>170,464</u>	<u>36,543</u>
	<u>1,587,174</u>	<u>839,478</u>

12. **CREDITORS: AMOUNTS FALLING  
DUE AFTER MORE THAN ONE YEAR**

	2004 £	2003 £
Bank loans (see note 13)	-	11,782
Loans from employees (see note 13)	83,348	-
Loans from directors (see note 13)	57,750	-
Hire purchase contracts (see note 14)	-	2,449
	<u>141,098</u>	<u>14,231</u>



CHANCERY PARTNERSHIP LTD.

Notes to the Financial Statements  
for the Year Ended 31st March 2004

13. **LOANS AND OVERDRAFTS**

An analysis of the maturity of loans and overdrafts is given below:

	2004 £	2003 £
Amounts falling due within one year or on demand:		
Bank overdrafts	651,512	461,808
Bank loans	189,251	24,039
Loans from employees	32,550	-
Loans from directors	<u>1,200</u>	<u>-</u>
	<u>874,513</u>	<u>485,847</u>
Amounts falling due between one and two years:		
Bank loans	-	11,782
Loans from employees	3,600	-
Loans from directors	<u>1,200</u>	<u>-</u>
	<u>4,800</u>	<u>11,782</u>
Amounts falling due between two and five years:		
Loans from employees	10,800	-
Loans from directors	<u>3,600</u>	<u>-</u>
	<u>14,400</u>	<u>-</u>
Amounts falling due in more than five years:		
Repayable by instalments		
Loans from employees	68,948	-
Loans from directors	<u>52,950</u>	<u>-</u>
	<u>121,898</u>	<u>-</u>

CHANCERY PARTNERSHIP LTD.

Notes to the Financial Statements  
for the Year Ended 31st March 2004

14. **OBLIGATIONS UNDER HIRE PURCHASE CONTRACTS**

	2004	2003
	£	£
Gross obligations repayable:		
Within one year	-	3,422
Between one and five years	-	<u>3,416</u>
	-	<u>6,838</u>
Finance charges repayable:		
Within one year	-	967
Between one and five years	-	<u>967</u>
	-	<u>1,934</u>
Net obligations repayable:		
Within one year	-	2,455
Between one and five years	-	<u>2,449</u>
	-	<u>4,904</u>

15. **SECURED DEBTS**

The following secured debts are included within creditors:

	2004	2003
	£	£
Bank overdrafts	651,512	461,808
Bank loan	<u>175,000</u>	-
	<u>826,512</u>	<u>461,808</u>

The bank overdraft is secured by a fixed and floating charge over the assets of the company dated 7 May 1998 and an all moneys joint and several guarantee dated 2 May 2003 from P Nichols and Mrs K Nichols for a principal amount of £650,000 plus interest and other costs as set out in the guarantee.

The bank loan is secured on a residential property owned by P Nichols and Mrs K Nichols.

CHANCERY PARTNERSHIP LTD.

Notes to the Financial Statements  
for the Year Ended 31st March 2004

16. **CALLED UP SHARE CAPITAL**

Authorised:		Nominal value:	2004	2003
Number:	Class:		£	£
10,000	Ordinary	£1	10,000	10,000
270	Ordinary non voting	£1	<u>270</u>	<u>270</u>
			<u>10,270</u>	<u>10,270</u>

Allotted, issued and fully paid:		Nominal value:	2004	2003
Number:	Class:		£	£
4,000	Ordinary	£1	4,000	4,000
270	Ordinary non voting	£1	<u>270</u>	<u>270</u>
			<u>4,270</u>	<u>4,270</u>

17. **RELATED PARTY DISCLOSURES**

The directors of Chancery Partnership Limited with the exception of Miss ES Heesom are also directors of Chancery Independent Advisers Limited. At the beginning of the year the company owed Chancery Independent Advisers Limited £40,472. During the year both companies have paid expenses and transferred funds on behalf of each other to aid their respective cash flows. In addition Chancery Independent Advisers Limited invoiced the company £50,000 in respect of management charges for the year. The overall effect of the transactions has led to an increase in the liability owed by £26,591 to £67,063 at 31 March 2004. No interest is due on this loan.

During the year Chancery (UK) LLP was formed and all the directors of the company became partners of this partnership. Start up costs amounting to £2,975 have been paid by the company on the partnership's behalf and this liability is outstanding at 31st March 2004.

18. **RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	2004	2003
	£	£
Profit for the financial year	227,021	237,386
Dividends	<u>(225,696)</u>	<u>(221,825)</u>
	1,325	15,561
Issue of ordinary non-voting shares	<u>-</u>	<u>200</u>
<b>Net addition to shareholders' funds</b>	1,325	15,761
Opening shareholders' funds	<u>42,275</u>	<u>26,514</u>
<b>Closing shareholders' funds</b>	<u>43,600</u>	<u>42,275</u>
Equity interests	<u>43,600</u>	<u>42,275</u>