

Registered number
3709012

Cheval Finance Limited

Report and Accounts

30 June 2002

Submitted to companies house 28/1/03



Cheval Finance Limited
Report and accounts
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Cheval Finance Limited
Company Information

Directors

N C Epstein
B S Hersch
J H Margolis
A H Kay
A S Margolis
G Key (appointed 22.11.01)
S Cohen (appointed 24.9.01)

Secretary

N C Epstein

Auditors

Anthony Cowen
1st Floor, Stanmore House
15/19 Church Road
Stanmore
Middlesex HA7 4AR

Bankers

Bank Leumi (UK) Plc
20 Stratford Place
London W1N 9AF

Registered office

2nd Floor, Stanmore House
15/19 Church Road
Stanmore
Middlesex HA7 4AR

Registered number

3709012

Cheval Finance Limited

Directors' Report

The directors present their report and accounts for the year ended 30 June 2002.

Principal activities and review of the business

The company's principal activity during the year was the granting of short-term loans secured by legal charges held over land and buildings.

In the year to 30 June 2002, the directors successfully negotiated with the company's bankers to increase the funding facility from £2.5M to £4M. This has enabled the significant growth in the company's loan book.

Results and dividends

The profit for the year, after taxation, amounted to £233,832. A dividend of £280,000 was paid and the directors do not recommend that any further dividends be paid.

Future developments

The directors aim to maintain the management policies currently in place. The directors are confident that the growth of the business can continue next year, albeit at a slower pace. There is some concern about the current rate of increase in property values and this is being monitored regularly.

Payment of creditors

It is the company's policy to settle its invoices within 30 days of receipt. At 30 June 2002 there were no trade creditors as defined by the Companies Act and therefore no calculation of the creditor payment period is necessary.

Directors

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

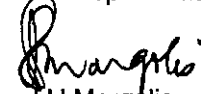
	£1 Ordinary shares	
	2002	2001
N C Epstein	-	-
B S Hersch	-	-
J H Margolis	-	-
A H Kay	-	-
A S Margolis	-	-
G Key (appointed 22.11.01)	-	-
S Cohen (appointed 24.9.01)	-	-

The directors' interests in the shares of the parent company are shown in those accounts.

Auditors

A resolution to reappoint Anthony Cowen as auditors will be put to the member at the Annual General Meeting.

This report was approved by the board on 7 January 2003.


J H Margolis
Director

Cheval Finance Limited
Statement of Directors' Responsibilities

Company law requires the directors to prepare accounts 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 accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- follow applicable accounting standards, subject to any material departures disclosed and explained in the accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for maintaining 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 accounts 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.

Cheval Finance Limited
Auditors' Report

Independent auditors' report
to the shareholder of Cheval Finance Limited

We have audited the accounts of Cheval Finance Limited for the year ended 30 June 2002 which comprise pages 5 to 11. These accounts have been prepared under the historical cost convention and the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the accounts in accordance with applicable law and United Kingdom Accounting Standards.

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

We report to you our opinion as to whether the accounts 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 accounts, 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.

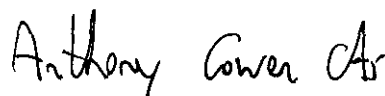
Basis of audit opinion

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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

Opinion

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



Anthony Cowen
Chartered Accountants and Registered Auditors

1st Floor, Stanmore House
15/19 Church Road
Stanmore
Middlesex HA7 4AR

7 January 2003

Cheval Finance Limited
Profit and Loss Account
for the year ended 30 June 2002

	Notes	2002 £	2001 £
Turnover	2	1,423,916	361,754
Cost of sales	2	(686,497)	(166,745)
Gross profit		<u>737,419</u>	<u>195,009</u>
Administrative expenses		(403,372)	(124,936)
Operating profit	3	<u>334,047</u>	<u>70,073</u>
Profit on ordinary activities before taxation		<u>334,047</u>	<u>70,073</u>
Tax on profit on ordinary activities	4	(100,215)	(21,000)
Profit for the financial year		<u>233,832</u>	<u>49,073</u>
Dividends:			
ordinary dividend on equity shares	5	(280,000)	-
Retained (loss)/profit for the financial year	9	<u>(46,168)</u>	<u>49,073</u>

Continuing operations

None of the company's activities were acquired or discontinued during the above two financial years.

Statement of total recognised gains and losses

The company has no recognised gains or losses other than the profit for the above two financial years.

Cheval Finance Limited
Balance Sheet
as at 30 June 2002

	Notes	2002 £	2001 £
Current assets			
Debtors	6	6,660,811	3,372,992
Cash at bank and in hand		<u>775,782</u>	<u>7,794</u>
		7,436,593	3,380,786
 Creditors: amounts falling due within one year	 7	 <u>(7,429,576)</u>	 <u>(3,327,601)</u>
 Net current assets		 7,017	 53,185
		<u>7,017</u>	<u>53,185</u>
 Capital and reserves			
Called up share capital	8	100	100
Profit and loss account	9	6,917	53,085
 Shareholder's funds:			
Equity		<u>7,017</u>	<u>53,185</u>
	10	<u>7,017</u>	<u>53,185</u>



B S Hersch
Director

Approved by the board on 7 January 2003

Cheval Finance Limited
Cash Flow Statement
for the year ended 30 June 2002

	Notes	2002	2001
		£	£
Reconciliation of operating profit to net cash inflow from operating activities			
Operating profit		334,047	70,073
Increase in debtors		(3,287,819)	(2,489,750)
Increase in creditors		2,989,788	1,393,775
Net cash inflow/(outflow) from operating activities		<u>36,016</u>	<u>(1,025,902)</u>
CASH FLOW STATEMENT			
Net cash inflow/(outflow) from operating activities		36,016	(1,025,902)
Taxation		(74,716)	(4,891)
		<u>(38,700)</u>	<u>(1,030,793)</u>
Equity dividends paid	11	<u>(280,000)</u>	<u>-</u>
		(318,700)	(1,030,793)
Decrease in cash		<u>(318,700)</u>	<u>(1,030,793)</u>
Reconciliation of net cash flow to movement in net debt			
Decrease in cash in the period		(318,700)	(1,030,793)
Change in net debt	12	<u>(318,700)</u>	<u>(1,030,793)</u>
Net debt at 1 July		<u>(1,442,332)</u>	<u>(411,539)</u>
Net debt at 30 June		<u>(1,761,032)</u>	<u>(1,442,332)</u>

Cheval Finance Limited
Notes to the Accounts
for the year ended 30 June 2002

1 Accounting policies

Accounting convention

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

2 Turnover / Cost of sales

Turnover represents interest received and receivable after making due allowance for irrecoverable interest. Turnover is attributable to the one continuing activity described in the directors' report and is 100% receivable in the United Kingdom.

Cost of sales represents interest paid and payable on funder's loans and bank overdrafts together with direct costs of recovery. Interest paid on bank overdrafts amounted to £136,414 (2001: £52,993)

3 Operating profit	2002 £	2001 £
This is stated after charging:		
Auditors' remuneration	<u>3,900</u>	<u>2,350</u>

4 Taxation	2002 £	2001 £
UK corporation tax at 30%	<u>100,215</u>	<u>21,000</u>

5 Equity dividends	2002 £	2001 £
Equity dividends on ordinary shares - interim paid	<u>280,000</u>	<u>-</u>

Cheval Finance Limited
Notes to the Accounts
for the year ended 30 June 2002

6 Debtors	2002 £	2001 £
Due from borrowers	6,594,210	3,090,618
Due from related companies	-	260,441
Prepayments and accrued income	66,601	21,933
	<u>6,660,811</u>	<u>3,372,992</u>

The amount due from borrowers is secured by legal charges held over land and buildings.

7 Creditors: amounts falling due within one year	2002 £	2001 £
Bank loans and overdrafts	2,536,814	1,450,126
Due to related companies	4,414,438	1,743,438
Corporation tax	43,434	17,935
Accruals	434,890	116,102
	<u>7,429,576</u>	<u>3,327,601</u>

The bank overdraft is secured by a debenture held over the assets of the company. It is repayable on demand and interest is charged at 2% above bank base rate. The overdraft is guaranteed by the parent company and partly guaranteed by directors, N C Epstein and J H Margolis.

8 Share capital	2002 £	2001 £
Authorised:		
Ordinary shares of £1 each	<u>50,000</u>	<u>50,000</u>

	2002 No	2001 No	2002 £	2001 £
Allotted, called up and fully paid:				
Ordinary shares of £1 each	100	100	<u>100</u>	<u>100</u>

Cheval Finance Limited
Notes to the Accounts
for the year ended 30 June 2002

9 Profit and loss account	2002	2001
	£	£
At 1 July	53,085	4,012
Retained (loss)/profit	(46,168)	49,073
At 30 June	<u>6,917</u>	<u>53,085</u>

10 Reconciliation of movement in shareholder's funds	2002	2001
	£	£
At 1 July	53,185	4,112
Profit for the financial year	233,832	49,073
Dividends	(280,000)	-
At 30 June	<u>7,017</u>	<u>53,185</u>

11 Gross cash flows	2002	2001
	£	£
Equity dividends paid	<u>280,000</u>	<u>-</u>

12 Analysis of changes in net debt	At 1 Jul 2001 £	Cash flows £	Non-cash changes £	At 30 Jun 2002 £
Cash at bank and in hand	7,794	767,988		775,782
Overdrafts	(1,450,126)	(1,086,688)		(2,536,814)
		<u>(318,700)</u>		
Total	<u>(1,442,332)</u>	<u>(318,700)</u>	<u>-</u>	<u>(1,761,032)</u>

Cheval Finance Limited
Notes to the Accounts
for the year ended 30 June 2002

13 Related parties / staff costs

The company does not directly employ staff. Staff costs, including the directors salaries, are paid by the parent company and this information is disclosed in their accounts. The parent company has allocated an administration charge of £251,000 (2001: £100,000) for the provision of staff and other office overheads during the year. Similarly, CPF Property Finance plc, a related company, has rendered a management charge, calculated on the same basis, of £110,000 (2001: £nil).

Funding from the ultimate parent company is subject to interest payable at the rate of 15% per annum. Interest of £530,063 (2001: £113,752) has been provided in these accounts and will be paid within 12 months of the year end.

14 Controlling party / ultimate parent company

The company's parent company is Cheval Property Finance plc, (company no: 3131133) which is registered in the United Kingdom. The ultimate controlling parent company is Cheval Investment and Finance Limited which is incorporated in the British Virgin Islands.

The ultimate controlling party is Mr Mark Sieff.

15 Post balance sheet events / loan assignments

At the year end, loans to borrowers of £nil (2001: £1,100,600) were in the process of being assigned to the company from Cheval Property Finance plc. This represents a change in the accounting treatment, whereby income is now recognised in the accounts of Cheval Finance Limited from the date the loan was assigned by Cheval Property Finance plc as opposed to being recognised from the date the funds were advanced by the bank.