Company Registration Number 3709012

CRO COPY

ChantreyVellacott DFK LLP

Cheval Finance Limited

Financial statements

30 June 2010

Cheval Finance Limited

Financial statements

Year ended 30 June 2010

Contents	**Pages**

Cheval Finance Limited

Officers and professional advisers

The board of directors	C Halpern A Kay
Company secretary	G R Diamond
Registered office	Meridien House Clarendon Road Watford Hertfordshire WD17 1DS
Auditor	Chantrey Vellacott DFK LLP Chartered Accountants Statutory Auditor 1st Floor 73-75 High street Stevenage Hertfordshire SG1 3HR

The directors have pleasure in presenting their report and the audited financial statements of the company for the year ended 30 June 2010

Principal activities and business review

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

During the year to 30 June 2010, the company was authorised with the Financial Services Authority, with regard to regulated mortgage business On 5 August 2009 the company submitted a request to cancel this authorisation as the company no longer had sufficient capital to meet its regulatory requirements and was unlikely to be able to meet these requirements in the foreseeable future The cancellation will only take effect once all pre-existing regulated loans in the loan book have redeemed in the ordinary course of business In the interim, the company has undertaken not to grant any new regulated loans

The results of the company for the year show a profit on ordinary activities after tax of £365,749 (2009 loss - £201,890) Turnover fell to £647,409 from £1,519,050 in 2009 The fall in turnover was the result of a reduction in the average loan book during the year Administrative expenses are shown net of bad debts recovered and successful professional indemnity claims totalling £422,076 This largely accounts for the profit on ordinary activities for the year

The company does not currently have a funding line available to it and is therefore not undertaking any new lending, other than loans transferred in from other Group companies The company is focusing on the collection of its loan book This is likely to be the case for the foreseeable future

Bad debts

It is Group policy to provide for those loans where management is of the opinion that there has been a permanent impairment in the value of the security such that the probability of loss to the Group is likely in the short term As a result of constant proactive management of the loan book by our Credit Control team, management are kept up to date on a weekly basis with the performance of the loan book and progress with recoverability of loans when appropriate As a result, the estimated recoverable value of the security held against a particular loan is under constant scrutiny and any necessary provisions are made promptly and prudently in accordance with the policy above

The specific bad debt provision has increased to £1,442,108 from £1,381,919 in 2009 This is largely the result of diminutions in the value of the security properties of certain non-performing loans written during 2007 and early 2008, and includes the interest income charged on those loans that is unlikely to be recovered A portion of the provision can be attributed to negligent valuations undertaken by third party surveyors The Company has put the insurers of these surveyors on notice of possible claims and will commence legal proceedings where appropriate The benefit to the Company of any such claims has not been shown in the accounts unless the amount had been received in the year, and post year end amounts totalling £23,325 have been received in relation to these claims

Going concern

The Balance Sheet of the company showed a net positive equity position of £23,564 as at 30 June 2010

On 2 February 2011 the entire share capital of the company was sold to Checked Limited As a result of the sale, the loan due to the previous parent company, Cheval Property Finance Plc, was settled in full by the issue of further shares to Checked Limited

As the company has the full support of the ultimate controlling party, the director believes that the company has adequate resources and is well placed to manage its business risks successfully Therefore the director feels it is appropriate to continue to adopt the going concern basis of accounting in preparing the financial statements

Strategy and future outlook

The company has not provided any new loans since February 2009, other than loans transferred in from other Group companies As the company does not currently have a funding facility in place, the company is focusing all its efforts on the collection of its back book It has no intentions of doing any new lending in the foreseeable future

Policy and practice on payment of creditors

The company's current policy concerning the payment of trade creditors is to

- settle the terms of payment with suppliers when agreeing the terms of each transaction,
- ensure that suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts, and
- pay in accordance with the company's contractual and other legal obligations

In the opinion of the directors it is not appropriate to disclose the number of creditor days for 2010, as during the year the majority of expenditure was incurred by the parent company, Cheval Property Finance Plc, and then re-charged to the company, as disclosed in note 15 of the financial statements

Results and dividends

The results for the year ended 30 June 2010 are shown in the profit and loss account on page 8 No dividends have been declared

Directors

The directors who served the company during the year were as follows

C Halpern
A Kay
A S Margolis

A S Margolis retired as a director on 26 February 2010
C Halpern retired as a director on 2 February 2011

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 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 UK 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 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

Insofar as the directors are aware

- there is no relevant audit information of which the company's auditor is unaware, and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information

Donations

During the year the company made the following contributions

	2010	2009
	£	£
Charitable	6	381

Auditor

Chantrey Vellacott DFK LLP are deemed to be re-appointed under section 487(2) of the Companies Act 2006

Signed by order of the directors

G R Diamond
Company Secretary

Approved by the director on 31 March 2011

We have audited the financial statements of Cheval Finance Limited for the year ended 30 June 2010 which comprise the profit and loss account, balance sheet, cash flow statement and the related notes 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 shareholder, 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 shareholder 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 shareholder 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 directors' responsibilities statement set out on page 4, 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 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 directors, and the overall presentation of the financial statements

Opinion on 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 2010 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 matters 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

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

Chantrey Vellacott DFK LLP

MARK STEVENS (Senior Statutory Auditor)
for and on behalf of CHANTREY VELLACOTT DFK LLP
Chartered Accountants and Statutory Auditor
Stevenage

31 March 2011

Cheval Finance Limited

Profit and loss account

Year ended 30 June 2010

	Note	2010 £	2009 £
Turnover	**2**	**647,409**	1,519,050
Cost of sales		–	518,847
Gross profit		**647,409**	1,000,203
Administrative expenses		**281,660**	1,237,477
Operating profit/(loss)	**3**	**365,749**	(237,274)
Attributable to			
Operating profit before exceptional items		**479,912**	498,334
Exceptional items	**3**	**(114,163)**	(735,608)
		365,749	(237,274)
Interest receivable		–	12,097
Profit/(loss) on ordinary activities before taxation		**365,749**	(225,177)
Tax on profit/(loss) on ordinary activities	**6**	–	(23,287)
Profit/(loss) for the financial year		**365,749**	(201,890)

All of the activities of the company are classed as continuing

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

The notes on pages 11 to 17 form part of these financial statements.

Cheval Finance Limited

Balance sheet

As at 30 June 2010

	Note	2010 £	2009 £
Current assets			
Debtors	7	1,781,282	2,592,540
Cash at bank		–	1,894
		1,781,282	2,594,434
Creditors amounts falling due within one year	8	1,757,718	2,936,619
Net current assets/(liabilities)		23,564	(342,185)
Total assets less current liabilities		23,564	(342,185)
Capital and reserves			
Called up equity share capital	10	100	100
Profit and loss account	11	23,464	(342,285)
Shareholder's funds/(deficit)	12	23,564	(342,185)

These financial statements were approved and signed by the director and authorised for issue on 31 March 2011

A Kay
Director

Company Registration Number 3709012

The notes on pages 11 to 17 form part of these financial statements.

Cheval Finance Limited

Cash flow statement

Year ended 30 June 2010

	Note	2010 £	2009 £
Net cash outflow from operating activities	**13(a)**	**(1,894)**	(208,589)
Returns on investments and servicing of finance			
Interest received		**-**	12,097
Net cash inflow from returns on investments and servicing of finance		**-**	12,097
Taxation		**-**	190,097
Decrease in cash	**13(c)**	**(1,894)**	(6,395)

ChantreyVellacott DFK LLP

The notes on pages 11 to 17 form part of these financial statements.

1 Accounting policies

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

Going concern
The Balance Sheet of the company showed a net positive equity position of £23,564 as at 30 June 2010 and profit after tax of £365,749 , which is as a result of a successful professional indemnity claim and bad debts recovered, totaling £422,076 Given the continuing uncertainty of property valuations and the recoverability of amounts due from borrowers the director believes that it is prudent to obtain financial support

Volkomen Financiering BV, a company incorporated in the Netherlands and the ultimate controlling party, has given an undertaking that it will provide any additional finance necessary to enable the company to meet its liabilities as they fall due for a period of at least twelve months from the date of approval of these financial statements, although formal budgets, cash flow forecasts and management accounts have not been prepared for this period As a result, the director believes that the company has adequate resources and is well placed to manage its business risks successfully Therefore the director feels it is appropriate to continue to adopt the going concern basis of accounting in preparing the financial statements

Turnover and cost of sales
Turnover represents interest received and receivable from loans advanced and other fees associated with loans advanced

Cost of sales represents interest paid and payable on funders' loans together with direct costs

Operating lease agreements
Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease

Deferred taxation
Deferred tax is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes

Foreign currencies
Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction Exchange differences are taken into account in arriving at the operating profit

Financial instruments
Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as either 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

2 Turnover

The turnover and profit before tax are attributable to the one principal activity of the company

An analysis of turnover is given below

	2010 £	2009 £
United Kingdom	**647,409**	1,519,050

3. Operating profit/(loss)

Operating profit/(loss) is stated after charging

	2010 £	2009 £
Operating lease costs		
- Plant and equipment	–	661
- Property	**7,640**	16,888
Net loss on foreign currency translation	–	15
Auditor's remuneration	**8,644**	7,376
Specific bad debt provision	**114,163**	735,608

Details of the specific bad debt provision is disclosed in note 7

	2010 £	2009 £
Auditor's remuneration - audit of the financial statements	**8,644**	7,376

4 Particulars of employees

The average number of staff, including executive directors, employed by the company during the financial year can be analysed as follows

	2010 No	2009 No
Number of management staff	**3**	5

The aggregate payroll costs of the above were

	2010 £	2009 £
Wages and salaries	**52,740**	241,850
Social security costs	**1,211**	25,855
Other pension costs	**1,365**	33,604
	55,316	301,309

Staff costs relate to amounts that have been re-charged by the parent company, Cheval Property Finance Plc Employee contracts are with the parent company, and hence staff numbers only include the directors

5 Directors' remuneration

The directors' aggregate remuneration in respect of qualifying services were

	2010 £	2009 £
Remuneration receivable	**20,255**	116,023

6 Taxation on ordinary activities

(a) Analysis of charge in the year

	2010 £	2009 £
Current tax		
UK Corporation tax based on the results for the year at 28% (2009 - 28%)	-	(23,287)
Total current tax	-	(23,287)

6 Taxation on ordinary activities *(continued)*

(b) Factors affecting current tax charge

The tax assessed on the profit/(loss) on ordinary activities for the year is at a lower rate than the standard rate of corporation tax in the UK of 28% (2009 - 28%)

	2010 £	2009 £
Profit/(loss) on ordinary activities before taxation	**365,749**	(225,177)
Profit/(loss) on ordinary activities multiplied by rate of tax	**102,410**	(63,050)
Expenses not deductible for tax purposes	**34**	347
Utilisation of tax losses	**(102,444)**	7,322
Unrelieved tax losses	-	100,067
Adjustments to tax charge in respect of previous periods	-	(21,734)
General bad debt provision multiplied by rate of tax	-	(44,686)
Effect of change in rate on losses carried back to prior year	-	(1,553)
Total current tax (note 6(a))	-	(23,287)

7. Debtors

	2010 £	2009 £
Due from borrowers	**1,731,811**	2,530,532
Corporation tax repayable	**23,287**	23,287
Prepayments and accrued income	**26,184**	38,721
	1,781,282	2,592,540

Debtors are shown net of bad debt provisions of £1,442,108 (2009 - £1,381,919) The movement in these provisions of £60,189, together with the bad debts written off of £53,974 in the year, have been treated as an exceptional item within administrative expenses as disclosed in note 3 and on the face of the profit and loss account

The amounts due from borrowers are secured by legal charges held over land and buildings Loans provided to the borrowers are secured on the properties, regarding which the group and company had received professional valuations Where the directors believe that the expected losses are as a result of negligent professional valuations received, the directors have either already commenced legal claims against the valuers or will commence such claims against the valuers at the appropriate time Post year end amounts totalling £23,325 were received in relation to these claims

8 Creditors amounts falling due within one year

	2010 £	2009 £
Amounts owed to group undertakings	**1,734,187**	2,647,314
Other creditors	**–**	217,820
Accruals and deferred income	**23,531**	71,485
	1,757,718	2,936,619

The amounts owed to group undertakings was settled after the year end as disclosed in note 14

9 Related party transactions

The company has taken advantage of the exemptions conferred by Financial Reporting Standard No 8, exemption (c), from the requirement to make disclosures concerning related parties

10 Share capital

Allotted, called up and fully paid

	2010 No	£	2009 No	£
100 Ordinary shares of £1 each	**100**	**100**	100	100

11 Profit and loss account

	2010 £	2009 £
Balance brought forward	**(342,285)**	(140,395)
Profit/(loss) for the financial year	**365,749**	(201,890)
Balance carried forward	**23,464**	(342,285)

12. Reconciliation of movements in shareholder's funds

	2010 £	2009 £
Profit/(loss) for the financial year	**365,749**	(201,890)
Opening shareholder's deficit	**(342,185)**	(140,295)
Closing shareholder's funds/(deficit)	**23,564**	(342,185)

13 Notes to the cash flow statement

(a) Reconciliation of operating profit/(loss) to net cash inflow/(outflow) from operating activities

	2010 £	2009 £
Operating profit/(loss)	**365,749**	(237,274)
Decrease in debtors	**811,258**	7,935,001
Decrease in creditors	**(961,081)**	(1,800,398)
Net cash inflow from operating activities before financing	**215,926**	5,897,329
Financing		
Repayment of bank loans	**-**	(6,125,292)
Net (outflow) from/inflow from other short-term creditors	**(217,820)**	19,374
Net cash outflow from financing	**(217,820)**	(6,105,918)
Net cash outflow from operating activities	**(1,894)**	(208,589)

(b) Reconciliation of net cash flow to movement in net debt

	2010 £	2009 £
Decrease in cash in the period	**(1,894)**	(6,395)
Net cash outflow from bank loans	**-**	6,125,292
Net outflow from/(inflow) from other short-term creditors	**217,820**	(19,374)
	215,926	6,099,523
Change in net funds	**215,926**	6,099,523
Net funds at 1 July 2009	**(215,926)**	(6,315,449)
Net funds at 30 June 2010	**-**	(215,926)

13 Notes to the cash flow statement(continued)

(c) Analysis of changes in net debt

	At 1 Jul 2009 £	Cash flows £	At 30 Jun 2010 £
Net cash			
Cash in hand and at bank	1,894	(1,894)	–
Debt			
Debt due within 1 year	(217,820)	217,820	–
Net debt	(215,926)	215,926	–

14 Post balance sheet events

Loans to borrowers with a value of £593,750 were acquired on 1 July 2010 at book value from Cheval Bridging Finance Limited, a fellow subsidiary company The properties to which the loans relate were subsequently sold outside the group for £348,128 resulting in a loss of £245,622 being incurred in the company

On 2 February 2011 Cheval Property Finance Plc sold the entire share capital of the company to Checked Limited On the same day 2,050,890 £1 ordinary shares were issued in order to settle the debt owing to Cheval Property Finance Plc as at that date The amount of £1,734,187, as disclosed in note 8, was included in this settlement

15 Ultimate parent company

Throughout the year the parent company was Cheval Property Finance Plc, which is registered in the United Kingdom On 31 January 2011 the parent company was placed into administration by the directors, and subsequently on the 2 February 2011, the entire share capital of Cheval Finance Limited was sold to Checked Limited, a company which is registered in the United Kingdom

The ultimate parent company to 1 February 2011, was Ambition Capital Limited, which is incorporated in Guernsey

The controlling party during the year under review was Volkomen Financiering BV which held the right to appoint the majority of the board of directors of Cheval Property Finance Plc and therefore controlled the day to day running of the company Volkomen Financiering BV continue to be the ultimate controlling party, as they are the parent company of Checked Limited

The director believes it is appropriate for the parent company to reallocate expenses to its subsidiary undertakings, as all administrative expenses are processed through Cheval Property Finance Plc The method of calculation is based on the amounts due from borrowers, and is pro-rated accordingly These expenses are included within administrative expenses