

Registered number
3709012

Cheval Finance Limited

Report and Accounts

30 June 2000



Submitted to Companies House 21/11/00

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

Secretary

N C Epstein

Auditors

Anthony Cowen
2nd 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 period ended 30 June 2000.

Principal activities and review of the business

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

The directors are satisfied with the results for the year.

Results and dividends

The profit for the year, after taxation, amounted to £4,012. The directors do not recommend that a final ordinary dividend be paid.

Future developments

The directors aim to maintain the management policies currently in place. They consider that the next year will show a growth in the business.

Payment of creditors

It is the company's policy to settle its invoices within 30 days of receipt. At 30 June 2000 there were no trade creditors as defined by the Companies Act and therefore no calculation of the creditor payment period is necessary.

Year 2000

The directors are satisfied that all the company's computer systems are year 2000 compliant.

Directors

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

| | £1 Ordinary shares | |
|--------------|--------------------|------|
| | 2000 | 1999 |
| N C Epstein | - | - |
| B S Hersch | - | - |
| J H Margolis | - | - |

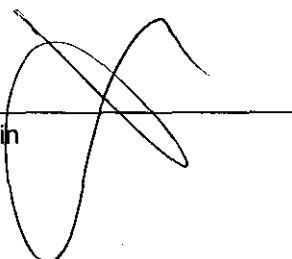
The directors' interests in the shares of the parent company are shown in those accounts.

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 21 November 2000.

N C Epstein
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

Report of the auditors
to the shareholder of Cheval Finance Limited

We have audited the accounts on pages 5 to 11 which have been prepared under the historical cost convention and the accounting policies set out on page 8.

Respective responsibilities of directors and auditors

As described on page 3, the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

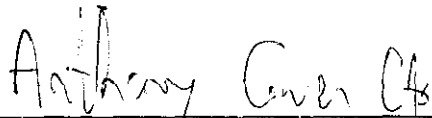
Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the 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 2000 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



Anthony Cower
Chartered Accountants and Registered Auditors

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

21 November 2000

Cheval Finance Limited
Profit and Loss Account
for the period from 5 February 1999 to 30 June 2000

| | Notes | 2000 £ |
|--|--------------|-------------------|
| Turnover | 2 | 59,743 |
| Cost of sales | 2 | (26,879) |
| Gross profit | | <u>32,864</u> |
| Administrative expenses | | (27,026) |
| Operating profit | 3 | <u>5,838</u> |
| Profit on ordinary activities before taxation | | <u>5,838</u> |
| Tax on profit on ordinary activities | 4 | (1,826) |
| Profit for the period | | <u>4,012</u> |
| Retained profit for the period | 8 | <u>4,012</u> |

Continuing operations

None of the company's activities were acquired or discontinued during the above period.

Statement of total recognised gains and losses

The company has no recognised gains or losses other than the profit for the above period.

Cheval Finance Limited
Balance Sheet
as at 30 June 2000

| | Notes | 2000 £ |
|---|-------|----------------------|
| Current assets | | |
| Debtors | 5 | 883,242 |
| Cash at bank and in hand | | <u>5,461</u> |
| | | 888,703 |
| Creditors: amounts falling due within one year | 6 | <u>(884,591)</u> |
| Net current assets | | 4,112 |
| | | <u>4,112</u> |
| Capital and reserves | | |
| Called up share capital | 7 | 100 |
| Profit and loss account | 8 | 4,012 |
| Shareholder's funds: | | |
| Equity | | <u>4,112</u> |
| | 9 | <u>4,112</u> |



B S Hersch
 Director

Approved by the board on 21 November 2000

Cheval Finance Limited
Cash Flow Statement
for the period from 5 February 1999 to 30 June 2000

| | Notes | 2000 £ |
|--|-------|------------------|
| Reconciliation of operating profit to net cash inflow from operating activities | | |
| Operating profit | | 5,838 |
| Increase in debtors | | (883,242) |
| Increase in creditors | | 465,765 |
| Net cash outflow from operating activities | | <u>(411,639)</u> |

CASH FLOW STATEMENT

| | |
|---|-----------|
| Net cash outflow from operating activities | (411,639) |
|---|-----------|

| | | |
|-------------------------|----|------------------|
| Financing | 10 | 100 |
| Decrease in cash | | <u>(411,539)</u> |

Reconciliation of net cash flow to movement in net debt

| | | |
|---------------------------------------|----|------------------|
| Decrease in cash in the period | | (411,539) |
| Change in net debt | 11 | <u>(411,539)</u> |
| Net funds at 5 February | | <u>-</u> |
| Net debt at 30 June | | <u>(411,539)</u> |

Cheval Finance Limited
Notes to the Accounts
for the period from 5 February 1999 to 30 June 2000

1 Accounting policies

Accounting convention

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

Deferred taxation

Deferred taxation is provided on the liability method on all timing differences which are expected in the foreseeable future, calculated at the rate at which it is estimated that the tax will be payable.

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 £9,270.

3 Operating profit

2000
£

This is stated after charging:

Auditors' remuneration

1,410

4 Taxation

2000
£

UK corporation tax at 30%

1,826

Cheval Finance Limited
Notes to the Accounts
for the period from 5 February 1999 to 30 June 2000

| | |
|--------------------------|----------------|
| 5 Debtors | 2000 |
| | £ |
| Due from borrowers | 843,842 |
| Due from related company | 39,400 |
| | <u>883,242</u> |

The amount due from borrowers is secured by legal charges held over land and buildings. The company granted the right of assignment of 50.2% of these charges to its loan funders included in other creditors below.

| | |
|---|----------------|
| 6 Creditors: amounts falling due within one year | 2000 |
| | £ |
| Bank loans and overdrafts | 417,000 |
| Due to related company | 25,704 |
| Corporation tax | 1,826 |
| Other creditors | 436,952 |
| Accruals | 3,109 |
| | <u>884,591</u> |

Other creditors are secured by loan assignments. (see note 5 above).

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.

Cheval Finance Limited
Notes to the Accounts
for the period from 5 February 1999 to 30 June 2000

| | |
|----------------------------|---------------|
| 7 Share capital | 2000 |
| | £ |
| Authorised: | |
| Ordinary shares of £1 each | <u>50,000</u> |

| | | |
|-------------------------------------|-------------|-------------|
| | 2000 | 2000 |
| | No | £ |
| Allotted, called up and fully paid: | | |
| Ordinary shares of £1 each | 100 | <u>100</u> |

| | |
|----------------------------------|-------------|
| Movement in share capital | 2000 |
| | £ |
| Shares issued | 100 |
| At 30 June | <u>100</u> |

| | |
|----------------------------------|--------------|
| 8 Profit and loss account | 2000 |
| | £ |
| Retained profit | 4,012 |
| At 30 June | <u>4,012</u> |

| | |
|--|--------------|
| 9 Reconciliation of movement in shareholder's funds | 2000 |
| | £ |
| Profit for the financial period | 4,012 |
| Shares issued | 100 |
| At 30 June | <u>4,112</u> |

Cheval Finance Limited
Notes to the Accounts
for the period from 5 February 1999 to 30 June 2000

| | |
|----------------------------|-------------|
| 10 Gross cash flows | 2000 |
| | £ |
| Financing | |
| Issue of share capital | <u>100</u> |

11 Analysis of changes in net debt

| | At 5 Feb 1999 | Cash flows | Non-cash changes | At 30 Jun 2000 |
|--------------------------|--------------------------|-------------------|-----------------------------|---------------------------|
| | £ | £ | £ | £ |
| Cash at bank and in hand | - | 5,461 | | 5,461 |
| Overdrafts | - | (417,000) | | (417,000) |
| | | (411,539) | | |
| Total | <u>-</u> | <u>(411,539)</u> | <u>-</u> | <u>(411,539)</u> |

12 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 charged an administration charge of £8,750 for the provision of staff during the period.

Interest of £1,729 has been provided in these accounts for the parent company funding.

13 Controlling party / ultimate parent company

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

The ultimate controlling party is Mr Mark Sieff.