

Registered number
3709012

Cheval Finance Limited

Report and Accounts

30 June 2001

Anthony
Cowen
Chartered Accountants



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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

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Cheval Finance Limited

Directors' Report

The directors present their report and accounts for the year ended 30 June 2001.

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.

The directors are satisfied with the results for the year.

Results and dividends

The profit for the year, after taxation, amounted to £49,073. 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. Further banking facilities have been extended to the company, and the directors consider that the business will continue to grow in the next year.

Payment of creditors

It is the company's policy to settle its invoices within 30 days of receipt. At 30 June 2001 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	
	2001	2000
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 2002.


A S 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

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 2001 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 2002

Cheval Finance Limited
Profit and Loss Account
for the year ended 30 June 2001

	Notes	2001 £	2000 £
Turnover	2	361,754	59,743
Cost of sales	2	(166,745)	(26,879)
Gross profit		<u>195,009</u>	<u>32,864</u>
Administrative expenses		(124,936)	(27,026)
Operating profit	3	<u>70,073</u>	<u>5,838</u>
Profit on ordinary activities before taxation		<u>70,073</u>	<u>5,838</u>
Tax on profit on ordinary activities	4	(21,000)	(1,826)
Profit for the financial year		<u>49,073</u>	<u>4,012</u>
Retained profit for the financial year	8	<u>49,073</u>	<u>4,012</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 2001

	Notes	2001 £	2000 £
Current assets			
Debtors	5	3,372,992	883,242
Cash at bank and in hand		<u>7,794</u>	<u>5,461</u>
		3,380,786	888,703
Creditors: amounts falling due within one year			
	6	<u>(3,327,601)</u>	<u>(884,591)</u>
Net current assets		53,185	4,112
		<u>53,185</u>	<u>4,112</u>
Capital and reserves			
Called up share capital	7	100	100
Profit and loss account	8	53,085	4,012
Shareholder's funds:			
Equity		<u>53,185</u>	<u>4,112</u>
	9	<u>53,185</u>	<u>4,112</u>



B S Hersch
Director

Approved by the board on 7 January 2002

Cheval Finance Limited
Cash Flow Statement
for the year ended 30 June 2001

	Notes	2001	2000
		£	£
Reconciliation of operating profit to net cash inflow from operating activities			
Operating profit		70,073	5,838
Increase in debtors		(2,489,750)	(883,242)
Increase in creditors		1,393,775	465,765
Net cash outflow from operating activities		<u>(1,025,902)</u>	<u>(411,639)</u>
CASH FLOW STATEMENT			
Net cash outflow from operating activities		(1,025,902)	(411,639)
Taxation		(4,891)	-
		<u>(1,030,793)</u>	<u>(411,639)</u>
Financing	10	-	100
Decrease in cash		<u>(1,030,793)</u>	<u>(411,539)</u>
Reconciliation of net cash flow to movement in net debt			
Decrease in cash in the period		(1,030,793)	(411,539)
Change in net debt	11	<u>(1,030,793)</u>	<u>(411,539)</u>
Net debt at 1 July		<u>(411,539)</u>	-
Net debt at 30 June		<u>(1,442,332)</u>	<u>(411,539)</u>

Cheval Finance Limited
Notes to the Accounts
for the year ended 30 June 2001

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 £52,993 (2000: £9,270)

3 Operating profit	2001	2000
	£	£
This is stated after charging:		
Auditors' remuneration	<u>2,350</u>	<u>1,410</u>

4 Taxation	2001	2000
	£	£
UK corporation tax at 30%	<u>21,000</u>	<u>1,826</u>

Cheval Finance Limited
Notes to the Accounts
for the year ended 30 June 2001

5 Debtors	2001	2000
	£	£
Due from borrowers	3,090,618	843,842
Due from related companies	260,441	39,400
Prepayments and accrued income	21,933	-
	<u>3,372,992</u>	<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 these charges to its loan funders included in creditors below.

6 Creditors: amounts falling due within one year	2001	2000
	£	£
Bank loans and overdrafts	1,450,126	417,000
Due to related companies	1,743,438	462,656
Corporation tax	17,935	1,826
Accruals	116,102	3,109
	<u>3,327,601</u>	<u>884,591</u>

The bank overdraft is secured by assignments and 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.

7 Share capital	2001	2000
	£	£
Authorised:		
Ordinary shares of £1 each	<u>50,000</u>	<u>50,000</u>

	2001	2000	2001	2000
	No	No	£	£
Allotted, called up and fully paid:				
Ordinary shares of £1 each	100	100	<u>100</u>	<u>100</u>

Movement in share capital	2001	2000
	£	£
At 1 July	100	-
Shares issued	-	100
	<u>100</u>	<u>100</u>
At 30 June		

Cheval Finance Limited
Notes to the Accounts
for the year ended 30 June 2001

8 Profit and loss account	2001	2000
	£	£
At 1 July	4,012	-
Retained profit	49,073	4,012
At 30 June	<u>53,085</u>	<u>4,012</u>

9 Reconciliation of movement in shareholder's funds	2001	2000
	£	£
At 1 July	4,112	-
Profit for the financial year	49,073	4,012
Shares issued	-	100
At 30 June	<u>53,185</u>	<u>4,112</u>

10 Gross cash flows	2001	2000
	£	£
Financing		
Issue of share capital	<u>-</u>	<u>100</u>

11 Analysis of changes in net debt	At 1 Jul 2000	Cash flows	Non-cash changes	At 30 Jun 2001
	£	£	£	£
Cash at bank and in hand	5,461	2,333		7,794
Overdrafts	(417,000)	(1,033,126)		(1,450,126)
		<u>(1,030,793)</u>		
Total	<u>(411,539)</u>	<u>(1,030,793)</u>	<u>-</u>	<u>(1,442,332)</u>

Cheval Finance Limited
Notes to the Accounts
for the year ended 30 June 2001

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 £100,000 (2000: £8,750) for the provision of staff and other office overheads during the year.

Funding from the ultimate parent company is subject to interest payable at the rate of 15% per annum. Interest of £113,752 (2000: £15,879) has been provided in these accounts and will be paid within 9 months of the year end.

13 Controlling party / ultimate parent company

The company's parent company is Cheval Property Finance plc, formerly Cheval Acceptances 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.

14 Post balance sheet events / loan assignments

At the year end, loans to borrowers of £1,100,600 were in the process of being assigned to the company from Cheval Property Finance plc.