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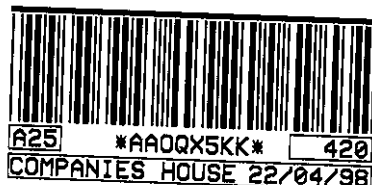
SUBMITTED Companies House
21-4-98

COMPANY NUMBER: 3131133

CHEVAL ACCEPTANCES LIMITED

FINANCIAL STATEMENTS

AS AT 30TH JUNE 1997



ANTHONY COWEN
CHARTERED ACCOUNTANTS

2ND FLOOR STANMORE HOUSE,
15/19 CHURCH ROAD,
STANMORE,
MIDDLESEX HA7 4AR

CHEVAL ACCEPTANCES LIMITED

DIRECTORS

N C EPSTEIN
J H MARGOLIS
D K GAMMOND
A H KAY
A S MARGOLIS

SECRETARY

N C EPSTEIN

AUDITORS

ANTHONY COWEN
2ND FLOOR
STANMORE HOUSE
15/19 CHURCH ROAD
STANMORE
MIDDX. HA7 4AR

REGISTERED OFFICE

2ND FLOOR
STANMORE HOUSE
15/19 CHURCH ROAD
STANMORE
MIDDX. HA7 4AR

COMPANY NUMBER

3131133

CHEVAL ACCEPTANCES LIMITED
REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 30TH JUNE 1997

The directors present their annual report together with the company's financial statements for the year ended 30th June 1997.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the company is the granting of short term loans secured by properties.

The directors are satisfied with the results for the year and anticipate a significant increase in profitability in the year ended 30th June 1998.

On 20 April 1998 the company will re-register as a Public Limited Company.

DIRECTORS AND THEIR INTERESTS

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

	<u>ORDINARY £1 SHARES</u>	
	<u>30.6.97</u>	<u>30.6.96</u>
N C Epstein (appointed 14.10.96)	25	-
G H Melamet (resigned 7.10.96)	-	10
J H Margolis	25	14
D K Gammond (appointed 7.5.97)	-	-
A H Kay (appointed 1.5.97)	-	-
A S Margolis (appointed 1.5.97)	-	-

The directors had no interest in the shares of the parent company.

The share capital of the company has significantly changed after the year end and full details are shown in note 10 to these account.

continued/

CHEVAL ACCEPTANCES LIMITED
REPORT OF THE DIRECTORS (continued)
FOR THE YEAR ENDED 30TH JUNE 1997

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 judgments and estimates that are reasonable and prudent;
- follow applicable accounting standards, subject to any material departures disclosed and explained in the financial statements;
- 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 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

Messrs. Anthony Cowen have expressed their willingness to continue in office and offer themselves for reappointment as auditors in accordance with section 385, Companies Act 1985.

The above report has been prepared in accordance with the special provisions of Part V11 of the Companies Act 1985 relating to small companies.

Signed on behalf of the board of directors.


N C EPSTEIN
DIRECTOR

Approved by the board: 20 April 1998

AUDITORS' REPORT TO THE SHAREHOLDERS OF
CHEVAL ACCEPTANCES LIMITED

We have audited the financial statements on pages 4 to 10 which have been prepared in accordance with the accounting policies set out on page 6.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on pages 1 and 2, the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements 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 financial statements. It also includes an assessment of the significant estimates and judgments 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 30th June 1997 and of its profit for the year then ended and have been properly prepared in accordance with the provisions of the Companies Act 1985.

Anthony Cowen CA's

Anthony Cowen
Registered Auditors and
Chartered Accountants

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

20 April 1998

CHEVAL ACCEPTANCES LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30TH JUNE 1997

		<u>1997</u>	<u>1996</u>
	NOTES	£	£
TURNOVER (interest receivable)	1,2	448,677	48,471
COST OF SALES (interest payable)		(254,323)	(29,192)
		-----	-----
GROSS PROFIT		194,354	19,279
Administrative Expenses		(238,674)	(15,363)
Management Fees Receivable	5	73,288	-
		-----	-----
OPERATING PROFIT	3	28,968	3,916
Bank Interest Receivable		4,443	-
		-----	-----
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		33,411	3,916
TAXATION	4	(6,546)	(960)
		-----	-----
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		26,865	2,956
DIVIDENDS PAID	6	(19,200)	-
		-----	-----
RETAINED PROFIT FOR THE YEAR		7,665	2,956
RETAINED PROFIT BROUGHT FORWARD		2,956	-
		-----	-----
RETAINED PROFIT CARRIED FORWARD		10,621	2,956
		=====	=====

CONTINUING OPERATIONS

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

TOTAL RECOGNISED GAINS AND LOSSES


There were no recognised gains or losses other than the profit for the above financial periods.

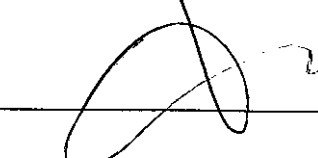
CHEVAL ACCEPTANCES LIMITED
BALANCE SHEET AS AT 30TH JUNE 1997

		<u>1997</u>	<u>1996</u>
	NOTES	£	£
TANGIBLE FIXED ASSETS	7	68,621	-
CURRENT ASSETS			
Unpaid Share Capital		100	100
Debtors	8	4,223,979	886,943
Cash at Bank & In Hand		101,734	172,657
		-----	-----
		4,325,813	1,059,700
CREDITORS: Amounts falling due within one year	9	(4,344,715)	(1,056,644)
		-----	-----
NET CURRENT (LIABILITIES)/ASSETS		(18,902)	3,056
TOTAL ASSETS LESS CURRENT LIABILITIES		-----	-----
		49,719	3,056
CREDITORS (Greater than one year):			
Hire Purchase Creditors		(38,998)	-
		-----	-----
NET ASSETS		£ 10,721	£ 3,056
		=====	=====
CAPITAL AND RESERVES			
Called Up Share Capital	10	100	100
Profit and Loss Account		10,621	2,956
		-----	-----
SHAREHOLDERS' FUNDS (all equity interests)	11	£ 10,721	£ 3,056
		=====	=====

The accounts have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies and in accordance with the Financial Reporting Standard for Smaller Entities.

Signed on behalf of the board of directors and approved by the board on **20 April 1998.**


J H MARGOLIS
DIRECTOR


N C EPSTEIN
DIRECTOR

CHEVAL ACCEPTANCES LIMITED
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 1997

1. ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The financial statements have been prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities.

The company has taken advantage of the exemption in the Financial Reporting Standard from the requirement to prepare a cash flow statement.

TURNOVER

Turnover represents interest received and receivable from borrowers.

TANGIBLE FIXED ASSETS

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Motor Vehicles	-	25% Reducing Balance
Furniture & Equipment	-	20% Reducing Balance

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.

LEASED ASSETS

Assets held under hire purchase contracts are capitalised and depreciated over their useful lives. The corresponding hire purchase obligation is treated in the balance sheet as a liability. The interest element of rental obligations is charged to the profit and loss account over the period of the lease.

DEFERRED TAXATION

No provision has been made for deferred taxation as in the opinion of the directors there is a reasonable probability that no liability will arise in the foreseeable future.

2. TURNOVER

Turnover attributable to geographical markets outside the United Kingdom amounted to nil.

CHEVAL ACCEPTANCES LIMITED
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 1997

	<u>1997</u>	<u>1996</u>
	£	£

3. OPERATING PROFIT

This is stated after charging:

Auditors' Remuneration (Gross)	5,581	1,410
Directors' Emoluments	79,451	-
Directors' Pension	550	-
Depreciation	2,633	-
	=====	=====

The following directors received consultancy fees in the year, prior to being included in the payroll:-

G Melamet	6,067	(1996: £3,300)
J Margolis	12,200	
A Margolis	650	
A Kay	5,535	(1996: £3,300)
D Gammond	26,500	

	50,952	

4. TAXATION

Corporation Tax is provided at a rate between 24% and 21% on the taxable profits of the company and the 1997 charge includes an under provision of £46 from 1996.

5. MANAGEMENT FEES RECEIVABLE

Received from Associated Companies (see note 15)	73,288	-
	=====	=====

6. DIVIDENDS

Dividend paid on Ordinary Shares at £192 per share	19,200	-
	=====	=====

CHEVAL ACCEPTANCES LIMITED
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 1997

7. TANGIBLE FIXED ASSETS

	<u>MOTOR VEHICLES</u> £	<u>FURNITURE & EQUIPMENT</u> £	<u>TOTAL</u> £
Additions in the Year	67,192	4,062	71,254
Depreciation for the Year	(2,150)	(483)	(2,633)
NET BOOK VALUE AT 30.6.97	----- 65,042 =====	----- 3,579 =====	----- 68,621 =====

Included in Motor Vehicles are vehicles subject to Hire Purchase Contracts as follows:-

Cost	61,197
Depreciation	(1,275)
Net Book Value at 30.6.97	----- 59,922 -----

1997
£

1996
£

8. DEBTORS

Due from Borrowers	4,161,239	842,020
Due from Director	4,000	-
Other Debtors	9,053	44,923
Due from Related Company	49,687	-
	-----	-----
	4,223,979	886,943
	=====	=====

The amounts due from borrowers are secured by first charges held over properties. The company has given the lenders (included in creditors) the right to assign these securities to themselves.

As at the Balance Sheet date no lender had exercised the aforementioned right.

9. CREDITORS: Amounts falling due within one year

Due to Lenders	4,299,770	1,042,451
Due to Related Company	-	6,848
Accruals	17,326	6,385
Corporation Tax	6,500	960
PAYE	11,788	-
Hire Purchase Creditors	9,331	-
	-----	-----
	4,344,715	1,056,644
	=====	=====

CHEVAL ACCEPTANCES LIMITED
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 1997

	<u>1997</u> £	<u>1996</u> £
10. CALLED UP SHARE CAPITAL		
<u>Authorised Share Capital</u>		
1,000 ordinary shares of £1 each	1,000 =====	1,000 =====
<u>Authorised, Allotted, Called Up & Unpaid:</u>		
100 ordinary shares of £1 each	100 ===	100 ===

At an Extraordinary General Meeting of the company held on 10 December 1997 the following resolutions were passed to alter the share capital of the company:-

- A. The 900 unissued shares of £1 each were converted into 'A' shares of £1 each.
- B. The 100 issued shares of £1 each were converted into 'A' shares of £1 each.
- C. The authorised share capital of the company was increased to £50,000 by the creation of 29,000 'A' shares of £1 each and 20,000 'B' shares of £1 each.
- D. 29,900 'A' shares and 20,000 'B' shares were allotted.
- E. All £50,000 of the share capital was fully paid up.

11. SHAREHOLDERS' FUNDS

Reconciliation of movements:-

Profit for the year after taxation	26,865	2,956
New share capital subscribed	-	100
	-----	-----
	26,865	3,056
Dividends paid	(19,200)	-
	-----	-----
	7,665	3,056
Opening Shareholders' Funds	3,056	-
	-----	-----
Closing Shareholders' Funds	10,721 =====	3,056 =====

CHEVAL ACCEPTANCES LIMITED
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 1997

12. ULTIMATE HOLDING COMPANY

The company's parent company is Arcadia Securities Limited which is incorporated in the British Virgin Islands. (50% of the share capital is held by Arcadia Securities Limited at 30 June 1997)

13. CAPITAL COMMITMENTS

The company had not authorised or contracted for any capital expenditure at the Balance Sheet date.

14. CONTINGENT LIABILITIES

There were no contingent liabilities at the Balance Sheet date.

15. RELATED PARTY TRANSACTIONS

The ultimate controlling party is Arcadia Securities Limited.

The following transactions with related parties occurred in the year:-

- A. The directors received consultancy fees as disclosed in note 3 above.
- B. During the year the company recharged staff costs to the value of £36,858 to Bentley Agencies Limited, a company sharing four common directors. This amount reflects the time expended by the company's staff, including directors, on Bentley Agencies Limited activities. The amount remained outstanding at 30 June 1997. (see note 5)
- C. During the year the company received a fee of £36,430 from The Useful Corporation Limited, an associated company, for administering its loan activities. (see note 5)
- D. During the year J Margolis, director was granted a short term interest free loan of £4,000. (see note 8)

16. POST BALANCE SHEET EVENT

It is expected that in April 1998 the company shall re-register as a Public Limited Company.