

Registered number  
3709012

Cheval Finance Limited

Report and Accounts

30 June 2004



**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  
J P Wheeler (resigned 15/6/04)  
S Cohen  
M D Chesler (appointed 28/7/04)

### **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 W1C 1BG

### **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 2004.

#### **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.

Turnover and profits have decreased compared with those of the previous year, but remain satisfactory.

#### **Results and dividends**

The profit for the year, after taxation, amounted to £437,783. A dividend of £400,000 was paid during the year and the directors do not recommend that a final dividend be proposed for the year ended 30 June 2004.

#### **Future developments**

The directors are aware that the outlook for the UK property market is uncertain, as is that for the UK economy as a whole. Interest rates are being monitored. With effect from 1 November 2004, the company has been authorised by the Financial Services Authority with regard to regulated mortgage business, and the directors hope that this will further increase turnover

#### **Staff**

The directors wish to thank the staff, whose hard work, enthusiasm and skill have enabled the company to continue to prosper.

#### **Directors**

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

	£1 Ordinary shares	
	2004	2003
N C Epstein	-	-
B S Hersch	-	-
J H Margolis	-	-
A H Kay	-	-
A S Margolis	-	-
J P Wheeler (resigned 15/6/04)	-	-
S Cohen	-	-
M D Chesler (appointed 28/7/04)	-	-
	-	-

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

**Cheval Finance Limited**  
**Directors' Report**

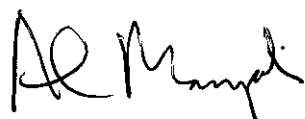
**Payment of creditors**

It is the company's policy to settle its invoices within 30 days of receipt. At 30 June 2004 there were no trade creditors as defined by the Companies Act and therefore no calculation of the creditor payment period is necessary.

**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 31 December 2004.

A handwritten signature in black ink, appearing to read 'A S Margolis'.

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**

#### **Independent auditors' report to the shareholder of**

We have audited the accounts of Cheval Finance Limited for the year ended 30 June 2004 which comprise pages 6 to 12. These accounts have been prepared under the historical cost convention and the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members 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 members as a body, for our audit work, for this report, or for the opinions we have formed.

#### **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 2004 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

31 December 2004

**Cheval Finance Limited**  
**Profit and Loss Account**  
**for the year ended 30 June 2004**

	Notes	2004 £	2003 £
Turnover	2	1,259,984	2,033,671
Cost of sales	2	(517,349)	(979,429)
<b>Gross profit</b>		<u>742,635</u>	<u>1,054,242</u>
Administrative expenses		(117,231)	(58,039)
<b>Operating profit</b>	3	<u>625,404</u>	<u>996,203</u>
<b>Profit on ordinary activities before taxation</b>		<u>625,404</u>	<u>996,203</u>
Tax on profit on ordinary activities	4	(187,621)	(298,860)
<b>Profit for the financial year</b>		<u>437,783</u>	<u>697,343</u>
Dividends:			
ordinary dividend on equity shares	5	(400,000)	(575,000)
<b>Retained profit for the financial year</b>	9	<u>37,783</u>	<u>122,343</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 2004**

	Notes	2004 £	2003 £
<b>Current assets</b>			
Debtors	6	9,798,677	8,250,508
Cash at bank and in hand		<u>72,120</u>	<u>324,438</u>
		9,870,797	8,574,946
 <b>Creditors: amounts falling due within one year</b>	7	 <u>(9,703,654)</u>	 <u>(8,445,586)</u>
 <b>Net current assets</b>		 167,143	 129,360
		<u>167,143</u>	<u>129,360</u>
 <b>Capital and reserves</b>			
Called up share capital	8	100	100
Profit and loss account	9	167,043	129,260
Shareholder's funds:			
Equity		<u>167,143</u>	<u>129,360</u>
	10	<u>167,143</u>	<u>129,360</u>



B S Hersch  
 Director

Approved by the board on 31 December 2004

**Cheval Finance Limited**  
**Cash Flow Statement**  
**for the year ended 30 June 2004**

	Notes	2004 £	2003 £
<b>Reconciliation of operating profit to net cash inflow from operating activities</b>			
Operating profit		625,404	996,203
Increase in debtors		(1,548,169)	(1,589,697)
Decrease in creditors		(364,013)	(177,267)
<b>Net cash outflow from operating activities</b>		<u>(1,286,778)</u>	<u>(770,761)</u>
<b>CASH FLOW STATEMENT</b>			
<b>Net cash outflow from operating activities</b>		(1,286,778)	(770,761)
<b>Taxation</b>		(336,795)	(97,914)
		<u>(1,623,573)</u>	<u>(868,675)</u>
<b>Equity dividends paid</b>	11	<u>(400,000)</u>	<u>(575,000)</u>
		(2,023,573)	(1,443,675)
<b>Decrease in cash</b>		<u>(2,023,573)</u>	<u>(1,443,675)</u>
<b>Reconciliation of net cash flow to movement in net debt</b>			
<b>Decrease in cash in the period</b>		(2,023,573)	(1,443,675)
<b>Change in net debt</b>	12	<u>(2,023,573)</u>	<u>(1,443,675)</u>
<b>Net debt at 1 July</b>		<u>(3,204,707)</u>	<u>(1,761,032)</u>
<b>Net debt at 30 June</b>		<u>(5,228,280)</u>	<u>(3,204,707)</u>

**Cheval Finance Limited**  
**Notes to the Accounts**  
**for the year ended 30 June 2004**

**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 £168,689 (2003: £197,501)

<b>3 Operating profit</b>	<b>2004</b>	<b>2003</b>
	<b>£</b>	<b>£</b>

This is stated after charging:

Auditors' remuneration	3,600	3,480
Exceptional item: bad debt provision	<u>48,300</u>	<u>-</u>

The bad debt provision relates to the capital element of a loan not fully recovered. The directors have put the valuers on notice as to a potential claim against losses of both interest and capital suffered by the company. The likely outcome is not known at this stage.

The tax credit effect of the write off at 30% is £14,490.

<b>4 Taxation</b>	<b>2004</b>	<b>2003</b>
	<b>£</b>	<b>£</b>

UK corporation tax at 30%	<u>187,621</u>	<u>298,860</u>
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<b>5 Equity dividends</b>	<b>2004</b>	<b>2003</b>
	<b>£</b>	<b>£</b>

Equity dividends on ordinary shares - interim paid	<u>400,000</u>	<u>575,000</u>
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**Cheval Finance Limited**  
**Notes to the Accounts**  
**for the year ended 30 June 2004**

<b>6 Debtors</b>	<b>2004</b>	<b>2003</b>
	<b>£</b>	<b>£</b>
Due from borrowers	9,423,175	7,811,452
Due from related companies	-	353,448
Prepayments, accrued income and other debtors	375,502	85,608
	<u>9,798,677</u>	<u>8,250,508</u>

The amount due from borrowers is secured by legal charges held over land and buildings. Included in this amount is £350,000 in respect of a loan in which the value of the underlying security is dependent upon planning permission being renewed. The directors do not anticipate a shortfall in recovery and hence no provision has been made.

<b>7 Creditors: amounts falling due within one year</b>	<b>2004</b>	<b>2003</b>
	<b>£</b>	<b>£</b>
Bank loans and overdrafts	5,300,400	3,529,145
Due to related companies	4,210,362	4,181,551
Corporation tax	95,206	244,380
Accruals	97,686	490,510
	<u>9,703,654</u>	<u>8,445,586</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.

<b>8 Share capital</b>	<b>2004</b>	<b>2003</b>
	<b>£</b>	<b>£</b>
Authorised:		
Ordinary shares of £1 each	<u>50,000</u>	<u>50,000</u>

	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
	<b>No</b>	<b>No</b>	<b>£</b>	<b>£</b>
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 2004**

**9 Profit and loss account**

	<b>2004</b>	<b>2003</b>
	<b>£</b>	<b>£</b>
At 1 July	129,260	6,917
Retained profit	37,783	122,343
At 30 June	<u>167,043</u>	<u>129,260</u>

**10 Reconciliation of movement in shareholder's funds**

	<b>2004</b>	<b>2003</b>
	<b>£</b>	<b>£</b>
At 1 July	129,360	7,017
Profit for the financial year	437,783	697,343
Dividends	(400,000)	(575,000)
At 30 June	<u>167,143</u>	<u>129,360</u>

**11 Gross cash flows**

	<b>2004</b>	<b>2003</b>
	<b>£</b>	<b>£</b>
Equity dividends paid	<u>400,000</u>	<u>575,000</u>

**12 Analysis of changes in net debt**

	<b>At 1 Jul 2003 £</b>	<b>Cash flows £</b>	<b>Non-cash changes £</b>	<b>At 30 Jun 2004 £</b>
Cash at bank and in hand	324,438	(252,318)		72,120
Overdrafts	(3,529,145)	(1,771,255)		(5,300,400)
		<u>(2,023,573)</u>		
Total	<u>(3,204,707)</u>	<u>(2,023,573)</u>	<u>-</u>	<u>(5,228,280)</u>

**Cheval Finance Limited**  
**Notes to the Accounts**  
**for the year ended 30 June 2004**

**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.

Funding from the parent company is subject to interest payable at the rate of 12% per annum. Interest of £346,066 (2003: £378,080) has been paid in these accounts.

**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 Group Holdings Limited which is incorporated in the British Virgin Islands.

The ultimate controlling party is Mr Norman Epstein, a director of the company.