

Company Registration No. 4223247 (England and Wales)

CHATHAM FINANCIAL EUROPE, LTD
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2004



CHATHAM FINANCIAL EUROPE, LTD

COMPANY INFORMATION

Directors	J M Bontrager S D Stanley D Hall (Appointed 30 April 2004)
Secretary	D Hall
Company number	4223247
Registered office	69/85 Tabernacle Street London EC2A 4RR
Auditors	The Gallagher Partnership LLP 69/85 Tabernacle Street London EC2A 4RR
Business address	16 Garrick Street London WC2E 9BA
Solicitors	S J Berwin 222 Gray's Inn Road London WC1X 8HB

CHATHAM FINANCIAL EUROPE, LTD

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CHATHAM FINANCIAL EUROPE, LTD

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2004

The directors present their report and financial statements for the year ended 31 December 2004.

Principal activities and review of the business

The principal activity of the company is to advice on and arrange risk management solutions in the financial markets for corporate clients. The company is authorised and regulated by the Financial Services Authority.

Results and dividends

The results for the year are set out on page 3. The directors do not recommend payment of a dividend.

It is proposed that the retained loss of £419,516 is transferred to reserves.

Directors

The following directors have held office since 1 January 2004:

J M Bontrager

S D Stanley

D Hall

(Appointed 30 April 2004)

Directors' interests

The directors do not have any interest required to be disclosed under Schedule 7 of the Companies Act 1985.

Auditors

The Gallagher Partnership LLP were appointed auditors to the company and in accordance with section 385 of the Companies Act 1985, a resolution proposing that they be re-appointed will be put to the Annual General Meeting.

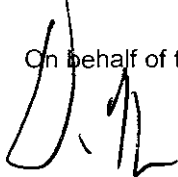
Directors' responsibilities

United Kingdom 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 judgements and estimates that are reasonable and prudent;
- state whether applicable 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 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 system of internal control and for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

On behalf of the board



D Hall

Director

15 March 2005

CHATHAM FINANCIAL EUROPE, LTD

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF CHATHAM FINANCIAL EUROPE, LTD

We have audited the financial statements of Chatham Financial Europe, Ltd on pages 3 to 12 for the year ended 31 December 2004. These financial statements have been prepared under 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 the directors and auditors

As described in the statement of directors' responsibilities on page 1 the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

We report to you our opinion as to whether the financial statements 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 financial statements, 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.

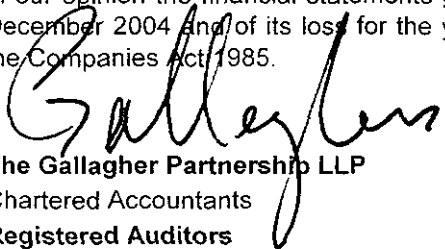
Basis of audit opinion


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 financial statements. It also includes an assessment of the significant estimates and judgements 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 31 December 2004 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


The Gallagher Partnership LLP
Chartered Accountants
Registered Auditors


29 March 2005
69/85 Tabernacle Street
London
EC2A 4RR

CHATHAM FINANCIAL EUROPE, LTD

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2004

	Notes	2004 £	2003 £
Turnover	2	1,729,060	1,399,913
Administrative expenses		(2,221,804)	(1,076,155)
Operating (loss)/profit	3	(492,744)	323,758
Profit loss on sale of tangible assets		(9,909)	-
(Loss)/profit on ordinary activities before interest		(502,653)	323,758
Other interest receivable and similar income		3,244	5,111
(Loss)/profit on ordinary activities before taxation		(499,409)	328,869
Tax on (loss)/profit on ordinary activities	4	79,893	(94,514)
(Loss)/profit on ordinary activities after taxation	12	(419,516)	234,355

The profit and loss account has been prepared on the basis that all operations are continuing operations.

There are no recognised gains and losses other than those passing through the profit and loss account.

CHATHAM FINANCIAL EUROPE, LTD

BALANCE SHEET AS AT 31 DECEMBER 2004

	Notes	2004 £	£	2003 £	£
Fixed assets					
Tangible assets	5		141,479		525,584
Current assets					
Debtors	6	634,370		508,415	
Cash at bank and in hand		351,547		713,702	
		<u>985,917</u>		<u>1,222,117</u>	
Creditors: amounts falling due within one year	7	<u>(271,378)</u>		<u>(556,483)</u>	
Net current assets			<u>714,539</u>		<u>665,634</u>
Total assets less current liabilities			<u>856,018</u>		<u>1,191,218</u>
Creditors: amounts falling due after more than one year	8		(400,000)		(400,000)
Provisions for liabilities and charges	9		(4,100)		-
Accruals and deferred income	10		<u>(80,216)</u>		<u>-</u>
			<u>371,702</u>		<u>791,218</u>
Capital and reserves					
Called up share capital	11	500,000		500,000	
Profit and loss account	12	(128,298)		291,218	
Shareholders' funds - equity interests	13		<u>371,702</u>		<u>791,218</u>

The financial statements were approved by the Board on 15 March 2005


D Hall
Director

CHATHAM FINANCIAL EUROPE, LTD

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2004

	2004	2003
£	£	£
Net cash (outflow)/inflow from operating activities	(676,919)	379,594
Returns on investments and servicing of finance		
Interest received	3,244	5,111
Net cash inflow for returns on investments and servicing of finance	3,244	5,111
Taxation	(94,487)	(19,634)
Capital expenditure		
Payments to acquire tangible assets	(133,560)	(36,850)
Receipts from sales of tangible assets	459,351	-
Net cash inflow/(outflow) for capital expenditure	325,791	(36,850)
Net cash (outflow)/inflow before management of liquid resources and financing	(442,371)	328,221
Financing		
Deferred income	80,216	-
Net cash inflow/(outflow) from financing	80,216	-
(Decrease)/increase in cash in the year	<u>(362,155)</u>	<u>328,221</u>

CHATHAM FINANCIAL EUROPE, LTD

NOTES TO THE CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2004

1	Reconciliation of operating (loss)/profit to net cash (outflow)/inflow from operating activities	2004	2003
		£	£
	Operating (loss)/profit	(492,744)	323,758
	Depreciation of tangible assets	48,405	27,350
	Increase in debtors	(42,125)	(311,491)
	(Decrease)/Increase in creditors within one year	(190,455)	339,977
	Net cash (outflow)/inflow from operating activities	(676,919)	379,594

2	Analysis of net (debt)/funds	1 January 2004	Cash flow	Other non-cash changes	31 December 2004
		£	£	£	£
	Net cash:				
	Cash at bank and in hand	713,702	(362,155)	-	351,547
	Debt:				
	Debts falling due after one year	(400,000)	-	-	(400,000)
	Net funds/(debt)	313,702	(362,155)	-	(48,453)

3	Reconciliation of net cash flow to movement in net (debt)/funds	2004	2003
		£	£
	(Decrease)/increase in cash in the year	(362,155)	328,221
	Movement in net (debt)/funds in the year	(362,155)	328,221
	Opening net funds/(debt)	313,702	(14,519)
	Closing net (debt)/funds	(48,453)	313,702

CHATHAM FINANCIAL EUROPE, LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004

1 Accounting policies

A summary of principal accounting policies, all of which have been applied consistently throughout the year and the preceding period, is set out below.

1.1 Accounting convention

The financial statements are prepared under the historical cost convention.

1.2 Compliance with accounting standards

The financial statements are prepared in accordance with applicable United Kingdom law and accounting standards.

1.3 Turnover

Turnover represents amounts receivable for services provided.

1.4 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Land and buildings Leasehold	Over the period of the lease
Plant and machinery	33% per annum
Fixtures, fittings & equipment	25% per annum
Motor vehicles	25% per annum

1.5 Leasing

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

1.6 Taxation

Corporation tax payable is provided on taxable profits at the current rates.

Deferred tax is provided in full on all timing differences that result in obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on the current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations of periods different from those in which they are included in the financial statements. Deferred assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

1.7 Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to profit and loss account.

1.8 Government grants

Grants are credited to deferred revenue. Grants towards capital expenditure are released to the profit and loss account over the expected useful life of the assets. Grants towards revenue expenditure are released to the profit and loss account as the related expenditure is incurred.

2 Turnover

The total turnover of the company for the year has been derived from its principal activity wholly undertaken in the United Kingdom.

CHATHAM FINANCIAL EUROPE, LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2004

3	Operating (loss)/profit	2004	2003
		£	£
	Operating (loss)/profit is stated after charging:		
	Depreciation of tangible assets	48,405	27,350
	Loss on foreign exchange transactions	-	14
	Operating lease rentals	80,216	-
	Auditors' remuneration	5,025	6,750
	Remuneration of auditors for non-audit work	36,842	-
	and after crediting:		
	Profit on foreign exchange transactions	(1,888)	-
		<u></u>	<u></u>
4	Taxation	2004	2003
		£	£
	Domestic current year tax		
	U.K. corporation tax	(83,900)	94,634
	Adjustment for prior years	(163)	-
		<u></u>	<u></u>
	Current tax charge	(84,063)	94,634
	Deferred tax		
	Deferred tax charge credit current year	4,170	(120)
		<u></u>	<u></u>
		(79,893)	94,514
		<u></u>	<u></u>
	Factors affecting the tax charge for the year		
	(Loss)/profit on ordinary activities before taxation	(499,409)	328,869
		<u></u>	<u></u>
	(Loss)/profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 19.00% (2003: 30.00%)	(94,888)	98,661
		<u></u>	<u></u>
	Effects of:		
	Non deductible expenses	8,319	3,809
	Depreciation add back	11,080	8,205
	Capital allowances	(10,548)	(5,094)
	Tax losses utilised	30,919	-
	Marginal relief	(28,293)	(10,947)
	Other tax adjustments	(652)	-
		<u></u>	<u></u>
		10,825	(4,027)
		<u></u>	<u></u>
	Current tax charge	(84,063)	94,634
		<u></u>	<u></u>

CHATHAM FINANCIAL EUROPE, LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2004

5 Tangible fixed assets

	Land and buildings Leasehold £	Plant and machinery £	Fixtures, fittings & equipment £	Motor vehicles £	Total £
Cost					
At 1 January 2004	499,000	52,163	26,000	8,165	585,328
Additions	48,933	16,038	68,589	-	133,560
Disposals	(499,000)	(1,235)	-	(8,165)	(508,400)
At 31 December 2004	48,933	66,966	94,589	-	210,488
Depreciation					
At 1 January 2004	24,127	15,650	15,717	4,250	59,744
On disposals	(31,615)	(1,235)	-	(6,290)	(39,140)
Charge for the year	13,602	17,847	14,916	2,040	48,405
At 31 December 2004	6,114	32,262	30,633	-	69,009
Net book value					
At 31 December 2004	42,819	34,704	63,956	-	141,479
At 31 December 2003	474,873	36,513	10,283	3,915	525,584

6 Debtors

	2004 £	2003 £
Trade debtors	435,083	494,365
Corporation tax	83,900	-
Other debtors	115,387	13,980
	634,370	508,345

Amounts falling due after more than one year and included in the debtors above are:

	2004 £	2003 £
Other debtors	115,387	6,000

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2004

The long term loan is from the ultimate parent company and is unsecured and interest free.

CHATHAM FINANCIAL EUROPE, LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2004

10 Accruals and deferred income

Deferred rent

£

Rent free received during the year	80,216
Balance at 31 December 2004	80,216

11 Share capital

2004

2003

£

£

Authorised

750,000 Ordinary shares of £1 each

750,000

750,000

Allotted, called up and fully paid

500,000 Ordinary shares of £1 each

500,000

500,000

12 Statement of movements on profit and loss account

Profit and loss account £

Balance at 1 January 2004	291,218
Retained loss for the year	(419,516)
Balance at 31 December 2004	(128,298)

13 Reconciliation of movements in shareholders' funds

2004

2003

£

£

(Loss)/Profit for the financial year

(419,516)

234,355

Opening shareholders' funds

791,218

556,863

Closing shareholders' funds

371,702

791,218

CHATHAM FINANCIAL EUROPE, LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2004

14 Financial commitments

At 31 December 2004 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings 2004 £	2003 £
Expiry date:		
In over five years	114,368	-

15 Directors' emoluments

	2004 £	2003 £
Emoluments for qualifying services	188,964	156,431

16 Employees

Number of employees

The average monthly number of employees (including directors) during the year was:

	2004 Number	2003 Number
Operations and administration	10	6

Employment costs

	£	£
Wages and salaries	1,369,712	378,824
Social security costs	64,635	-
	1,434,347	378,824

17 Control

The ultimate parent company is Chatham Financial Corporation, a company registered in the state of Pennsylvania, USA.

18 Related party transactions

During the year the company paid its parent net cash of £532,273 (2003 £398,009). The parent company charged the company £731,409 (2003 £398,009) for IT and other costs. All transactions were at arms length.