

Company Registration No. 4223247 (England and Wales)

CHATHAM FINANCIAL EUROPE, LTD
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006

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CHATHAM FINANCIAL EUROPE, LTD

COMPANY INFORMATION

Directors	David Hall Michael Bontrager Jonathan O'Neil (Appointed 20 July 2006)
Secretary	Jonathan O'Neil
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

CHATHAM FINANCIAL EUROPE, LTD

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CHATHAM FINANCIAL EUROPE, LTD

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2006

The directors present their report and financial statements for the year ended 31 December 2006.

Principal activities and review of the business

The principal activity of the company is to advise on, arrange and assist clients in multiple facets of corporate and structured finance, including identifying interest rate and currency risks and implementing strategies to mitigate those risks. The company is authorised and regulated by the Financial Services Authority.

The results for the year and the financial position at the year end were considered satisfactory by the directors who expect continued growth in the foreseeable future.

Results and dividends

The results for the year are set out on page 5.

It is proposed that the retained profit of £1,021,329 is transferred to reserves.

Directors

The following directors have held office since 1 January 2006:

David Hall

Michael Bontrager

S D Stanley

Jonathan O'Neil

(Resigned 20 July 2006)

(Appointed 20 July 2006)

Directors' interests

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

Charitable donations

During the year the company made the following payments:

Charitable donations

2006

£

2005

£

480

-

Auditors

In accordance with section 385 of the Companies Act 1985, a resolution proposing that The Gallagher Partnership LLP be reappointed as auditors of the company will be put to the Annual General Meeting.

CHATHAM FINANCIAL EUROPE, LTD

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2006

Directors' responsibilities

The directors are responsible for preparing the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

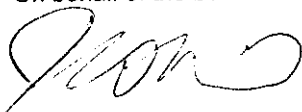
The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of disclosure to auditor

(a) so far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware, and

(b) they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

On behalf of the board



Jonathan O'Neil

Director

23 March 2007

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 for the year ended 31 December 2006 set out on pages 5 to 17. 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 auditors' 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

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions 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 International Standards on Auditing (UK and Ireland) 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.

CHATHAM FINANCIAL EUROPE, LTD

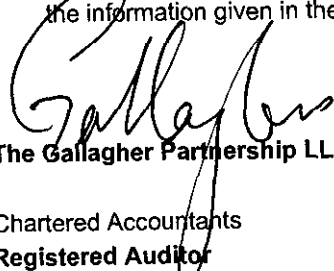
INDEPENDENT AUDITORS' REPORT (CONTINUED)

TO THE SHAREHOLDERS OF CHATHAM FINANCIAL EUROPE, LTD


Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2006 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.


The Gallagher Partnership LLP

Chartered Accountants
Registered Auditor


30 March 2007

69/85 Tabernacle Street
London
EC2A 4RR

CHATHAM FINANCIAL EUROPE, LTD

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2006

	Notes	2006 £	2005 £
Turnover	2	5,042,108	3,010,323
Administrative expenses		(3,592,426)	(2,393,143)
Operating profit	3	1,449,682	617,180
Other interest receivable and similar income	4	45,147	9,972
Profit on ordinary activities before taxation		1,494,829	627,152
Tax on profit on ordinary activities	5	(473,500)	(193,547)
Profit for the year	14	1,021,329	433,605

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.

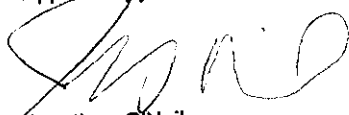
CHATHAM FINANCIAL EUROPE, LTD

BALANCE SHEET

AS AT 31 DECEMBER 2006

	Notes	2006 £	£	2005 £	£
Fixed assets					
Tangible assets	6		126,744		113,873
Current assets					
Debtors	7	1,738,852		898,145	
Cash at bank and in hand		1,441,908		982,024	
		<u>3,180,760</u>		<u>1,880,169</u>	
Creditors: amounts falling due within one year	8	(820,939)		(513,898)	
Net current assets			<u>2,359,821</u>		<u>1,366,271</u>
Total assets less current liabilities			<u>2,486,565</u>		<u>1,480,144</u>
Creditors: amounts falling due after more than one year	9		(525,000)		(525,000)
Provisions for liabilities	10		(5,150)		(1,950)
Accruals and deferred income	11		(129,779)		(147,887)
			<u>1,826,636</u>		<u>805,307</u>
Capital and reserves					
Called up share capital	13		500,000		500,000
Profit and loss account	14		1,326,636		305,307
Shareholders' funds	15		<u>1,826,636</u>		<u>805,307</u>

Approved by the Board and authorised for issue on 23 March 2007


Jonathan O'Neil
Director

CHATHAM FINANCIAL EUROPE, LTD

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2006

	2006	2005
	£	£
Net cash outflow from operating activities	760,945	368,857
Returns on investments and servicing of finance		
Interest received	45,147	9,972
Net cash outflow for returns on investments and servicing of finance	45,147	9,972
Taxation	(194,000)	83,953
Capital expenditure		
Payments to acquire tangible assets	(78,132)	(31,381)
Net cash inflow for capital expenditure	(78,132)	(31,381)
Net cash outflow before management of liquid resources and financing	533,960	431,401
Financing		
Other new long term loans	-	125,000
Net cash outflow from financing	-	125,000
Decrease in cash in the year	533,960	556,401

CHATHAM FINANCIAL EUROPE, LTD

NOTES TO THE CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2006

1	Reconciliation of operating profit to net cash inflow from operating activities	2006	2005
		£	£
	Operating profit	1,449,682	617,180
	Depreciation of tangible assets	65,261	58,987
	Increase in debtors	(840,707)	(347,675)
	Increase/(decrease) in creditors within one year	104,817	(27,306)
	Movement on grant provision	(18,108)	67,671
	Net cash inflow from operating activities	760,945	368,857
2	Analysis of net funds	1 January 2006	Cash flow 31 December 2006
		£	£
	Net cash:		
	Cash at bank and in hand	982,024	1,441,908
	Bank overdrafts	(74,076)	-
		<u>907,948</u>	<u>1,441,908</u>
	Bank deposits	-	-
	Debt:		
	Debts falling due after one year	(525,000)	(525,000)
	Net funds	382,948	916,908
3	Reconciliation of net cash flow to movement in net funds	2006	2005
		£	£
	Increase in cash in the year	533,960	556,401
	Cash inflow from increase in debt	-	(125,000)
	Movement in net funds in the year	533,960	431,401
	Opening net funds/(debt)	382,948	(48,453)
	Closing net funds	916,908	382,948

CHATHAM FINANCIAL EUROPE, LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

1 Accounting policies

A summary of principal accounting policies, all of which have been applied consistently throughout the year and the preceding year, 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 Accounting Standards (United Kingdom Generally Accepted Accounting Practice), which have been applied consistently (except as otherwise stated).

1.3 Turnover

Turnover represents amounts receivable services provided in the normal course of business. Revenue is recognised in line with accrual accounting based on fees received for services provided during the year.

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	over 3 years
Computer equipment	over 3 years
Fixtures, fittings & equipment	over 4 years

1.5 Leasing

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

1.6 Pensions

The company operates a defined contribution scheme for the benefit of its employees. Contributions payable are charged to the profit and loss account in the year they are payable.

1.7 Deferred taxation

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

Deferred taxation is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. The deferred tax balance has not been discounted.

1.8 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.

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 2006

3	Operating profit	2006 £	2005 £
	Operating profit is stated after charging:		
	Depreciation of tangible assets	65,261	58,987
	Loss on foreign exchange transactions	137,174	-
	Operating lease rentals	171,843	92,425
	Auditors' remuneration	1,150	6,000
	Remuneration of auditors for non-audit work	782	10,700
	and after crediting:		
	Profit on foreign exchange transactions	-	(16,880)
		<u> </u>	<u> </u>
4	Investment income	2006 £	2005 £
	Bank interest	45,147	8,270
	Other interest	-	1,702
		<u> </u>	<u> </u>
		<u>45,147</u>	<u>9,972</u>

CHATHAM FINANCIAL EUROPE, LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2006

5	Taxation	2006 £	2005 £
	Domestic current year tax		
	U.K. corporation tax	472,050	195,750
	Adjustment for prior years	(1,750)	(53)
	Current tax charge	470,300	195,697
	Deferred tax		
	Deferred tax charge/credit current year	3,200	(2,150)
		473,500	193,547
	Factors affecting the tax charge for the year		
	Profit on ordinary activities before taxation	1,494,829	627,152
	Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 30.00% (2005 - 30.00%)	448,449	188,146
	Effects of:		
	Non deductible expenses	15,832	1,904
	Depreciation add back	19,578	17,696
	Capital allowances	(11,620)	(9,562)
	Adjustments to previous periods	(1,750)	(53)
	Marginal relief	-	(2,458)
	Other tax adjustments	(189)	24
		21,851	7,551
	Current tax charge	470,300	195,697

CHATHAM FINANCIAL EUROPE, LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2006

6 Tangible fixed assets

	Land and buildings Leasehold £	Plant and machinery £	Fixtures, fittings & equipment £	Total £
Cost				
At 1 January 2006	48,933	98,345	94,590	241,868
Additions	-	60,068	18,064	78,132
At 31 December 2006	48,933	158,413	112,654	320,000
Depreciation				
At 1 January 2006	18,349	57,925	51,721	127,995
Charge for the year	12,234	34,935	18,092	65,261
At 31 December 2006	30,583	92,860	69,813	193,256
Net book value				
At 31 December 2006	18,350	65,553	42,841	126,744
At 31 December 2005	30,590	40,269	43,014	113,873

7 Debtors	2006 £	2005 £
Trade debtors	1,466,223	751,325
Other debtors	121,820	118,228
Prepayments and accrued income	150,809	28,592
	1,738,852	898,145

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

	2006 £	2005 £
Other debtors	100,786	115,387

CHATHAM FINANCIAL EUROPE, LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2006

8	Creditors: amounts falling due within one year	2006 £	2005 £
	Bank loans and overdrafts	-	74,076
	Trade creditors	71,221	18,906
	Amounts owed to parent and fellow subsidiary undertakings	203,778	156,332
	Corporation tax	472,050	195,750
	Other taxes and social security costs	16,169	1,725
	Accruals and deferred income	57,721	67,109
		<u>820,939</u>	<u>513,898</u>
9	Creditors: amounts falling due after more than one year	2006 £	2005 £
	Other loans	<u>525,000</u>	<u>525,000</u>
	Analysis of loans		
	Wholly repayable within five years	<u>525,000</u>	<u>525,000</u>
		<u>525,000</u>	<u>525,000</u>
	Loan maturity analysis		
	In more than one year but not more than two years	525,000	-
	In more than two years but not more than five years	<u>-</u>	<u>525,000</u>

The loan is from parent and is interest free and unsecured.

CHATHAM FINANCIAL EUROPE, LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2006

10 Provisions for liabilities and charges

	Deferred tax liability £
Balance at 1 January 2006	1,950
Profit and loss account	3,200
	<u>5,150</u>
Balance at 31 December 2006	<u>5,150</u>

The deferred tax liability is made up as follows:

	2006 £	2005 £
Accelerated capital allowances	<u>5,150</u>	<u>1,950</u>

11 Accruals and deferred income

	Deferred rent £
Balance at 1 January 2006	147,887
Amortisation in the year	(18,108)
	<u>129,779</u>
Balance at 31 December 2006	<u>129,779</u>

12 Pension costs

Defined contribution

	2006 £	2005 £
Contributions payable by the company for the year	<u>48,966</u>	<u>44,862</u>

CHATHAM FINANCIAL EUROPE, LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2006

13 Share capital	2006 £	2005 £
Authorised		
750,000 Ordinary shares of £1 each	<u>750,000</u>	<u>750,000</u>
Allotted, called up and fully paid		
500,000 Ordinary shares of £1 each	<u>500,000</u>	<u>500,000</u>

14 Statement of movements on profit and loss account	Profit and loss account £
Balance at 1 January 2006	305,307
Profit for the year	<u>1,021,329</u>
Balance at 31 December 2006	<u>1,326,636</u>

15 Reconciliation of movements in shareholders' funds	2006 £	2005 £
Profit for the financial year	1,021,329	433,605
Opening shareholders' funds	<u>805,307</u>	<u>371,702</u>
Closing shareholders' funds	<u>1,826,636</u>	<u>805,307</u>

16 Financial commitments

At 31 December 2006 the company was committed to making the following payments under non-cancellable operating leases in the year to 31 December 2007:

	Land and buildings 2006 £	2005 £
Operating leases which expire:		
Between two and five years	<u>114,360</u>	<u>114,368</u>

CHATHAM FINANCIAL EUROPE, LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2006

17 Directors' emoluments	2006	2005
	£	£

Emoluments for qualifying services	<u>308,815</u>	<u>316,451</u>
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Emoluments disclosed above include the following amounts paid to the highest paid director:

Emoluments for qualifying services	<u>156,404</u>	<u>316,451</u>
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18 Employees

Number of employees

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

	2006	2005
	Number	Number
Operations & marketing	15	11
Administration	3	1
	<u>18</u>	<u>12</u>

Employment costs

	2006	2005
	£	£
Wages and salaries	1,927,864	1,398,015
Social security costs	184,661	97,951
Other pension costs	48,966	44,862
	<u>2,161,491</u>	<u>1,540,828</u>

19 Control

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

CHATHAM FINANCIAL EUROPE, LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2006

20 Related party transactions

During the year the company expensed costs amounting to £572,882 (2005 -£300,516) charged by the parent company for IT and other services. At the end of the year the company had amount payable to the parent company of £203,778 (2005 - £156,332) and a long term loan, unsecured and interest free, from the parent of £525,000 (2005 -£525,000)

21 Financial Risk Management

Financial risk management relates to risk to the company in respect of its own assets and liabilities. The company has very limited exposure to financial instruments in respect of its own assets and liabilities. They include cash deposits and trade receivables and payables.

The main risks arising from financial instruments are asset valuation risk, foreign currency risk, and limited exposure to interest rate risk, liquidity risk, and credit risk. Each of these risks is discussed in detail below.

Interest rate risk

The company is exposed to interest rate risk with regard to holding in cash. All cash holdings are at variable rates. The company does not have any borrowings and surplus funds are placed on short term deposits.

Liquidity risk

It is the company's policy to ensure that it has sufficient access to funds to cover all forecast committed requirements for the next 12 months.

The company finances its operations through share capital and retained earnings. Surplus funds are placed on deposit with highly rated banks.

Foreign currency risk

The company holds cash balances in US dollars and Euros, earns fees in US dollars and Euros and holds non-Sterling denominated current asset investments. Foreign exchange risk is managed by ensuring non-Sterling receipts are converted to Sterling promptly upon receipt.

The following table shows the group's currency exposures at 31 December on currency transactions that give rise to the net currency gains and losses recognised in the profit and loss account. Such exposures comprise the monetary assets and liabilities of the company that are not denominated in the functional currency of the operating company involve

Net foreign currency monetary assets	
US Dollars	£978,000
Euros	£1,065,000