

Company Registration No. 4223247 (England and Wales)

CHATHAM FINANCIAL EUROPE, LTD
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2001



CHATHAM FINANCIAL EUROPE, LTD

COMPANY INFORMATION

Directors	J M Bontrager (Appointed 25 May 2001) S D Stanley (Appointed 25 May 2001)
Secretary	S D Stanley
Company number	4223247
Registered office	Titchfield House 69/85 Tabernacle Street London EC2A 4RR
Auditors	Gallagher & Co Titchfield House 69/85 Tabernacle Street London EC2A 4RR
Business address	6 Brandon House, 13 Wyfold Road London SW6 6SE
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 PERIOD ENDED 31 DECEMBER 2001

The directors present their report and financial statements for the period ended 31 December 2001.

Incorporation

The company was incorporated on the 25 May 2001 and started trading during October 2001.

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 regulated by the Financial Services Authority.

Results and dividends

The results for the period are set out on page 4. The directors do not recommend payment of a dividend.

It is proposed that the retained loss of £169,253 is transferred to reserves.

Directors

The following directors have held office since 25 May 2001:

J M Bontrager	(Appointed 25 May 2001)
S D Stanley	(Appointed 25 May 2001)

CDF Formation Limited, a director on incorporation, resigned on the 25 May 2001.

Directors' interests

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

Auditors

Gallagher & Co 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.

CHATHAM FINANCIAL EUROPE, LTD

DIRECTORS' REPORT (CONTINUED) FOR THE PERIOD ENDED 31 DECEMBER 2001

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 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 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



S D Stanley

Director

22 February 2002

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 4 to 11 for the period ended 31 December 2001. These financial statements have been prepared under the historical cost convention and the accounting policies set out herein.

Respective responsibilities of the directors and auditors

As described in the statement of directors' responsibilities on page 2 the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom 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 2001 and of its loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



Gallagher & Co

Chartered Accountants
Registered Auditor

22 February 2002

Titchfield House
69/85 Tabernacle Street
London
EC2A 4RR

CHATHAM FINANCIAL EUROPE, LTD

PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED 31 DECEMBER 2001

	Notes	Period ended 31 December 2001 £
Turnover	2	31,887
Administrative expenses		(201,551)
Operating loss	3	(169,664)
Other interest receivable and similar income		426
Loss on ordinary activities before taxation		(169,238)
Tax on loss on ordinary activities	4	(15)
Loss on ordinary activities after taxation	10	(169,253)

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 2001

	Notes	2001 £	£
Fixed assets			
Tangible assets	5		538,613
Current assets			
Debtors	6	102,835	
Cash at bank and in hand		115,486	
		<u>218,321</u>	
Creditors: amounts falling due within one year	7	(26,187)	
		<u>192,134</u>	
Net current assets			192,134
Total assets less current liabilities			<u>730,747</u>
Creditors: amounts falling due after more than one year	8		(400,000)
			<u>330,747</u>
Capital and reserves			
Called up share capital	9		500,000
Profit and loss account	10		(169,253)
Shareholders' funds - equity interests	11		<u>330,747</u>

The financial statements were approved by the Board on 22 February 2002


S D Stanley
Director

CHATHAM FINANCIAL EUROPE, LTD

CASH FLOW STATEMENT FOR THE PERIOD ENDED 31 DECEMBER 2001

	Period ended 31 December 2001 £
Net cash outflow from operating activities	(237,553)
Returns on investments and servicing of finance	
Interest received	426
Net cash inflow/(outflow) for returns on investments and servicing of finance	426
Capital expenditure	
Payments to acquire tangible assets	(547,387)
Net cash outflow for capital expenditure	(547,387)
Net cash outflow before management of liquid resources and financing	(784,514)
Financing	
Issue of ordinary share capital	500,000
Other new long term loans	400,000
Net cash inflow/(outflow) from financing	900,000
Increase/(decrease) in cash in the period	115,486
Difference between opening & closing bank balances	115,486

CHATHAM FINANCIAL EUROPE, LTD

NOTES TO THE CASH FLOW STATEMENT FOR THE PERIOD ENDED 31 DECEMBER 2001

1	Reconciliation of operating loss to net cash outflow from operating activities			2001
				£
	Operating (loss)/profit			(169,664)
	Depreciation of tangible assets			8,774
	Increase in debtors			(102,835)
	Increase in creditors within one year			26,172
	Net cash outflow from operating activities			(237,553)
2	Analysis of net debt	25 May 2001	Cash flow	Other non-cash changes
		£	£	£
	Net cash:			
	Cash at bank and in hand	-	115,486	-
	Debt:			
	Debts falling due after one year	-	(400,000)	-
	Net debt	-	(284,514)	-
3	Reconciliation of net cash flow to movement in net debt			2001
				£
	Increase in cash in the period			115,486
	Cash inflow from increase in debt			(400,000)
	Movement in net debt in the period			(284,514)
	Opening net debt			-
	Closing net debt			(284,514)

CHATHAM FINANCIAL EUROPE, LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2001

1 Accounting policies

A summary of principal accounting policies, all of which have been applied consistently throughout the 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 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	2% per annum
Fixtures, fittings & equipment	25% per annum
Motor vehicles	25% per annum

1.5 Taxation

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

Deferred taxation is provided at appropriate rates on all timing differences using the liability method only to the extent that, in the opinion of the directors, there is a reasonable probability that a liability or asset will crystallise in the foreseeable future.

1.6 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 period has been derived from its principal activity wholly undertaken in the United Kingdom.

3 Operating loss	2001 £
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Operating loss is stated after charging:

Depreciation of tangible assets	8,774
Auditors' remuneration	5,250

4 Taxation	2001 £
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Domestic current year taxation

U.K. corporation tax	15
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CHATHAM FINANCIAL EUROPE, LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 DECEMBER 2001

5 Tangible fixed assets

	Land and buildings Leasehold	Plant and machinery	Fixtures, fittings & equipment	Motor vehicles	Total
	£	£	£	£	£
Cost					
At 25 May 2001	-	-	-	-	-
Additions	499,000	14,222	26,000	8,165	547,387
At 31 December 2001	499,000	14,222	26,000	8,165	547,387
Depreciation					
At 25 May 2001	-	-	-	-	-
Charge for the period	4,159	1,736	2,709	170	8,774
At 31 December 2001	4,159	1,736	2,709	170	8,774
Net book value					
At 31 December 2001	494,841	12,486	23,291	7,995	538,613

6 Debtors

2001
£

Trade debtors	35,739
Amounts owed by parent company	50,870
Other debtors	16,226
	102,835

7 Creditors: amounts falling due within one year

2001
£

Trade creditors	11,272
Corporation tax	15
Accruals and deferred income	14,900
	26,187

CHATHAM FINANCIAL EUROPE, LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 DECEMBER 2001

8	Creditors: amounts falling due after more than one year	2001
		£

Amounts owed to group undertakings and undertakings in which the company has a participating interest	400,000
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Analysis of loans

Wholly repayable within five years	400,000
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	400,000
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Loan maturity analysis

In more than two years but not more than five years	400,000
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The long term loan is from the ultimate parent company and is unsecured and interest free.

9	Share capital	2001
		£

Authorised

750,000 Ordinary shares of £ 1 each	750,000
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Allotted, called up and fully paid

500,000 Ordinary shares of £ 1 each	500,000
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On 25 July 2001 the company increased its authorised share capital to £750,000 by the creation of additional 749,000 ordinary shares of £1 each.

On incorporation the company had one ordinary share in issue. On 25 July 2001, 499,999 ordinary shares of £1 each were allotted and fully paid at par for cash consideration to provide additional working capital.

10 Statement of movements on profit and loss account

**Profit and
loss account
£**

Retained loss for the period	(169,253)
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CHATHAM FINANCIAL EUROPE, LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 DECEMBER 2001

11 Reconciliation of movements in shareholders' funds	2001
	£
Loss for the financial period	(169,253)
Proceeds from issue of shares	500,000
	<hr/>
Net addition to shareholders' funds	330,747
Opening shareholders' funds	-
	<hr/>
Closing shareholders' funds	330,747
	<hr/>

12 Directors' emoluments	2001
	£
Emoluments for qualifying services	22,205
	<hr/>

13 Employees

Number of employees

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

	2001
	Number
Operations and administration	4
	<hr/>

Employment costs

	£
Wages and salaries	36,984
	<hr/>

14 Control

The ultimate parent company is Chatham Financial Corporation, a company registered in the USA

15 Related party transactions

The company has taken advantage of the exemption in Financial Reporting Standard Number 8 from the requirement to disclose transactions with group companies on the grounds that consolidated financial statements are prepared by the ultimate parent company.