

Company Registration No. 4223247 (England and Wales)

CHATHAM FINANCIAL EUROPE, LTD
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2002



CHATHAM FINANCIAL EUROPE, LTD

COMPANY INFORMATION

Directors	J M Bontrager S D Stanley
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 YEAR ENDED 31 DECEMBER 2002

The directors present their report and financial statements for the year ended 31 December 2002.

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

It is proposed that the retained profit of £226,116 is transferred to reserves.

Directors

The following directors have held office since 1 January 2002:

J M Bontrager
S D Stanley

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.

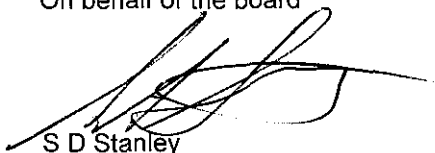
Directors' responsibilities

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



S D Stanley

Director

14 March 2003

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 2002. These financial statements 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 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

As described in the statement of directors' responsibilities on page 1 the company's directors are responsible for the preparation of 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.

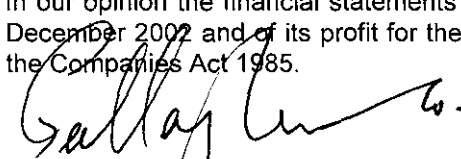
Basis of audit opinion

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 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Gallagher & Co
Chartered Accountants
Registered Auditors

14 March 2003
Titchfield House
69/85 Tabernacle Street
London
EC2A 4RR

CHATHAM FINANCIAL EUROPE, LTD

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2002

	Notes	2002 £	2001 £
Turnover	2	867,615	31,887
Administrative expenses		(623,587)	(201,551)
Operating profit/(loss)	3	244,028	(169,664)
Other interest receivable and similar income		1,788	426
Profit/(loss) on ordinary activities before taxation		245,816	(169,238)
Tax on profit/(loss) on ordinary activities	4	(19,700)	(15)
Profit/(loss) on ordinary activities after taxation	11	226,116	(169,253)

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

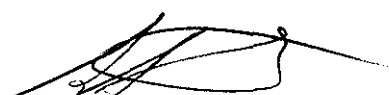
There are no recognised gains and losses other than those passing through the profit and loss account.

CHATHAM FINANCIAL EUROPE, LTD

BALANCE SHEET AS AT 31 DECEMBER 2002

	Notes	2002 £	£	2001 £	£
Fixed assets					
Tangible assets	5		516,084		538,613
Current assets					
Debtors	6	196,854		102,835	
Cash at bank and in hand		385,481		115,486	
		<u>582,335</u>		<u>218,321</u>	
Creditors: amounts falling due within one year	7	<u>(141,506)</u>		<u>(26,187)</u>	
Net current assets			440,829		192,134
Total assets less current liabilities			<u>956,913</u>		<u>730,747</u>
Creditors: amounts falling due after more than one year	8		(400,000)		(400,000)
Provisions for liabilities and charges	9		(50)		-
			<u>556,863</u>		<u>330,747</u>
Capital and reserves					
Called up share capital	10	500,000		500,000	
Profit and loss account	11	56,863		(169,253)	
Shareholders' funds - equity interests	12		<u>556,863</u>		<u>330,747</u>

The financial statements were approved by the Board on 14 March 2003


S D Stanley
Director

CHATHAM FINANCIAL EUROPE, LTD

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2002

	2002		2001	
	£	£	£	£
Net cash inflow/(outflow) from operating activities		269,313		(237,553)
Returns on investments and servicing of finance				
Interest received	1,788		426	
Net cash inflow for returns on investments and servicing of finance		1,788		426
Taxation		(15)		-
Capital expenditure				
Payments to acquire tangible assets	(1,091)		(547,387)	
Net cash outflow for capital expenditure		(1,091)		(547,387)
Net cash inflow/(outflow) before management of liquid resources and financing		269,995		(784,514)
Financing				
Issue of ordinary share capital	-		500,000	
Other new long term loans	-		400,000	
Net cash (outflow)/inflow from financing		-		900,000
Increase in cash in the year		269,995		115,486

CHATHAM FINANCIAL EUROPE, LTD

NOTES TO THE CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2002

1	Reconciliation of operating profit/(loss) to net cash inflow/(outflow) from operating activities	2002	2001
		£	£
	Operating profit/(loss)	244,028	(169,664)
	Depreciation of tangible assets	23,620	8,774
	Increase in debtors	(94,019)	(102,835)
	Increase in creditors within one year	95,684	26,172
	Net cash inflow/(outflow) from operating activities	269,313	(237,553)

2	Analysis of net debt	1 January 2002	Cash flow	Other non-cash changes	31 December 2002
		£	£	£	£
	Net cash:				
	Cash at bank and in hand	115,486	269,995	-	385,481
	Debt:				
	Debts falling due after one year	(400,000)	-	-	(400,000)
	Net debt	(284,514)	269,995	-	(14,519)

3	Reconciliation of net cash flow to movement in net debt	2002	2001
		£	£
	Increase in cash in the year	269,995	115,486
	Cash inflow from increase in debt	-	(400,000)
	Movement in net debt in the year	269,995	(284,514)
	Opening net debt	(284,514)	-
	Closing net debt	(14,519)	(284,514)

CHATHAM FINANCIAL EUROPE, LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2002

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 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 on taxable profits is provided at the current rates.

Deferred tax 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.

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

3 Operating profit/(loss)	2002 £	2001 £
Operating profit/(loss) is stated after charging:		
Depreciation of tangible assets	23,620	8,774
Auditors' remuneration	6,750	5,250
and after crediting:		
Profit on foreign exchange transactions	(6,975)	-

CHATHAM FINANCIAL EUROPE, LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2002

4	Taxation	2002 £	2001 £
	Domestic current year tax		
	U.K. corporation tax	19,650	15
	Current tax charge	19,650	15
	Deferred tax		
	Deferred tax charge credit current year	50	-
		19,700	15
	Factors affecting the tax charge for the year		
	Profit/(loss) on ordinary activities before taxation	245,816	(169,238)
	Profit/(loss) on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 19.00% (2001 : 20.00%)	46,705	(33,848)
	Effects of:		
	Non deductible expenses	2,417	2,599
	Depreciation add back	2,591	923
	Capital allowances	(2,009)	(1,568)
	Tax losses utilised	(30,313)	31,909
	Other tax adjustments	259	-
		(27,055)	33,863
	Current tax charge	19,650	15

CHATHAM FINANCIAL EUROPE, LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2002

5 Tangible fixed assets

	Land and buildings Leasehold	Plant and machinery	Fixtures, fittings & equipment	Motor vehicles	Total
	£	£	£	£	£
Cost					
At 1 January 2002	499,000	14,222	26,000	8,165	547,387
Additions	-	1,091	-	-	1,091
	<u>499,000</u>	<u>15,313</u>	<u>26,000</u>	<u>8,165</u>	<u>548,478</u>
At 31 December 2002	499,000	15,313	26,000	8,165	548,478
Depreciation					
At 1 January 2002	4,159	1,736	2,709	170	8,774
Charge for the year	9,984	5,092	6,504	2,040	23,620
	<u>14,143</u>	<u>6,828</u>	<u>9,213</u>	<u>2,210</u>	<u>32,394</u>
At 31 December 2002	14,143	6,828	9,213	2,210	32,394
Net book value					
At 31 December 2002	<u>484,857</u>	<u>8,485</u>	<u>16,787</u>	<u>5,955</u>	<u>516,084</u>
At 31 December 2001	<u>494,841</u>	<u>12,486</u>	<u>23,291</u>	<u>7,995</u>	<u>538,613</u>

6 Debtors

	2002 £	2001 £
Trade debtors	179,306	35,739
Amounts owed by parent company	-	50,870
Other debtors	17,548	16,226
	<u>196,854</u>	<u>102,835</u>

7 Creditors: amounts falling due within one year

	2002 £	2001 £
Trade creditors	2,463	11,272
Amounts owed to parent undertaking	101,423	-
Corporation tax	19,650	15
Accruals and deferred income	17,970	14,900
	<u>141,506</u>	<u>26,187</u>

CHATHAM FINANCIAL EUROPE, LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2002

8	Creditors: amounts falling due after more than one year	2002 £	2001 £
	Amounts owed to parent undertaking	400,000	400,000
	Analysis of loans		
	Wholly repayable within five years	400,000	400,000
		400,000	400,000
	Loan maturity analysis		
	In more than two years but not more than five years	400,000	400,000

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

9 Provisions for liabilities and charges

	Deferred tax liability £
Profit and loss account	50
Balance at 31 December 2002	50

The deferred tax liability is made up as follows:

	2002 £	2001 £
Accelerated capital allowances	50	-

10 Share capital

	2002 £	2001 £
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

CHATHAM FINANCIAL EUROPE, LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2002

11 Statement of movements on profit and loss account

	Profit and loss account £
Balance at 1 January 2002	(169,253)
Retained profit for the year	226,116
	<hr/>
Balance at 31 December 2002	56,863
	<hr/>

12 Reconciliation of movements in shareholders' funds

	2002 £	2001 £
Profit/(Loss) for the financial year	226,116	(169,253)
Proceeds from issue of shares	-	500,000
	<hr/>	<hr/>
Net addition to shareholders' funds	226,116	330,747
Opening shareholders' funds	330,747	-
	<hr/>	<hr/>
Closing shareholders' funds	556,863	330,747
	<hr/>	<hr/>

13 Directors' emoluments

	2002 £	2001 £
Emoluments for qualifying services	71,922	22,205
	<hr/>	<hr/>

14 Employees

Number of employees

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

	2002 Number	2001 Number
Operations and administration	5	4
	<hr/>	<hr/>

Employment costs

	£	£
Wages and salaries	327,850	36,984
Social security costs	4,009	-
	<hr/>	<hr/>
	331,859	36,984
	<hr/>	<hr/>

CHATHAM FINANCIAL EUROPE, LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2002

15 Control

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

Chatham Financial Corporation prepares group financial statements and copies can be obtained from 688 Unionville Road, Kennett Square, Pennsylvania, PA 19348, USA.

16 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.