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Company Registration Number 4348496

Chantrey Vellacott DFKLLP

**Cheval Property Developments Limited**

**Financial statements**

**30 June 2010**

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**Cheval Property Developments Limited**

**Financial statements**

**Year ended 30 June 2010**

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**Cheval Property Developments Limited**

**Officers and professional advisers**

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**The board of directors**

C Halpern  
A H Kay

**Company secretary**

G R Diamond

**Registered office**

Mendien House  
Clarendon Road  
Watford  
Hertfordshire  
WD17 1DS

**Auditor**

Chantrey Vellacott DFK LLP  
Chartered Accountants  
Statutory Auditor  
1st Floor  
73-75 High Street  
Stevenage  
Hertfordshire  
SG1 3HR

**Bankers**

Israel Discount Bank  
65 Curzon Street  
London W1J 8PE

**Cheval Property Developments Limited****Directors' report****Year ended 30 June 2010**

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The directors present their report and the audited financial statements of the company for the year ended 30 June 2010

**Principal activities and business review**

The principal activity is granting of short-term loans secured by legal charges over land and buildings

The company has not provided any new loans since December 2007 and continues to focus all its efforts on the collection of its loan book. As the company does not currently have an active funding line available to it for new loans, it is not undertaking any new lending. This is likely to be the case for the foreseeable future.

The parent company, Cheval Property Finance plc, was placed into administration by its directors on 31 January 2011. As a result, a proposal has been made to the secured creditor of the company, Israel Discount Bank, for the company to continue to work with Israel Discount Bank to collect out the remaining loans in the loan book. The proposal has been made on the basis that the company continues to receive the financial support of Israel Discount Bank. If this support is withdrawn then there is a high probability that the company will be unable to continue as a going concern.

At the time of signing the financial statements, the directors understand that the proposal is still being considered by Israel Discount Bank. In the absence of information to the contrary, the financial statements have been prepared on a going concern basis on the assumption that the company continues to receive the support of Israel Discount Bank.

**Bad debts**

It is Group policy to provide for those loans where management is of the opinion that there has been a permanent impairment in the value of the security such that the probability of loss to the Group is likely in the short term. As a result of constant proactive management of the loan book by our Credit Control team, management are kept up to date on a weekly basis with the performance of the loan book and progress with recoverability of loans when appropriate. As a result, the estimated recoverable value of the security held against a particular loan is under constant scrutiny and any necessary provisions are made promptly and prudently in accordance with the policy above.

The year-on-year specific bad debt provision has increased to £6,788,661 from £5,345,940 in 2009. This is the result of diminutions in the value of the security properties of certain non-performing loans written during 2006 and 2007, and includes the interest income charged on those loans that is unlikely to be recovered. A portion of the provision can be attributed to negligent valuations undertaken by third party surveyors. The Company has put the insurers of these surveyors on notice of possible claims and will commence legal proceedings where appropriate. The benefit to the Company of any such claims has not been shown in the accounts unless received in cash during the period.

**Results and dividends**

The results for the year ended 30 June 2010 are shown in the profit and loss account on page 7. No dividends have been declared.

**Directors**

The directors who served the company during the year were as follows:

C Halpern  
A H Kay  
A S Margolis

A S Margolis retired as a director on 29 January 2010.

**Cheval Property Developments Limited****Directors' report (continued)****Year ended 30 June 2010****Directors' responsibilities**

The directors are responsible for preparing the directors' report and 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). Under company law the directors must not approve the financial statements unless they are satisfied that they 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 UK 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 adequate accounting records that are sufficient to show and explain the company's transactions and 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 2006. 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.

Insofar as the directors are aware

- there is no relevant audit information of which the company's auditor is unaware, and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

**Donations**

During the year the company made the following contributions

|                      | 2010<br>£ | 2009<br>£  |
|----------------------|-----------|------------|
| Charitable donations | <u>19</u> | <u>693</u> |

**Cheval Property Developments Limited**

**Directors' report *(continued)***

**Year ended 30 June 2010**

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**Auditor**

Chantrey Vellacott DFK LLP are deemed to be re-appointed under section 487(2) of the Companies Act 2006

Signed by order of the directors

A handwritten signature in black ink, appearing to read 'G R Diamond', with a large, stylized initial 'G'.

G R Diamond  
Company Secretary

Approved by the directors on 31 March 2011

Chantrey Vellacott DFK LLP

**Cheval Property Developments Limited****Independent auditor's report to the shareholder of Cheval Property Developments Limited****Year ended 30 June 2010**

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We have audited the financial statements of Cheval Property Developments Limited for the year ended 30 June 2010 which comprise the profit and loss account, balance sheet, cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's shareholder, as a body, in accordance with Sections 495 and 496 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's shareholder 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 shareholder as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of directors and auditor**

As explained more fully in the directors' responsibilities statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

**Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by directors, and the overall presentation of the financial statements.

**Cheval Property Developments Limited****Independent auditor's report to the shareholder of Cheval Property Developments Limited (continued)****Year ended 30 June 2010****Opinion on financial statements**

In forming our opinion on the financial statements, we have considered the adequacy of the disclosures made in the financial statements concerning the following matters

- The parent company, Cheval Property Finance plc, was placed into administration by its directors on 31 January 2011. As a result, a proposal has been made to the secured creditor of the company, Israel Discount Bank, for the company to continue to work with Israel Discount Bank to collect out the remaining loans in the loan book. The proposal has been made on the basis that the company continues to receive the financial support of Israel Discount Bank. If this support is withdrawn then there is a high probability that the company will be unable to continue as a going concern.
- At the time of signing the financial statements, the directors understand that the proposal is still being considered by Israel Discount Bank. In the absence of information to the contrary, the financial statements have been prepared on a going concern basis on the assumption that the company continues to receive the support of Israel Discount Bank.
- The company has not provided any new loans since December 2007 and continues to focus all its efforts on the collection of its loan book. As the company does not currently have an active funding line available to it for new loans, it is not undertaking any new lending. This is likely to be the case for the foreseeable future.
- The company's ability to continue as a going concern. The company incurred a net loss of £443,591 during the year ended 30 June 2010 and, at that date, the company's liabilities exceeded its total assets by £6,363,373.

Because of the potential significance, to the financial statements, of the combined effect of the matters referred to in the paragraphs above, we are unable to form an opinion as to whether the financial statements

- give a true and fair view of the state of the company's affairs as at 30 June 2010 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**Opinion on other matter prescribed by the Companies Act 2006**

Notwithstanding our disclaimer of an opinion on the view given by the financial statements, in our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.

*Chantrey Vellacott DFK LLP*

**MARK STEVENS (Senior Statutory Auditor)**  
for and on behalf of CHANTREY VELLACOTT DFK LLP  
Chartered Accountants and Statutory Auditor  
Stevenage

**31 March 2011**



**Cheval Property Developments Limited****Profit and loss account****Year ended 30 June 2010**

|  | Note     | 2010<br>£          | 2009<br>£          |
|--|----------|--------------------|--------------------|
| <b>Turnover</b>                                    | <b>2</b> | <b>1,941,166</b>   | <b>2,778,219</b>   |
| <b>Cost of sales</b>                               |          | <b>373,711</b>     | <b>705,502</b>     |
| <b>Gross profit</b>                                |          | <b>1,567,455</b>   | <b>2,072,717</b>   |
| <b>Administrative expenses</b>                     |          | <b>2,011,520</b>   | <b>3,619,568</b>   |
| <b>Operating loss</b>                              | <b>3</b> | <b>(444,065)</b>   | <b>(1,546,851)</b> |
| Attributable to                                    |          |                    |                    |
| Operating profit before exceptional items          |          | <b>1,048,166</b>   | <b>1,245,072</b>   |
| Exceptional items                                  | <b>3</b> | <b>(1,492,231)</b> | <b>(2,791,923)</b> |
|  |          | <b>(444,065)</b>   | <b>(1,546,851)</b> |
| <b>Interest receivable</b>                         |          | <b>474</b>         | <b>13,626</b>      |
| <b>Loss on ordinary activities before taxation</b> |          | <b>(443,591)</b>   | <b>(1,533,225)</b> |
| <b>Tax on loss on ordinary activities</b>          | <b>6</b> | <b>-</b>           | <b>-</b>           |
| <b>Profit/(loss) for the financial year</b>        |          | <b>(443,591)</b>   | <b>(1,533,225)</b> |

All of the activities of the company are classed as continuing

The company has no recognised gains or losses other than the results for the year as set out above

The notes on pages 10 to 17 form part of these financial statements.

**Cheval Property Developments Limited****Balance sheet****As at 30 June 2010**

|   | Note | 2010<br>£          | 2009<br>£          |
|---|------|--------------------|--------------------|
| <b>Current assets</b>   |      |                    |                    |
| Debtors   | 7    | 5,431,844          | 5,792,869          |
| Cash at bank  |      | 286,127            | —                  |
|   |      | <u>5,717,971</u>   | <u>5,792,869</u>   |
| <b>Creditors, amounts falling due within one year</b>         | 8    | <u>8,966,299</u>   | <u>9,615,405</u>   |
| <b>Net current liabilities</b>                                |      | <b>(3,248,328)</b> | <b>(3,822,536)</b> |
| <b>Total assets less current liabilities</b>                  |      | <b>(3,248,328)</b> | <b>(3,822,536)</b> |
| <b>Creditors amounts falling due after more than one year</b> | 9    | <u>3,115,045</u>   | <u>2,097,246</u>   |
|   |      | <b>(6,363,373)</b> | <b>(5,919,782)</b> |
| <b>Capital and reserves</b>                                   |      |                    |                    |
| Called up equity share capital                                | 11   | 100                | 100                |
| Profit and loss account                                       | 12   | <u>(6,363,473)</u> | <u>(5,919,882)</u> |
| <b>Deficit</b>  | 13   | <b>(6,363,373)</b> | <b>(5,919,782)</b> |

These financial statements were approved by the directors and authorised for issue on 31 March 2011, and are signed on their behalf by

A Kay  
Director



Company Registration Number 4348496

The notes on pages 10 to 17 form part of these financial statements.

**Cheval Property Developments Limited****Cash flow statement****Year ended 30 June 2010**

|   | <b>Note</b>  | <b>2010<br/>£</b>     | <b>2009<br/>£</b>         |
|---|--------------|-----------------------|---------------------------|
| <b>Net cash (outflow)/inflow from operating activities</b>                  | <b>14(a)</b> | <b>(11,908)</b>       | <b>590,502</b>            |
| <b>Returns on investments and servicing of finance</b>                      |              |                       |                           |
| Interest received   |              | <u>474</u>            | <u>13,626</u>             |
| <b>Net cash inflow from returns on investments and servicing of finance</b> |              | <b>474</b>            | <b>13,626</b>             |
| <b>Taxation</b>   |              | <b>–</b>              | <b>107,119</b>            |
| <b>Cash (outflow)/inflow before financing</b>                               |              | <b>(11,434)</b>       | <b>711,247</b>            |
| <b>Financing</b>  |              |                       |                           |
| Repayment of bank loans   |              | <u>(677,821)</u>      | <u>(4,017,865)</u>        |
| Net outflow from other short-term creditors                                 |              | <u>(30,775)</u>       | <u>(54,082)</u>           |
| Repayment of long-term amounts owed to group undertakings                   |              | <u>1,017,799</u>      | <u>2,097,246</u>          |
| <b>Net cash inflow/(outflow) from financing</b>                             |              | <b>309,203</b>        | <b>(1,974,701)</b>        |
| <b>Increase/(decrease) in cash</b>  | <b>14(c)</b> | <b><u>297,769</u></b> | <b><u>(1,263,454)</u></b> |

The notes on pages 10 to 17 form part of these financial statements

**Cheval Property Developments Limited****Notes to the financial statements****Year ended 30 June 2010**

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**1 Accounting policies****Basis of accounting**

The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards

**Going concern**

The company incurred a net loss of £443,591 during the year ended 30 June 2010 and, at that date, the company's liabilities exceeded its total assets by £6,363,373

The company has not provided any new loans since December 2007 and continues to focus all its efforts on the collection of its loan book. As the company does not currently have an active funding line available to it for new loans, it is not undertaking any new lending. This is likely to be the case for the foreseeable future.

The parent company, Cheval Property Finance plc, was placed into administration by its directors on 31 January 2011. As a result, a proposal has been made to the secured creditor of the company, Israel Discount Bank, for the company to continue to work with Israel Discount Bank to collect out the remaining loans in the loan book. The proposal has been made on the basis that the company continues to receive the financial support of Israel Discount Bank. If this support is withdrawn then there is a high probability that the company will be unable to continue as a going concern.

At the time of signing the financial statements, the directors understand that the proposal is still being considered by Israel Discount Bank. In the absence of information to the contrary, the financial statements have been prepared on a going concern basis on the assumption that the company continues to receive the support of Israel Discount Bank.

**Turnover and cost of sales**

Turnover represents interest received and receivable from loans advanced and other fees associated with loans advanced.

Cost of sales represents interest paid and payable on funders' loans together with direct costs.

**Operating lease agreements**

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

**Deferred taxation**

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.

**Foreign currencies**

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

**Financial instruments**

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

# Cheval Property Developments Limited

## Notes to the financial statements

Year ended 30 June 2010

### 2. Turnover

The turnover and profit before tax are attributable to the one principal activity of the company

An analysis of turnover is given below

|                               | 2010<br>£        | 2009<br>£        |
|-------------------------------|------------------|------------------|
| <b>By geographical market</b> |                  |                  |
| United Kingdom                | 1,866,338        | 2,653,207        |
| Rest of Europe                | 74,828           | 125,012          |
|                               | <u>1,941,166</u> | <u>2,778,219</u> |

### 3 Operating loss

Operating loss is stated after charging/(crediting)

|   | 2010<br>£        | 2009<br>£        |
|---|------------------|------------------|
| Operating lease costs                             |                  |                  |
| - Plant and equipment                             | -                | 1,202            |
| - Property  | 24,468           | 30,721           |
| Net loss/(profit) on foreign currency translation | 63,109           | (30,402)         |
| Auditor's remuneration                            | 11,550           | 7,696            |
| Specific bad debt provision                       | <u>1,492,231</u> | <u>2,791,923</u> |

Details of the specific bad debt provision are disclosed in note 7

|  | 2010<br>£     | 2009<br>£    |
|--|---------------|--------------|
| Auditor's remuneration - audit of the financial statements | <u>11,550</u> | <u>7,696</u> |

**Cheval Property Developments Limited****Notes to the financial statements****Year ended 30 June 2010****4 Particulars of employees**

The average number of staff, including executive directors, employed by the company during the financial year can be analysed as follows

|                            | <b>2010</b><br><b>No</b> | <b>2009</b><br><b>No</b> |
|----------------------------|--------------------------|--------------------------|
| Number of management staff | <u>3</u>                 | <u>5</u>                 |

The aggregate payroll costs of the above were

|                       | <b>2010</b><br><b>£</b> | <b>2009</b><br><b>£</b> |
|-----------------------|-------------------------|-------------------------|
| Wages and salaries    | <b>168,921</b>          | 439,948                 |
| Social security costs | <b>3,880</b>            | 47,032                  |
| Other pension costs   | <b>4,371</b>            | 61,129                  |
|                       | <u><b>177,172</b></u>   | <u><b>548,109</b></u>   |

Staff costs relate to amounts that have been re-charged by the parent company, Cheval Property Finance Plc. Employee contracts are with the parent company, and hence staff numbers only include the directors

**5 Directors' remuneration**

The directors' aggregate remuneration in respect of qualifying services were

|                         | <b>2010</b><br><b>£</b> | <b>2009</b><br><b>£</b> |
|-------------------------|-------------------------|-------------------------|
| Remuneration receivable | <u><b>64,874</b></u>    | <u><b>211,057</b></u>   |

**Cheval Property Developments Limited****Notes to the financial statements****Year ended 30 June 2010****6 Taxation on ordinary activities****Factors affecting current tax charge**

The tax assessed on the loss on ordinary activities for the year is at a higher rate than the standard rate of corporation tax in the UK of 28% (2009 - 28%)

|   | 2010<br>£        | 2009<br>£          |
|---|------------------|--------------------|
| Loss on ordinary activities before taxation           | <u>(443,591)</u> | <u>(1,533,225)</u> |
| Loss on ordinary activities multiplied by rate of tax | (124,205)        | (429,303)          |
| Expenses not deductible for tax purposes              | 108              | 631                |
| Unrelieved tax losses                                 | 124,097          | 436,510            |
| General bad debt provision multiplied by rate of tax  | -                | (7,838)            |
| Total current tax                                     | <u>-</u>         | <u>-</u>           |

**7. Debtors**

|                                | 2010<br>£        | 2009<br>£        |
|--------------------------------|------------------|------------------|
| Due from borrowers             | 5,421,642        | 5,732,552        |
| Other debtors                  | -                | 20,002           |
| Prepayments and accrued income | 10,202           | 40,315           |
|                                | <u>5,431,844</u> | <u>5,792,869</u> |

Debtors are shown net of bad debt provisions of £6,788,661 (2009 £5,350,940). The movement in these provisions of £1,437,721, together with the bad debts written off of £54,510, in the year, have been treated as an exceptional item within administrative expenses as disclosed in note 3 and on the face of the profit and loss account.

The amounts due from borrowers are secured by legal charges held over land and buildings. Loans provided to the borrowers are secured on the properties, regarding which the group and company had received professional valuations. Where the directors believe that the expected losses are as a result of negligent professional valuations received, the directors have either already commenced legal claims against the valuers or will commence such claims against the valuers at the appropriate time.

**Cheval Property Developments Limited****Notes to the financial statements****Year ended 30 June 2010****8 Creditors amounts falling due within one year**

|                              | 2010<br>£        | 2009<br>£        |
|------------------------------|------------------|------------------|
| Bank loans and overdrafts    | 8,793,777        | 9,483,240        |
| Other creditors              | 17,834           | 48,609           |
| Accruals and deferred income | 154,688          | 83,556           |
|                              | <u>8,966,299</u> | <u>9,615,405</u> |

A loan from Israel Discount Bank is secured by sub mortgages over individual mortgages given to the company by individual borrowers. The bank loan has a guarantee of £250,000 from HS Real Company LLC, another group company, and a guarantee has also been provided by Cheval Property Finance Plc. At the year end the facility was for £25,000,000 and advances are repayable on demand. No new advances are currently available under the bank facility and the company has the support of Israel Discount Bank to wind down the current loan book and repay the balance owed in an orderly manner. The year end liability to the bank was £8,793,777 (2009 - £9,483,240). Interest is charged at 2.25% above LIBOR.

**9 Creditors amounts falling due after more than one year**

|                                    | 2010<br>£        | 2009<br>£        |
|------------------------------------|------------------|------------------|
| Amounts owed to group undertakings | <u>3,115,045</u> | <u>2,097,246</u> |

Creditors due after more than one year relates to the amount owed to Cheval Property Finance Plc, the parent company. On 31 January 2011 the parent company was placed into administration by its directors, prior to this, due to the current economic climate the parent company had agreed to defer repayment until more than one year after the balance sheet date.

**10. Related party transactions**

The company has taken advantage of the exemptions conferred by Financial Reporting Standard No 8, exemption (c) from the requirement to make disclosures concerning related parties.



# Cheval Property Developments Limited

## Notes to the financial statements

Year ended 30 June 2010

### 11 Share capital

Allotted, called up and fully paid

|                                | 2010<br>No | £          | 2009<br>No | £          |
|--------------------------------|------------|------------|------------|------------|
| 100 Ordinary shares of £1 each | <u>100</u> | <u>100</u> | <u>100</u> | <u>100</u> |

### 12. Profit and loss account

|                             | 2010<br>£          | 2009<br>£          |
|-----------------------------|--------------------|--------------------|
| Balance brought forward     | (5,919,882)        | (4,386,657)        |
| Loss for the financial year | <u>(443,591)</u>   | <u>(1,533,225)</u> |
| Balance carried forward     | <u>(6,363,473)</u> | <u>(5,919,882)</u> |

### 13 Reconciliation of movements in shareholder's funds

|                               | 2010<br>£          | 2009<br>£          |
|-------------------------------|--------------------|--------------------|
| Loss for the financial year   | (444,591)          | (1,533,225)        |
| Opening shareholder's deficit | <u>(5,919,782)</u> | <u>(4,386,557)</u> |
| Closing shareholder's deficit | <u>(6,363,373)</u> | <u>(5,919,782)</u> |

### 14 Notes to the cash flow statement

#### (a) Reconciliation of operating loss to net cash outflow from operating activities

|   | 2010<br>£       | 2009<br>£          |
|---|-----------------|--------------------|
| Operating loss                                      | (444,065)       | (1,546,851)        |
| Decrease in debtors                                 | 361,025         | 4,099,400          |
| Increase/(decrease) in creditors                    | <u>71,132</u>   | <u>(1,962,047)</u> |
| Net cash (outflow)/inflow from operating activities | <u>(11,908)</u> | <u>590,502</u>     |

# Cheval Property Developments Limited

## Notes to the financial statements

Year ended 30 June 2010

### 14 Notes to the cash flow statement (continued)

#### (b) Reconciliation of net cash flow to movement in net debt

|   | 2010<br>£           | 2009<br>£           |
|---|---------------------|---------------------|
| Increase/(decrease) in cash in the period                           | 297,769             | (1,263,454)         |
| Net cash outflow from bank loans                                    | 677,821             | 4,017,865           |
| Net outflow from other short-term creditors                         | 30,775              | 54,082              |
| Net cash (inflow) from long-term amounts owed to group undertakings | (1,017,799)         | (2,097,246)         |
|   | <u>(11,434)</u>     | <u>711,247</u>      |
| Change in net debt  | (11,434)            | 711,247             |
| Net debt at 1 July 2009   | (11,629,095)        | (12,340,342)        |
| Net debt at 30 June 2010  | <u>(11,640,529)</u> | <u>(11,629,095)</u> |

#### (c) Analysis of changes in net debt

|                          | At<br>1 Jul 2009<br>£ | Cash flows<br>£  | At<br>30 Jun 2010<br>£ |
|--------------------------|-----------------------|------------------|------------------------|
| Net cash                 |                       |                  |                        |
| Cash in hand and at bank | –                     | 286,127          | 286,127                |
| Overdrafts               | (11,642)              | 11,642           | –                      |
|                          | <u>(11,642)</u>       | <u>297,769</u>   | <u>286,127</u>         |
| Debt                     |                       |                  |                        |
| Debt due within 1 year   | (9,520,207)           | 708,596          | (8,811,611)            |
| Debt due after 1 year    | (2,097,246)           | (1,017,799)      | (3,115,045)            |
|                          | <u>(11,617,453)</u>   | <u>(309,203)</u> | <u>(11,926,656)</u>    |
| Net debt                 | <u>(11,629,095)</u>   | <u>(11,434)</u>  | <u>(11,640,529)</u>    |

## **Cheval Property Developments Limited**

### **Notes to the financial statements**

**Year ended 30 June 2010**

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#### **15 Ultimate parent company**

The parent company is Cheval Property Finance Plc, which is registered in the United Kingdom. On 31 January 2011 the parent company was placed into administration by its directors. As a result of which a proposal has been made to Israel Discount Bank which includes, inter alia, the shares in the company being sold to Israel Discount Bank at market value.

The ultimate parent company during the year was Ambition Capital Limited, which is incorporated in Guernsey.

The controlling party during the year under review was Volkomen Financiering BV who held the right to appoint the majority of the board of directors of Cheval Property Finance Plc and therefore controlled the day to day running of the company.

The directors' believe it is appropriate for the parent company to reallocate expenses to its subsidiary undertakings, as all administrative expenses are processed through Cheval Property Finance Plc. The method of calculation is based on the amounts due from borrowers, and is pro-rated accordingly. These expenses are included within administrative expenses.