

Registered number
4348496

Cheval Property Developments Limited

Report and Accounts

30 June 2003



Cheval Property Developments Limited
Report and accounts
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Cheval Property Developments Limited
Company Information

Directors

N C Epstein
B S Hersch
J H Margolis
A H Kay
A S Margolis
J P Wheeler
S Cohen
M D Chesler

Secretary

A S Margolis

Auditors

Anthony Cowen
1st Floor, Stanmore House
15/19 Church Road
Stanmore
Middlesex HA7 4AR

Bankers

Israel Discount Bank
65 Curzon Street
London W1J 8PE

Registered office

2nd Floor, Stanmore House
15/19 Church Road
Stanmore
Middlesex HA7 4AR

Registered number

4348496

Cheval Property Developments Limited

Directors' Report

The directors present their report and accounts for the period ended 30 June 2003.

Principal activities and review of the business

The company's principal activity during the period was the granting of short term loans secured by legal charges held over land and buildings, primarily to finance property development. Having obtained a £3 Million banking facility, the company commenced business in October 2002.

The directors are pleased with the results of the company for the period.

Results and dividends

The profit for the year, after taxation, amounted to £144,008. A dividend of £150,000 was paid during the year and the directors do not recommend that a final dividend be paid for the year ended 30 June 2003. At the time the dividend was voted, the company had sufficient reserves and the deficit of £5,992 has been made good since the year end.

Future developments

The directors are aware that, despite continuing price rises, the outlook for the UK market remains uncertain, as does that for the UK economy as a whole. The sub-prime loan market is growing and competitive pressure is forcing rates downward.

There have been delays in the installation of computer software, and this is currently under review. Once the software has been successfully been installed it is anticipated that this will be of great assistance in the running of the company.

The company has advised the Financial Services Authority of its intention to apply for authorisation to conduct mortgage business. Authorisation will be required in order to conduct business after 31 October 2004. A director of the company, assisted by an outside consultant, has been assigned to ensure that the application is submitted timeously, and that all compliance and regulatory matters will be correctly carried out.

Staff

The directors wish to thank the staff, whose hard work, enthusiasm and skill have enabled the company to continue to prosper.

Payment of creditors

It is the company's policy to settle its invoices within 30 days of receipt. At 30 June 2003 there were no trade creditors as defined by the Companies Act and therefore no calculation of the creditor payment period is necessary.

Cheval Property Developments Limited

Directors' Report

Directors

The directors who served during the period and their interests in the share capital of the company were as follows:

	£1 Ordinary shares	
	2003	2002
N C Epstein	-	-
B S Hersch	-	-
J H Margolis	-	-
A H Kay	-	-
A S Margolis	-	-
J P Wheeler	-	-
S Cohen	-	-
M D Chesler	-	-

The directors' interests in the shares of the parent company are shown in those accounts.

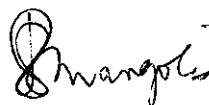
Post balance sheet events

These are set out in note 15 of the notes attached to these accounts.

Auditors

A resolution to reappoint Anthony Cowen as auditors will be put to the member at the Annual General Meeting.

This report was approved by the board on 6 January 2004.



J H Margolis
Director

Cheval Property Developments Limited

Statement of Directors' Responsibilities

Company law requires the directors to prepare accounts 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 for that period. In preparing those accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- follow applicable accounting standards, subject to any material departures disclosed and explained in the accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for maintaining 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 accounts 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.

Cheval Property Developments Limited

Auditors' Report

Independent auditors' report to the shareholder of

We have audited the accounts of Cheval Property Developments Limited for the period ended 30 June 2003 which comprise pages 6 to 12. These accounts 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 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 directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the accounts in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the accounts 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 accounts, 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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of the company's affairs as at 30 June 2003 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



Anthony Cowen
Chartered Accountants and Registered Auditors

1st Floor, Stanmore House
15/19 Church Road
Stanmore
Middlesex HA7 4AR

6 January 2004

Cheval Property Developments Limited
Profit and Loss Account
for the period from 7 January 2002 to 30 June 2003

	Notes	2003 £
Turnover	2	561,274
Cost of sales	2	(284,214)
Gross profit		<u>277,060</u>
Administrative expenses		(74,422)
Operating profit	3	<u>202,638</u>
Interest receivable		3,087
Profit on ordinary activities before taxation		<u>205,725</u>
Tax on profit on ordinary activities	4	(61,717)
Profit for the period		<u>144,008</u>
Dividends:		
ordinary dividend on equity shares	5	(150,000)
Retained loss for the period	9	<u>(5,992)</u>

Continuing operations

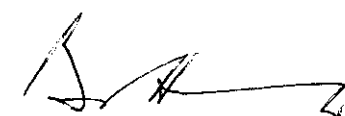
None of the company's activities were acquired or discontinued during the above period.

Statement of total recognised gains and losses

The company has no recognised gains or losses other than the profit for the above period.

Cheval Property Developments Limited
Balance Sheet
as at 30 June 2003

	Notes	2003 £
Current assets		
Debtors	6	4,137,288
Cash at bank and in hand		<u>40,603</u>
		4,177,891
 Creditors: amounts falling due within one year	 7	 <u>(4,183,783)</u>
 Net current liabilities		 (5,892)
		<u>(5,892)</u>
 Capital and reserves		
Called up share capital	8	100
Profit and loss account	9	(5,992)
 Shareholder's funds:		
Equity		<u>(5,892)</u>
	10	<u>(5,892)</u>



B S Hersch
 Director

Approved by the board on 6 January 2004

Cheval Property Developments Limited
Cash Flow Statement
for the period from 7 January 2002 to 30 June 2003

	Notes	2003
		£
Reconciliation of operating profit to net cash inflow from operating activities		
Operating profit		202,638
Increase in debtors		(4,137,288)
Increase in creditors		2,294,622
Net cash (outflow)/inflow from operating activities		<u>(1,640,028)</u>

CASH FLOW STATEMENT

Net cash (outflow)/inflow from operating activities		(1,640,028)
Returns on investments and servicing of finance	11	3,087
Taxation		(4,054)
		<u>(1,640,995)</u>
Equity dividends paid	11	<u>(150,000)</u>
		(1,790,995)
Financing	11	100
Decrease in cash		<u>(1,790,895)</u>

Reconciliation of net cash flow to movement in net debt

Increase/(decrease) in cash in the period		40,603
Increase in debt and lease financing		(1,831,498)
Change in net debt	12	<u>(1,790,895)</u>
Net funds at 7 January		<u>-</u>
Net debt at 30 June		<u>(1,790,895)</u>

Cheval Property Developments Limited
Notes to the Accounts
for the period from 7 January 2002 to 30 June 2003

1 Accounting policies

Accounting convention

The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards.

2 Turnover / Cost of sales

Turnover represents interest received and receivable after making due allowance for irrecoverable interest. Turnover is attributable to the one continuing activity described in the directors' report and is 100% receivable in the United Kingdom.

Cost of sales represents interest paid and payable on funder's loans and bank overdrafts together with direct costs of recovery. Interest paid on bank overdrafts amounted to £90,668.

3 Operating profit	2003 £
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This is stated after charging:

Auditors' remuneration	1,762
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4 Taxation	2003 £
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UK corporation tax at 30%	61,717
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5 Equity dividends	2003 £
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Equity dividends on ordinary shares - interim paid	150,000
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Cheval Property Developments Limited
Notes to the Accounts
for the period from 7 January 2002 to 30 June 2003

6 Debtors	2003
	£
Due from borrowers	4,086,085
Prepayments and accrued income	<u>51,203</u>
	<u>4,137,288</u>

The amount due from borrowers is secured by legal charges held over land and buildings.

7 Creditors: amounts falling due within one year	2003
	£
Bank loans and overdrafts	1,831,498
Due to related companies	2,146,701
Corporation tax	57,663
Other creditors	3,930
Accruals	<u>143,991</u>
	<u>4,183,783</u>

The bank overdraft is secured by a sub mortgage over individual mortgages given to the company. It is repayable on demand and interest is charged at 2.5% above bank base rate. The overdraft is guaranteed by the parent company and partly guaranteed by directors, N C Epstein and J H Margolis.

8 Share capital	2003
	£
Authorised:	
Ordinary shares of £1 each	<u>100</u>

	2003	2003
	No	£
Allotted, called up and fully paid:		
Ordinary shares of £1 each	100	<u>100</u>

Movement in share capital	2003
	£
Shares issued	100
At 30 June	<u>100</u>

Cheval Property Developments Limited
Notes to the Accounts
for the period from 7 January 2002 to 30 June 2003

9 Profit and loss account	2003
	£
Retained loss	(5,992)
At 30 June	<u>(5,992)</u>

10 Reconciliation of movement in shareholder's funds	2003
	£
Profit for the financial period	144,008
Dividends	(150,000)
Shares issued	100
At 30 June	<u>(5,892)</u>

11 Gross cash flows	2003
	£
Returns on investments and servicing of finance	
Interest received	<u>3,087</u>
Financing	
Issue of share capital	<u>100</u>
Equity dividends paid	<u>150,000</u>

Cheval Property Developments Limited
Notes to the Accounts
for the period from 7 January 2002 to 30 June 2003

12 Analysis of changes in net debt

	At 7 Jan 2002 £	Cash flows £	Non-cash changes £	At 30 Jun 2003 £
Cash at bank and in hand	-	40,603		40,603
Debt due within 1 year	-	(1,831,498)		(1,831,498)
Debt due after 1 year	-	-		-
		(1,831,498)		
Total	-	(1,790,895)	-	(1,790,895)

13 Related parties / staff costs

The company does not directly employ staff. Staff costs, including the directors salaries, are paid by the parent company and this information is disclosed in their accounts.

Funding from the ultimate parent company is subject to interest payable at the rate of 15% per annum. Interest of £115,540 has been provided in these accounts and will be paid within 12 months of the year end.

14 Controlling party / ultimate parent company

The company's parent company is Cheval Property Finance plc, (company no: 3131133) which is registered in the United Kingdom. The ultimate controlling parent company is Cheval Group Holdings Limited which is incorporated in the British Virgin Islands.

The ultimate controlling party is Mr Mark Sieff.

15 Post balance sheet events

In December 2003 the company advanced funds of £2.6 Million to one borrower. This is the company's largest single advance and as such the directors felt should be noted in these accounts.