Company Registration Number 04430986

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COMPANIES HOUSE

Cheval Bridging Finance Limited

Financial statements

30 June 2011

Cheval Bridging Finance Limited

Financial statements

Year ended 30 June 2011

ChantreyVellacottDFKLLP

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Cheval Bridging Finance Limited

Officers and professional advisers

The board of directors	M D Chesler A H Kay G R B Pitzer D J Murray G R Diamond D M Levine
Company secretary	G R Diamond
Registered office	Victoria House 49 Clarendon Road Watford Hertfordshire WD17 1HP
Auditor	Chantrey Vellacott DFK LLP Chartered Accountants Statutory Auditor First Floor 73-75 High Street Stevenage Herts SG1 3HR
Bankers	Clydesdale Bank PLC 1 Georges Square Bath Street Bristol BS1 6BP

The directors have pleasure in presenting their report and the audited financial statements of the company for the year ended 30 June 2011

Principal activities and business review

The principal activity is granting of short term loans secured by legal charges over land and buildings The company is authorised by the Financial Services Authority with regard to regulated mortgage business

Going concern

The directors have reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future As a result, the going concern basis continues to be adopted in preparing the financial statements Please refer to note 1

Results and dividends

The loss for the year amounted to £919,171 Particulars of dividends paid are detailed in note 9 to the financial statements

Financial risk management objectives and policies

The company is in the business of managing risk The key risks are funding and collateral risk The company is dependent on the continued support of its funding partners, without which there would be no liquidity with which to lend

In order to ensure stable funding lines, we ensure that our borrowing facilities are on average 2 -3 years We have multiple funding partners so as to avoid concentration or dependency risk

The value of our collateral is an inherent risk in our business We actively manage all loans on our book and take active steps to ensure that the value of the collateral is preserved or enhanced where appropriate In a volatile property market, active collateral management is key to the success of any asset-backed lender We recognise this risk and have policies and procedures in place to manage this risk effectively

Directors

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

C Halpern
A H Kay
G R B Pitzer
D J Murray
G R Diamond

G R B Pitzer was appointed as a director on 21 February 2011
D J Murray was appointed as a director on 31 March 2011
G R Diamond was appointed as a director on 22 February 2011

C Halpern retired as a director on 2 February 2011
M D Chesler was appointed as a director on 4 August 2011
D M Levine was appointed as a director on 4 August 2011

Policy on the payment of creditors

The company's current policy concerning the payment of trade creditors is to

- settle the terms of payment with suppliers when agreeing the terms of each transaction,
- ensure that suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts, and
- pay in accordance with the company's contractual and other legal obligations

The number of creditor days for 2011 was 58

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

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

Diamond

G R Diamond
Company Secretary

Approved by the directors on 20/12/11

Independent auditor's report to the shareholder of Cheval Bridging Finance Limited

Year ended 30 June 2011

We have audited the financial statements of Cheval Bridging Finance Limited for the year ended 30 June 2011 which comprise the profit and loss account, balance sheet 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 Chapter 3 of Part 16 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 and express an opinion on 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 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 In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on financial statements
In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 30 June 2011 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
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

21 December 2011

Cheval Bridging Finance Limited

Profit and loss account

Year ended 30 June 2011

	Note	2011 £	2010 £
Turnover	2	1,330,952	1,786,436
Cost of sales		296,570	100,225
Gross profit		1,034,382	1,686,211
Administrative expenses		2,160,866	1,072,017
Other operating income	3	(205,380)	–
Operating (loss)/profit	4	(921,104)	614,194
Attributable to			
Operating profit before exceptional items		357,305	1,146,908
Exceptional items	4	(1,278,409)	(532,714)
		(921,104)	614,194
Interest receivable		1,981	748
Interest payable and similar charges	7	(48)	–
(Loss)/profit on ordinary activities before taxation		(919,171)	614,942
Tax on (loss)/profit on ordinary activities	8	–	–
(Loss)/profit for the financial year		(919,171)	614,942

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

ChantreyVellacottDFKLLP

The notes on pages 8 to 14 form part of these financial statements

Cheval Bridging Finance Limited

Balance sheet

As at 30 June 2011

	Note	2011 £	2010 £
Current assets			
Debtors	10	8,081,263	8,608,600
Cash at bank and in hand		952,027	321,246
		9,033,290	8,929,846
Creditors: amounts falling due within one year	11	8,972,266	6,298,345
Net current assets		61,024	2,631,501
Total assets less current liabilities		61,024	2,631,501
Capital and reserves			
Called up equity share capital	14	100	100
Profit and loss account	15	60,924	2,631,401
Shareholder's funds	16	61,024	2,631,501

These financial statements were approved by the directors and authorised for issue on 20-12-11, and are signed on their behalf by

A H Kay

Company Registration Number 04430986

ChantreyVellacott DFK LLP

The notes on pages 8 to 14 form part of these financial statements

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 Balance Sheet of the company showed a net positive equity position of £61,024 as at 30 June 2011 with cash on hand of £952,027 and a significant amount of undrawn funding from Clydesdale Bank

Management has prepared a detailed business and cash flow forecast for the company based on realistic and prudent assumptions The forecast indicates that the company has sufficient resources to continue trading for the foreseeable future and is able to meet its day to day ordinary indebtedness The company has the support of all its lenders at the current time, including a facility from Clydesdale Bank which is being made available until 30 March 2013

As a result, the directors believe that the company has adequate resources and is well placed to manage its business risks successfully Therefore the directors feel it is appropriate to continue to adopt the going concern basis of accounting in preparing the financial statements

Cash flow statement
The directors have taken advantage of the exemption in Financial Reporting Standard No 1 (Revised 1996) from including a cash flow statement in the financial statements on the grounds that the company is wholly owned and its parent publishes a consolidated cash flow statement

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

Pension costs
The company operates a defined contribution pension scheme for employees The assets of the scheme are held separately from those of the company The annual contributions payable are charged to the profit and loss account

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

Financial instruments
Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument Dividends and distributions relating to equity instruments are debited direct to equity

2 Turnover

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

An analysis of turnover is given below

	2011 £	2010 £
United Kingdom	**1,330,952**	1,786,436

3 Other operating income

	2011 £	2010 £
Other operating income	**205,380**	–

Other operating income relates to administrative expenses re-charged to the parent company of a prior fellow subsidiary company, as disclosed in note 17

4 Operating (loss)/profit

Operating (loss)/profit is stated after charging/(crediting)

	2011 £	2010 £
Operating lease costs		
- Other	**44,111**	23,617
Auditor's remuneration	**11,287**	10,962
Specific bad debt provision	**(215,375)**	204,709
Amounts due from group undertakings written off	**1,493,784**	328,005

Exceptional items, totalling £1,278,409, (2010 - £532,714) as shown on the face of the profit and loss account, comprise specific bad debt provisions of £(215,375) (2010 - £204,709) and amounts due from group undertakings written off of £1,493,784 (2010 - £328,005) Further details of these exceptional items are disclosed in note 10

	2011 £	2010 £
Auditor's remuneration - audit of the financial statements	**11,287**	10,962

5. Particulars of employees

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

	2011 No	2010 No
Number of administrative staff	3	–
Number of management staff	2	3
	5	3

The aggregate payroll costs of the above were

	2011 £	2010 £
Wages and salaries	214,763	163,046
Social security costs	25,264	3,745
Other pension costs	6,551	4,219
	246,578	171,010

From 1 July 2010 until 31 January 2011, staff costs relate to amounts that have been reallocated by the, then parent company, Cheval Property Finance Plc From 2 February 2011 all employee contracts are with the parent company As payroll costs have been reallocated to the company in their entirety, staff numbers and costs include all staff from this date Up to 31 January 2011 only directors were included in staff numbers

6 Directors' remuneration

The directors' aggregate remuneration in respect of qualifying services were

	2011 £	2010 £
Remuneration receivable	65,205	62,618

The number of directors who accrued benefits under company pension schemes was as follows

	2011 No	2010 No
Money purchase schemes	1	1

7. Interest payable and similar charges

	2011 £	2010 £
On loans from parent company	183,698	–
On bank loans wholly repayable within 5 years	112,872	100,225
Bank overdraft interest	48	–
	296,618	100,225
Included in cost of sales	(296,570)	(100,225)
	48	–

8 Taxation on ordinary activities

Factors affecting current tax charge

The tax assessed on the (loss)/profit on ordinary activities for the year is at a higher rate than the standard rate of corporation tax in the UK of 26 80% (2010 - 28%)

	2011 £	2010 £
(Loss)/profit on ordinary activities before taxation	(919,171)	614,942
(Loss)/profit on ordinary activities multiplied by rate of tax	(246,338)	172,184
Expenses not deductible for tax purposes	400,760	104
Utilisation of tax losses	-	(109,394)
General bad debt provision multiplied by rate of tax	2,680	-
Group relief claimed	(157,102)	(62,894)
Total current tax	-	-

9 Dividends

Equity dividends

	2011 £	2010 £
Paid during the year		
Equity dividends on ordinary shares	4,151,306	–

10 Debtors

	2011	2010
	£	£
Trade debtors	**7,798,070**	8,223,694
Amounts owed by group undertakings	**2,757**	–
Corporation tax repayable	**15,000**	91,724
VAT recoverable	**6,300**	–
Other debtors	**72,179**	164,622
Prepayments and accrued income	**186,957**	128,560
	8,081,263	8,608,600

Debtors are shown net of bad debt provisions of £10,000 (2010 - £1,165,017) Bad debts written back of £(215,375), in the year, have been treated as an exceptional item within administrative expenses as disclosed in note 4

Trade debtors are the amounts due from borrowers and are secured by legal charges held over land and buildings, regarding which the group and company had received professional valuations

Amounts owed by group undertakings at the year end were £2,757 (2010 - £Nil) The current year balance relates to amounts owed by Cheval Commercial Finance Limited, a fellow subsidiary The prior year balance was provided for in full, £328,005, and hence no balance is shown as at 30 June 2010 This provision related to amounts owed by the then parent company, Cheval Property Finance Plc, which was placed into administration by its directors on 31 January 2011 The total amount owing by Cheval Property Finance Plc, of £1,821,789, which was written off when it was placed into administration, was made up of the provision last year and further amounts of £1,493,784 advanced this year This was treated as an exceptional item within administrative expenses as disclosed in note 4

11 Creditors amounts falling due within one year

	2011	2010
	£	£
Bank loans	**2,635,395**	3,535,075
Trade creditors	**89,436**	–
Amounts owed to group undertakings	**5,067,208**	2,500,000
PAYE and social security	**17,321**	–
Other creditors	**787,908**	3,697
Accruals and deferred income	**374,998**	259,573
	8,972,266	6,298,345

Clydesdale Bank plc hold a fixed and floating charge over the assets of the company At the year end the Clydesdale Bank plc loan facility was for a maximum of £9,000,000 Interest was payable at 3 25% per annum above Bank of England base rate A non-utilisation fee of 0 35% per annum is payable on the difference between the average drawn balance and £9,000,000 This facility is currently available until March 2013 At the year end the net liability under the facility in the company was £2,635,395 (2010 - £3,535,075)

The following liabilities disclosed under creditors falling due within one year are secured by the company

	2011	2010
	£	£
Bank loans	**2,635,395**	3,535,075

12 Commitments under operating leases

At 30 June 2011 the company had annual commitments under non-cancellable operating leases as set out below

	2011		2010	
	Land and buildings	Other items	Land and buildings	Other items
	£	£	£	£
Operating leases which expire				
Within one year	-	3,666	-	-
Within two to five years	17,585	5,381	-	-
	17,585	9,047	-	-

13. 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

14 Share capital

Allotted, called up and fully paid:

	2011 No	£	2010 No	£
100 Ordinary shares of £1 each	100	100	100	100

As part of the sale of the company, on 2 February 2011, the Cheval Property Finance Plc loan of £2,500,000 was waived, resulting in the company receiving a capital contribution of £2,500,000 as shown in note 15 and 16 On the same date the shareholder's held a meeting whereby they agreed to reduce the company's capital by the same amount

15 Profit and loss account

	2011	2010
	£	£
Balance brought forward	2,631,401	2,016,459
(Loss)/profit for the financial year	(919,171)	614,942
Equity dividends	(4,151,306)	–
Released through capital reduction	2,500,000	–
Balance carried forward	60,924	2,631,401

16 Reconciliation of movements in shareholder's funds

	2011	2010
	£	£
(Loss)/Profit for the financial year	(919,171)	614,942
Released through capital reduction	2,500,000	–
	1,580,829	614,942
Equity dividends	(4,151,306)	–
Net (reduction of)/addition to shareholder's funds	(2,570,477)	614,942
Opening shareholder's funds	2,631,501	2,016,559
Closing shareholder's funds	61,024	2,631,501

17 Ultimate parent company

Throughout the first seven months of the year the parent company was 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, and subsequently on 2 February 2011, the entire share capital of Cheval Bridging Finance Limited was sold to Cheval Holdings Limited, a company which is registered in the United Kingdom

The ultimate parent company to 2 February 2011 was Ambition Capital Limited, which is incorporated in Guernsey

The controlling party to 31 January 2011 was Volkomen Financiering BV which 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 There is no ultimate controlling party from 2 February 2011

Until 31 January 2011 the directors' felt it was appropriate for the parent company to reallocate expenses to its subsidiary undertakings, as all administrative expenses were processed through Cheval Property Finance Plc The method of calculation was based on the amounts due from borrowers, and was pro-rated accordingly These expenses are included within administrative expenses From 2 February 2011 the company accounts for all its own administrative expenditure, however a service agreement is in place to recharge any expenses over 7% of the average loan book to the parent company of a prior fellow subsidiary company