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Company Registration Number 04430986

Chantrey Vellacott DFKLLP

Cheval Bridging Finance Limited

Annual report

30 June 2013

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Cheval Bridging Finance Limited

Annual report

Year ended 30 June 2013

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Cheval Bridging Finance Limited

Officers and professional advisers

The board of directors

M D Chesler
G R B Pitzer
D J Murray
D M Levine

Registered office

c/o Sylvester Amiel Lewin & Horne, Solicitors
Pearl Assurance House
319 Ballards Lane
London
N12 8LY

Auditor

Chantrey Vellacott DFK LLP
Chartered Accountants and Statutory Auditor
First Floor
73-75 High Street
Stevenage
Herts
SG1 3HR

Bankers

Clydesdale Bank PLC
1 Georges Square
Bath Street
Bristol
BS1 6BP

Cheval Bridging Finance Limited**Directors' report****Year ended 30 June 2013**

The directors have pleasure in presenting their report and the audited financial statements of the company for the year ended 30 June 2013

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 Conduct Authority with regard to regulated mortgage business

Going concern

The Balance Sheet of the company showed a positive position of £49,545 as at 30 June 2013 with cash on hand of £299,423. Management were unable to renegotiate the loan facility and during the year the Clydesdale facility was repaid in full and the account closed. The company is currently winding down its loan book until an alternative financier or solution can be found.

These accounts have been prepared on a going concern basis and assume that the company continues to receive support from the Flexinet Group shareholders. If this support is withdrawn without an adequate funding line to replace it then there is a high probability that the company will be unable to continue as a going concern. As at the date of signature of these accounts, management is of the current belief that the company has the support of its shareholders. However management are mindful that in this uncertain economic environment this support could be withdrawn at any time.

Results and dividends

The profit for the year amounted to £82,040. The directors have not recommended a dividend.

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 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:

M D Chesler
A H Kay
G R B Pitzer
D J Murray
G R Diamond
D M Levine

A H Kay retired as a director on 7 June 2013.

G R Diamond retired as a director on 7 March 2013.

Cheval Bridging Finance Limited**Directors' report (continued)****Year ended 30 June 2013**

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

Due to the nature of the business with the majority of the cost being administrative and interest based it is not considered useful to disclose the number of creditor days

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 year.

In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- 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.

Cheval Bridging Finance Limited

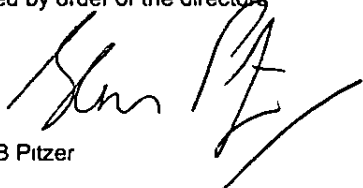
Directors' report *(continued)*

Year ended 30 June 2013

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



G R B Pitzer

Director

Approved by the directors on 17/10/2013

Chantrey Vellacott DFK LLP

Cheval Bridging Finance Limited**Independent auditor's report to the shareholder of Cheval Bridging Finance Limited****Year ended 30 June 2013**

We have audited the financial statements of Cheval Bridging Finance Limited for the year ended 30 June 2013 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 the 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 2013 and of its profit 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.

Emphasis of matter - Going concern

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosures made in note 1 to the financial statements concerning the company's ability to continue as a going concern. The company made profits of £82,040 during the year ended 30 June 2013 and, at that date, the company's current assets exceeded its total liabilities by £49,545. The company was unable to renegotiate the loan facility and during the year the loan facility was repaid in full and the account closed. These conditions along with other matters explained in note 1 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include any adjustments that would result if the company was unable to continue as a going concern.

Cheval Bridging Finance Limited

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

Year ended 30 June 2013

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

18/10/2013

Chantrey Vellacott DFK LLP

Cheval Bridging Finance Limited**Profit and loss account****Year ended 30 June 2013**

	Note	2013 £	2012 £
Turnover	2	1,270,654	1,778,283
Cost of sales		488,502	634,310
Gross profit		782,152	1,143,973
Administrative expenses		701,412	1,325,388
Other operating income	3	–	(86,699)
Operating profit/(loss)	4	80,740	(94,716)
Attributable to			
Operating profit before exceptional items		80,740	246,784
Exceptional items	4	–	(341,500)
		80,740	(94,716)
Interest receivable		1,329	1,197
Interest payable and similar charges	7	(29)	–
Profit/(loss) on ordinary activities before taxation		82,040	(93,519)
Tax on profit/(loss) on ordinary activities	8	–	–
Profit/(loss) for the financial year		82,040	(93,519)

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 9 to 15 form part of these financial statements

Cheval Bridging Finance Limited

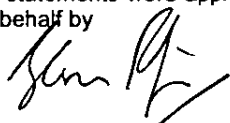
Balance sheet

As at 30 June 2013

	Note	2013 £	2012 £
Current assets			
Debtors	9	862,600	12,495,110
Cash at bank and in hand		299,423	930,670
		<u>1,162,023</u>	<u>13,425,780</u>
Creditors amounts falling due within one year	10	<u>1,112,478</u>	<u>13,458,275</u>
Net current assets/(liabilities)		49,545	(32,495)
Total assets less current liabilities		<u>49,545</u>	<u>(32,495)</u>
Capital and reserves			
Called up equity share capital	13	100	100
Profit and loss account	14	49,445	(32,595)
Shareholder's funds/(deficit)	15	<u>49,545</u>	<u>(32,495)</u>

These financial statements were approved by the directors and authorised for issue on 17/10/2013, and are signed on their behalf by

G R B Pitzer



Company Registration Number 04430986

Chantrey Vellacott DFK LLP

The notes on pages 9 to 15 form part of these financial statements

Cheval Bridging Finance Limited**Notes to the financial statements****Year ended 30 June 2013**

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 positive position of £49,545 as at 30 June 2013 with cash on hand of £299,423. Management were unable to renegotiate the loan facility and during the year the Clydesdale facility was repaid in full and the account closed. The company is currently winding down its loan book until an alternative financier or solution can be found.

These accounts have been prepared on a going concern basis and assume that the company continues to receive support from the Flexinet Group shareholders. If this support is withdrawn without an adequate funding line to replace it then there is a high probability that the company will be unable to continue as a going concern. As at the date of signature of these accounts, management is of the current belief that the company has the support of its shareholders. However management are mindful that in this uncertain economic environment this support could be withdrawn at any time.

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 small.

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.

Cheval Bridging Finance Limited**Notes to the financial statements****Year ended 30 June 2013****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

	2013 £	2012 £
United Kingdom	<u>1,270,654</u>	<u>1,778,283</u>

3 Other operating income

	2013 £	2012 £
Other operating income	<u>-</u>	<u>86,699</u>

Other operating income relates to administrative expenses re-charged to the parent company of a prior fellow subsidiary company

4 Operating profit/(loss)

Operating profit/(loss) is stated after charging

	2013 £	2012 £
Operating lease costs		
- Other	36,576	36,330
Auditor's remuneration	9,840	10,300
Specific bad debts	<u>-</u>	<u>341,500</u>

Exceptional items, totalling £Nil (2012 - £341,500) as shown on the face of the profit and loss account, comprise specific bad debts of £Nil (2012 - £341,500) Further details of these exceptional items are disclosed in note 9

	2013 £	2012 £
Auditor's remuneration - audit of the financial statements	<u>9,840</u>	<u>10,300</u>

Cheval Bridging Finance Limited

Notes to the financial statements

Year ended 30 June 2013

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

	2013 No	2012 No
Administrative	6	7
Management	2	2
	<u>8</u>	<u>9</u>

The aggregate payroll costs of the above were

	2013 £	2012 £
Wages and salaries	355,724	368,669
Social security costs	36,827	43,047
Other pension costs	7,399	9,825
	<u>399,950</u>	<u>421,541</u>

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 for the year.

6 Directors' remuneration

The directors' aggregate remuneration in respect of qualifying services were

	2013 £	2012 £
Remuneration receivable	<u>186,087</u>	<u>97,592</u>

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

	2013 No	2012 No
Money purchase schemes	<u>1</u>	<u>1</u>

Cheval Bridging Finance Limited

Notes to the financial statements

Year ended 30 June 2013

7 Interest payable and similar charges

	2013 £	2012 £
Interest payable on bank borrowing	29	—
On loans from parent company	376,699	451,236
On bank loans wholly repayable within 5 years	111,803	183,074
Bank overdraft interest	29	—
	488,531	634,310
Included in cost of sales	(488,502)	(634,310)
	29	—

8 Taxation on ordinary activities

Factors affecting current tax charge

The tax assessed on the profit/(loss) on ordinary activities for the year is at a lower rate than the standard rate of corporation tax in the UK of 23.75% (2012 - 25.00%)

	2013 £	2012 £
Profit/(loss) on ordinary activities before taxation	82,040	(93,519)
Profit/(loss) on ordinary activities multiplied by rate of tax	19,485	(23,847)
Expenses not deductible for tax purposes	2,199	868
Unrelieved tax losses	879	1,304
General bad debt provision multiplied by rate of tax	(22,563)	21,675
Total current tax	—	—

Cheval Bridging Finance Limited

Notes to the financial statements

Year ended 30 June 2013

9 Debtors

	2013 £	2012 £
Trade debtors	796,499	12,240,557
Amounts owed by group undertakings	-	4,977
Corporation tax repayable	15,000	15,000
Other debtors	9,379	97,694
Prepayments and accrued income	41,722	136,882
	<u>862,600</u>	<u>12,495,110</u>

Debtors are shown net of general bad debt provisions of £Nil (2012 - £95,000) and specific bad debt provisions of £397,288 (2012 - £349,534). Specific bad debt provision of £Nil (2012 - £341,500), 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.

10 Creditors amounts falling due within one year

	2013 £	2012 £
Bank loans	-	7,705,734
Trade creditors	19,946	14,973
Amounts owed to group undertakings	1,049,988	5,036,329
PAYE and social security	-	15,957
VAT	-	1,803
Other creditors	2,286	96,806
Accruals and deferred income	40,258	586,673
	<u>1,112,478</u>	<u>13,458,275</u>

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

	2013 £	2012 £
Bank loans	<u>-</u>	<u>7,705,734</u>

Cheval Bridging Finance Limited

Notes to the financial statements

Year ended 30 June 2013

11 Commitments under operating leases

At 30 June 2013 the company had annual commitments under non-cancellable operating leases as set out below

	2013		2012	
	Land and buildings £	Other items £	Land and buildings £	Other items £
Operating leases which expire				
Within one year	-	-	-	5,381
Within two to five years	31,263	-	31,263	-
	<u>31,263</u>	<u>-</u>	<u>31,263</u>	<u>5,381</u>

12 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

13 Share capital

Allotted, called up and fully paid

	2013		2012	
	No	£	No	£
100 Ordinary shares of £1 each	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>

14 Profit and loss account

	2013 £	2012 £
Balance brought forward	(32,595)	60,924
Profit/(loss) for the financial year	<u>82,040</u>	<u>(93,519)</u>
Balance carried forward	<u>49,445</u>	<u>(32,595)</u>

Cheval Bridging Finance Limited

Notes to the financial statements

Year ended 30 June 2013

15 Reconciliation of movements in shareholder's funds

	2013 £	2012 £
Profit/(Loss) for the financial year	82,040	(93,519)
Opening shareholder's (deficit)/funds	(32,495)	61,024
Closing shareholder's funds/(deficit)	<u>49,545</u>	<u>(32,495)</u>

16 Ultimate parent company

There was no ultimate controlling party during the year