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Registered number : 04614812

Chantrey Vellacott DFK

CHEVAL PERSONAL LOANS LIMITED

Financial Statements
30 June 2004



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CHEVAL PERSONAL LOANS LIMITED

Financial statements for the year ended 30 June 2004

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CHEVAL PERSONAL LOANS LIMITED

Company information

Directors

B S Hersch
J Newman

Secretary

A S Margolis

Registered office

2nd Floor Stanmore House
15-19 Church Road
Stanmore
Middx. HA7 4AR

Registered number

04614812

Auditors

Chantrey Vellacott DFK
Gresham House
53 Clarendon Road
Watford
Herts
WD17 1LR

Bankers

Barclays Bank PLC
54 Lombard Street
London
EC3V 9EX

Solicitors

Sherringtons
Top Floor Premier House
112 Station Road
Edgware
Middx. HA8 7BJ

Chantrey Vellacott DFK

CHEVAL PERSONAL LOANS LIMITED

Directors' report for the year ended 30 June 2004

The directors present their report and the financial statements of the company for the year ended 30 June 2004.

Review of the business

The principal activity is the granting of secured personal loans.

The results for the year and the financial position at the year end were considered satisfactory by the directors, who expect the business of the company to grow in the foreseeable future.

Results and dividends

The results for the year ended 30 June 2004 are shown in the profit and loss account on page 5. The loss for the year after taxation was £325,981.

The directors do not recommend payment of an ordinary dividend.

Post balance sheet events

There have been no matters since the balance sheet date that would require disclosure in these financial statements.

Directors

The directors who served during the year were:

B S Hersch
J Newman

Directors' interests in shares

The directors' interests in the shares of the company were as stated below:

	Ordinary shares of £ 1 each	
	30 June 2004	1 July 2003
B S Hersch	-	-
J Newman	50	50

Creditor payment policy

It is the company's policy to settle its invoices within 30 days of receipt. At 30 June 2004 there were no trade creditors as defined by the Companies Act and therefore no calculation of the creditor payment period is necessary.

Auditors

A resolution to reappoint Chantrey Vellacott DFK as auditors of the company will be proposed at the Annual General Meeting.

CHEVAL PERSONAL LOANS LIMITED

Directors' report for the year ended 30 June 2004 (continued)

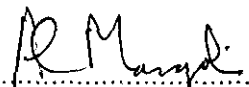
Directors' responsibilities

Company law requires the directors to prepare financial statements which give a true and fair view of the state of affairs of the company at the end of its financial year and of the profit or loss of the company for the year then ended. In preparing those financial statements, the directors are required to:

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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Signed on behalf of the Board



A S MARGOLIS
Secretary

Approved by the Board on 31st December 2004

CHEVAL PERSONAL LOANS LIMITED

Independent auditors' report to the shareholders of Cheval Personal Loans Limited

We have audited the financial statements of Cheval Personal Loans Limited for the year ended 30 June 2004 which are set out on pages 5 to 14. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an 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 financial statements in accordance with applicable law and United Kingdom Accounting Standards.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 30 June 2004 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Chantrey Vellacott DFK
CHANTREY VELLACOTT DFK

Chartered Accountants
Registered Auditors

WATFORD

6 January 2005

Chantrey Vellacott DFK

CHEVAL PERSONAL LOANS LIMITED

Profit and loss account for the year ended 30 June 2004

	Notes	2004 £	As restated 2003 £
Turnover	2	883,128	60,267
Cost of sales		1,171,781	103,185
Gross loss		(288,653)	(42,918)
Administrative expenses		36,129	4,700
Operating loss		(324,782)	(47,618)
Interest payable and similar charges	3	(16,548)	-
Loss on ordinary activities before taxation	4	(341,330)	(47,618)
Tax on loss on ordinary activities	6	(15,349)	-
Loss for the year	10	(325,981)	(47,618)

The company commenced trading in the prior financial period. None of the company's activities was acquired or discontinued during the current financial year.

There is no difference between the losses shown above and their historical cost equivalents.

The notes on pages 9 to 14 form part of these financial statements.

CHEVAL PERSONAL LOANS LIMITED

Statement of total recognised gains and losses

	2004	As restated 2003
	£	£
Loss for the financial year	(325,981)	(47,618)
Total recognised gains and losses relating to the year	(325,981)	(47,618)
Prior year adjustment	55,069	-
Total gains and losses recognised since last annual report	(270,912)	(47,618)

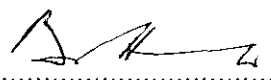
The notes on pages 9 to 14 form part of these financial statements.

CHEVAL PERSONAL LOANS LIMITED

Balance sheet at 30 June 2004

	Notes	2004 £	As restated 2003 £
Current assets			
Debtors: amounts falling due within one year	7	1,713,116	435,324
Debtors: amounts falling due after more than one year	7	14,834,914	2,678,625
Cash at bank and in hand		265,508	-
		<u>16,813,538</u>	<u>3,113,949</u>
Creditors: amounts falling due within one year	8	(17,187,037)	(3,161,467)
Total assets less current liabilities		<u>(373,499)</u>	<u>(47,518)</u>
Capital and reserves			
Called up share capital	9	100	100
Profit and loss account	10	(373,599)	(47,618)
Shareholders' funds	11	<u>(373,499)</u>	<u>(47,518)</u>

Approved by the Board on 31.12.04 and signed on its behalf.


B S HERSCH - Director

The notes on pages 9 to 14 form part of these financial statements.

CHEVAL PERSONAL LOANS LIMITED

Cash flow statement for the year 30 June 2004

	Notes	2004 £	2003 £
Net cash outflow from operating activities	12a	(13,519,292)	(3,144,603)
Returns on investments and servicing of finance			
Interest paid		(16,548)	-
Net cash outflow from returns on investments and servicing of finance		(16,548)	-
Taxation		15,349	-
Net cash outflow before management of liquid resources and financing		(13,520,491)	(3,144,603)
Financing			
Issue of ordinary share capital		-	100
Other new short term loans		3,552,783	3,144,503
Net cash inflow from financing		3,552,783	3,144,603
Decrease in cash in the year	12b,c	(9,967,708)	-

The notes on pages 9 to 14 form part of these financial statements.

CHEVAL PERSONAL LOANS LIMITED

Notes to the financial statements for the year ended 30 June 2004

1 Accounting policies

a) Basis of accounting

The financial statements are prepared on the historical cost basis of accounting.

At 30 June 2004 the company's liabilities exceeded its assets by £373,499, following a loss for the year of £325,981. Cheval Property Finance plc having joint control over the company has given an undertaking that it will provide any additional finance necessary to enable the company to meet its liabilities as they fall due for a period of at least twelve months from the date of approval of these financial statements. The directors therefore consider it appropriate to prepare the financial statements on a going concern basis.

b) 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.

c) Prepayments

Prepaid legal expenses in respect of setting up loans and override commissions are written off over 3 years so as to match the costs to the expected length of each loan and its associated income stream. In addition, costs incurred on setting up the loan facility with Barclays Bank plc are written off over the term of the facility - 24 months for legal expenses and 12 months for facility fees.

2 Turnover and cost of sales

Turnover represents interest received and receivable from loans advanced.

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

3 Interest payable and similar charges

	2004 £	2003 £
On bank loans and overdrafts wholly repayable within 5 years	<u>16,548</u>	<u>-</u>

4 Loss on ordinary activities before taxation

	2004 £	2003 £
This is stated after charging:		
Auditors' remuneration:		
In respect of audit services	<u>6,000</u>	<u>4,700</u>

5 Employee information

There were no employees during the year apart from the directors.

CHEVAL PERSONAL LOANS LIMITED

Notes to the financial statements for the year ended 30 June 2004 (continued)

6 Taxation	2004 £	2003 £
Domestic current year tax		
U.K. corporation tax	(15,349)	-
Current tax charge	<u>(15,349)</u>	<u>-</u>
Factors affecting the tax charge for the year		
Loss on ordinary activities before taxation	(341,330)	(47,618)
Loss on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 30.00% (2003- 30.00%)	<u>(102,399)</u>	<u>(14,285)</u>
Effects of:		
Tax losses utilised	102,399	30,806
Adjustment to previous period	-	(16,521)
Adjustment to reflect losses surrendered to group in the prior year	<u>(15,349)</u>	<u>-</u>
	<u>87,050</u>	<u>14,285</u>
Current tax charge	<u>(15,349)</u>	<u>-</u>

On the basis of these financial statements no provision has been made for corporation tax.

CHEVAL PERSONAL LOANS LIMITED

Notes to the financial statements for the year ended 30 June 2004 (continued)

7 Debtors	2004 £	As restated 2003
		£
Due from borrowers	14,893,388	2,746,831
Other debtors	84,976	11,233
Prepayments and accrued income	1,569,666	355,885
	<u>16,548,030</u>	<u>3,113,949</u>

Amounts falling due after more than one year and included in the debtors above are:

	2004 £	As restated 2003
		£
Due from borrowers	13,731,010	2,487,560
Other debtors	78,919	-
Prepayments	1,024,985	191,065
	<u>14,834,914</u>	<u>2,678,625</u>

Debtors in 2003 have been restated (see note 10).

8 Creditors: amounts falling due within one year	2004 £	2003
		£
Loans	6,697,286	3,144,503
Bank overdraft	10,233,216	-
Other creditors	51,018	12,264
Accruals and deferred income	205,517	4,700
	<u>17,187,037</u>	<u>3,161,467</u>
Debt due in one year or less	<u>6,697,286</u>	<u>3,144,503</u>

The loan, which is from Cheval Property Finance plc, is repayable on demand, subject to any agreed deed of priority with Barclays Bank plc.

CHEVAL PERSONAL LOANS LIMITED

Notes to the financial statements for the year ended 30 June 2004 (continued)

9	Called up share capital	2004 £	2003 £
	Authorised		
	Equity shares:		
	100 Ordinary shares of £1 each	<u>100</u>	<u>100</u>
	Allotted, called up and fully paid		
	Equity shares:		
	100 Ordinary shares of £1 each	<u>100</u>	<u>100</u>

10	Reserves	Profit and loss account £
	At 1 July 2003, as previously reported	(102,687)
	Prior year adjustment	<u>55,069</u>
	As restated	(47,618)
	Loss for the year	<u>(325,981)</u>
	At 30 June 2004	<u>(373,599)</u>

The prior year adjustment is in respect of override commissions which were expensed. This is not in accordance with the accounting policy, which capitalises override incentive payments made to brokers and amortises them over 36 months. Therefore, the loss for 2003 was overstated.

11	Reconciliation of movement on shareholders' funds	2004 £	2003 £
	Loss for the financial year	(325,981)	(47,618)
	Proceeds from issue of shares	-	100
	Net depletion in shareholders' funds	<u>(325,981)</u>	<u>(47,518)</u>
	Opening shareholders' funds as restated for prior year adjustment	(47,518)	-
	Closing shareholders' funds	<u>(373,499)</u>	<u>(47,518)</u>

Shareholders' funds are fully attributable to equity interests.

Opening shareholders' funds were originally £102,587 before deducting prior year adjustments of £55,069.

CHEVAL PERSONAL LOANS LIMITED

Notes to the financial statements for the year ended 30 June 2004 (continued)

12 Notes to the cash flow statement

a) Reconciliation of operating loss to net cash outflow from operating activities	2004	2003
	£	£
Operating loss	(324,782)	(47,618)
Increase in debtors	(13,434,081)	(3,113,949)
Increase in creditors within one year	239,571	16,964
Net cash outflow from operating activities	(13,519,292)	(3,144,603)

b) Analysis of changes in net debt	1 July 2003	Cash flow	30 June 2004
	£	£	£
Net cash:			
Cash at bank and in hand	-	265,508	265,508
Bank overdrafts	-	(10,233,216)	(10,233,216)
		(9,967,708)	(9,967,708)
Debt:			
Debt falling due within one year	(3,144,503)	(3,552,783)	(6,697,286)
Net debt	(3,144,503)	(13,520,491)	(16,664,994)

c) Reconciliation of net cash flow to movement in net debt	2004	2003
	£	£
Decrease in cash in the year	(9,967,708)	-
Cash inflow from increase in debt	(3,552,783)	(3,144,503)
Change in net debt resulting from cash flows	(13,520,491)	(3,144,503)
Opening net debt	(3,144,503)	-
Closing net debt	(16,664,994)	(3,144,503)

13 Directors' interests in contracts

During the period fees of £249,686 (2003 - £319,961) were paid to Sherringtons solicitors in which a director and shareholder Mr Jonathan Newman is Principal. As at 30 June 2004 Sherringtons were owed £32,286 in respect of their client account on behalf of the company. As at 30 June 2003 Sherringtons held £10,925 in their client account on behalf of the company.

CHEVAL PERSONAL LOANS LIMITED

Notes to the financial statements for the year ended 30 June 2004 (continued)

14 Control

There is no overall controlling party.

15 Related party transactions

Cheval Property Finance plc which holds 50% of the shares of Cheval Personal Loans Limited provides finance for the loans and was owed £6,697,286 (2003 - £3,144,503) by the company at the year end.