



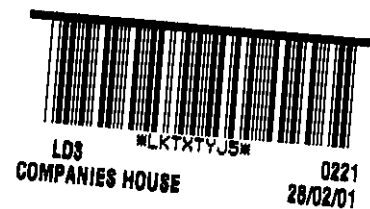
ARTHURANDERSEN

Registered number 3302753

## ORCHARDBROOK LIMITED

### Directors' report and financial statements

For the year ended 30 September 2000



*Orchardbrook Limited*  
*Directors' report and financial statements*  
*30 September 2000*

## **Directors' report**

The directors present their report on the affairs of Orchardbrook Limited ("the Company") together with the financial statements and auditors' report for the year ended 30 September 2000.

### **Principal activities**

The principal activity of the Company is investment in asset backed loan notes.

### **Business review**

During the year the Company maintained its investment in asset backed notes. The directors expect the level of activity to remain at the same level in the forthcoming financial year.

### **Results and dividends**

The profit for the year before taxation is shown on page 4 of the financial statements.

No dividends were declared or paid by the Company during the year (1999: nil) and the directors do not propose a final dividend.

### **Directors' details, interests and responsibilities**

The directors of the Company who served during the year were Mr Bryan Needham, Mr Peter Hills (appointed 22 March 2000) and Mr Roger Finney (resigned 22 March 2000). None of the directors who served during the year has any interest in the Company.

The directors are required to prepare financial statements for each financial period which 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.

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

In preparing the 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; and state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the Company. 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.

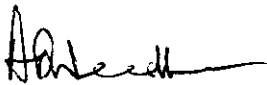
*Orchardbrook Limited*  
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**Directors' report** *(continued)*

**Employees**

The Company has no employees. Clifford Chance Secretaries Limited perform the company secretarial function. National Westminster Bank Plc performs administrative services for the Company.

On behalf of the board



B Needham  
Director

200 Aldersgate Street  
London EC1A 4JJ

**Orchardbrook Limited**  
**Directors' report and financial statements**  
**30 September 2000**

**AUDITORS' REPORT**

To the Shareholders of Orchardbrook Limited.

We have audited the financial statements on pages 4 to 10 which have been prepared under the historical cost convention and the accounting policies set on page 7.

**Respective responsibilities of directors and auditors**

As described on page 1, the Company's directors are responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

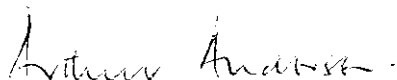
**Basis of opinion**

We conducted our audit in accordance with 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 circumstances of the Company, have been 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 affairs of the Company as at 30 September 2000 and of the Company's profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Arthur Andersen  
Chartered Accountants and  
Registered Auditors

1 Surrey Street  
London  
WC2R 2PS

*Orchardbrook Limited*  
*Directors' report and financial statements*  
*30 September 2000*

**Profit and loss account**

*for the years ended 30 September 2000 and 30 September 1999*

	<i>Note</i>	<b>2000</b> <b>£000</b>	1999 £000
Investment income	3	632	633
Interest expense	4	(625)	(629)
Other expense	5	<u>(5)</u>	<u>(6)</u>
<b>Profit/(loss) on ordinary activities before taxation</b>	6	<b>2</b>	(2)
Tax on profit/(loss) on ordinary activities	7	<u>-</u>	<u>(1)</u>
<b>Retained profit/(loss) for the year</b>	13	<u><b>2</b></u>	<u>(3)</u>

The accompanying notes are an integral part of this profit and loss account.

The results above arose wholly from continuing operations.

The Company had no recognised gains or losses other than those included in the profit and loss account above.

**Orchardbrook Limited**  
**Directors' report and financial statements**  
**30 September 2000**

**Balance sheet**

at 30 September 2000 and 30 September 1999

	<i>Note</i>	<b>2000</b> <b>£'000</b>	1999 £'000
<b>Current assets</b>			
Investments	8	9,717	9,717
Debtors	9	316	337
Cash at bank		<u>6</u>	<u>1</u>
		<b>10,039</b>	10,055
<b>Creditors: amounts falling due within one year</b>	10	<u>(320)</u>	<u>(318)</u>
<b>Net current assets</b>		<u><b>9,719</b></u>	<u><b>9,737</b></u>
<b>Total assets less current liabilities</b>		<b>9,719</b>	9,737
<b>Creditors: amounts falling due after more than one year</b>	11	<u>(9,717)</u>	<u>(9,737)</u>
<b>Net assets</b>		<u><u><b>2</b></u></u>	<u><u><b>-</b></u></u>
<b>Capital and reserves</b>			
Called up share capital	12	-	-
Profit and loss account	13	<u>2</u>	<u>-</u>
<b>Shareholders' funds</b>		<u><u><b>2</b></u></u>	<u><u><b>-</b></u></u>

The accompanying notes are an integral part of this balance sheet.

Signed on behalf of the Board:



B Needham  
Director

**Orchardbrook Limited**  
**Directors' report and financial statements**  
**30 September 2000**

**Cash flow statement**

*for the years to 30 September 2000 and 30 September 1999*

	<i>Note</i>	<b>2000</b> <b>£'000</b>	1999 £'000
<b>Net cash infow/(outflow) from operating activities</b>	<b>15</b>	<b>4</b>	<b>(6)</b>
<b>Taxation</b>			
UK corporation tax		<b>21</b>	-
<b>Financing</b>			
Broking fee paid		<u><b>(20)</b></u>	<u>-</u>
<b>Increase/(decrease) in cash</b>	<b>16</b>	<u><b>5</b></u>	<u><b>(6)</b></u>

The accompanying notes form an integral part of this cash flow statement.

**Orchardbrook Limited**  
**Directors' report and financial statements**  
**30 September 2000**

**Notes**

*(Forming part of the financial statements)*

**1 Accounting policies**

A summary of the principal accounting policies, all of which have been applied consistently throughout the year, is set out below:

**a) Basis of accounting**

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

**b) Investment income**

Investment income is accounted for on an accruals basis. Investment income includes interest receivable on the Series 3 loan notes acquired from Finance for Residential Social Housing Plc.

**c) Taxation**

Corporation tax is provided on taxable profits at the current rate.

**d) Investments**

Investments held are shown at cost. The directors consider there has been no impairment in value, as they believe the cost of the notes will be realised in full.

**2 Directors and employees**

None of the directors received any emoluments for their services to the Company during the year.

None of the directors had any material interest in any contract of significance in relation to the business of the Company

The Company does not have any employees.

	2000 £'000	1999 £'000
<b>3 Investment income</b>		
Interest income on loan notes	632	633
Other interest income	<u>-</u>	<u>-</u>
	<u><b>632</b></u>	<u><b>633</b></u>
<b>4 Interest expense</b>		
Interest on broking fee	<u><b>625</b></u>	<u><b>629</b></u>
<b>5 Other expense</b>		
Other fees	<u><b>5</b></u>	<u><b>6</b></u>
<b>6 Profit/(loss) on ordinary activities before taxation</b>		
The profit/(loss) on ordinary activities before taxation is stated after charging auditors' remuneration as follows:		
Auditors' fees	<u><b>4</b></u>	<u><b>4</b></u>



**Orchardbrook Limited**  
**Directors' report and financial statements**  
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**Notes (continued)**

	<b>2000</b>	1999
	<b>£'000</b>	£'000
<b>7 Taxation on profit/(loss) on ordinary activities</b>		
The tax charge for the year comprises:		
UK corporation tax at 20%	-	-
Adjustment in respect of prior years	<u>-</u>	<u>1</u>
	<u>-</u>	<u>1</u>
<b>8 Loan notes</b>		
Series 3 6.5% loan notes issued by Finance for Residential Social Housing Plc	<u><b>9,717</b></u>	<u><b>9,717</b></u>
<b>9 Debtors</b>		
Prepayments and accrued interest	<b>316</b>	316
Corporation tax	<u>-</u>	<u>21</u>
	<u><b>316</b></u>	<u><b>337</b></u>
<b>10 Creditors: amounts falling due within one year</b>		
Accruals and deferred income	<u><b>320</b></u>	<u><b>318</b></u>
<b>11 Creditors: amounts falling due after more than one year</b>		
Broking fee	<u><b>9,717</b></u>	<u><b>9,737</b></u>
The directors have received assurance from National Westminster Bank Plc that the broking fee will not be recalled within one year and will not be repayable until Orchardbrook holds sufficient cash. Consequently this creditor has been classified as a long term creditor.		
<b>12 Share capital</b>		
<u>Authorised</u>	<b>£</b>	<b>£</b>
100 Ordinary shares of £1 each	<u><b>100</b></u>	<u><b>100</b></u>
<u>Allotted, called-up and fully paid</u>		
1 Ordinary share at £1 each	<u><b>1</b></u>	<u><b>1</b></u>
The ordinary share was issued on 15 January 1997 and is held by Royal Exchange Trust Company Limited.		
<b>13 Profit and loss account</b>		<b>£'000</b>
At 30 September 1999		-
Retained profit for the year		<u><b>2</b></u>
At 30 September 2000		<u><b>2</b></u>
<b>14 Reconciliation of movements in shareholders' funds</b>		
Profit for the financial year		<b>2</b>
Opening shareholders' funds		<u>-</u>
Closing shareholders' funds		<u><b>2</b></u>

**Orchardbrook Limited**  
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**Notes (continued)**

	2000 £'000	1999 £'000
<b>15 Reconciliation of operating profit/(loss) to net cash inflow/(outflow) from operating activities</b>		
Profit/(loss) on ordinary activities before taxation	2	(2)
Decrease in debtors	-	1
Increase/(decrease) in creditors	<u>2</u>	<u>(5)</u>
Net cash inflow/(outflow) from operating activities	<u><u>4</u></u>	<u><u>(6)</u></u>

<b>16 Analysis of changes in net debt</b>	<b>As at 1/10/99 £'000</b>	<b>Cash flows £'000</b>	<b>As at 30/9/00 £'000</b>
Cash at bank	1	5	6
Debt due within 1 year	-	-	-
Debt due after 1 year	<u>(9,737)</u>	<u>20</u>	<u>(9,717)</u>
	<u><u>(9,736)</u></u>	<u><u>25</u></u>	<u><u>(9,711)</u></u>

**Reconciliation of net cashflow  
to movement in net debt**

Net debt as at 1/10/99	(9,736)
Increase in cash	5
Cash outflow from decrease in debt	<u>20</u>
Movement in net debt	<u>25</u>
Net debt as at 30/9/00	<u><u>(9,711)</u></u>

**17 Financial Instruments**

The Company's financial instruments comprise of an investment in Series 3 asset backed notes acquired from Finance for Residential Social Housing Plc. Cash, accrued interest income, accrued interest payable and other items arise directly from the Company's operations.

It is and has been throughout the period under review, the Company's policy not to trade in financial instruments.

The main risks arising from the Company's financial instruments are interest rate risk and liquidity risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below. These policies have remained unchanged since the Company commenced operations on 23 March 1997. All transactions and financial instruments are denominated in the Company's functional currency and consequently no currency exposure arises.

**Orchardbrook Limited**  
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**30 September 2000**

**Notes (continued)**

**a) Interest rate risk**

At the year end, the interest accruing on the broking fee payable and the Company's investments were at fixed rates.

**b) Liquidity risk**

The Company has in place an agreement whereby the brokerage fee payable will be paid only when the Company has sufficient funds to do so.

**c) Maturity of financial assets and liabilities**

The maturity profile of the Company's financial assets at 30 September 2000 was as follows:

	<b>£'000</b>
In one year or less, or on demand	<b>322</b>
In more than five years	<b><u>9,717</u></b>
	<b><u>10,039</u></b>

The maturity profile of the Company's financial liabilities at 30 September 2000 was as follows:

	<b>£'000</b>
In one year or less, or on demand	<b>320</b>
In more than five years	<b><u>9,717</u></b>
	<b><u>10,037</u></b>

**d) Fair values**

The carrying amount of financial assets and liabilities approximates to their fair value.