

**ORCHARDBROOK LIMITED**

**Report and Financial Statements**

**30 September 2002**



**Deloitte & Touche**  
**London**

<b>CONTENTS</b>	<b>Page</b>
<b>Officers and professional advisers</b>	<b>1</b>
<b>Directors' report</b>	<b>2</b>
<b>Statement of directors' responsibilities</b>	<b>3</b>
<b>Independent auditors' report</b>	<b>4</b>
<b>Profit and loss account</b>	<b>5</b>
<b>Balance sheet</b>	<b>6</b>
<b>Cash flow statement</b>	<b>7</b>
<b>Notes to the accounts</b>	<b>8</b>

**OFFICERS AND PROFESSIONAL ADVISERS**

**DIRECTORS**

Bryan Needham  
Peter Hills

**SECRETARY**

Clifford Chance Secretaries Limited

**REGISTERED OFFICE**

200 Aldersgate  
London  
EC1A 4JJ

**BANKERS**

National Westminster Bank Plc

**SOLICITORS**

Clifford Chance

**AUDITORS**

Deloitte & Touche  
London

## **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 2002.

### **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 results for the year and the state of the Company's affairs are set out in the accompanying financial statements.

No dividends were declared or paid by the Company during the year (2001: nil) and the directors do not propose a final dividend (2001: nil).

### **DIRECTORS AND THEIR INTERESTS**

The directors who served throughout the year are as follows:

Bryan Needham  
Peter Hills

The directors do not have any interests required to be disclosed under Schedule 7, Section 2 of the Companies Act 1985.

### **AUDITORS**

Deloitte & Touche have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors  
and signed on behalf of the Board



Director

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

United Kingdom company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year 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 accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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 the system of internal control, for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
ORCHARDBROOK LIMITED**

We have audited the financial statements of Orchardbrook Limited for the year ended 30 September 2002 which comprise the profit and loss account, the balance sheet, the cash flow statement and the related notes 1 to 18. These financial statements have been prepared under 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 auditors' 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 United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and 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 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 the other information contained in the annual report for the above year as described in the contents section and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.


**Basis of audit opinion**

We conducted our audit in accordance with United Kingdom auditing standards issued by the United Kingdom 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 referred to above give a true and fair view of the state of affairs of the Company as at 30 September 2002 and of the profit of the company for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**Deloitte & Touche**  
Chartered Accountants and Registered Auditors  
London

27 March 2003

**PROFIT & LOSS ACCOUNT**  
**Year ended 30 September 2002**

	Note	2002 £'000	2001 £'000
Investment income	3	632	634
Interest expense	4	(625)	(628)
Other expense	5	(6)	(5)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<u>1</u>	<u>1</u>
Tax on ordinary activities	7	-	-
<b>RETAINED PROFIT FOR THE YEAR</b>	13	<u><u>1</u></u>	<u><u>1</u></u>

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

The results above arose wholly from continuing operations.

There have been no recognised gains and losses attributable to the shareholders other than the profit for the current and preceding financial year and accordingly, no Statement of Total Recognised gains and losses is shown.

**BALANCE SHEET**  
**30 September 2002**

	Note	2002 £'000	2001 £'000
<b>CURRENT ASSETS</b>			
Investments	8	9,717	9,717
Debtors	9	316	317
Cash at bank		5	5
		<u>10,038</u>	<u>10,039</u>
<b>CREDITORS: amounts falling due within one year</b>	10	<u>(317)</u>	<u>(319)</u>
<b>NET CURRENT ASSETS</b>		<u>9,721</u>	<u>9,720</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		9,721	9,720
<b>CREDITORS: amounts falling due within one year</b>	11	<u>(9,717)</u>	<u>(9,717)</u>
<b>NET ASSETS</b>		<u>4</u>	<u>3</u>
<b>Capital and reserves</b>			
Called up share capital	12	-	-
Profit and loss account	13	4	3
<b>Equity shareholders' funds</b>		<u>4</u>	<u>3</u>

These financial statements were approved by the Board of Directors on 27 March 2003  
Signed on behalf of the Board of Directors



Director



**CASH FLOW STATEMENT**  
**Year ended 30 September 2002**

	Notes	2002 £'000	2001 £'000
Net cash outflow from operating activities	15	-	(1)
<b>Taxation</b>			
UK corporation tax		-	-
<b>Financing</b>			
Broking fee paid		-	-
Decrease in cash	16	-	(1)

The accompanying notes are an integral part of these statements.

**NOTES TO THE FINANCIAL STATEMENTS****Year ended 30 September 2002****1. ACCOUNTING POLICIES**

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

**Basis of accounting**

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

**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.

**Taxation**

UK corporation tax is provided on taxable profits at the current rate.

**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 (2001: nil).

None of the directors had any material interest in any contract of significance in relation to the business of the Company (2001: nil).

The Company does not have any employees (2001: nil).

**3. INVESTMENT INCOME**

	2002 £'000	2001 £'000
Interest income on loan notes	632	634

**4. INTEREST EXPENSE**

	2002 £'000	2001 £'000
Interest on broking fee	625	628

**5. OTHER EXPENSE**

	2002 £'000	2001 £'000
Other fees	6	5

# NOTES TO THE FINANCIAL STATEMENTS

## Year ended 30 September 2002

### 6. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

The profit on ordinary activities before taxation is stated after charging auditors' remuneration as follows:

	2002 £'000	2001 £'000
Auditors' fees	4	4

### 7. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

The tax charge for the year comprises:

	2002 £'000	2001 £'000
UK corporation tax at 20%	-	-

### 8. INVESTMENTS

	2002 £'000	2001 £'000
Series 3 6.5% loan notes issued by Finance for Residential Social Housing Plc	9,717	9,717

### 9. DEBTORS

	2002 £'000	2001 £'000
Interest income on loan notes	316	317

### 10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2002 £'000	2001 £'000
Accruals and deferred income	317	319

### 11. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2002 £'000	2001 £'000
Broking fee	9,717	9,717

The directors have received assurance from Royal Bank of Scotland 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.

# NOTES TO THE FINANCIAL STATEMENTS

## Year ended 30 September 2002

### 12. SHARE CAPITAL

	2002 £'000	2001 £'000
<b>Authorised</b>		
100 ordinary shares of £1 each	-	-
<b>Allotted and called-up</b>		
1 ordinary share of £1 each	-	-

The ordinary share was issued on 15 January 1997 and is held by Royal Exchange Trust Company Limited on trust under the terms of a declaration of Trust dated 5 March 1997 with the ultimate beneficiaries being charities chosen by the trustees.

### 13. PROFIT AND LOSS ACCOUNT

	2002 £'000	2001 £'000
At 30 September 2001	3	2
Retained profit for the year	1	1
At 30 September 2002	4	3

### 14. RECONCILIATION IN MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

	2002 £'000	2001 £'000
Profit for the financial year	1	1
Opening equity shareholders' funds	3	2
Closing equity shareholders' funds	4	3

### 15. RECONCILIATION OF OPERATING PROFIT TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	2002 £'000	2001 £'000
Profit on ordinary activities before taxation	1	1
Decrease / (increase) in debtors	1	(1)
(Decrease) in creditors	(2)	(1)
Net cash outflow from operating activities	-	(1)

# NOTES TO THE FINANCIAL STATEMENTS

## Year ended 30 September 2002

### 16. ANALYSIS OF CHANGES IN NET DEBT

	As at 1 October 2001 £'000	Cash flows £'000	As at 30 September 2002 £'000
Cash at bank	5	-	5
Debt due within 1 year	-	-	-
Debt due after 1 year	(9,717)	-	(9,717)
	<u>(9,712)</u>	<u>-</u>	<u>(9,712)</u>
Reconciliation of net cashflow to movement in net debt			
Net debt as at 1 October 2001			(9,712)
Increase in cash			-
Cash outflow from decrease in debt			-
Movement in net debt			<u>-</u>
Net debt as at 30 September 2002			<u>(9,712)</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.

#### Interest rate risk

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

#### 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.

#### Maturity of financial assets

The maturity profile of the Company's financial assets at 30 September 2002 was as follows:

# NOTES TO THE FINANCIAL STATEMENTS

## Year ended 30 September 2002

### 17. FINANCIAL INSTRUMENTS (continued)

	2002 £'000	2001 £'000
In one year or less, or on demand	321	322
In more than five years	9,717	9,717
	<u>10,038</u>	<u>10,039</u>

The maturity profile of the Company's financial liabilities at 30 September 2002 was as follows:

	2002 £'000	2001 £'000
In one year or less, or on demand	317	319
In more than five years	9,717	9,717
	<u>10,034</u>	<u>10,036</u>

#### Fair value

In the opinion of the directors, the carrying amount of financial assets and liabilities approximates to their fair value.

### 18. RELATED PARTIES TRANSACTIONS

There have been no related party transactions during the year.