



Orchardbrook Limited

Financial statements for the year ended 30 September 2001
together with directors' and auditors' reports

Registered number: 3302753



Directors' report

For the year ended 30 September 2001

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 2001.

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 (2000: nil) and the directors do not propose a final dividend.

Directors and their interests

The directors who served during 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.

Statement of directors' responsibilities

Company law requires the directors 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. 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.

Directors' report (continued)

Statement of directors' responsibilities (continued)

The directors are responsible for keeping proper accounting records which 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 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.

Auditors

The directors will place a resolution before the Annual General Meeting to appoint Arthur Andersen as auditors for the ensuing year.

200 Aldersgate
London
EC1A 4JJ

By order of the Board

A handwritten signature in black ink, appearing to read 'B Needham', written over a horizontal line.

B Needham
Director

28 February 2002

To the Shareholders of Orchardbrook Limited:

We have audited the financial statements of Orchardbrook Limited for the year ended 30 September 2001, which comprise the profit and loss account, the balance sheet, the cash flow statement and the related notes numbered 1 to 17. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the statement of directors' responsibilities. 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 or material inconsistencies within it.

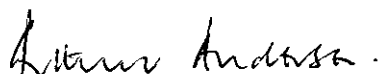
Basis of opinion

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 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 circumstances of the company, 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 affairs of the company at 30 September 2001 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

180 Strand
London
WC2R 1BL

28 February 2002

Profit and loss account

For the year ended 30 September 2001

	Notes	2001 £000	2000 £000
Investment income	3	634	632
Interest expense	4	(628)	(625)
Other expense	5	<u>(5)</u>	<u>(5)</u>
Profit on ordinary activities before taxation		1	2
Tax on ordinary activities	7	<u>-</u>	<u>-</u>
Retained profit for the year	13	<u>1</u>	<u>2</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.

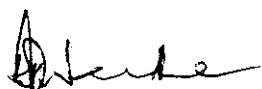
Balance sheet

At 30 September 2001

	Notes	2001 £000	2000 £000
Current assets			
Investments	8	9,717	9,717
Debtors	9	317	316
Cash at bank		5	6
		<u>10,039</u>	<u>10,039</u>
Creditors: amounts falling due within one year	10	<u>(319)</u>	<u>(320)</u>
Net current assets		<u>9,720</u>	<u>9,719</u>
Total assets less current liabilities		9,720	9,719
Creditors: amounts falling due after more than one year	11	<u>(9,717)</u>	<u>(9,717)</u>
Net assets		<u>3</u>	<u>2</u>
Capital and reserves			
Called up share capital	12	-	-
Profit and loss account	13	<u>3</u>	<u>2</u>
Shareholders' funds	14	<u>3</u>	<u>2</u>

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

The financial statements on pages 5 to 12 were approved by the board of directors on and signed on its behalf by:



B Needham
Director

28 February 2002

Cash flow statement

For the year ended 30 September 2001

	Note	2001 £000	2000 £000
Net cash (outflow)/inflow from operating activities	15	(1)	4
Taxation			
UK corporation tax		-	21
Financing			
Broking fee paid		-	(20)
(Decrease)/increase in cash	16	<u>(1)</u>	<u>5</u>

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

Notes to financial statements

For the year ended 30 September 2001

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:

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*

UK 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.

3 Investment income

	2001 £'000	2000 £'000
Interest income on loan notes	<u>634</u>	<u>632</u>

4 Interest expense

	2001 £'000	2000 £'000
Interest on broking fee	<u>628</u>	<u>625</u>

Notes to financial statements (continued)

5 Other expense

	2001 £'000	2000 £'000
Other fees	<u>5</u>	<u>5</u>

6 Profit on ordinary activities before taxation

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

	2001 £'000	2000 £'000
Auditors' fees	<u>4</u>	<u>4</u>

7 Taxation on profit on ordinary activities

The tax charge for the year comprises:

	2001 £'000	2000 £'000
UK corporation tax at 20%	<u>-</u>	<u>-</u>

8 Loan notes

	2001 £'000	2000 £'000
Series 3 6.5% loan notes issued by Finance for Residential Social Housing Plc	<u>9,717</u>	<u>9,717</u>

9 Debtors

	2001 £'000	2000 £'000
Prepayments and accrued interest	<u>317</u>	<u>316</u>

10 Creditors: amounts falling due within one year

	2001 £'000	2000 £'000
Accruals and deferred income	<u>319</u>	<u>320</u>

Notes to financial statements (continued)

11 Creditors: amounts falling due after more than one year

	2001 £'000	2000 £'000
Broking fee	<u>9,717</u>	<u>9,717</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.

12 Share capital

	2001 £'000	2000 £'000
<i>Authorised</i>		
100 ordinary shares of £1 each	<u>-</u>	<u>-</u>
<i>Allotted and called-up</i>		
1 ordinary share of £1 each	<u>-</u>	<u>-</u>

The ordinary share was issued on 15 January 1997 and is held by Royal Exchange Trust Company Limited.

13 Profit and loss account

	2001 £'000	2000 £'000
At 30 September 2000 (1999)	2	-
Retained profit for the year	<u>1</u>	<u>2</u>
At 30 September 2001 (2000)	<u>3</u>	<u>2</u>

14 Reconciliation in movements in shareholders' funds

	2001 £'000	2000 £'000
Profit for the financial year	1	2
Opening shareholders' funds	<u>2</u>	<u>-</u>
Closing shareholders' funds	<u>3</u>	<u>2</u>

Notes to financial statements (continued)

15 Reconciliation of operating profit to net cash outflow/(inflow) from operating activities

	2001 £	2000 £
Profit on ordinary activities before taxation	1	2
(Increase) in debtors	(1)	-
(Decrease)/increase in creditors	(1)	2
Net cash (outflow)/inflow from operating activities	<u>(1)</u>	<u>4</u>

16 Analysis of changes in net debt

	As at 1/10/00 £'000	Cash flows £'000	As at 30/9/01 £'000
Cash at bank	6	(1)	5
Debt due within 1 year	-	-	-
Debt due after 1 year	(9,717)	-	(9,717)
	<u>(9,711)</u>	<u>(1)</u>	<u>(9,712)</u>

Reconciliation of net cashflow to movement in net debt

Net debt as at 1/10/00	(9,711)
Increase in cash	(1)
Cash outflow from decrease in debt	-
Movement in net debt	<u>(1)</u>
Net debt as at 30/9/01	<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.

(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.

Notes to financial statements (continued)

17 Financial instruments (continued)

(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

The maturity profile of the Company's financial assets at 30 September 2001 was as follows:

	2001 £'000	2000 £'000
In one year or less, or on demand	322	322
In more than five years	9,717	9,717
	<u>10,039</u>	<u>10,039</u>

The maturity profile of the Company's financial liabilities at 30 September 2001 was as follows:

	2001 £'000	2000 £'000
In one year or less, or on demand	319	320
In more than five years	9,717	9,717
	<u>10,036</u>	<u>10,037</u>

(d) Fair values

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