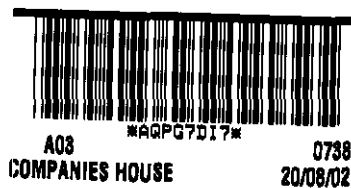




**Kings Hill Capital Limited**

Financial statements for the year ended 31 December 2001  
together with the directors' and auditors' reports

Registered number: 03890593



## Directors' report

For the year ended 31 December 2001

The directors present their report on the affairs of Kings Hill Capital Limited ("the Company") together with the financial statements and auditors' report, for the year ended 31 December 2001.

### Principal activity and business review

The Company's principal activity is the purchase and recovery of non-performing consumer loans in the United Kingdom.

During the period the Company disposed of Morley Limited for a consideration of £500.

### Results and dividends

The audited financial statements for the year ended 31 December 2001 are set out on pages 5 to 9. The Company profit for the year, after taxation was £270 (2000 - £62,324). The directors do not recommend the payment of a dividend.

### Directors and their interests

The directors who held office during the year were as follows:

James R. Clark

Kenneth W. Maynard (appointed 30 January 2001)

Glen P. Crawford (appointed 30 January 2001)

The directors who held office during the year do not have any interests in the shares of the Company.

### Statement of directors' responsibilities

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 and of the profit or loss of the Company for that period. In preparing those 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 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.

## Directors' report (continued)

For the year ended 31 December 2001

### Auditors

The directors will place a resolution before the annual general meeting to reappoint Arthur Andersen as auditors for the ensuing year.

10 Kings Hill Avenue  
Kings Hill  
West Malling  
Kent ME19 4LT

By order of the Board,

A handwritten signature in black ink, appearing to read 'Glen P. Crawford', written in a cursive style.

Glen P. Crawford

30 April 2002

Director

**To the shareholders of Kings Hill Capital Limited**

We have audited the financial statements of Kings Hill Capital Limited for the year ended 31 December 2001 which comprise the Profit and loss account, the Balance sheet and the related notes numbered 1 to 13. 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 Annual Report and 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 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 judgments 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 31 December 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

30 April 2002

# Profit and loss account

For the year ended 31 December 2001

		Year ended 31 December 2001 £	13 month period ended 31 December 2000 £
	Notes		
<b>Turnover</b>	2	338,732	559,414
Purchase cost recovery		(267,810)	(453,994)
<b>Gross profit</b>		70,922	105,420
Administration expenses		(61,819)	(22,541)
<b>Operating profit</b>	3	9,103	82,879
Interest payable	4	(8,833)	(20,555)
<b>Profit on ordinary activities before taxation</b>		270	62,324
Tax on profit on ordinary activities	6	-	-
<b>Profit for the year after taxation</b>	11	270	62,324

A reconciliation of movement in shareholders' funds is given in note 12.

All the turnover in the current year arose from continuing operations. There are no recognised gains or losses in the year other than the profit for the year.

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

## Balance sheet

As at 31 December 2001

	Notes	2001 £	2000 £
<b>Fixed assets</b>			
Investments	7	<u>500</u>	<u>1,000</u>
		500	1,000
<b>Current assets</b>			
Unrecovered loan cost		-	468,049
Debtors	8	<u>66,690</u>	<u>98,923</u>
		66,690	566,972
<b>Creditors: Amounts falling due within one year</b>	9	<u>(4,595)</u>	<u>(505,647)</u>
<b>Net current assets</b>		<u>62,095</u>	<u>61,325</u>
<b>Net assets</b>		<u>62,595</u>	<u>62,325</u>
<b>Capital and reserves</b>			
Called up share capital	10	1	1
Profit and loss account	11	<u>62,594</u>	<u>62,324</u>
<b>Equity shareholders' funds</b>	12	<u>62,595</u>	<u>62,325</u>

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

The financial statements on pages 4 to 9 were approved by the Board of Directors on 30 April 2002 and signed on its behalf by:



Glen P. Crawford

Director

## Notes to the financial statements

For the year ended 31 December 2001

### 1 Principal accounting policies

The principal accounting policies of the Company, all of which have been applied consistently throughout the year and the preceding period, are described below.

#### a) *Basis of preparation*

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

The Company has taken advantage of the exemption from preparing consolidated financial statements afforded by Section 228 of the Companies Act 1985 because it is a wholly owned subsidiary of Cabot Financial Debt Recovery Services Limited which prepares consolidated financial statements which are publicly available.

#### b) *Turnover*

Turnover represents amounts collected from customers net of servicing fees.

#### c) *Income recognition on loan portfolios*

Income is recognised using a yield basis as described below.

Total collections are estimated on a prudent basis reflecting the characteristics and quality of the portfolio on acquisition together with the collection experience since acquisition. A yield on each portfolio is calculated using total estimated collections by portfolio. The yield percentage is applied to allocate amounts collected from customers between profit and the cost of the loan portfolio.

#### d) *Loan portfolios*

Non-performing loan portfolios are purchased from financial institutions at a substantial discount from their face amounts and are recorded at the time of acquisition as the Company's cost to acquire the portfolio.

#### e) *Investments*

Fixed asset investments are shown at cost less provision for impairment. The principal investments held by the Company are shown in note 7.

#### f) *Cash flow statement*

Under the provisions of FRS 1 (Revised) "Cash Flow Statements", the Company has not provided a cash flow statement. This is because the Company is a wholly owned subsidiary of its parent undertaking Cabot Financial Debt Recovery Services Limited whose consolidated financial statements are publicly available.

## Notes to the financial statements (continued)

### 2 Turnover

The turnover and pre-tax profit is all attributable to the Company's principal activity.

	Year ended 31 December 2001 £	13 month period ended 31 December 2000 £
Collections	<u>338,732</u>	<u>559,414</u>

### 3 Operating profit

	Year ended 31 December 2001 £	13 month period ended 31 December 2000 £
Operating profit is stated after:		
Auditors' remuneration		
- for audit work	1,826	-
- for non-audit work	2,750	7,050
Legal fees	44,028	15,000
Other professional services	<u>2,505</u>	<u>491</u>

### 4 Interest payable and similar charges

	Year ended 31 December 2001 £	13 month period ended 31 December 2000 £
Interest payable to group companies	<u>8,833</u>	<u>20,555</u>

### 5 Staff costs

There were no employees in the company during the year ended 31 December 2001 (2000 - nil). The directors received no remuneration in the period (2000 - £nil).

### 6 Tax on profit on ordinary activities

There was no tax charge for the year ended 31 December 2001 (period ended 2000 - £nil).



## Notes to the financial statements (continued)

### 7 Fixed Asset Investments

The Company has investments in the following subsidiary undertakings:

	Date of acquisition	Country of incorporation and operation	Principal activity	Ordinary shares held	%
<i>Subsidiary undertakings</i>					
Morley Funding Limited	30 August 2000	England	Trustee of portfolio and loans	2	100

During the year the company sold 100% of the shares in Morley Limited for consideration equivalent to historic cost of £500 to Kings Hill (No.1) Limited, a related undertaking.

### 8 Debtors

	2001 £	2000 £
Amounts falling due within one year:		
Amount due from group companies	66,690	466
Other debtors and prepayments	-	98,457
	<u>66,690</u>	<u>98,923</u>

### 9 Creditors

	2001 £	2000 £
Amounts falling due within one year:		
Trade creditors	-	7,050
Amount due to related company	18	3,777
Loan from related company	-	479,820
Other creditors and accruals	4,577	15,000
	<u>4,595</u>	<u>505,647</u>

## Notes to the financial statements (continued)

### 10 Called up share capital

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

### 11 Profit and loss account

	Year ended 31 December 2001 £	13 month period ended 31 December 2000 £
Profit for the financial period	270	62,324
Opening profit and loss account	<u>62,324</u>	<u>-</u>
Closing profit and loss account	<u>62,594</u>	<u>62,324</u>

### 12 Reconciliation of movement in shareholders' funds

	Year ended 31 December 2001 £	13 month period ended 31 December 2000 £
Profit for the financial period	270	62,324
Share capital subscribed	<u>-</u>	<u>1</u>
Net increase in shareholders' funds	270	62,325
Opening shareholders' funds	<u>62,325</u>	<u>-</u>
Closing shareholders' funds	<u>62,595</u>	<u>62,325</u>

### 13 Ultimate parent company and related party transactions

The Company is a wholly owned subsidiary of Cabot Financial Debt Recovery Services Limited and is included in the consolidated financial statements of Cabot Financial Debt Recovery Services Limited and Cabot Financial Holdings Limited, its parent company. Consequently, the Company has taken advantage of the exemption under the terms of Financial Reporting Standard 8 from disclosing related party transactions with entities that are part of the Cabot Financial Holdings Limited group.