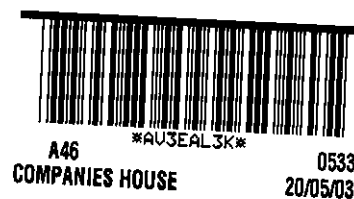


KINGS HILL CAPITAL LIMITED

Report and Financial Statements

10 Months to 31 October 2002

Deloitte & Touche
London



REPORT AND FINANCIAL STATEMENTS 10 MONTHS TO 31 OCTOBER 2002

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REPORT AND FINANCIAL STATEMENTS 2002

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

CS SCF Management Limited
K W Maynard
G P Crawford

SECRETARY

J D Randall

REGISTERED OFFICE

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

BANKERS

Barclays Bank Plc
54 Lombard Street
London
EC3V 9EX

SOLICITORS

Clifford Chance
200 Aldersgate Street
London
EC1A 4JJ

AUDITORS

Deloitte & Touche
Chartered Accountants
London

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the 10 month period ended 31 October 2002.

ACTIVITIES

The Company's principal activity was formerly securitisation of non-performing loans in the United Kingdom. The Company has not traded during the period.

In accordance with other companies in the group the Company has changed its year end date to 31 October.

RESULTS AND DIVIDENDS

The audited financial statements for the period ended 31 October 2002 are set out on pages 5 to 10. The Company's loss for the period, after taxation was £2 (2001: profit of £270). The directors do not recommend the payment of a dividend.

DIRECTORS AND THEIR INTERESTS

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

J R Clark (resigned 27 June 2002)

K W Maynard

G P Crawford

CS SCF Management Limited (appointed 27 June 2002)

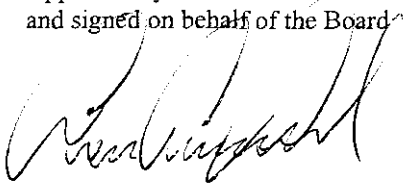
The directors who held office during the year do not have any interests in the shares of the Company or the Group's companies.

AUDITORS

Arthur Andersen had notified the Company that it will not be seeking re-appointment as the Company's auditors following the agreement it reached with Deloitte & Touche under which partners and staff from Arthur Andersen joined Deloitte & Touche.

A resolution to appoint Deloitte & Touche as the Company's auditors will be put to the Annual General Meeting.

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



G P Crawford

Director

23 December 2002

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; 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 controls, safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

KINGS HILL CAPITAL LIMITED**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF KINGS HILL CAPITAL LIMITED**

We have audited the financial statements of Kings Hill Capital Limited for the 10 months ended 31 October 2002 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 United Kingdom 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.

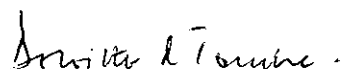
Basis of opinion

We conducted our audit in accordance with 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 at 31 October 2002 and of its loss for the 10 months then ended and have been properly prepared in accordance with the Companies Act 1985.

**Deloitte & Touche**

Chartered Accountants and Registered Auditors

London

23 December 2002

PROFIT AND LOSS ACCOUNT
10 months ended 31 October 2002

	Note	10 months to 31 October 2002 £	12 months to 31 December 2001 £
TURNOVER	2	-	338,732
Purchase cost recovery		-	(267,810)
GROSS PROFIT		-	70,922
Administrative expenses		(2)	(61,819)
OPERATING (LOSS)/PROFIT	3	(2)	9,103
Interest payable and similar recharges	4	-	(8,833)
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(2)	270
(LOSS)/PROFIT FOR THE YEAR AFTER TAXATION	11	(2)	270

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

All turnover in the current period and prior year arose from continuing operations. There are no recognised gains or losses in the period or the prior year other than the loss for the period/ gain for the prior year.

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

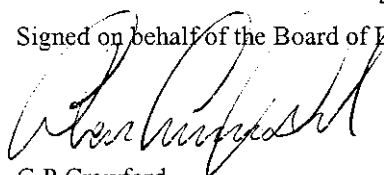
BALANCE SHEET
As at 31 October 2002

	Note	31 October 2002 £	31 December 2001 £
FIXED ASSETS			
Investments	7	500	500
CURRENT ASSETS			
Debtors	8	66,706	66,690
		66,706	66,690
CREDITORS: amounts falling due within one year	9	(4,613)	(4,595)
NET CURRENT ASSETS		62,093	62,095
NET ASSETS		62,593	62,595
CAPITAL AND RESERVES			
Called up share capital	10	1	1
Profit and loss account	11	62,592	62,594
EQUITY SHAREHOLDERS' FUNDS	12	62,593	62,595

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

These financial statements were approved by the Board of Directors on 23 December 2002

Signed on behalf of the Board of Directors



G P Crawford

Director

NOTES TO THE ACCOUNTS

10 months ended 31 October 2002

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

Accounting convention

The financial statements are prepared under the historical cost convention.

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 Holdings Limited which prepares such statements.

Turnover

Turnover represents amounts collected from customers net of servicing fees.

Income recognition on loan portfolios

Income is recognised using a yield basis 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.

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.

Investments

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

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 Cabot Financial Holdings Limited which prepares such a statement.

2. TURNOVER

The turnover and pre-tax profit, all of which arises in the United Kingdom, is attributable to the Company's principal activity.

	10 months to 31 October 2002 £	12 months to 31 December 2001 £
Collections	-	338,732

NOTES TO THE ACCOUNTS
10 months ended 31 October 2002**3. OPERATING (LOSS)/PROFIT**

	10 months to 31 October 2002 £	12 months to 31 December 2001 £
Operating (loss)/profit is stated after charging:		
Auditors' remuneration		
- for audit work	-	1,826
- for non-audit work	-	2,750
Legal fees	-	44,028
Other professional services	-	2,505
	<u> </u>	<u> </u>

The auditors' remuneration is borne by the Company's parent company

4. INTEREST PAYABLE AND SIMILAR CHARGES

	10 months to 31 October 2002 £	12 months to 31 December 2001 £
Interest payable to group companies	-	8,833
	<u> </u>	<u> </u>

5. STAFF COSTS

There were no employees in the Company during the period ended 31 October 2002 (2001: none). The directors received no remuneration in the period (2001: £nil).

6. TAX ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES

There was no tax charge for the period ended 31 October 2002 (year ended 31 December 2001: £nil).

7. FIXED ASSET INVESTMENTS

The Company's subsidiary undertaking did not trade during the period.

	31 October 2002 £	31 December 2001 £
Cost at start and end of the period	500	500
	<u> </u>	<u> </u>

The company has an investment in the following subsidiary undertaking:

Subsidiary undertakings	Date of acquisition	Country of incorporation and operation or principal business address	Principal activity	Ordinary shares held	%
Morley Funding Limited	17 May 2001	England	Administration of portfolio of loans	£500	100

NOTES TO THE ACCOUNTS
10 months ended 31 October 2002

8. DEBTORS

	2002 £	2001 £
Amount owed by group companies	66,706	66,690

9. CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR

	31 October 2002 £	31 December 2001 £
Amount owed to related company	36	18
Other creditors and accruals	4,577	4,577
	4,613	4,595

10. CALLED UP SHARE CAPITAL

	31 October 2002 £	31 December 2001 £
Authorised: 100 ordinary shares of £1 each	100	100
Allotted, called up, and fully paid: 1 ordinary shares of £1	1	1

11. PROFIT AND LOSS ACCOUNT

	31 October 2002 £	31 December 2001 £
(Loss)/profit for the financial period/year	(2)	270
Opening profit and loss account	62,594	62,324
Closing profit and loss account	62,592	62,594

12. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	10 months to 31 October 2002 £	12 months to 31 December 2001 £
(Loss)/profit for the financial period/year	(2)	270
Net (decrease)/increase in shareholders' funds	(2)	270
Opening shareholders' funds	62,595	62,325
Closing shareholders' funds	62,593	62,595

NOTES TO THE ACCOUNTS

10 months ended 31 October 2002

13. ULTIMATE PARENT COMPANY AND RELATED PARTY TRANSACTIONS

The Company is a wholly owned subsidiary of Cabot Financial Holdings Limited and is included in the consolidated financial statements of that 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. The financial statements of Cabot Financial Holdings Limited Group are available from Companies House.

The Company's ultimate parent company is CS Structured Credit Fund Ltd, a company incorporated in the Cayman Islands. Cabot Financial Debt Recovery Services Ltd is the Company's immediate parent company.