

**KINGS HILL (NO. 2) LIMITED**

**Report and Financial Statements**

**10 Months to 31 October 2002**

**Deloitte & Touche  
London**



**REPORT AND FINANCIAL STATEMENTS 10 MONTHS TO 31 OCTOBER 2002**

<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>Notes to the accounts</b>	<b>7</b>

**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  
EC14 4JJ

**AUDITORS**

Deloitte & Touche  
Chartered Accountants  
London

## **DIRECTORS' REPORT**

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

### **ACTIVITIES**

The Company's principal business activity was formerly the purchase and recovery of non-performing consumer loans in the United Kingdom. The Company did not trade during the period.

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

### **RESULTS AND DIVIDENDS**

The audited financial statements for the 10 months ended 31 October 2002 are set out on pages 5 to 9. The Company result for the period, after taxation was £nil. The directors do not recommend 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 period do not have any interests in the shares of the Company or other Group companies.

### **SUPPLIER PAYMENT POLICY**

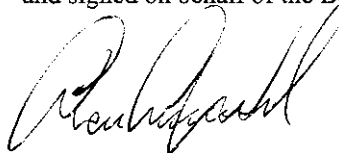
It is the Company's policy to abide by the terms of payment agreed with suppliers.

### **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 control 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 KINGS HILL (NO 2) LIMITED**

We have audited the financial statements of Kings Hill (No. 2) 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 10. 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.

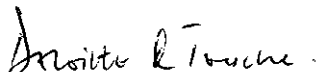
**Basis of opinion**

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 the result 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 month period ended 31 October 2002**

	Note	10 months to 31 October 2002 £	12 months to 31 December 2001 £
<b>TURNOVER</b>	2	-	85,892
Cost of collections		-	(60,124)
Servicing fees paid		-	(25,768)
		<hr/>	<hr/>
<b>GROSS PROFIT</b>		-	-
Administration expenses		-	(4,671)
		<hr/>	<hr/>
<b>OPERATING LOSS</b>	3	-	(4,671)
Interest payable and similar charges	4	-	(15,886)
		<hr/>	<hr/>
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	6	-	(20,557)
		<hr/>	<hr/>
<b>LOSS FOR THE YEAR AFTER TAXATION</b>		-	(20,557)
		<hr/> <hr/>	<hr/> <hr/>

A reconciliation of movement in shareholders' funds is given in note 9.

All the turnover in the previous year arose from continuing operations. There are no recognised gains or losses in the financial period.

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

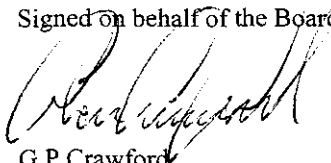
**BALANCE SHEET**  
As at 31 October 2002

	Note	31 October 2002 £	31 December 2001 £
<b>CURRENT ASSETS</b>			
Cash at bank and in hand		<u>1</u>	<u>1</u>
		1	1
<b>CREDITORS: amounts falling due within one year</b>	7	<u>(20,557)</u>	<u>(20,557)</u>
<b>NET CURRENT LIABILITIES</b>		<u>(20,556)</u>	<u>(20,556)</u>
<b>NET LIABILITIES</b>		<u>(20,556)</u>	<u>(20,556)</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	8	1	1
Profit and loss account		<u>(20,557)</u>	<u>(20,557)</u>
<b>EQUITY SHAREHOLDERS' DEFICIT</b>		<u>(20,556)</u>	<u>(20,556)</u>

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.

##### Funding

Cabot Financial Debt Recovery Services Limited provides a loan facility and agrees pursuant to such a facility to subordinate repayment of the loan to the extent that it will not demand repayment of all or part of the loan at any time when the making of such payment by the Company would cause the Company to be unable to discharge its liabilities to any other party.

The directors therefore have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and have therefore used the going concern basis in preparing the financial statements.

##### Turnover

Turnover represents amounts collected from customers.

##### Income recognition on loan portfolios

Income is recognised using a full cost recovery basis (all the cash is applied against the cost of the portfolio) until sufficient information is available to estimate the total collections that are likely to be received over the life of the portfolio. At this point 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 or subcategory of 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.

##### 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 who prepare such a statement.

##### Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

#### 2. TURNOVER

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

	10 months to 31 October 2002 £	12 months to 31 December 2001 £
Collections	-	85,892

**NOTES TO THE ACCOUNTS**  
**10 months ended 31 October 2002**

**3. OPERATING LOSS**

Operating loss is stated after charging:

	10 months to 31 October 2002 £	12 months to 31 December 2001 £
Auditors' remuneration		
- for audit work	-	996
- for non-audit work	-	1,500
Other professional fees	-	175
	<u>          </u>	<u>          </u>

The auditors' remuneration is being borne by the Company's parent undertaking.

**4. INTEREST PAYABLE AND SIMILAR CHARGES**

	10 months to 31 October 2002 £	12 months to 31 December 2001 £
Interest payable to group companies	-	15,886
	<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 ON ORDINARY ACTIVITIES**

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

**7. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	31 October 2002 £	31 December 2001 £
Amounts owed to group companies	18,061	18,061
Accruals	2,496	2,496
	<u>20,557</u>	<u>20,557</u>

NOTES TO THE ACCOUNTS  
10 months ended 31 October 2002

## 8. CALLED UP SHARE CAPITAL

	31 October 2002 £	31 December 2001 £
<b>Authorised:</b>		
100 ordinary shares of £1 each	100	100
<b>Allotted and unpaid:</b>		
1 ordinary share of £1 each	1	1

## 9. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2002 £	2001 £
Loss for financial year	-	(20,557)
Net reduction in shareholders' funds	-	(20,557)
Opening shareholders' deficit	(20,556)	1
Closing shareholders' deficit	(20,556)	(20,556)

## 10. 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 consolidated financial statements of Cabot Financial Holdings Limited are available from Companies House.

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