

**NORLAND CAPITAL LIMITED**

**Report and Financial Statements**

**30 November 1999**



**REPORT AND FINANCIAL STATEMENTS 1999**

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**REPORT AND FINANCIAL STATEMENTS 1999**

**OFFICERS AND PROFESSIONAL ADVISERS**

**DIRECTORS**

M A Finegold  
S C Kingdon  
A S Tomsett

**SECRETARY**

A S Tomsett

**REGISTERED OFFICE**

1 Derry Street  
London  
W8 5HY

**BANKERS**

Barclays Bank PLC  
London Corporate Banking Centre  
PO Box No 544  
54 Lombard Street  
London  
EC3P 3AH

**SOLICITORS**

Linklaters  
1 Silk Street  
London  
EC2Y 8HQ

**AUDITORS**

Deloitte & Touche  
Chartered Accountants  
Colmore Gate  
2 Colmore Row  
Birmingham  
B3 2BN

## DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 30 November 1999.

### PRINCIPAL ACTIVITY AND BUSINESS REVIEW

The principal activity of the company is the provision of management services to fellow subsidiaries and the ultimate parent company.

The directors are satisfied with the progress of the business to date and are encouraged by future prospects.

### RESULTS AND DIVIDENDS

The results for the year are shown in the profit and loss account on page 6. The profit after taxation and dividends of £887,000 (1998 - £575,000) has been transferred to reserves. A final dividend of £500,000 is proposed.

### DIRECTORS

The directors since the beginning of the financial year were:

M A Finegold

S C Kingdon

A S Tomsett

Mr M A Finegold and S C Kingdon are directors of the ultimate parent company. Accordingly, their interests in shares of group companies are disclosed in that company's directors' report.

A S Tomsett holds the following share options in Kensington Group plc ('A' ordinary shares of 10p each).

Amount of shares	Date from which exercisable	Expiry date	Option price
2,500	1 April 2001	31 March 2005	£45.00
2,500	18 December 2001	17 December 2005	£45.00

None of the directors had any interest either during or at the end of the year in any material contract or arrangement with the company.

### CREDITOR PAYMENT POLICY

The Company agrees terms and conditions with its suppliers. Payment is then made on the terms agreed, subject to the appropriate terms and conditions being met by the supplier. The trade creditor days figure at 30 November 1999 is 8 days (1998 - 17 days).

### YEAR 2000

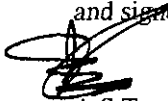
This has been considered on a group wide basis in the Kensington Group plc financial statements.

**DIRECTORS' REPORT**

**AUDITORS**

The company passed a written resolution in accordance with section 386 of the Companies Act 1985 to dispense with the obligation of appointing auditors annually and accordingly the company's auditors, Deloitte & Touche will remain in office until the company or the auditors otherwise determine.

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

A handwritten signature in black ink, appearing to be 'A S Tomsett', written over the printed name.

A S Tomsett

Secretary

28<sup>th</sup> June 2000

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**  
**in relation to Financial Statements**

The directors are required by the Companies Act 1985 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 for the financial year. As required, in the absence of any circumstances which would make it *inappropriate, the financial statements have been prepared on a going concern basis.*

The directors consider that in preparing the financial statements on pages 6 to 14, the company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all accounting standards which they consider to be applicable have been followed.

The directors have responsibility for ensuring the company keeps accounting records which disclose with reasonable accuracy the financial position of the company and which enable them to ensure that the financial statements comply with the Companies Act 1985.

The directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



## **AUDITORS' REPORT TO THE MEMBERS OF**

### **NORLAND CAPITAL LIMITED**

We have audited the financial statements on pages 6 to 14 which have been prepared under the accounting policies set out on page 8.

#### **Respective responsibilities of directors and auditors**

As described on page 4 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

#### **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 30 November 1999 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Deloitte . Touche*

Chartered Accountants and Registered Auditors

*29 June 2000*

**PROFIT AND LOSS ACCOUNT**  
**Year ended 30 November 1999**

	Note	1999 £'000	1998 £'000
<b>INCOME</b>			
Management charges		9,019	6,371
Interest receivable	2	442	354
Income from securitisations	3	257	183
Income from shares in group undertakings		300	-
Other income		44	-
<b>Total operating income</b>		<b>10,062</b>	<b>6,908</b>
Operating expenses		(7,971)	(5,969)
<b>OPERATING PROFIT</b>		<b>2,091</b>	<b>939</b>
Interest payable	4	(11)	(35)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	6	<b>2,080</b>	<b>904</b>
Tax on profit on ordinary activities	7	(693)	(329)
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION BEING THE PROFIT FOR THE FINANCIAL YEAR</b>	12	<b>1,387</b>	<b>575</b>
Dividend proposed		(500)	-
Retained profit	13	<b>887</b>	<b>575</b>

All material activities derive from continuing operations.

There are no recognised gains or losses other than the profit for the year.

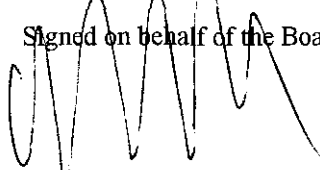


**BALANCE SHEET**  
**30 November 1999**

	Note	£'000	1999 £'000	£'000	1998 £'000
<b>ASSETS EMPLOYED</b>					
<b>FIXED ASSETS</b>					
Tangible assets	9		840		112
Investments	10		250		789
			<u>1,090</u>		<u>901</u>
<b>CURRENT ASSETS</b>					
Debtors	11	26,274		16,298	
Cash at bank and in hand		<u>4,979</u>		<u>5,130</u>	
			31,253		21,428
			<u>32,343</u>		<u>22,329</u>
<b>FINANCED BY</b>					
<b>EQUITY SHAREHOLDERS' FUNDS</b>					
Called up share capital	12	-		-	
Profit and loss account	13	<u>1,479</u>		<u>592</u>	
	14		1,479		592
<b>CREDITORS</b>					
Amounts falling due within one year	15		<u>30,864</u>		<u>21,737</u>
			<u>32,343</u>		<u>22,329</u>

These financial statements were approved by the Board of Directors on 28<sup>th</sup> June 2000.

Signed on behalf of the Board of Directors



M A Finegold

Director

## NOTES TO THE ACCOUNTS

### Year ended 30 November 1999

#### 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.

##### **Tangible fixed assets**

Tangible fixed assets are stated at cost less accumulated depreciation.

##### **Depreciation**

Depreciation is provided on cost in equal annual instalments over the lives of the assets. The rates of depreciation are as follows:

Short term leasehold property	Over the period of the lease
Computer equipment	33% per annum
Furniture, fixtures and office equipment	20% per annum

##### **Operating leases**

Rental costs under operating leases are charged to the profit and loss account over the period of the leases.

##### **Pension costs**

The company operates a defined contribution pension scheme.

Contributions to the Norland Capital Limited money purchase scheme are charged in the accounts as they accrue.

##### **Deferred taxation**

Deferred taxation is provided at the anticipated tax rate on differences arising from the inclusion of items of income and expenditure in taxation computations in years different from those in which they are included in the accounts to the extent that it is probable that a liability or asset will crystallise in the future.

##### **Fixed asset investments**

The Company's investments in subsidiary companies are stated at cost less any provision for permanent diminution in value.

##### **Related party transactions**

The company has taken advantage of the exemption allowed to subsidiary companies under Financial Reporting Standard 8 - Related Party Transactions, and therefore transactions with other group companies are not disclosed separately.

#### 2. INTEREST RECEIVABLE

	1999 £'000	1998 £'000
Other interest	442	354

**NOTES TO THE ACCOUNTS**

**Year ended 30 November 1999**

**3. INCOME FROM SECURITISATIONS**

	<b>1999</b>	<b>1998</b>
	<b>£'000</b>	<b>£'000</b>
Interest on start up loans	89	132
Other securitisation income	168	51
	<u>257</u>	<u>183</u>

**4. INTEREST PAYABLE**

	<b>1999</b>	<b>1998</b>
	<b>£'000</b>	<b>£'000</b>
On loans repayable within five years		
Term loan	11	35
	<u>11</u>	<u>35</u>

**5. INFORMATION REGARDING DIRECTORS AND EMPLOYEES**

	<b>1999</b>	<b>1998</b>
	<b>£'000</b>	<b>£'000</b>
<b>Directors' emoluments</b>		
Total emoluments	509	677
Pension contributions	44	28
	<u>553</u>	<u>705</u>

Remuneration of the highest paid director	<u>186</u>	<u>191</u>
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Pension contributions of £15,000 (1998 - £15,677) were paid in respect of this director.

The total emoluments include the following in respect of the former Chief

Executive:		
Compensation for loss of office	-	200
Payment in lieu of notice	-	150
	<u>-</u>	<u>350</u>

	<b>No</b>	<b>No</b>
Number of directors who are members of the defined contribution pension scheme	<u>3</u>	<u>1</u>

**NOTES TO THE ACCOUNTS**

**Year ended 30 November 1999**

**5. INFORMATION REGARDING DIRECTORS AND EMPLOYEES (CONTINUED)**

	<b>1999</b>	<b>1998</b>
<b>Average number of persons employed</b>	<b>No</b>	<b>No</b>
Administration	67	41
	<b>£'000</b>	<b>£'000</b>
<b>Staff costs during the year (including directors)</b>		
Wages and salaries	3,158	2,397
Social security costs	330	209
Pension costs	187	142
	<b>3,675</b>	<b>2,748</b>

**6. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION**

<b>Profit on ordinary activities before taxation is after charging:</b>	<b>1999</b>	<b>1998</b>
	<b>£'000</b>	<b>£'000</b>
Depreciation	195	49
Property rents	164	206
Other leases	64	14
Auditors' remuneration		
Audit services	5	5
Non audit services	183	68

**7. TAX ON PROFIT ON ORDINARY ACTIVITIES**

	<b>1999</b>	<b>1998</b>
	<b>£'000</b>	<b>£'000</b>
UK corporation tax on profit at 30.33% (1998 – 31%)		
Corporation Tax	379	-
Group relief	314	329
	<b>693</b>	<b>329</b>

The tax charge is disproportionate to the profit for the year mainly due to permanently disallowable expenditure and unprovided timing differences.

No provision has been made for deferred tax. The potential deferred tax asset is :

	<b>Unprovided</b>	
	<b>1999</b>	<b>1998</b>
	<b>£'000</b>	<b>£'000</b>
Accelerated capital allowances	(106)	(13)

**NOTES TO THE ACCOUNTS**  
**Year ended 30 November 1999**

**8. DIVIDENDS**

	1999 £'000	1998 £'000
Final proposed	500	-

**9. TANGIBLE FIXED ASSETS**

	Furniture, fixtures, office and computer equipment £'000
<b>Cost</b>	
At 1 December 1998	165
Additions	381
Transfer from prepayments	552
At 30 November 1999	1,098
<b>Accumulated depreciation</b>	
At 1 December 1998	53
Transfer from prepayments	10
Charge for the year	195
At 30 November 1999	258
<b>Net book value</b>	
At 30 November 1999	840
At 30 November 1998	112

# NOTES TO THE ACCOUNTS

## Year ended 30 November 1999

### 10. INVESTMENTS

<b>Investment in securitisations - Start up loan</b>	<b>£'000</b>
At 1 December 1998	789
Repayments	(539)
	<hr/>
At 30 November 1999	250
	<hr/>
The loan has been made to a company into which a pool of mortgage loans has been securitised by a fellow subsidiary, Regents Park Mortgage Funding Limited. The loan will be repaid in accordance with a priority of payments but ultimately by September 2037.	
<b>Shares in Group companies</b>	<b>£</b>
At 1 December 1998	-
Additions	104
	<hr/>
At 30 November 1999	104
	<hr/>

The principal operating subsidiaries which are all wholly owned are:

<b>Company</b>	<b>Principal activity</b>
Hyde Park Mortgage Funding Limited	Holders of securities
Green Park Mortgage Funding Limited	Holders of securities
Norland DACS Limited	Investment
Norland DACS 2 Limited	Investment
Norland DACS 4 Limited	Investment

The issued share capital of all subsidiaries consists of ordinary share capital.

All the above companies are registered and operate in England and Wales.

### 11. DEBTORS

	<b>1999</b>	<b>1998</b>
<b>Amounts falling due within one year</b>	<b>£'000</b>	<b>£'000</b>
Amount owed by other group companies	25,565	15,844
Other debtors	264	95
Prepayments and accrued income	445	359
	<hr/>	<hr/>
	26,274	16,298
	<hr/>	<hr/>

### 12. CALLED UP SHARE CAPITAL

	<b>1999</b>	<b>1998</b>
	<b>£</b>	<b>£</b>
Authorised		
100 ordinary shares of £1 each	100	100
	<hr/>	<hr/>

**NOTES TO THE ACCOUNTS**  
**Year ended 30 November 1999**

Called up, allotted and fully paid  
1 ordinary share of £1

1	1
<u>1</u>	<u>1</u>

**13. PROFIT AND LOSS ACCOUNT**

At 1 December 1998  
Profit for the year

**£'000**

592
<u>887</u>

At 30 November 1999

<u>1,479</u>
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**14. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

Profit for the financial year  
Opening shareholders' funds

1999	1998
£'000	£'000

887	575
<u>592</u>	<u>17</u>

Closing shareholders' funds

<u>1,979</u>	<u>592</u>
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**15. CREDITORS**

**Amounts falling due within one year**

1999	1998
£'000	£'000

Trade creditors  
Amounts due to ultimate parent company  
Amounts due to other group companies  
Group relief payable  
Corporation tax  
Other creditors  
Other taxation and social security  
Accruals

134	131
17,379	17,942
10,829	2,555
744	430
379	-
90	18
107	74
<u>1,202</u>	<u>587</u>

<u>30,864</u>	<u>21,737</u>
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**16. CAPITAL COMMITMENTS**

There were no capital commitments at 30 November 1999 or 30 November 1998.

**NOTES TO THE ACCOUNTS**

**Year ended 30 November 1999**

**17. FINANCIAL COMMITMENTS**

On 30 November 1999, the company had commitments to make payments in the next year under operating leases which expire as follows:

	1999		1998	
	Other leases £'000	Land and buildings £'000	Other leases £'000	Land and buildings £'000
Leases which expire:				
Within one year	3	-	-	4
Within one to two years	30	-	3	-
Within two to five years	31	255	30	-
After five years	-	-	-	106
	<hr/>	<hr/>	<hr/>	<hr/>
	63	256	33	110
	<hr/>	<hr/>	<hr/>	<hr/>

**18. PENSION SCHEMES**

The Company operates a defined contribution pension scheme. Contributions to the scheme are charged in the accounts as they accrue. The total charge in the accounts for the year amounted to £187,000 (1998 - £129,000). Contributions of £51,000 (1998 - £nil) were accrued but unpaid at 30 November 1999. These were paid in December 1999.

**19. RELATED PARTY TRANSACTIONS**

The company has provided a start up loan to Residential Mortgage Securities 2 plc which is owned by a charitable trust and to which a fellow subsidiary sold a portfolio of mortgages. During the year Norland Capital Limited has recognised interest on the start up loan of £89,000 (1998 - £132,000).

**20. ULTIMATE PARENT COMPANY**

The company's ultimate parent company is Kensington Group plc, a company registered in England and Wales. Copies of the Group's financial statements are available from that company's registered office at 1 Derry Street, London, W8 5HY.