

NORLAND CAPITAL LIMITED

Report and Financial Statements

30 November 2000



REPORT AND FINANCIAL STATEMENTS 2000

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REPORT AND FINANCIAL STATEMENTS 2000

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

M A Finegold
S C Kingdon
J N Maltby
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 2000.

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 £5,000 (1999 – profit of £887,000) has been transferred to reserves. A final dividend of £1,500,000 is proposed (1999 – £500,000).

DIRECTORS

The directors since the beginning of the financial year were:

M A Finegold

S C Kingdon

J N Maltby (appointed 10th August 2000)

A S Tomsett

M A Finegold, S C Kingdon and Mr J N Maltby 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 (Ordinary shares of 10p each).

Amount of shares	Issue date	Date from which exercisable	Expiry date	Option price
62,500	1 April 1998	1 April 2001	31 March 2005	£1.80
62,500	18 December 1998	18 December 2001	17 December 2005	£1.80
62,500	17 December 1999	17 December 2002	16 December 2006	£1.80
31,250	26 October 2000	1 April 2001	31 March 2005	£1.80
31,250	26 October 2000	18 December 2001	17 December 2005	£1.80
31,250	26 October 2000	17 December 2002	16 December 2006	£1.80

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 2000 is 6 days (1999 – 8 days).

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', with a large loop at the end.

A S Tomsett

Secretary

23rd January 2001

**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 are required to ensure 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, which are required to be prepared in accordance with applicable United Kingdom law and accounting standards. 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 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 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 2000 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Doraine . Lance

Chartered Accountants and Registered Auditors

12 February 2001

PROFIT AND LOSS ACCOUNT
Year ended 30 November 2000

	Note	2000 £'000	1999 £'000
INCOME			
Management charges		11,817	9,019
Interest receivable	2	274	442
Income from securitisations	3	428	257
Income from shares in group undertakings		-	300
Other income		3	44
Total operating income		12,522	10,062
Operating expenses		(10,306)	(7,971)
OPERATING PROFIT		2,216	2,091
Interest payable	4	-	(11)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	6	2,216	2,080
Tax on profit on ordinary activities	7	(711)	(693)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION BEING THE PROFIT FOR THE FINANCIAL YEAR		1,505	1,387
Dividend proposed	8	(1,500)	(500)
Retained profit	13	5	887

All material activities derive from continuing operations.

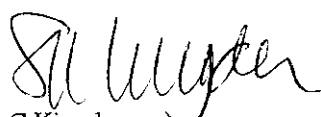
There are no recognised gains or losses other than the profit for the year ending 30 November 2000 and the profit for the year ending 30 November 1999.

BALANCE SHEET
30 November 2000

	Note	2000 £'000	1999 £'000
ASSETS EMPLOYED			
FIXED ASSETS			
Tangible assets	9	700	840
Investments	10	250	250
		<u>950</u>	<u>1,090</u>
CURRENT ASSETS			
Debtors	11	36,810	26,274
Cash at bank and in hand		<u>39,682</u>	<u>4,979</u>
		76,492	31,253
		<u>77,442</u>	<u>32,343</u>
FINANCED BY			
EQUITY SHAREHOLDERS' FUNDS			
Called up share capital	12	-	-
Profit and loss account	13	<u>1,484</u>	<u>1,479</u>
	14	1,484	1,479
CREDITORS			
Amounts falling due within one year	15	<u>75,958</u>	<u>30,864</u>
		<u>77,442</u>	<u>32,343</u>

These financial statements were approved by the Board of Directors on 23rd January 2001.

Signed on behalf of the Board of Directors


 S C Kingdon
 Director

NOTES TO THE ACCOUNTS**Year ended 30 November 2000****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 so as to spread the charge evenly over the life 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 impairment.

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

	2000 £'000	1999 £'000
Other interest	274	442

NOTES TO THE ACCOUNTS
Year ended 30 November 2000

3. INCOME FROM SECURITISATIONS

	2000	1999
	£'000	£'000
Interest on start up loans	63	89
Other securitisation income	365	168
	<u>428</u>	<u>257</u>

4. INTEREST PAYABLE

	2000	1999
	£'000	£'000
On loans repayable within five years		
Term loan	-	11
	<u>-</u>	<u>11</u>

5. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2000	1998
	£'000	£'000
Directors' emoluments		
Total emoluments	919	509
Pension contributions	41	44
	<u>960</u>	<u>553</u>

Remuneration of the highest paid director	<u>319</u>	<u>186</u>
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Pension contributions of £15,945 (1999 - £15,000) were paid in respect of this director.

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

NOTES TO THE ACCOUNTS

Year ended 30 November 2000

5. INFORMATION REGARDING DIRECTORS AND EMPLOYEES (CONTINUED)

	2000	1999
Average number of persons employed	No	No
Administration	84	67
	<u>£'000</u>	<u>£'000</u>
Staff costs during the year (including directors)		
Wages and salaries	4,829	3,158
Social security costs	629	330
Pension costs	225	187
	<u>5,683</u>	<u>3,675</u>

6. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit on ordinary activities before taxation is after charging:	2000	1999
	<u>£'000</u>	<u>£'000</u>
Depreciation	301	195
Net amount of assets written off	66	-
Property rents	277	164
Other leases	73	64
Auditors' remuneration		
Audit services	5	5
Non audit services (includes £419,000 relating to the float and demerger)	580	183
	<u>580</u>	<u>183</u>

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2000	1999
	<u>£'000</u>	<u>£'000</u>
UK corporation tax on profit at 30% (1999 - 30.3%)		
Current year - corporation tax	701	379
Current year - group relief	-	314
Prior year - corporation tax	20	-
Prior year - group relief	(10)	-
	<u>711</u>	<u>693</u>

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 :

	Unprovided	
	2000	1999
	<u>£'000</u>	<u>£'000</u>
Accelerated capital allowances	(111)	(106)

NOTES TO THE ACCOUNTS
Year ended 30 November 2000

8. DIVIDENDS

	2000	1999
	£'000	£'000
Final proposed	<u>1,500</u>	<u>500</u>

9. TANGIBLE FIXED ASSETS

	Furniture, fixtures, office and computer equipment £'000
Cost	
At 1 December 1999	1,098
Additions	227
Assets written off	<u>(128)</u>
At 30 November 2000	<u>1,197</u>
Accumulated depreciation	
At 1 December 1999	258
Charge for the year	301
Assets written off	<u>(62)</u>
At 30 November 2000	<u>497</u>
Net book value	
At 30 November 2000	<u>700</u>
At 30 November 1999	<u>840</u>

NOTES TO THE ACCOUNTS

Year ended 30 November 2000

10. INVESTMENTS

Investment in securitisations - Start up loan **£'000**At 1 December 1999 and 30 November 2000 250

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.

Shares in Group companies **£**At 1 December 1999 and 30 November 2000 104

The principal operating subsidiaries, which are all wholly owned are:

Company	Principal activity
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

	2000 £'000	1999 £'000
Amounts falling due within one year		
Amount owed by other group companies	36,179	25,565
Other debtors	315	264
Prepayments and accrued income	316	445
	<u>36,810</u>	<u>26,274</u>

12. CALLED UP SHARE CAPITAL

	2000 £	1999 £
Authorised		
100 ordinary shares of £1 each	<u>100</u>	<u>100</u>
Called up, allotted and fully paid		
1 ordinary share of £1	<u>1</u>	<u>1</u>

NOTES TO THE ACCOUNTS
Year ended 30 November 2000

13. PROFIT AND LOSS ACCOUNT

	£'000
At 1 December 1999	1,479
Profit for the year	5
	<hr/>
At 30 November 2000	1,484
	<hr/>

14. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2000 £'000	1999 £'000
Profit for the financial year	5	887
Opening shareholders' funds	1,479	592
	<hr/>	<hr/>
Closing shareholders' funds	1,484	1,479
	<hr/>	<hr/>

15. CREDITORS

	2000 £'000	1999 £'000
Amounts falling due within one year		
Trade creditors	105	134
Amounts due to ultimate parent company	54,096	17,379
Amounts due to other group companies	18,387	10,829
Group relief payable	734	744
Corporation tax	1,057	379
Other creditors	23	90
Other taxation and social security	160	107
Accruals	1,396	1,202
	<hr/>	<hr/>
	75,958	30,864
	<hr/>	<hr/>

16. CAPITAL COMMITMENTS

There were no capital commitments at 30 November 2000 or 30 November 1999.

NOTES TO THE ACCOUNTS**Year ended 30 November 2000****17. FINANCIAL COMMITMENTS**

On 30 November 2000, the company had commitments to make payments in the next year under operating leases which expire as follows:

	2000		1999	
	Other leases £'000	Land and buildings £'000	Other leases £'000	Land and buildings £'000
Leases which expire:				
Within one year	13	-	3	-
Within one to two years	27	-	30	-
Within two to five years	23	321	31	255
After five years	-	-	-	-
	<u>63</u>	<u>321</u>	<u>64</u>	<u>255</u>

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 £225,000 (1999 - £187,000).

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 £63,000 (1999 - £89,000).

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.