

MORLEY LIMITED

Report and Financial Statements

13 months to 31 October 2002

**Deloitte & Touche
London**



REPORT AND FINANCIAL STATEMENTS 13 MONTHS TO 31 OCTOBER 2002

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REPORT AND FINANCIAL STATEMENTS 13 MONTHS TO 31 OCTOBER 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 13 months ended 31 October 2002.

ACTIVITIES

The principal activity of the Company during the period was to act as trustee of a portfolio of unsecured loans and of all payments received on those loans. 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 results for the period are shown in the profit and loss account on page 5. The directors do not recommend the payment of a dividend (2001 - £nil).

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 the Group's companies.

SUPPLIER PAYMENT POLICY

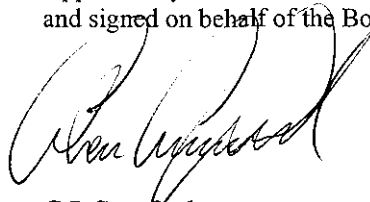
It is the Company's policy to abide by the terms of payment agreed with suppliers.

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

21 March 2003

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 MORLEY LIMITED

We have audited the financial statements of Morley Limited for the 13 months ended 31 October 2002 which comprise the profit and loss account, the balance sheet and the related notes numbered 1 to 9. 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.

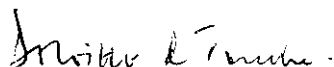
Basis of opinion

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 13 months then ended and have been properly prepared in accordance with the Companies Act 1985.

**Deloitte & Touche**

Chartered Accountants and Registered Auditors

London

21 March 2003

PROFIT AND LOSS ACCOUNT
13 month period ended 31 October 2002

	Note	13 months to 31 October 2002 £	12 months to 30 September 2001 £
Other operating income		-	7,047
Administrative expenses		-	(9,611)
OPERATING LOSS	2	-	(2,564)
Interest receivable and similar income	3	-	2,564
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		-	-
Tax on ordinary activities	5	-	-
PROFIT FOR THE YEAR AFTER TAXATION		-	-

There have been no recognised gains and losses attributable to the shareholders other than the result for the current period and preceding financial year and accordingly, no statement of total recognised gains and losses is shown.

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

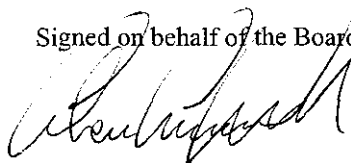
BALANCE SHEET
As at 31 October 2002

	Note	31 October 2002 £	31 December 2001 £
CURRENT ASSETS			
Debtors	6	-	2,722
Cash at bank and in hand		2	2,267
		<u>2</u>	<u>4,989</u>
CREDITORS: amounts falling due within one year	7	-	(4,987)
NET CURRENT ASSETS		<u>2</u>	<u>2</u>
NET ASSETS		<u>2</u>	<u>2</u>
CAPITAL AND RESERVES			
Called up share capital	8	2	2
Profit and loss account		-	-
EQUITY SHAREHOLDERS' FUNDS		<u>2</u>	<u>2</u>

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

These financial statements were approved by the Board of Directors on 21 March 2003

Signed on behalf of the Board of Directors



G P Crawford

Director

NOTES TO THE ACCOUNTS

13 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.

Turnover

Turnover represents amounts collected from administration fees.

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. OPERATING LOSS

Operating loss is stated after charging:

	13 months to 31 October 2002 £	12 months to 30 September 2001 £
Auditors' remuneration – audit services	-	3,189

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

3. INTEREST RECEIVABLE AND SIMILAR INCOME

	13 months to 31 October 2002 £	12 months to 30 September 2001 £
Interest receivable	-	2,564

NOTES TO THE ACCOUNTS 13 months ended 31 October 2002

4. STAFF COSTS AND DIRECTORS' REMUNERATION

There were no employees in the Company during the 13 months ended 31 October 2002 (2001 - £nil).

The total amounts for directors' remuneration and other benefits were as follows:

	13 months to 31 October 2002 £	12 months to 30 September 2001 £
Emoluments	-	2,154

5. TAX ON ORDINARY ACTIVITIES

No tax was charged for the 13 months ended 31 October 2002 (2001 - £nil).

6. DEBTORS

	31 October 2002 £	31 December 2001 £
Amounts owed by related company	-	2,722

7. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31 October 2002 £	31 December 2001 £
Other creditors and accruals	-	4,987

8. CALLED UP SHARE CAPITAL

	31 October 2002 £	31 December 2001 £
Authorised:		
100 ordinary shares of £1 each	100	100
Allotted and fully paid:		
2 ordinary shares of £1 each	2	2

NOTES TO THE ACCOUNTS**13 months ended 31 October 2002****9. ULTIMATE PARENT COMPANY AND RELATED PARTY TRANSACTIONS**

Morley Limited is a wholly owned subsidiary of Cabot Financial Holdings Limited and its results are 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 for the 13 months ended 31 October 2002. 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. Kings Hill (No. 1) Limited is the Company's immediate parent company.