

MORLEY LIMITED

Report and Financial Statements

Year ended 31 October 2003

Deloitte & Touche LLP
London



MORLEY LIMITED

REPORT AND FINANCIAL STATEMENTS YEAR ENDED 31 OCTOBER 2003

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MORLEY LIMITED

REPORT AND FINANCIAL STATEMENTS 2003

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
10 Upper Bank Street
London E14 5JJ

AUDITORS

Deloitte & Touche LLP
Chartered Accountants
London

MORLEY LIMITED

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 October 2003.

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.

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 (2002 - £nil).

The directors expect the level of business activity within the group to remain constant throughout the coming year.

DIRECTORS AND THEIR INTERESTS

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

K W Maynard

G P Crawford

CS SCF Management Limited

The directors who held office during the year 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

On 1 August 2003, Deloitte & Touche, the Company's auditors transferred their business to Deloitte & Touche LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. The Company's consent has been given to treating the appointment of Deloitte & Touche as extending to Deloitte & Touche LLP with effect from 1 August 2003 under the provisions of section 26(5) of the Companies Act 1989. A resolution to re-appoint Deloitte & Touche LLP as the Company's auditor will be proposed at the forthcoming Annual General Meeting.

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



G P Crawford

Director

15 December 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, for 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 year ended 31 October 2003 which comprise the profit and loss account, the balance sheet and the related notes 1 to 6. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinion we have formed.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities, the Company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and 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 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 the other information contained in the annual report for the above year as described in the contents section and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit 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 circumstances of the Company, 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 as at 31 October 2003 and of its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP.

DELOITTE & TOUCHE LLP

Chartered Accountants and Registered Auditors

London

15 December 2003

MORLEY LIMITED

PROFIT AND LOSS ACCOUNT

Year ended 31 October 2003

	Note	Year ended 31 October 2003 £	13 months to 31 October 2002 £
Other operating income		-	-
Administrative expenses		-	-
OPERATING LOSS	2	-	-
Interest receivable and similar income		-	-
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		-	-
Tax on ordinary activities	4	-	-
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 year and preceding financial period 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.

MORLEY LIMITED

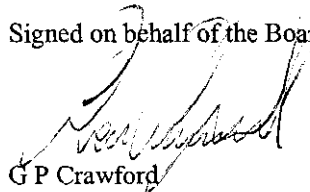
BALANCE SHEET As at 31 October 2003

	Note	31 October 2003 £	31 October 2002 £
CURRENT ASSETS			
Cash at bank and in hand		2	2
		<u>2</u>	<u>2</u>
NET CURRENT ASSETS		<u>2</u>	<u>2</u>
CAPITAL AND RESERVES			
Called up share capital	5	2	2
Profit and loss account		-	-
		<u>2</u>	<u>2</u>
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 15 December 2003.

Signed on behalf of the Board of Directors



G P Crawford

Director

NOTES TO THE ACCOUNTS

Year ended 31 October 2003

1. ACCOUNTING POLICIES

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

Accounting convention

The financial statements are prepared under the historical cost convention.

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.

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:

	Year ended 31 October 2003 £	13 months to 31 October 2002 £
Auditors' remuneration – audit services	-	-

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

3. STAFF COSTS AND DIRECTORS' REMUNERATION

There were no employees of the Company during the year ended 31 October 2003 (2002 - nil). The directors received no remuneration during the year (2002 - £nil).

4. TAX ON ORDINARY ACTIVITIES

No tax was charged for the year ended 31 October 2003 (2002 - £nil).

5. CALLED UP SHARE CAPITAL

	31 October 2003 £	31 October 2002 £
Authorised:		
100 ordinary shares of £1 each	100	100
Allotted, called up and fully paid:		
2 ordinary shares of £1 each	2	2

NOTES TO THE ACCOUNTS

Year ended 31 October 2003

6. ULTIMATE PARENT COMPANY AND RELATED PARTY TRANSACTIONS

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 and controlling parent company.

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 year ended 31 October 2003. The financial statements of Cabot Financial Holdings Limited Group are available from Companies House.