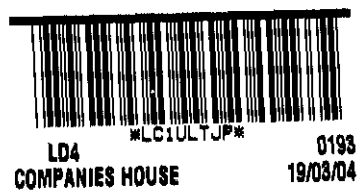


ORCHARDBROOK LIMITED

Report and Financial Statements

30 September 2003

**Deloitte & Touche LLP
London**



ORCHARDBROOK LIMITED

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ORCHARDBROOK LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

Bryan Needham
Peter Hills

SECRETARY

Clifford Chance Secretaries Limited

REGISTERED OFFICE

10 Upper Bank Street,
London
E14 5JJ

BANKERS

National Westminster Bank Plc

SOLICITORS

Clifford Chance

AUDITORS

Deloitte & Touche LLP
London

ORCHARDBROOK LIMITED

DIRECTORS' REPORT

The directors present their report on the affairs of Orchardbrook Limited ("the Company") together with the financial statements and auditors' report for the year ended 30 September 2003.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment in asset backed loan notes.

BUSINESS REVIEW

During the year the Company maintained its investment in asset backed notes. The directors expect the level of activity to remain at the same level in the forthcoming financial year.

RESULTS AND DIVIDENDS

The results for the year and the state of the Company's affairs are set out in the accompanying financial statements.

No dividends were declared or paid by the Company during the year (2002: £nil) and the directors do not propose a final dividend (2002: £nil).

DIRECTORS AND THEIR INTERESTS

The directors who served throughout the year are as follows:

Bryan Needham
Peter Hills

The directors do not have any interests required to be disclosed under Schedule 7, Section 2 of the Companies Act 1985.

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 6 November 2003 under the provisions of section 26(5) of the Companies Act 1989. Deloitte & Touche LLP have expressed their willingness to continue in office as auditors and a resolution to re-appoint them will be proposed at the forthcoming Annual General Meeting.

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



Director

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 ORCHARDBROOK LIMITED

We have audited the financial statements of Orchardbrook Limited for the year ended 30 September 2003 which comprise the profit and loss account, the balance sheet, the cash flow statement and the related notes 1 to 18. 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 opinions 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 United Kingdom 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 referred to above give a true and fair view of the state of affairs of the Company as at 30 September 2003 and of the profit of the Company 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

16 Feb. 2004

ORCHARDBROOK LIMITED

PROFIT AND LOSS ACCOUNT

Year ended 30 September 2003

	Note	2003 £'000	2002 £'000
Investment income	3	632	632
Interest expense	4	(626)	(625)
Other expense	5	(5)	(6)
		<hr/>	<hr/>
OPERATING PROFIT AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		1	1
Tax on ordinary activities	7	-	-
		<hr/>	<hr/>
RETAINED PROFIT FOR THE YEAR	13	1	1
		<hr/>	<hr/>

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

The results above arose wholly from continuing operations.

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

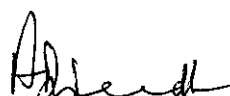
ORCHARDBROOK LIMITED

BALANCE SHEET 30 September 2003

	Note	2003 £'000	2002 £'000
CURRENT ASSETS			
Investments	8	9,717	9,717
Debtors	9	316	316
Cash at bank		7	5
		<u>10,040</u>	<u>10,038</u>
CREDITORS: amounts falling due within one year	10	(318)	(317)
NET CURRENT ASSETS		<u>9,721</u>	<u>9,721</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		9,722	9,721
CREDITORS: amounts falling due within one year	11	(9,717)	(9,717)
NET ASSETS		<u>5</u>	<u>4</u>
Capital and reserves			
Called up share capital	12	-	-
Profit and loss account	13	5	4
Equity shareholders' funds		<u>5</u>	<u>4</u>

These financial statements were approved by the Board of Directors on 16/02 2004

Signed on behalf of the Board of Directors



Director

ORCHARDBROOK LIMITED

CASH FLOW STATEMENT Year ended 30 September 2003

	Notes	2003 £'000	2002 £'000
Net cash inflow from operating activities	15	2	-
Taxation			
UK corporation tax		-	-
Financing			
Broking fee paid		-	-
Increase in cash	16	<u>2</u>	<u>-</u>

The accompanying notes are an integral part of these statements.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2003

1. ACCOUNTING POLICIES

A summary of the principal accounting policies, all of which have been applied consistently throughout the year and the preceding year, is set out below:

Basis of accounting

The financial statements have been prepared in accordance with applicable United Kingdom accounting standards and under the historical cost convention.

Investment income

Investment income is accounted for on an accruals basis. Investment income includes interest receivable on the Series 3 loan notes acquired from Finance for Residential Social Housing Plc.

Taxation

UK corporation tax is provided on taxable profits at the current rate.

Investments

Investments held are shown at cost less any provision for impairment. The directors consider there has been no impairment in value, as they believe the cost of the notes will be realised in full.

Broking fee debt

The broking fee debt was initially stated at the amount of net proceeds after the deduction of issue costs. The carrying amount of the broking fee debt is increased by the finance costs in the accounting period and reduced by payments made in respect of debt during the period.

2. DIRECTORS AND EMPLOYEES

None of the directors received any emoluments for their services to the Company during the year (2002 : £nil).

None of the directors had any material interest in any contract of significance in relation to the business of the Company (2002: £nil).

The Company does not have any employees (2002: nil).

3. INVESTMENT INCOME

	2003 £'000	2002 £'000
Interest income on loan notes	632	632

4. INTEREST EXPENSE

	2003 £'000	2002 £'000
Interest on broking fee	626	625

5. OTHER EXPENSE

	2003 £'000	2002 £'000
Other fees	5	6

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2003

6. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

The profit on ordinary activities before taxation is stated after charging auditors' remuneration as follows:

	2003 £'000	2002 £'000
Auditors' fees – audit services	<u>4</u>	<u>4</u>

7. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

The tax charge for the year comprises:

	2003 £'000	2002 £'000
UK corporation tax at 20%	<u>-</u>	<u>-</u>

8. INVESTMENTS

	2003 £'000	2002 £'000
Series 3 6.5% loan notes issued by Finance for Residential Social Housing Plc	<u>9,717</u>	<u>9,717</u>

9. DEBTORS

	2003 £'000	2002 £'000
Accrued interest income on loan notes	<u>316</u>	<u>316</u>

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2003 £'000	2002 £'000
Accruals and deferred income	<u>318</u>	<u>317</u>

11. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2003 £'000	2002 £'000
Broking fee	<u>9,717</u>	<u>9,717</u>

The directors have received assurance from Royal Bank of Scotland Plc that the broking fee will not be recalled within one year and will not be repayable until Orchardbrook holds sufficient cash. Consequently this creditor has been classified as a long-term creditor.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2003

12. SHARE CAPITAL

	2003 £'000	2002 £'000
Authorised		
100 ordinary shares of £1 each	-	-
Allotted, called-up and fully paid		
1 ordinary share of £1	-	-

13. PROFIT AND LOSS ACCOUNT

	2003 £'000	2002 £'000
At 30 September 2002	4	3
Retained profit for the year	1	1
At 30 September 2003	5	4

14. RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

	2003 £'000	2002 £'000
Profit for the financial year	1	1
Opening equity shareholders' funds	4	3
Closing equity shareholders' funds	5	4

15. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2003 £'000	2002 £'000
Operating profit	1	1
Decrease in debtors	-	1
Increase/(decrease) in creditors	1	(2)
Net cash inflow from operating activities	2	-

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2003

16. ANALYSIS OF CHANGES IN NET DEBT

	As at 1 October 2002 £'000	Cash flows £'000	As at 30 September 2003 £'000
Cash at bank	5	2	7
Debt due within 1 year	-	-	-
Debt due after 1 year	(9,717)	-	(9,717)
	<u>(9,712)</u>	<u>2</u>	<u>(9,710)</u>
Reconciliation of net cash flow to movement in net debt			
Net debt as at 1 October 2002			(9,712)
Increase in cash			2
Cash outflow from decrease in debt			-
Movement in net debt			<u>-</u>
Net debt as at 30 September 2003			<u>(9,710)</u>

17. RELATED PARTIES TRANSACTIONS

There have been no related party transactions during the year.

18. ULTIMATE AND IMMEDIATE PARENT UNDERTAKING

The ordinary share was issued on 15 January 1997 and is held by Royal Exchange Trust Company Limited on trust under the terms of a declaration of trust dated 5 March 1997 with the ultimate beneficiaries being charities chosen by the trustees.