

Unifinance 1 Limited

Directors' report and financial statements

31 December 2003

Registered number 04619780



Directors' report and financial statements

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Officers and professional advisors

Directors

SPV Management Limited
Martin McDermott
James Fairrie

Secretary

SPV Management Limited
Tower 42, International Finance Centre
25 Old Broad Street
London
EC1N 1HQ

Auditors

KPMG Audit Plc
8 Salisbury Square
London
EC4Y 8BB
United Kingdom

Registered office

Tower 42, International Finance Centre
25 Old Broad Street
London
EC1N 1HQ

Directors' report

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

Incorporation

Unifinance 1 Limited is a special purpose limited liability company incorporated in England and Wales on 17 December 2002 with the name Founderstar Limited (registration no. 4619780) under the Companies Act 1985.

On 24 January 2003 the company changed its name from Founderstar Limited to Unifinance 1 Limited.

The company does not have any branches outside of the United Kingdom.

Principal activity

Unifinance 1 Limited issued £18,000,000 6.12% Asset backed Fixed Rate Notes (due 2031) at the issue price of 100% of their initial principal amount on 28 February 2003.

The principal amount was on-lent to Unifin Cityinc Limited "the borrower", a special purpose company incorporated under the laws of England and Wales. The borrower is owned by ING Lease (UK) Limited and is a limited liability company (registration no. 4525112) within the charge to United Kingdom corporation tax.

The borrower utilised the funds to partly re-finance the purchase of the Primary Leases and the variation of the Secondary Leases with respect to two university halls of residence, namely Paul Robeson House of 1 Penton Rise London WC1 9EH and Manna Ash House of 8-20 Pocock Street, London SE1 0BJ.

Unifin Cityinc Limited's obligations are secured in favour of the Bank of New York acting as trustee of the security created by or pursuant to the Obligor Deed of Charge (principally a first legal charge over each of the leases relating to the two halls). Bank of New York also acts as Issuer Trustee, Note Trustee, Principal Paying Agent and Account Bank.

Unifinance 1 Limited utilises SPV Management Limited for the provision of corporate administration and secretarial services.

Directors

The directors who served during the period were as follows:

Luciene James Limited	(Appointed 17/12/02, resigned 03/01/03)
SPV Management Limited	(Appointed 03/01/03)
Martin McDermott	(Appointed 03/01/03)
James Fairrie	(Appointed 03/01/03)

According to the register of directors' interests none of the directors had any disclosable interest in the shares or loan capital of the company during the period.

According to the register of directors' interests, no rights to subscribe for shares in the company were granted to any of directors or their immediate families.

The company secretaries during the period were Company Registration Agents Limited (appointed 17/12/02, resigned 03/01/03) and SPV Management Limited (appointed 03/01/03).

Share capital

On incorporation the authorised share capital of the company was divided into 1,000 ordinary shares of £1 each.

On 21 January 2003, 1 ordinary share was transferred from Luciene James to SPV Management Limited for a total cash consideration of £1.

The entire share capital of the Issuer is held by SPV Management Limited as share trustee on trust for certain charitable purposes in accordance with the terms of a share trust deed dated 28 February 2003.

Results

The results for the period ended 31 December 2003 are set out in the income and expenditure account on page 5.

The directors recommend that no dividends be paid.

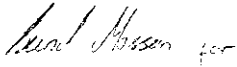
Combined code

Unifinance 1 Limited is eligible for exemption from the Financial Services Authority's requirements relating to corporate governance disclosures.

Auditors

KPMG Audit Plc were appointed as auditors on 6 February 2003.

By order of the board



SPV MANAGEMENT LIMITED

SPV Management
Secretary

24 MAY 2005 2005

Tower 42, International Finance Centre
25 Old Broad Street
London
EC1N 1HQ

Statement of directors' responsibilities

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 and of the profit or loss 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, subject to any material departures disclosed and explained in the financial statements; 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 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.

Report of the independent auditors to the members of Unifinance 1 Limited

We have audited the financial statements on pages 6 to 12.

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 auditor's 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

The directors are responsible for preparing the directors' report and, as described on page 4, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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.

Basis of audit 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 as at 31 December 2003 and of its results for the 13 month period then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor

24 May 2005
8 Salisbury Square
London EC4Y 8BB

Profit and loss account
for the period ended 31 December 2003

	<i>Note</i>	2003 £
Interest receivable	4	914,323
Interest payable	5	(914,323)
Net interest income		-
Other operating income		28,142
Administrative expenses		(28,142)
Profit on operating activities before taxation		-
Taxation	6	-
Profit for the year on operating activities after taxation		-

The operating result for the year all derive from continuing operations.

There are no recognised gains or losses during the current period. Accordingly, no statement of total recognised gains and losses is given.

There are no movements in shareholders' funds in the current year. Accordingly, no reconciliation of movements in shareholders' funds is given.

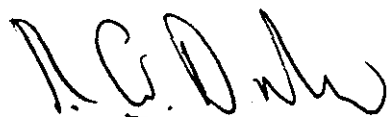
The notes on pages 9 to 12 form part of these financial statements.

Balance sheet
at 31 December 2003

	<i>Note</i>	2003 £
Current assets		
Loan – amounts falling due within one year	7	319,791
Loan – amounts falling due after one year	7	17,380,273
Other debtors	8	201,611
Cash at bank and in hand		2,200,767
		<hr/>
		20,102,442
Creditors: amounts falling due within one year	9	(522,168)
		<hr/>
Total assets less current liabilities		19,580,274
Creditors: amounts falling due After more than one year	10	(19,580,273)
		<hr/>
Net Assets		1
		<hr/>
Capital and reserves		
Called up share capital	11	1
		<hr/>
		1
		<hr/>

The notes on pages 9 to 12 form part of these financial statements.

These financial statements were approved by the board of directors on 24 May 2005 and were signed on its behalf by:



for **SPV MANAGEMENT LIMITED**

Director

Cash flow statement
for the period ended 31 December 2003

	<i>Note</i>	2003 £
Net cash inflow/(outflow) from operating activities	<i>12</i>	766
Returns on investments and servicing of finance		
Interest received on loans		733,288
Interest paid on asset backed notes		(733,288)
Capital expenditure and financial investment		
Receipt from repayment of loan		299,936
Loan issued		(18,000,000)
Financing	<i>14</i>	
Issue of share capital		1
Loan received		2,200,000
Issue of asset backed notes		18,000,000
Repayment of asset backed notes		(299,936)
 Increase/(decrease) in cash		 <u>2,200,767</u>

A reconciliation of operating profit to net cash flow from operating activities is provided in note 12.

Notes

(forming part of the financial statements)

1 Accounting policies

The following policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with s228 of, and Schedule 4 to, the Companies Act 1985 and the applicable accounting standards.

Asset backed fixed rate notes

The 6.12% Asset Backed Fixed Rate Notes have been accounted for and classified in accordance with its legal form. Finance costs relating to the Notes are recognised over the term of the Notes at a constant rate on the carrying value, so that a provision is made for the accrued premium payable on redemption of the notes in 2031.

Income recognition

The company's principal source of income is interest receivable. The directors consider it would be misleading to classify this income as turnover.

Interest receivable and payable are accounted for an accruals basis.

Administrative expenses

Administrative expenses incurred by the company are charged to the profit and loss account on an accruals basis.

2 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:

	2003 £
Auditors' remuneration	10,000

3 Directors' remuneration

The directors received no remuneration in respect of their services for the period.

4 Interest receivable

	2003 £
Interest receivable on loan	914,323

5 Interest payable

	2003 £
Interest payable to note holders	914,323

Notes (continued)

6 Taxation

No taxation charge or liability arose during the period.

7 Loans

	2003 £
Due within one year	319,791
Due after one year	17,380,273
	<hr/> 17,700,064 <hr/>

A loan of £18,000,000 was issued during the period to Unifin Cityinc Limited, a fully owned subsidiary of ING Lease (UK) Limited. The borrower utilised the funds to partly re-finance the purchase of the Primary Leases and the variation of the Secondary Leases with respect to two university halls of residence, namely Paul Robeson House of 1 Penton Rise London WC1 9EH and Manna Ash House of 8-20 Pocock Street, London SE1 0BJ.

Unifin Cityinc Limited's obligations are secured in favour of the Bank of New York acting as trustee of the security created by or pursuant to the Obligor Deed of Charge (principally a first legal charge over each of the leases relating to the two halls). Bank of New York also act as Issuer Trustee, Note Trustee, Principal Paying Agent and Account Bank.

8 Other debtors

	2003 £
Accrued income – interest receivable on loan	181,035
Other debtors	20,576
	<hr/> 201,611 <hr/>

9 Creditors: amounts falling due within one year

	2003 £
Asset backed notes (see note 10)	319,791
Other creditors	767
Accruals – interest payable on notes	181,035
- other	20,575
	<hr/> 522,168 <hr/>

Notes (continued)

10 Creditors: amounts falling due after more than one year

	2003 £
Asset backed notes	17,380,273
Reserve fund loan	2,200,000
	<hr/> 19,580,273 <hr/>

Unifinance 1 Limited issued £18,000,000 6.12% Asset backed Fixed Rate Notes (due 2031) at the issue price of 100% of their initial principal amount on 28 February 2003.

The Notes are being repaid (as scheduled) in part on each of the following Interest Payment Dates 30 April, 31 July, 31 October and 31 January. Upon each such Interest Payment Date the principal amount of each Note is reduced by the corresponding pro rata amount of the Repayment Amount and the Note bears interest for the subsequent Interest Period on the principal amount so reduced.

As at 31 December 2003, £299,936 of the capital element has been repaid.

The reserve fund loan represents an advance made in the principal amount of £2,200,000 by Shaftesbury Hallmark (previously known as SOAS Homes) Limited to Unifinance 1 Limited to establish the Reserve Account. The capital element is due to be repaid on the earlier of the Final Maturity Date of the Notes, or the date on which the Notes are redeemed in full.

11 Called up share capital

	2003 £
<i>Authorised</i>	
1,000 ordinary shares of £1 each	1,000
	<hr/>
<i>Allotted, called up and paid</i>	
1 ordinary share of £1 each	1
	<hr/>

12 Reconciliation of operating deficit to net cash inflow/(outflow) from operating activities

	2003 £
Operating surplus	-
Increase in debtors	(201,611)
Decrease) in creditors	202,377
	<hr/>
Net cash inflow from operating activities	766 <hr/>

Notes (continued)

13 Analysis of changes in net debt

	Balance at 28 February 2003 £	Cash flow £	Other non-cash £	Balance at 31 December 2003 £
Cash at bank and in hand	2,200,000	767	-	2,200,767
Loan issued	18,000,000	(299,936)	-	17,700,064
Asset backed notes issued	(18,000,000)	299,936	-	(17,700,064)
Reserve fund loan	(2,200,000)	(767)	-	(2,200,767)
	-	-	-	-

14 Analysis of changes in financing during the year

	Share capital £	Loan £	Reserve fund loan £
Balance at beginning of period	1	18,000,000	2,200,000
Redemption during the period	-	(299,936)	-
Balance at end of year	1	17,700,064	2,200,000

15 Financial instruments

As referred to in note 8, the proceeds from the issue of the £18 million Asset Backed Fixed Rate Notes were on-lent to Unifin Cityinc Limited. The interest charged on the loan to the borrower is equal to the interest payable on the related notes. Accordingly, the directors consider that the company is not subject to any risk on the fluctuation of interest rates.

16 Ultimate controlling party

There is no ultimate controlling party in the company. There were no related party transactions in the year other than those disclosed in the financial statements.