

NORLAND DACS 22 LIMITED

Annual Report and Financial Statements

For the year ended 30 November 2006

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ANNUAL REPORT AND FINANCIAL STATEMENTS 2005

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OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

R F C Blundell
Capita Trust Corporate Limited
Capita Trust Corporate Services Limited
A Hutchinson
J N Maltby
A S Tomsett
D A Wheeler (Alternate Director)
M Wilten (Alternate Director)

SECRETARY

Kensington Secretaries Limited
1 Sheldon Square
London
W2 6PU

REGISTERED OFFICE

1 Sheldon Square
London
W2 6PU

BANKERS

Barclays Bank PLC
London Corporate Banking Centre
54 Lombard Street
London
EC3P 3AH

SOLICITORS

Linklaters LLP
1 Silk Street
London
EC2Y 8HQ

AUDITORS

Deloitte & Touche LLP
London

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 30 November 2006

BUSINESS REVIEW AND PRINCIPAL ACTIVITY

The Company is a wholly owned subsidiary of Kensington Group plc (Kensington). The Company operates as part of the group of companies owned by Kensington (Group). The Company's principal activity was the acquisition of financial investments (FI) in the residential mortgage-backed securitisation transaction, Residential Mortgage Securities 22 plc (RMS) conducted by the Group. The securitisations are backed by mortgage loans originated by companies within the Group. The Company, together with associated Group companies which have similar assets to the FIs, is party to bank loans, secured on the FIs and similar assets owned by other Group companies. The bank loans were used to acquire FI and to provide working capital to the rest of the Group via inter-company loans.

As at the date of this report, the directors are not aware of any likely major changes in the Company's activities in the coming year.

The balance sheet on page 10 of the financial statements shows the Company's financial position at the year end. Details of amounts due to other Group companies are contained in note 13.

Kensington manages its operations on a group-wide basis and therefore the Company's directors believe that key performance indicators for the Company are not necessary or appropriate for an understanding of the development, performance or position of the business. The performance of the Group's mortgage lending activities, which included the Company, is discussed in Kensington's annual report which does not form part of this report. No dividend is proposed (2005 £nil).

PRINCIPAL RISKS AND UNCERTAINTIES

Group risks are discussed in Kensington's annual report which does not form part of this report.

Derivatives and other financial instruments

The Company's financial instruments comprise the FIs, bank loans and amounts due to or from other Group companies. The bank loans were used to fund the acquisition of the FIs by the Company and to provide working capital to the Group via inter-company loans.

The Company is also affected by the derivative contracts entered into by RMS to hedge interest rate and currency risk insofar as they affect the RMS's resources available to make payments in respect of the FIs.

The main risks associated with the Company's financial instruments and the RMS derivatives are liquidity, credit, interest and foreign currency.

Group risks are discussed in Kensington's annual report which does not form part of this report. Risks specific to the Company's activities are associated with its financial instruments and are liquidity, interest rate, credit and foreign currency fluctuations.

Interest rate

Although the Company does not enter into derivatives transactions, RMS enters into interest rate swaps to manage the difference between the interest rates applicable to the notes and the interest rates of the mortgage loans.

The Company's policy is not to trade in financial instruments.

Foreign currency risk

Although the Company is not directly affected by foreign currency risk, RMS has issued floating rate notes denominated in currencies other than sterling which are secured on mortgage loans denominated in sterling. To mitigate RMS's foreign currency risk, the RMS has entered into currency swaps and the derivative instruments used match the maturity of the foreign currency notes.

Credit risk

The Company is potentially exposed to the credit risk relating to the underlying mortgage loans on which the FIs are secured as payments in respect of the FIs are dependent upon the performance of the mortgage loans. The risk is mitigated by the appointment by RMS of an experienced specialist mortgage servicer to administer the mortgage loans which is overseen and monitored by employees of the Group in its role of special servicer.

DIRECTORS' REPORT (CONTINUED)

PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its payment obligations when they fall due under normal circumstances. The Company's bank borrowings are repaid from the payments from RMS in respect of the FIs as and when they are received which reduces the liquidity risk. The Company also has the support of other Group Companies to repay certain borrowings through the cross-collateralisation of other Group assets.

CORPORATE SOCIAL RESPONSIBILITY

The Company operates in accordance with the Group policies described in Kensington's annual report which does not form part of this report.

EMPLOYEES

The Company does not have any employees (2005 nil). All the operations associated with the Company's activities are carried out by the employees of Kensington Mortgages Limited.

DIRECTORS

The directors, all of whom served during the financial year except as noted below were:

R F C Blundell (Appointed 29 August 2006)

S J Colsell (Resigned 11 August 2006)

Capita Trust Corporate Limited

Capita Trust Corporate Services Limited

A Hutchinson (Appointed 22 March 2007)

J N Maltby

A S Tomsett

D A Wheeler (Alternate Director)

M Wilten (Alternate Director)

R F C Blundell and J N Maltby are directors of the ultimate parent company, Kensington Group plc. Accordingly, their interests in shares of Group companies are disclosed in that company's directors' report.

Directors' interests in shares

The directors had the following interests in the ordinary 10 pence shares in the capital of Kensington Group plc:

	At 30 November 2006	At 30 November 2005
A Hutchinson	3,095	-
A S Tomsett	15,630	5,361
D A Wheeler	7,440	-
M Wilten	-	1,000

DIRECTORS' REPORT (continued)

DIRECTORS (continued)

The directors have the following options in the ordinary 10 pence shares of Kensington Group plc

Grant Date	6 July 2001	29 Jan 2004	8 Nov 2004	30 Nov 2004	3 Feb 2005
First Exercise Date	6 July 2004	29 Jan 2007	8 Nov 2007	30 Nov 2007	3 Feb 2008
Last Exercise Date	5 July 2011	28 Jan 2014	7 Nov 2014	29 Nov 2014	2 Feb 2015
Option Price	£2.10	£4.25	£3.99	£4.07	£5.33

A S Tomsett		39,104			
A Hutchinson			250,000		
D A Wheeler	4,760	12,800			5,255
M Wilten				147,275	

Grant Date	11 Mar 2005	23 Mar 2005	8 Feb 2006	23 Feb 2006	2 Mar 2006
First Exercise Date	1 Dec 2007	1 May 2008	8 Feb 2009	1 Dec 2008	1 Apr 2009
Last Exercise Date	N/A	31 Oct 2008	7 Feb 2016	N/A	30 Sep 2009
Option Price	£nil	£4.35	£10.71	£nil	£8.55

A S Tomsett	37,704			20,042	1,093
A Hutchinson		3,801		26,102	
D A Wheeler			3,804		1,093
M Wilten		2,179		8,222	

None of the other directors had any interests at the beginning, or at any time during the period in any material contract or arrangement with the Company, or any other Group Companies

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 has not been stated as the directors do not consider this measure appropriate to the business.

DIRECTORS' REPORT (continued)

AUDITORS

Each of the persons who is a director at the date of approval of this report confirms that

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985

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 LLP 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



Kensington Secretaries Limited

Secretary

Date 30 March 2007

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

United Kingdom Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these 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 UK 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 that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible 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 NORLAND DACS 22 LIMITED

We have audited the financial statements of Norland DACS 22 Limited for the year ended 30 November 2006 which comprise the Profit and Loss Account, Balance Sheet and the related notes 1 to 15. 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

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

We read the Directors' Report 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 International Standards on Auditing (UK and Ireland) 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 judgments 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.

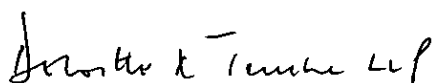
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF NORLAND DACS 22 LIMITED (Continued)

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 30 November 2006 and of its loss for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements



Deloitte & Touche LLP

Chartered Accountants and Registered Auditors

London

Date 30 March 2007

PROFIT & LOSS ACCOUNT**For the year ended 30 November 2006**

	Notes	2006 £000	Period from 6 April 2005 to 30 November 2005 £000
INCOME FROM SECURITISATION ASSETS	2	6,956	-
Interest payable on secured loan facilities	3	(844)	-
NET INCOME FROM INVESTMENT ACTIVITIES		6,112	-
Operating expenses		(5,971)	-
OPERATING PROFIT AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	4	141	-
Tax on profit on ordinary activities	6	(1,821)	-
LOSS AFTER TAX AND RETAINED LOSS FOR THE FINANCIAL YEAR	11,12	(1,680)	-

All transactions are derived from continuing operations

There were no recognised gains or losses during the current or prior year other than the loss disclosed above. Accordingly no statement of recognised gains and losses has been prepared. A reconciliation of the movements in the profit and loss account has been prepared in note 12 to the accounts.

The notes on pages 11 to 17 form an integral part of the accounts.

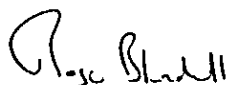
BALANCE SHEET**As at 30 November 2006**

	Notes	£'000	2006 £'000	£'000	2005 £'000
ASSETS					
FIXED ASSETS					
Mortgage loans - securitised balances	7	754,017		-	
- less non-recourse finance	7	(754,017)		-	
Investments	8		29,647		-
CURRENT ASSETS					
Debtors	9	25,309		-	
Cash at bank and in hand		-		-	
			25,309		-
			54,956		-
LIABILITIES					
EQUITY SHAREHOLDERS' FUNDS					
Called up share capital	10	-		-	
Profit and loss account	11	(1,680)		-	
	12		(1,680)		-
CREDITORS					
Amounts falling due within one year	13	37,261		-	
Amounts falling due after more than one year	13	19,375		-	
			56,636		-
			54,956		-

The notes on pages 11 to 17 form an integral part of the accounts

These financial statements were approved by the Board of Directors and authorised for issue on 30 March 2007

Signed on behalf of the Board of Directors



R F C Blundell

Director

NOTES TO THE ACCOUNTS

For the period ended 30 November 2006

1. ACCOUNTING POLICIES

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

Accounting convention

The financial statements are prepared under the historical cost convention.

Linked presentation

The Company has sold as part of a securitisation transaction, certain mortgage loans to a Special Purpose Vehicle ("SPV Company") on a non-recourse basis. The amount of these loans is disclosed on the face of the balance sheet, with the non-recourse finance raised deducted from them.

Deferred profit on sale of mortgages

A cash premium on sale was received when the mortgage loans were sold to the SPV Company. As part of the securitisation transaction, any proceeds in excess of the carrying value of the mortgages sold were automatically reinvested in the securitisation assets (Detachable 'A' Coupons) described below. Consequently, under FRS 5, no immediate profit on the sale of the mortgages was recognised. This profit has been deferred and will be released to the profit and loss account in line with the amortisation of the securitisation assets.

Securitisation assets

Securitisation assets comprise investments in the following assets which have been issued by the SPV Company:

- Detachable 'A' Coupons (otherwise known as "DACs" or "IOs") representing an entitlement to receive fixed rate, interest only income, determined by reference to the outstanding principal amount of Class A Floating Rate Mortgage Backed Notes issued by the SPV Company,
- Mortgage Early Redemption Certificates (otherwise known as "MERCs"), representing an entitlement to the early redemption charges made to borrowers redeeming their mortgages within a predetermined period in the SPV Company, and
- Residual Certificates (otherwise known as "RCs") which provide an entitlement to surplus income generated by the SPV Company after all other obligations have been met under their respective Deeds of Charge.

DACs and MERCs are recorded at their historical cost of acquisition and are being amortised over the period during which income is expected to be generated from them based on repayment curves. The length of this period is dependent upon the rate of prepayment of the related mortgage portfolio.

RC's – No cost is attributed to the RC's as the income that arises from these certificates is more uncertain and dependant upon future performance. The Company accrues for the surplus income generated by the SPV Company and discloses it as "Accrued Deferred Consideration" within debtors.

Annual impairment reviews are carried out on the securitisation assets and any impairment identified will be taken to the profit and loss account.

Class 'C' Floating Rate Notes

The Company holds Class 'C' Floating Rate Notes. These were also issued by the SPV Company. They are to cover start up costs, initial cash reserves and certain collateral of the SPV. These are repaid over time by the SPV where it has sufficient cash available to do so. Annual impairment reviews are carried out on these notes and any impairment identified is taken to the profit and loss account.

NOTES TO THE ACCOUNTS

For the period ended 30 November 2006

1. ACCOUNTING POLICIES (Continued)

Income from securitisation assets

Turnover comprises investment income from securitisation assets. Interest from DACs and C Notes is recognised on an accruals basis. Income from MERCs and RCs is recognised as earned. As described above, the carrying value of the corresponding securitisation asset is amortised accordingly. The accounting treatment for the profit on the sale of mortgage assets is described above. All turnover is earned in the UK.

Due to the fact that the nature of the business is to earn income from holding certain loan notes issued by the SPV company, the directors are of the opinion that it is more appropriate to use Income from securitisation assets rather than Turnover in presenting the profit and loss account.

Interest Payable

Due to the fact that the nature of the business is to take on loans in order to purchase investments in the SPV company, the Directors are of the opinion that it is appropriate to show interest payable above operating profit.

Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax at a future date, at the rates expected to apply when they crystallise based on current tax rates and law. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Cash flow statement

The Company has taken advantage of the exemption in paragraph 5(a) Financial Reporting Standard 1 (revised) not to produce a cash flow statement as its results are included in Kensington Group plc, which prepares a consolidated cash flow statement.

Consolidation

The Company is a wholly owned subsidiary of Kensington Group plc, a company registered in England and Wales. Accordingly, the Company has taken advantage of the exemption in paragraph 21(b) of Financial Reporting Standard 2, Accounting for Subsidiary Undertakings and not prepared consolidated accounts. The Company also meets the criteria as stated in the Companies Act, section 228.

Related party transactions

The company has taken advantage of the exemption allowed to subsidiary companies under Financial Reporting Standard 8 - Related Party Transactions paragraph 3(c), and therefore transactions with other group companies are not disclosed separately.

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

NOTES TO THE ACCOUNTS

For the period ended 30 November 2006

2. INCOME FROM SECURITISATION ASSETS

	2006	2005
	£000	£000
Income from securitisation assets	6,802	-
Amortisation of securitisation assets	(3,403)	-
Release of profit on sale of mortgages	3,403	-
Other income	37	-
Interest on 'C' Floating Rate Notes	117	-
	<u>6,956</u>	<u>-</u>

3. INTEREST PAYABLE ON SECURED LOAN FACILITIES

	2006	2005
	£000	£000
On loans repayable within five years		
Bank loans	844	-
	<u>844</u>	<u>-</u>

4. OPERATING PROFIT AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	2006	2005
	£000	£000
Operating profit and profit on ordinary activities before taxation is after charging		
Amortisation of securitisation assets	3,403	-
Management charges	40	-
	<u>3,443</u>	<u>-</u>

The auditors' remuneration of £2,218 (2005 £2,164) was borne by Kensington Mortgages Limited in the current period

5. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

The Company has no employees (2005 nil) The directors received no remuneration from the Company in the current or prior years

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

Analysis of the tax charge in the year

	2006	2005
	£000	£000
Current tax		
Corporation tax at 30% based on the profit for the year	1,821	-
	<u>1,821</u>	<u>-</u>

Factors affecting the tax charge for the year

	2006	2005
	£000	£000
Profit on ordinary activities before tax	141	-
Tax on ordinary activities at standard UK corporation tax rate of 30% (2005 30%)	42	-
Expenditure not deductible for tax purposes	1,779	-
Current tax charge for the year	<u>1,821</u>	<u>-</u>

NOTES TO THE ACCOUNTS

For the period ended 30 November 2006

7. MORTGAGE LOANS - SECURITISED BALANCES AND NON-RECOURSE FINANCE

Norland DACS 22 Limited has sold, through a securitisation transaction, mortgage loans to an SPV Company - a subsidiary which is ultimately beneficially owned by charitable trust Norland DACS 22 Limited is not obliged to support any losses of the SPV Company and does not intend to do so. The terms and conditions of the securitisation provide that holders of the notes issued by the SPV Company will receive interest and repayment of principal only to the extent that sufficient funds are generated by the mortgage portfolios acquired by the SPV Company. Note holders have no recourse to Norland DACS 22 Limited in any form.

The priority and amount of claims on the proceeds generated by the assets are determined in accordance with a strict priority of payments. Norland DACS 22 Limited is entitled to further residual income depending on the performance of the SPV Company, although the proceeds already received by Norland DACS 22 Limited from the sale of the mortgage loans are non-returnable. Norland DACS 22 Limited has an option to sell further mortgages to the same SPV Company over a fixed period of time.

Norland DACS 22 Limited has also raised additional finance in relation to securitisation transactions through bank loans to purchase C Notes issued by the SPV Company. The terms and conditions of the financing provide that the lender will receive interest and principal only to the extent that there are sufficient funds generated by the investments held by Norland DACS 22 Limited in the SPV Company. The lender has no recourse to Norland DACS 22 Limited in any form.

Balance sheet treatment

In accordance with the requirements of Financial Reporting Standard 5 "Reporting the substance of transactions", the mortgage loans securitised to the SPV Company and the associated non-recourse finance are included on the face of the balance sheet using linked presentation.

The amount included in securitised balances from the SPV Company is as follows:

	2006 £'000	2005 £'000
Mortgage loans – net balances	754,017	-

The amount of non-recourse finance in the SPV Company is as follows:

	2006 £'000	2005 £'000
Mortgage-backed Floating Rate Notes and Term Loans	754,017	-

NOTES TO THE ACCOUNTS

For the period ended 30 November 2006

7 MORTGAGE LOANS (continued)

The summarised profit and loss account of the SPV Company is as follows

	2006 £'000	2005 £'000
Interest receivable	24,452	-
Interest payable	(19,153)	-
Net interest income	5,299	-
Other operating income	223	-
Total operating income	5,522	-
Operating expenses	(3,191)	-
Provisions for bad and doubtful debts	(2,331)	-
Profit on ordinary activities before taxation	-	-
Tax on profit	-	-
Profit on ordinary activities after taxation	-	-

Operating expenses include the provision for deferred consideration payable by DACS 22 Limited of £2,018,567 (2005 £nil)

There are no recognised gains and losses in the SPV Company other than those included in the profit and loss account above

8. INVESTMENTS

	Securitisation Assets £'000	Class 'C' Floating Rate Notes £'000	Total £'000
Cost			
At 1 December 2005	-	-	-
Acquired on securitisation	20,500	12,550	33,050
At 30 November 2006	20,500	12,550	33,050
Amortisation			
At 1 December 2005	-	-	-
Amortisation in the year	3,403	-	3,403
At 30 November 2006	3,403	-	3,403
Net book value at 30 November 2006	17,097	12,550	29,647
Net book value at 30 November 2005	-	-	-

Securitisation assets consists of interests in Detachable 'A' Coupons which were issued by the SPV Company to which the Company sold mortgages. No cost is attributable to Mortgage Early Redemption Certificates or Residual Certificates, as no consideration is paid for them on acquisition.

RMS 22 plc (a company incorporated in Great Britain and registered in England and Wales whose principal activity is to act as issuer in a residential mortgage backed securitisation transaction and is ultimately beneficially owned by charitable trust) has been treated as a subsidiary undertaking for accounting purposes because the Group exercises dominant influence over this company by directing the financial and operating activities.

NOTES TO THE ACCOUNTS

For the period ended 30 November 2006

8. INVESTMENTS (continued)

The immediate parent of RMS 22 plc is RMS 22 Limited, a company incorporated in Great Britain and registered in England and Wales. The entire share capital of RMS 22 Limited is held by the ultimate parent company Capita IRG Trustees Limited, a trustee under the terms of a trust primarily for the benefit of the creditors of RMS 22 Limited or, if none, the note holders and ultimately for charitable purposes. Capita IRG Trustees Limited is a subsidiary of the Capita Group plc, a company incorporated in Great Britain.

9. DEBTORS

	2006 £'000	2005 £'000
Amounts falling due within one year		
Prepayments and accrued income	799	-
Amounts owed by group undertakings	22,209	-
Amounts falling due after one year		
Accrued deferred consideration	2,301	-
	<u>25,309</u>	<u>-</u>

10. CALLED UP SHARE CAPITAL

	2006 £	2005 £
Authorised:		
100 ordinary shares of £1 each	<u>100</u>	<u>100</u>
Called up, allotted and unpaid:		
1 ordinary share of £1 each	<u>1</u>	<u>1</u>

The ordinary shares have equal voting rights, rights to participate in a dividend and rights to participate in a surplus on winding up.

11. PROFIT AND LOSS ACCOUNT

	2006 £'000	2005 £'000
Balance at beginning of the year	-	-
Loss for the year	<u>(1,680)</u>	<u>-</u>
Balance at end of the year	<u>(1,680)</u>	<u>-</u>

12. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2006 £'000	2005 £'000
Loss for the financial year	(1,680)	-
Opening shareholders' funds	<u>-</u>	<u>-</u>
Closing shareholders' funds	<u>(1,680)</u>	<u>-</u>

NOTES TO THE ACCOUNTS**For the period ended 30 November 2006****13. CREDITORS**

	2006	2005
	£'000	£'000
Amounts falling due within one year		
Bank loans – repayable within one year	12,088	-
Amounts due to group undertakings	6,199	-
Accruals and deferred income	17,153	-
Corporation tax payable	1,821	-
	<u>37,261</u>	<u>-</u>
Amounts falling due after more than one year		
Bank loans – repayable within five years	19,375	-
	<u>19,375</u>	<u>-</u>

The Company has a bank loan of £31,462,885 at a floating rate at LIBOR plus 2%, which is due for repayment in July 2009. The loan is secured by fixed and floating charges over the DACs and MERCs assets.

14. RELATED PARTY TRANSACTIONS

The Company has purchased interests in Detachable 'A' Coupons, Mortgage Early Redemption Certificates and Residual Certificates, which were issued by the SPV to which the Company sold mortgages.

During the period since the purchase, the Company has recognised total income of the following amounts from assets relating to the above Company:

	2006	2005
	£'000	£'000
Income from securitisation assets	6,802	-
Interest on 'C' Floating Rate Notes	117	-
	<u>6,919</u>	<u>-</u>

The Company has the following debtors outstanding at the year end with the SPV:

	2006	2005
	£'000	£'000
Debtors	<u>2,301</u>	<u>-</u>

15. ULTIMATE PARENT COMPANY

The Company's immediate and ultimate parent company and controlling party is Kensington Group plc, a company incorporated in Great Britain and registered in England and Wales, and listed on the London Stock Exchange. Kensington Group plc is the only group into which the Company's results are consolidated. Copies of Kensington Group plc's consolidated financial statements are available from that company's registered office at 1 Sheldon Square, London, W2 6PU.