

NORLAND DACS 13 LIMITED

Report and Financial Statements

Period ended 30 November 2003



REPORT AND FINANCIAL STATEMENTS 2003

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REPORT AND FINANCIAL STATEMENTS 2003

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

J N Maltby
A S Tomsett
S J Colsell
K A Graham

SECRETARY

A S Tomsett

REGISTERED OFFICE

1 Sheldon Square
London
W2 6PU

BANKERS

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

SOLICITORS

Linklaters
1 Silk Street
London
EC2Y 8HQ

AUDITORS

Deloitte & Touche LLP
Chartered Accountants
Birmingham

DIRECTORS' REPORT

The directors present their report and the audited financial statements for the period from incorporation on 28 June 2002 to 30 November 2003.

PRINCIPAL ACTIVITY AND BUSINESS REVIEW

The principal activity of the company is the holding of assets created from the securitisation of mortgage loans secured by first charges over residential properties within the United Kingdom.

The directors are satisfied with the initial period of trading of the company and consider the future prospects of the company to be satisfactory.

RESULTS AND DIVIDENDS

The results for the period are shown in the profit and loss account on page 6. The profit after tax of £256,000 has been transferred to reserves. No dividend is proposed.

DIRECTORS

The directors since incorporation of the company were:

Hackwood Directors Limited	(appointed 28 June 2002, resigned 11 September 2002)
S C Kingdon	(appointed 11 September 2002, resigned 1 October 2004)
P M Hills	(appointed 2 July 2004, vacation of office 12 December 2004)*
S J Colsell	(appointed 8 November 2004)
K A Graham	(appointed 23 December 2004)
J N Maltby	(appointed 11 September 2002)
A S Tomsett	(appointed 11 September 2002)

S J Colsell and J N Maltby are directors of the ultimate parent company. Accordingly, their interests in shares of group companies are disclosed in that company's directors' report.

A S Tomsett holds the following share options in Kensington Group plc (Ordinary shares of 10p each).

* Mr Hills passed away on 12 December 2004.

Amount of shares	Issue date	Date from which exercisable	Expiry date	Option price
62,500	1 April 1998	1 April 2001	31 March 2005	£1.80
62,500	18 December 1998	18 December 2001	17 December 2005	£1.80
62,500	17 December 1999	17 December 2002	16 December 2006	£1.80
31,250	26 October 2000	1 April 2001	31 March 2005	£1.80
31,250	26 October 2000	18 December 2001	17 December 2005	£1.80
31,250	26 October 2000	17 December 2002	16 December 2006	£1.80
36,666	6 July 2001	6 July 2004	5 July 2011	£2.10
28,214	30 January 2002	30 January 2005	29 January 2012	£2.80
102,531	23 January 2003	23 January 2006	22 January 2013	£1.58
SAYE				
7,440	21 February 2003	1 April 2006	30 September 2006	£1.27

Subsequent to the year end, A S Tomsett exercised 281,250 share options and was granted an additional 39,104 share options.

A S Tomsett holds no other interest in the shares of Kensington Group plc or any other group companies.

None of the directors had any interest either during or at the end of the period in any material contract or arrangement with the company.

DIRECTORS' REPORT

AUDITORS

Deloitte & Touche were appointed the first auditors of the company in the period.

On 1 August 2003 Deloitte & Touche 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.

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



A S Tomsett

Secretary

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are required by the United Kingdom Companies Act 1985 to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company as at the end of the financial period and of the profit or loss for the financial period. As required, in the absence of any circumstances which would make it inappropriate, the financial statements have been prepared on a going concern basis.

The directors are required to ensure that, in preparing the financial statements on pages 6 to 15, the company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all accounting standards which they consider to be applicable have been followed.

The directors have responsibility for ensuring the company keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and which enable them to ensure that the financial statements comply with the Companies Act 1985.

The directors 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF NORLAND DACS 13 LIMITED

We have audited the financial statements of Norland DACS 13 Limited for the period ended 30 November 2003 which comprise the profit and loss account, the 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

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 for the above year and consider the implications for our report if we become aware of any apparent misstatements.

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 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 30 November 2003 and of its profit for the period 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

Birmingham

7 Jan '05

PROFIT AND LOSS ACCOUNT
Period ended 30 November 2003

	Note	Period from 28 June 2002 to 30 November 2003 £000
INCOME FROM SECURITISATION INVESTMENTS	2	25,604
Interest payable on secured loan facilities	3	(1,999)
NET INCOME FROM INVESTMENT ACTIVITIES		23,605
Operating expenses		(15,757)
OPERATING PROFIT BEING PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	4	7,848
Tax on profit on ordinary activities	6	(7,592)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION BEING THE PROFIT FOR THE FINANCIAL PERIOD	11	256

The company commenced trading on 10 October 2002

All material activities derive from continuing operations.

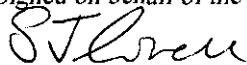
There are no recognised gains or losses other than the profit for the period.

BALANCE SHEET
30 November 2003

	Note	£'000
ASSETS EMPLOYED		
FIXED ASSETS		
Mortgage loans - securitised balances	7	452,669
- less non recourse finance	7	<u>(452,669)</u>
		-
Investments	8	26,475
CURRENT ASSETS		
Debtors	9	38,217
Cash		<u>17</u>
		<u>64,709</u>
FINANCED BY		
EQUITY SHAREHOLDERS' FUNDS		
Called up share capital	10	-
Profit and loss account	11	<u>256</u>
	12	256
CREDITORS		
Amounts falling due within one year	13	36,343
Amounts falling due after more than one year	13	<u>28,110</u>
		<u>64,709</u>

These financial statements were approved by the Board of Directors on **7 JANUARY 2005**.

Signed on behalf of the Board of Directors



S J Colsell

Director

NOTES TO THE ACCOUNTS

Period ended 30 November 2003

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.

Linked presentation

The company has sold by securitisation, 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. These excess proceeds from the sale of the mortgages were reinvested in the purchase of the securitisation assets and thus under FRS 5 no immediate profit on sale can be 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 "DAC's" or "IO's") 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 "MERC's"), representing an entitlement to the early redemption charges made to borrowers redeeming their mortgages within a predetermined period in the SPV Company.
- Residual Certificates (otherwise known as "RC's") 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.

DAC's and MERC's 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. The length of this period is dependent upon the rate of prepayment of the related mortgage portfolio. RC's are attributed only a nominal value as the income arises from these certificates is more uncertain and dependant upon future performance.

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

Class 'C' Floating Rate Notes

The Class 'C' Floating Rate Notes 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 permanent impairment identified will be written off to the profit and loss account.

Deferred taxation

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.

NOTES TO THE ACCOUNTS
Period ended 30 November 2003

1. ACCOUNTING POLICIES (continued)

Cash flow statement

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

Related party transactions

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

2. INCOME FROM SECURITISATION INVESTMENTS

	2003
	£000
Income from securitisation assets	24,729
Amortisation of securitisation investments	8,775
Release of profit on sale of mortgages	(8,775)
Interest on 'C' Floating Rate Notes	875
	<u>25,604</u>

3. INTEREST PAYABLE ON SECURED LOAN FACILITIES

	2003
	£000
<i>On loans repayable after five years</i>	
Bank loans	<u>1,999</u>

4. OPERATING PROFIT BEING PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	2003
	£000
Operating profit being profit on ordinary activities before taxation is after charging:	
Management charges	<u>35</u>

The auditors' remuneration was borne by another group company in the current period.

5. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

The company has no employees. The directors received no remuneration from the company in the period.

NOTES TO THE ACCOUNTS
Period ended 30 November 2003

6. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

Analysis of the tax charge in the period

	2003 £000
Current tax	
Corporation tax at 30% based on the profit for the period	7,592

Factors affecting the tax charge for the period

	2003 £000
Profit on ordinary activities before tax	7,848
Expected charge at 30%	2,354
Expenditure not deductible for tax purposes	5,238
Current tax charge for the period	7,592

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

Norland DACS 13 Limited has sold, through a securitisation transaction, mortgage loans to a SPV Company which is ultimately beneficially owned by charitable trust. Norland DACS 13 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 the note holders 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 13 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 13 Limited is entitled to further residual income depending on the performance of the SPV Company, although the proceeds already received by Norland DACS 13 Limited from the sale of the mortgage loans are non-returnable. Norland DACS 13 Limited has an option to sell further mortgages to the same SPV Company over a fixed period of time.

NOTES TO THE ACCOUNTS
Period ended 30 November 2003

7. MORTGAGE LOANS - SECURITISED BALANCES AND NON RECOURSE FINANCE (continued)

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

The summarised balance sheet of the SPV Company is as follows:

	2003 £'000
Fixed assets	
Mortgage loans - net balances	452,669
- unamortised premium	28,545
Current assets	
Debtors	480
Cash at bank and in hand	75,660
	<u>557,354</u>
Equity shareholders' funds	
Called up share capital	13
Profit and loss account	-
Creditors	
Amounts falling due within one year	28,707
Amounts falling due after more than one year	528,634
	<u>557,354</u>

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

	2003 £'000
Interest receivable	41,054
Interest payable	(34,163)
	<u>6,891</u>
Net interest income	6,891
Other operating income	311
	<u>7,202</u>
Total operating income	7,202
Operating expenses	(5,538)
Provisions for bad and doubtful debts	(1,664)
	<u>-</u>
Profit on ordinary activities before taxation	-
Tax on profit	-
	<u>-</u>
Profit on ordinary activities after taxation	<u>-</u>

NOTES TO THE ACCOUNTS
Period ended 30 November 2003

8. INVESTMENTS

	Securitisation Assets £'000	Class 'C' Floating Rate Notes £'000	Total £'000
Cost			
Acquired on securitisation	21,800	13,450	35,250
At 30 November 2003	21,800	13,450	35,250
Amortisation			
Amortisation in the period	8,775	-	8,775
At 30 November 2003	8,775	-	8,775
Net book value at 30 November 2003	13,025	13,450	26,475

Other securitisation assets consists of interests in Detachable 'A' Coupons, Mortgage Early Redemption Certificates, and Residual Certificates which were issued by the Special Purpose Vehicle (SPV) to which the Company sold mortgages.

'C' Floating Rate Notes were issued by the SPV to which the Company sold mortgages. They are to cover the start up costs, initial cash reserves, and certain collateral of the SPV.

9. DEBTORS

	2003 £'000
Amounts falling due within one year	
Prepayments and accrued income	35,078
Amounts falling due after one year	
Accrued deferred consideration	3,139
	38,217

10. CALLED UP SHARE CAPITAL

	£
Authorised	
100 ordinary shares of £1 each	100
Called up, allotted and fully paid	
1 ordinary share of £1	1

NOTES TO THE ACCOUNTS
Period ended 30 November 2003

11. PROFIT AND LOSS ACCOUNT

	2003 £'000
Profit for the period	256
Balance at 30 November 2003	256

12. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2003 £'000
Profit for the financial period	256
Opening shareholders' funds	-
Closing shareholders' funds	256

13. CREDITORS

	2003 £'000
Amounts falling due within one year	
Amounts due to other group companies	15,972
Accruals and deferred income	13,303
Corporation tax payable	7,068
	36,343
Amounts falling due after more than one year	
Bank loans – repayable within five years	28,110

The company has a bank loan of £28,110,000 which is due for repayment in October 2005. The loan is secured by a charge over various securitisation assets.

NOTES TO THE ACCOUNTS
Period ended 30 November 2003

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:

	2003
	£'000
Income from securitisation assets	24,306
Interest on 'C' Floating Rate Notes	875

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

	2003
	£'000
Debtors	35,095

15. ULTIMATE PARENT COMPANY

The company's immediate and ultimate parent company is Kensington Group plc, a company 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 the Kensington Group plc's consolidated financial statements are available from that company's registered office at 1 Sheldon Square, London, W2 6PU.