

Company Registration No

03049877

KENSINGTON MORTGAGE COMPANY LIMITED

Annual Report and Financial Statements

31 March 2008

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OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

A Clapham
K Street
M Clays
D Lloyd (Alternate director to M Clays)

REGISTERED OFFICE

2 Gresham Street
London
EC2V 7QP

SECRETARY

Kensington Secretaries Limited
2 Gresham Street
London
EC2V 7QP

BANKERS

Barclays Bank PLC
London Corporate Banking Centre
PO Box No 544
54 Lombard Street
London
EC3P 3AH

SOLICITORS

Linklaters LLP
1 Silk Street
London
EC2Y 8HQ

AUDITORS

Ernst & Young LLP
1 More London Place
London
SE1 2AF

DIRECTORS' REPORT

The directors present their report and audited financial statements for the 16 month period ended 31 March 2008

BUSINESS REVIEW AND PRINCIPAL ACTIVITY

Kensington Mortgage Company Limited (the "Company"), which is a wholly owned subsidiary of Kensington Group plc ("Kensington"), is authorised by the Financial Services Authority ("FSA") for the regulated activities of mortgage lending and insurance mediation and it operates as part of the group of companies owned by Kensington ("Group"). The Company's principal activity is arranging and originating residential mortgage loans and related insurance products as an undisclosed agent for other companies within the Group. The Company does not carry on any activities on its own account.

On 8 August 2007, the entire share capital of the Company's sole parent Kensington Group plc was acquired by Investec plc.

In January 2008, Kensington Group plc disposed of its interest in Money Partners Holdings Limited, a Group from which Kensington Mortgage Company Limited had been purchasing mortgage loans for a deferred consideration that was calculated by reference to the estimated future performance and profitability of the mortgage loans. On disposal of Money Partners Holdings Limited by Kensington Group plc, the company settled all future amounts due to Money Partners Holdings Limited in respect of the mortgage loans it had purchased. Consequently, the remainder of the accrued balance of estimated deferred consideration payable, namely £17.8m, has been reversed and included as an exceptional item in the profit and loss account during the period ended 31 March 2008.

The balance sheet on page 8 of the financial statements shows the Company's financial position at the period end. Details of amounts due to other Group companies are contained in notes 5 and 9. The subordinated loans referred to in note 8 are supplied by an associated company, Kensington Mortgages Limited, to provide the Company with the regulatory capital required by the FSA in connection with its regulated activities.

Kensington manages its operations on a group-wide basis and therefore the Company's directors believe that further 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 the Investec plc annual report which does not form part of this report. No dividend is proposed (2006: £nil).

PRINCIPAL RISK AND UNCERTAINTIES

The Company acts as an undisclosed agent when entering into mortgage loans and the individual borrowers are therefore entitled to assume that the Company is contracting as a principal. The Company is dependent on the performance of the Group companies in providing the funds for the mortgage loans and reimbursing the Company for any costs incurred in connection with their origination. The risk of non-performance is mitigated through the application of common policies, procedures and systems and controls across the Group.

Competitive pressure in the UK non-conforming mortgage market, within which the Group operates, is a continuing risk for the Group's business as a whole. The current mortgage market is challenging primarily due to the ongoing shortfall in available funding. As a result, business origination is reduced and the directors expect this trend to continue during 2008. Group risks are discussed in the Investec plc annual report which does not form part of this report. The balance sheet contains limited financial instruments and the company does not use derivative products. Therefore, it is the opinion of the directors that the Company is not exposed to significant financial instruments risk.

DIRECTORS' REPORT (continued)

CORPORATE AND SOCIAL RESPONSIBILITIES

The Company operates in accordance with the Group policies described in the Investec plc annual report which does not form part of this report

EMPLOYEES

The Company does not have any employees. All the operations associated with the Company's activities are carried out by employees of affiliated companies, Kensington Mortgages Limited and Investec Bank (UK) Limited

DIRECTORS

The directors, all of whom served throughout the period, except as noted below were

J N Maltby		Resigned 9 May 2007
R F C Blundell		Resigned 11 September 2007
A S Tomsett		Resigned 14 April 2008
P G Birch		Resigned 8 August 2007
D G Jones		Resigned 8 August 2007
A Hutchinson		Resigned 14 April 2008
A Clapham		Appointed 14 April 2008
K Street		Appointed 22 April 2008
M Clays		
D Lloyd	(Alternate to M Clays)	Appointed 5 December 2007
D A Wheeler	(Alternate to A Tomsett)	Resigned 14 April 2008
M Wilten	(Alternate to R Bundell)	Resigned 6 July 2007

None of the above mentioned directors are directors of the ultimate parent company

CREDITOR PAYMENT POLICY

The Company agrees terms and conditions with its suppliers on behalf of other Group companies in connection with its activities as their agent. 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 measure is not appropriate to the business.

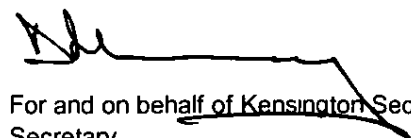
DISCLOSURE OF INFORMATION TO THE AUDITORS

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the group's auditor, each director has taken all the steps that he/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

APPOINTMENT OF AUDITORS

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. Deloitte & Touche LLP resigned as auditors of the Company on 11 October 2007 and Ernst and Young LLP were appointed on the 15 October 2007.

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



For and on behalf of Kensington Secretaries Limited
Secretary

22 July 2008

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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 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 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 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 to 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 KENSINGTON MORTGAGE COMPANY LIMITED

We have audited the financial statements of Kensington Mortgage Company Limited (the "Company") for the 16 month period ended 31 March 2008 which comprise the Profit and Loss Account, Balance Sheet and the related notes 1 to 10. 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 Annual Report and the financial statements in accordance with applicable United Kingdom law and 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 the report if we become aware of any apparent misstatements within it.

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 KENSINGTON
MORTGAGE COMPANY 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 31 March 2008 and of its results for the period 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

Ernst & Young LLP

Ernst & Young LLP

Registered Auditor

London

Date *22 July 2008*

PROFIT AND LOSS ACCOUNT
for the period ended 31 March 2008

	Note	16 months to 31 March 2008 £'000	Year ended 30 November 2006 £'000
Turnover		67,230	117,490
Fees payable		(84,987)	(117,490)
Operating profit / (loss)	2	<u>(17,757)</u>	<u>-</u>
Exceptional item	3	<u>17,757</u>	<u>-</u>
RESULT ON ORDINARY ACTIVITIES BEFORE AND AFTER TAXATION		<u><u>-</u></u>	<u><u>-</u></u>

The result for the year was derived from continuing operations

There were no recognised gains or losses during the current or prior period other than the result disclosed above. A reconciliation of the movements in the equity shareholders' funds has been prepared in note 8 to the accounts.

The notes on pages 9 to 11 form an integral part of the accounts.

BALANCE SHEET
at 31 March 2008

	Notes	31 March 2008 £'000	30 November 2006 £'000
ASSETS			
CURRENT ASSETS			
Debtors	5	42	-
Cash at bank and in hand		25,077	25,977
		<u>25,119</u>	<u>25,977</u>
EQUITY SHAREHOLDERS' FUNDS			
Called up share capital	6	-	-
Profit and loss account	7	119	119
	8	<u>119</u>	<u>119</u>
CREDITORS			
Amounts falling due within one year	9	-	858
Amounts falling due after more than one year	9	25,000	25,000
TOTAL LIABILITIES		<u>25,000</u>	<u>25,858</u>
		<u>25,119</u>	<u>25,977</u>

The notes on pages 9 to 11 form an integral part of the accounts

These financial statements were approved by the Board of Directors and authorised for issue on 22 July 2008

Signed on behalf of the Board of Directors



M Clays
Director

22 July 2008

NOTES TO THE FINANCIAL STATEMENTS

for the period ended 31 March 2008

1 ACCOUNTING POLICIES

Basis of preparation

The financial statements are prepared on a going concern basis under the historical cost convention and in accordance with applicable United Kingdom Law and Generally Agreed Accounting Practices. The accounting policies adopted have been applied consistently throughout the current and prior periods.

Change in accounting period

Following the acquisition of Kensington Group plc by Investec plc on 8 August 2007 the company changed its accounting reference date from 30 November to 31 March. Therefore, comparative amounts in the Profit and Loss account and related notes are not entirely comparable.

Turnover

The Company acts as agent for the following mortgage lending companies, all of which are 100% owned by Kensington Group plc:

St James's Park Mortgage Funding Limited
Finsbury Park Mortgage Funding Limited
Battersea Park Mortgage Funding Limited
Richmond Park Mortgage Funding Limited
Newbury Park Mortgage Funding Limited
Victoria Park Mortgage Funding Limited
Wimbledon Park Mortgage Funding Limited

Transactions entered into on behalf of the above companies are recharged to those companies and are ultimately recorded in the companies listed above. Accordingly, these transactions are disclosed in their relevant financial statements.

Fees payable

The Company recharges its net costs to the above companies as a management charge. Consequently, the Company reports neither a profit nor a loss.

Related party transactions

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

Cash flow statement

Under Financial Reporting Standard No 1 (Revised) the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS

for the period ended 31 March 2008

	16 months to 31 March 2008 £'000	Year ended 30 November 2006 £'000
2 OPERATING RESULT		
Operating result is arrived at after crediting		
Management charge receivable	84,987	117,490
Auditors' remuneration for the periods ending 2008 and 2006 was paid by an affiliated company, Kensington Mortgage Limited. Statutory information on remuneration for other services provided by the company's auditors is given on a consolidated basis in the consolidated financial statements of its ultimate parent company Investec plc		
3. EXCEPTIONAL ITEM		
In January 2008, Kensington Group plc disposed of its interest in Money Partners Holdings Limited, a Group from which Kensington Mortgage Company Limited had been purchasing mortgage loans for a deferred consideration that was calculated by reference to the estimated future performance and profitability of the mortgage loans. On disposal of Money Partners Holdings Limited by Kensington Group plc, the company settled all future amounts due to Money Partners Holdings Limited in respect of the mortgage loans it had purchased. Consequently, the remainder of the accrued balance of estimated deferred consideration payable, namely £17.8m, has been reversed and included as an exceptional item in the profit and loss account during the period ended 31st March 2008		
4 INFORMATION REGARDING DIRECTORS, EMPLOYEES AND AUDITORS		
The Company has no employees (2006 none). The directors received no remuneration from the Company in the current and the prior period		
5 DEBTORS	31 March 2008 £'000	30 November 2006 £'000
Amounts falling due within one year		
Amounts owed by group undertakings	42	-
	<u>42</u>	<u>-</u>
6 SHARE CAPITAL	31 March 2008 £	30 November 2006 £
Authorised		
100 ordinary shares of £1 each	100	100
Called up, allotted and fully paid		
1 ordinary share of £1 each	1	1
7 PROFIT AND LOSS ACCOUNT	31 March 2008 £'000	30 November 2006 £'000
Balance at the beginning and end of the period	119	119

NOTES TO THE FINANCIAL STATEMENTS
for the period ended 31 March 2008

	31 March 2008 £'000	30 November 2006 £'000
8 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS		
Opening shareholders' funds	119	119
Closing shareholders' funds	<u>119</u>	<u>119</u>
9 CREDITORS	31 March 2008 £'000	30 November 2006 £'000
Amounts falling due within one year		
Amounts due to group companies	-	858
Amounts falling due after more than one year		
Subordinated Loan	<u>25,000</u>	<u>25,000</u>

The subordinated loan is supplied by an associated company, Kensington Mortgages Limited, to provide the company with the regulatory capital required by the FSA in connection with its regulated activities. The loan is interest free and the balance is repayable from one year to five years.

10 ULTIMATE PARENT COMPANY

The Company's immediate parent is Kensington Group plc and ultimate parent company and controlling party is Investec plc, a company incorporated in the UK and registered in England and Wales, which is the smallest and largest company into which the company is consolidated. Copies of Investec plc's consolidated financial statements are available to the public and may be obtained from Investec plc at 2 Gresham Street, London, EC2V 7QP.