

**FINSBURY PARK MORTGAGE FUNDING
LIMITED**

Annual Report and Financial Statements

Year ended 30 November 2005



FINSBURY PARK MORTGAGE FUNDING LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS 2005

CONTENTS	Page
Officers and professional advisers	1
Directors' report	2-3
Statement of directors' responsibilities	4
Independent auditors report	5
Profit and loss account	6
Balance sheet	7
Notes to the accounts	8-14

FINSBURY PARK MORTGAGE FUNDING LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

S J Colsell
J N Maltby
A S Tomsett
D A Wheeler – Alternate Director
M Wilten – Alternate Director

SECRETARY

Kensington Secretaries Limited

REGISTERED OFFICE

1 Sheldon Square
London
W2 6PU

BANKERS

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

SOLICITORS

Linklaters
One 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 2005.

PRINCIPAL ACTIVITY AND BUSINESS REVIEW

The principal activity of the Company is the provision of mortgage loans secured by first charges over residential properties within the United Kingdom and their subsequent securitisation or sale.

The directors are pleased with the progress of the business and consider the future prospects of the Company to be satisfactory.

RESULTS AND DIVIDENDS

The results for the year are shown in the profit and loss account on page 6. The profit after taxation is £11,753,000 (2004: £7,812,000). A dividend of £10,000,000 is proposed (2004: £5,000,000). The profit after taxation and dividends of £1,703,000 (2004: £2,812,000) has been transferred to reserves.

DIRECTORS

The directors who served during the financial year except as noted were:

S J Colsell

J N Maltby

A S Tomsett

D A Wheeler (Alternate Director - Appointed 27 September 2005)

M Wilten (Alternate Director - Appointed 27 September 2005)

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, M Wilten and D A Wheeler held the following share options in Kensington Group plc (Ordinary shares of 10p each).

A S Tomsett	M Wilten	D A Wheeler	Issue date	Date from which	Expiry date	Option
Number of	Number of	Number of		exercisable		price
options	Options	options				
-	-	4,760	6 July 2001	6 July 2004	5 July 2011	£2.10
102,531	-	-	23 January 2003	23 January 2006	22 January 2013	£1.58
39,104	-	-	29 January 2004	29 January 2007	28 January 2014	£4.43
-	-	10,800	29 January 2004	29 January 2007	28 January 2014	£4.245
-	147,275	-	30 November 2004	30 November 2007	30 November 2014	£4.074
-	-	5,255	3 February 2005	3 February 2008	3 February 2015	£5.325
37,704	-	-	11 March 2005	30 November 2007	31 January 2008	£nil
-	-	3,804	8 February 2006	8 February 2009	8 February 2016	£10.71
SAYE						
7,440	-	-	21 February 2003	1 April 2006	30 September 2006	£1.27
PSIP						
-	8,222	-	23 February 2006	30 November 2008	31 January 2009	£nil

A S Tomsett currently holds 5,361 shares in Kensington Group plc but does not have any interest in any other group company. M Wilten currently holds 1,000 shares in Kensington Group plc but does not have any interest in any other group company.

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

DIRECTORS' REPORT

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 as appropriate to the business.

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 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

27 July 2006

STATEMENT OF DIRECTORS' RESPONSIBILITIES

United Kingdom company law requires the directors to prepare accounts 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 accounts, 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 accounts 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 to enable them to ensure that the accounts 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 FINSBURY PARK MORTGAGE FUNDING LIMITED

We have audited the financial statements of Finsbury Park Mortgage Funding Limited for the year ended 30 November 2005 which comprise the profit and loss account, the balance sheet and the related notes 1 to 16. 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 company 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 2005 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP

Deloitte & Touche LLP

Date 27 July '06

Chartered Accountants and Registered Auditors

London

PROFIT AND LOSS ACCOUNT
Year ended 30 November 2005

	Note	2005 £'000	2004 £'000
Interest receivable	2	8,464	5,734
Interest payable	3	(6,983)	(4,513)
Net interest income		1,481	1,221
Profit on sale of mortgages		16,304	15,696
Other operating income	4	1,813	869
Total Income		19,598	17,786
Operating expenses		(13,025)	(14,131)
OPERATING PROFIT	5	6,573	3,655
Tax on profit on ordinary activities	7	5,130	4,157
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	13	11,703	7,812
Dividend	8	(10,000)	(5,000)
PROFIT FOR THE FINANCIAL YEAR	12	1,703	2,812

There are no recognised gains or losses during the current or prior year other than the result disclosed above. Accordingly, no statement of recognised gains and losses has been prepared. A reconciliation of the movements in shareholders' funds has been prepared in note 13 to the accounts.

The notes on pages 8 to 14 form an integral part of the accounts.

FINSBURY PARK MORTGAGE FUNDING LIMITED

BALANCE SHEET 30 November 2005

	Note	2005 £'000	2005 £'000	2004 £'000	2004 £'000
ASSETS EMPLOYED					
FIXED ASSETS					
Mortgage loans - unsecuritised balances	9		60,977		95,686
CURRENT ASSETS					
Debtors	10	39,440		21,575	
Cash at bank		<u>3,225</u>		<u>16,836</u>	
			42,665		38,411
			<u>103,642</u>		<u>134,097</u>
FINANCED BY					
EQUITY SHAREHOLDERS' FUNDS					
Called up share capital	11	-		-	
Profit and loss account	12	<u>17,046</u>		<u>15,343</u>	
	13		17,046		15,343
CREDITORS					
Amounts falling due within one year	14		<u>86,596</u>		<u>118,754</u>
			<u>103,642</u>		<u>134,097</u>

These financial statements were approved by the Board of Directors on **27** July 2006.

Signed on behalf of the Board of Directors



S J Colsell
Director

NOTES TO THE ACCOUNTS

Year ended 30 November 2005

1. ACCOUNTING POLICIES

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

Accounting convention

The financial statements are prepared under the historical cost convention. Due to the fact that the nature of the business is to earn interest on mortgage loans, the directors are of the opinion that it is more appropriate to use Interest receivable than Turnover in presenting the profit and loss account.

Mortgage loans

Unsecuritised mortgage loans are stated at cost less provision for bad and doubtful debts.

Profit on sale of mortgages

The profit on sale of mortgages is recognised immediately in the Profit and Loss Account and represents the excess of the consideration received over the book value of the mortgages, less the direct costs of origination and direct transaction costs.

Interest receivable

Interest receivable on mortgage loans and interest payable on loan notes are recognised on an accruals basis. All turnover is earned in the UK.

Fixed and discount mortgages

The cost of short term interest rate discounts in respect of fixed and discount mortgages is capitalised and written off on a straight line basis over the period in which the early redemption charges apply.

Origination costs deferral

The variable external costs incurred in originating mortgages are capitalised and written off over the period in which early redemption charges apply.

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.

Funding costs

Initial costs incurred in arranging funding facilities are amortised over the period of the facility. Unamortised initial costs are deducted from the associated liability. Costs amortised in the year are included in operating expenses.

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, except in respect of transactions with quasi-subsidiaries of the Company's ultimate parent.

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.

NOTES TO THE ACCOUNTS
Year ended 30 November 2005

2. INTEREST RECEIVABLE

	2005	2004
	£'000	£'000
Mortgage interest	8,292	5,594
Other interest	172	140
	<u>8,464</u>	<u>5,734</u>

3. INTEREST PAYABLE

	2005	2004
	£'000	£'000
On loans repayable within five years		
Short-term loan facility	6,983	4,513
	<u>6,983</u>	<u>4,513</u>

4. OTHER OPERATING INCOME

	2005	2004
	£'000	£'000
Completion fees	1,675	748
Other fees	122	28
Insurance commissions	16	93
	<u>1,813</u>	<u>869</u>

NOTES TO THE ACCOUNTS
Year ended 30 November 2005

5. OPERATING PROFIT

	2005 £'000	2004 £'000
Operating profit is after charging:		
Management charge	3,796	5,863
Provision for mortgage losses	966	926
	<u> </u>	<u> </u>

The auditors' remuneration was borne by another group company in the current and prior years.

6. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

The Company has no employees (2004: nil). The directors received no remuneration from the Company in the current or prior year.

NOTES TO THE ACCOUNTS
Year ended 30 November 2005

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

Analysis of the tax credit in the year

	2005	2004
	£'000	£'000
Current Tax		
Corporation Tax at 30% based on profit for the year	(5,130)	(4,157)
	<u>(5,130)</u>	<u>(4,157)</u>

Factors affecting the tax credit for the year

The current tax credit arising in respect of the year is lower than the standard rate of UK corporation tax (30%). The differences are explained below.

	2005	2004
	£'000	£'000
Profit on ordinary activities before tax	6,573	3,655
Expected charge at 30%	1,972	1,097
Income and Expenditure not taxable	(7,102)	(5,254)
Current tax credit for the year	<u>(5,130)</u>	<u>(4,157)</u>

8. DIVIDEND

	2005	2004	2005	2004
	Per Share	Per Share	£'000	£'000
	£'000	£'000	£'000	£'000
Dividend on ordinary shares				
Final proposed	10,000	5,000	10,000	5,000
	<u>10,000</u>	<u>5,000</u>	<u>10,000</u>	<u>5,000</u>

NOTES TO THE ACCOUNTS
Year ended 30 November 2005

9. MORTGAGE LOANS - UNSECURITISED BALANCES

	£'000
Cost	
At 1 December 2004	95,867
Advances	431,617
Interest and fees	26
Repayments	(6,188)
Redemptions	(433)
Securitisations and other sales	(459,706)
	<hr/>
At 30 November 2005	61,183
	<hr/>
Provision	
At 1 December 2004	181
Charge for the year	966
Securitisations and other sales	(941)
	<hr/>
At 30 November 2005	206
	<hr/>
Net book value	
At 30 November 2005	60,977
	<hr/>
At 30 November 2004	95,686
	<hr/>

Interest and fees consist of amounts charged to borrowers in respect of the mortgage loans.

NOTES TO THE ACCOUNTS
Year ended 30 November 2005

10. DEBTORS

	2005	2004
	£'000	£'000
Amounts due from other group companies	13,851	4,157
Other debtors	7,564	2,232
Prepayments and accrued income	18,025	15,186
	<u>39,440</u>	<u>21,575</u>

Included within other debtors is £782,000 (2004: £805,110) net arrears balances relating to mortgages sold to securitisation companies. Some of this debt may be recovered after more than one year. All other debtors are due within one year.

11. CALLED UP SHARE CAPITAL

	2005	2004
	£	£
Authorised:		
100 Ordinary shares of £1 each	<u>100</u>	<u>100</u>
Called up and allotted:		
1 Ordinary share of £1	<u>1</u>	<u>1</u>

12. PROFIT AND LOSS ACCOUNT

	2005	2004
	£'000	£'000
Balance at beginning of the year	15,343	12,531
Profit for the year	1,703	2,812
	<u>17,046</u>	<u>15,343</u>

13. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2005	2004
	£'000	£'000
Profit for the financial year	11,703	7,812
Dividends	(10,000)	(5,000)
	<u>1,703</u>	<u>2,812</u>
Opening shareholders' funds	15,343	12,531
	<u>17,046</u>	<u>15,343</u>

NOTES TO THE ACCOUNTS
Year ended 30 November 2005

14. CREDITORS

	2005	2004
	£'000	£'000
Amounts falling due within one year		
Short-term loan facility	59,755	108,900
Amounts due to other group companies	25,595	8,532
Other creditors	824	906
Accruals and deferred income	422	416
	<hr/>	<hr/>
	86,596	118,754
	<hr/>	<hr/>

The Company has a £300,000,000 short-term loan facility (2004: £300,000,000). This is due for repayment on 1 September 2006. The amount drawn down at 30 November 2005 was £59,755,000 (2004: £108,900,000). The amount stated in the balance sheet is net of initial costs incurred in arranging the loan facility in accordance with Financial Reporting Standard 4 "Capital Instruments".

The loan facility is used to fund the provision of mortgage loans which provide the security to the facility provider.

15. RELATED PARTY TRANSACTIONS

During the year the Company sold mortgages with a book value of £330,576,000 to RMS 20 and 21 plc (2004: £446,204,000 to Residential Mortgage Securities 17, 18 & 19 plc) which are quasi-subsiidiaries of Kensington Group plc and are ultimately beneficially owned by charitable trusts, for a profit after direct origination and transaction costs of £8,104,000 (2004: £15,450,000).

At 30 November 2005, the Company had a debtor of £2,404,000 (2004: £1,323,465) owing from these companies along with the net arrears balances described in Note 10 and creditors of £752,000 (2004: £729,200) owed to these companies.

16. 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. Kensington Group plc is the only group into which the Company's results are consolidated. Copies of the Group's financial statements are available from that company's registered office at 1 Sheldon Square, London, W2 6PU.