FINSBURY PARK MORTGAGE FUNDING LIMITED

Report and Financial Statements
31 March 2011

Company Registration No 03437350

Company Registration No 03437350

OFFICERS AND PROFESSIONAL ADVISERS

Directors
D Lloyd
K McKenna
K Street

Secretary
S Pindoria
2 Gresham Street
London
EC2V 7QP

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

Bankers
Barclays Bank PLC
1 Churchill Place
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E14 5HP

Solicitors
Linklaters LLP
1 Silk Street
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EC2Y 8HQ

Registered office
2 Gresham Street
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EC2V 7QP

Company Registration No 03437350

DIRECTORS' REPORT

The Directors present their report and the audited financial statements for the year ended 31 March 2011

Business review and principal activity

Finsbury Park Mortgage Funding Limited (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"), which is a wholly owned subsidiary of Investec plc (the "ultimate parent company") The Company's principal activity is the provision of funding for mortgage loans secured by first or second charges over residential properties in the United Kingdom and their subsequent securitisation or sale The mortgage loans are made by its agent Kensington Mortgage Company Limited, which is also a wholly owned subsidiary of Kensington The mortgage loans are periodically sold into securitisation transactions or whole loan sales arranged by Kensington

The results for the year are shown in the Profit and Loss account on page 8 The Directors do not recommend payment of a dividend (2010 £nil)

In September 2007, the Company ceased originating new mortgages and is currently not engaged in its principal activity The Directors are closely monitoring the situation and do not expect mortgage origination to recommence in the foreseeable future

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

Principal risks and uncertainties

Competitive pressure in the UK non-conforming mortgage market, within which the Group operates, is a continuing risk for Group's business as a whole The current UK mortgage market is challenging primarily due to the ongoing shortfall in available funding The Directors expect the challenging market to continue during 2011

Group wide risks are discussed in the Investec plc annual report, which does not form part of this report

Financial instrument risks

The Company's financial instruments comprise of short term lending, cash and various items, such as trade debtors and trade creditors that arise directly from its operations The purpose of these financial instruments is to provide the Company working capital The main risks associated with the Company's financial instruments are liquidity risk, interest rate risk and credit risk

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, Kensington's management constantly monitor and manage the Company's ongoing cash flow requirements

Credit risk

Credit risk is the risk that the Company's customers or counterparties fail to discharge contractual obligations and the Company incurs a loss after realising any collateral Credit risk predominantly arises where the Company makes a mortgage loan, however it also exists when the Company deposits cash or enters into a derivative contract The Company has established a credit quality review process prior to making a loan and for ongoing monitoring of existing exposures to assess any potential loss and take appropriate corrective action All mortgage loans are secured on residential property The Company places strong emphasis on the market value of residential properties and a borrower's ability to service the loan payments

DIRECTORS' REPORT (continued)

Going concern

The financial statements have been prepared on the going concern basis In assessing the appropriateness of the going concern basis, the directors have taken account of all relevant information available covering a period of at least twelve months from the date of approval of the financial statements

Events occurring after the balance sheet date

The Directors confirm that there were no significant events after the balance sheet date, up to the date of this report that would meet the criteria to be disclosed or adjusted in the financial statements for the year ended 31 March 2011

Corporate social responsibility

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 (2010 nil) All the operations associated with the Company's activities are carried out by the employees of an affiliate company Investec Bank plc

Directors

The Directors who served throughout the year, except as noted below, are as follows

D Lloyd	
A Patel	(Resigned 5 December 2011)
K McKenna	(Appointed 3 May 2011)
N Ralph	(Resigned 3 May 2011)
A Salter	(Resigned 3 May 2011)
K Street	(Appointed 5 December 2011)

None of the above mentioned directors is a director of the ultimate parent company

Directors' indemnity and Directors' & officers' liability insurance

The Company maintains a Directors' and Officers' Liability Insurance policy In accordance with the Company's Articles of Association, the Board may also indemnify a Director from the assets of the Company against any costs or liabilities incurred as a result of their office, to the extent permitted by law Neither the insurance policy nor any indemnities that may be provided by the Company provide cover for fraudulent or dishonest actions by the Directors However, costs may be advanced to Directors for their defence in investigations or legal actions

Company secretary

Dominic Murray resigned as Company Secretary on 19 January 2011 Shilla Pindoria was appointed as Company Secretary on 19 January 2011

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 considered 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 made himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information

DIRECTORS' REPORT (continued)

Appointment of auditors

The Company has elected not to make annual appointments of auditors Accordingly Ernst & Young LLP are deemed to be reappointed in accordance with section 487 of the Companies Act 2006

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

S Pindoria

S Pindoria

Company Secretary

Date 27/03/2012

Company Registration No 03437350

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Directors' 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) Under company law, the Directors must not approve the financial statements unless they are satisfied that they 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 adequate accounting records that are sufficient to show and explain the Company's transactions and 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 2006 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 FINSBURY PARK MORTGAGE FUNDING LIMITED

We have audited the financial statements of Finsbury Park Mortgage Funding Limited for the year ended 31 March 2011 which comprise Profit and Loss Account, Balance Sheet and the related notes 1 to 15 The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 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 explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements In addition, we read all the financial and non-financial information in the Directors' Report to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 March 2011 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF FINSBURY PARK MORTGAGE FUNDING LIMITED

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Ernst & Young LLP

Angus Grant (Senior Statutory Auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

London

Date 27 MARCH 2012.

Company Registration No 03437350

PROFIT AND LOSS ACCOUNT
For the year ended 31 March 2011

	Notes	Year ended 31 March 2011 £'000	Year ended 31 March 2010 £'000 (restated)*
Profit on sale of mortgages	1,2,13	7,354	7,238
Other operating income	3	18	23
Total operating income		7,372	7,261
Operating expenses		(737)	(788)
Profit on ordinary activities before taxation	4	6,635	6,473
Taxation credit	6	183	394
Profit on ordinary activities after taxation	11	6,818	6,867

The profit for the current year and in the prior year were derived from continuing operations

*Certain 2010 numbers were restated, see notes 1 and 13

There were no recognised gains or losses other than the profit for the current year or in the prior year A reconciliation of movement in equity shareholders' funds has been prepared in note 11 to the financial statements

The notes on pages 11 to 17 form an integral part of these financial statements

Company Registration No 03437350

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
at 31 March 2011

	Notes	Year ended 31 March 2011 £'000	Year ended 31 March 2010 £'000 (restated)*
Gain attributable to members of the Company		6,818	6,867
Total recognised gains relating to the year		6,818	6,867
Prior year adjustments	13	330	-
Total recognised gains and losses since last annual report		7,148	6,867

The notes on pages 11 to 17 form an integral part of these financial statements

* Although no Statement of Total Recognised Gains and Losses was presented in the prior reporting period, certain 2010 numbers presented as comparatives are restated from their prior year equivalents, see notes 1 and 13

Company Registration No 03437350

BALANCE SHEET
at 31 March 2011

	Notes	31 March 2011 £'000	31 March 2010 (restated)* £'000
Current assets			
Debtors			
Amounts falling due after one year	7	1,937	2,663
Amounts falling due within one year	1,8,13	89,058	89,984
Cash at bank and in hand		38	23
Total assets		91,033	92,670
Creditors			
Amounts falling due within one year	1,9,13	(54,864)	(63,319)
Net assets		36,169	29,351
Capital and reserves			
Called up share capital	10	-	-
Profit and loss account	1,11,13	36,169	29,351
Shareholders' funds	1,11,13	36,169	29,351

The notes on pages 11 to 17 form an integral part of these financial statements

*Certain 2010 numbers were restated, see notes 1 and 13

These financial statements were approved by the Board of Directors and were signed on its behalf by

D Lloyd

Director

Date 27/03/2012

NOTES TO THE FINANCIAL STATEMENTS
at 31 March 2011

1 ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable United Kingdom law and Generally Accepted Accounting Practice The accounting policies adopted are described below

In the current year financial statements intercompany balances have been presented on a gross basis whereas in prior years they were presented on a net basis It was felt this presentation provided better information to users of the financial statements, however it remains possible balances will be settled on a net basis In addition during the year the company conducted are review of its intercompany balances This has given rise to certain restatements and reclassification in the financial statements (as described in notes 8 and 13), including restatements to the associated tax balances where appropriate

Accounting convention

The financial statements are prepared on a going concern basis 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 Profit on sale of mortgages rather than Turnover in presenting the Profit and Loss account All revenue is earned in the UK

Mortgage loans

Mortgage loans are initially stated at cost, subsequent measurement is at amortised 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

Deferred consideration

The Company accrues for surplus income generated by assets sold by the Company to other Group entities that are now held by securitised vehicles and treats it as an intercompany receivable within Debtors The payment of this amount is conditional on the performance of the sold mortgages, and the amount is settled to the extent that surplus cash is available to the Group entities

Fixed and discount mortgages

The cost of short term interest rate discounts in respect of fixed and discount mortgages is capitalised within debtors and written off on a straight line basis over the expected average life of the fixed rate mortgages

Application fee deferral

Application fee income is capitalised as deferred income and released over the expected average life of the mortgages The expected average life of the mortgage is periodically assessed and adjusted to bring it in line with actual behaviour

Origination costs deferral

The external variable costs incurred in originating mortgages are capitalised within debtors and written off over the expected average life of the mortgages The expected average life of the mortgage is periodically assessed and adjusted to bring it in line with actual behaviour

NOTES TO THE FINANCIAL STATEMENTS
at 31 March 2011

1. ACCOUNTING POLICIES (CONTINUED)

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 recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax at a future date Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date

Related party transactions

The Company has taken advantage of the exemption conferred by paragraph 3 (c) of Financial Reporting Standard (FRS) 8, not to disclose transactions with related parties

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

Cash flow statement

Under FRS 1 (Revised), the Company is exempt from the requirement to prepare cash flow statements on the grounds that a parent undertaking includes the Company in its own consolidated financial statements

2 PROFIT ON SALE OF MORTGAGES

	Year ended 31 March 2011 £'000	Year ended 31 March 2010 £'000 (restated)
Deferred consideration from group companies	8,001	8,014
Amortisation of fixed rate discount	(647)	(776)
	7,354	7,238

3. OTHER OPERATING INCOME

	Year ended 31 March 2011 £'000	Year ended 31 March 2010 £'000
Completion fees	18	2
Other fees	-	21
	18	23

Completion fees in the current and in the prior year represent amortisation of fees deferred in prior periods

NOTES TO THE FINANCIAL STATEMENTS
at 31 March 2011

4. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit on ordinary activities before taxation is stated after charging

	Year ended 31 March 2011 £'000	Year ended 31 March 2010 £'000
Amortisation of origination costs	726	726

Auditors' remuneration of £7,800 (2010 £7,000) was borne by Kensington Mortgages Limited in the current year and prior period Statutory information on remuneration for other services provided by the Company's auditors to the Investec group is given on a consolidated basis in the consolidated financial statements of its ultimate parent company Investec plc There are no non-audit services provided to the Company during the year and in prior year

5 INFORMATION REGARDING DIRECTORS AND EMPLOYEES

The Company has no employees (2010 none) The Directors' remuneration for the year was £8,000 (2010 £8,000) The Directors' remuneration is paid by an affiliate company Investec Bank plc

6 TAXATION

(a) Analysis of the tax credit for the year

	Year ended 31 March 2011 £'000	Year ended 31 March 2010 £'000
Current tax		
Corporation tax credit at 28% based on the taxable profit for the year	(183)	(394)

(b) Factors affecting the tax credit for the year

The tax assessed for the period is lower than that resulting from applying the standard rate of corporation tax in the UK at 28% The differences are explained below

	Year ended 31 March 2011 £'000	Year ended 31 March 2010 £'000
Profit on ordinary activities before tax	6,635	6,476
Tax charge on ordinary activities at standard UK corporation tax rate of 28%	1,858	1,812
Effects of		
Non deductible expense	-	-
Income not taxable	(2,240)	(2,244)
UK-UK transfer pricing adjustment	199	38
Current tax credit for the year	(183)	(394)

NOTES TO THE FINANCIAL STATEMENTS
at 31 March 2011

6. TAXATION (CONTINUED)

Group relief receivable of £183,000 (2010 £394,000) has been recognised in debtors since management expects that there will be sufficient taxable profits within the group to absorb the tax losses of the Company See note 8

7. DEBTORS· AMOUNTS FALLING DUE AFTER ONE YEAR

	31 March 2011 £'000	31 March 2010 £'000
Unamortised deferred origination costs	1,937	2,663

8. DEBTORS AMOUNTS FALLING DUE WITHIN ONE YEAR

	31 March 2011 £'000	31 March 2010 £'000 (restated)
Unamortised deferred origination costs and prepayments	726	1,373
Amounts due from other group companies	19,880	17,157
Accrued deferred consideration	55,108	58,293
Group relief receivable from fellow group companies	13,341	13,157
Other debtors	3	4
	89,058	89,984

Intercompany debtors and creditors were presented on a net basis in the prior year however for the current year financial statements intercompany balances are presented on a gross basis, with the 2010 comparative figures restated to reflect the 2010 gross intercompany position The impact of this restatement is presented in note 13 The purpose for restating the amounts due from and to group companies on a gross basis is to provide additional information we believe will be useful to users of the financial statements It remains possible that the intercompany balances will be settled on a net basis In addition during the year the company conducted a review of its intercompany balances which gave rise to the grossing up of certain group intercompany balances to reflect the initial purchase and sale of financial assets

Unamortised deferred origination costs and prepayments represents the amount expected to be amortised in the next 12 months

Whilst accrued deferred consideration from the DACS companies is deemed to be repayable on demand, based on the liquidity position of the DACS companies at the balance sheet date, there is likelihood that these amounts will be settled after one year from the balance sheet date

The Directors have assessed the value of the deferred consideration receivable and have determined that the full £55,108,000 is recoverable

NOTES TO THE FINANCIAL STATEMENTS
at 31 March 2011

9 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31 March 2011 £'000	31 March 2010 £'000 (restated)
Amounts due to other group companies	53,376	61,824
Accruals and deferred income	116	138
Group relief payable to fellow group companies	1,182	1,182
Other creditors	190	175
	54,864	63,319

10 CALLED UP SHARE CAPITAL

	31 March 2011 £	31 March 2010 £
Authorised		
100 Ordinary shares of £1 each	100	100
Called up, allotted and fully paid:		
1 Ordinary share of £1	1	1

11 RECONCILIATION OF MOVEMENTS IN PROFIT AND LOSS ACCOUNT AND SHAREHOLDERS' FUNDS

	31 March 2011 £'000	31 March 2010 £'000 (restated)
Opening profit and loss account	29,351	22,484
Profit for the financial year	6,818	6,867
Closing profit and loss account	36,169	29,351
Called up share capital	-	-
Closing shareholders' funds	36,169	29,351

Opening retained earnings for the prior year have been restated to account for the restatement of intercompany balances as described in note 1 & 8

12 FINANCIAL INSTRUMENTS

The Company has no financial assets or liabilities, other than short term debtors and creditors and immaterial amounts of cash

NOTES TO THE FINANCIAL STATEMENTS
at 31 March 2011

13 PRIOR YEAR RESTATEMENTS

As described in note 1, certain prior year figures have been restated The impact of the restated figures is as follows

13a Profit & Loss Account	**£'000**	**Impact on Profit & Loss Account £'000**
Profit on sale of mortgages	6,908	
Prior period adjustment to profit on sale of mortgages	330	330
	7,238	
Net Impact on profit for the period		330

13b. Balance Sheet	**Impact on Balance Sheet £'000**
Debtors amounts falling due within one year as reported 2010	27,340
Impact of grossing-up amounts due from group companies	(2,501)
Impact of separately disclosing accrued deferred consideration	58,618
Prior period adjustment to profit on sale of mortgages	330
Prior period adjustment relating to financial periods prior to 2010	6,197
Debtors. amounts falling due within one year reclassified 2010	89,984
Creditors amounts falling due within one year as reported 2010	313
Impact of grossing up amounts due to group companies	56,117
Prior period adjustment relating to financial periods prior to 2010	6,889
Creditors amounts falling due within one year reclassified 2010	63,319
Opening Profit and Loss Account as reported 2010	23,176
Prior period adjustment relating to financial periods prior to 2010	(692)
Opening Profit and Loss Account restated 2010	22,484

14. CONTINGENT LIABILITY

Upon each loan sale, the Company issues a warranty that all mortgages being sold are compliant with various representations made in the Mortgage Sale Agreement contained in the Offering Circular These various representations are made in respect of specific characteristics of the loans being sold such as the level of arrears existing at sale, the ratio of loan to property value and a description of the type of property acting as security for the loans In the event of any mortgages being included in the loan sale that do not meet the criteria specified in the representation made in the Mortgage Sale Agreement contained in the Offering Circular the Company is required to repurchase at par value those mortgages that do not meet the criteria

NOTES TO THE FINANCIAL STATEMENTS
at 31 March 2011

15. ULTIMATE PARENT COMPANY

The Company's immediate parent is Kensington Group plc and the 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