

FINSBURY PARK MORTGAGE FUNDING LIMITED

Report and Financial Statements
31 March 2009

THURSDAY



ANCLWE48

A39

15/10/2009

130

COMPANIES HOUSE

Officers and professional advisers	1
Directors' report	2
Statement of Directors' responsibilities	5
Independent auditors' report	6
Profit and loss account	8
Balance sheet	9
Notes to the financial statements	10

OFFICERS AND PROFESSIONAL ADVISERS

Directors

A Patel
N Ralph
A Salter
D Lloyd

Secretary

Dominic Murray
2 Gresham Street
London
EC2V 7QP

Auditors

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

Bankers

Barclays Bank PLC
1 Churchill Place
London
E14 5HP

Solicitors

Linklaters LLP
1 Silk Street
London
EC2Y 8HQ

Registered office

2 Gresham Street
London
EC2V 7QP

DIRECTORS' REPORT

The Directors present their report and financial statements for the year ended 31 March 2009.

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 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 Directors believe it is appropriate to prepare the financial statements on a going concern basis.

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 (2008: £5,000,000).

In September 2007, the Company ceased originating new mortgages and is currently not engaged in its principal activity.

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.

Principal risks and uncertainties

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 UK mortgage market is challenging primarily due to the ongoing shortfall in available funding. As a result, the origination of new business ceased in September 2007 and the Directors expect these trading conditions to continue during 2009. The Directors will consider a recommencement of lending when funding conditions improve.

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

Financial Instruments

The Company's financial instruments comprise 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's 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 and plan the Group's programme of securitisations and whole loan sales in which the Company participates. This significantly reduces the liquidity risk of the Company.

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.

Events occurring after the balance sheet date

The Directors confirm that there are no significant events occurring 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 year ended 31 March 2009.

DIRECTORS' REPORT

Interest rate risk

The Company's risk management objective is to minimise its exposure to interest rate risk. The Company provides funding for a number of mortgage products with an initial fixed interest rate which results in interest rate risk as the funding is predominantly at a variable interest rate. Management regularly monitors the risks associated with these mortgages and where appropriate, interest rate swap agreements are entered into to manage these risks by swapping the fixed income streams into variable rates. The interest rate risk is managed based on expected maturity of the fixed rate mortgages, taking account of normal customer behaviours.

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 (2008:nil). All the operations associated with the Company's activities are carried out by the employees of affiliated companies, Kensington Mortgages Limited and Investec Bank PLC.

Directors

The Directors, all of whom served throughout the year except as noted below, are:

D Lloyd	Appointed 14 April 2008
A Patel	Appointed 14 April 2008
N Ralph	Appointed 14 April 2008
A Salter	Appointed 14 April 2008
M Clays	Resigned 14 April 2008
A Hutchinson	Resigned 14 April 2008
A S Tomsett	Resigned 14 April 2008

None of the Directors has any interest in the shares of the Company or Kensington Group Plc, the smallest group into which the Company is consolidated. 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.

Company secretary

Kensington Secretaries Limited was appointed as Company Secretary on 10 November 2005 and resigned as Company Secretary on 17 April 2009. Dominic Murray was appointed as Company secretary on 17 April 2009.

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.

DIRECTORS' REPORT

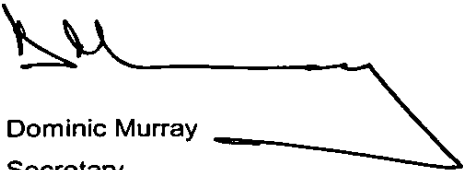
Disclosure of information to the auditors

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.

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



Dominic Murray
Secretary

Date: 01 October 2009

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 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;
- 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 FINSBURY PARK MORTGAGE FUNDING LIMITED

We have audited the financial statements of Finsbury Park Mortgage Funding Limited for the year ended 31 March 2009 which comprise the Profit and Loss Account, 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

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 our 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.

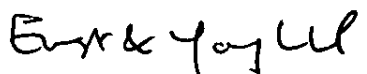
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity 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 FINSBURY PARK MORTGAGE FUNDING LIMITED**

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 2009 and of the profit 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.



Ernst & Young LLP

Registered auditor

London

Date: 09 OCT 2009

PROFIT AND LOSS ACCOUNT
For the year ended 31 March 2009

	Notes	Year ended 31 March 2009 £'000	16 months to 31 March 2008 £'000
Interest receivable	2	-	9,527
Interest payable	3	-	(8,756)
Net interest income		-	771
Profit on sale of mortgages		9,816	5,978
Other operating income	4	5	1,578
Total operating income		9,821	8,327
Operating expenses		(4,481)	(13,378)
Profit/(loss) on ordinary activities before taxation	5	5,340	(5,051)
Taxation credit	7	1,425	1,541
Profit/(loss) on ordinary activities after taxation	13	6,765	(3,510)

The profit for the year was derived from continuing operations.

There were no recognised gains or losses other than the profit for the year. Accordingly, no statement of recognised gains and losses is given.

The notes on pages 10 to 18 form an integral part of these financial statements.

BALANCE SHEET
at 31 March 2009

	Notes	31 March 2009 £'000	31 March 2008 £'000
Current assets			
Debtors:			
Amounts falling due after one year	9	1,870	5,399
Amounts falling due within one year	10	21,614	10,632
Cash at bank and in hand		33	1,035
Total assets		23,517	17,066
Creditors:			
Amounts falling due within one year	11	(341)	(655)
Net assets		23,176	16,411
Capital and reserves			
Called up share capital	12	-	-
Profit and loss account	13	23,176	16,411
Shareholders' funds	13	23,176	16,411

The notes on pages 10 to 18 form an integral part of these financial statements.

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

Director:



Date: 09 October 2009

NOTES TO THE FINANCIAL STATEMENTS

at 31 March 2009

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.

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 Interest Receivable rather than Turnover in presenting the Profit and Loss account.

Change in accounting period

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

Interest receivable and payable

Interest receivable on mortgage loans and interest payable on loan facilities are recognised on an accruals basis. 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. Also included in profit on sale of mortgages is accrued surplus income generated by assets sold by the Company to other Group entities that are now held by securitised vehicles. This is treated 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 mortgages.

Application fee deferral

Application fee income is capitalised as deferred income and released over the expected average life of the mortgages.

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.

NOTES TO THE FINANCIAL STATEMENTS

at 31 March 2009

1. ACCOUNTING POLICIES (CONTINUED)

Impairment of mortgage loans

The Company assesses at each balance sheet date whether there is evidence that a mortgage loan or a portfolio of mortgage loans is impaired. Impairment losses are recognised if, and only if, there is objective evidence of impairment as a result of one or more loss events that occurred after the initial recognition of the asset and prior to the balance sheet date ('a loss event'), and that loss event or events has had an impact on the estimated future cash flows of the mortgage loans or the portfolio that can be reliably estimated.

The Company first assesses whether objective evidence of impairment exists individually for mortgage loans that are individually significant, and individually or collectively for mortgage loans that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed mortgage loan, whether significant or not, it includes the asset in a group of mortgage loans with similar credit risk characteristics and collectively assesses them for impairment. Loans that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

The amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's current interest rate. The amount of the loss is recognised in the income statement.

For the purposes of a collective evaluation of impairment, mortgage loans are grouped on the basis of similar risk characteristics, taking into account asset type, industry, geographical location, collateral type, past-due status and other relevant factors. These characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the counterparty's ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of mortgage loans that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the group and historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist.

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.

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 conferred by paragraph 3 (c) of Financial Reporting Standard (FRS) 8, not to disclose transactions with related parties.

NOTES TO THE FINANCIAL STATEMENTS

at 31 March 2009

1. ACCOUNTING POLICIES (CONTINUED)**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. INTEREST RECEIVABLE

	Year ended 31 March 2009 £'000	16 months to 31 March 2008 £'000
Mortgage interest	-	9,023
Other interest	-	504
	<u>-</u>	<u>9,527</u>

3. INTEREST PAYABLE

	Year ended 31 March 2009 £'000	16 months to 31 March 2008 £'000
Finance costs on short-term loan facility	-	8,756
	<u>-</u>	<u>8,756</u>

4. OTHER OPERATING INCOME

	Year ended 31 March 2009 £'000	16 months to 31 March 2008 £'000
Completion fees	5	1,457
Other fees	-	121
	<u>5</u>	<u>1,578</u>

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

NOTES TO THE FINANCIAL STATEMENTS

at 31 March 2009

5. PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit/(loss) on ordinary activities before taxation is stated
after charging:

	Year ended 31 March 2009 £'000	16 months to 31 March 2008 £'000
Management charges	2,224	5,536
Amortisation of origination costs	2,199	4,439
Provision for impairment of mortgage loans	-	686

Auditors' remuneration of £6,011 (2008: £6,200) 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.

6. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

The Company has no employees (2008: none). The Directors received no remuneration from the Company in the current year or prior period.

7. TAXATION**(a) Analysis of the tax credit for the year/period**

	Year ended 31 March 2009 £'000	16 months to 31 March 2008 £'000
Current tax		
Corporation tax credit at 28% based on the taxable profit/(loss) for the year (2008 - 30%)	(1,423)	(4,756)
Adjustments in respect of prior years	(28)	3,241
	<u>(1,451)</u>	<u>(1,515)</u>
Deferred tax		
Current year	-	248
Effect of rate/law change	-	20
Adjustment in respect of prior years	26	(294)
Total deferred tax	<u>26</u>	<u>(26)</u>
Tax credit on profit/(loss) on ordinary activities	<u>(1,425)</u>	<u>(1,541)</u>

NOTES TO THE FINANCIAL STATEMENTS

at 31 March 2009

7. TAXATION (CONTINUED)**(b) Factors affecting the tax credit for the year/period**

The tax assessed for the period is lower than that resulting from applying the standard rate of corporation tax in the UK at 28% (2008: 30%). The differences are explained below:

	Year ended 31 March 2009	16 months to 31 March 2008
	£'000	£'000
Profit/(loss) on ordinary activities before tax	5,340	(5,051)
Tax charge/(credit) on ordinary activities at standard UK tax rate of 28% (2008: 30%)	1,495	(1,515)
Effects of:		
Income not taxable	(2,918)	(2,975)
Movement in other timing differences	-	(266)
Prior period adjustments	(28)	3,241
Current tax credit for the year/period	(1,451)	(1,515)

(c) Movement on deferred taxation balance in the year/period

	Year ended 31 March 2009	16 months to 31 March 2008
	£'000	£'000
Opening deferred tax balance	(26)	-
Charge to Profit and Loss account	-	266
Effect of rate/law change	-	2
Prior period adjustments	26	(294)
Closing deferred tax (asset)	-	(26)

(d) Analysis of deferred tax (asset)

	Year ended 31 March 2009	16 months to 31 March 2008
	£'000	£'000
Other timing differences	-	(26)
Closing deferred tax (asset)	-	(26)

NOTES TO THE FINANCIAL STATEMENTS

at 31 March 2009

7. TAXATION (CONTINUED)

Group relief receivable of £1,451,000 has been recognised since management expects that there will be sufficient taxable profits within the group to absorb the tax losses of the Company.

8. MORTGAGE LOANS - NET BALANCES

	Mortgage	Mortgage loss	Total
	£'000	provision	£'000
	£'000	£'000	£'000
At 31 March 2008	3	-	3
Net movement in the year	(3)	-	(3)
At 31 March 2009	-	-	-

9. DEBTORS: AMOUNTS FALLING DUE AFTER ONE YEAR

	31 March 2009	31 March 2008
	£'000	£'000
Mortgage loans - net balances (note 8)	-	3
Unamortised deferred origination costs	1,870	5,396
	<u>1,870</u>	<u>5,399</u>

10. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31 March 2009	31 March 2008
	£'000	£'000
Unamortised deferred origination costs and prepayments	3,669	2,906
Amounts due from other group companies - net	17,943	7,492
Deferred taxation	-	26
Other debtors	2	208
	<u>21,614</u>	<u>10,632</u>

Intercompany debtors and creditors have been presented on a net basis in the financial statements as it is management's intention that the gross balances owed by group companies and owed to group companies will be settled on a net basis through the main operating companies Kensington Group Plc and Kensington Mortgages Limited. Unamortised deferred origination costs and prepayments represents the amount expected to be amortised in the next 12 months.

NOTES TO THE FINANCIAL STATEMENTS

at 31 March 2009

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31 March 2009 £'000	31 March 2008 £'000
Accruals and deferred income	126	132
Other creditors	215	523
	<u>341</u>	<u>655</u>

12. CALLED UP SHARE CAPITAL

	31 March 2009 £	31 March 2008 £
Authorised:		
100 Ordinary shares of £1 each	100	100
	<u>100</u>	<u>100</u>
Called up, allotted and fully paid:		
1 Ordinary share of £1	1	1
	<u>1</u>	<u>1</u>

13. RECONCILIATION OF MOVEMENTS IN PROFIT AND LOSS ACCOUNT AND SHAREHOLDERS' FUNDS

	31 March 2009 £'000	31 March 2008 £'000
Opening profit and loss account	16,411	24,921
Profit/(loss) for the financial year/period	6,765	(3,510)
Dividends	-	(5,000)
Closing profit and loss account	<u>23,176</u>	<u>16,411</u>
Called up share capital	-	-
Closing shareholders' funds	<u>23,176</u>	<u>16,411</u>

14. FINANCIAL INSTRUMENTS

As explained in the Directors' report the Company uses financial instruments in its normal course of business. The following analysis gives an indication of the significance of these instruments to the Company.

NOTES TO THE FINANCIAL STATEMENTS

at 31 March 2009

13. FINANCIAL INSTRUMENTS (CONTINUED)

As explained in the Directors' report the Company uses financial instruments in its normal course of business. The following analysis gives an indication of the significance of these instruments to the Company.

Financial assets

31 March 2009	Total £'000	Total variable rate £'000	Total fixed rate £'000	Weighted average interest rate %	Weighted average time for which rate is fixed Years
Mortgage assets	-	-	-	-	-
Cash	33	-	33	-	-

31 March 2009	Total £'000	Total variable rate £'000	Total fixed rate £'000	Weighted average interest rate %	Weighted average time for which rate is fixed Years
Mortgage assets	3	3	-	7.68	2.14
Cash	1,035	-	1,035	-	-

Fair values of financial assets and financial liabilities

Set out below is a comparison by category of book values and fair values of the Company's financial assets and liabilities:

	Book value 2009 £'000	Fair value 2009 £'000	Book value 2008 £'000	Fair value 2008 £'000
On balance sheet				
Mortgage assets	-	-	3	3
Cash at bank and in hand	33	33	1,035	1,035

The Directors have considered the fair value of the Company's mortgage assets. In the opinion of the Directors, no liquid secondary market currently exists for the mortgage assets. Accordingly the fair value above reflects the Directors' valuation. This has been calculated using internal models prepared for securitised vehicles with asset characteristics similar to the assets held by the Company. These models consider yields, expected loss and constant prepayment rates based on the Directors' assessment at the balance sheet date. In this regard, the Directors have assessed that fair values are materially consistent with book values at the balance sheet date. Had the illiquid market rates been used for valuation purposes, then the fair values would be shown as £nil (2008: £3,000).

15. 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 Offer Circular. These 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 Offer 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 2009

16. 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.