

**FINSBURY PARK MORTGAGE FUNDING
LIMITED**

Report and Financial Statements

30 November 2001



REPORT AND FINANCIAL STATEMENTS 2001

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REPORT AND FINANCIAL STATEMENTS 2001

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

S C Kingdon
J N Maltby
A S Tomsett

SECRETARY

A S Tomsett

REGISTERED OFFICE

1 Derry Street
London
W8 5HY

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
Chartered Accountants
Colmore Gate
2 Colmore Row
Birmingham
B3 2BN

DIRECTORS' REPORT

The directors present their report and the audited financial statements for the year ended 30 November 2001.

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.

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 of £4,713,000 (2000 – £4,237,000) has been transferred to reserves. No dividend is proposed.

DIRECTORS

The directors during the year were:

M A Finegold (resigned 15th May 2001)

S C Kingdon

J N Maltby

A S Tomsett

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

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

Amount of shares	Issue date	Date from which exercisable	Expiry date	Option price
62,500	1 April 1998	1 April 2001	31 March 2005	£1.80
62,500	18 December 1998	18 December 2001	17 December 2005	£1.80
62,500	17 December 1999	17 December 2002	16 December 2006	£1.80
31,250	26 October 2000	1 April 2001	31 March 2005	£1.80
31,250	26 October 2000	18 December 2001	17 December 2005	£1.80
31,250	26 October 2000	17 December 2002	16 December 2006	£1.80
36,666	6 July 2001	6 July 2004	5 July 2011	£2.10

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

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

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 measure is not appropriate to the business.

DIRECTORS' REPORT

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 will remain in office until the company or the auditors otherwise determine.

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

A handwritten signature in black ink, appearing to be 'A S Tomsett', written over a horizontal line.

A S Tomsett

Secretary

28 February 2002

**STATEMENT OF DIRECTORS' RESPONSIBILITIES
in relation to Financial Statements**

The directors are required by the Companies Act 1985 to prepare financial statements 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 for the financial year. As required, in the absence of any circumstances which would make it inappropriate, the financial statements have been prepared on a going concern basis.

The directors are required to ensure that, in preparing the financial statements on pages 6 to 12, the company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all accounting standards which they consider to be applicable have been followed.

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

The directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



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

We have audited the financial statements of Finsbury Park Mortgage Funding Limited for the year ended 30 November 2001 which comprise the profit and loss account, the balance sheet and the related notes 1 to 15. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

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

Basis of audit opinion

We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion, the financial statements give a true and fair view of the state of the company's affairs as at 30 November 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche

Deloitte & Touche

Chartered Accountants and Registered Auditors

4 March 2002

PROFIT AND LOSS ACCOUNT
Year ended 30 November 2001

	Note	2001 £'000	2000 £'000
INTEREST RECEIVABLE	2	5,227	5,601
Interest payable	3	(3,864)	(4,402)
Net interest income		1,363	1,199
Other operating income	4	17,522	21,259
Total operating income		18,885	22,458
Operating expenses		(12,153)	(16,370)
OPERATING PROFIT BEING PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	5	6,732	6,088
Taxation on profit on ordinary activities	7	(2,019)	(1,851)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION BEING THE PROFIT FOR THE FINANCIAL YEAR	11	4,713	4,237

All material activities derive from continuing operations.

There are no recognised gains or losses other than the profits for the years ending 30 November 2001 and 30 November 2000.

FINSBURY PARK MORTGAGE FUNDING LIMITED

BALANCE SHEET 30 November 2001

	Note	2001 £'000	2001 £'000	2000 £'000	2000 £'000
ASSETS EMPLOYED					
FIXED ASSETS					
Mortgage loans - unsecuritised balances	8		66,011		20,344
CURRENT ASSETS					
Debtors	9	18,480		8,967	
Cash at bank		7,404		3,136	
			25,884		12,103
			91,895		32,447
FINANCED BY					
EQUITY SHAREHOLDERS' FUNDS					
Called up share capital	10	-		-	
Profit and loss account	11	11,514		6,801	
	12		11,514		6,801
CREDITORS					
Amounts falling due within one year	13		80,381		25,646
			91,895		32,447

These financial statements were approved by the Board of Directors on 28 February 2002.

Signed on behalf of the Board of Directors


S C Kingdon

Director

NOTES TO THE ACCOUNTS
Year ended 30 November 2001

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

Accounting convention

The financial statements are prepared under the historical cost convention.

Mortgage loans

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

Profit on sale of mortgages

Profit on sale of mortgages is represented by the difference between the consideration received at the time of the sale and their book values.

Origination costs deferral

The direct external costs incurred in originating mortgages and the associated completion fees paid by the borrowers are written off at the time of sale.

Deferred taxation

Deferred taxation is provided at the anticipated tax rate on differences arising from the inclusion of items of income and expenditure in taxation computations in years different from those in which they are included in the accounts to the extent that it is probable that a liability or asset will crystallise in the future.

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 interest payable.

Related party transactions

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

Restatement of comparatives

The prior year balance sheet has been restated to more properly reflect the requirements of FRS5. Securitised balances of £485,264,000 and non-recourse finance of £485,264,000 have been derecognised in the balance sheet for the prior year. There is no impact in the profit and loss account for the years ending 30 November 2001 and 30 November 2000.

2. INTEREST RECEIVABLE

	2001 £'000	2000 £'000
Mortgage interest	5,069	5,383
Other interest	158	218
	<u>5,227</u>	<u>5,601</u>

NOTES TO THE ACCOUNTS

Year ended 30 November 2001

3. INTEREST PAYABLE

	2001	2000
	£'000	£'000
On loans repayable within five years		
Short-term loan facility	3,855	4,363
Amortisation of initial costs	9	39
	<u>3,864</u>	<u>4,402</u>

4. OTHER OPERATING INCOME

	2001	2000
	£'000	£'000
Profit on sale of mortgages	16,565	19,886
Completion fees	915	1,314
Other fees	32	44
Insurance commissions	10	15
	<u>17,522</u>	<u>21,259</u>

5. OPERATING PROFIT BEING PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	2001	2000
	£'000	£'000
Operating profit being profit on ordinary activities before taxation is after charging:		
Management charge	4,884	5,402
Auditors' remuneration – Audit services	14	14
Provision for mortgage losses	64	332
	<u>4,962</u>	<u>5,748</u>

6. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

The company has no employees. The directors received no remuneration from the company in the current year or previous year.

NOTES TO THE ACCOUNTS

Year ended 30 November 2001

7. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

	2001	2000
	£'000	£'000
UK corporation tax on the profit for the year at 30%		
Current year		
Corporation tax	2,019	1,645
Group relief	-	181
Prior year		
Corporation tax	-	(252)
Group relief	-	276
	<u>2,019</u>	<u>1,851</u>

8. MORTGAGE LOANS - UNSECURITISED BALANCES

	£'000
Cost	
At 1 December 2000	20,344
Advances	269,220
Purchase of mortgages	28,641
Other debits and credits	5,343
Repayments	(3,335)
Redemptions	(1,722)
Securitisations	(252,473)
	<u>66,051</u>
At 30 November 2001	<u>66,051</u>
Provision	
At 1 December 2000	-
Charge for the year	40
	<u>40</u>
At 1 December 2001	<u>40</u>
Net book value	
At 30 November 2001	<u>66,011</u>
At 30 November 2000	<u>20,344</u>

9. DEBTORS

	2001	2000
	£'000	£'000
Amounts falling due within one year		

NOTES TO THE ACCOUNTS

Year ended 30 November 2001

Amounts due from other group companies	16,304	8,257
Trade debtors	17	-
Other debtors	656	221
Prepayments and accrued income	1,503	489
	<u>18,480</u>	<u>8,967</u>

Amounts falling due after more than one year

Included within other debtors is £527,000 (2000 - £214,000) net arrears balances relating to mortgages sold to securitisation companies. Some of this debt may be recovered after more than one year.

10. CALLED UP SHARE CAPITAL

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

11. PROFIT AND LOSS ACCOUNT

	£'000
Balance at 1 December 2000	6,801
Profit for the year	<u>4,713</u>
Balance at 30 November 2001	<u>11,514</u>

12. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2001	2000
	£'000	£'000
Opening shareholders' funds	6,801	2,564
Profit for the financial year	<u>4,713</u>	<u>4,237</u>
Closing shareholders' funds	<u>11,514</u>	<u>6,801</u>

NOTES TO THE ACCOUNTS
Year ended 30 November 2001

13. CREDITORS

	2001	2000
	£'000	£'000
Amounts falling due within one year		
Short-term loan facility	72,950	23,307
Trade creditors	-	92
Amounts due to other group companies	44	-
Group relief	-	175
Corporation tax	2,535	1,398
Other creditors	191	51
Accruals and deferred income	4,661	623
	<u>80,381</u>	<u>25,646</u>

The company has a £200,000,000 short-term loan facility (2000 - £200,000,000). This is due for repayment on 30 August 2002. The amount drawn down at 30 November 2001 was £72,949,621 (2000 - £23,316,115). 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.

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

14. RELATED PARTY TRANSACTIONS

During the year the company sold mortgages with a book value of £252,473,000 (2000 - £343,996,000) to Residential Mortgage Securities 10 and 11 plc (2000 - Residential Mortgage Securities 8 and 9 plc) which are owned by charitable trusts.

At the 30 November 2001 Finsbury Park had a debtor of £109,074 (2000 - £6,000) owing from these companies along with the net arrears balances described in Note 9 and creditors of £66,550 (2000 - £8000) owed to these companies.

15. ULTIMATE PARENT COMPANY

The company's ultimate parent company is Kensington Group plc, a company registered in England and Wales. Copies of the Group's financial statements are available from that company's registered office at 1 Derry Street, London, W8 5HY.