

MPL DACS 3 Limited

Report and Financial Statements

31 March 2009

FRIDAY



AMVG6E5W

A32

16/10/2009

288

COMPANIES HOUSE

Officers and professional advisers	1
Directors' report	2-4
Statement of directors' responsibilities	5
Independent auditors' report	6-7
Profit and loss account	8
Balance sheet	9
Notes to the financial statements	10-18

OFFICERS AND PROFESSIONAL ADVISERS

Directors

D Lloyd
A Patel
N J Ralph
A Salter

Secretary

D 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 the audited financial statements for the year ended 31 March 2009.

BUSINESS REVIEW AND PRINCIPAL ACTIVITY

MPL DACS 3 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"). The Company's principal activity is the acquisition of financial investments ("FIs") in the residential mortgage-backed securitisation transaction, Money Partners Securities 3 Plc (SPV), conducted by the Group. The securitisations are backed by mortgage loans originated by companies within the Group. The Company, together with associated Group companies which have similar assets to the FIs, is party to bank loans, secured on the FIs and similar assets owned by other Group companies. The bank loans were used to acquire FIs and to provide working capital to the rest of the Group via inter-company loans.

Kensington Group Plc is a wholly owned subsidiary of Investec plc (the "ultimate parent company").

The balance sheet on page 9 of the financial statements shows the Company's financial position at the year end.

Kensington manages its operations on a group-wide basis and therefore the Company's directors believe that 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. The Directors do not recommend the payment of a dividend for the period.

PRINCIPAL RISKS AND UNCERTAINTIES

Group wide risks are discussed in the Investec plc annual report which does not form part of this report. Risks specific to the Company's activities are associated with its financial instruments and are market, credit and liquidity risks.

Financial instruments

The Company's financial instruments comprise mortgage assets, FIs, bank loans and amounts due to or from other Group companies. The bank loans were used to fund the acquisition of the FIs by the Company and to provide working capital to the Group via inter-company loans. The Company itself does not enter into derivative transactions and neither does it trade in financial instruments. However, the Company is affected by the derivative contracts entered into by the SPV to hedge interest rate and currency risk insofar as they affect the SPV's resources available to make payments in respect of the FIs.

Market risks

Market risks specific to the Company's investment activities in the SPV are interest rate risk and foreign currency risk. The SPV enters into derivative contracts to manage the difference between the interest rates applicable to the notes and the interest rates of the mortgage loans. Although the Company is not directly affected by foreign currency risk, the SPV has issued floating rate notes denominated in currencies other than sterling which are secured on mortgage loans denominated in sterling. To mitigate the SPV's foreign currency risk, the SPV has entered into cross currency swaps and the derivative instruments used match the maturity of the foreign currency notes.

Credit risk

The Company is potentially exposed to the credit risk relating to the underlying mortgage loans which form part of the securitisation on which the FIs are secured, as payments in respect of the FIs are dependent upon the performance of the mortgage loans. The ongoing credit risk of the mortgage portfolio (and particularly in respect of accounts in arrears) is closely monitored by the Directors.

The level of arrears in the underlying mortgage portfolio is increasing, which is consistent with the severe market conditions currently being experienced in the UK mortgage market. This performance is being closely monitored and any relevant corrective action will be taken as appropriate. Arrears management and recovery processes have been further strengthened during the year to attempt to minimise the impact of market conditions on the business. The Directors expect the pressures on the performance of the portfolio to persist for the foreseeable future.

DIRECTORS' REPORT (continued)

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. The Company has a term loan outstanding at the balance sheet date under an agreement with certain group companies which includes cross collateralisation of the group companies' assets. In addition to the use of bank borrowings, liquidity is managed centrally by Group through intra-group short term funding arrangements.

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. The Directors are not aware of any such loans existing at the balance sheet date.

GOING CONCERN

On the basis of current financial projections, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for a period of at least twelve months from the date of this report. In this regard, the Directors have considered the performance of its financial investments relative to the current and expected future performance of underlying mortgage assets held by the SPV. The Directors have also considered the bank loans which are committed to February 2011 in setting this expectation. Accordingly, the Directors believe it appropriate to prepare the financial statements on a going concern basis.

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, which would meet the criteria to be disclosed or adjusted in the financial statements for the year ended 31 March 2009.

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. All the operations associated with the Company's activities are carried out by the employees of affiliated companies, Kensington Mortgages Limited and Investec plc.

DIRECTORS

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

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

None of the Directors has any interest in the shares of the 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 (continued)**COMPANY SECRETARY**

Kensington Secretaries Limited 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. 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 appropriate to the business.

DISCLOSURE OF INFORMATION TO THE AUDITORS

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

APPOINTMENT OF AUDITORS

The Company passed a written resolution in accordance with section 386 of the Companies Act 1985 to dispense with the obligation of appointing auditors annually.

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

Director



Date:1.4.OCT.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 applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume 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 MPL DACS 3 LIMITED

We have audited the financial statements of MPL DACS 3 Limited for the year ended 31 March 2009 which comprise the Profit and Loss Account, Balance Sheet and the related notes 1 to 15. 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 law and 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 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MPL DACS 3 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 result 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: **14 OCT 2009**

PROFIT & LOSS ACCOUNT**For the year ended 31 March 2009**

	Notes	Year ended 31 March 2009 £'000	16 months to 31 March 2008 £'000
INCOME FROM SECURITISATION ASSETS	2	10,559	23,425
Interest payable on secured loan facilities	3	<u>(535)</u>	<u>(2,319)</u>
NET INCOME FROM INVESTMENT ACTIVITIES		10,024	21,106
Operating expenses		<u>(7,229)</u>	<u>(11,898)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	4	2,795	9,208
Taxation	6	<u>(2,795)</u>	<u>(6,318)</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	12,13	<u><u>-</u></u>	<u><u>2,890</u></u>

The result was derived from continuing operations.

There were no recognised gains or losses during the current period other than the result disclosed above. Accordingly no statement of recognised gains and losses has been prepared. A reconciliation of the movements in equity shareholders' funds has been prepared in note 13 to the financial statements.

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

BALANCE SHEET
at 31 March 2009

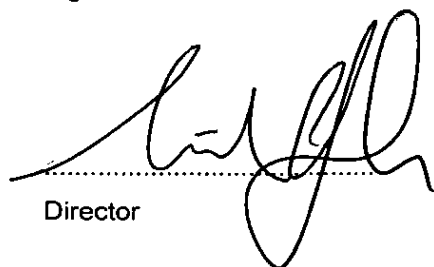
	Notes	£'000	31 March 2009 £'000	31 March 2008 £'000
NON CURRENT ASSETS				
Mortgage loans and other assets	7	507,670		459,915
Less non-recourse finance and other liabilities	7	<u>(484,943)</u>		<u>(434,764)</u>
Investments	8		22,727	25,151
CURRENT ASSETS				
Debtors	9		6,499	5,777
TOTAL ASSETS			<u>29,226</u>	<u>30,928</u>
LIABILITIES				
Creditors: Amounts falling due within one year	10		29,182	28,990
Creditors: Amounts falling due after more than one year	10		<u>-</u>	<u>1,893</u>
TOTAL LIABILITIES			<u>29,182</u>	<u>30,883</u>
NET ASSETS			<u>44</u>	<u>44</u>
CAPITAL AND RESERVES				
Called up share capital	11		-	-
Profit and loss account	12		<u>44</u>	<u>44</u>
SHAREHOLDERS' FUNDS	13		<u>44</u>	<u>44</u>

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

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

14 OCT 2009

Signed on behalf of the Board of Directors



Director

14 OCT 2009

Date

NOTES TO THE FINANCIAL STATEMENTS at 31 March 2009

1. ACCOUNTING POLICIES

Basis of preparation

The financial statements have been prepared in accordance with applicable United Kingdom law and Generally Accepted Accounting Practices and under the historical cost convention. The financial statements have been prepared on a going concern basis.

The comparative period covers sixteen months, accordingly, amounts reported in the Profit and Loss account and related notes are not comparable.

Linked presentation

The Company has sold, as part of a securitisation transaction, certain mortgage loans to a Special Purpose Vehicle ("SPV Company") on a non-recourse basis. In accordance with the requirements of Financial Reporting Standard ("FRS") no 5 "Reporting the Substance of Transactions", these amounts cannot be derecognised and have been disclosed on the face of the balance sheet less any non-recourse finance, using the linked presentation basis.

Income from securitisation assets

Income from securitisation assets comprise of:

- Interest from Detachable 'A' Coupons ("DAC's") and C Notes which is recognised on an accruals basis.
- Income from Mortgage Early Redemption Certificates ("MERC's") and Residual Certificates ("RC's") which is recognised as earned.
- The accounting treatment for the profit on the sale of mortgage assets is described below.

All income is earned in the UK.

Due to the fact that the nature of the business is to earn income from holding certain investments in Money Partner Securities 3 Plc (the "SPV Company"), the Directors are of the opinion that it is more appropriate to use "Income from securitisation assets" rather than "Turnover" in presenting the profit and loss account.

For definitions of the securitised assets see "Securitised Assets" below.

Interest payable

Due to the fact that the nature of the business is to take on loans in order to purchase investments in the SPV Company, the Directors are of the opinion that it is appropriate to show interest payable above operating profit.

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.

NOTES TO THE FINANCIAL STATEMENTS at 31 March 2009

1. ACCOUNTING POLICIES (CONTINUED)

Deferred profit on sale of mortgages

A premium was received when the mortgage loans were sold to the SPV Company. As part of the securitisation transaction, any proceeds in excess of the carrying value of the mortgages sold were automatically reinvested in the securitisation assets (Detachable 'A' Coupons) described below. Consequently, under FRS 5, no immediate profit on the sale of the mortgages was recognised. This profit has been deferred and will be released to the Profit and Loss account in line with the expected lives of the securitisation assets at the date of acquisition.

Mortgage loans

The company has sold, to enable a securitisation, certain mortgages to the SPV on a non-recourse basis. However, the Company has retained significant risk and rewards associated with these mortgages through the acquisition of financial investments in the SPV made as part of the securitisation. Therefore, in accordance with the requirements of Financial Reporting Standard No 5 "Reporting the substance of transactions", these amounts cannot be derecognised and have been disclosed on the face of the balance sheet less any non-recourse finance, using linked presentation.

Mortgage loans are carried at amortised cost using the effective interest rate method, less provision made to reduce the value of impaired loans to their estimated recoverable amount. Provisions are made against mortgages when, in the opinion of the Directors, objective evidence of a loss event exists.

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.

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, borrower, 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.

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 original effective interest rate. The amount of the loss is recognised in the Profit and Loss account.

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.

NOTES TO THE FINANCIAL STATEMENTS at 31 March 2009

1. ACCOUNTING POLICIES (CONTINUED)

Securitisation assets

Securitisation assets comprise investments in the following assets which have been issued by the SPV Company:

- Detachable 'A' Coupons (otherwise known as "DAC's" or "IO's") representing an entitlement to receive fixed rate, interest only income, determined by reference to the outstanding principal amount of Class A Floating Rate Mortgage Backed Notes issued by the SPV Company;
- Mortgage Early Redemption Certificates (otherwise known as "MERC's"), representing an entitlement to the early redemption charges made from borrowers redeeming their mortgages within a predetermined period in the SPV Company; and
- Residual Certificates (otherwise known as "RC's") which provide an entitlement to surplus income generated by the SPV Company after all other obligations have been met under their respective Deeds of Charge.

DAC's are recorded at cost and amortised over the period during which income is expected to be generated from them based on repayment curves at the date of issue. The length of this period is dependent upon the expected rate of prepayment of the related mortgage portfolio.

No cost is attributed to the MERC's. The redemption income is credited to the profit and loss account on a received basis and is based on the actual repayment curve in the SPV.

No cost is attributed to the RC's as the income that arises from these certificates is more uncertain and dependant upon future performance of the SPV Company. The Company accrues for the surplus income generated by the SPV Company to the extent the performance of the sold mortgages will result in surplus cash being available in the SPV to settle these amounts. These amounts are disclosed as accrued deferred consideration.

Annual impairment reviews are carried out on securitisation assets and any impairment identified is taken to the profit and loss account.

Class 'C' Floating Rate Notes

The Company holds Class 'C' Floating Rate Notes. These were also issued by the SPV Company and are carried at amortised cost less amounts determined to be impaired, if any. These are repaid over time by the SPV where it has sufficient cash available to do so. Annual impairment reviews are carried out on these notes and any impairment identified is taken to the profit and loss account.

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.

Related party transactions

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

Cash flow statement

Under Financial Reporting Standard 1 (Revised) the Company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the results of the Company in its own consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS at 31 March 2009

2. INCOME FROM SECURITISATION ASSETS

	Year ended 31 March 2009 £'000	16 months to 31 March 2008 £'000
A coupon interest	6,876	13,177
Early redemption charges	1,321	6,846
Interest on 'C' Floating Rate Notes	1,132	1,746
Deferred consideration receivable from SPV	1,191	1,623
Amortisation of securitisation assets	(2,423)	(6,520)
Release of profit on sale of mortgages	2,423	6,520
Other income	39	33
	<u>10,559</u>	<u>23,425</u>

The Company's income from securitisation assets is directly influenced by changes in the constant prepayment rate (CPR curve) of the SPV. An acceleration of the CPR curve increases early redemption charge income and decreases interest receivable on the A coupon whereas a deceleration in the CPR curve reduces early redemption charge income and increases interest receivable on the A coupon.

3. INTEREST PAYABLE ON SECURED LOAN FACILITIES

	Year ended 31 March 2009 £'000	16 months to 31 March 2008 £'000
Interest on bank loans repayable within five years	<u>535</u>	<u>2,319</u>

4. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	Year ended 31 March 2009 £'000	16 months to 31 March 2008 £'000
Profit on ordinary activities before taxation is stated after charging:		
Amortisation of securitisation assets	2,423	6,520
Management charges	<u>-</u>	<u>40</u>

The auditors' remuneration of £10,015 (2008: £5,965) was borne by an affiliated company, Kensington Mortgages Limited.

NOTES TO THE FINANCIAL STATEMENTS at 31 March 2009

5. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

The Company has no employees (2008: nil). The Directors received no remuneration from the Company in the year (2008: £nil).

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

Analysis of the tax charge for the year

	Year ended 31 March 2009 £'000	16 months to 31 March 2008 £'000
Current tax		
UK corporation tax expense in the profit and loss account	2,795	6,318

Factors affecting the tax charge for the year

	31 March 2009 £'000	31 March 2008 £'000
Profit on ordinary activities before tax	2,795	9,208
Tax on ordinary activities at standard UK corporation tax rate of 28% (2008: 30%)	783	2,762
Expenditure not deductible for tax purposes	2,012	3,556
Current tax charge for the year	2,795	6,318

7. MORTGAGE LOANS AND OTHER ASSETS

MPL DACS 3 Limited has sold, to enable a securitisation transaction, mortgage loans to a SPV Company. MPL DACS 3 Limited is not obliged to support any losses of the SPV Company and does not intend to do so. The terms and conditions of the securitisation provide that holders of the notes issued by the SPV Company will receive interest and repayment of principal only to the extent that sufficient funds are generated by the mortgage portfolios acquired by the SPV Company. Note holders have no recourse to MPL DACS 3 Limited in any form.

The priority and amount of claims on the proceeds generated by the assets are determined in accordance with a strict priority of payments. MPL DACS 3 Limited is entitled to further residual income depending on the performance of the SPV Company, although the proceeds already received by MPL DACS 3 Limited from the sale of the mortgage loans are non-returnable. MPL DACS 3 Limited has an option to sell further mortgages to the same SPV Company over a fixed period of time.

MPL DACS 3 Limited has also raised additional finance in relation to securitisation transactions through bank loans to purchase C Notes issued by the SPV Company. These loans are secured on the cash flows arising from the company's investment in DAC's, MERC's and RC's. The terms and conditions of the financing provide that the lender will receive interest and principal only to the extent that there are sufficient funds generated by the investments held by MPL DACS 3 Limited in the SPV Company, but also include certain cross collateralisation agreements (note 14). The lender has no recourse to MPL DACS 3 Limited in any form.

NOTES TO THE FINANCIAL STATEMENTS at 31 March 2009

7. MORTGAGE LOANS AND OTHER ASSETS (CONTINUED)

Balance sheet treatment

In accordance with the requirements of FRS 5 "Reporting the Substance of Transactions", the mortgage loans sold to the SPV Company and the associated non-recourse finance are included on the face of the balance sheet using linked presentation.

The summarised balance sheet of the SPV Company excluding the C Notes and A Coupons held by the Company is as follows:

	31 March 2009 £'000	31 March 2008 £'000
Loans to originator	353,710	392,482
Debtors	9,444	12,104
Cash	85,075	26,465
Derivative financial instruments	59,441	28,864
Total assets	507,670	459,915
Mortgage backed floating rate notes (Excluding C notes)	395,761	424,098
Creditors	75,384	10,653
Derivative financial instruments	252	-
Shareholders Funds	13,546	13
Total liabilities and equity	484,943	434,764
Investments in SPV Company	22,727	25,151

The profit and loss account of the SPV Company is as follows:

	Year ended 31 March 2009 £'000	16 months to 31 March 2008 £'000
Interest receivable	50,710	58,225
Interest payable	(27,554)	(50,202)
Net interest income	23,156	8,023
Net fair value (loss)/gain on derivatives	(735)	306
Other operating income	748	1,004
Total operating income	23,169	9,335
Operating expenses	(9,636)	(9,335)
Profit on ordinary activities before taxation	13,533	-
Tax on profit	-	-
Profit on ordinary activities after taxation	13,533	-

NOTES TO THE FINANCIAL STATEMENTS at 31 March 2009

8. INVESTMENTS

	Securitisation Assets Detachable 'A' Coupons £'000	Class 'C' Floating Rate Notes £'000	Total £'000
Cost			
At 1 April 2008	19,700	13,868	33,568
At 31 March 2009	19,700	13,868	33,568
Amortisation			
At 1 April 2008	8,417	-	8,417
Amortisation	2,424	-	2,424
At 31 March 2009	10,841	-	10,841
Net book value at 31 March 2009	8,859	13,868	22,727
Net book value at 31 March 2008	11,283	13,868	25,151

The ongoing weak economic environment has resulted in increased impairment losses on mortgage loans held by the SPV Company (note 7). This has impacted cash flows generated by the SPV and projections for the future. Accordingly, the Directors have performed an assessment of the recoverable value of the investment in C Notes and deferred consideration receivable (note 9). Based on this assessment, the Directors have concluded that the carrying amounts of these balances are not impaired.

9. DEBTORS

	31 March 2009 £'000	31 March 2008 £'000
Amounts falling due within one year		
Prepayments and accrued income	1,606	945
Amounts due from group companies, net	-	1,130
Accrued deferred consideration	4,893	3,702
	6,499	5,777

Whilst accrued deferred consideration from the SPV company is deemed to be payable on demand, based on the liquidity position of the SPV company at the balance sheet date, there is a likelihood that these amounts will be settled more than one year from the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS at 31 March 2009

10. CREDITORS

	31 March 2009 £'000	31 March 2008 £'000
Amounts falling due within one year		
Bank loans – repayable within one year	1,509	11,356
Amounts due to group companies, net	16,009	-
Accruals and deferred income	8,869	11,316
Corporation tax payable	2,795	6,318
	<u>29,182</u>	<u>28,990</u>
Amounts falling due after more than one year		
Bank loans – repayable within five years	<u>-</u>	<u>1,893</u>

The Company has a bank loan of £1,509,000 (2008: £13,249,000) which was renegotiated in the current year and is repayable on 28 February 2011. The loan includes interest at a floating rate of LIBOR plus 1.3%. The loan is secured by fixed and floating charges over the investment in DAC's and cash flows from MERC's and RC's.

11. CALLED UP SHARE CAPITAL

	31 March 2009 £	31 March 2008 £
Authorised:		
10,000 Ordinary shares of £1 each	<u>100</u>	<u>100</u>
Allotted and called up:		
100 Ordinary share of £1	<u>1</u>	<u>1</u>

12. PROFIT AND LOSS ACCOUNT

	31 March 2009 £'000	31 March 2008 £'000
Balance at the beginning of the year	44	(2,846)
Profit for the year	<u>-</u>	<u>2,890</u>
Balance at end of the year	<u>44</u>	<u>44</u>

NOTES TO THE FINANCIAL STATEMENTS at 31 March 2009

13. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	31 March 2009 £'000	31 March 2008 £'000
Opening shareholders' funds	44	(2,846)
Profit for the year	-	2,890
Closing shareholders' funds	<u>44</u>	<u>44</u>

14. CONTINGENT LIABILITY

The Company is party to a residual loan in which it provides collateral as do Norland DACS 16 Limited, Norland DACS 17 Limited, Norland DACS 18 Limited, Norland DACS 19, Norland DACS 20 Limited, Norland DACS 21 Limited, Norland Dacs 21 Limited, MPL DACS 1 Limited, MPL DACS 2 Limited, KMS DACS 1 Limited and other affiliated companies. These entities are guarantors under a loan facility provided by Barclays Bank plc. The aggregate amount drawn down under this facility as at 31 March 2009 was £51,776,000 (2008: £80,693,000). The facility is secured over certain of the Company's and its co-borrowers' assets (note 7). At the balance sheet date, the Directors have reviewed the performance of the affiliated companies and their capacity to meet their repayment obligations arising from this borrowing and have determined that the Company does not have a contingent liability in this regard (2008: None).

The Company has a term loan which is cross-collateralised together with Norland DACS 16 Limited, Norland DACS 17 Limited, Norland DACS 18 Limited, Norland DACS 19 Limited, Norland DACS 20 Limited, Norland DACS 21 Limited, Norland DACS 22 Limited, MPL DACS 1 Limited, MPL DACS 2 Limited, KMS DACS 1 Limited and other affiliated companies. These entities are guarantors under a loan facility provided by Barclays Bank plc. The aggregate amount drawn down under this facility as at 31 March 2009 was £25,151,000 (2008: £58,789,000). The facility is secured over certain of the Company's and its co-borrowers' assets. At the balance sheet date, the Directors have reviewed the performance of the affiliated companies and their capacity to meet their repayment obligations arising from this borrowing and have determined that the Company does not have a contingent liability in this regard (2008: None).

15. ULTIMATE PARENT COMPANY

The Company's immediate parent company is Kensington Group Plc, a company registered in England and Wales. The ultimate parent company and controlling party is Investec plc, a company registered in England and Wales. Investec plc is the only group into which the Company's results are consolidated. Copies of the Investec plc consolidated financial statements are available to the public from that company's registered office at 2 Gresham Street, London, EC2V 7QP.