

3049877

# **KENSINGTON MORTGAGE COMPANY LIMITED**

## **Report and Financial Statements**

**31 March 2012**

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COMPANIES HOUSE

## Kensington Mortgage Company Limited

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Company Registration No 03049877

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## **OFFICERS AND PROFESSIONAL ADVISERS**

### **Directors**

K McKenna

E Morley

K Street

### **Secretary**

S Pindoria

### **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 2012

### **Principal activities and review of the business**

Kensington Mortgage Company Limited (the "Company"), is a wholly owned subsidiary of Kensington Group plc ("Kensington") whose ultimate parent company is Investec plc. The Company is authorised by the Financial Services Authority ("FSA") for the regulated activities of insurance mediation and operates as part of the group of companies owned by Kensington ("Group"). The Company's principal activity is arranging and originating mortgages and related insurance products as an undisclosed agent for other companies within the Group. The Company does not carry on any activities on its own account.

The balance sheet on page 9 of the financial statements shows the Company's financial position at the year end. Details of amounts due to and from other Group companies are disclosed in notes 6 and 7. The subordinated loans referred to in note 7 in the prior year were supplied by an associated company, Kensington Mortgages Limited, to provide the Company with the regulatory capital required by the FSA in connection with its regulated activities. During the prior year a review of regulatory capital requirements was carried out which resulted in settlement of the subordinated loans.

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. No dividend is proposed for the current year (2011 £nil).

### **Future developments**

The Directors expect the business will continue in its principal activities, described above, for the foreseeable future. The business is subject to a number of risks, described below, which could adversely affect the business in future years and the Directors will continue to monitor and manage these risks.

### **Principal risks and uncertainties**

The Company acts as an undisclosed agent when entering into mortgage loans and the individual borrowers are therefore entitled to assume that the Company is contracting as a principal. The Company is dependent on the performance of the Group companies in providing the funds for the mortgage loans and reimbursing the Company for any costs incurred in connection with their origination. The risk of non-performance is mitigated through the application of common policies, procedures and systems and controls across the Group.

Competitive pressure in the UK mortgage market, within which the Group operates, is a continuing risk for the Group's business as a whole. The current mortgage market remains challenging primarily due to the ongoing shortfall in available external funding. As a result, origination of new business ceased in late 2007. During 2010, the Company recommenced its lending activity as an agent for other group entities, the success of this is dependent on the economic climate supporting the environment for new mortgages.

Group risks are discussed in the Investec plc annual report which does not form part of this report. The balance sheet contains limited financial instruments and the company does not use derivative products. Therefore, it is the opinion of the Directors that the Company is not exposed to significant financial instruments risk.

### **FSA enforcement action**

On 12 April 2010 it was announced that the FSA had fined the Company and required it to pay restitution to customers in relation to breach of certain FSA principles. Accordingly a provision was recognised by the Company and the amount was recharged to affiliated company Kensington Mortgages Ltd ("KML"). During the prior year the fine and restitution to customers were paid and the non-utilised portion of the provision released. The amount released was reimbursed to affiliated company KML to compensate for the initial charge (refer to Note 2).

### **Corporate and social responsibilities**

The Company operates in accordance with the Group policies described in the Investec plc annual report which does not form part of this report.

## **DIRECTORS' REPORT (continued)**

### **Intercompany balances**

During the year, as part of a group initiative to streamline the group structure, the Company's intercompany loans and receivables were novated to its parent company Kensington Group plc in return for forgiveness of the intercompany loan between the Company and its parent. The novation resulted in a net debtor balance of £4,510 which was recognised as a distribution (Note 9)

### **Authorised and issued share capital**

On 22 March 2012, the Company removed the limit on its authorised share capital permanently. On 28 March 2012 the Company passed a resolution giving the Directors the power to issue £110,000 of £1 ordinary shares pursuant to section 550 of the Companies Act 2006, the £110,000 shares were acquired by the Company's parent, Kensington Group plc

### **Employees**

The Company does not have any employees. All the operations associated with the Company's activities are carried out by employees of affiliated company, Investec Bank plc

### **Directors**

The Directors who held office during the year were as follows

K McKenna  
E Morley  
K Street

The Directors remuneration for the year was £75,000 (2011 £165,000). None of the above mentioned Directors are directors of the ultimate parent company

### **Directors' Indemnity and Directors' and 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.

### **Going concern**

The financial statements have been prepared on a 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 after Balance Sheet date**

The Directors confirm that there were 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 the year ended 31 March 2012.

### **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 have not been stated as the measure is not 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 or 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.

**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**  
Company Secretary

Date 20/07/2012

## **Statement of Directors' responsibilities in respect of the financial statements**

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 judgments and accounting 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 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 Kensington Mortgage Company Limited**

We have audited the financial statements of Kensington Mortgage Company Limited for the year ended 31 March 2012 which comprise Profit and Loss Account, Balance Sheet and the related notes 1 to 10. 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 auditor's 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 auditor**

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 Director's Annual 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 2012 and of its loss 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.

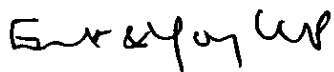


**Independent auditors' report (continued)**  
to the members of Kensington Mortgage Company Limited

**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



Angus Grant (Senior statutory auditor)  
for and on behalf of Ernst & Young LLP, Statutory Auditor  
London

Date 20 JULY 2012

**PROFIT AND LOSS ACCOUNT**  
**for the year ended 31 March 2012**

	Notes	Year ended 31 March 2012 £'000	Year ended 31 March 2011 £'000
Turnover	2	-	(1,039)
Fees payable		-	97
Administrative expenses	3	<u>(3)</u>	<u>940</u>
<b>Loss on ordinary activities before taxation</b>		(3)	(2)
Tax credit on loss on ordinary activities	4	1	-
<b>Loss on ordinary activities after taxation</b>		<u><u>(2)</u></u>	<u><u>(2)</u></u>

The transactions are derived from continuing operations

There were no recognised gains or losses during the current year and prior year other than those passed through the Profit and Loss Account. A reconciliation of the movements in equity shareholders' funds is disclosed in note 9 to the financial statements.

The notes on pages 10 to 13 form an integral part of these financial statements.

**BALANCE SHEET**  
**at 31 March 2012**

		31 March 2012	31 March 2011
	Notes	£'000	£'000
<b>Current assets</b>			
Debtors Amounts falling due within one year	6	2	232,675
Cash at bank and in hand		<u>223</u>	<u>280</u>
		225	232,955
<b>Current liabilities</b>			
Creditors amounts falling due within one year	7	<u>(5)</u>	<u>(232,838)</u>
<b>Net current assets</b>		220	117
<b>Net assets</b>		<u>220</u>	<u>117</u>
<b>Capital and reserves</b>			
Called up share capital	8	110	-
Profit and loss account	9	110	117
<b>Shareholders' funds</b>		<u>220</u>	<u>117</u>

The notes on pages 10 to 13 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



K Street  
Director

Date 20/07/2012

## Notes to the financial statements at 31 March 2012

### 1. Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements

#### Basis of preparation

The financial statements have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice and on a going concern basis

#### Turnover

The Company acts as an agent for the following mortgage lending companies

St James's Park Mortgage Funding Ltd  
Finsbury Park Mortgage Funding Ltd  
Battersea Park Mortgage Funding Ltd  
Richmond Park Mortgage Funding Ltd  
Newbury Park Mortgage Funding Ltd  
Victoria Park Mortgage Funding Ltd  
Investec Bank plc

The Company recharges its cost to the above companies as a management charge

#### Fees payable

Origination costs relating to transactions entered into on behalf of the above companies are paid by the Company and recharged to those companies and are ultimately recorded in the companies listed above. Accordingly, these transactions are disclosed in their relevant financial statements

#### Related party transactions

The Company has taken advantage of the exemption conferred by paragraph 3 (c) of Financial Reporting Standard ("FRS") 8, and therefore transactions with other group companies are not disclosed separately

#### Cash flow statement

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

#### Taxation

Current UK corporation tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date

### 2. Turnover

	Year ended 31 March 2012	Year ended 31 March 2011
	£'000	£'000
Management fees	-	(1,039)

Included in management fees in the prior year is an expense which is the reimbursement of charges to affiliated company, KML, in relation to the release of the non-utilised portion of a provision in regards to the FSA enforcement action as described in the Directors' Report

## Notes to the financial statements at 31 March 2012

### 3. Administrative expenses

	Year ended 31 March 2012 £'000	Year ended 31 March 2011 £'000
Administrative expenses	3	(940)
	<u>3</u>	<u>(940)</u>

Administrative expenses in the prior year represent the release of non-utilised portion of the provision for the FSA costs as described in the Directors' Report

Auditors remuneration for the year ended 31 March 2012 of £15,600 (2011 £13,700) was borne and paid by the parent company, Kensington Group plc. Statutory information on remuneration for other services provided by the Company's auditors to the Group is given on a consolidated basis in the consolidated financial statements of its ultimate parent company Investec plc which are publicly available

### 4. Tax on ordinary activities

	Year ended 31 March 2012 £'000	Year ended 31 March 2011 £'000
Total tax credit	(1)	-
	<u>(1)</u>	<u>-</u>

#### Factors affecting the tax charge for the year

The effective rate for the year is different from the standard rate of UK corporation tax due to the following items

	Year ended 31 March 2012 £'000	Year ended 31 March 2011 £'000
Loss before tax	<u>(3)</u>	<u>(2)</u>
Tax on ordinary activities as UK rate of 26% (2011 28%)	(1)	-
Expenses not deductible for tax purposes	-	-
UK-UK transfer pricing adjustment	-	24
Non taxable income	-	(263)
Free group relief surrendered/(received) from group companies	-	239
Total tax credit	<u>(1)</u>	<u>-</u>

## Notes to the financial statements at 31 March 2012

### 5. Information regarding Directors and employees

The Company has no employees (2011 none) The Directors remuneration for the year was £75,000 (2011 £165,000) The Directors remuneration is paid by an affiliated company Investec Bank plc

### 6. Trade and other receivables

	31 March 2012	31 March 2011
	£'000	£'000
<b>Amounts falling due within one year</b>		
Amounts due from group companies	1	232,675
Group relief receivable from fellow group companies	1	-
	<u>2</u>	<u>232,675</u>

Amounts due by group companies are interest free

### 7. Trade and other payables

	31 March 2012	31 March 2011
	£'000	£'000
<b>Amounts falling due within one year</b>		
Amounts due to parent company	-	187,596
Amounts due to group companies	5	45,037
Subordinated loans	-	205
Accruals	-	-
	<u>5</u>	<u>232,838</u>

Amounts due to parent company and other group companies are interest free

During the year, the Company's intercompany loans and receivables were novated to its parent company Kensington Group plc in return for forgiveness of the intercompany loan between the Company and its parent

The subordinated loan in the prior year was supplied by an associated company, Kensington Mortgages Limited, to provide the Company with the regulatory capital required by the FSA in connection with its regulated activities. The loan was interest free and the balance was repayable on demand. The loan was repaid by way of novating the balance to the parent company

## Notes to the financial statements at 31 March 2012

### 8. Called up share capital

	31 March 2012 £	31 March 2011 £
<b>Authorised</b>		
100 ordinary shares of £1 each	<u>Unlimited</u>	<u>100</u>
<b>Allotted and called up</b>		
1 ordinary share of £1 each	<u>110,001</u>	<u>1</u>

On 22 March 2012 the Company removed the limit on its authorised share capital permanently. On 28 March 2012 the Company passed a resolution giving the Directors the power to issue £110,000 of £1 ordinary shares pursuant to section 550 of the Companies Act 2006, the £110,000 shares were acquired by the Company's parent, Kensington Group plc.

### 9. Reconciliation of movement in shareholders' funds

	31 March 2012 £'000	31 March 2011 £'000
Loss for the year	(2)	(2)
Distribution	(5)	-
Opening shareholders' funds	117	119
Closing shareholders' funds	<u>110</u>	<u>117</u>

### 10. Ultimate parent company

The Company's immediate parent company is Kensington Group plc, and 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 Investec plc's consolidated financial statements are available from the Company's registered office at 2 Gresham Street, London, EC2V 7QP.