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KENSINGTON MORTGAGE COMPANY LIMITED

Report and Financial Statements

31 March 2010

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OFFICERS AND PROFESSIONAL ADVISERS

Directors

K McKenna
E Morley
K Street

Secretary

D Murray

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 2010

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 secured personal loans 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 8 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 5 and 6. The subordinated loans referred to in note 6 are 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.

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 (2009 £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 is challenging primarily due to the ongoing shortfall in available external funding. As a result, origination of new business ceased in late 2007. The Company recently recommenced its lending activity as agent for other group entities. At 31 March 2010, two new mortgages had been completed with plans to do more lending in the year ahead. The success of the new business is heavily dependent on the economic climate supporting the environment for new mortgage products.

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 Financial Service Authority ("FSA") had fined the Company and required it to pay restitution to customers in relation to breach of certain FSA principles. The fine has been provided for in these financial statements and is included in the accrual balance shown in Note 7.

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)

Employees

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

Directors

The Directors who held office during the year, except as noted below, were as follows

A Clapham	(resigned 26 March 2010)
K McKenna	
E Morley	(appointed 26 March 2010)
P Thomas	(deceased 24 March 2010)
K Street	

None of the above mentioned directors are directors of the ultimate parent company

Company Secretary

Kensington Secretaries Limited resigned as the Company Secretary on 17 April 2009. D Murray was appointed as Company Secretary on 17 April 2009.

Going concern

The financial statements have been prepared on a going concern basis. The Company has obtained a letter of support from its parent, Kensington Group Plc. 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 2010.

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.

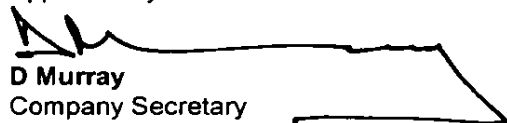
Disclosure of information to the auditors

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.

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


D Murray
Company Secretary

Date 12 JULY 2010

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 2010 which comprise the Profit and Loss Account, the 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 auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 4, 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 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.

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 2010 and of its result for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

Independent auditors' report
to the members of 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

Ernst & Young LLP

Angus Grant (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
Date 13 July 2010

PROFIT AND LOSS ACCOUNT
for the year ended 31 March 2010

	Notes	Year ended 31 March 2010 £'000	Year ended 31 March 2009 £'000
Turnover		3,022	1,327
Fees payable		(22)	(1,327)
Administrative expenses	2	<u>(3,000)</u>	<u>-</u>
Operating result	3	-	-
Tax on ordinary activities	4	-	-
Result on ordinary activities after taxation		<u><u>-</u></u>	<u><u>-</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 9 to 12 form an integral part of these financial statements.

BALANCE SHEET
at 31 March 2010

	Notes	31 March 2010 £'000	31 March 2009 £'000
Current assets			
Debtors: Amounts falling due within one year	6	189,406	186,388
Cash at bank and in hand		<u>25,142</u>	<u>25,127</u>
		214,548	211,515
Current liabilities			
Creditors: amounts falling due within one year	7	<u>(209,429)</u>	<u>(199,396)</u>
Net current assets		5,119	12,119
Liabilities			
Creditors: amounts falling due after one year	7	<u>(5,000)</u>	<u>(12,000)</u>
Net assets		<u><u>119</u></u>	<u><u>119</u></u>
Capital and reserves			
Called up share capital	8	-	-
Profit and loss account	9	119	119
Shareholders' funds		<u><u>119</u></u>	<u><u>119</u></u>

The notes on pages 9 to 12 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 McKenna
Director

Date 12/07/2010

**Notes to the financial statements
at 31 March 2010**

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. The Company has obtained a letter of support from its parent, Kensington Group Plc

Turnover

The Company acts as agent for the following mortgage lending companies, all of which are 100% owned by Kensington Group Plc

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 Plc
Wimbledon Park Mortgage Funding Ltd

The Company recharges its net 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. Consequently, the Company reports neither a profit nor a loss

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. Administrative expenses

	Year ended 31 March 2010 £'000	Year ended 31 March 2009 £'000
Administrative expenses	3,000	-
	<u>3,000</u>	<u>-</u>

Administrative expenses represent provision for the FSA fine as described in Directors' report

Notes to the financial statements at 31 March 2010

3. Operating result

	Year ended 31 March 2010 £'000	Year ended 31 March 2009 £'000
The operating result is arrived at after crediting Management charge receivable	3,022	1,327
	<u>3,022</u>	<u>1,327</u>

Auditors remuneration for the year ended 31 March 2010 was £12,500 (2009 £5,500) Auditor's remuneration is 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 2010 £'000	Year ended 31 March 2009 £'000
Total tax charge	-	-
	<u>-</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 2010 £'000	Year ended 31 March 2009 £'000
Profit/(loss) before tax	-	-
Tax on ordinary activities as UK rate of 28% (2009 28%)	-	-
Expenses not deductible for tax purposes	840	-
UK-UK transfer pricing adjustment	7	-
Free group relief from group companies	(847)	-
Total tax charge	<u>-</u>	<u>-</u>

Notes to the financial statements at 31 March 2010

5. Information regarding Directors and employees

The Company has no employees (2009 none) The Directors received no remuneration from the Company in the current and the prior year

6. Debtors

	31 March 2010 £'000	31 March 2009 £'000
Amounts falling due within one year		
Amounts due from group companies, net	<u>189,406</u>	<u>186,388</u>

Amounts due from group companies are interest free

Intercompany debtors and creditors have been presented on a net basis in the financial statements as there exists a legal right of offset and 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

7. Creditors

	31 March 2010 £'000	31 March 2009 £'000
Amounts falling due within one year		
Amounts due to parent company	186,417	186,385
Subordinated loans	20,000	13,000
Accruals	3,012	11
	<u>209,429</u>	<u>199,396</u>

Amounts falling due after more than one year

Subordinated loans	<u>5,000</u>	<u>12,000</u>
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Amounts due to parent company are interest free

The subordinated loan is 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 is interest free and the balance is repayable in instalments over a period of one to two years until 26 November 2011

The accrual balance includes a provision for the FSA fine as described in Directors' report

**Notes to the financial statements
at 31 March 2010**

8. Called up share capital

	31 March 2010 £	31 March 2009 £
Authorised		
100 ordinary shares of £1 each	<u>100</u>	<u>100</u>
Allotted and called up		
1 ordinary share of £1 each	<u>1</u>	<u>1</u>

9 Reconciliation of movement in shareholders' funds

	31 March 2010 £'000	31 March 2009 £'000
Result for the year	-	-
Opening shareholders' funds	119	119
Closing shareholders' funds	<u>119</u>	<u>119</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.