

KENSINGTON MORTGAGE COMPANY LIMITED

Report and Financial Statements

31 March 2014



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OFFICERS AND PROFESSIONAL ADVISERS

Directors

K McKenna
E Morley
K Street
M Francis (appointed 8 November 2013)

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 2014.

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 Conduct Authority (the "FCA") for the regulated activities of insurance mediation and operates as part of the group of companies owned by Kensington (the "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 profit for the year, after taxation, amounted to £278,000 (2013: £232,000). 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 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 (2013: £nil).

Future developments

Investec plc is exploring a potential sale of Kensington, having received certain expressions of interest. Investec plc has appointed Fenchurch Advisory as its adviser to conduct this process. There can be no certainty that the sale will take place. The sale is at the early stage in the process and Investec plc expects to provide further information in this regard in the second quarter of this fiscal year.

The Directors expect the business will continue in its principal activities described above for the foreseeable future and will ensure that the clients will continue to be serviced on a business as usual basis.

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 Company recommenced its lending activity as an agent on behalf of the wider Investec group, 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.

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.

Employees

The Company does not have any employees (2013: none). 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 and up to the date of the financial statements, except as noted below, were as follows:

K McKenna

E Morley

K Street

M Francis (appointed 8 November 2013)

The Directors remuneration for the year was £85,400 (2013: £75,000). None of the above mentioned directors are directors of the ultimate parent company, or had beneficial interests in the share capital of the Company during the year ended 31 March 2014. There are no directors interests requiring disclosure under Companies Act 2006.

Company Secretary

S Pindoria continued to act as the company secretary for the year ended 31 March 2014.

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 2014.

DIRECTORS' REPORT (continued)

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.

Directors' statement as to the 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 Company'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.

Strategic report

In accordance with section 414B of the companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013, the Company has taken the exemption not to prepare a strategic report as the company qualifies as a small company in accordance with section 382(2) and 382(3) of the Companies Act 2006. In the current year, the Company's turnover was not more than £5,600,000, balance sheet total was not more than £2,800,000 and the number of employees was not more than 50.

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 on 22/7/14 2014. Signed on behalf of the Board.

K Street
Director

Date: 22/7/14

STATEMENT OF DIRECTORS'S 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 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 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 MEMBER OF KENSINGTON MORTGAGE COMPANY LIMITED**

We have audited the financial statements of Kensington Mortgage Company Limited for the year ended 31 March 2014 which comprise Profit and Loss Account, Balance Sheet and the related notes 1 to 11. 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 member, 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 member 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 member 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 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 Report and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 2014 and of its profit 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 MEMBER OF KENSINGTON MORTGAGE COMPANY LIMITED (continued)**

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; or
- the directors are not entitled to take advantage of the small companies exemption in the preparing the directors' report.

Ernst & Young LLP

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

Date: 25th July 2014

PROFIT AND LOSS ACCOUNT
for the year ended 31 March 2014

	Notes	Year ended 31 March 2014	Year ended 31 March 2013
Turnover	2	1,153	961
Administrative expenses		(792)	(655)
Profit on ordinary activities before taxation	3	361	306
Tax charge on profit on ordinary activities	4	(83)	(74)
Profit on ordinary activities after taxation		<u>278</u>	<u>232</u>

The transactions in the current year and in the prior year were derived from continuing operations.

There were no recognised gains or losses during the current year and in the prior year other than those passed through the Profit and Loss Account. A reconciliation of the movements in equity shareholder's funds is disclosed in Note 10 to the financial statements.

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

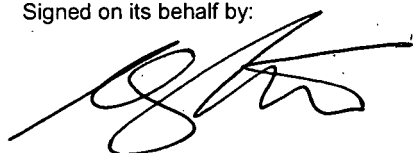
BALANCE SHEET
at 31 March 2014

	Notes	31 March 2014 £'000	31 March 2013 £'000
Current assets			
Debtors: Amounts falling due within one year	6	285	305
Cash at bank and in hand		<u>883</u>	<u>470</u>
		1,168	775
Current liabilities			
Creditors: Amounts falling due within one year	7	<u>(438)</u>	<u>(323)</u>
Net current assets		730	452
Net assets		<u>730</u>	<u>452</u>
Capital and reserves			
Called up share capital	8	110	110
Profit and loss account	9	620	342
Shareholder's funds	10	<u>730</u>	<u>452</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 on 22/7 2014.

Signed on its behalf by:



K Street
Director

Date: 22/7/14

NOTES TO THE FINANCIAL STATEMENTS at 31 March 2014

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

Turnover

The Company acts as a mortgage administrator for the following companies:

- Gemgarto 2012-1 plc
- Residential Mortgage Securities 26 plc

The Company recharges its cost to the above companies as a mortgage administration fee. Turnover is recognised on an accrual basis.

Related party transactions

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

Cash flow statement

Under FRS 1 "Cash flow Statement (Revised)", the Company is exempt from the requirement to prepare a cash flow statement on the grounds it is a wholly owned subsidiary undertaking which is included in publicly available consolidated financial statements prepared by the ultimate parent undertaking.

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

Turnover was derived from principal activity of the Company and arose solely in the United Kingdom.

	Year ended 31 March 2014 £'000	Year ended 31 March 2013 £'000
Mortgage administration fees	1,153	961

3 Profit on ordinary activities before taxation

Auditors' remuneration for the year ended 31 March 2014 of £17,970 (2013: £16,400) 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. There are no non-audit services specific to this Company.

**NOTES TO THE FINANCIAL STATEMENTS
at 31 March 2014**
4 Tax on profit on ordinary activities

	Year ended 31 March 2014 £'000	Year ended 31 March 2013 £'000
Current tax		
UK Corporation tax charge at 23% (2013: 24%)	83	74
	<u>83</u>	<u>74</u>

The effective tax rate for the current year and in the prior year is the same as the standard rate of UK corporation tax and therefore no tax reconciliation is required.

5 Information regarding Directors and employees

The Company has no employees (2013: none). The Directors remuneration for the year was £85,400 (2013: £75,000). The Directors remuneration is paid by an affiliated company Investec Bank plc.

6 Debtors

	31 March 2014 £'000	31 March 2013 £'000
Amounts falling due within one year		
Amounts due from group companies	284	151
Other debtors	-	153
Group relief receivable from fellow group	1	1
	<u>285</u>	<u>305</u>

Amounts due from group companies are interest free and repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS
at 31 March 2014
7 Creditors

	31 March 2014 £'000	31 March 2013 £'000
Amounts falling due within one year		
Amounts due to parent company	-	66
Amounts due to group companies	131	9
Group relief payable to fellow group companies	157	74
Trade creditors	59	107
Accruals	91	67
	<u>438</u>	<u>323</u>

Amounts due to parent company and other group companies are interest free and repayable on demand.

8 Called up share capital

	31 March 2014 £	31 March 2013 £
Authorised		
Ordinary shares of £1 each	<u>Unlimited</u>	<u>Unlimited</u>
Allotted and called up		
1 (2013: 1) ordinary share of £1 each fully paid	<u>110,001</u>	<u>110,001</u>

9 Profit and loss account

	31 March 2014 £'000	31 March 2013 £'000
Retained profit brought forward	342	110
Profit for the year	<u>278</u>	<u>232</u>
Retained profit carried forward	<u>620</u>	<u>342</u>

**NOTES TO THE FINANCIAL STATEMENTS
at 31 March 2014****10 Reconciliation of movement in shareholder's funds**

	31 March 2014 £'000	31 March 2013 £'000
Profit for the year	278	232
Opening shareholder's funds	<u>452</u>	<u>220</u>
Closing shareholder's funds	<u>730</u>	<u>452</u>

11 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 Investec plc's consolidated financial statements are available from the Company's registered office at 2 Gresham Street, London, EC2V 7QP.