

# **FINSBURY PARK MORTGAGE FUNDING LIMITED**

**Report and Financial Statements**  
**31 March 2013**

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FINSBURY PARK MORTGAGE FUNDING LIMITED

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Company Registration No 03437350

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**OFFICERS AND PROFESSIONAL ADVISERS**

**Directors**

D Lloyd  
K McKenna  
K Street

**Secretary**

S Pindoria  
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 2013

### **BUSINESS REVIEW AND PRINCIPAL ACTIVITY**

Finsbury Park Mortgage Funding 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"), which is a wholly owned subsidiary of Investec plc (the "ultimate parent company"). The Company's principal activity is the provision of funding for mortgage loans secured by first or second charges over residential properties in the United Kingdom and their subsequent securitisation or sale. The mortgage loans are made by its agent Kensington Mortgage Company Limited, which is also a wholly owned subsidiary of Kensington. The mortgage loans are periodically sold into securitisation transactions or whole loan sales arranged by Kensington.

The results for the year are shown in the Profit and Loss account on page 8. The Directors do not recommend payment of a dividend (2012 £26,525,000).

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.

### **FUTURE BUSINESS DEVELOPMENTS**

In September 2007, the Company ceased originating new mortgages and is currently not engaged in its principal activity. The Directors are closely monitoring the situation and do not expect mortgage origination to recommence in the foreseeable future.

### **PRINCIPAL RISKS AND UNCERTAINTIES**

Competitive pressure in the UK non-conforming mortgage market, within which the Group operates, is a continuing risk for Group's business as a whole. The current UK mortgage market continues to be challenging.

Group wide risks are discussed in the Investec plc annual report, which does not form part of this report.

#### **Financial instrument risks**

The Company's financial instruments comprise of short term lending, cash and various items, such as trade debtors and trade creditors that arise directly from its operations. The purpose of these financial instruments is to provide the Company working capital. The main risks associated with the Company's financial instruments are liquidity risk and credit risk.

#### **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. Kensington's management constantly monitor and manage the Company's ongoing cash flow requirements.

#### **Credit risk**

Credit risk is the risk that the Company's customers or counterparties fail to discharge contractual obligations and the Company incurs a loss after realising any collateral. Credit risk predominantly arises where the Company makes a mortgage loan, however it also exists when the Company deposits cash or enters into a derivative or intercompany contract. The Company has established a credit quality review process prior to making a loan and for ongoing monitoring of existing exposures to assess any potential loss and take appropriate corrective action. All mortgage loans are secured on residential property. The Company places strong emphasis on the market value of residential properties and a borrower's ability to service the loan payments.

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

### **GOING CONCERN**

The financial statements have been prepared on the 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 OCCURRING AFTER THE BALANCE SHEET DATE**

The Directors confirm that there were no significant events 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 2013.

### **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 (2012 Nil). All the operations associated with the Company's activities are carried out by the employees of an affiliate company Investec Bank plc.

### **DIRECTORS**

The Directors who served throughout the year are as follows:

D Lloyd

K McKenna

K Street

None of the above mentioned Directors is a Director of the ultimate parent company.

### **COMPANY SECRETARY**

Shilla Pindoria continued to serve as Company Secretary for the year ended 31 March 2013.

### **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 figure has not been stated as the measure is not considered appropriate to the business.

### **DIRECTORS' INDEMNITY AND DIRECTORS' & 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.

### **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.

**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



D Lloyd

Director

Date

23/9/13

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

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 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.

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

We have audited the financial statements of Finsbury Park Mortgage Funding Limited for the year ended 31 March 2013 which comprise Profit and Loss Account, Balance Sheet and the related notes 1 to 13. 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 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**

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. 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 2013 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.



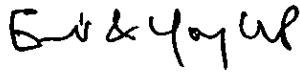
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**INDEPENDENT AUDITORS' REPORT  
TO THE MEMBERS OF FINSBURY PARK MORTGAGE FUNDING LIMITED**

**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 23/9/13

**PROFIT AND LOSS ACCOUNT**  
**For the year ended 31 March 2013**

	Notes	Year ended 31 March 2013 £'000	Year ended 31 March 2012 £'000
Profit on sale of mortgages	2	2,193	4,895
Other operating income	3	<u>3</u>	<u>1</u>
<b>TOTAL OPERATING INCOME</b>		2,196	4,896
Operating expenses		<u>(764)</u>	<u>(768)</u>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	4	1,432	4,128
Taxation credit	6	<u>183</u>	<u>199</u>
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>	11	<u><u>1,615</u></u>	<u><u>4,327</u></u>

The profit for the current year and in the prior year were derived from continuing operations

There were no recognised gains or losses other than the profit for the current year. A reconciliation of movement in shareholders' funds has been prepared in note 11 to the financial statements

The notes on pages 10 to 15 form an integral part of these financial statements

Company Registration No 03437350

**BALANCE SHEET**  
**at 31 March 2013**

	Notes	31 March 2013 £'000	31 March 2012 £'000
<b>CURRENT ASSETS</b>			
Debtors			
Amounts falling due after one year	7	484	1,210
Amounts falling due within one year	8	15,567	22,374
Cash at bank and in hand		27	35
<b>TOTAL ASSETS</b>		<b>16,078</b>	<b>23,619</b>
Creditors			
Amounts falling due within one year	9	(492)	(9,648)
<b>NET ASSETS</b>		<b>15,586</b>	<b>13,971</b>
<b>Capital and reserves</b>			
Called up share capital	10	-	-
Profit and loss account	11	15,586	13,971
<b>SHAREHOLDERS' FUNDS</b>	11	<b>15,586</b>	<b>13,971</b>

The notes on pages 10 to 15 form an integral part of these financial statements

These financial statements were approved by the Board of Directors and signed on its behalf by



D Lloyd

Director

Date

23/9/13

**NOTES TO THE FINANCIAL STATEMENTS**  
**at 31 March 2013**

**1 ACCOUNTING POLICIES**

**Basis of preparation**

The financial statements are prepared in accordance with applicable United Kingdom law and Generally Accepted Accounting Practice. The accounting policies adopted are described below.

**Accounting convention**

The financial statements are prepared on a going concern basis under the historical cost convention. Due to the fact that the nature of the business is to earn interest on mortgage loans, the Directors are of the opinion that it is more appropriate to use Profit on sale of mortgages rather than Turnover in presenting the Profit and Loss account. All revenue is earned in the UK.

**Profit on sale of mortgages**

The profit on sale of mortgages is recognised immediately in the Profit and Loss account and represents the excess of the consideration received over the book value of the mortgages, less the direct costs of origination and direct transaction costs. These are presented separately as:

**Deferred consideration**

The Company accrues for surplus income generated by assets sold by the Company to other Group entities that are now held by securitised vehicles and treats it as an intercompany receivable within Debtors. The payment of this amount is conditional on the performance of the sold mortgages, and the amount is settled to the extent that surplus cash is available to the Group entities.

**Deferred application fee**

Application fee income is capitalised as deferred income and released over the expected average life of the mortgages. The expected average life of the mortgage is periodically assessed and adjusted to bring it in line with actual behaviour.

**Deferred origination costs**

The external variable costs incurred in originating mortgages are capitalised within debtors and written off over the expected average life of the mortgages. The expected average life of the mortgage is periodically assessed and adjusted to bring it in line with actual behaviour.

**NOTES TO THE FINANCIAL STATEMENTS**

at 31 March 2013

**1 ACCOUNTING POLICIES (CONTINUED)****Taxation**

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that have occurred at that date that will result in an obligation to pay more, or a right to pay less tax with the following exceptions

Deferred tax assets are recognised only to the extent that the Directors consider it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in years in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date

**Related party transactions**

The Company has taken advantage of the exemption conferred by paragraph 3 (c) of Financial Reporting Standard (FRS) 8, not to disclose transactions with related parties

**Cash flow statement**

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

**2 PROFIT ON SALE OF MORTGAGES**

	Year ended 31 March 2013 £'000	Year ended 31 March 2012 £'000
Deferred consideration from group companies	2,193	4,895
	<u>2,193</u>	<u>4,895</u>

**3 OTHER OPERATING INCOME**

	Year ended 31 March 2013 £'000	Year ended 31 March 2012 £'000
Completion fees	2	2
Other fees	1	(1)
	<u>3</u>	<u>1</u>

Completion fees in the current and in the prior year represent amortisation of fees deferred in prior periods

Company Registration No 03437350

## NOTES TO THE FINANCIAL STATEMENTS

at 31 March 2013

### 4. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit on ordinary activities before taxation is stated after charging

	Year ended 31 March 2013 £'000	Year ended 31 March 2012 £'000
Amortisation of origination costs	726	726
Auditors' remuneration - for audit services (*)	10	8

\*Statutory information on remuneration for other services provided by the Company's auditors to the Investec group is given in the statutory accounts of Investec plc, which is the largest group into which the results of the Company are consolidated. There are no non-audit services specific to the Company.

### 5. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

The Company has no employees (2012: none). The Directors' remuneration for the year was £6,000 (2012: £6,167). The Directors' remuneration is paid by an affiliate company Investec Bank plc.

### 6. TAXATION

#### (a) Analysis of the tax credit for the year

	Year ended 31 March 2013 £'000	Year ended 31 March 2012 £'000
<b>Current tax</b>		
Corporation tax credit at 24% (2012: 26%) based on the taxable profit for the year	(183)	(199)

#### (b) Factors affecting the tax credit 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 2013 £'000	Year ended 31 March 2012 £'000
Profit on ordinary activities before tax	1,432	4,128
Tax on ordinary activities at standard UK corporation tax rate of 24% (2012: 26%)	344	1,073
Effects of income not taxable	(527)	(1,272)
Current tax credit for the year	(183)	(199)

**NOTES TO THE FINANCIAL STATEMENTS**

at 31 March 2013

**6 TAXATION (CONTINUED)**

Group relief receivable of £183,000 (2012 £199,000) during the current period has been recognised in debtors since management expects that there will be sufficient taxable profits within the group to absorb the tax losses of the Company

**7 DEBTORS AMOUNTS FALLING DUE AFTER ONE YEAR**

	31 March 2013 £'000	31 March 2012 £'000
Unamortised deferred origination costs	484	1,210

**8 DEBTORS AMOUNTS FALLING DUE WITHIN ONE YEAR**

	31 March 2013 £'000	31 March 2012 £'000
Unamortised deferred origination costs and prepayments	726	726
Amounts due from other group companies	1	1,023
Accrued deferred consideration	14,274	20,242
Group relief receivable from fellow group companies	566	383
	15,567	22,374

Unamortised deferred origination costs and prepayments represents the amount expected to be amortised in the next 12 months

Whilst accrued deferred consideration from the DACS companies is deemed to be repayable on demand, based on the liquidity position of the DACS companies at the balance sheet date, there is likelihood that these amounts will be settled after one year from the balance sheet date

The Directors have assessed the value of the deferred consideration receivable and have determined that the full £14,274,000 (2012 £20,242,000) is recoverable

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

**NOTES TO THE FINANCIAL STATEMENTS**

at 31 March 2013

**9 CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR**

	31 March 2013 £'000	31 March 2012 £'000
Amounts due to other group companies	192	9,339
Accruals and deferred income	124	125
Other creditors	176	184
	<u>492</u>	<u>9,648</u>

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

**10 CALLED UP SHARE CAPITAL**

	31 March 2013 £	31 March 2012 £
<b>Authorised</b>		
100 Ordinary shares of £1 each	100	100
	<u>          </u>	<u>          </u>
<b>Called up, allotted and fully paid</b>		
1 Ordinary share of £1	<u>1</u>	<u>1</u>

**11 RECONCILIATION OF MOVEMENTS IN PROFIT AND LOSS ACCOUNT AND SHAREHOLDERS' FUNDS**

	31 March 2013 £'000	31 March 2012 £'000
Opening profit and loss account	13,971	36,169
Profit for the financial year	1,615	4,327
Dividends paid	-	(26,525)
Closing profit and loss account	<u>15,586</u>	<u>13,971</u>
Opening/ closing called up share capital	-	-
Closing shareholders' funds	<u>15,586</u>	<u>13,971</u>

The Company has no financial assets or liabilities, other than short term debtors and creditors and immaterial amounts of cash



**NOTES TO THE FINANCIAL STATEMENTS**

at 31 March 2013

**12 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 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.

**13. ULTIMATE PARENT COMPANY**

The Company's immediate parent is Kensington Group plc and the ultimate parent company and controlling party is Investec plc, a company incorporated in the UK and registered in England and Wales, which is the smallest and largest company into which the Company is consolidated. Copies of Investec plc's consolidated financial statements are available to the public and may be obtained from Investec plc at 2 Gresham Street, London, EC2V 7QP.