Registered number: 06493089

Residential Mortgage Securities 23 plc

Reports and audited financial statements for the year ended 31 March 2019

Residential Mortgage Securities 23 plc

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Residential Mortgage Securities 23 plc

Company information

Directors	S P Martin Apex Trust Corporate Limited (formerly known as Link Trust Corporate Limited) Apex Corporate Services (UK) Limited (formerly known as Link Corporate Services Limited)
Company secretary	Apex Trust Corporate Limited (formerly known as Link Trust Corporate Limited)
Registered office	125 Wood Street London EC2V 7AN
Independent auditor	KPMG LLP 1 Sovereign Square Sovereign Street Leeds LS1 4DA
Registered number	06493089
Note trustee	Apex Corporate Trustees (UK) Limited (formerly known as Link Corporate Trustees (UK) Limited) 6th Floor 125 Wood Street London EC2V 7AN

Residential Mortgage Securities 23 plc

Strategic report
for the year ended 31 March 2019

The directors present their strategic report on Residential Mortgage Securities 23 plc (the "Company" or "Issuer") for the year ended 31 March 2019.

Principal activities

The Company, a public company limited by shares was incorporated on 4 February 2008 in England, United Kingdom and is registered in England and Wales under the Companies Act 2006. The Company is a special purpose vehicle which acts as an issuer in a residential mortgage backed securitisation transaction. The principal activity of the Company is the investment in a mortgage portfolio secured by first charges over properties within the United Kingdom.

On 6 May 2009, the Company purchased £264,668,000 of mortgage assets from Investec Bank plc ("IBP"). Further consideration in the form of deferred consideration may be payable to the beneficial owners of the mortgages dependent on their future performance. To facilitate the purchase, the Company issued a series of loan notes on 10 June 2009. These loan notes are issued on Euronext Dublin and are due in 2034 and 2041.

During the year Investec Bank Plc sold the mortgage backed notes and their rights to deferred consideration. The Company's financial instruments from the sale date are no longer consolidated into the financial statements of the Seller and a deemed loan is no longer recognised on the Company's statement of financial position. As a consequence of this the Company recognises the actual portfolios of mortgage loans. Mortgage assets have been initially recognised in the financial statements at their fair value in line with the Company's accounting policy detailed in note 2.6.

The mortgage servicing, cash bond administration and accounting services are provided by *Kensington Mortgage Company Limited, a third party.*

Business review

The results for the year ended 31 March 2019 are set out on page 16. Both the level of business during the year and the financial position of the Company at the end of the year were satisfactory given the nature of the Company and its limited recourse liability.

At the year end, the mortgage assets balance after the effective interest rate adjustment, specific provisions and unamortised discounts and premiums on acquisition was £119,309,000 (2018: £129,018,000) on 970 mortgages. The estimated weighted average remaining life of the mortgage assets is 6.9 years (2018: 7.3 years).

After considering property values, anticipated bad debts and future income associated with the mortgage assets, over and above the principal figure shown above, the directors consider the mortgage assets together with the other related assets of the Company such as cash, to be adequate collateral against the mortgage backed loan notes in issue. The weighted average funding costs are 1.49% (2018: 1.41%) above LIBOR and the weighted average interest on mortgage assets is 3.82% (2018: 3.55%).

At year end the Company held the following principal balances of mortgage assets.

	2019 Principal balance £'000	**2019 Number of loans**	2018 Principal balance £'000	2018 Number of loans
First charge mortgages	118,982	970	128,972	1,045
	118,982	970	128,972	1,045

Residential Mortgage Securities 23 plc

Strategic report
for the year ended 31 March 2019

These mortgages provide security against loan notes in issue totalling £107,182,000 (2018: £129,508,000) as at the year end excluding accrued interest.

The directors have concluded that the Company will continue on a basis other than going concern and set out the basis for this conclusion in the going concern section of the directors' report.

Key performance indicators

The key performance indicator of the Company is the quarterly arrears profile of the mortgage assets:

	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19
Delinquencies days	%	%	%	%	%
Current	90.57	89.82	87.12	87.42	88.12
>30<=60	2.48	2.71	5.07	3.22	3.70
>60<=90	1.42	1.73	1.47	2.89	1.53
>90<=120	0.62	1.05	0.68	0.90	1.14
>120	4.91	4.69	5.66	5.57	5.51
Total	100.00	100.00	100.00	100.00	100.00

The value of mortgages in repossession at the year end is £306,000 (2018: £319,000).

A monthly accrual is made in the statement of comprehensive income for deferred consideration that will ultimately become payable. Under the terms of the waterfall payments, any deferred consideration would only be paid when there are sufficient revenue funds available and all other liabilities in the waterfall have been satisfied. Cash flow projections have been prepared to determine the extent to which deferred consideration will be payable. Based on these projections, the directors have determined that £15,983,000 (2018: £7,310,000) consideration was payable at the year end.

Principal risks and uncertainties

Financial instrument risk

The financial instruments held by the Company comprise mortgage assets, borrowings, cash and various other items (such as other debtors and other creditors) that arise directly from its operations.

It is, and has been throughout the year under review, the Company's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Company's financial instruments are credit risk, liquidity risk, interest rate risk and operational risk. The directors review and agree policies for managing each of these risks and they are summarised below.

(a) Credit risk

Credit risk is the risk that borrowers will not be able to meet their obligations as they fall due. All mortgage assets were required to adhere to specific lending criteria. The ongoing credit risk of the mortgage portfolio (and particularly in respect of accounts in arrears) is closely monitored through an assessment of each customer and the prevailing macroeconomic environment. Probability of default of the customer and the loss given default is calculated and impairment provisions raised where necessary. The mortgage portfolio is recognised as collateralised non-recourse mortgage loans as explained in note 2.

The directors continue to closely monitor the economic landscape to ensure the Company is best placed to respond to any pressures that may impact portfolio performance and proactively consider strategies to mitigate any adverse portfolio impact should these pressures occur.

Residential Mortgage Securities 23 plc

Strategic report
for the year ended 31 March 2019

(b) Liquidity risk

The Company's policy is to manage liquidity risk by matching the timing of the cash receipts from mortgage assets with those of the cash payments due on the loan notes. In addition the Company holds a minimum cash balance to manage short term liquidity requirements.

(c) Interest rate risk

Interest rate risk exists where assets and liabilities have interest rates set under different bases or which reset at different times. The Company minimises its exposure to interest rate risk by ensuring that the interest rate characteristics of its assets and liabilities are similar.

(d) Operational risk

Operational risk is defined as any instance where there is potential or actual impact to the Company resulting from inadequate or failed internal processes, people, systems, or from external events. The impacts can be financial as well as non-financial such as customer detriment, reputational or regulatory consequences.

The Company operates under a controls and governance framework provided by the servicer of the mortgage assets. This includes regulatory and compliance functions and internal audit. The business is covered by the servicer's business continuity management capability.

Future business developments and strategy

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

The business is subject to a number of risks under the principal risks and uncertainties section, which could adversely affect the business in future years, and the directors will continue to monitor and manage those risks.

The continued lack of clarity on Brexit, or more specifically the ongoing relationship of the UK with the EU after the revised deadline of 31 October 2019, results in a high degree of uncertainty in the financial markets. This could lead to a change in the behavioural characteristics of the mortgage assets including default expectations and the unwind period of the EIR adjustments. To the extent that the impact of this unprecedented situation can be predicted, changes in these behavioural characteristics have been reflected in the cash flow models which underpin the expected default and EIR adjustments as at 31 March 2019.

To date, there have been no matters that warrant adjustment to the Company's financial results as at 31 March 2019 and for the year then ended.

This report was approved by the Board on 30 September 2019 and signed on its behalf by:

Colin Arthur Benford

Per pro Apex Trust Corporate Limited
As Director
Date: 30 September 2019

Residential Mortgage Securities 23 plc

Directors' report
for the year ended 31 March 2019

The directors present their report together with the audited financial statements of the Company for the year ended 31 March 2019.

Results and dividends

The profit for the year, after taxation, amounted to £4,000 (2018: profit of £4,000).

The directors do not recommend the payment of a dividend (2018: nil).

Future developments

An assessment of the Company's future developments is described in the strategic report under the future business developments and strategy section.

Financial instruments

An assessment of the Company's financial instruments is described in the strategic report under the principal risks and uncertainties section.

Directors

The directors who held office during the year and up to the date of the approval of the financial statements, except as noted, are given below:

S P Martin
Apex Trust Corporate Limited (formerly known as Link Trust Corporate Limited)
Apex Corporate Services (UK) Limited (formerly known as Link Corporate Services Limited)

None of the above directors have any interest in the shares of the Company. There are no directors' interests requiring disclosure under the Companies Act 2006.

Company secretary

Apex Trust Corporate Limited (formerly known as Link Trust Corporate Limited) continued to act as company secretary for the year ended 31 March 2019 and up to the date of signing the financial statements.

Going concern

The Company has reported a profit before taxation for the current year and is in a net asset position as at 31 March 2019.

A call option exists over the loan notes which may be exercised at the sole discretion of the Issuer (with the approval of the Trustee) after 16 June 2009.

As at 31 March 2019, the Company holds £119,309,000 of mortgage assets, £3,243,000 of cash and £107,182,000 of loan notes payable. The directors are confident that the Company will continue to meet its liabilities as they fall due, however the notes are past their first optional redemption date on 16 June 2009, and at the date of signing these financial statements the directors believe it to be more likely than not that the issuer will exercise its option within the next 12 months such that the structure will be called and its assets will be refinanced to realise funds to repay the notes.

When the refinancing occurs, the notes will be paid off using the proceeds of the refinance and the Company will cease trading. As a result, the financial statements have been prepared on a basis other than going concern but no adjustment was required to the statement of financial position or statement of comprehensive income.

Post balance sheet date events

To date, there have been no matters that warrant adjustment to the Company's financial results as at 31 March 2019 and for the year then ended.

Principal risks and uncertainties

The business is subject to a number of risks, described in the strategic report under the principal risks and uncertainties section, which could adversely affect the business in future years and the directors will continue to monitor and manage those risks.

Fair value

Note 17 discloses the fair values of the mortgage assets and loan notes. The directors noted that as at 31 March 2019 the respective fair values of the mortgage assets were lower than and loan notes were higher than the carrying values recorded in the statement of financial position.

As no liquid market exists for either the mortgage assets or loan notes, the directors have ascribed an approximate fair value based on an internal discounted cash flow model that is used to value non-securitised mortgage loan receivables. This model takes into account expected prepayment rates, arrears levels, house price movements, level of repossessions, losses and discount rates based on the most recent available information.

Corporate governance

The directors have been charged with governance in accordance with the transaction documents describing the structure and operation of the Company. The governance structure of the Company is such that the key policies have been predetermined at the time of the transaction documents issuance and the operational roles have been assigned to third parties with their roles strictly governed by the transaction documents.

The transaction documents provide for procedures that have been designed for safeguarding assets against unauthorised use or disposition, for maintaining proper accounting records, and for the reliability and usefulness of financial information used within the business or for publication. Such procedures are designed to manage, rather than eliminate the risk of failure to achieve business objectives, whilst enabling them to comply with the regulatory obligations.

Due to the nature of the securities which have been issued on Euronext Dublin, the directors are satisfied that there is no requirement to publish a corporate governance statement and that the Company is largely exempt from the requirements of the Irish Corporate Governance Annex and the provisions of the UK Corporate Governance Code do not apply to the Company.

Employees

The Company does not have any employees (2018: none). Primary and Special servicing of the mortgage assets and cash bond administration is carried out by Kensington Mortgage Company Limited, a third party.

Issued capital and capital contribution

Details of the share capital are set out in note 18 to the financial statements. The issued share capital consists of £12,502 comprising 50,000 ordinary shares of £1 each with 2 ordinary shares being fully paid and 49,998 ordinary shares being quarter paid up.

Residential Mortgage Securities 23 plc

Directors' report
for the year ended 31 March 2019

Qualifying third party indemnity provisions

Qualifying third party indemnity provisions for the benefit of the directors, in accordance with section 234 of the Companies Act 2006, were in force during the year under review and remain force as at the date of approval of the strategic report, directors' report and financial statements.

Disclosure of information to the auditor

Each of the persons who are directors at the time when this directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware, and

- the director has taken all the steps that ought to have been taken to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418(2) of the Companies Act 2006.

Auditor

The auditor, KPMG LLP, has indicated its willingness to continue in office and pursuant to section 489 of the Companies Act 2006, a resolution concerning its re-appointment will be considered at the next board meeting.

This report was approved by the Board on 30 September 2019 and signed on its behalf by:

Colin Arthur Benford

Per pro Apex Trust Corporate Limited
As Director
Date: 30 September 2019

Residential Mortgage Securities 23 plc

Statement of directors' responsibilities in respect of the Annual Report and the Financial Statements

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 they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

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 its profit or loss for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so (as explained in note 2.1.1, the directors do not believe it is appropriate to prepare these financial statements on a going concern basis).

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 its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a Strategic Report and Directors' Report that complies with that law and those regulations.

Independent auditor's report to the member of Residential Mortgage Securities 23 plc

1 Our opinion is unmodified

We have audited the financial statements of Residential Mortgage Securities 23 Plc ("the Company") for the year ended 31 March 2019 which comprise the statement of comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows and the related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of Company's affairs as at 31 March 2019 and of its profit for the period then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the audit committee.

We were first appointed as auditor by the directors on 9 March 2018. The period of total uninterrupted engagement is for 2 financial years ended 31 March 2019. We have fulfilled our ethical responsibilities under, and we remain independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

2 Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matters, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

Key audit matter	The risk	Our response
The impact of uncertainties due to Britain exiting the European Union on our audit *Refer to page 4 (principal risks and uncertainties).*	**Unprecedented levels of uncertainty** All audits assess and challenge the reasonableness of estimates, in particular as described in impairment of loans to originator, interest receivable – effective and interest rate adjustment below, and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the Company's future prospects and performance.	We have developed a standardised firm-wide approach to the consideration of the uncertainties arising from Brexit in planning and performing our audits. Our procedures included: — **Our Brexit knowledge** – We considered the directors' assessment of Brexit-related sources of risk for the Company's business and financial resources compared with our own understanding of the risks. We considered the

In addition, we are required to consider the other information presented in the Annual Report including the principal risks disclosure and to consider the directors' statement that the financial statements taken as a whole are fair, balanced and understandable and provides the information necessary to assess the Company's position and performance, business model and strategy.

Brexit is one of the most significant economic events for the UK and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown.

directors' plans to take action to mitigate the risks.

- **Sensitivity analysis** – When addressing impairment of loans to originator and interest receivable – effective interest rate adjustment, we compared the directors' sensitivity analysis to our assessment of the full range of reasonably possible scenarios resulting from Brexit uncertainty
- **Assessing transparency** – As well as assessing individual disclosures as part of our procedures on impairment of loans to originator and interest receivable – effective interest rate adjustment we considered all the Brexit related disclosures together, including those in the strategic report, comparing the overall picture against our understanding of the risks.

Our results
As reported under impairment of loans to originator and interest receivable – effective interest rate adjustment, we found the resulting estimates and related disclosures of sensitivity and disclosures in relation to going concern to be acceptable. However, no audit should be expected to predict the unknowable *factors or all possible future* implications for a Company and this is particularly the case in relation to Brexit.

Key audit matter	The risk	Our response
Impairment of mortgage assets *Refer to page 23 (accounting policy) and page 30 (financial disclosures).*	**Subjective estimate:** The impairment provision relating to the Company's mortgage assets requires the directors to make significant judgements and estimates in order to determine incurred losses on those assets. The impairment provision is derived from a model that uses observable data relating to the mortgage assets such as adverse changes in payment status of the	Our procedures included: — **Controls testing**: We performed end to end process walk-throughs to identify the key systems, applications and controls used in the loan impairment process. We tested the relevant general IT and applications controls over

borrower, or economic conditions that correlate with defaults in the mortgage assets. The model also incorporates historical data on similar types of mortgage assets.

As probability of defaults ('PDs') and loss given defaults ('LGDs') are calculated at an individual loan level, the directors assess all impairment provisions on an individual basis.

There is a risk that the impairment provision is not reflective of the incurred losses at the end of the period due to the time that it takes for incurred losses to emerge, changes in customer credit quality or other market factors not sufficiently incorporated into the judgement, such as house prices.

key systems used in the loan impairment process.

- **Test of details:** Key aspects of our testing involved: developing a point estimate based on the historical credit performance of the Company to evaluate the directors' impairment of mortgage asset estimate; and for a sample of specific loans identified based on risk characteristics of current or historical arrears, forbearance and loan type, we evaluated whether they have been adequately provided for.
- **Benchmarking assumptions:** We compared the Company's key assumptions being PD and LGD, against those of comparable securitisation vehicles to assess both the level of impairment provision in comparison to industry norms and the continuing appropriateness of the assumptions used.
- ***Sensitivity analysis:*** We performed sensitivity analysis over the Company's PDs and LGDs to help us assess the reasonableness of the assumptions used.
- **Assessing transparency:** We evaluated whether the disclosures appropriately reflect and address the uncertainty which exists when determining the impairment of mortgage assets. As a part of this, we assessed the sensitivity analysis that is disclosed. In addition, we challenged whether the disclosure of the key judgments and assumptions made was sufficiently clear.

Our results
We found the impairment on mortgage assets recognised and the

		related disclosures to be acceptable (2018: acceptable).

Key audit matter	The risk	Our response
Interest receivable – effective interest rate adjustment *Refer to page 21 (accounting policy) and page 27 (financial disclosures).*	**Subjective estimate:** Using management's cash flow modelling tool, fees earned and incurred on loans are recognised using the effective interest rate ('EIR') method that spreads directly attributable expected cash flows over the expected lives of the loans. Management apply judgement in deciding and assessing the expected repayment profiles used to determine the EIR period. This is the most critical element of judgement, informed by past customer behaviour of when loans are repaid. The expected behavioural life has a direct impact on the level of income recognised by the entity. The effect of these matters is that, as part of our risk assessment, we determined that the recognition of revenue on loans and advances has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole. Note 2 discloses the sensitivities estimated by the Company. EIR modelling is complex and so open to the possibility that the modelling principles are not in accordance with accounting requirements. **Data capture:** The cash flow modelling tool uses both internal and external data inputs. This includes both current and historic data specific to the Company's mortgage assets, as well as similar mortgage assets, and macroeconomic data. The macroeconomic data incorporates expectations regarding HPI and base	Our procedures included: — **Control testing**: We tested controls over management's assessment of, and subsequent approval of, both the updated cash flow model and the resulting EIR adjustments. — **Methodology implementation**: We compared the model's methodology with the requirements of the relevant accounting standard. — **Historical comparison**: We have assessed the reasonableness of the cash flow model derived by the directors which models the expected lives of the loan book. This included assessing the historical accuracy of the key cash flow model assumptions, including conditional prepayment rates ('CPR'). — **Test of details:** We tested the accuracy of data inputs from the mortgage system into the effective interest rate model, including outstanding balance and contractual maturity. — **Data comparison**: We checked both a sample of the internal/external data and the data totals used in the model back to the entities underlying source (e.g. current balance on the mortgage loan system) and external economic guidance. We also agreed the life profile assumptions in the model to the profiles

	rates/LIBOR. Owing to the risk of inaccurate data inputs there is a risk that the cash flow models generated are inaccurate.	produced by the cash flow modelling tool, and assessed as outlined above. — **Independent re-performance**: We performed a recalculation of the EIR adjustments recognised in the income statement during the period. This included reconciling to the closing balance sheet positions. — **Assessing transparency:** We evaluated whether the disclosures appropriately reflect and address the level of judgment which exists when determining revenue recognition on the Company's mortgage assets. In addition, we challenged whether the disclosure of the key judgments and assumptions made was sufficiently clear. **Our results** We found the resulting revenue recognition to be acceptable.

3 Our application of materiality and an overview of the scope of our audit

Materiality for the Company financial statements as a whole was set at £0.9 million, determined with reference to a benchmark of total assets, of which it represents 0.75%.

We agreed to report to those charged with governance any corrected or uncorrected identified misstatements exceeding £0.05 million, in addition to other identified misstatements that warranted reporting on qualitative grounds.

4 Emphasis of matter – non-going concern basis of preparation

We draw attention to the disclosure made in note 2.1.1 to the financial statements which explains that the financial statements are now not prepared on the going concern basis for the reason set out in that note. Our opinion is not modified in respect of this matter.

5 We have nothing to report on the other information in the Annual Report

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Independent auditor's report to the member of Residential Mortgage Securities 23 plc

Strategic report and directors' report

Based solely on our work on the other information:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial period is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

6 We have nothing to report on the other matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the Company, 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.

We have nothing to report in these respects.

7 Respective responsibilities

Directors' responsibilities
As explained more fully in their statement set out on page 8, the Directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or other irregularities (see below), or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud, other irregularities or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

Irregularities – ability to detect
We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, through discussion with the directors and other management (as required by auditing standards), and from inspection of the Company's regulatory correspondence, and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations. We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Independent auditor's report to the member of Residential Mortgage Securities 23 plc

Secondly, the Company are subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: money laundering, sanctions list and financial crime and various requirements governing securitisation transactions, recognising the nature of the company's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. These limited procedures did not identify actual or suspected non-compliance.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

8 The purpose of our audit work and to whom we owe our responsibilities

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.

AJ Walker

Andrew Walker (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 Sovereign Square
Sovereign Street
Leeds
LS1 4DA

30 September 2019

Residential Mortgage Securities 23 plc

Statement of comprehensive income for the year ended 31 March 2019

	Note	**2019 £'000**	2018 £'000
Interest receivable and similar income	4	4,737	4,994
Interest payable and similar expenses	5	(2,438)	(2,438)
Net interest receivable		2,299	2,556
Operating expenses		(2,343)	(2,607)
Other operating income	6	49	56
Profit before taxation	7	5	5
Tax expense on profit	8	(1)	(1)
Profit and total comprehensive income for the financial year		4	4

All amounts relate to continuing operations.

There were no items of other comprehensive income for 2019 or 2018 and therefore no separate statement of other comprehensive income has been presented.

The notes on pages 20 to 40 are an integral part of these financial statements.

Registered number: 06493089

Residential Mortgage Securities 23 plc

Statement of financial position as at 31 March 2019

	Note	2019 £'000	2018 £'000
Non-current assets			
Debtors: amounts falling due after more than one year	11	117,923	127,011
Current assets			
Debtors: amounts falling due within one year	12	1,607	2,055
Cash and cash equivalents	14	3,243	15,131
Total current assets		4,850	17,186
Current liabilities			
Creditors: amounts falling due within one year	15	(16,157)	(15,051)
Total assets less current liabilities		106,616	129,146
Non-current liabilities			
Creditors: amounts falling due after more than one year	16	(106,570)	(129,104)
Net assets		46	42
Capital and reserves			
Called up share capital	18	13	13
Retained earnings		33	29
Total equity		46	42

These financial statements were approved and authorised for issue by the Board on 30 September 2019 and were signed on its behalf by:

Colin Arthur Benford

Per pro Apex Trust Corporate Limited (formerly known as Link Trust Corporate Limited)
As Director
Date: 30 September 2019

The notes on pages 20 to 40 are an integral part of these financial statements.

Residential Mortgage Securities 23 plc

Statement of changes in equity
for the year ended 31 March 2019

	Called up share capital	Retained earnings	Total equity
	£'000	£'000	£'000
Balance at 1 April 2017	13	25	38
Profit for the financial year	-	4	4
Balance at 31 March 2018	13	29	42
Balance at 1 April 2018	13	29	42
Profit for the financial year	-	4	4
Balance at 31 March 2019	13	33	46

The notes on pages 20 to 40 are an integral part of these financial statements.

Residential Mortgage Securities 23 plc

Statement of cash flows
for the year ended 30 November 2018

	2018 **£'000**	2017 £'000
Net cash flow from operating activities		
Profit/(loss) before taxation	5	5
Interest income on mortgage assets	(4,661)	(4,949)
Interest expense on loan notes	2,665	2,398
Adjustments for:		
Taxation paid	2	(1)
EIR adjustments and amortisation of premium/discount	(38)	(45)
Impairment credit on mortgage assets	(115)	-
Amounts written off in relation to mortgage assets	(2)	887
Amortisation of discount and issue costs on loan notes	(208)	33
Increase in debtors	(172)	(20)
Increase/(decrease) in creditors	1,102	(3,057)
Net cash used in operating activities	(1,422)	(4,749)
Cash flow from investing activities		
Interest received on mortgage assets	4,661	4,949
Repayment of mortgage assets	9,864	11,001
Net cash generated from investing activities	14,525	15,950
Cash flow from financing activities		
Interest paid on mortgage backed loan notes	(2,665)	(2,398)
Repayment of mortgage backed loan notes	(22,326)	(11,455)
Net cash used in financing activities	(24,991)	(13,853)
Net (decrease)/increase in cash and cash equivalents	(11,888)	(2,652)
Cash and cash equivalents at the beginning of the year	15,131	17,783
Cash and cash equivalents at the end of the year	3,243	15,131

The notes on pages 20 to 40 are an integral part of these financial statements.

Residential Mortgage Securities 23 plc

Notes to the financial statements for the year ended 31 March 2019

1 General information

The principal activity of the Company is the investment in a mortgage portfolio secured by first charges over properties within the United Kingdom.

The Company is a public limited company and was incorporated on 4 February 2008 and is domiciled in England, United Kingdom. Its principal place of business is its registered office located at 125 Wood Street, London, EC2V 7AN.

2 Significant accounting policies

For the prior year ended 31 March 2018, the Company prepared its financial statements in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101). These financial statements for the year ended 31 March 2019 are the first the Company has prepared in accordance with FRS102 due to the results of this Company no longer being consolidated into a group which is preparing FRS 101 or IFRS financial statements. This transition has only impacted disclosures and has not had any impact on the recognition and measurement of balances in the financial statements for either of the years ended 31 March 2018 or 31 March 2019. Therefore, no transitional note has been included in these financial statements.

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

2.1. Basis of preparation and statement of compliance with FRS 102

The financial statements have been prepared in accordance with Financial Reporting Standard 102 (FRS 102). The Company has also chosen to apply the recognition and measurement provisions of IAS 39, 'Financial Instruments: Recognition and Measurement' (as adopted for use in the EU). The financial statements have been prepared on a basis other than going concern, under the historical cost convention as modified by the financial assets and liabilities measured at fair value through profit or loss, and in accordance with the Companies Act 2006.

The preparation of financial statements in conformity with FRS 102 requires the use of certain significant accounting estimates and assumptions. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

2.1.1 Going concern

A call option exists over the loan notes which may be exercised at the sole discretion of the Issuer (with the approval of the Trustee) after 16 June 2009.

As at 31 March 2019, the Company holds £119,309,000 of mortgage assets, £3,243,000 of cash and £107,182,000 of loan notes payable. The directors are confident that the Company will continue to meet its liabilities as they fall due, however the notes are past their first optional redemption date on 16 June 2009, and at the date of signing these financial statements the directors believe it to be more likely than not that the issuer will exercise its option within the next 12 months such that the structure will be called and its assets will be refinanced to realise funds to repay the notes.

When the refinancing occurs, the notes will be paid off using the proceeds of the refinance and the Company will cease trading. As a result, the financial statements have been prepared on a basis other than going concern but no adjustment was required to the statement of financial position or statement of comprehensive income.

2.2. Interest recognition

Interest income on mortgage assets, together with the interest expense on the mortgage backed loan notes, is recognised in the statement of comprehensive income on an Effective Interest Rate ("EIR") basis. The EIR basis recognises revenue and expenses equivalent to the rate that effectively discounts estimated future cash flows throughout the expected life to the net carrying value of the mortgage assets or mortgage backed loan notes.

2.3. Current and deferred tax

The tax expense for the year comprises current and deferred tax. Tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in total equity. In this case the tax is also recognised in other comprehensive income or directly in total equity, respectively.

The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date in the countries where the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns in respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised on deductible temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.4. Foreign currencies

The financial statements are presented in pounds Sterling (£), which is the functional and presentation currency of the Company. All amounts in these financial statements have been rounded to the nearest thousand, unless otherwise indicated.

Transactions in foreign currency are initially converted to Sterling at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Sterling at rates of exchange prevailing at the reporting date. All differences on exchange are taken to the statement of comprehensive income.

2.5. Loan notes

Loan notes are initially recognised at fair value less attributable transaction costs. Subsequent to initial recognition, the loan notes are measured at amortised cost with any difference between cost and redemption value being recognised in the statement of comprehensive income over the period of the borrowings on an EIR basis.

The repayment of the loan notes is dependent on principal and interest collections on the mortgage loans.

2.6. Financial instruments

Initial recognition

The Company recognises financial assets and liabilities when it becomes a party to the terms of the contract.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date on which the Company commits to purchase or sell the asset.

Classification and measurement

Financial assets and liabilities are initially classified as financial assets or liabilities at fair value through profit or loss, loans and receivables and available for sale financial assets.

All financial assets are recognised initially at fair value plus directly attributable costs for those not at fair value through profit and loss.

Financial liabilities are recognised initially at fair value and in the case of loans and borrowings payables, net of directly attributable transaction costs.

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IAS 39. The Company has not designated any financial assets upon initial recognition as at fair value through profit or loss.

Financial assets at fair value through profit and loss are carried in the balance sheet at fair value with changes in fair value recognised in finance revenue or finance expense in the statement of comprehensive income.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially recognised at fair value and subsequently measured at amortised cost using the EIR method, less impairment. Amortised cost is calculated by taking into account any discount or premium on lending and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance revenue in the income statement. Losses arising from impairment are recognised in the statement of comprehensive income in other operating expenses.

Derecognition

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, and retained control of the asset, the Company continues to recognise the transferred asset to the extent of the Company's continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Financial assets

Debtors

Debtors including amounts owed by group undertakings and other debtors, with no stated interest rate and receivable within one year are recorded at transaction price less provisions made for doubtful debts.

Provisions are made specifically where there is evidence of a risk of non-payment, taking into account ageing, previous losses experienced and general economic conditions.

Mortgage assets

The mortgage assets are classified within debtors. The initial measurement is at fair value plus transaction costs that are directly attributable to the acquisition of the mortgage assets, with subsequent measurement being amortised cost using the EIR method. The effective interest on the mortgage assets is calculated with reference to the interest earned on the mortgage assets.

The mortgage assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the EIR method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in interest receivable and similar income in the statement of comprehensive income.

Impairment of mortgage assets

The Company assesses at each statement of financial position date whether there is evidence that a mortgage asset or a portfolio of financial assets 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 ("a loss event"), and that loss event or events has had an impact on the estimated future cash flows of the portfolio of financial assets or mortgage assets that can be reliably estimated.

The Company assesses whether objective evidence of impairment exists for mortgage assets on an individual loan basis. Those evaluations are based on the individual loan risk characteristics, taking into account: asset type; borrower; loan scores; geographical location; collateral type; past-due status; and other relevant factors. These characteristics are relevant to the estimation of future cash flows by being indicative of the counterparty's ability to pay all amounts due according to the contractual terms of the loan.

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 statement of comprehensive income.

Any impairment in the mortgage assets will be reflected in the Company's accounts by adjusting the carrying amount of the mortgage assets in the statement of financial position.

Financial liabilities

Trade and other creditors

Creditors including amounts owed to group undertakings, other creditors and accruals, with no stated interest rate and due within one year, are recorded at transaction price.

Mortgage backed loan notes

The mortgage backed loan notes were initially recognised at fair value, which was their par value at the date of issue less directly attributable transaction costs. The mortgage backed loan notes are subsequently remeasured at amortised cost taking into account repayments at interest payment dates where applicable.

Interest payable is recognised using the EIR method with the directly attributable transaction costs being amortised over the expected average life of the facility in line with IAS 39. Any unamortised issue costs are disclosed in note 16.

Interest payable on the notes during the year and any associated EIR adjustments are included in interest payable and similar expenses.

The repayment of the loan notes is dependent on principal and interest collections on the mortgage loans.

Deferred consideration

Deferred consideration is initially recognised at the fair value of the consideration paid.

Under the terms of the securitisation the Company earns a maximum annual profit for the year ended 31 March 2019 in an amount equal to £4,500. Profits in excess of this amount accrue to the current holder of the rights to the residual cash flows of the securitisation as deferred consideration, unless the Company has cumulative adjusted losses from prior years. Accordingly, the amounts owing to the current holder of the rights to the residual cash flows of the securitisation are recognised as creditors in the statement of financial position.

At each subsequent statement of financial position date an accrual is made for deferred consideration within the financial statements as amounts are expected to become payable as a result of the performance of the mortgage assets. This is recorded within operating expenses in the statement of comprehensive income.

Offsetting of financial assets and liabilities

In accordance with IAS 32 Financial Instruments: Presentation, the presentation of financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Fair value of financial assets and liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the reporting date in the principal or, in its absence, the most advantageous market to which the Company has access at that date.

When available, the Company measures the fair value of an instrument using the quoted price in an active market for that instrument.

A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an on-going basis.

If there is no quoted price in an active market, then the Company uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

Where applicable, the following methods are used to estimate the fair values of the financial instruments:

i. cash, trade receivables and payables - the carrying value is a good approximation of the fair value;

ii. fixed and variable rate borrowings - valued as detailed in note 17; and

iii. mortgage assets - valued as detailed in note 17.

The Company, where appropriate, classifies disclosed fair values according to a hierarchy that reflects the significance of observable market inputs. A transfer is made between the hierarchy when the inputs have changed or there has been a change in the valuation method.

These fair value measurements are categorised into different levels in the fair value hierarchy based on the inputs to the valuation technique used.

The different levels are identified as follows:

Level 1 - quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2 - inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

2.7. Discount on purchase of mortgage assets

Where cash has been received on acquisition of the mortgage assets to cover start-up costs, it is amortised over the expected life of those mortgage assets. The amortised balance is deducted from the mortgage assets with the income for the year included in interest receivable and similar income. Details of any unamortised discounts on acquisition of mortgage assets are disclosed in note 13.

2.8. Segmental analysis

The Company's income and trade are wholly within the United Kingdom and within a single market sector and therefore no segmental analysis has been presented.

2.9. Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and in hand and short-term deposits with a maturity of three months or less.

2.10. Share capital and capital contributions

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction net of tax from the proceeds.

3 Significant accounting estimates and judgements

The preparation of financial statements in accordance with FRS 102 requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Notes to the financial statements for the year ended 31 March 2019

3.1. Significant accounting judgements

Derecognition of mortgage assets

The Company has made a significant accounting judgement in the assessment of the mortgage assets. The Company performed an assessment of the risks and rewards associated with the financial assets acquired, and concluded that the financial assets qualify for derecognition for the originator. In making this assessment the Company considered the retained risks of the seller, in the form of credit enhancement paid in, and rewards, in the form of deferred purchase consideration to be paid out, of that financial asset. This follows the accounting treatment adopted in the sellers' financial statements.

3.2. Significant accounting estimates and assumptions

The Company has identified the following significant accounting policies that involve significant accounting estimates and assumptions:

Impairment of mortgage assets

Impairment losses on mortgage assets are calculated based on statistical models. The key assumptions relate to estimates of future cash flows from customers' accounts, their timing and, for secured accounts, the expected proceeds from the realisation of the property. These key assumptions are based on observed data from historical patterns and are updated regularly based on new data as it becomes available.

In addition the directors consider how appropriate past trends and patterns might be in the current economic situation and make any adjustments they believe are necessary to reflect current conditions.

The accuracy of the impairment calculations would therefore be affected by unexpected changes to the economic situation, variances between the models used and the actual results, or assumptions which differ from the actual outcomes. In particular, if the impact of economic factors such as employment levels on customers is worse than is implicit in the model then the number of accounts requiring provision might be greater than suggested by the model, while falls in house prices, over and above any assumed by the model might increase the provision required in respect of accounts currently provided.

A decrease in the House Price Index of spread over the next 2 years increases the mortgage asset impairment provision by £1,083,000.

Effective Interest Rate ("EIR")

The EIR is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or financial liability (or, where appropriate, a shorter period) to the net carrying amount of the financial asset or liability. When calculating the effective interest rate, the Company estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses. The cash flows used to calculate the EIR in this analysis include directly attributable transaction costs, premiums, discounts and the impact of changes from introductory to reversionary interest rates.

The book value of the mortgage assets is measured at amortised cost using the EIR method, with a provision made for impairment. The current model used to estimate future cash flows in the EIR is sensitive to certain key assumptions, the most important of which is the constant prepayment rate ("CPR").

An increase of 1% in the CPR assumed would result in a gain of £125,000 in relation to the mortgage assets.

Notes to the financial statements for the year ended 31 March 2019

4 Interest receivable and similar income

	2019 **£'000**	2018 £'000
Interest receivable on mortgage assets	4,661	4,949
Amortisation of discount on mortgage assets	38	45
Other interest	38	-
	4,737	4,994

The estimated weighted average life of the mortgage assets is 6.9 years (2018: 7.3 years). During the year the impact of the change in the estimated weighted average life on the effective interest rate calculation resulted in a gain of £38,000 (2018: gain of £45,000).

Interest has accrued for the year in relation to impaired financial assets at 4.19% (2018: 3.94%) of the principal balance.

5 Interest payable and similar expenses

	2019 **£'000**	2018 £'000
Interest expense on loan notes	2,646	2,405
Amortisation of capitalised issue costs	(208)	33
	2,438	2,438

Within interest payable on mortgage backed loan notes £2,646,000 (2018: £2,405,000) relates to amounts due to group companies.

6 Other operating income

	2019 **£'000**	2018 £'000
Sundry fee income	49	56
	49	56

Notes to the financial statements for the year ended 31 March 2019

7 *Profit before taxation*

	2019 £'000	2018 £'000
Profit before taxation is stated after charging/(crediting):		
Auditor's remuneration for statutory audit	10	50
Impairment (credit)/charge on mortgage assets	(115)	847
Deferred consideration	1,703	1,226
Mortgage administration fees	617	339

Statutory information on remuneration for other services provided by the Company's auditors to the Koala (Cayman) Limited Group is given in the consolidated financial statements of Koala (Cayman) Limited, which is the largest group into which the results of this Company are consolidated. There are no non audit services specifically related to the Company.

The Company's operations are managed by Kensington Mortgage Company Limited, a fellow group company.

8 Taxation

	2019 £'000	2018 £'000
Analysis of tax expense for the year		
Current tax		
UK corporation tax expense on profit for the year	1	1
Total current tax	1	1

Notes to the financial statements for the year ended 31 March 2019

Factors affecting taxation

The tax assessed for the year is the same as (2018: same as) the standard rate of corporation tax in the United Kingdom of 19.00% (2018: 19.00%).

	2019 £'000	2018 £'000
Profit before tax	5	5
Profit multiplied by the standard rate of corporation tax in the UK of 19.00% (2018: 19.00%)	1	1
Effects of:		
Application of Statutory Instrument No. 3296 The Taxation of Securitisation Companies Regulations 2006	(1)	(1)
Tax for the year at the small companies rate of corporation tax for 19.00% (2018:19.00%) on the required retained profit for the year	1	1
Tax expense for the year	1	1

The Finance Act 2016 contains provisions reducing the rate of United Kingdom corporation tax from 19% to 17% from 1 April 2020. This Act was substantively enacted on 15 September 2016.

The Company is taxed in accordance with Statutory Instrument No. 3296 The Taxation of Securitisation Companies Regulations 2006 which requires that tax is charged on the profits 'retained by the Issuer'. The Issuer required profit for the year amounted to £4,500 (2018: £4,500).

9 Directors and employees

The Company does not have any employees other than the directors (2018: none). The directors' did not receive any remuneration in the year (2018: nil).

During the year, fees of £38,000 (2018: £15,000) were paid and accrued to Apex Corporate Trustees (UK) Limited (formerly known as Link Corporate Trustees (UK) Limited) in respect of corporate services provided to the Company, this included the provision of the directors to the Company.

10 Mortgage assets - net of impairment

	Mortgage assets £'000	Impairment £'000	Mortgage assets, net of impairment £'000
At 1 April 2017	141,162	(300)	140,862
Movement in the year	(10,997)	(847)	(11,844)
At 31 March 2018	130,165	(1,147)	129,018
Movement in the year	(9,824)	115	(9,709)
Transfer to mortgage assets	(1,032)	1,032	-
At 31 March 2019	119,309	-	119,309

During the year Investec Bank Plc sold the mortgage backed notes and their rights to deferred consideration. The Company's financial instruments from the sale date are no longer consolidated into the financial statements of the Seller and a deemed loan is no longer recognised on the Company's statement of financial position. As a consequence of this the Company recognises the actual portfolios of mortgage loans. Mortgage assets have been initially recognised in the financial statements at their fair value in line with the Company's accounting policy detailed in note 2.6.

The mortgage assets are denominated in Sterling and bear interest at a variable rate. They are secured on the beneficial interest in the portfolio of residential mortgage loans.

The current mortgage loans in the pool have contractual loan periods of between 1 to 222 (2018: 1 to 235) months remaining with current interest rates ranging from 2.25% to 7.59% (2018: 1.98% to 8.05%) per annum.

The book value of the mortgage assets are measured at amortised cost using the EIR method, with a provision made for impairment. The impairment provision is a specific provision of £1,032,000 (2018: £1,147,000). The impairment model used to estimate future cash flows in the impairment calculation is sensitive to certain key assumptions being the expected probability of default, the expected time to move through the arrears/repossession cycle and expected recovery rates on losses incurred.

As defined under the entity's provisioning policy, individual loan level PD and LGDs are applied to each mortgage asset. This results in specifically assessed provisions being calculated for each loan. As a result, no collective impairment provision is applied.

A decrease in the House Price Index of spread over the next 2 years increases the mortgage asset impairment provision by £1,083,000.

11 Debtors: amounts falling due after more than one year

	2019 £'000	2018 £'000
Mortgage assets net of impairment (note 10)	117,923	127,011
	117,923	127,011

Notes to the financial statements for the year ended 31 March 2019

12 Debtors: amounts falling due within one year

	2019	2018
	£'000	£'000
Mortgage assets net of impairment (note 10)	1,386	2,007
Amounts due from group companies	-	35
Other debtors	221	13
	1,607	2,055

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

Mortgage assets net of impairment represent the portion of the mortgage book contractually receivable over the next 12 months.

13 Discount on mortgage assets

	2019	2018
	£'000	£'000
Discount on acquisition of mortgages		
At 1 April	338	383
Movement in the year	(38)	(45)
At 31 March	300	338

The discount on mortgage assets is amortised in line with the amortisation profile of the mortgage assets. The amortisation charges are recognised within interest receivable in the statement of comprehensive income.

14 Cash and cash equivalents

	2019	2018
	£'000	£'000
Cash at bank and in hand	3,243	15,131
	3,243	15,131

Cash at bank earns interest at the rates specified in note 17.

15 Creditors: amounts falling due within one year

	2019	2018
	£'000	£'000
Accruals and deferred income	-	11
Note interest accruals	96	115
Other creditors	78	122
Amounts owed to group undertakings	-	7,493
Deferred consideration	15,983	7,310
	16,157	15,051

Amounts due to group undertakings are interest free and payable on demand.

A monthly accrual is made in the statement of comprehensive income for deferred consideration that will ultimately become payable. Under the terms of the waterfall of payments, any deferred consideration would only be paid when there are sufficient revenue funds available and all other liabilities in the waterfall have been satisfied. Deferred consideration is paid on a quarterly basis based on available revenue funds.

16 Creditors: amounts falling due after more than one year

	2019	2018
	£'000	£'000
GBP Denominated Mortgage backed loan notes due 2034 - Class A	1,382	23,708
GBP Denominated Mortgage backed loan notes due 2041 - Class B	105,800	105,800
Total loan notes	107,182	129,508
Less unamortised issue costs	(612)	(404)
	106,570	129,104

The loan notes due in 2034 and 2041 are secured over the portfolio of mortgage assets secured by first charges over residential properties in the United Kingdom.

The mortgage backed loan notes are repaid as the underlying portfolio redeems. The terms and conditions of the mortgage backed loan notes provide that the loan note holders will receive interest and principal only to the extent that sufficient funds are generated from the mortgage assets.

Whilst the mortgage backed loan notes are subject to mandatory redemption in part at each Interest Payment Date in an amount equal to the principal received or recovered in respect of the mortgage assets, the mortgage backed loan notes are classified and presented as amounts falling due after one year in accordance with the contractual maturity dates due to the uncertainty in the expected principal repayments or recoveries of the mortgages. If not otherwise redeemed or purchased and cancelled, the mortgage backed loan notes will be redeemed at their principal amount outstanding on the Interest Payment Date falling in 2034 and 2041.

The priority and amount of claims on the portfolio proceeds are determined in accordance with a strict priority of payments. The mortgage backed loan notes are repayable out of capital receipts from the mortgage assets, with the Class A Notes ranking in priority to the Class B Notes.

Interest on the loan notes is payable quarterly in arrears at the following annual rates for three month deposits:

Class A	Sterling LIBOR + 1.00%
Class B	Sterling LIBOR + 1.50%

A call option exists over the loan notes which may be exercised at the sole discretion of the Issuer (with the approval of the Trustee) after 16 June 2009. Although the threshold conditions have now been met, the Directors do not anticipate winding up the Company within the next 12 months from the date of the approval of the financial statements. Accordingly, the going concern basis is adopted in the preparation of the financial statements.

17 Financial instruments and risk management

Nature and extent of risks arising from financial statements

The main risks arising from the Company's financial instruments are credit risk, liquidity risk, interest rate risk and operational risk as explained in the strategic report.

a) Credit risk

Credit risk is the risk that borrowers of the mortgage assets will not be able to meet their obligations as they fall due. All mortgage assets are required to adhere to specific lending criteria. The payments in respect of the financial instruments are dependent upon the performance of the mortgage assets. 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 mortgage portfolio has largely stabilised, which the directors consider is consistent with the improvement in the market conditions experienced in the past few years in the United Kingdom mortgage market. Arrears management and recovery processes are performed with the aim of maximising customer rehabilitation. Whilst there has been strong arrears performance, the directors acknowledge that market conditions, resulting in a benign interest rate environment, has partly contributed to the strong portfolio performance. With this in mind, the directors continue to closely monitor the economic landscape to ensure the Company is best placed to respond to any pressures that may impact portfolio performance and proactively consider strategies to mitigate any adverse portfolio impact should these pressures occur.

Credit quality of the mortgage assets is assessed by an assessment of each customer and the prevailing macroeconomic environment. Probability of default of the customer and the loss given default is calculated and impairment provisions raised where necessary.

Before taking account of any collateral, the maximum exposure to credit risk as at 31 March 2019 was:

	2019	2018
	£'000	£'000
Mortgage assets	119,309	130,165
Cash and cash equivalents	3,243	15,131
	122,552	145,296

Mortgage assets and asset credit quality

All mortgage assets are categorised, as either 'neither past due nor impaired', 'past due but not impaired', or 'past due and impaired'. A loan is considered past due when the borrower has failed to make a payment when due under the terms of the loan contract.

As at 31 March 2019, the ageing analysis of mortgage assets is as follows:

	2019 £'000	2018 £'000
Neither past due nor impaired	78,803	88,183
Past due but not impaired – less than 30 days	208	1,167
Past due but not impaired – between 30 and 60 days	114	2,068
Past due but not impaired – between 61 and 90 days	58	353
Past due but not impaired – between 91 and 120 days	141	-
Past due but not impaired – more than 120 days	-	68
Impaired	39,985	38,326
Total	119,309	130,165

The mortgage assets have the following loan to value ("LTV") profile based on indexed valuations of the underlying properties, giving an indication of their credit quality:

	2019 £'000	2018 £'000
0-50%	32,908	19,634
50.01% -70%	28,833	49,060
70.01% - 90%	44,757	46,166
90.01% - 100%	11,395	13,836
Over 100%	1,416	1,469
Total	119,309	130,165

The portfolio of mortgage assets is well diversified geographically with the highest exposure being in London at 16.14% (2018: London at 26.71%).

b) Liquidity risk

The undiscounted estimated cash flows associated with financial liabilities were as follows:

As at 31 March 2019 Financial liabilities	**Less than 1 year £'000**	**1-2 years £'000**	**2-3 years £'000**	**3-4 years £'000**	**4-5 years £'000**	**5+ years £'000**	**Total £'000**
Loan notes	12,917	11,812	12,821	15,546	8,906	62,065	124,067

Notes to the financial statements for the year ended 31 March 2019

As at 31 March 2018 Financial liabilities	Less than 1 year £'000	1-2 years £'000	2-3 years £'000	3-4 years £'000	4-5 years £'000	5+ years £'000	Total £'000
Loan notes	14,098	13,407	12,150	12,599	15,088	89,558	156,900

There is no contractual obligation to pay down the loan notes other than as set out in note 16.

The estimated future cash flows are sensitive to certain key assumptions being the expected probability of default, the expected time to move through the arrears/repossession cycle and expected recovery rates on losses incurred. Future cash flows have been estimated using a combination of macro environmental factors, including market observable data, and individual borrower data. However, it is not expected that the loans will repay at a constant rate until maturity, that all of the loans will prepay at the same rate or that there will be no defaults or delinquencies on the loans, therefore the amounts disclosed above are only estimates of the possible future cash outflows on the loan notes.

In addition, the Company holds a minimum cash balance to manage short term liquidity requirements which can be used in certain circumstances. The undiscounted cash flows have been estimated by previously applying a constant (per annum) prepayment rate to the principal balance of the mortgage loans and using the weighted average interest rate prevailing at the statement of financial position date.

The loan notes in the above table will not agree to the liability in statement of financial position as the table incorporates both principal and interest payments on an undiscounted basis (see note 16 for maturity dates). For the current and the prior year, all loan notes are due in more than 5 years, and all other non-derivative creditors are repayable on demand.

The Company's policy is to manage liquidity risk by matching cash payments due on the loan notes to cash receipts from mortgage assets.

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Notes to the financial statements for the year ended 31 March 2019

c) Interest rate risk

Interest rate risk profile of financial assets

	Total £'000	Total variable rate £'000	Total fixed rate £'000	Weighted average interest rate* %	Weighted average time for which rate is fixed Years
2019					
Mortgage assets	119,309	119,309	-	3.82	-
Cash and cash equivalents	3,243	-	3,243	0.31	0.25
2018					
Mortgage assets	130,165	130,165	-	3.55	-
Cash and cash equivalents	15,131	-	15,131	-	0.25

* This is the weighted average spread above LIBOR.

Interest rate sensitivity analysis on financial assets

	Increase in basis points	Effect on equity £'000	Effect on result before tax £'000
2019			
Mortgage assets	25	298	298
Cash and cash equivalents	25	8	8
2018			
Mortgage assets	25	325	325
Cash and cash equivalents	25	38	38

The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market conditions. In assessing the effect on financial assets of interest rate sensitivity, management have used a benchmark of 25 bps.

Interest rate risk profile of financial liabilities

	Total	Total variable rate	Weighted average Interest rate
	£'000	£'000	%
2019			
Loan notes	107,182	107,182	1.49
2018			
Loan notes	129,508	129,508	1.41

Interest payable on the loan notes and receivable on mortgage assets are both based on LIBOR. The Company thus has limited exposure to interest rate risk.

The interest rate risk profile of the mortgage backed loan notes in issue can be found in note 16. The Company's approach to managing interest rate risk is included in the principal risks and uncertainties section of the strategic report.

Interest rate sensitivity analysis on financial liabilities

	Increase in basis points	Effect on equity	Effect on result before tax
		£'000	£'000
2019			
GBP loan notes	25	(268)	(268)
2018			
GBP loan notes	25	(324)	(324)

In assessing the effect on financial liabilities of interest rate sensitivity, management have used a benchmark of 25 bps.

The Company also has certain financial instruments included within debtors (note 12) and creditors (note 15) which are not subject to interest rate risk as they bear no interest.

Interest income and expense on financial instruments that are not at fair value through profit and loss

	2019	2018
	£'000	£'000
Interest receivable on mortgage assets	4,661	4,949
Interest expense on loan notes	(2,646)	(2,405)
	2,015	2,544

d) Operational risk

Operational risk is defined as any instance where there is potential or actual impact to the Company resulting from inadequate or failed internal processes, people, systems, or from external events. The impacts can be financial as well as non-financial such as customer detriment, reputational or regulatory consequences.

The Company operates under a controls and governance framework provided by the servicer of the mortgage assets. This includes regulatory and compliance functions and internal audit. The business is covered by the servicer's business continuity management capability.

e) Fair values of financial assets and liabilities

	2019	**2019**	2018	2018
	Book value	**Fair value**	Book value	Fair value
	£'000	**£'000**	£'000	£'000
Financial assets				
Mortgage assets	119,309	113,556	129,018	131,021
Cash and cash equivalents				
Reserve and contingency funds	1,277	221	13,400	10,016
Other cash balances	1,966	1,966	1,731	1,731
	3,243	2,187	15,131	11,747
	122,552	115,743	144,149	142,768
Financial liabilities				
Mortgage backed loan notes	107,182	108,799	129,508	128,975
Deferred consideration	15,983	15,983	7,310	7,310
	123,165	124,782	136,818	136,285

All financial assets and liabilities are held at amortised cost. There were no transfers between categories in both periods. Management have assessed all other assets and liabilities and consider book value to be equal to fair value.

Management does not expect any losses from non-performance by the counterparties holding cash and cash equivalents. There are no material differences between their book values and fair values.

The directors have considered the fair values of the Company's main financial instruments which are mortgage assets, loan notes and cash.

The fair value of the mortgage backed loan notes has been based upon their quoted prices; where available, or prices interpolated using latest available market data. The fair value of the mortgage assets has been based upon the fair value of the mortgages underlying the loan notes, and expected residual cash flows. It is the opinion of the directors that this methodology is appropriate as the market is more liquid than in prior years.

As part of the process of assessing fair value, management have refined the assumptions used. This has been achieved using a combination of macro environmental factors including market observable data and individual borrower data resulting in a more accurate reflection of the estimated cash flows used for computing fair value.

Loan notes and mortgage assets are classified as level 2 and level 3 respectively.

18 Share capital

	2019 £	2018 £
Allotted, issued and fully paid:		
2 ordinary 100% issued and fully paid shares of £1 each	2	2
Allotted, issued and partly paid:		
49,998 ordinary 25% issued and paid shares of £1 each	12,500	12,500

19 Related party transactions

The transactions and outstanding balances arose in the ordinary course of business and on substantially the same terms, including interest rates and security, as for comparable transactions with persons of a similar standing. None of the outstanding balances have been impaired.

	Amount expensed 2019 £'000	**Amount outstanding 2019 £'000**	Amount expensed 2018 £'000	Amount outstanding 2018 £'000
Apex Corporate Trustees (UK) Limited				
Corporate administration services	(38)	-	(15)	-
	(38)	-	(15)	-

Details of loan notes and interest accrued on the loan notes is shown in note 16 and note 5.

20 Parent undertaking and control

The Company's immediate parent undertaking is RMS Securitisation Holdings Limited which is registered in England, United Kingdom and has its registered office located at 125 Wood Street, London, EC2V 7AN. The entire issued share capital of RMS Securitisation Holdings Limited is held by a trustee under a declaration of trust for charitable purposes.

RMS Securitisation Holdings Limited does not prepare consolidated accounts as it does not meet the criteria for consolidation under FRS102.

21 Capital management

The Company is not subject to any externally proposed capital requirements except for the minimum requirement under the Companies Act 2006. The Company has not breached the minimum requirement.

The Company's capital consists of share capital contributed by investors. Due to the structural features of the securitisation process, where cash paid out to noteholders cannot exceed cash received, and where the holder of the deferred consideration certificate is entitled to any excess deferred consideration, the amount of share capital is not expected to fluctuate over time. Accordingly, the objective of capital management is to hold constant the amount of share capital, and this objective is achieved by the structural features of the securitisation transaction documented in the offering circular and other legal documentation.

22 Post balance sheet date events

There are no significant events occurring after the statement of financial position date, up to the date of approval of the financial statements that would meet the criteria to be disclosed or adjusted in the financial statements as at 31 March 2019.