KENSINGTON GROUP PLC

Report and Financial Statements

31 March 2012

Company Registration No. 03050321

CONTENTS

Company Registration No. 03050321

OFFICERS AND PROFESSIONAL ADVISERS

Directors
R Brearley
A Clapham
K McKenna
E Morley
K Street
A Tapnack
D van der Walt
I Wohlman
A Zimbler

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

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DIRECTORS' REPORT

The Directors present their report and the audited financial statements for the year ended 31 March 2012.

Principal activities and review of the business

Kensington Group plc (the "Company") is a holding company co-ordinating the activities of its subsidiary companies. The principal business activity of the Company and its subsidiaries ("Group") is the provision of a range of residential mortgage loans. The ultimate parent company is Investec plc.

The results for the year are set out in the Profit and Loss Account on page 8. The Directors consider that the level of business during the year and the financial position of the Company at the end of the year were reasonable considering the market conditions.

During the year, as part of a group initiative to streamline the group structure, Kensington Mortgage Company Limited ("KMC") and Kensington Personal Loans Limited ("KPL") intercompany loans and receivables were novated to the Company in return for forgiveness of the intercompany loan between the Company and KMC and KPL. The novation from KMC resulted in a net debtor balance of £4,510 which was recognised in the Company as a distribution. The novation from KPL resulted in a net forgiveness of debt of £1,655,000 by the Company which was recognised as capital contribution.

During the year, the Company acquired 20,000,000 shares in Kensington Mortgages Limited ("KML") and 110,000 shares in Kensington Mortgage Company Limited ("KMC"), both wholly owned subsidiaries.

Future developments

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

Principal risk and uncertainties

The current secured loans market remains challenging primarily due to the ongoing shortfall in available external funding. The origination of new business across the Company's affiliates substantially ceased in late 2007. The Company recommenced lending activity in 2010 through its subsidiary Wimbledon Park Mortgage Funding Ltd which was subsequently sold to Investec Bank plc in the same year.

Group risks are discussed in the Investec plc annual report which does not form part of this report. The Company's Balance Sheet contains limited financial instruments. The Company is exposed to currency risk through its Euro denominated loan to a subsidiary company.

The Company is exposed to interest rate risk arising as its income is generated from floating rate interest payments, whereas its loans bear interest at fixed rates. Additionally, the interest streams may have interest rates set under different bases or reset at different times. Exposure to interest rate risk is monitored on an ongoing basis by management and where appropriate interest rate swaps are entered into to manage these risks.

Corporate 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.

Creditor payment responsibilities

The Company's standard practice is to agree the terms of payment with suppliers at the time of contract and to make payments within the agreed credit term subject to satisfactory performance.

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DIRECTORS' REPORT (continued)

Employees

The Company does not have any employees (2011: nil). All the operations associated with the Company's activities are carried out by employees of an affiliated company, Investec Bank plc.

Directors

The Directors who held office during the year were as follows:

R Brearley
A Clapham
K McKenna
E Morley
K Street
A Tapnack
D van der Walt
I Wohlman
A Zimbler

Directors' interests in shares

None of the Directors had any interests in the shares of the Company at the Balance Sheet date. None of the Directors had any interest, either during the year or at the end of the year, in any material contract or arrangement with the Company.

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.

Company secretary

D Miller resigned as Company secretary on 18 April 2012. S Pindoria was appointed as Company Secretary on 18 April 2012.

Going concern

The financial statements have been prepared on a going concern basis. In assessing the appropriateness of the going concern basis, the Directors have taken account of all relevant information available, including the balance of shareholders' funds, covering a period of at least twelve months from the date of approval of the financial statements.

Events after the Balance Sheet date

On 17 April 2012 the Company agreed to make available a working capital facility to its indirect subsidiary Start Mortgages Holding Limited ("SMHL"). The facility limit is €10,000,000, of which €5,850,000 has been drawn at the date of this report. The facility matures on 31 October 2013 (Note 16). The Directors confirm that there were no other significant events occurring after the Balance Sheet date, up to the date of this report that would meet the criteria to be disclosed or adjusted in the financial statements for the year ended 31 March 2012.

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DIRECTORS' REPORT (continued)

Disclosure of information to the auditors

So far as each person who was a Director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow Directors and the Company's auditor, each Director has taken all the steps that he/she is obliged to take as a Director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

Appointment of auditors

A resolution to re-appoint Ernst & Young LLP as auditors will be proposed at the Annual General Meeting.

For and on behalf of Kensington Group plc

S Pindoria
Company Secretary

....
Date

Company Registration No. 03050321

Statement of Directors’ responsibilities in respect of the financial statements

The Directors are responsible for preparing the Directors’ Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company’s transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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Independent auditors' report
to the member of Kensington Group plc

We have audited the financial statements of Kensington Group plc for the year ended 31 March 2012 which comprise Profit and Loss Account, Statement of total recognised gains and losses, Balance Sheet and the related notes 1 to 18. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's member, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's member those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's member as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2012 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

Independent auditors' report
to the member of Kensington Group plc (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

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

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PROFIT AND LOSS ACCOUNT
for the year ended 31 March 2012

	Notes	Year ended 31 March 2012 £'000	Year ended 31 March 2011 £'000
Interest receivable and similar income	2	117	30,098
Interest payable and similar charges	3	(7,135)	(44,050)
Net interest payable		(7,018)	(13,952)
Other income	4	620	131
Gain on disposal of investment	8	-	192
Dividends received	8	139,083	-
Impairment provision	9	(979)	(140)
Provision for guarantee liability	14	(51,494)	(5,319)
Administration expenses	6	(17,596)	(4,770)
Profit/(Loss) on ordinary activities before taxation	6	62,616	(23,858)
Tax credit/(charge) on profit/(loss) on ordinary activities	7	8,021	2,788
Profit/(Loss) on ordinary activities after taxation	12	70,637	(21,070)

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

A reconciliation of the movement in equity shareholders' funds has been prepared in note 12 to the financial statements.

The notes on pages 11 to 20 form an integral part of these financial statements.

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STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
at 31 March 2012

	Notes	Year ended 31 March 2012 £'000	Year ended 31 March 2011 (restated) £'000
Gain/(Loss) attributable to members of the Company		70,637	(21,070)
Total recognised gains and losses relating to the year		70,637	(21,070)
Prior year adjustments	17	14,978	-
Total recognised gains and losses since last annual report		85,615	(21,070)

The notes on pages 11 to 20 form an integral part of these financial statements.

* Although no Statement of Total Recognised Gains and Losses was presented in the prior reporting period, certain 2011 numbers presented as comparatives are restated from their prior year equivalents, see notes 1 and 17.

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BALANCE SHEET
at 31 March 2012

	Notes	31 March 2012 £'000	31 March 2011 (restated) £'000
Fixed assets			
Investments in subsidiaries	8	49,920	29,923
Current assets			
Debtors: Amounts falling due within one year	9,17	242,392	490,353
Cash at bank and in hand		60,338	5,029
		302,730	495,382
Current liabilities			
Creditors: Amounts falling due within one year	10,17	(55,580)	(366,136)
Provisions	14	(54,248)	(5,319)
		(109,828)	(371,455)
Net current assets		192,902	123,927
Creditors: Amounts falling due after one year	10	(150,799)	(130,748)
Provision for deferred tax liability	7	-	(1,716)
Net assets		92,023	21,386
Capital and reserves			
Share capital	11	6,248	6,248
Share premium	12	85,667	85,667
Profit and loss account	12,17	108	(70,529)
Shareholders' funds		92,023	21,386

The notes on pages 11 to 20 form an integral part of these financial statements.

*Certain prior year numbers have been restated, see notes 1 and 17.

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

K McKenna
Director

Date: ……………..

Notes to the financial statements
at 31 March 2012

1. Accounting policies

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

Basis of preparation

The financial statements have been prepared in accordance with applicable United Kingdom law and Generally Accepted Accounting Practice and under the historical cost convention

The Company's financial statements continue to be prepared on a going concern basis. In assessing the appropriateness of the going concern basis, the Directors have taken account of all relevant information available covering a period of at least twelve months from the date of approval of the financial statements.

During the year the Company conducted a review of its intercompany balances. Certain prior year figures and opening reserves have been restated to reflect the gain on the liquidation distribution in specie and its tax effect from subsidiaries. See Note 17.

Income recognition

Investment income comprises interest earned on capital deposits and is recognised on an accruals basis. Dividend income comprises dividend received from subsidiaries and is recognised on cash basis.

Derivative financial instruments

As the holding company of Kensington and being responsible in managing treasury across Kensington, the Company has entered into interest rate swap agreements with respect to Kensington's mortgages which are still in the teaser periods. The interest rate swaps entered into by the Company are considered as general hedges to bridge any gap in the hedging position of Kensington. However, these are coming to a close as the mortgages fall off teaser periods.

The Company does not meet the criteria for the application of FRS 26 and FRS 29; however, it does disclose the fair values of the derivatives in Note 13. Income and expense pertaining to the interest received and paid on the derivatives is accounted for on an accruals basis through the Interest receivable and similar income line of the Profit and Loss Account.

The Company does not enter into speculative derivative contracts.

Finance costs

Borrowings costs arising from the parent company loan and interest expense on subordinated debt are calculated on an amortised cost basis using the effective interest rate method.

Foreign currency translation

Transactions in foreign currencies are translated into Sterling using the spot exchange rate ruling on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into Sterling at the rate of exchange ruling at the balance sheet date. All differences are taken to the Profit and Loss Account.

Taxation

Current UK corporation tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Tax losses are surrendered to other group companies.

Deferred taxation

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax at a future date, at the rates expected to apply when they crystallise based on current tax rates and law. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Notes to the financial statements
at 31 March 2012

1. Accounting policies (continued)

Investments in subsidaries

The Company's investments in subsidiary companies are stated at cost less any provision for impairment if, in the opinion of the Directors, there has been a permanent diminution in value of the investment. Cost includes the financial effect of awards by the Company of giving over equity shares to the employees of subsidiary undertakings.

Group accounts

The Company has taken advantage of the exemption from preparing consolidated financial statements as conferred by Section 400 of the Companies Act 2006 as its results are consolidated into Investec plc's consolidated financial statements which are publicly available.

Related party transactions

The Company has taken advantage of the exemption conferred by paragraph 3 (c) of FRS 8, and therefore transactions with other group companies which are wholly owned in the group are not disclosed separately.

Cash flow statement

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

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all its liabilities.

From time to time fellow group companies may purchase the Company's subordinated debt. In the event of this taking place it is the Company's policy to extinguish subordinated debt financial liabilities held by fellow group companies through the issuance of share capital to the aforementioned companies to the extent that the companies have purchased the subordinated debt financial liabilities externally.

Subordinated debt liabilities are carried at original cost plus interest less any impairment.

The value of the shares issued is matched to the fair value paid by the fellow group company in the market for the debt.

Any difference between the value of the shares issued and the carrying value of the debt is taken to the Profit and Loss Account through Other income.

2. Interest receivable and similar income

	Year ended 31 March 2012 £'000	Year ended 31 March 2011 £'000
Interest on loans to group companies	-	30,098
Interest on cash deposits	117	-
	117	30,098

Interest on loans to group companies in prior year was charged on intergroup balances with Start Funding No. 1 Limited and Start Funding No. 2 Limited, both subsidiaries of Start Mortgages Holding Limited, a company in which Kensington Group plc indirectly owns 100% of the shares. The loans were fully repaid on 31 March 2011.

Notes to the financial statements at 31 March 2012

3. Interest payable and similar charges

	Year ended 31 March 2012 £'000	Year ended 31 March 2011 £'000
Interest payable on:		
Working capital loans from fellow group company	2,042	37,801
Subordinated debt	5,093	6,249
	7,135	44,050

4. Other income

	Year ended 31 March 2012 £'000	Year ended 31 March 2011 £'000
Sundry income	620	131
	620	131

5. Information regarding Directors and employees

The Company has no employees (2011: none). The Directors remuneration for the year was £590,000 (2011: £ 640,000). The Directors' remuneration is paid by an affliated company Investec Bank plc. The remuneration paid to the highest paid Director was £149,000 (2011: £171,000).

6. Profit/(Loss) on ordinary activities before taxation

	Year ended 31 March 2012 £'000	Year ended 31 March 2011 £'000
Profit/(Loss) on ordinary activities before taxation is stated after charging the following within operating expenses:		
Management charges	15,000	4,377
Auditors remuneration - for audit services (*)	18	20

Management charges represent the cost of services provided to the Company for treasury, business analytics and cash management provided by an affiliate company, Investec Bank plc.

(*) 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 this Company are consolidated. There are no non audit services specific to the Company in the current or prior year.

Notes to the financial statements
at 31 March 2012

7. Tax on profit/(loss) on ordinary activities

Analysis of the tax credit in the year

	Year ended 31 March 2012 £'000	Year ended 31 March 2011 £'000
Current tax		
United Kingdom corporation tax credit at 26% (2011: 28%)	(5,828)	(2,693)
Adjustment in respect of prior years	(477)	37
	(6,305)	(2,656)
Deferred tax		
Effect of tax rate change	-	(132)
Origination and reversal of timing differences	(1,716)	-
	(1,716)	(132)
Total tax credit for the year	(8,021)	(2,788)

Factors affecting the tax credit for the year

The tax credit assessed for the year is lower than that resulting from applying the standard rate of corporation tax in the UK at 26% (2011: 28%). The differences are explained below:

	Year ended 31 March 2012 £'000	Year ended 31 March 2011 £'000
Profit/(Loss) on ordinary activities before taxation	62,616	(23,858)
Tax at 26% (2011: 28%)	16,280	(6,680)
Expenses not deductible for tax purposes	14,114	1,535
Non taxable income	(36,222)	(81)
Transfer pricing adjustment	-	2,533
Adjustment in respect of prior periods	(477)	37
Current tax credit for the year	(6,305)	(2,656)
Deferred tax		
Short term timing differences	-	(132)
Origination and reversal of timing differences	(1,716)	-
	(1,716)	(132)

Notes to the financial statements
at 31 March 2012

7. Tax on loss on ordinary activities (continued)

The movement on the deferred liability is shown below:

	31 March 2012 £'000	31 March 2011 £'000
Balance at the beginning of the year	1,716	1,848
Origination and reversal of timing differences	(1,716)	-
Effect of tax rate change	-	(132)
Balance at the end of the year	-	1,716

No deferred tax asset has been recognised in respect of £4.7 million (2010: £4.7 million) of tax losses carried forward at the balance sheet date, as there is insufficient evidence that the asset will be recovered.

8. Investments in subsidiaries

	31 March 2012 £'000	31 March 2011 £'000
Investments in subsidiaries	49,920	29,923
	49,920	29,923

Shares in Group companies

The principal operating subsidiaries, which are wholly owned except where indicated, are:

Company	Principal activity
Kensington Mortgage Company Limited	Residential lending
Kensington Personal Loans Limited	Personal lending
Alexandra Park Mortgage Funding Limited	Residential lending
St James's Park Mortgage Funding Limited	Residential lending
Finsbury Park Mortgage Funding Limited	Residential lending
Battersea Park Mortgage Funding Limited	Residential lending
Richmond Park Mortgage Funding Limited	Residential lending
Newbury Park Mortgage Funding Limited	Residential lending
Newbury Funding Limited	Residential lending
Victoria Park Mortgage Funding Plc (99.998%)	Residential lending
Mortgage Lending Limited	Residential lending
The Mortgage Lender Limited	Residential lending
Kensington Mortgages Limited	Management company
Kensington Securities Limited	Investment
Holland Park Investment Management Limited	Residential lending
Norland DACS 16 Limited	Investment

Notes to the financial statements
at 31 March 2012

8. Investments in subsidiaries (continued)

Company	Principal activity
Norland DACS 17 Limited	Investment
Norland DACS 18 Limited	Investment
Norland DACS 19 Limited	Investment
Norland DACS 20 Limited	Investment
Norland DACS 21 Limited	Investment
Norland DACS 22 Limited	Investment
Norland DACS 24 Limited	Investment
KMS DACS 1 Limited	Investment
MPL DACS 1 Limited	Investment
MPL DACS 2 Limited	Investment
MPL DACS 3 Limited	Investment
MPL DACS 4 Limited	Investment
TML Financial Solutions Limited	Investment

The issued share capital of all subsidiaries consists of ordinary share capital. All the above companies are registered in England and Wales with the exception of Norland DACS 16 Limited and Norland DACS 17 Limited, both of which are registered in Jersey and TML Financial Solutions Limited which is registered in the Republic of Ireland. All of the above companies operate in England, Wales, Ireland and Scotland.

The Company also indirectly owns 100% of the shares of Start Mortgages Holding Limited, a company registered in the Republic of Ireland, through its ownership of TML Financial Solutions Limited.

During the year, the Company acquired 20,000,000 shares at £1 per share in Kensington Mortgages Limited and 110,000 shares at £1 in Kensington Mortgage Company Limited.

During the year the Company received dividends from Battersea Park Mortgage Funding Limited, Finsbury Park Mortgage Funding Limited, Richmond Park Mortgage Funding Limited, St James's Park Mortgage Funding Limited and Victoria Park Mortgage Funding Limited.

In the prior year, the Company sold 100% of its investment in Wimbledon Park Mortgage Funding Limited to an affiliate company, Investec Bank plc, realising a gain of £192,000.

9. Trade and other receivables

	31 March 2012 £'000	31 March 2011 (restated) £'000
Amounts falling due within one year		
Amounts due from group companies	233,131	441,472
Corporation tax	2,782	2,782
Group relief receivable from fellow group companies	6,415	46,035
Prepayments and accrued income	35	35
Other debtors	29	29
	242,392	490,353

Notes to the financial statements
at 31 March 2012

9. Trade and other receivables (continued)

During the year the Directors performed an assessment of recoverability of the intercompany loans and determined an impairment of £979,000 (2011: £140,000) is required. The impairment was recognised in Profit and Loss.

Amounts due to group companies are interest free with the exception of loans of £6,070,000 from Norland DACS 16 Limited, Norland DACS 20 Limited, Norland DACS 21 Limited and Norland DACS 22 Limited which carry interest at 0.5%. All loans are repayable on demand.

10. Trade and other payables

	31 March 2012	31 March 2011 (restated)
	£'000	£'000
Amounts falling due within one year		
Amounts due to group companies	51,127	330,813
Loan from fellow group company		
Sterling denominated loan	1,894	-
Euro denominated loan	-	12,476
Corporation tax payable	1,006	1,509
Group relief payable to fellow group companies	-	19,498
Accruals	1,491	1,639
Trade creditors	8	1
Other creditors	54	200
	55,580	366,136

The Sterling denominated loan from fellow group company is unsecured and carries interest at a variable rate of LIBOR plus 2.00%. The loan is repayable on 27 April 2013.

The Euro denominated loan from fellow group company in the prior year was unsecured and carried interest at a variable rate of EURIBOR plus 5.20%. The loan was fully repaid during the year.

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

	31 March 2012	31 March 2011
	£'000	£'000
Amounts falling due after more than one year		
Loan from fellow group company:		
Sterling denominated loan	81,032	60,981
Financial liabilities - subordinated debt	69,767	69,767
	150,799	130,748

The Sterling denominated loan from fellow group company is unsecured and carries interest at a variable rate of LIBOR plus 2.00%. The loan is repayable on 27 April 2013.

Financial liabilities consist of sterling denominated subordinated debt. Interest is charged at a fixed rate of 7.285% per annum and is payable in arrears. The notes mature on 21 December 2015.

Notes to the financial statements at 31 March 2012

11. Called up share capital

	31 March 2012 £'000	31 March 2011 £'000
Authorised		
1 deferred share of 10 pence	-	-
100,000,000 ordinary shares of 10 pence each	10,000	10,000
	10,000	10,000

	31 March 2012 £'000	31 March 2011 £'000
Alloted and called up		
1 deferred share of 10 pence	-	-
62,484,407 (2011: 62,484,407) ordinary shares of 10 pence each	6,248	6,248
	6,248	6,248

12. Reconciliation of movement of shareholders' funds

	Share capital £'000	*Share premium* £'000	*Capital redemption reserve* £'000	*Other reserves* £'000	*Profit and Loss account (restated)* £'000	*Total* £'000
Balance at 1 April 2010	6,171	83,342	938	46	(65,421)	25,076
Prior year restatement	-	-	-	-	14,978	14,978
Balance at 1 April 2010 restated	6,171	83,342	938	46	(50,443)	40,054
Issued share capital	77	2,325	-	-	-	2,402
Transfer to Profit and Loss account	-	-	(938)	(46)	984	-
Loss for the year	-	-	-	-	(21,070)	(21,070)
Balance at 31 March 2011	6,248	85,667	-	-	(70,529)	21,386
Profit for the year	-	-	-	-	70,637	70,637
Balance at 31 March 2012	6,248	85,667	-	-	108	92,023

The transfer of balances to Profit and Loss account in the prior year relates to the reserves relating to the employee share schemes which was operated by the Company in previous years, which were no longer required as all employees were transferred to Investec Bank plc in 2010.

During the year the Company conducted a review of its intercompany balances. Certain prior year figures and opening reserves have been restated to reflect the gain on the liquidation distribution in specie and its tax effect from subsidiaries. See Note 17.

Notes to the financial statements at 31 March 2012

13. Derivatives and other financial instruments

As explained in the Directors' Report the Company uses financial instruments in its normal course of business. The following analysis gives an indication of the significance of these instruments to the Company.

Fair value of derivatives off balance sheet

	2012 Notional amount £'000	2012 Assets £'000	2012 Liabilities £'000	2011 Notional amount £'000	2011 Assets £'000
Interest rate					
Interest rate swaps	7,800	-	11	7,800	22
		-	11		22

The rates of interest receivable and payable on variable rate financial instruments are set with reference to the London Interbank Offer Rate.

14. Provisions

	31 March 2012 £'000	31 M
Balance at the beginning of the period	5,319	
Provision utilised during the year	(1,507)	
Provision raised during the year	51,494	
FX movement	(1,058)	
Balance at the end of the period	54,248	

In the prior year, a guarantee was provided by the Company for part of the funding by Investec Bank plc to Start Funding No. 1 Limited, Start Funding No. 2 Limited and St James's Park Mortgage Funding Limited. The provision represents the Directors' best estimate of the likely amount payable under the guarantee contract based on an assessment of the performance of the underlying mortgages to which the guarantee relates. The estimated future cash flows are sensitive to certain key assumptions, including expected losses and recovery rates, discount factors and the average life of funding.

15. Capital commitments

There were no capital commitments at 31 March 2012 (2011: None).

Notes to the financial statements
at 31 March 2012

16. Post Balance Sheet Event

On 17 April 2012 the Company agreed to make available a working capital facility to its indirect subsidiary Start Mortgages Holding Limited ("SMHL"). The facility is €10,000,000, of which €5,850,000 has been drawn at the date of this report. The facility matures on 31 October 2013.

17. Prior year's restatements

As described in note 1, certain prior year figures have been restated.

The restatement arises as a result of corrections to historical intercompany balances to acknowledge (i) income arising from company liquidations which occurred a few years ago and (ii) alignment of tax creditor balances to final amounts settled in respect of historic intercompany tax balances.

	Impact on Balance Sheet £'000
Debtors: Amounts falling due within one year as previously stated 2011	463,711
Prior period adjustment relating to financial periods prior to 2011	26,642
Debtors: Amounts falling due within one year as restated 2011	490,353
Creditors: Amounts falling due within one year as previously stated 2011	354,472
Prior period adjustment relating to financial periods prior to 2011	11,664
Creditors: Amounts falling due within one year as restated 2011	366,136
Opening Profit and Loss Account as reported 2011	(65,421)
Prior period adjustment relating to financial periods prior to 2011	14,978
Opening Profit and Loss Account restated	(50,443)

18. Ultimate parent company

The Company's immediate parent company is Investec (UK) Limited. The ultimate parent company and controlling party is Investec plc, a company registered in England and Wales. Investec plc is the largest and smallest group into which the Company's results are consolidated. Copies of Investec plc's consolidated financial statements are available to the public from the Company's registered office at 2 Gresham Street, London, EC2 7QP.