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BLUESTONE CONSOLIDATED HOLDINGS LIMITED

ANNUAL REPORT & FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

COMPANY NUMBER: 08753310

BLUESTONE CONSOLIDATED HOLDINGS LIMITED

ANNUAL REPORT & FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

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BLUESTONE CONSOLIDATED HOLDINGS LIMITED

STRATEGIC REPORT

The Directors present their strategic report on the Bluestone Consolidated Holdings Limited group (the "Group" or "Bluestone") for the year ended 30 June 2019.

Review of the business

Bluestone originates, manages and funds loan and receivables portfolios in its core markets in the UK and Ireland. Generally, operating conditions have continued to improve in these markets with the Group successfully completing a number of term funding transactions to support the development of its lending businesses. These included the private placement of notes secured by €50m of Irish auto loans under the Group's Topaz program and the inaugural securitisation for the Group's residential mortgage business with the £230m Genesis 2019-1 RMBS commenced in June 2019 and completed shortly after the year end.

The Group recorded a loss after tax from continuing operations of £1 5m (2018· £4 1m) Net income increased in the year to £17.8m (2018: £16 0m), driven by the growth in both the UK Mortgages and Irish Auto business. Operating expenses increased to £19.9m (2018: £18.3m) to support the growth of the lending businesses and the diversification into UK Consumer Lending which, it is proposed, will be launched in 2020

Management and Directors use a number of key performance indicators to manage the business As a lending business the main focus is on quality and size of the lending book.

KPI	2019	2018
Net Interest Income Margin (% of average book)	5 34%	11.42%
Portfolio Size	£319m	£146m
Bad Debt Expense (% of average book)	1 22%	2.66%

Net Interest Income Margin has decreased due to the growth of the lower margin mortgages portfolio relative to the growth of the higher margin auto loan portfolio. The reduction in bad debt expense also reflects this growth as arrears and expected losses in the Mortgage portfolio are low relative to the auto loan portfolio

The principal areas of uncertainty, with potentially material impact on the Financial Statements, where the Directors have expressed judgement concern the following:

- A bad debt provision is recorded in the Income Statement to take account of credit risk on originated and acquired mortgages and vehicle loans This is calculated in two stages. Specific provisions are based on the Group's Special Servicing team's estimate of losses for current assets in possession. Portfolio provisions use historical data to calculate a probability of foreclosure given a loan's seasoning and arrears status and apply those probabilities to the outstanding balance of the current portfolio.

- The Group recognises certain assets and liabilities using an effective interest rate method The forecast expected cash flows associated with these assets and liabilities are spread across the life of the asset/liability to ascertain an effective interest rate, being the rate which exactly discounts the cash flows back to the stated balance of the asset or liability

BLUESTONE CONSOLIDATED HOLDINGS LIMITED

STRATEGIC REPORT (continued)

The Group's activities expose it to a variety of financial risks including market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses derivative financial instruments such as interest rate swaps to hedge certain risk exposures Derivatives are used exclusively for hedging purposes and not for trading or other speculative purposes. The Group uses different methods to measure different types of risks to which it is exposed. These methods include ageing analysis for credit risk and maturity analysis for liquidity risk. For further detail see the Financial Risk Management section of the Directors' Report.

Warehouse facilities are typically short term funding facilities with maturities up to 24 months, before being refinanced in the term markets. All of the Group's facilities expire in excess of 6 months from the date of signing the financial statements. The Directors are satisfied that either these facilities will be extended on commensurate terms, or any sale of the mortgages within the warehouse facility would be sufficient to repay the facilities at maturity, and will not affect the Group's ability to continue as a going concern.

The Group is committed to maintaining a robust and effective corporate governance framework. The Board has established a number of sub-committees to operate both at a Group level and for individual business units. The committee structure also takes into account the various regulatory requirements in both of the jurisdictions, United Kingdom and Ireland, in which the Group operates In addition, all of the business units hold formal board meetings each month Members of each of the sub committees and directors of subsidiary boards are selected from the executive management teams to ensure an appropriate level of skills and experience is present at each meeting. In addition, where relevant, non executive directors are appointed to supplement executive management's skills and experience and provide independence The key committees at a Group level are the Audit, Risk & Compliance Committee and the Appointments & Remuneration Committee.

On behalf of the board

A.J. Jeffery
Executive Chairman
Date: ~~November~~ 2019
19 December

BLUESTONE CONSOLIDATED HOLDINGS LIMITED

DIRECTORS' REPORT

The Directors present their report on the audited consolidated entity consisting of Bluestone Consolidated Holdings Limited and the entities it controlled at the end of and during the financial year ended 30 June 2019.

Directors
The names of the Directors of the Company who served during the financial year and up to the date of signing the financial statements are:

Mr A. Jeffery
Mr P. McGuinness
Mr A. Cameron
Mr A. Cumming
Ms P. Khroud

Principal Activities
The principal activities of the Group during the financial year were the operation of its lending and asset management businesses in the United Kingdom and Ireland.

Future Developments
The Group has positioned itself to pursue future loan origination, servicing and portfolio acquisition programs in UK and Ireland. Growth into the UK Consumer Lending market is proposed to be launched in 2020

Going Concern
The Group's lending operations are funded by a variety of sources, comprising securitised notes issued by special purpose entities ("SPEs"), warehouse loan facilities and a corporate loan facility.

The securitised notes issued by special purpose entities are repayable by reference to receipts from loans and only have recourse to the assets in the relevant special purpose entity, and therefore there is no impact on the going concern position of the Group.

The warehouse loan facilities are largely secured against the specific mortgage loans with limited recourse to assets of the other entities in the Group

Although the warehouse loan facilities totalling £294,276,020 (of which £243,955,102 was utilised as at the balance sheet date) have maturity dates within 12 months of the date of approving the financial statements, during the past 4 years, regular extensions have been obtained from the facility providers on terms consistent with each previous extension and the directors expect further extensions to be available at the end of the current loan period. Whilst there is no absolute certainty that the warehouse loan facilities will be renewed, given there is limited recourse to the assets of other entities in the Group there is no impact on the going concern position of the Group should the warehouse loan facilities not be renewed.

The corporate loan facility totals £7,500,000 and falls due within 12 months of the date of approving the financial statements. Whilst there is no absolute certainty the Directors are confident that the facility will either be refinanced or repaid from available cash resources when the facility falls due.

The Directors have considered the future cash flow forecasts for the remainder of the Group's operations, excluding the cash flows ring-fenced within the SPEs and warehouses, and have determined that there is sufficient cash available to continue its operations for a period of at least 12 months from the date of approval of the financial statements

Directors and Officers Liability Insurance
During the year and up to the date of signing the financial statements, the Company had arranged Directors' and Officers' liability insurance which covers all the Directors and Officers of the Company and its controlled entities against certain liabilities they may incur in carrying out their duties for the consolidated entity

Post Balance Sheet Events
On 16 August 2019 Bluestone Finance 1 Limited securitised €28,822,023 of loan receivables at a premium to par of €2,132,830, with a commitment to sell a further €13,654,573 of loan receivables at a premium to par of €718,661 to Topaz Asset Finance 2019-1 DAC a related parted by virtue of being controlled by Bluestone Consolidated Holdings Limited.
On 28 August 2019 Bluestone Mortgages Limited completed its first UK RMBS issuance backed by originated mortgages with the £210m Genesis 2019-1 securitisation.
On 22 August 2019 the group increased the capacity on the Bluestone Mortgage Finance No 3 Limited warehouse facility to £278m

Employees
Details of the average number of employees during the year are shown in note 23. The average number of employees in the year to 30 June 2019 was 189 a rise of 35 (23%) on the previous year.

The Group is committed to employment policies based on equal opportunities for all employees. The Group gives full and fair consideration to applications for employment from disabled persons, having regard to their particular aptitudes and abilities Appropriate arrangements are made for the continued employment and training, career development and promotion of disabled persons employed by the Group. If members of staff become disabled the Group continues employment, either in the same or an alternative position, with appropriate retraining being given if necessary.

The Group systematically provides employees with information on matters of concern to them, consulting them or their representatives regularly, so that their views can be taken into account when making decisions that are likely to affect their interests The Group encourages the involvement of employee's by means of whole office meetings where employees have the opportunity to hear from regional management on the Group's developments and ask questions. These can also be submitted anonymously beforehand should employees prefer

The Group has an employee share scheme, further details of which are in note 23.

Dividends
During the year, the Company paid dividends of £2,075,175 (2018: £11,561,539).

Financial Risk Management
(a) The activities of the Group centre on two key regions (the United Kingdom and Republic of Ireland) with significant revenue and/or expenditure in Great British Pounds (GBP) and Euro (EUR). The majority of the FX exposure is as a result of investments in consolidated Irish subsidiaries with FX variances going to reserves.

(b) The Group's main interest rate risk arises from mortgage and vehicle loans, cash deposits and interest bearing liabilities. To the extent the loans are issued at variable rates and expose the Group to interest rate risk, the risk is naturally hedged by variable rate borrowing. Mortgages written at fixed interest rates are fully hedged with interest rate swaps to match the borrowings used to fund the mortgages

(c) Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group The Group has no significant concentrations of mortgage or vehicle loan customer credit risk. Mortgage and vehicle loans consist of a large number of customers spread across UK and Ireland. The Group has procedures in place to ensure that sales of mortgage products are made to customers within the Group's credit and security policy criteria The Group retains the registered mortgages over property and security over vehicles until the loans are repaid. The Group is entitled to take possession of and enforce the security in the event that the customer defaults under the terms of their loan The Group has also acquired loan receivable assets in Ireland and the UK. These loans are predominantly credit impaired and were acquired at a significant discount to face. The Group continues to monitor the loan performance and any variation in carrying value is recognised in the Income Statement

(d) Prudent liquidity risk management implies maintaining sufficient cash together with the availability of funding through an adequate amount of committed credit facilities The Group's finance department also monitors forecast and actual cash flows to ensure that sufficient cash resources and/or financing facilities are in place to ensure the Group can meet its liabilities as and when they fall due

Provision of Information to Auditors
Each director of the Company at the date the Directors' report is signed confirms that:

(a) so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and

(b) the director has taken all of the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information

Signed in accordance with a resolution of the Directors made on 19 December ~~November~~ 2019

On behalf of the board

A.J. Jeffery
Executive Chairman

P T. McGuinness
Director

BLUESTONE CONSOLIDATED HOLDINGS LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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 the directors have prepared the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 group and company and of the profit or loss of the group and company 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 accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs as adopted by the European Union have been followed for the group financial statements and IFRSs as adopted by the European Union have been followed for the company financial statements, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and the Group will continue in business

The directors are also responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Signed in accordance with a resolution of the Directors made on 19 December ~~November~~ 2019

On behalf of the board

A.J Jeffery Executive Chairman	P.T. McGuinness Director

Independent auditors' report to the members of Bluestone Consolidated Holdings Limited

Report on the audit of the financial statements

Opinion

In our opinion, Bluestone Consolidated Holdings Limited's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 30 June 2019 and of the group's loss and the group's and the company's cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the company's financial statements, as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the group and company statements of financial position as at 30 June 2019; the consolidated statement of comprehensive income, the group and company statements of cash flows, and the group and company statements of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's and company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's and company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the group's trade, customers, suppliers and the wider economy.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 30 June 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also 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.

In preparing the financial statements, the directors are responsible for assessing the group's and 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 the directors either intend to liquidate the group or the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

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 error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Christopher Maw (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Cambridge
19 December 2019

BLUESTONE CONSOLIDATED HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

	Note	Group 2019 £	Group 2018 £
Interest income	3	21,502,520	17,534,280
Interest expense and similar charges	3	(9,084,824)	(4,830,988)
Net interest income		**12,417,696**	**12,703,292**
Net fee and commission income	3	2,150,584	814,056
Other income	3	3,235,373	2,525,227
		5,385,957	3,339,283
Total income net of interest and other income		**17,803,653**	**16,042,575**
Expenses			
Marketing		(340,471)	(408,862)
Depreciation	3	(593,898)	(1,565,722)
Employee costs	3	(10,499,296)	(8,260,942)
Professional fees		(2,044,978)	(2,037,376)
General office costs		(2,132,991)	(1,435,688)
Occupancy costs		(969,537)	(1,311,136)
Bad debt expense		(2,804,798)	(2,942,260)
Travel and Entertainment		(494,715)	(374,410)
Total operating expenses		**(19,880,684)**	**(18,336,396)**
Loss before income tax		**(2,077,031)**	**(2,293,821)**
Income tax credit / (expense)	4	588,240	(1,767,533)
Loss for the year from continuing operations		**(1,488,791)**	**(4,061,354)**
Discontinued operations			
Profit for the year from discontinued operations	31	-	22,419,610
(Loss) / Profit for the year		**(1,488,791)**	**18,358,256**
(Loss) / Profit for the year attributable to:			
- Non controlling interest		(120,097)	(128,289)
Owners of the parent		(1,368,694)	18,486,545
		(1,488,791)	**18,358,256**

BLUESTONE CONSOLIDATED HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

	Note	Group 2019 £	2018 £
(Loss) / profit for the year		(1,488,791)	18,358,256
Other comprehensive expense			
Items that may be reclassified to profit and loss:			
Exchange differences on translation of foreign operations		(105,899)	(528,853)
Total other comprehensive (expense)		(105,899)	(528,853)
Total comprehensive (expense)/income for the year		**(1,594,690)**	**17,829,403**
Total comprehensive (expense) / income for the year attributable to:			
- Non controlling interest		(120,097)	(128,289)
- Owners of the parent		(1,474,593)	17,957,692
		(1,594,690)	**17,829,403**

The above statement should be read in conjunction with the accompanying notes.

BLUESTONE CONSOLIDATED HOLDINGS LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2019

	Note	Group 2019	Group 2018	Company 2019	Company 2018
		£	£	£	£
ASSETS					
Cash and cash equivalents (excluding bank overdrafts)	5	21,723,323	18,309,661	-	3,751,741
Receivables	6	5,022,556	3,019,438	5,485,793	3,997,766
Loans held at amortised cost	7	319,034,857	145,919,483	-	-
Other Investments	9	-	-	18,272,038	19,045,980
Property, plant and equipment	11	1,415,228	1,078,919	-	-
Deferred tax assets	12	1,535,672	1,039,386	106,308	106,308
Total assets		348,731,636	169,366,887	23,864,139	26,901,795
LIABILITIES					
Payables	13	(6,374,662)	(6,990,782)	(112,477)	(93,278)
Interest-bearing liabilities	14	(324,863,007)	(141,146,198)	(21,813)	-
Current tax liabilities	15	-	(66,075)	-	-
Total Liabilities		(331,237,669)	(148,203,055)	(134,290)	(93,278)
NET ASSETS		**17,493,967**	**21,163,832**	**23,729,849**	**26,808,517**
EQUITY					
Contributed equity	18	157,375	157,375	157,375	157,375
Reserves	19	(24,269,262)	(24,163,363)	(10,292,267)	(10,292,267)
Retained earnings		40,898,547	44,342,416	33,864,741	36,943,409
Equity attributable to owners of the parent		16,786,660	20,336,428	23,729,849	26,808,517
Non controlling interest		707,307	827,404	-	-
Total equity		**17,493,967**	**21,163,832**	**23,729,849**	**26,808,517**

The statement of financial position above should be read in conjunction with the accompanying notes.

Bluestone Consolidated Holdings Limited recorded a loss for the year ended 30th June 2019 of £1,003,493 (2018: profit £27,077,601).

The financial statements on pages 11 to 54 were authorised for issue by the board of Directors on 19 December ~~November~~ 2019 and were signed on its behalf.

A J. Jeffery
Executive Chairman
Date: November 2019
Company number: 08753310

BLUESTONE CONSOLIDATED HOLDINGS LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

GROUP

	Note	Contributed Equity £	Reserves £	Retained earnings £	Non Controlling Interest £	Total Equity £
Balance at 1 July 2017		11,680,191	(23,897,622)	54,415,036	955,693	43,153,298
Profit / (Loss) for the year		-	-	18,486,545	(128,289)	18,358,256
Other comprehensive expense for the year		-	(528,853)	-	-	(528,853)
Total comprehensive (expense) / income for the year		-	(528,853)	18,486,545	(128,289)	17,829,403
Transactions with owners in their capacity as owners						
Buy back of ordinary shares	18	(11,522,816)	-	(16,997,626)	-	(28,520,442)
Employee share scheme reserve	20	-	263,112	-	-	263,112
Dividends paid	24	-		(11,561,539)	-	(11,561,539)
		(11,522,816)	263,112	(28,559,165)	-	(39,818,869)
Balance at 30 June 2018		157,375	(24,163,363)	44,342,416	827,404	21,163,832
Loss for the year		-	-	(1,368,694)	(120,097)	(1,488,791)
Other comprehensive expense for the year		-	(105,899)	-	-	(105,899)
Total comprehensive (expense) / income for the year		-	(105,899)	(1,368,694)	(120,097)	(1,594,690)
Transactions with owners in their capacity as owners						
Dividends paid	24	-	-	(2,075,175)	-	(2,075,175)
			-	(2,075,175)	-	(2,075,175)
Balance at 30 June 2019		157,375	(24,269,262)	40,898,547	707,307	17,493,967

The above group statement of changes in equity should be read in conjunction with the accompanying notes.

BLUESTONE CONSOLIDATED HOLDINGS LIMITED

STATEMENT OF CHANGES IN EQUITY (continued)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

COMPANY

	Note	Contributed Equity £	Reserves £	Retained earnings £	Total Equity £
Balance at 1 July 2017		11,680,191	(10,555,379)	38,424,973	39,549,785
Profit for the year		-	-	27,077,601	27,077,601
Total comprehensive income for the year		-	-	27,077,601	27,077,601
Transactions with owners in their capacity as owners					
Buy back of ordinary shares	18	(11,522,816)	-	(16,997,626)	(28,520,442)
Employee share scheme	20	-	263,112	-	263,112
Dividends paid	24	-		(11,561,539)	(11,561,539)
		(11,522,816	263,112	(28,559,165)	(39,818,869)
Balance at 30 June 2018		157,375	(10,292,267)	36,943,409	26,808,517
Loss for the year			-	(1,003,493)	(1,003,493)
Total comprehensive expense for the year		-	-	(1,003,493)	(1,003,493)
Transactions with owners in their capacity as owners					
Dividends paid	24	-	-	(2,075,175)	(2,075,175)
		-	-	(2,075,175)	(2,075,175)
Balance at 30 June 2019		157,375	(10,292,267)	33,864,741	23,729,849

The above statement of changes in equity should be read in conjunction with the accompanying notes

BLUESTONE CONSOLIDATED HOLDINGS LIMITED

STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

	Note	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
Cash flows from operating activities					
Receipts from customers		2,581,714	4,911,149	139,117	151,884
Payments to suppliers and employees		(18,418,838)	(12,618,227)	-	-
Interest and similar income received		28,964,314	15,469,017	-	-
Interest and other finance costs paid		(15,440,506)	(9,137,259)	-	-
Net loan advances		176,138,047	67,991,806	-	-
Net mortgages advanced		(174,137,083)	(66,538,104)	(1,383,469)	-
Income tax paid		(166,458)	(293,229)	-	-
Net cash flows generated from /(used by) operating activities		(478,810)	(214,847)	(1,244,352)	151,884
Cash flows from investing activities					
Payments for property, plant and equipment		(929,289)	(920,112)	-	-
Sale of Mortgage Assets		-	5,809,388	-	-
Net proceeds from sale of subsidiary		-	2,557,210		43,599,632
Net cash generated from /(used in) investing activities		(929,289)	7,446,486	-	43,599,632
Cash flows from financing activities					
Buy back of shares		-	(28,520,442)	-	(28,520,442)
Proceeds from borrowings		7,500,000	-	-	-
Dividends paid	24	(2,075,175)	(11,561,539)	(2,075,175)	(11,561,539)
Net cash used in financing activities		5,424,825	(40,081,981)	(2,075,175)	(40,081,981)
Net increase/(decrease) in cash and cash equivalents		4,016,726	(32,850,342)	(3,319,527)	3,669,535
Effects of exchange rate changes on cash		(603,064)	(996,071)	(1)	-
Cash and cash equivalents at the beginning of the financial year		18,309,661	52,156,074	3,751,741	82,206
Cash and cash equivalents at the end of the financial		21,723,323	18,309,661	432,213	3,751,741

The statement of cash flows above should be read in conjunction with the accompanying notes.

Cash and cash equivalents of the group at 30 June 2019 include £16,502,140 (2018: £7,720,947) that is not available for use by the Group, as it is quarantined within special purpose entities in accordance with legal documents governing the vehicles - see also note 5.

Bluestone Consolidated Holdings Limited (the Company) and its subsidiaries (the Group) originate, acquire and manage portfolios of loans and receivables.

The Company is a private company limited by shares which is domiciled and incorporated in England. The address of the registered office is:

1 Station Square
Cambridge
CB1 2GA

Directors:

Mr A. Jeffery
Mr P. McGuinness
Mr A. Cameron
Mr A. Cumming
Ms P Khroud

1. Summary of accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years of presentation unless otherwise stated The financial statements are for the consolidated entity consisting of Bluestone Consolidated Holdings Limited and its controlled entities

(a) Basis of Preparation
The Group and Company financial statements of Bluestone Consolidated Holdings Limited have been prepared in accordance with International Financial Accounting Standards (IFRS) and IFRS Interpretations Committee (IFRS IC) pronouncements as adopted by the European Union and the Companies Act 2006 applicable to companies reporting under IFRS.

New and amended standards adopted by the Group
None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2018 materially affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods

Early adoption of standards
The Group has not elected to apply any standards or pronouncements before their operative date in the annual reporting period beginning 1 July 2018.

New accounting standards
At the date of authorisation of these financial statements, the following Standards were in issue but not yet effective.

		Effective for accounting periods beginning on of after
IFRS 16	Leases	1 January 2019

1. SUMMARY OF ACCOUNTING POLICIES (continued)

The Standard above has not been applied in preparing these financial statements The Directors have assessed the impact of IFRS 16 on the Group. In comparison to IAS17 there is no material impact on the net assets nor the income statement in the implementation of IFRS16.

Going Concern
The Group's lending operations are funded by a variety of sources, comprising securitised notes issued by SPEs and warehouse loan facilities and a corporate loan facility.

The securitised notes issued by special purpose entities are repayable by reference to receipts from loans and only have recourse to the assets in the relevant special purpose entity, and therefore there is no impact on the going concern position of the Group

The warehouse loan facilities are largely secured against the specific mortgage loans of the relevant warehouse with limited recourse to the other entities in the Group.

Although the warehouse loan facilities totalling £294,276,020 (of which £243,955,102 was utilised as at the balance sheet date) have maturity dates within 12 months of the date of approving the financial statements, during the past 4 years, regular extensions have been obtained from the facility providers on terms consistent with each previous extension and the directors expect further extensions to be available at the end of the current loan period. Whilst there is no absolute certainty that the warehouse loan facilities will be renewed, given there is limited recourse to the other entities in the Group there is no impact on the going concern position of the Group should the warehouse loan facilities not be renewed.

The corporate loan facility totals £7,500,000 and falls due 12 months of the date of approving the financial statements. Whilst there is no absolute certainty the Directors are confident that the facility will either be refinanced or repaid from available cash resources when the facility falls due

The Directors have considered the future cash flow forecasts for the remainder of the Group's operations, excluding the cash flows ring-fenced within the SPEs and warehouses, and have determined that there is sufficient cash available to continue its operations for a period of at least 12 months from the date of approval of the financial statements.

Historical Cost Convention
These financial statements have been prepared under the historical cost convention, as modified by the revaluation of derivative financial instruments at fair value through profit or loss.

Critical Accounting Estimates
The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies The areas where assumptions and estimates are significant to the financial statements are disclosed in note 2.

1. SUMMARY OF ACCOUNTING POLICIES (continued)

Critical Accounting Estimates (continued)

(b) Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of all controlled entities of Bluestone Consolidated Holdings Limited as at 30 June 2019 and their results for the year then ended Bluestone Consolidated Holdings Limited and its controlled entities together are referred to in these financial statements as the Group or the consolidated entity.

Controlled entities are all those companies and SPEs over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

When assessing whether the Group controls (and therefore consolidates) a SPE, judgement is required about risks and rewards as well as the Group's ability to make operational decisions for the SPE. The range of factors that are considered in assessing control are whether (a) a majority of benefits of an SPE's activities are retained; (b) a majority of the residual ownership risks related to the SPE's assets are retained; (c) the decision-making powers of the SPE vest with the Group; and (d) the SPE's activities are being conducted on behalf of the Group and according to its specific business needs.

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of Bluestone Consolidated Holdings Limited.

Investments in subsidiaries are carried at cost, and where there is an indicator of impairment, assessed at recoverable amount in the individual financial statements of Bluestone Consolidated Holdings Limited

(c) Income Tax

The income tax expense or revenue for the period is the tax payable/receivable on the current period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when assets are recovered or liabilities settled, based on those tax rates which are enacted or substantively enacted at the balance sheet date for each jurisdiction The relevant tax rates are applied to the cumulative amounts of deductible temporary differences to measure the deferred tax asset and liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

1. SUMMARY OF ACCOUNTING POLICIES (continued)

(c) Income Tax (continued)

Deferred tax assets are recognised for the deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority Current tax assets and liabilities are offset when the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and liability simultaneously.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

(d) Foreign Currency Translations

(i) Functional and Presentational Currencies
Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in UK sterling, which is Bluestone Consolidated Holdings Limited's functional and presentation currency.

(ii) Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions Foreign exchange gains and losses resulting from the settlement of such foreign currencies transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

(iii) Group Companies
The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each income statement are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income

1. SUMMARY OF ACCOUNTING POLICIES (continued)

(d) Foreign Currency Translations (continued)

(iii) Group Companies (continued)
On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold or borrowings repaid, a proportionate share of such exchange differences are recognised in the income statement as part of the gain or loss on sale.

(e) Income Recognition
The principal sources of income are:

(i) Interest Income
Interest income arising from loans is brought to account using the effective interest rate method. The effective interest method calculates the amortised cost of a financial instrument and allocates the interest income or expense over the relevant period The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument. Fees and transaction costs associated with the origination of the loans are capitalised and included in the effective interest rate and recognised over the expected life of the loan

(ii) Fees and Commission
Fees and commission not associated with the origination of the loan are recognised as the amounts become irrevocably due and payable Revenue is generally measured at fair value of the consideration received or receivable.

(f) Investments and Other Financial Assets
The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables and held-to-maturity investments. The classification depends upon the purpose for which the financial assets were acquired. The Group determines the classification of its financial assets at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

Loans held at amortised cost
All mortgage and vehicle loan receivables are treated as loans held at amortised cost They are initially recognised at fair value including direct and incremental costs. They are subsequently measured at amortised cost using the effective interest method, less impairment provisions.

1. SUMMARY OF ACCOUNTING POLICIES (continued)

(g) Impairment of Assets and Provisions for Doubtful Debts

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are identifiable cash flows (cash generating units).

A bad debt provision is recorded in the Income Statement to take account of credit risk on issued mortgage and vehicle loans held at amortised cost. The provision for doubtful debts includes individually assessed provisions and collectively assessed provisions. Individually assessed provisions are based on an independent valuation of the security adjusted by any cost of selling, less the outstanding loan balance. In arriving at the collectively assessed provisions the Group makes judgements as to whether there is any observable data which indicates there is a significant decrease in the estimated future cash flows from mortgage receivables before the decrease can be identified with an individual loan This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a portfolio or local economic conditions that correlate with defaults on assets in the portfolio. The Group uses a rating agency model to establish expected credit losses on the loan portfolio based on a number of loan characteristics. In accordance with IFRS 9 the Group accounts for 12 months of expected credit losses (ECL) on performing assets (generally less than 90 days in arrears with no other indication of increased credit risk) and lifetime expensed credit loss (ECL) on under performing or non-performing assets (90+ days arrears or where the Group is actively trying to or has recovered the asset).

(h) Leased Assets

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other long term payables. Each lease payment is allocated between the liability and finance cost. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the asset's useful life and the lease term

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

1. SUMMARY OF ACCOUNTING POLICIES (continued)

(i) Property, Plant and Equipment

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure which is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the income statement during the financial period in which they are incurred.

Depreciation is provided on property, plant and equipment. Depreciation is calculated on a straight-line basis so as to write off the net cost of each asset over its expected useful life. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight-line method. The following estimated useful lives are used in the calculation of depreciation:

Leasehold improvements	Shorter of lease term and 5 years
Equipment under Finance Lease	5 years
Plant and equipment	3-5 years

(j) Payables

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year, which are unpaid The amounts are unsecured and are usually paid within 30 days of recognition.

(k) Employee Entitlements

(i) Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised as liabilities in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

(ii) Retirement benefit obligations

Contributions to the defined contribution superannuation fund are recognised as an expense as they become payable.

(iii) Profit sharing and bonus plans

The Group recognises a liability and an expense for bonuses and profit sharing based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(iv) Other employee related items

Employee benefit on-costs, including payroll tax, are recognised and included in employee benefit liabilities and costs when the employee benefits to which they relate are recognised as liabilities.

1. SUMMARY OF ACCOUNTING POLICIES (continued)

(k) Employee Entitlements (continued)

(v) Share based payments
The Group awards C shares to certain employees (including executive directors) The grant-date fair value of the shares awarded is recognised as an employee expense in the income statement, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards

(l) Interest Bearing Liabilities
Interest bearing liabilities are initially recognised at fair value, net of transaction costs incurred such as legal fees and other consultancy costs incurred in relation to developing the funding structures and associated financing facilities. Interest bearing liabilities are subsequently measured at amortised cost using the effective interest method

(m) Provisions
Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the Group's best estimate of the expenditure required to settle the present obligation at the reporting date The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability The increase in provision due to the passage of time is recognised as interest expense.

(n) Equity issued by the Company
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.

(o) Dividends
Dividend distributions to the Company's shareholders are recognised as a liability in the financial statements in the period in which the dividends are approved by the Company's shareholders. Interim dividends are recognised when paid.

(p) Cash
For the purposes of the cash flow statement, cash includes cash on hand, deposits at call with financial institutions and other highly liquid investments with short periods to maturity which are readily convertible to cash on hand and are subject to an insignificant risk of changes in value, net of outstanding bank overdrafts. Cash also includes amounts held by consolidated special purpose entities which is quarantined within the entity for distribution to bondholders in accordance with the legal documents governing the vehicle.

1. SUMMARY OF ACCOUNTING POLICIES (continued)

(q) VAT
Revenues, expenses and assets are recognised net of the amount of VAT, except:
(i) where the amount of VAT incurred is not recoverable from the taxation authority, when it is recognised as part of the cost of the asset or expense,
(ii) for receivables and payables, which are recognised inclusive of VAT.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables. Cash flows are included in the statement of cash flows on a gross basis. The VAT component of cash flows arising from investing and financing activities which is recoverable from, or payable to the taxation authority, is classified as operating cash flows.

(r) Goodwill
Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of the acquisition. Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill is not amortised. Instead, goodwill is tested for impairment annually and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(s) Business Combinations
The excess of the consideration transferred and the amount of any non-controlling interest in the acquiree over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

(t) Derivatives and hedging activities
Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently measured at fair value at each reporting date. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

Fair value changes on derivatives that are not designated or do not qualify for hedge accounting are recognised in profit or loss when the changes arise.

The Group documents at the inception of the transaction the relationship between the hedging instruments and hedged items, as well as its risk management objective and strategies for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives designated as hedging instruments are highly effective in offsetting changes in fair value or cash flows of the hedged items

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances. Changes to assumptions used for estimating future cash flows could result in changes to reported results The Group has no critical judgements but the critical estimates are listed below.

(a) Loan Loss Provision

The provision for doubtful debts includes individually assessed provisions and collectively assessed provisions. Individually assessed provisions are based on an independent valuation of the security adjusted by any cost of selling, less the outstanding loan balance. In arriving at the collectively assessed provisions the Group makes judgements as to whether there is any observable data which indicates there is a significant decrease in the estimated future cash flows from mortgage loans receivables before the decrease can be identified with an individual loan. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a portfolio or local economic conditions that correlate with defaults on assets in the portfolio. The Group uses a rating agency model to established expected future losses on the loan portfolio based on a number of loan characteristics Based on experience over the last three years the Group then models the emergence of these losses when scheduling its future cash flows In accordance with IFRS 9 the Group accounts for 12 months of expected credit losses (ECL) on performing assets (generally less than 90 days in arrears with no other indication of increased credit risk) and lifetime expected credit loss (ECL) on under performing or non-performing assets (90+ days arrears or where the Group is actively trying to or has recovered the asset)

(b) Effective Interest Rate

Fee income and expenses which are associated with the loans and vehicle loans receivables and the note liabilities are spread over the life of the loans/notes on an effective interest rate basis. Where income has been received or expenses paid upfront the actual amount received/incurred is spread over the life of the loans/notes. Where income is to be received or expenses to be incurred at a future date an estimate of the amounts to be received/paid is made based on the expected characteristics of loans/notes on a portfolio basis.

(c) Tax Losses

The Group has a number of tax losses which are recognised in the financial statements as a deferred tax asset to the extent to which it is considered probable that future taxable profits will be available in future periods against which the losses can be utilised. An assessment is made each year of the future taxable profits which are probable based on the expected future taxable profits from earnings plus the extent to which any timing differences recognised will reverse and generate taxable income.

3. LOSS BEFORE INCOME TAX

	Group 2019 £	2018 £
Loss from ordinary activities before income tax includes the following items of revenue:		
Interest and similar income		
On loan balances	21,491,177	15,679,523
On cash balances	11,343	1,854,757
	21,502,520	17,534,280
Interest expense and similar charges		
On mortgage and vehicle loan financing	(9,018,325)	(4,690,066)
On other borrowings	(66,499)	(140,922)
	(9,084,824)	(4,830,988)
Net interest income	12,417,696	12,703,292
Fee and commission income	6,085,085	3,109,965
Fee and commission expense	(3,934,501)	(2,295,909)
Net fee and commission income	2,150,584	814,056
Other income/(expense)		
Fair value gains/(losses) on financial assets at fair value through profit or loss*	-	2,339,957
Gain on sale of mortgages	3,063,838	-
Other income	171,535	185,270
	3,235,373	2,525,227
Total income net of interest and other income	17,803,653	16,042,575

* Included within this fair value movement is a loss of £nil (2018: £nil) relating to credit risk

	Group 2019 £	2018 £
Expenses include:		
Depreciation and amortisation:		
Plant and equipment	(459,773)	(727,247)
Leasehold improvements	(134,125)	(86,315)
Assets held under Finance Leases	-	(20,688)
Write down of Software development costs	-	(731,472)
	(593,898)	(1,565,722)
Included within other income from operating activities:		
Impairment of goodwill	-	(878,537)

3. LOSS BEFORE INCOME TAX (continued)

	Group	
	2019	**2018**
	£	**£**
Fees payable to the Company's auditors for the audit of the parent Company and the consolidation:		
Total audit fees		
- Audit of the Parent Company pursuant to legislation	7,200	27,884
- Audit of the Company's subsidiaries pursuant to legislation	141,893	125,471
- Taxation compliance services	50,825	100,005
- Other services	64,185	19,480
- Corporate finance services	323,440	213,400
Total auditors' remuneration	587,543	486,240

Employee Benefits Expense:	**£**	**£**
Wages and Salaries	9,462,155	7,327,426
Social Security Costs	966,827	902,902
Other Pension costs	70,314	30,614
	10,499,296	8,260,942

See note 23 for further details of employees

BLUESTONE CONSOLIDATED HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

4. INCOME TAX CREDIT / (EXPENSE)

	Group 2019 £	2018 £
(a) Income tax (credit) / expenses		
Aggregate income tax expense comprises:		
Current tax	(108,664)	369,289
Adjustment in respect of prior year (current tax)	282	(43,261)
Deferred tax	(496,287)	1,441,505
	(604,669)	1,767,533
Deferred tax income/(expense) included in the income tax expense comprises:		
Increase/(decrease) in deferred tax assets	496,287	(1,767,750)
Increase in deferred tax liabilities	-	326,245
	496,287	(1,441,505)

(b) Reconciliation of income tax (credit) / expense to theoretical tax payable

The tax on the Group's loss before tax differs from (2018: differs from) the theoretical amount which would arise using the corporation tax rate applicable in the year as follows:

	2019 £	2018 £
Loss before income tax from continuing operations	(2,077,031)	(2,293,821)
Income tax credit at standard rate - 19% (2018 19%)	(394,635)	(435,825)
Tax effect of permanent differences		
Differences in overseas tax rates	(234,615)	53,057
Non-deductible expenses	(51,826)	(16,599)
Non assessable intra-group income	-	(243,924)
Income tax adjusted for permanent differences	(681,076)	(643,291)
Tax losses not brought in to account as deferred tax assets	76,125	2,454,085
Adjustment in respect of prior year	282	(61,868)
Change in Tax Rate	-	18,607
Income tax (credit)/expense	(604,669)	1,767,533

4. INCOME TAX CREDIT / (EXPENSE) (continued)

(c) Factors affecting future tax changes

UK corporation tax is calculated at 19% (2018: 19%) of the estimated assessable loss for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

In the Budget on 16 March 2016, the Chancellor announced that the standard rate of UK Corporation Tax will be reduced from 1 April 2020 to 17%. The deferred tax assets and liabilities at the balance sheet date are calculated at the substantively enacted rate of 17%

(d) Unused Tax Losses for which no deferred tax asset has been recognised

Unutilised tax losses for which no deferred tax asset has been recognised	13,150,766	12,750,107
Potential tax benefit at 17 00% (2018: 17%)	2,235,630	2,167,518

5. CASH AND CASH EQUIVALENTS

	Group		Company	
	2019	2018	2019	2018
	£	£	£	£
Cash held by consolidated special purpose entities	16,502,140	7,720,947	-	-
Other cash at bank and in hand	5,221,183	10,588,714	-	3,751,741
Bank overdraft (see note 14)	-	-	(21,813)	-
	21,723,323	18,309,661	(21,813)	3,751,741

Cash held by consolidated special purpose entities is quarantined within the entity and is distributed to noteholders in accordance with the legal documents governing the vehicle. Cash at bank earned interest at floating rates at an average of nil (2018: 0 66%).

Bank overdrafts of £21,813 are shown within interest bearing liabilities in current liabilities in the balance sheet.

6. RECEIVABLES

	Group		Company	
	2019	2018	2019	2018
	£	£	£	£
Accounts Receivable	724,801	367,781	104,563	-
Prepayments	455,645	401,354	3	-
Accrued income	2,400,554	1,218,714	-	-
Receivables from related parties	-	-	5,381,227	3,997,766
Sales tax receivable	882,158	801,874	-	-
Current tax	192,335	-	-	-
Other	367,063	229,715	-	-
	5,022,556	3,019,438	5,485,793	3,997,766

Receivables from related parties are unsecured and interest free

6. RECEIVABLES (continued)

(a) Bad and doubtful receivables

No provisions for bad and doubtful debts have been recorded against receivables balances as all balances are within agreed terms. A bad and doubtful debt provision has been raised against loans held at amortised cost, see note 7

(b) Fair values

The fair values of the receivables balances are not materially different to their carrying amount in the financial statements

(c) Effective interest rates and credit risk

The Group is not exposed to any significant credit risk on receivables as these amounts are short term in nature or represent prepaid expenses or accrued income. None of the receivables are interest bearing

(d) Maturity of receivables

All receivables are due within 12 months

7. LOANS HELD AT AMORTISED COST

	Group 2019	Group 2018	Company 2019	Company 2018
	£	£	£	£
Mortgage receivables	208,308,472	59,068,242	-	-
Other loans held at amortised cost	1,843,252	2,943,721	-	-
Vehicle Loans	108,118,057	83,827,035	-	-
Effective Yielded fees and commissions	3,407,472	2,458,487	-	-
Provision for bad and doubtful debts	(2,642,396)	(2,378,002)	-	-
	319,034,857	145,919,483	-	-

The mortgage receivables balance represents the outstanding principal amounts, accrued interest plus amounts capitalised under the effective interest rate method owed to the Group.

The mortgages are receivable from individual borrowers and are secured against the property. The credit risk on these loans comprises the exposure to individual borrower circumstances and the fluctuations in property values.

The mortgage receivables earn fixed and floating interest rates and earned an average interest rate of 4 65% (2018: 3.78%). The mortgages have remaining terms of between 1 to 35 years (2018: 10 to 30 years), however prepayments can be made by the borrowers and the average life of the loans is approximately 3 years (2018: 6 years) Included within the year end balance is £23,998,724 (2018: £6,930,955) which is expected, based on current customer behaviour to be received within 12 months.

The vehicle loans are receivable from individual borrowers and are secured against the vehicle. The credit risk on these loans comprises the exposure to individual borrower circumstances and the fluctuations in vehicle values.

7. LOANS HELD AT AMORTISED COST (continued)

The vehicle loans earn a floating interest rate plus a margin above the base rate applicable in Ireland and earned an average interest rate of 14 58% (2018 13 94%) The vehicle loans have terms of between 1 to 6 years (2018· 2 to 5 years), however prepayments can be made by the borrowers and the average life of the loans is approximately 5 years (2018: 5 years). Included within the year end balance is £23,941,485 which is expected, based on current customer behaviour to be received within 12 months

The Group has recognised an expense of £2,804,798 (2018. £2,942,260) in respect of bad and doubtful debt on originated mortgage and vehicle receivables during the year ended 30 June 2019.

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets held at fair value through profit or loss represent:

- fixed rate mortgages on which interest rate swap contracts have been entered to swap the fixed interest rate to floating rate and formerly fixed rate mortgages where there had been interest rate swaps in place. Changes in fair value are recorded in the income statement within other income / (expense).
- Bluestone's acquired loan portfolios including Bluestone's remaining interest in the Celeste securitised mortgage book. Changes in value are recorded in the income statement within interest income.

None of the financial assets at fair value through profit or loss are held for trading.

	Group	
	2019	**2018**
	£	**£**
Opening Balance	-	39,849,184
Disposal of Australasian business	-	(38,084,737)
Cash received	-	(4,104,404)
Discharged Loans	-	-
Gains and losses recognised in profit or loss	-	2,339,957
Closing Balance	-	-

The Group had no financial assets designated as fair value through profit and loss in the year ended 30 June 2019

In the prior year the Group realised a profit of £2,339,957 on amounts due from Basinghall Mortgage Finance No. 1 Limited arising as a result of the Celeste securitisation. The Group disposed of its Australasian operations, which included all remaining financial assets at fair value through profit and loss.

9. OTHER INVESTMENTS

Bluestone Consolidated Holdings Limited holds investments in subsidiaries at a cost of £18,272,038 at 30 June 2019 (2018: £19,045,980). Full details of direct subsidiaries of the company are shown in note 25(b)

10. INTANGIBLE ASSETS

	Group		Company	
	2019	2018	2019	2018
	£	£	£	£
Goodwill				
Carrying amount at beginning of year	-	2,181,825	-	-
Disposal of Subsidiaries	-	(1,303,288)	-	-
Impairment	-	(878,537)	-	-
Carrying amount at end of year	-	-	-	-

No goodwill arose in the year to 30 June 2019

In the prior year the Group disposed of its Australian operations and fully impaired the goodwill associated with its Blueston Credit Management business

11. PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold Improvements	Plant and Equipment	Equipment under Finance Lease	Total
Cost	£	£	£	£
At 1 July 2017	988,744	7,872,580	1,090,930	9,952,254
Additions	234,425	685,687	-	920,112
Disposals	(19,572)	(644,073)	-	(663,645)
Write off of software development	-	(1,846,777)	-	(1,846,777)
Disposal of subsidiaries	(443,322)	(3,194,743)	(921,782)	(4,559,847)
Foreign exchange differences	(46,905)	(296,243)	(80,551)	(423,699)
At 30 June 2018	713,370	2,576,431	88,597	3,378,398
At 1 July 2018	713,370	2,576,431	88,597	3,378,398
Additions	214,435	714,854	-	929,289
Foreign exchange differences	1,417	4,204	-	5,621
At 30 June 2019	929,222	3,295,489	88,597	4,313,308
Accumulated Depreciation				
At 1 July 2017	769,921	6,157,304	1,078,537	8,005,762
Depreciation	86,315	727,247	20,688	834,250
Depreciation - discontinued operations	59,777	38,792	-	98,569
Disposals	(19,572)	(644,070)	-	(663,642)
Write off of software development	-	(1,115,305)	-	(1,115,305)
Disposal of subsidiaries	(435,166)	(3,126,724)	(917,989)	(4,479,879)
Foreign exchange differences	(42,205)	(245,381)	(92,690)	(380,276)
At 30 June 2018	419,070	1,791,863	88,546	2,299,479
At 1 July 2018	419,070	1,791,863	88,546	2,299,479
Depreciation	134,125	459,773	-	593,898
Foreign exchange differences	1,346	3,357	-	4,703
At 30 June 2019	554,541	2,254,993	88,546	2,898,080
Net Book Value				
At 30 June 2018	294,300	784,568	51	1,078,919
At 30 June 2019	374,681	1,040,496	51	1,415,228

12. DEFERRED TAX ASSETS

	Note	Group 2019	Group 2018	Company 2019	Company 2018
		£	£	£	£
The balance comprises					
Accruals		138,389	8,326	-	-
Provision for doubtful debts		338,328	701,514	-	-
Employee entitlements		950	950	-	-
Tax losses		-	-	106,308	106,308
Property adjustments		11,400	-	-	-
Premium on asset purchase		727,621	328,596	-	-
Interest on internally held notes		318,984	-	-	-
		1,535,672	**1,039,386**	**106,308**	**106,308**

13. PAYABLES

	Group 2019	Group 2018	Company 2019	Company 2018
	£	£	£	£
Accrued interest payable on borrowings	(536,394)	(224,311)	-	-
Other Accruals	(2,146,310)	(2,958,774)	(112,477)	(93,278)
Trade payables	(2,118,224)	(2,618,253)	-	-
Payroll liabilities	(261,636)	(323,095)	-	-
Payables to related parties	-	(831,737)	-	-
Other Payables	(1,312,098)	(34,612)	-	-
	(6,374,662)	(6,990,782)	(112,477)	(93,278)

Payables are all due within 12 months.

Payables to related parties are unsecured and interest free.

14. INTEREST BEARING LIABILITIES

	Note	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
Securitised loan notes		(73,407,905)	(61,722,135)	-	-
Borrowings		(251,455,102)	(79,424,063)	-	-
Bank overdraft		-	-	(21,813)	-
		(324,863,007)	(141,146,198)	(21,813)	-

(a) Securitised Loan Notes

Notes issued by SPEs are repayable under the terms of the note agreements. Interest is payable on the notes at fixed rate of between 3% and 10.5% (2018: 3%. and 10.5%) The average interest rate paid during the year was 5.6% (2018 5.5%)

The notes have an expected life of 3 years (2018. 3 years) and are secured against the vehicle loan receivables detailed in notes 8 and 9 The expected principal-pass-through to the funders is based on the expected principal receipts from vehicle loans. Calculations of expected principal receipts on vehicle loans have been derived using prepayment assumptions that are based on historic experience. Based on current prepayment assumptions it is anticipated that £8,457,150 (2018 £7,242,358) will be repaid within the next 12 months.

(b) Borrowings

Borrowings include warehouse loan facilities totalling £243,955,102 (2018· £76,362,272) which have terms that expire in excess of 6 months and within 12 months from the balance sheet date and pay interest at a fixed rate of 3 months LIBOR + a fixed margin of between 1.8% and 12.65% (2018: 1 8% and 12.65%) or 1 month LIBOR + a margin of 2.25% (2018· 2.25%), with an average of 2 97% (2018. 3.9%) or a floating rate of 3% over a 3 month Euribor

The warehouse loan facilities are secured against the assets of the relevant warehouse with limited recourse to the other entities or assets in the Group

Borrowings also include a corporate loan facility of £7 5m repayable in March 2020. The corporate facility pay interest at 15% and is fully drawn and guarantees have been provided on the facility by the Group's subsidiaries

	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
Used at balance sheet date	251,455,102	79,424,063	-	-
Unused at balance sheet date	50,320,918	212,575,937	-	-
	301,776,020	292,000,000	-	-

15. CURRENT TAX LIABILITIES

	Group		Company	
	2019	2018	2019	2018
	£	£	£	£
Income tax payable	-	(66,075)	-	-

16. DEFERRED TAX LIABILITIES

Bluestone Consolidated Holdings Limited has no deferred tax liabilities at 30 June 2019 or 2018.

17. PROVISIONS

	Group		
	Employee annual leave	Employee long service leave	Total
	£	£	£
As at 1st July 2017	(255,011)	(122,755)	(377,766)
Charged to income statement	-	-	-
Disposal of subsidiaries	255,011	122,755	377,766
As at 30th June 2018	-	-	-
As at 1st July 2018	-	-	-
Charged to income statement	-	-	-
Disposal of subsidiaries	-	-	-
As at 30th June 2019	-	-	-

Bluestone Consolidated Holdings Limited has no provisions at 30 June 2019 (2018: none).

18. CONTRIBUTED EQUITY

(a) Share Capital	Issued and Fully Paid			
	2019	**2019**	**2018**	**2018**
	No.	**£**	**No.**	**£**
Ordinary Shares A Class of £0.035 each (2018: £0.035) (Renamed Ordinary Shares Class A from Ordinary Shares Class B on 28 March 2018)				
At 1st July 2018	4,353,600	152,376	4,435,871	155,255
Issued in year	-	-	-	-
Repurchase of own shares	-	-	(82,271)	(2,879)
Reclassification of own shares	-	-		
At 30th June 2019	4,353,600	152,376	4,353,600	152,376

18. CONTRIBUTED EQUITY (continued)

(a) Share Capital (continued)

On 28 March 2018 the company reclassified ordinary shares B Class as ordinary shares A class. Prior to the shares being repurchased and cancelled, Ordinary shares A Class holders were entitled to participate in dividends and to share in the winding up of the Company in proportion to the number and amounts paid on the shares held. However, Ordinary shares A class must never confer an entitlement on the holders to more than 50% of any such distribution They were entitled to appoint up to two persons as Directors and to remove any such person from office.

Every holder had the right to receive notice of and to attend, speak and vote at all general meetings of the Company. They were entitled to one vote per share provided that a single holder does not confer more than 49.9% of the total voting rights of all shares at any time. On 28th March 2018 the company bought back and cancelled 5,168,005 shares for £3,488,063.

Ordinary Shares C Class of £0.01 each (2018: £0.01)

At 1st July 2018	499,923	4,999	280,600	2,806
Issued in the year	-	-	537,035	5,370
Conversion from D Shares	-	-	88,825	888
Conversion to and repurchase of C Fixed return shares	-	-	(2,040)	(20)
Conversion to and repurchase of Deferred	-	-	(26,851)	(269)
Repurchase of own shares	-	-	(377,646)	(3,776)
Capital Reduction	-	-	-	-
At 30th June 2019	499,923	4,999	499,923	4,999

Ordinary Shares C Class of £0.01 each (2018: £0.01)

Ordinary shares C Class holders are entitled to participate in dividends and they do not have the right to attend, speak or vote at general meetings of the Company On 28 March 2018 the company bought back and cancelled 377,646 shares for £2,106,609.

On 16th April 2014 8,304,123 Ordinary B Shares were issued to existing shareholders of Bluestone Group Pty Ltd wishing to convert their holding

Ordinary Shares D Class of £0.01 each (2018: £0.01)

	Issued and Fully Paid			
	2019	2019	2018	2018
	No.	£	No.	£
At 1st July 2018	-	-	351,463	3,515
Conversion to C Shares	-	-	(351,463)	(3,515)
At 30th June 2019	-	-	-	-

18. CONTRIBUTED EQUITY (continued)

(a) Share Capital (continued)

Ordinary Preferred Shares of £0.035 each (2018: £0.035)

	Issued and Fully Paid			
	2019	2019	2018	2018
	No.	£	No.	£
At 1st July 2018	-	-	33,354,269	1,167,400
Issued in Year	-	-	-	-
Repurchase of own shares	-	-	(33,354,269)	(1,167,400)
At 30th June 2019	-	-	-	-

On 28 March 2018 the company bought back 33,354,269 shares for £22,511,937

(b) Share Premium

	2019	2018
	£	£
Ordinary Shares A Class		
At 1st July	-	19,120
Repurchase of own shares	-	(19,120)
At 30th June	-	-
Ordinary Preferred Shares		
At 1st July	-	16,677,135
Repurchase of own shares	-	(16,677,135)
At 30th June	-	-

(c) Equity Raising Expenses

	Group		Company	
	2019	2018	2019	2018
	£	£	£	£
At 1st July	-	(6,525,920)	-	(6,525,920)
Repurchase of own shares	-	6,525,920	-	6,525,920
At 30th June	-	-	-	-

(d) Contributed Equity

	Group	
	2019	2018
	£	£
Ordinary Shares A Class of £0 035 each **	152,376	152,376
Ordinary Shares C Class of £0.01 each	4,999	4,999
	157,375	157,375

** Renamed Ordinary Shares A Class from Ordinary B Class on 28 March 2018

19. RESERVES

	Group		Company	
	2019	2018	2019	2018
	£	£	£	£
Foreign Currency Translation Reserve	1,340,261	1,446,160	50	50
Share Based Payments Reserve	580,686	580,686	580,686	580,686
Minority Interest Acquisition Reserve	(7,171,544)	(7,171,544)	-	-
Merger Reserve	(19,018,665)	(19,018,665)	(10,873,003)	(10,873,003)
	(24,269,262)	(24,163,363)	(10,292,267)	(10,292,267)

(a) Foreign Currency Translation Reserve

Balance at the beginning of the financial year	1,446,160	1,975,013	50	50
Translation of foreign operations	(105,899)	(528,853)	-	-
Balance at the end of the financial year	1,340,261	1,446,160	50	50

Exchange differences arising from the translation of foreign operations have been recognised in the foreign currency translation reserve as described in note 1(d). The reserve is recognised in the income statement when the net investment in foreign operations are sold.

(b) Share Based Payment Reserve

Balance at the beginning of the financial year	580,686	317,574	580,686	317,574
Share issuance expense	-	263,112	-	263,112
Balance at the end of the financial year	580,686	580,686	580,686	580,686

The share based payments reserve is used to recognise the fair value of shares issued but not exercised.

(c) Minority Interest Acquisition Reserve

	Group		Company	
	2019	2018	2019	2018
	£	£	£	£
Balance at the beginning/end of the financial year	(7,171,544)	(7,171,544)	-	-

The Minority Interest Acquisition Reserve is used to record the difference between net assets acquired from Minority Interests and face value of consideration paid

(d) Merger Reserve

Balance at the beginning/end of the financial year	(19,018,665)	(19,018,665)	(10,873,003)	(10,873,003)

The Merger Reserve is used to recognise the difference between the pre-acquisition net assets of the Company (the net assets of the consolidated Group for the Group figure) acquired as part of the capital re-organisation in 2014 and the Face value of the shares issued as payment

20. KEY MANAGEMENT PERSONNEL DISCLOSURES

	Group 2019 £	Group 2018 £
(a) Key Management Personnel Compensation		
Short term employee benefits	1,145,097	1,770,319
Post employment benefits	1,868	1,010
Share based payments	-	364,249
Total compensation	1,146,965	2,135,578

The following personnel are considered Key Management Personnel at the year end:
Mr A.J. Jeffery (Executive Chairman)
Mr P.T. McGuinness (Group CEO)
Mr A. Cameron (Non Executive Director)
Mr A. Cumming (Non Executive Director)
Ms P Khroud (Non Executive Director)
Mr A Voss (Chief Financial Officer)

	2019 £	2018 £
(b) Directors' Emoluments		
Directors' emoluments (including benefits in kind) for management services	849,956	1,367,397
(c) Remuneration of the Highest Paid Director		
Directors' emoluments (including benefits in kind) for management services	435,124	718,415

(d) Shares to Directors
Total number and value of shares granted during the year is as follows:

	2019 No.	2019 £	2018 No.	2018 £
Ordinary Class C shares	-	-	138,727	1,387
Ordinary Class D shares	-	-	-	-

(e) Retirement Benefits
The aggregate retirement benefits paid to all Directors of the Company, by the Company or by any related party, during the financial year was £1,868 (2018: £1,010). The amount in respect of the highest paid Director during the financial year was £934 (2018: £505)

21. COMMITMENTS

Operating Leases
Commitments under non-cancellable operating leases are payable as follows:

	Group		Company	
	2019	2018	2019	2018
	£	£	£	£
Within one year	591,614	470,471	-	-
Later than one, not later than five years	1,275,333	981,639	-	-
After 5 years	887,075	146,887	-	-
	2,754,022	1,598,997	-	-

Operating lease commitments relate to motor vehicles, office equipment, car parking spaces and office rent. Lease terms are between 1 and 10 years (2018: 1 and 10 years).

22. RELATED PARTY DISCLOSURES

(a) Directors' Remuneration
Details of the Directors and key management personnel's remuneration is disclosed in note 20 to the financial statements

(b) Directors' Loans
At the Balance Sheet date the group had made loans to directors of £217,417 (2018: £175,976).

During the year certain Directors or related parties of the Directors provided £1.85m to the group as part of the corporate loan facility. Interest amounting to £37,000 has been paid to the directors.

BLUESTONE CONSOLIDATED HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

23. EMPLOYEES

The figures below include executive Directors employed directly by the Group. The Company has no (2018 no) employees.

(a) Monthly Average Number of People Employed

	Group	
	2019	**2018**
	No.	**No.**
Capital Management	3	4
Loan Servicing	89	73
Loan Origination	58	47
Administration	39	30
Total	[illegible]	154

(b) Employee Benefits Expense	**£**	**£**
Wages and Salaries	9,462,155	7,327,426
Social Security Costs	966,827	902,902
Other Pension costs	70,314	30,614
	10,499,296	8,260,942

(c) Share based payments

A scheme under which shares may be issued by the Company to employees for no cash consideration was approved by the Board on 17 February 2016. All employees are eligible to participate in the scheme Under the scheme, the employees may be awarded fully paid ordinary class C shares in the Company annually for no cash consideration.

Awards of C Shares under the scheme are at the discretion of the Company and subject to the vesting terms determined by the Group's Appointments and Remuneration Committee. In most cases, C Share awards vest over a 3 year period.

In March 2018, the Board resolved to remove the vesting terms on all issued C Shares. As a result, all C Shares currently in issue are entitled to participate fully in distributions.

Each participant was issued with Class C shares with a grant date fair value of £1.88 (2018: £1.88)

24. DIVIDENDS PAID

	Group	
	2019	2018
	£	£
(i) Ordinary shares A Class*		
Final paid (2018): nil (2017: 15.3p) per £0.035 share	-	792,443
Interim paid (2019): nil (2018: nil) per £0.035 share	-	-
(i) Ordinary shares A Class**		
Final paid (2018): 29.42p (2017: 17 2p) per £0.035 share	1,280,829	738,680
Interim paid (2019): 13.19p (2018. 123.6p) per £0.035 share	574,240	5,381,047
Special paid (2019): nil (2018: 82.4p) per £0.035 share	-	3,588,235
(ii) Ordinary shares C Class		
Final paid (2018): 29.42p (2017: 17 2p) per £0 01 share	154,166	31,192
Interim paid (2019): 13 19p (2018: 123.6p) per £0 01 share	65,940	617,905
Special paid (2019): nil (2018: 82.4p) per £0 01 share	-	412,037
	2,075,175	**11,561,539**

* Ordinary Shares A Class cancelled on 28 March 2018

** Renamed Ordinary Shares A Class from Ordinary B Class on 28 March 2018

25. SUBSIDIARIES AND CONTROLLED ENTITIES

(a) Controlled Entities

The Group had the following controlled entities at 30 June 2019:

Name of Controlled Entity	Country of Incorporation	Nature of Business	% Ownership Interest
Bluestone APAC Holdings Limited	United Kingdom [1]	Financial Services	100%
Bluestone Group Finance (Jersey) Limited	Jersey [2]	Financial Services	100%
Bluestone Asset Management Spain S L U	Spain [3]	Financial Services	100%
Bluestone Motor Finance (Ireland) DAC	Ireland [4]	Financial Services	100%
Bluestone Capital Management Limited	United Kingdom [1]	Financial Services	100%
Bluestone Portfolio Management (UK) Limited	United Kingdom [1]	Financial Services	100%
Bluestone Credit Management Limited	United Kingdom [5]	Financial Services	100%
Bluestone Retail Finance Limited	United Kingdom [5]	Financial Services	100%
Bluestone Mortgages Limited	United Kingdom [6]	Financial Services	95%
Bluestone Administrative Services (UK) Limited	United Kingdom [1]	Financial Services	100%
Bluestone Mortgage Holdings Limited	United Kingdom [1]	Financial Services	95%
Empingham Limited	United Kingdom [5]	Financial Services	100%
Bluestone Asset Management (Ireland) DAC	Ireland [4]	Financial Services	100%
Bluestone Finance 1 Limited	Ireland [4]	Financial Services	100%
Bluestone Mortgage Finance No. 2 Limited [10]	United Kingdom [1]	Financial Services	95%
Bluestone Mortgage Finance No. 3 Limited	United Kingdom [1]	Financial Services	95%
Bluestone Mortgage Finance No 4 Limited	United Kingdom [1]	Financial Services	95%
Topaz Asset Finance 2016-1 DAC	Ireland [7]	Financial Services	100%
Topaz Asset Finance 2016-2 DAC	Ireland [7]	Financial Services	100%
Topaz Asset Finance 2017-A1 DAC	Ireland [7]	Financial Services	100%
Topaz Asset Finance 2017-A2 DAC	Ireland [7]	Financial Services	100%
Topaz Asset Finance 2018-B1 DAC	Ireland [7]	Financial Services	100%
Topaz Asset Finance 2019-1 DAC	Ireland [7]	Financial Services	100%
Bluestone Capital Management II Limited (in liquidation)	United Kingdom [1]	Financial Services	100%
Bluestone Investment Holdings (IRE) Limited	United Kingdom [1]	Financial Services	100%
Five Rivers 2018-1 Limited	United Kingdom [8]	Financial Services	100%
Sapphire Securities Limited	United Kingdom [1]	Financial Services	100%
Fignum Limited	United Kingdom [1]	Technology Development	100%
Genesis Mortgage Funding 2019-1 Plc	United Kingdom [9]	Financial Services	100%

[1] Registered Address: 1 Station Square, Cambridge, England, CB1 2GA
[2] Registered Address 22 Grenville St Helier Jersey JE4 8PX
[3] Registered Address Rambla de Catalunya, 86, 08008 Barcelona, Barcelona, España
[4] Registered Address. Unit 18 Northwood House, Dublin 9, Ireland
[5] Registered Address. Westfield House, 60 Charter Row, Sheffield, S1 3FZ
[6] Registered Address: Melbourne House, 44-46 Aldwych London, England, WC2B 4LL
[7] Registered Address: 1st Floor, 1-2 Victoria Buildings, Haddington Rd, Dublin 4
[8] Registered Address. Westfield House, 60 Charter Row, Sheffield, S1 3FZ
[9] Registered Address. 35 Great St Helens, London EC3A 6AP
[10] Bluestone Mortgage Finance No. 2 Limited was dissolved 13 Sept 2019

25. SUBSIDIARIES AND CONTROLLED ENTITIES (continued)

(b) Direct subsidiaries of the Company

The Company had the following direct subsidiaries as at 30 June 2019.

	Type of shares	Proportion of shares held and voting rights	Included in the consolidation	Proportion of ownership interest
Bluestone APAC Holdings Limited	Ordinary	100%	Yes	100%
Bluestone Group Finance (Jersey) Limited	Ordinary	100%	Yes	100%
Bluestone Administrative Services (UK) Limited	Ordinary	100%	Yes	100%
Bluestone Mortgage Holdings Limited	Ordinary	95%	Yes	95%
Bluestone Administrative Services (UK) Limited	Ordinary	100%	Yes	100%
Bluestone Credit Management Limited	Ordinary	100%	Yes	100%
Bluestone Capital Management Limited	Ordinary	100%	Yes	100%
Bluestone Motor Finance (Ireland) DAC	Ordinary	100%	Yes	100%
Bluestone Capital Management II Limited	Ordinary	100%	Yes	100%

Bluestone Consolidated Holdings Limited holds investments in subsidiaries at a cost of £18,272,038 at 30th June 2019 (2018: £19,045,980).

The carrying value of Bluestone Finance (Jersey) Limited was written down during the year to reflect the expected recoverable balance

	£
At 1 July 2018	19,045,980
Impairment	(773,942)
At 30 June 2019	18,272,038

(c) Subsidiaries exempt from audit

The below subsidiary undertakings have claimed audit exemption under UK Companies Act 2006 section 479A with respect to the year ended 30 June 2019. The Group parent company, Bluestone Consolidated Holdings Limited, has given a statement of guarantee under Companies Act 2006 section 479A, whereby Bluestone Consolidated Holdings Limited will guarantee all outstanding liabilities to which the respective subsidiary companies are subject as at 30 June 2019.

Subsidiary	Company Number
Bluestone APAC Holdings Limited	08754669
Bluestone Capital Management Limited	10367076
Bluestone Administrative Services (UK)	09229739
Bluestone Retail Finance Limited	08253843
Empingham Limited	04111298
Five Rivers 2018-1 Limited	11156076
Fignum Limited	11918733
Bluestone Portfolio Management (UK) Limited	06767914
Bluestone Mortgage Holdings Limited	09164380
Bluestone Mortgage Finance No. 2 Limited	09714260
Sapphire Securities Limited	11486427

25. SUBSIDIARIES AND CONTROLLED ENTITIES (continued)

(c) Subsidiaries exempt from audit (continued)
The below subsidiary undertakings have claimed audit exemption under Irish Companies Act 2014 section 357 with respect to the year ended 30 June 2019. The Group parent company, Bluestone Consolidated Holdings Limited, has given a statement of guarantee under UK Companies Act 2006 section 479A, whereby Bluestone Consolidated Holdings Limited will guarantee all outstanding liabilities to which the respective subsidiary companies are subject as at 30 June 2019.

Subsidiary	Company Number
Bluestone Motor Finance (Ireland) DAC	507250
Bluestone Asset Management (Ireland) DAC	538104

26. INCOME STATEMENT FOR BLUESTONE CONSOLIDATED HOLDINGS LIMITED (THE COMPANY)

As permitted by section 408 of the Companies Act 2006 the Company has elected not to present its own income statement for the year.
Bluestone Consolidated Holdings Limited recorded a loss for the year ended 30th June 2019 of £1,003,493 (2018: profit £27,077,601).

27. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses different methods to measure different types of risks to which it is exposed. These methods include ageing analysis for credit risk and maturity analysis for liquidity risk.

Risk management is carried out by a central Treasury department (Treasury) under policies approved by the board of Directors and the Group's Interest Rate Committee (IRC). Treasury evaluates, identifies and hedges financial risks.

(a) Market Risk

(i) Foreign Exchange Risk
The Group's exposure to foreign exchange risk at the reporting date was partially hedged by assets in the currency of funding, however the EUR cash position remained unhedged. As the cash balances held in foreign currencies is low the directors consider this low risk.

27. FINANCIAL RISK MANAGEMENT (continued)

(i) Foreign Exchange Risk (continued)

The table below illustrates the Group's financial assets and liabilities denominated in foreign currencies:

	30 June 2019	
	EUR £	AUD £
Cash	34,160	-
Interest Bearing Financial Liabilities	(102,655,571)	-
Loans held at amortised cost	108,118,057	-
Financial liabilities at fair value through profit or loss	-	-

	30 June 2018	
	EUR £	AUD £
Cash	322,626	79,206
Interest Bearing Financial Liabilities	(87,522,177)	-
Loans held at amortised cost	83,827,035	-
Financial liabilities at fair value through profit or loss	-	-

Sensitivity
The Group's financial assets and liabilities denominated in EUR above represent financial assets/liabilities of the Group's foreign entities operating in Ireland. Due to the Group's hedging activities, the change of GBP rates against the EUR would only result in immaterial movements in the Income Statement.

(ii) Interest rate risk
The Group's main interest rate risk arises from mortgage and vehicle loans, cash deposits and interest bearing liabilities. The Group's borrowings are issued at both fixed and variable rates and expose the Group to interest rate risk Mortgage and vehicle loans that are written at variable rates and cash deposits also expose the Group to interest rate risk, however the risk is naturally hedged by the variable rate borrowings. Mortgages written at fixed interest rates are hedged with interest rate swaps to match the borrowings used to fund the mortgages. It is company policy to hedge 100% of the outstanding balance of fixed rate loans. Such interest rate swaps have the economic effect of converting mortgage loans from fixed rates to floating rates.

The notes to the financial statements set out the details of each class of financial asset/liabilities and set out whether interest is earned/paid on a floating rate and the weighted average interest cost for the financial year.

27. FINANCIAL RISK MANAGEMENT (continued)

(ii) Interest rate risk (continued)

Sensitivity

Had interest rates been 25 bps higher with all other variables held constant, it is estimated Group's results would have been impacted as follows:

	Group	
	2019	**2018**
	£	**£**
Profit after tax - lower	(17,400)	3,607
Equity - (lower)/higher	(21,091)	4,373

The parent entity has no material sensitivity to interest rates

(b) Credit risk

Credit risk refers to the risk that a counterparty will default in its contractual obligations resulting in financial loss to the Group. Credit risk is managed on a Group basis. Credit risk arises from cash and cash equivalents, derivative financial instruments, deposits with banks and financial institutions and mortgage loans.

The carrying value of financial assets recorded in the financial statements, net of any allowances for losses, represents the Group's maximum exposure to credit risk

The Group has no significant concentrations of mortgage or vehicle loan customer credit risk. Loans consist of a large number of customers spread across diverse geographical areas within UK and Ireland. The Group has procedures in place to ensure that sales of mortgage & loan products were made to customers within the Group's credit and security policy criteria The Group retains the registered mortgages/loans over security property/asset until the loans are repaid. The Group is entitled to take possession of and enforce of security property/asset in the event that the customer defaults under the terms of their loan

The following table demonstrates the split of the Group's mortgage & vehicle loans based on the borrowers financial record to defaults, arrears and bankruptcy at origination:

Ratings	Consolidated	
	2019	2018
	£	£
Clear	144,247,201	43,385,076
Alt-Doc	0	0
AAA	71,852,373	34,203,703
AA	81,493,221	59,994,777
A	13,969,520	4,403,808
BBB	4,864,214	907,913
	316,426,529	142,895,277

27. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)
The Group's exposure to the mortgage & vehicle loans is limited as although the assets are consolidated in the Group financial statements, they sit within quarantined SPEs with no recourse to the Group. Losses on mortgage & vehicle loans are therefore limited to the Group's investments in notes in these SPEs. These total £7,571,203 (2018: £5,416,643) and any losses in excess of Bluestone's equity and retained notes will be borne by the third party note investors

The Group's approach to identifying an applicant's credit rating level is shown in the table below.
The parent entity only has exposure to credit risk from related and consolidated entities

	Non-Conforming				
Credit Rating Levels	**Clear**	**AAA**	**AA**	**A**	**BBB**
Defaults - Number (inc. defaults, judgements, writs and summons)	1 (satisfied) in 36 months	1 in 36 months	2 in 36 months	3 in 36 months	4 in 36 months
Mortgage Arrears and Rent Arrears - full month payment, number of instances	0 in 13-24 months	1 in 13-24 months	2 in 13-24 months	3 in 13-24 months	4 in 13-24 months
Bankruptcy / DRO or IVA (time since Discharge)	>6 years	> 3 years	> 3 years	> 3 years	> 3 years

As at the reporting date, receivables under derivative financial instruments are with swap counterparties with a Fitch rating of A or above (2017: A).

Mortgage loan balances where security is held over the property have an assessed value of £208,308,472 at 30 June 2019 (2018: £59,068,242). The valuations of the underlying security properties have been performed at the later of the original loan application date or subsequent loan variation date, and do not take into account any realisation costs

27. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

The following table demonstrates the mortgage & vehicle loan balances past due at the reporting date:

Loan Status	Consolidated 2019 £	2018 £
Current Loans	296,833,610	124,126,347
0-30 days	8,125,277	3,494,719
31-60 days	3,707,210	7,416,732
61-90 days	2,596,096	2,431,174
91-180 days	1,205,874	3,750,144
180+	3,958,462	1,676,161
Arrears Loans	19,592,919	18,768,930
Total Loans	316,426,529	142,895,277

The valuation of the collateral of the loans in arrears at the balance sheet date is £3,064,990 (2018: £425,000)

A provision of £2,642,396 has been raised against the assets shown in the table above. The provision for doubtful debts includes individually assessed provisions and collectively assessed provisions. Individually assessed provisions are based on an independent valuation of the security adjusted by any cost of selling, less the outstanding loan balance. In arriving at the collectively assessed provisions the Company makes judgements as to whether there is any observable data which indicates there is a significant decrease in the estimated future cash flows from mortgage receivables before the decrease can be identified with an individual loan This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a portfolio or local economic conditions that correlate with defaults on assets in the portfolio The Company uses a rating agency model to establish expected credit losses on the loan portfolio based on a number of loan characteristics. In accordance with IFRS 9 the Company accounts for 12 months of ECLs on performing assets (generally less than 90 days in arrears with no other indication of increased credit risk) and lifetime ECLs on under performing or non-performing assets (90+ days arrears or where the company is actively trying to or has recovered the asset).

At the reporting date, the Group has taken possession of security assets within its mortgage and vehicle loan portfolio with a current loan balance of £217,316 (2018: nil) A provision of £117,374 (2018: nil) has been raised against these loans.

27. FINANCIAL RISK MANAGEMENT (continued)

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities. The Group's Treasury department aims to ensure that sufficient cash and credit facilities are maintained to meet funding requirements.

The Group's finance department also monitors forecast and actual cash flows to ensure that sufficient cash resources and/or financing facilities are in place to ensure the Group can meet its corporate debts as and when they fall due.

The Group's mortgage loan balances are typically repayable over 25 or 30 years. Although the majority of the Group's borrowings match the terms of the assets via the securitised trusts, the Group borrows from other sources with differing maturity profiles, these are set out below:

Term Bonds payable

Term bonds payable are residential mortgage backed securities (RMBS) issued by the Group's Securitised Trusts They are 25-30 year pass through securities that may be repaid early (i.e. at the call date) by the issuer in certain circumstances at the option of the Group.

Warehouse Facilities

Warehouse facilities are typically short term funding facilities with maturities up to 24 months, before being refinanced in the term markets. All of the Group's facilities expire in excess of 6 months from the date of signing the financial statements

The Group's Treasury department aims at maintaining flexibility in funding by keeping surplus un-drawn warehouse facilities available. At 30 June 2019 the Group has £50,320,918 (2018: £212,575,937) of undrawn warehouse facilities.

If a warehouse facility is not renewed or otherwise defaults and the related assets are liquidated, the primary impact for the Group would be the loss of future income streams from excess spread, being the difference between our mortgage rate and the cost of funds, fee income and write-off of any unamortised balance of deferred transactions costs and loss of equity and retained notes.

The Directors are satisfied that any sale of mortgages in order to repay warehouse facilities or in an event of default in relation to the Group's warehouse facilities will not affect the Group's ability to continue as a going concern.

27. FINANCIAL RISK MANAGEMENT (continued)

Warehouse Facilities (continued)

The maturity profile of financial liabilities and derivative financial instruments of the Group is demonstrated in the following table:

Group - 30 June 2019	6 Months or Less	6 - 12 Months	Between 1 & 2 years	Between 2 & 5 years	Over 5 Years
	£	£	£	£	£
Interest Bearing Financial	(18,713,347)	(18,713,347)	(4,311,841)	(560,580)	(282,563,891)
Derivative Financial	-	-	-	-	-
Derivative Financial	-	-	-	-	-
Total	(18,713,347)	(18,713,347)	(4,311,841)	(560,580)	(282,563,891)

Group - 30 June 2018	6 Months or Less	6 - 12 Months	Between 1 & 2 years	Between 2 & 5 years	Over 5 Years
	£	£	£	£	£
Interest Bearing Financial	(8,280,913)	(8,280,913)	(1,943,333)	(257,923)	(122,383,116)
Derivative Financial	-	-	-	-	-
Derivative Financial	-	-	-	-	-
Total	(8,280,913)	(8,280,913)	(1,943,333)	(257,923)	(122,383,116)

The parent entity has no financial liabilities.

The above analysis is based on the remaining period at the reporting date to the expected maturity date, assuming renewal of warehouse facilities. The amounts disclosed in the table are undiscounted cash flows based on the earliest date at which repayment is required, however it should be noted that funding is arranged on a 'pass through' basis and therefore there is an element of principal amortisation in each funding facility prior to repayment. The expected principal-pass-through to the funders is based on the expected principal receipts from mortgage loans Calculations of expected principal receipts on mortgage loans have been derived using prepayment assumptions that are based on historic actual experience

In the case of Asset Backed Securities, the maturity analysis assumes that the issuer (being one of the Group's Securitised SPEs) will not opt to repay the securities at the call date, but rather, that they will be repaid at their respective maturity dates.

28. CONTINGENT LIABILITES

The group and company are currently assessing the likely impact of a recent ruling in relation to the tax treatment of arrangements associated with the Australian business disposed of in the prior year, the outcome of which cannot readily be foreseen. At this stage no reliable estimate of the impact on the group and company, if any, can be made.

29. POST BALANCE SHEET EVENTS

On 16 August 2019 Bluestone Finance 1 Limited securitised €28,822,023 of loan receivables at a premium to par of €2,132,830, with a commitment to sell a further €13,654,573 of loan receivables at a premium to par of €718,661 to Topaz Asset Finance 2019-1 DAC a related parted by virtue of being controlled by Bluestone Consolidated Holdings Limited

On 28 August 2019 Bluestone Mortgages Limited completed its first UK RMBS issuance backed by originated mortgages with the £210m Genesis 2019-1 securitisation

On 22 August 2019 the group increased the capacity on the Bluestone Mortgage Finance No 3 Limited warehouse facility to £278m.

30. ULTIMATE CONTROLLING PARTY

There is no ultimate controlling party.

31. DISCONTINUED OPERATIONS

The results for the current and prior year for the Australia and New Zealand subsidiaries have been presented as discontinued operations, following the sale of the subsidiaries on 28 March 2018.

	2019	2018
	£	£
Interest income	-	33,804,555
Interest expense and similar charges	-	(20,127,798)
Net interest income	-	**13,676,757**
Net fee and commission income	-	2,036,834
Other income	-	(1,164,841)
	-	871,993
Total income net of interest and other expense	-	**14,548,750**
Expenses:		
Marketing	-	(469,205)
Depreciation	-	(98,569)
Employee costs	-	(6,516,665)
Professional fees	-	(1,539,369)
General office costs	-	(740,263)
Occupancy costs	-	(233,614)
Bad debt expense	-	(1,083,209)
Travel and Entertainment	-	(329,507)
Other expenses from ordinary activities	-	(125,597)
Total operating expenses	-	**(11,135,998)**
Profit before income tax	-	**3,412,752**
Income tax expense	-	(796,896)
Profit for the year	-	**2,615,856**
Profit on disposal of discontinued operations	-	19,803,754
Total profit for the year from discontinued operations	-	**22,419,610**

Analysis of the profit on disposal of discontinued operations is as follows:

	2019	2018
	£	£
Proceeds	-	43,599,632
Net assets disposed	-	(18,161,845)
Transactions costs	-	(2,442,332)
FX translation reserve recycled through profit and loss	-	(3,191,701)
Profit on sale	-	**19,803,754**