Registered number: 5713910

NEWGATE FUNDING PLC

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED
31 December 2015

GENERAL INFORMATION

DIRECTORS

Capita Trust Corporate Services Limited
Carl Steven Baldry
Sean Peter Martin
Capita Trust Corporate Limited

COMPANY SECRETARY

Capita Trust Corporate Limited

REGISTERED OFFICE

4th Floor
40 Dukes Place
London
EC3A 7NH

BANKERS

Barclays Bank plc
1 Churchill Place
London
E14 5HP

SOLICITORS

Allen & Overy LLP
1 Bishops Square
London
E1 6AD

INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
7 More London Riverside
London
SE1 2RT

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STRATEGIC REPORT
For the year ended 31 December 2015

In accordance with The Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2015, the directors present their Strategic Report on Newgate Funding Plc (the "Company") for the year ended 31 December 2015.

These financial statements are the first that the Company has prepared following the adoption of International Financial Reporting Standards, as adopted by the European Union.

BUSINESS REVIEW

The principal activity of the Company is to invest in and hold mortgage loans. The mortgage loans were purchased from Merrill Lynch International Bank Limited ("MLIB"), a wholly owned subsidiary of Bank of America Corporation ("BAC").

The terms and outstanding principal balance of the loan notes issued by the Company to finance its activities are detailed in note 14 to the financial statements. The loan notes are issued in separate series and are listed securities on the Irish Stock Exchange. Each series is secured by its own separate pool of mortgage loans.

There have been no changes in the principal activity of the Company during the year and the directors expect the principal activity to continue in the foreseeable future.

PRINCIPAL RISKS AND UNCERTAINTIES

The Company's risk management objectives and policies, as well as its exposures in relation to the principal risks of market risk, credit risk, liquidity risk and capital management risk are described in note 17 to the financial statements.

FINANCIAL KEY PERFORMANCE INDICATORS

Net interest income for the Company in 2015 was £41,297,000 (2014: £42,520,000). The amount charged to the statement of comprehensive income for loan loss provisions was £634,830 (2014: £1,007,130). The profit for the financial year was £1,000 (2014: £1,000).

At the end of the year, the Company held mortgage loans with a net book value, after loan loss provisions, of £1,487,096,000 (2014: £1,619,141,000). At the end of the year, the loan loss provision was £15,091,752 (2014: £21,421,560).

The directors do not recommend the payment of a dividend for the year ended 31 December 2015 (2014: nil).

This report was approved by the Board on 10th June 2016 and signed on its behalf.

For and on behalf of Capita Trust Corporate Services Limited
Director

DIRECTORS' REPORT
For the year ended 31 December 2015

The directors present their report and the financial statements for the year ended 31 December 2015.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union ("IFRS as adopted by the EU"). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company, and of the profit or loss and cash flows of the Company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs as adopted by the EU have been followed 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 will continue in business.

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

CONTROL ACTIVITIES

Mortgage assets are monitored by the appointed servicers' control structures as per the servicing agreements in place. The Servicers monitor controls via Risk & Oversight committees to ensure their risk management processes are effectively implemented.

The sub-delegate Cash Manager has created a dual approved custom-built model to calculate waterfall payments for each securitisation. Editing rights to these models are retained by a segregated group who are not involved in the calculation of periodic payments. All Investor Reports are dual approved before publication onto the sub-delegate Cash Manager's password-protected website. The Issuer's bank accounts are reconciled to the waterfall payments to ensure that only Issuer Available Funds are distributed on the Interest Payment Date. Payments are subject to a dual approval blind-key re-entry process by the Principal Paying Agent in order to ensure the correct amounts are paid. The payment processing system also limits the sum of all payments within each Note Class to not exceed the total due to that Class as per the Investor Reports. The Principal Paying Agent also performs call-backs on any new payment beneficiaries ensuring that funds are sent to the correct account.

DIRECTORS THIRD PARTY INDEMNITY PROVISIONS

The Directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force.

DIRECTORS' REPORT
For the year ended 31 December 2015

FINANCIAL INSTRUMENTS

The Company's operations are financed primarily by means of the loan notes. The Company issued such financial instruments to finance the acquisition of its portfolio of mortgage loans. It is not the Company's policy to trade in financial instruments.

DIRECTORS

The directors who held office during the year and up to the date of signing this report were:

Capita Trust Corporate Services Limited
Carl Steven Baldry (appointed 3rd Aug 2015)
Sean Peter Martin (appointed 3rd Aug 2015)
Susan Elizabeth Lawrence (resigned 31st Jul 2015)
Capita Trust Corporate Limited

MATTERS COVERED IN THE STRATEGIC REPORT

Details regarding a review of the business, including future developments, the strategic report, principal risks and uncertainties, dividends paid, and any significant events after the balance sheet date are provided in the strategic report on page 1.

DISCLOSURE OF INFORMATION TO AUDITORS

Each director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- the director has taken all steps that they ought to have taken as a director in order to make themself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

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

This report was approved by the Board on 10th June 2016 and signed on its behalf.

For and on behalf of Capita Trust Corporate Services Limited
Director

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF NEWGATE FUNDING PLC

Report on the financial statements

Our opinion

In our opinion, Newgate Funding Plc's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2015 and of its profit and 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
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements, included within the Directors Report and Financial Statements (the "Annual Report"), comprise:

- the statement of financial position as at 31 December 2015;
- the statement of comprehensive income for the year then ended;
- the statement of cash flows for the year then ended;
- the statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is IFRSs as adopted by the European Union, and applicable law.

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

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

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Directors' Responsibilities Statement set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Directors' Report and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

H Varley

Heather Varley (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
10th June 2016

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2015

	Note	2015 £'000	2014 £'000
Interest income	2	**55,694**	59,826
Interest expense	3	**(14,397)**	(17,306)
NET INTEREST INCOME		**41,297**	42,520
Other operating income	4	**1,623**	2,147
TOTAL NET OPERATING INCOME		**42,920**	44,667
Administrative expenses	6	**(42,918)**	(44,665)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		**2**	2
Tax on profit on ordinary activities	7	**(1)**	(1)
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR	12	**1**	1

The profit for the year derives wholly from continuing operations. There is no other comprehensive income for the year.

The notes on pages 10 to 22 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
As at 31 December 2015

	Note	2015 £'000	2014 £'000
ASSETS			
Non-current assets			
Mortgage loans	9	**1,487,096**	1,619,141
Current assets			
Fair value of derivatives	8	**49,088**	76,652
Cash and cash equivalents		**112,834**	97,119
TOTAL ASSETS		**1,649,018**	1,792,912
CAPITAL AND RESERVES			
Share capital	10	**13**	13
Retained earnings	11	**10**	9
TOTAL EQUITY	12	**23**	22
LIABILITIES			
Non-current liabilities			
Loan notes	14	**1,550,981**	1,717,730
Deferred consideration	14	**48,091**	36,856
Current liabilities			
Creditors; Amounts falling due within one year	13	**49,923**	38,304
TOTAL LIABILITIES		**1,648,995**	1,792,890
TOTAL EQUITY AND LIABILITIES		**1,649,018**	1,792,912

The financial statements were approved and authorised for issue by the Board of Directors on __________ and signed on its behalf by:

For and on behalf of Capita Trust Corporate Services Limited
Director

The notes on pages 10 to 22 form part of these financial statements.

STATEMENT OF CASH FLOWS
For the year ended 31 December 2015

	Note	2015 £'000	2014 £'000
NET CASH USED IN OPERATING ACTIVITIES	15	**16,224**	495
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash inflows from mortgage redemptions and repayments		**129,985**	122,457
NET CASH GENERATED FROM INVESTING ACTIVITIES		**146,209**	122,952
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash ouflows from repayment of loan notes		**(130,494)**	(128,314)
NET CASH USED IN FINANCING ACTIVITIES		**(130,494)**	(128,314)
NET CASH MOVEMENT IN CASH AND CASH EQUIVALENTS		**15,715**	(5,632)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**97,119**	102,481
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		**112,834**	97,119

The notes on pages 10 to 22 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2015

Movements in shareholders' equity during the year ended 31 December 2015 are as follows:

	Note	Issued share capital £'000	Retained earnings £'000	Total Equity £'000
Balance at 1 January 2015		**13**	**9**	**22**
Profit for the year and Total Comprehensive Income	**12**	**-**	**1**	**1**
Balance at 31 December 2015		**13**	**10**	**23**

Movements in shareholders' equity during the year ended 31 December 2014 are as follows:

	Note	Issued share capital £'000	Retained earnings £'000	Total Equity £'000
Balance at 1 January 2014		13	8	21
Profit for the year and Total Comprehensive Income	12	-	1	1
Balance at 31 December 2014		13	9	22

The notes on pages 10 to 22 form part of these financial statements.

1. ACCOUNTING POLICIES

1.11 Basis of preparation

The financial statements have been prepared in accordance with the Companies Act 2006 and IFRS as issued by the International Accounting Standards Board ("IASB") and endorsed by the European Union. Accounting policies have been applied consistently.

Due to the nature of the Company's business, which is to hold mortgage loans, the directors are of the opinion that it is more appropriate to use interest income and expense rather than turnover and cost of sales in preparing the statement of comprehensive income.

For all periods up to and including the year ended 31 December 2014, the Company prepared its financial statements in accordance with accounting standards generally accepted in the United Kingdom. The financial statements for the financial year ended 31 December 2015 are the first to have been prepared in accordance with IFRS as adopted by the EU.

1.12 First year adoption

The financial statements for the financial year ended 31 December 2015 are the first that the Company has prepared in accordance with IFRS as adopted by the EU.

Accordingly, the Company has prepared financial statements which comply with IFRS as adopted by the EU applicable for financial years ending on or after 31 December 2015, together with the comparative year data as at and for the financial year ended 31 December 2014, as described in the accounting policies.

Adoption of IFRS as adopted by the EU has resulted in no opening balance adjustments to the statement of financial position or restatements of the income statement. Therefore, no additional reconciliation or comparative disclosure has been provided as a result of the first time adoption.

1.13 New and amended standards adopted by the Group

There are no IFRS interpretations that are effective for the first time for the financial period beginning on or after 1 January 2015 that had a material impact on the Group or Company.

1.14 Future accounting developments

All standards or amendments to existing standards which have been endorsed by the European Union ("EU") and which are mandatory for annual periods commencing on or after 1 January 2015 have been adopted by the Company.

There are also a number of standards, amendments and interpretations which have been issued by the IASB but which have not yet been endorsed by the EU. The most significant of these is IFRS 9: "Financial Instruments", the planned replacement for International Accounting Standard ("IAS") 39: "Financial Instruments: Recognition and Measurement".

IFRS 9 introduces new requirements for the classification and measurement of financial assets, hedge accounting and the impairment of financial assets. Under IFRS 9 financial assets are classified and measured based on the business model under which they are held and the characteristic of their contractual cash flows. In addition, IFRS 9 is replacing the incurred loss approach to impairment of IAS 39 with one based on expected losses, and is replacing the rules based hedging requirements of IAS 39 with new requirements that align hedge accounting more closely with risk management activities.

IFRS 9, including the final version of the requirements in respect of impairment, was issued on 24 July 2014. The IASB has decided to require application of IFRS 9 for annual periods beginning on or after 1 January 2018. IFRS 9 is required to be applied retrospectively, but prior periods need not be restated. IFRS 9, including its commencement date, will be subject to endorsement by the EU. Early adoption is permitted subject to EU endorsement.

The Company will make detailed assessments of the impact of the above standards before the implementation date.

1. ACCOUNTING POLICIES (continued)

1.14 Future accounting developments (continued)

No other standards that are not yet effective are expected to have a material impact on the Group's results.

1.15 Presentation of the financial statements

The functional currency is pound sterling and all values are rounded to the nearest thousand (£'000), except when otherwise indicated. Transactions in foreign currencies are translated into pounds sterling at the rate ruling on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into pounds sterling at rates of exchange ruling at the balance sheet date. Exchange gains and losses are recognised in the statement of comprehensive income.

1.16 Going concern

The directors have a reasonable expectation, based on current and anticipated future performance that the Company will continue in operational existence for the foreseeable future. The financial statements have, therefore, been prepared on a going concern basis.

1.17 Interest income and expense

Interest income and expense, for all interest bearing financial instruments, are recognised on an accruals basis using the effective interest method.

The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

When calculating the effective interest rate, the Company estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all amounts received or paid by the Company that are an integral part of the overall return, direct incremental transaction costs related to the acquisition or issue of a financial instrument and all other premiums and discounts.

1.18 Mortgage loans

In accordance with the requirements of IAS 39 "Financial Instruments: Recognition and Measurement" ("IAS 39"), a transfer of financial assets is treated as a purchase by the transferee if substantially all the risks and rewards associated with the assets have been assumed by the transferee and as a financing transaction if substantially all the risks and rewards are retained by the transferor.

The initial transfer of the mortgage loans from the transferor is treated as a purchase by the Company. The mortgage loans were recognised on the Company's balance sheet, classified as loans and receivables and measured on initial recognition at fair value, and subsequently at amortised cost using the effective interest method.

Allowances for estimated irrecoverable amounts are recognised in the statement of comprehensive income when there is objective evidence that the underlying mortgage loans are impaired. Loans are individually and collectively assessed for impairment where the borrower fails to make payments due under the terms of the loan. An impairment loss is recognised where there is insufficient equity in the property on which the loan is secured to avoid a loss on eventual redemption, taking into account the expected costs of disposal. If the loan is live and is in arrears, a provision is then calculated on the security shortfall based on the arrears banding.

1. ACCOUNTING POLICIES (continued)

1.19 Derivative financial instruments

Derivative financial instruments consist of interest rate caps, currency swaps and cross currency interest rate swaps, which are used to manage the Company's exposure to interest rate risk and currency risk. The Company does not enter into any speculative derivative financial instruments. Derivative financial instruments are used by the Company for hedging purposes to alter the risk profile of an existing underlying exposure in line with the Company's risk management policy.

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value, with movements in fair value recognised in the statement of comprehensive income. The fair value of the instruments is obtained from independent sources. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative and the corresponding gain or loss is recognised within operating expenses in the statement of comprehensive income. Derivative assets and liabilities are shown gross on the balance sheet.

1.20 Cash and cash equivalents

Cash includes deposits held on call with banks. Cash can only be used for the purposes of the series of notes to which it relates and is therefore considered restricted.

1.21 Creditors

The Company recognises liabilities in the balance sheet when it becomes a party to the contractual provisions of the instrument.

1.22 Loan notes

The loan notes issued by the Company are in separate series, and are non-recourse with terms such that amounts due are only payable to the extent that there are sufficient receipts from the Company's assets for that series. Loan notes are measured at initial recognition at fair value being the principal amount issued, less transaction costs, and are subsequently measured at amortised cost using the effective interest method.

1.23 Taxation

Current tax, comprising UK corporation tax, is provided at amounts expected to be paid or recovered using the tax rates and laws in accordance with Statutory Instrument No.3296, The Taxation of Securitisation Companies Regulations 2006, which requires that tax is charged on the profits "retained" by the Issuer, as detailed in note 1.24.

1.24 Deferred consideration and residual payments

Under the terms of the offering circular, the Company retains the right to 0.01% of available revenue funds, as defined in the offering circular, determined on a periodic basis. The release of residual payments is strictly governed by the Priority of Payments, as defined in the offering circular, which sets out how cash within the Company can be utilised. Profits in excess of 0.01% of available revenue funds accrue as residual payments and, if relevant, a creditor for these amounts is recognised at the year end as deferred consideration, and expensed under administrative expenses in the statement of comprehensive income. The release of deferred consideration is also governed by the Priority of Payments in the offering circular.

1.25 Critical accounting estimates and judgment in applying accounting policies

Application of the accounting policies in the preparation of the financial statements requires the Board of Directors to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources.

The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The following significant accounting policies are made that require complex estimates:

Effective interest rate method (refer to note 1.17)

Mortgage loan impairment (refer to note 1.18)

Financial instruments measured at fair value

The fair values of financial instruments that are not quoted in financial markets are determined by using valuation techniques based on models such as discounted cash flow models, option pricing models and other methods consistent with accepted economic methodologies for pricing financial instruments. These models incorporate observable, and in some cases unobservable inputs including security prices, interest rate yield curves, option volatility, currency, commodity or equity rates and correlations between these inputs.

Where models are used to determine fair values, they are periodically reviewed by qualified personnel independent of the area that created them. All models are certified before they are used, and models are calibrated to ensure that output reflects actual data and comparative market prices. These estimation techniques are necessarily subjective in nature and involve several assumptions.

2. INTEREST INCOME

	2015 £'000	2014 £'000
Mortgage loans interest income	55,443	59,599
Bank interest receivable	251	227
	55,694	59,826

The amount of interest accrued on impaired assets is £16,281,000 (2014: £20,103,000).

The Company's income is all derived from sources within the United Kingdom.

3. INTEREST EXPENSE

	2015 £'000	2014 £'000
Loan notes interest expense	13,961	16,888
Amortisation of loan note issuance costs	436	418
	14,397	17,306

4. OTHER OPERATING INCOME

	2015 £'000	2014 £'000
Fee income	1,623	2,147

5. DIRECTORS AND EMPLOYEES

The Company has no employees other than the directors (2014: none), who did not receive any remuneration (2014: nil) for their services to the Company.

6. ADMINISTRATIVE EXPENSES

	2015 £'000	2014 £'000
Auditors' remuneration – audit of the Company's financial statements	**35**	37
Deferred consideration (see note 14)	**41,837**	32,276
Fair value losses/(gains) on derivative financial instruments	**27,564**	58,597
Foreign exchange (gains)/losses	**(36,691)**	(53,492)
Loan loss provisions (see note 9)	**635**	1,007
Other expenses	**9,538**	6,240
	42,918	44,665

The auditors did not receive any other fees in respect of audit or other services provided (2014: £nil).

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2015 £'000	2014 £'000
Current tax:		
Corporation tax on profit for the year	**1**	1
Total tax charge	**1**	1

The Company is resident in the United Kingdom for corporation tax purposes.

The Company is taxed in accordance with Statutory Instrument No.3296, The Taxation of Securitisation Companies Regulations 2006, which requires that tax is charged on the profits "retained" by the Issuer, as detailed in note 1.24. The taxable profit for the year amounted to £5,876 (2014: £6,057).

The tax assessed for the year is higher (2014: higher) than the standard rate of corporation tax in the UK (21.49%).

The tax assessed on the profit on ordinary activities for the year is reconciled to the effective rate of corporation tax for the year of 20.25% (2014: 21.49%) as follows:

	2015 £'000	2014 £'000
Profit on ordinary activities before taxation	**2**	2
Profit on ordinary activities before taxation multiplied by the standard rate of corporation tax in the UK of 20.25% (2014: 21.49%)	**-**	-
Application of Statutory Instrument No. 3296 The Taxation of Securitisation Companies Regulations 2006	**-**	-
Tax for the year at the main companies rate of corporation tax in the UK of 20.25% (2014: 21.49%) on taxable profit for the year	**1**	1
Total tax charge	**1**	1

The standard rate of corporation tax in the United Kingdom changed from 21% to 20% with effect from

1 April 2015. Accordingly, the Company's profit for this accounting year is taxed at a standard effective rate of 20.25%.

8. FAIR VALUE OF DERIVATIVES

	2015 £'000	2014 £'000
Fair value of derivatives	**49,088**	76,652

9. MORTGAGE LOANS

	2015 £'000	2014 £'000
Balance at start of year	**1,640,561**	1,772,976
Loans sold back to seller	**(587)**	-
Net redemptions and repayments	**(129,398)**	(122,457)
Amounts written back	**(6,964)**	(8,119)
Effective interest rate adjustment	**(1,425)**	(1,839)
Balance at end of year	**1,502,187**	1,640,561
Loss provision at start of year	**(21,420)**	(28,532)
Amounts charged to statement of comprehensive income	**(635)**	(1,007)
Amounts written back	**6,964**	8,119
Movement in loss provision	**6,329**	7,112
Loss provision at end of year	**(15,091)**	(21,420)
Net book value of loans at 31 December 2015	**1,487,096**	1,619,141
Amounts falling due after more than one year	**1,487,096**	1,619,141

The decrease in the loan loss provision of £6,329,000 (2014: £7,112,000) comprises new provisions of £3,245,000 (2014: £5,172,000), release of provisions no longer required of £5,153,000 (2014: £5,404,000) and release of provisions relating to amounts written back of £4,421,000 (2014: £6,880,000).

Mortgage loans are secured by first charges over residential properties in the United Kingdom and are held as security against the loan notes.

The effective interest rate applied to the mortgage loans for the year was 3.49% (2014: 3.48%).

10. SHARE CAPITAL

	2015 £'000	2014 £'000
Called up, allotted and partly paid:		
50,000 ordinary shares (2014: 50,000) of £1 each – 25 pence paid	**13**	13

11. RETAINED EARNINGS

	2015 £'000	2014 £'000
Retained earnings at start of year	9	8
Profit for the financial year	1	1
Retained earnings at end of year	10	9

12. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2015 £'000	2014 £'000
Profit for the financial year	1	1
Increase in shareholders' funds	1	1
Opening shareholders' funds	22	21
Closing shareholders' funds	23	22

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2015 £'000	2014 £'000
Other creditors	35,104	22,908
Accruals and deferred income	14,819	15,396
	49,923	38,304

Included in other creditors is cash collateral of £33,577,000 (2014: £21,588,000) pledged as security by derivative counterparties.

14. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2015 £'000	2014 £'000
Loan notes	1,550,981	1,717,730
Deferred consideration	48,091	36,856
	1,599,072	1,754,586

Deferred consideration represents excess profits due to external investors as described in note 1.24.

14. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR (continued)

The loan notes are secured by portfolios of mortgage loans, which are in turn secured by first charges over residential properties in the United Kingdom. The loan notes are subject to mandatory redemption in part at each interest payment date in an amount equal to the principal received or recovered in respect of the underlying mortgage loans. If not otherwise redeemed or purchased and cancelled, the loan notes will be redeemed at their principal amount outstanding on the interest payment date falling in December 2050.

The below table shows the principal amount outstanding on each series of loan notes broken down by class with the associated interest rate. Interest on the loan notes is payable quarterly in arrears at the following rates (all amounts are stated in the transactional currency of the loan note):

Class	Currency	Newgate Funding 2006-01 Outstanding principal amount	Rate	Newgate Funding 2006-02 Outstanding principal amount	Rate	Newgate Funding 2006-03 Outstanding principal amount	Rate
A2	£						LIBOR + 0.14%
A3a	£			£68,820,105	LIBOR + 0.17%	£103,952,155	LIBOR + 0.17%
A3b	€			€12,279,638	EURIBOR + 0.17%	€76,435,408	EURIBOR +0.17%
A4	£	£36,971,478	LIBOR + 0.19%				
M	£			£12,550,000	LIBOR + 0.22%		
Ma	£	£6,598,155	LIBOR + 0.23%				
Mb	€	€8,797,542	EURIBOR + 0.23%			€24,300,000	EURIBOR + 0.22%
Ba	£	£17,595,080	LIBOR + 0.28%	£22,000,000	LIBOR + 0.26%	£10,000,000	LIBOR +0.27%
Bb	€	€17,595,083	EURIBOR + 0.28%	€12,000,000	EURIBOR + 0.24%	€44,000,000	EURIBOR + 0.24%
Ca	£	£8,797,540	LIBOR + 0.47%	£9,000,000	LIBOR + 0.47%		
Cb	€	€8,841,529	EURIBOR +0.47%	€14,500,000	EURIBOR + 0.43%	€36,800,000	EURIBOR + 0.45%
D	€	€20,630,235	EURIBOR + 0.88%				
Da	£			£5,000,000	LIBOR + 0.95%	£5,000,000	LIBOR + 0.87%
Db	€			€13,400,000	EURIBOR + 0.90%	€15,800,000	EURIBOR + 0.85%
E	£	£2,287,360	LIBOR + 3.25%	£2,300,000	LIBOR + 3.25%	£5,900,000	LIBOR + 3.00%
T	£						
Q	£						

Class	Currency	Newgate Funding 2007-01 Outstanding principal amount	Rate	Newgate Funding 2007-02 Outstanding principal amount	Rate	Newgate Funding 2007-03 Outstanding principal amount	Rate
A1	£						
A1a	£						
A1b	€						
A2	£	£44,735,544	LIBOR + 0.13%	£66,941,489	LIBOR + 0.13%		
A2b	€					€355,407,335	EURIBOR + 0.60%
A3	£	£130,100,000	LIBOR + 0.16%	£103,500,000	LIBOR + 0.16%	£130,935,684	LIBOR + 1.00%
M	£			£10,941,900	LIBOR + 0.20%		
Ma	£	£11,000,000	LIBOR + 0.20%				
Mb	€	€5,000,000	EURIBOR + 0.20%				
Ba	£	£20,000,000	LIBOR + 0.23%			£27,584,019	LIBOR +1.25%
Bb	€	€24,500,000	EURIBOR + 0.22%	€36,831,219	EURIBOR + 0.25%	€37,132,334	EURIBOR + 1.25%
Ca	£						
Cb	€	€32,100,000	EURIBOR + 0.38%	€24,668,124	EURIBOR + 0.44%	€38,900,541	EURIBOR + 1.50%
D	€					£11,272,316	LIBOR + 3.00%
Db	€	€21,200,000	EURIBOR + 0.75%	€14,263,549	EURIBOR + 1.20%		
E	£	£2,950,000	LIBOR + 3.25%	£2,246,997	LIBOR + 3.75%	£10,167,187	LIBOR + 4.50%
F	£	£2,900,000	LIBOR + 4.75%	£2,198,150	LIBOR + 5.75%		
T	£						
Q	£						

Loan notes include £3,704,000 (2014: £4,140,000) of unamortised loan note issuance costs.

15. RECONCILIATION OF OPERATING PROFIT TO NET CASH FLOW FROM OPERATING ACTIVITIES

	2015 £'000	2014 £'000
Profit for the financial year	1	1
Decrease/(increase) in fair value of derivatives	27,564	58,149
Foreign currency retranslation adjustments	(36,691)	(53,492)
Effective interest rate adjustments	1,425	1,839
Amounts charged to statement of comprehensive income in respect of loan loss provisions	635	1,007
Amounts charged to statement of comprehensive income in respect of amortisation of loan note issuance costs	436	418
Decrease in debtors falling due within one year other than fair value of derivatives	-	63
Increase in creditors falling due within one year	11,619	(7,924)
Increase in deferred consideration	11,235	434
Net cash inflow/(outflow) from operating activities	16,224	495

Interest received was £60,069,000 (2014: £63,408,000). Interest paid was £14,028,821 (2014: £17,137,000).

16. ANALYSIS AND RECONCILIATION OF NET DEBT

	2014 £'000	Cash flows £'000	Foreign currency translation adjustments £'000	Non cash flows £'000	2015 £'000
Cash	97,119	15,715	-	-	112,834
Loan notes	(1,717,730)	130,494	36,691	(436)	(1,550,981)
Net debt	(1,620,611)	146,209	36,691	(436)	(1,438,147)

	2015 £'000	2014 £'000
Increase/ (Decrease) in cash for the year	15,715	(5,362)
Repayment of loan notes	130,494	128,314
Foreign currency translation adjustments	36,691	53,492
Amortisation of loan note issuance costs	(436)	(418)
Change in net debt	182,464	176,026
Opening balance of net debt	(1,620,611)	(1,796,637)
Closing balance of net debt	(1,438,147)	(1,620,611)

17. RISK MANAGEMENT

The financial instruments held by the Company comprise mortgage loans, borrowings, cash and derivative financial instruments.

The purpose of the derivative financial instruments is to manage the interest rate and currency risks arising from the Company's operations and its sources of finance.

It is the Company's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Company's financial instruments are market risk, credit risk and liquidity risk. These are summarised below.

Market risk

Market risk is the risk that values of assets and liabilities or revenues will be adversely affected by changes in market conditions.

The following discussion describes the types of market risk faced by the Company:

Interest rate risk

Interest rate risk exists where assets and liabilities have interest rates set under different bases or which reset at different times. The Company minimises its exposure to interest rate risk by ensuring that the interest rate characteristics of its assets and liabilities are similar – where this is not possible the Company considers the use of derivative financial instruments to mitigate any residual interest rate risk.

The rates of interest receivable and payable on variable rate financial instruments are set with reference to the Bank of England's base rate for the mortgage loans and sterling LIBOR or EURIBOR for the loan notes. As a result, the Company has no significant net exposure to interest rate risk and, as such, no sensitivity analysis is presented.

Currency risk

Currency risk arises from the possibility that fluctuations in foreign exchange rates will affect the value of financial instruments. The Company has issued debt securities that are denominated in Sterling and Euros. The Company's policy is to minimise exposures arising from movements in exchange rates by the use of cross currency swaps to hedge payments of interest and principal on the securities denominated in Euros. As a result, the Company has no material net exposure to currency risk arising from Euro denominated cash flows and, as such, no sensitivity analysis is presented. All other assets, liabilities and transactions of the Company are denominated in Sterling.

Credit risk

Credit risk is the risk that borrowers will not be able to meet their obligations as they fall due. All mortgages purchased by the Company are required to adhere to specific lending criteria. The ongoing credit risk of the mortgage portfolio (particularly in respect of accounts in arrears) is monitored on the directors' behalf by the servicer.

The Company is exposed to risk of loss if the counterparty fails to perform its obligations under contractual terms ("default risk"). Both cash instruments and derivatives expose the Company to default risk. Cash of £112,834,000 held by Newgate Funding Plc is with Barclays Bank Plc (Moody's P-1, A2, and S&P A-2, A-).

The Company's maximum exposure to credit risk without taking into account collateral held or other credit risk mitigants is the amount reflected on the balance sheet.

The Company holds collateral to cover its credit risk associated with its financial assets which is summarised as follows: Mortgage loans with a carrying value of £1,487,096,000 at 31 December 2015 (2014: £1,619,141,000) of which £1,487,096,000 (2014: £1,619,141,000) is collateralised; fair value of derivatives with a carrying value of £49,088,000 at 31 December 2015 (2014: £76,652,000) of which

£33,577,000 (2014: £21,588,000) is collateralised.

17. RISK MANAGEMENT (continued)

The fair value of the collateral held for mortgage loans, which comprises both owner occupied and buy-to-let residential properties in the United Kingdom, has been estimated using the lower of the original

Credit risk (continued)

property valuation at inception of the mortgage loan and an index-adjusted valuation.

Where the fair value of the collateral exceeds the maximum exposure to credit risk, the fair value of the collateral balance is limited to 100% of the maximum exposure to credit risk.

The following table details credit exposures which are past due but not impaired.

2015 **(All figures £'000)**	**0 to 30 days**	**31 to 60 days**	**61 to 90 days**	**91 to 120 days**	**121 to 180 days**	**180 days +**	**Total**
Mortgage loans	**17,200**	**9,276**	**4,231**	**2,524**	**3,647**	**10,012**	**46,890**

2014 (All figures £'000)	0 to 30 days	31 to 60 days	61 to 90 days	91 to 120 days	121 to 180 days	180 days +	Total
Mortgage Loans	15,592	8,006	3,080	3,022	4,658	11,622	45,980

Past due loans are deemed to be impaired if the borrower is in arrears and there is insufficient equity in the property to avoid a loss on eventual redemption.

Loans that were renegotiated during the year ended 31 December 2015 that would otherwise have been past due or impaired amounted to nil (2014: nil).

Financial assets that were individually impaired were as follows:

2015	**Mortgage loans £'000**
Original net book value	**466,929**
Impairment allowance (see note 9)	**(15,091)**
Revised net book value	**451,838**

2014	Mortgage loans £'000
Original net book value	577,675
Impairment allowance (see note 9)	(21,420)
Revised net book value	556,255

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's policy is to manage liquidity risk by matching the timing of the cash receipts from mortgage loans with those of the cash payments due on the loan notes. The loan notes issued by the

Company are non-recourse and their terms are such that amounts due are only payable to the extent that there are sufficient receipts from the Company's mortgage loan assets.

17. RISK MANAGEMENT (continued)

Liquidity risk (continued)

The Company has in place a series of liquidity facilities equal to £190,796,000 which all were unutilised at the balance sheet date. These facilities will reduce down on a separate series basis when they are greater or equal to 8% of the principal amount of in issuance outstanding, if certain criteria are met. The facilities incur an unutilised commitment fee ranging between 0.2742% and 0.4%, paid quarterly.

The maturity profile of the Company's financial liabilities based on undiscounted future contractual cash flows is shown in the table below.

	2015	2014
	£'000	£'000
Loan notes: Principal and interest		
Less than one year	**13,240**	16,000
Between one and five years	**52,960**	63,999
Over five years	**1,952,322**	2,218,871
	2,018,522	2,298,870
Carrying value	**1,550,981**	1,717,730

Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern. The company holds equity and also loan notes that are issued on the Irish Stock Exchange as capital. The loan notes issued by the Company are non-recourse and their terms are such that amounts due are only payable to the extent that there are sufficient receipts from the Company's mortgage loan assets. This therefore helps to mitigate the capital risk of the company.

18. FAIR VALUE INFORMATION

Fair value disclosures

Other than for short-term operating assets and liabilities, the fair value of which approximates their carrying value, and derivative financial instruments, the fair value of the Company's assets and liabilities are shown in the table below. For the listed loan notes the observable quoted market price has been obtained at the year end to determine the fair value. For the mortgage loan assets and remaining loan note liabilities, model valuation techniques have been used to determine the fair value of these assets and liabilities at the year end due to the absence of reliable prices being available in the current market. These techniques make use of market data observed at the time the assets were purchased and the liabilities were incurred, updated for changes in market levels subsequently observed for similar assets and liabilities, and taking into account the time that has elapsed since the assets were purchased and the liabilities incurred.

	2015		2014	
	Book value	**Fair value**	Book value	Fair value
	£'000	**£'000**	£'000	£'000
Mortgage loans	**1,487,096**	**1,486,551**	1,619,141	1,686,064
Loan notes	**(1,550,981)**	**(1,509,637)**	(1,717,730)	(1,741,044)

The fair value of the assets and liabilities represents the estimated amount that the Company would realise or pay under market conditions prevailing at the year end assuming that the Company had the ability to dispose of or transfer those assets and liabilities. In determining fair value, no allowance has been made for the expenses that would be incurred in such a sale or transfer.

18. FAIR VALUE INFORMATION (continued)

Fair value hierarchy

In accordance with IFRS 7 "Financial Instruments: Disclosure", financial instruments carried at fair value have been categorised into a three-level fair value hierarchy based on the priority of the inputs to the valuation technique. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3).

Level 2 financial instruments are valued using quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or models using inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

The following table presents the Company's fair value hierarchy for those assets and liabilities measured at fair value as at 31 December 2015.

	2015	2014
	Level 2	Level 2
	£'000	£'000
Current assets		
Fair value of derivatives	**49,088**	76,652

Loan notes excluding the loan note with the residual loan noteholder are based on quoted market prices (Level 1). All other assets and liabilities are not based on observable market data (Level 2).

19. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over that party in making financial or operating decisions, or one party controls both.

Transactions between the Company and its directors are considered to be related party transactions. During the current and prior year, companies within the Capita Group provided corporate services to the Company. These transactions are summarised below:

	2015	2014
	£'000	£'000
Asset / (liability) Income / (expense)		
Creditors: amounts falling due within one year	**(16)**	(5)
Administrative expenses	**(33)**	(22)

20. PARENT UNDERTAKING

The Company's entire ordinary share capital except for one share is held by Newgate Funding Holdings Limited, a company incorporated in the United Kingdom. The remaining share and the entire ordinary share capital of Newgate Funding Holdings Limited is held on trust for charitable purposes by Capita Trust Nominees No.1 Limited, a company incorporated in the United Kingdom.