Bridestone Financing plc

Annual report and financial statements

For the year ended 30 June 2016

Registered number: 07839388

Bridestone Financing plc
Contents

Bridestone Financing plc
Strategic Report

The Directors present their Strategic Report for Bridestone Financing plc (the "Company"), for the year ended 30 June 2016.

Principal activities

The Company's principal activity is the investment in portfolios of residential mortgages loans financed through the issue of floating rate loan notes ("Notes"), which are listed on the Channel Islands Stock Exchange.

Business review

The Company is a special purpose company established to issue variable funding loan notes and to use the proceeds to acquire a portfolio of residential mortgage loans. On 18 November 2011 the Company issued £50,000,000 Notes due 2071 listed on the Channel Islands Stock Exchange. The proceeds were invested in a portfolio of residential mortgage loans located in the United Kingdom. The Company holds the beneficial title of these loans and Charter Mortgages Limited is the legal title owner. The portfolio of loans has a par value £34,680,217 (2015: £37,247,657). There has been a decrease in the fair value discount of the loans from 6.54% to 6.51% and as such there has been an increase in the fair value of the pool, creating an unrealised gain for the Company.

The Company is a securitisation vehicle and in accordance with the waterfall provisions of funding documents, all income and principal repayments received are paid out on each quarterly interest payment date. Accordingly the Company has made a profit of £256,478 (2015: £214,369).

The Company's management are in the process of assessing the potential effects of Brexit on their business and principal risks. They do not believe that there will be a direct impact.

Transition to FRS 102

This is the first year that the Company has presented its results under FRS 102 'The Financial Reporting Standard, applicable in the UK and Republic of Ireland'. The last financial statements under previous UK GAAP were for the year ended 30 June 2015. The date of transition to FRS 102 was 1 July 2014. The impact of the transition to FRS 102 is set out in note 17 'Explanation of transition to FRS 102'.

Results and dividend

The results for the year are shown in the Statement of Comprehensive Income on page 11.

Net interest expense for the year was £2,878,143 (2015: £1,409,317). The net profit for the year was £256,478 (2015: £214,369). The net liabilities of the Company as at 30 June 2016 were £167,383 (2015: £423,861). The Directors do not recommend payment of a dividend (2015: £nil).

Future developments

The Controlling entities have agreed to sell the mortgage portfolio held by the Company. The transaction will be approved on 21 December 2016 and will legally close mid-January 2017.

Key performance indicators

The key performance indicators used by management in assessing the performance of the Company are the annual financial statements. The Directors expect the Company to continue to be a going concern.

Principal risks and uncertainties

The Company is a securitisation company and has been structured so as to avoid, in as far as possible, all forms of financial risk.

Credit risk

Credit risk is the risk of financial loss arising from the failure of a customer or counterparty to settle their financial and contractual obligations as they fall due. Financial assets of the company consist of residential mortgage assets and cash and cash equivalents. The Company monitors borrower behaviour and monitors and reports a change in risk on a regular basis.

Liquidity and cash flow risk

Liquidity risk is the risk that the Company fails to meet its financial obligations as they fall due, whereas cash flow risk is the risk that cash will not be available to settle obligations as they fall due

The mortgage backed loan notes are secured over a portfolio of residential mortgages. These mortgages are secured by first charges over residential property. The notes are subject to redemption in part on each quarterly interest payment date in an equal amount to the amount of principal received or recovered. The maturity date of the notes matches the maturity date of the underlying assets.

Going concern

The Controlling entities have agreed to sell the mortgage portfolio held by the Company. The transaction was approved on 21 December 2016 and will legally close mid-January 2017. The price paid is linked to the current balance of the pool and therefore does not give rise to any adjustment to the mortgage assets as currently stated.

Following the proposed sale of the mortgage portfolio management has decided to close the Company and its parent down via voluntary solvent liquidation. The Directors have concluded that the financial statements should be prepared on a basis other than going concern and as such the assets and liabilities are stated at their fair value and classified as current.

Bridestone Financing plc
Strategic Report (continued)

Approval

This report was approved by the board of directors and signed on its behalf by:

Sue Abrahams
per pro Intertrust Directors 1 Limited
as Director
35 Great St. Helen's
London
EC3A 6AP

22 December 2016

Bridestone Financing plc
Directors' report

The Directors present their annual report, together with the financial statements and auditor's report, of Bridestone Financing plc, for the year ended 30 June 2016.

Information presented in other sections

Certain information required to be included in the Directors' Report can be found in the Strategic Report as set out in page 3. This includes the Company's principal risks, dividends paid and proposed, an indication of likely future developments' and an assessment of going concern.

Corporate Governance Statement

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

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

Directors

The Directors, who served throughout the year and subsequently, are as follows:

Intertrust Directors 1 Limited (formerly SFM Directors Limited)

Intertrust Directors 2 Limited (formerly SFM Directors (No. 2) Limited)

Helena Whitaker

None of the Directors had any beneficial interest in the ordinary share capital of the company. None of the Directors had any interest either during or at the end of the year in any material contract or arrangement with the Company.

Third Party Indemnities

Qualifying third party indemnity provisions for the benefit of the Directors were in force during the year under review and remain in force as at the date of approval of the Annual Report and financial statements.

Company Secretary

Intertrust Corporate Services Limited (formerly SFM Corporate Services Limited) acted as Company Secretary throughout the year and subsequently.

Employees

The Company has no employees (2015: no employees). All operational services have been formally contracted to third parties.

Directors' responsibilities statement

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 elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice for small companies (United Kingdom Accounting Standards and applicable law including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

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

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

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

Statement of disclosure of information to auditor

Each of the persons who is a director at the date of approval of this annual report confirms that:

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

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

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

Independent auditor

Deloitte LLP was appointed as auditor for the year and has expressed its willingness to continue in office as auditor and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board and signed on its behalf by:

Sue Abrahams
per pro Intertrust Directors 1 Limited
as Director
35 Great St. Helen's
London
EC3A 6AP

22 December 2016

Independent auditor's report to the members of Bridestone Financing plc

We have audited the financial statements of Bridestone Financing plc for the year ended 30 June 2016 which comprises the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 18. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice, including FRS 102, 'The Financial Reporting Standard applicable in the UK and Republic of Ireland').

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

Respective responsibilities of directors and auditor

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report 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.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 June 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Independent auditor's report to the members of Bridestone Financing plc

We have audited the financial statements of Bridestone Financing plc for the year ended 30 June 2016 which comprises the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 18. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice, including FRS 102, 'The Financial Reporting Standard applicable in the UK and Republic of Ireland').

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

Respective responsibilities of directors and auditor

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Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report 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.

Opinion on financial statements

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- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Independent auditor's report to the members of Bridestone Financing plc (continued)

Emphasis of matter – Financial statements prepared other than on a going concern basis

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the financial statements, which explains that the financial statements have been prepared on a basis other than that of a going concern.

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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

K. J. Cooper

Kieren Cooper (Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Birmingham, United Kingdom

22 December 2016

Bridestone Financing plc
Statement of Comprehensive Income
For the year ended 30 June 2016

	Note	2016 £	2015 £
Interest receivable and similar income	4	1,034,787	1,099,488
Interest payable and similar charges	5	(3,912,930)	(2,508,805)
Net interest expense		(2,878,143)	(1,409,317)
Fair value gains on valuation of residential mortgages		3,434,327	1,900,694
Fee income		18,074	21,197
Administrative expenses		(317,742)	(298,163)
Profit before taxation	3	256,516	214,411
Tax on profit	7	(38)	(42)
Profit and total comprehensive income for the financial year attributable to the equity shareholders' of the company	13	256,478	214,369

The results for the current year and prior year relate entirely to continuing operations in the United Kingdom.

The notes on pages 14 to 27 form part of these financial statements.

Bridestone Financing plc
Balance Sheet
As at 30 June 2016

Registration number 07839388

	Note	2016 £	2015 £
Fixed assets			
Residential mortgages	8	-	25,871,473
Current assets			
Residential mortgages	8	26,877,168	201,887
Cash and cash equivalents	9	275,581	409,768
Creditors: amounts falling due within one year	10	(27,320,132)	(219,870)
Net current (liabilities)/assets		(167,383)	391,785
Total assets less current liabilities		(167,383)	26,263,258
Creditors: amounts falling due after more than one year	11	-	(26,687,119)
Net liabilities		(167,383)	(423,861)
Capital and reserves			
Called-up share capital	12	12,502	12,502
Profit and loss account	13	(179,885)	(436,363)
Shareholders' deficit		(167,383)	(423,861)

The financial statements on page 11 to 27 were approved and authorised for issue by the board of directors on 22 December 2016. They were signed on its behalf by:

S Abrahams

Sue Abrahams
per pro Intertrust Directors 1 Limited
as Director

The notes on pages 14 to 27 form part of these financial statements.

Bridestone Financing plc
Statement of changes in equity
As at 30 June 2016

	Called-up Share Capital £	Profit and loss account £	Total £
At 30 June 2014 as previously stated	12,502	(353,869)	(341,367)
Changes on transition to FRS 102 (see note 17)	-	(296,863)	(296,863)
At 1 July 2014 as restated	12,502	(650,732)	(638,230)
Total comprehensive income for the financial year	-	214,369	214,369
At 30 June 2015	12,502	(436,363)	(423,861)
Total comprehensive income for the financial year	-	256,478	256,478
At 30 June 2016	12,502	(179,885)	(167,383)

1. Accounting Policies

Bridestone Financing plc is a company incorporated in London, the United Kingdom under the Companies Act 2006 with company number 07839388. The company is a public company limited by shares. The address of the registered office is 35 Great St Helen's, London, EC3A 6AP. The nature of the Company's operations and its principal activities are set out in the Strategic Report on page 3.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Company operates. There are currently no foreign operations.

Basis of accounting

The financial statements of the Company for the year ended 30 June 2016 have been prepared under the historic cost conventions, modified to include certain items at fair value, and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

The prior year financial statements were restated for material adjustments on adoption of FRS 102 in the year. For more information see note 17.

The Company meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to in respect of its separate financial statements. The Company is consolidated in the financial statements of its parent, Bridestone Financing Holdings Limited. The exemption has been taken in these separate Company financial statement in relation to the presentation of a cash flow statement.

Going concern

The Controlling entities have agreed to sell the mortgage portfolio held by the Company. The transaction was approved on 21 December 2016 and will legally close mid-January 2017. The price paid is linked to the current balance of the pool and therefore does not give rise to any adjustment to the mortgage assets as currently stated.

Following the proposed sale of the mortgage portfolio management has decided to close the Company and its parent down via voluntary solvent liquidation. The Directors have concluded that the financial statements should be prepared on a basis other than going concern and as such the assets and liabilities are stated at their fair value and classified as current.

Interest income and expense

The revenue of the Company represents interest receivable and similar charges on its portfolio of residential mortgages. Interest income is recognised by applying the effective interest rate.

Interest expense represents amounts payable on floating rate notes issued by the Company and amounts payable to investors under the terms of the mortgage portfolio acquisition and funding agreements.

1. Accounting policies (continued)

Cash and cash equivalents

Balances shown are cash and cash equivalents in the balance sheet comprise demand deposits and short term deposits with banks.

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rules and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes.

A net deferred tax asset is regarded as recoverable and therefore recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred consideration

Deferred consideration is recognised in the balance sheet relating to amounts owed to loan note holders. The consideration relates to any excess profits held by the entity which are payable to the loan note holders.

Financial assets and liabilities

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

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument. Financial assets and liabilities are only offset in the balance sheet when, and only when there exists a legally enforceable right to set off the recognised amounts and the Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously

1. Accounting policies (continued)

Fair value measurement

The best evidence of fair value is a quoted price for an identical asset in an active market. When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the market is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the fair value is estimated by using a valuation technique.

Assets held at fair value are Level 3 fair value measurements, being derived from inputs which are not quoted in active markets.

Loan notes

Debt instruments which meet the following conditions are subsequently measured at amortised cost using the effective interest method:

The contractual return to the holder is (i) a fixed amount; (ii) a positive fixed rate or a positive variable rate; or (iii) a combination of a positive or a negative fixed rate and a positive variable rate.

Non-interest revenue

Fee income is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business, net of discounts, VAT and other sales-related taxes.

Residential mortgages

Mortgage loans are measured at fair value through profit and loss. Changes in the fair value of these financial instruments are recognised in the income statement. The fair value of the mortgage assets is calculated as the net present value of expected future cash flows taking into account estimates of the amount of interest that will be collected on the assets, prevailing interest rates, the portion of the assets that will be repaid before their scheduled maturity, expected credit losses, interest rates, house prices, and the rate at which to discount these estimated future cash flows.

2. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described above, the Directors are required to make judgements, 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.

2. Critical accounting judgements and key sources of estimation uncertainty (continued)

Residential mortgages at fair value through profit and loss

Estimated on the basis of the results of a discounted cash flow model that makes maximum use of market inputs. The fair value of the Company's portfolio of residential mortgages are calculated in this way, making appropriate assumptions regarding constant prepayment/ constant default rate, voluntary early redemptions, distressed sale haircut, future house price inflation and discount. Expected cash flows are discounted using a long-term interest rate, derived from quoted interest rates using generally observable market data in similar time bandings to match the expected timings of the cash flows of the mortgages, together with adjustments to reflect the cost of funding, capital, illiquidity and other risks.

2. Critical accounting judgements and key sources of estimation uncertainty (continued)

Residential mortgages at fair value through profit and loss (continued)

The fair value of the mortgage loans is the amount for which the asset could be exchanged, between knowledgeable and willing parties in an arm's length transaction. The existence of a quoted price in an active market or a recent transaction price is the best evidence of fair value and when they are available they are used. If the market for a financial instrument is not active, fair value is established using a valuation technique, which has been used in valuing the residential mortgages. Fair value represents point-in-time estimates that may change in subsequent reporting periods due to market conditions or other factors (see note 14).

3. Profit before taxation

	2016	2015
Profit before taxation is stated after charging:	£	£
Auditor's remuneration for audit of the Company's financial statements	36,240	23,500

Non-audit fees payable to the Company's auditor were £4,050 (2015: £4,050) for tax compliance services and £18,000 (2015: £16,000) for Passive Foreign Investment Company US Tax computation services.

4. Interest receivable and similar income

	2016	2015
	£	£
Interest receivable from residential mortgage portfolios	1,034,787	1,099,488

All revenues are generated within the UK from a single class of business.

5. Interest payable and similar charges

	2016	2015
	£	£
Interest expense on Notes	1,165,068	1,248,479
Deferred consideration	2,747,862	1,260,326
	3,912,930	2,508,805

Deferred consideration represents amount due to investors under the terms of the mortgage portfolio acquisition and funding agreements.

6. Staff costs and directors remuneration

The Company had no employees during the year (2015: nil). See note 15 for details of directors remuneration.

7. Tax on profit

	2015	2015
	£	£
UK tax at 20.00% (2015: 20.75%)		
Corporation tax		
Current year	38	42
Total corporation tax	38	42
Deferred tax		
Current year	-	-
Total tax charge for the year	38	42

Factors affecting the average tax charge for the year

The average effective rate of corporation tax assessed for the year is lower (2015: lower) than the standard rate of corporation tax for companies in the UK of 20.00% (2015: 20.75%). The differences are explained below.

7. Tax on profit (continued)

	2016 £	2015 £
Profit before tax	256,516	214,411
Profit before after tax multiplied by standard rate of tax of 20.00% (2015: 20.75%)	51,303	44,490
Effects of:		
Securitisation regulations	(51,265)	(44,448)
Total tax charge for the year	38	42

Secondary tax legislation, enacted in November 2006 under powers conferred by the Finance Act 2005, ensures that for companies that meet the definition of a 'securitisation company' for accounting periods commencing on or after 1 January 2007, corporation tax will be calculated by reference to the retained profit of the securitisation company required to be retained over the life of the securitisation arrangement under the agreement that governs the company.

The Directors are satisfied that the Company meets the definition of a 'securitisation company' as defined by both the Finance Act 2005 and relevant subsequent secondary legislation and that no incremental unfunded tax liabilities arose.

7. Tax on profit (continued)

Change in tax rate

In July 2013, a reduction in the corporation tax rate to 21% from 23% from 1 April 2014, and from 21% to 20% with effect from 1 April 2015 was substantively enacted into legislation.

In the Budget on 8 July 2015, the UK government proposed to further reduce the main rate of UK corporation tax to 19% with effect from 1 April 2017 and to 18% with effect from 1 April 2020. These rate changes were substantively enacted on 26 October 2015. The Finance Act 2016 enacted a further reduction in the UK corporation tax rate to 17% with effect from 1 April 2020. The Finance Act 2016 was substantively enacted post the balance sheet date on 6 September 2016 and therefore has not been reflected in the tax accounting calculations.

8. Residential mortgages

	2016 £	2015 £
Due within 1 year	26,877,168	201,887
Due between 1 year and 5 years	-	77,689
Due after more than 5 years	-	25,793,784
Total residential mortgages	26,877,168	26,073,360

The Company is the beneficial owner of a portfolio of residential mortgage loans acquired at a discount to their aggregate current balance in November 2011. Legal title to the mortgages is held by Charter Mortgages Limited under the terms of a mortgage sale agreement and a legal title holding agreement.

9. Cash and cash equivalents

	2016 £	2015 £
Bank deposits	2,715	3,598
Amounts held on trust by third parties	272,866	406,170
	275,581	409,768

Amounts held on trust by third parties comprise £12,502 (2015: £12,502) held by Intertrust Management Limited client account in respect of consideration for share capital allotted and £260,364 (2015: £393,669) held by Charter Mortgages Limited representing amounts received from borrowers under mortgage agreements.

10. Creditors: amounts falling due within one year

	2016	2015
	£	£
Tax liability	39	43
Other creditors and accruals	80,056	54,642
Accrued interest on Notes	151,665	165,185
Loan Notes due 2071	19,805,526	-
Deferred consideration payable	7,282,846	-
	27,320,132	219,870

11. Creditors: amounts falling due after more than one year

	2016	2015
	£	£
Loan Notes due 2071	-	21,658,685
Deferred consideration payable	-	5,028,434
	-	26,687,119

During the year the Company issued £nil (2015: nil) of floating rate loan notes, and repaid principal of £1,853,159 (2015: £1,810,671).

The mortgage backed loans notes are secured over a portfolio of residential mortgages secured by first charges over residential property in the United Kingdom. The notes are subject to redemption in part on each quarterly interest payment date in an amount equal to the amount of principal received or recovered in respect of each mortgage provided such amount does not exceed the amount paid to acquire the mortgage. The maturity date of the notes matches the maturity date of the underlying assets. It is likely that a substantial amount of the notes will be repaid within five years.

The Company has the option to repay the notes at an earlier date at the outstanding principal amount provided two Business Days notice is given to Loan Noteholders.

Interest is payable at a fixed margin of 5% above the three month London Interbank Offered Rate (LIBOR) as determined on each interest payment date in advance.

Deferred consideration payable consists of amounts payable to the investors as a result of the revaluation of the mortgage pool for principal amounts expected to be received over the initial purchase price. The Company is obliged to make these payments on receipt of actual cash flows as per the terms agreed with the noteholders.

12. Called-up share capital

	2016	2015
	£	£
Issued, called up and allotted		
2 Ordinary shares of £1 fully paid up	2	2
49,998 Ordinary shares of £1 quarter paid	12,500	12,500
	12,502	12,502

13. Reserves

	2016	2015
	£	£
Profit and loss account	(179,885)	(436,363)

The profit and loss reserve represents cumulative profits or losses.

14. Financial instruments

Categories of financial instruments

	Carrying value	
	2016	2015
	£	£
Financial assets held at fair value		
Residential mortgages	26,877,168	26,073,360
Financial assets held at amortised cost		
Cash and cash equivalents	275,581	409,768
Financial liabilities held at amortised cost		
Loan notes	19,805,526	21,658,685
Other creditors and accruals	231,760	219,870

Fair value hierarchy classification

Valuation techniques

The fair value hierarchy set out in FRS 102 splits the source of input when deriving fair values into three levels as follows:

Level 1 – quote prices (unadjusted) in active markets identical assets or liabilities

Level 2 – inputs other than quoted prices included within level 1 that are observable for the asset or liability either directly or indirectly

Level 3 – inputs for the asset or liability that are not based on observable market data

14. Financial instruments (continued)

Loans fully secured on residential property – included within Residential mortgages is the Company's portfolio of mortgages which are accounted for at fair value using the present value method. Expected future principal cash flows are derived by making appropriate assumptions regarding prepayment rates and voluntary early redemptions together with assumptions on future house price inflation and sale discount. The expected future cash flows are then discounted using a required rate of return based on observable market requirement to give an overall purchase price.

Residential mortgages held at fair value are Level 3 fair value measurements, being derived from inputs which are not quoted in active markets.

The estimated fair value of collateral held against residential mortgages is £50,091,550 (2015: £51,241,260).

Sensitivity analysis

The fair value of the residential mortgages is sensitive to changes to market conditions which impact on the discount rates used in deriving the valuation. The impact of a 1% change in the discount rate used in valuation model on the fair value of the mortgages is as follows:

	2016	2015
	£	£
+ 1%	(1,602,226)	(2,089,594)
- 1%	1,799,903	2,402,472

Risk management policies and objectives

The Company is exposed to a number of financial risks and uncertainties primarily credit risk, liquidity risk and cash flow risk. Refer to the strategic report on page 3 for a description of these risks and how they are managed.

14. Financial instruments (continued)

Risk management policies and objectives (continued)

The Company's maturity analysis of its assets and liabilities as at the year-end are summarised as follows:

	Not more than 3 months £	More than 3 months but not more than one year £	More than one year but not more than 5 years £	More than 5 years £	Total £
At 30 June 2016					
Assets					
Residential mortgages	311,426	26,565,742	-	-	26,877,168
Cash and cash equivalents	275,581	-	-	-	275,581
Liabilities					
Loan notes	-	19,805,526	-	-	19,805,526
Deferred consideration	-	7,282,846	-	-	7,282,846
Other liabilities	231,721	39	-	-	231,760

	Not more than 3 months £	More than 3 months but not more than one year £	More than one year but not more than 5 years £	More than 5 years £	Total £
At 30 June 2015					
Assets					
Residential mortgages	201,887	-	77,689	25,793,784	26,073,360
Cash and cash equivalents	409,768	-	-	-	409,768
Liabilities					
Loan notes	-	-	-	21,658,685	21,658,685
Deferred consideration	-	-	-	5,028,434	5,028,434
Other liabilities	219,827	43	-	-	219,870

15. Related party transactions

During the year the Company entered into the following transactions with related parties:

- the Company issued loan notes with a value of £nil (2015: £nil) to companies controlled by its ultimate controlling entities, and repaid principal of £1,853,159 (2015: £1,810,671)
- the Company paid loan note interest and other interest of £1,165,068 (2015: £1,248,479) to companies controlled by its ultimate controlling entities
- the Company paid fees for mortgage administration services and legal title housing services of £221,061 (2015: £226,962) to companies controlled by the Company's ultimate controlling entities (see note 17)
- the Company paid £12,764 (2015: £12,187) to Intertrust Management Limited for corporate services including £6,500 (2015: £6,403) for the provision of directors.

16. Ultimate parent undertaking and controlling entity

The Company's immediate parent undertaking is Bridestone Financing Holdings Limited, a company registered in England and Wales. The largest and smallest group into which the results of the Company are consolidated is that headed by Bridestone Financing Holdings Limited, copies may be obtained from the Company Secretary at the registered office: 35 Great St. Helen's, London, EC3A 6AP.

The entire share capital of Bridestone Financing Holdings Limited is held by the legal parent company, Intertrust Corporate Services Limited, on a discretionary basis for the benefit of certain charities.

As at 30 June 2016 and 30 June 2015 the Company's joint controlling parties were Elliott International L.P., a partnership organised in the Cayman Islands, and Elliott Associates L.P., a partnership organised in Delaware in the United States.

Elliott International L.P. is a controlling party by virtue of its interest in 65% of the Company's issued Notes. Elliott Associates L.P. is a controlling party by virtue of its interest in 35% of the Company's issued Notes.

17. Explanation of transition to FRS 102

This is the first year that the Company has presented its financial statements under Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council. The following disclosures are required in the year of transition. The last financial statements under previous UK GAAP were for the year ended 30 June 2015 and the date of transition to FRS 102 was therefore 1 July 2014. As a consequence of adopting FRS 102, the accounting policies that have changed to comply with the standard are as follows:

17. Explanation of transition to FRS 102 (continued)

Residential mortgages

Mortgage assets were previously recorded at the lower of cost or net realisable value. Any amounts recovered over a portfolios book value was taken to the profit or loss as income. Mortgage assets are now recorded as fair value and any gains or losses are recognised in the Statement of Comprehensive Income as income. The fair value is derived from a discounted cash flow model developed on a loan by loan basis based on their own individual characteristics.

Reconciliation of equity

	At 1 July 2014 £	At 30 June 2015 £
Equity reported under previous UK GAAP	(341,367)	(623,772)
Adjustment to equity on transition to FRS 102		
Fair value adjustment to residential mortgages	3,859,304	5,228,345
Deferred consideration relating to revaluation of mortgages	(4,156,167)	(5,028,434)
Equity reported under FRS 102	(638,230)	(423,861)

Notes to the reconciliation of equity at 1 July 2014

The change in accounting policy as stated above has resulted in an increase in the carrying value of residential mortgages at 1 July 2014. Deferred consideration has also been recognised as these fair value gains will be payable to the investors when the gains are realised in cash receipts. Overall there has been decrease in the equity of the Company and the profit recognised in 2014.

Reconciliation of profit or loss for 2015

	2015 £
Loss for the financial year under previous UK GAAP	(282,405)
Profit on transition to FRS 102	
Fair value adjustment to residential mortgages	1,369,041
Deferred consideration relating to revaluation of mortgages	(872,267)
Profit for the financial year under FRS 102	214,369

17. Explanation of transition to FRS 102 (continued)

Notes to the reconciliation of profit or loss for 2015

The change in accounting policy as stated above has resulted in an additional £1,369,041 of fair value gains being recorded in the restated Statement of Comprehensive Income for the year ended 30 June 2015. This is as a result in the fair value gains recognised on the valuation of the residential mortgages in line with FRS 102. An adjustment has also been made for £872,267 to interest payable as these fair value gains will become payable as deferred consideration to the investors. Overall there has been an increase in the profit for the financial year.

18. Post balance sheet event

The Controlling entities have agreed to sell the mortgage portfolio held by the Company. The transaction was approved on 21 December 2016 and will legally close mid-January 2017. The price paid is linked to the current balance of the pool and therefore does not give rise to any adjustment to the mortgage assets as currently stated.