

**Bridestone Financing plc**  
**Annual reports and financial statements**  
**For the year ended 30 June 2015**

**Registered number: 7839388**

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## **Bridestone Financing plc**

### **Contents**

	<b>Page</b>
Strategic Report	3
Directors' report	5
Independent auditor's report to the members of Bridestone Financing plc	7
Profit and loss account	9
Balance Sheet	10
Notes to the financial statements	11

# **Bridestone Financing plc**

## **Strategic Report**

The directors present their Strategic Report for Bridestone Financing plc (the "Company"), for the year ended 30 June 2015.

### **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.

### **Results and dividend**

The results for the year are shown in the profit and loss account.

Net interest expense for the year was £537,050 (2014: £387,643). The net loss for the year was £282,405 (2014: profit of £1,726,765). The net liabilities of the Company as at 30 June 2015 were £623,772 (2014: £341,367). The directors do not recommend payment of a dividend (2014: £nil).

### **Future developments**

There are no future developments planned for the next 12 months.

### **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 with its outstanding Notes match funded to maturity.

### **Going concern**

The ability of the Company to meet its obligations on Notes and to meet its operating and administrative expenses is dependent on the extent that it receives the amounts due on the mortgage loans. In the event of insufficient funds remaining to meet interest payments, the Majority Note holder can call a default on the Notes. The Majority Noteholder has confirmed that it will continue to provide loan note financing for a period of at least 12 months from the approval of these financial statements even in the event of an interest payment default arising.

After considering the above, the directors have a reasonable expectation that the Company will have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

# **Bridestone Financing plc**

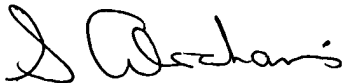
## **Strategic Report**

### **Employees**

The Company has no employees (2014: no employees). All operational services have been formally contracted to third parties.

### **Approval**

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



Sue Abrahams  
per pro SFM Directors Limited  
as Director

17 December 2015

# **Bridestone Financing plc**

## **Directors' report**

The directors present their report, together with the financial statements and auditor's report, of Bridestone Financing plc (the "Company"), for the year ended 30 June 2015.

### **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:

SFM Directors Limited

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 Directors' Report and financial statements.

### **Secretary**

SFM Corporate Services Limited acted as Company Secretary throughout the year and subsequently.

### **Directors' responsibilities statement**

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

# **Bridestone Financing plc**

## **Directors' report**

Company law requires the directors to prepare financial statements for each financial period. 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). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

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

- Select suitable accounting policies and then apply them consistently;
- Make judgements and accounting estimates that are reasonable and prudent, 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 auditors**

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.



Sue Abrahams  
per pro SFM Directors Limited  
as Director

17 December 2015

# **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 2015 which comprises the profit and loss account, the balance sheet, and the related notes 1 to 16. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's 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 2015 and of its loss 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 (continued)**

## **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 period 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.



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

17 December 2015



**Bridestone Financing plc**  
**Profit and loss account**  
For the year ended 30 June 2015

	<b>Note</b>	<b>2015 £</b>	<b>2014 £</b>
Interest receivable and similar income	3	1,099,488	1,172,060
Interest payable and similar charges	4	(1,636,538)	(1,559,703)
Net interest expense		(537,050)	(387,643)
Fee and other income	5	552,850	2,486,570
Administrative expenses		(298,163)	(372,118)
<b>Operating (loss)/profit on ordinary activities before tax</b>	2	(282,363)	1,726,809
Tax on profit on ordinary activities	7	(42)	(44)
<b>(Loss)/profit on ordinary activities after tax and for the year</b>	14	(282,405)	1,726,765

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

The Company had no recognised gains or losses other than those included in the profit and loss account and therefore no statement of recognised gains or losses has been presented.

The notes on pages 11 to 17 form part of these financial statements.

**Bridestone Financing plc**  
**Balance Sheet**  
As at 30 June 2015

Registration number 07839388

		<b>2015</b>	<b>2014</b>
	<b>Note</b>	<b>£</b>	<b>£</b>
Mortgage debtors	8	20,845,015	22,661,003
<b>Current assets</b>			
Cash and cash equivalents	9	409,768	727,799
		409,768	727,799
<b>Creditors: amounts falling due within one year</b>	10	(219,870)	(260,813)
<b>Net current assets</b>		189,898	466,986
<b>Total assets less current liabilities</b>		21,034,913	23,127,989
<b>Creditors: amounts falling due after more than one year</b>	11	(21,658,685)	(23,469,356)
<b>Net liabilities</b>		(623,772)	(341,367)
<b>Capital and reserves</b>			
Called up share capital	12	12,502	12,502
Profit and loss account	13	(636,274)	(353,869)
<b>Equity shareholders' deficit</b>		(623,772)	(341,367)

The financial statements on page 9 to 17 were approved and authorised for issue by the board of directors on 17 December 2015.



Sue Abrahams  
per pro SFM Directors Limited  
as Director

The notes on pages 11 to 17 form part of these financial statements.

# **Bridestone Financing plc**

## **Notes to the financial statements**

### **For the year ended 30 June 2015**

#### **1. Accounting Policies**

Bridestone Financing plc is a company incorporated in the United Kingdom under the Companies Act 2006 with company number 7839388. 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 2015 were prepared and published in accordance with applicable United Kingdom law and accounting standards.

#### **Going concern**

The directors have, at the time of approving the financial statements, a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements. Further detail is contained in the Strategic Report on page 3.

#### **Interest income and expense**

The revenue of the Company represents interest receivable and similar charges on its portfolio of residential mortgages.

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.

#### **Cash flow Statement**

A cash flow statement has not been prepared as the Company is eligible for the small companies' exemption for certain primary statements.

#### **Cash and cash equivalents**

Balances shown are cash and cash equivalents in the statement of financial position comprise demand deposits and short term deposits with banks.

# **Bridestone Financing plc**

## **Notes to the financial statements (continued)**

For the year ended 30 June 2015

### **1. Accounting policies (continued)**

#### **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.

#### **Mortgage debtors**

Portfolios of mortgage assets are recorded at the lower of cost or net realisable value. Any amounts recovered over a portfolios' book value are taken to the profit and loss account as income.

#### **Borrowings**

Borrowings are carried on the balance sheet at cost.

Interest and all other costs of the funding are expensed to the profit and loss account as interest payable over the term of the borrowing.

### **2. Profit before tax**

Profit/(loss) on ordinary activities before taxation is stated after charging:

	<b>30 June 2015</b>	<b>30 June 2014</b>
	<b>£</b>	<b>£</b>
Auditor's remuneration for audit of the Company's accounts	23,500	22,690

Non-audit fees payable to the Company's auditor for taxation services were £21,000, £16,000 of this related to 2015 PFIC US Tax computation (2014: £37,106).

### **3. Interest receivable and similar income**

	<b>30 June 2015</b>	<b>30 June 2014</b>
	<b>£</b>	<b>£</b>
Interest receivable from residential mortgage portfolios	1,099,488	1,172,060

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

**Bridestone Financing plc**  
**Notes to the financial statements (continued)**  
For the year ended 30 June 2015

**3. Interest receivable and similar income (continued)**

No interest has been charged on impaired assets during the year.

**4. Interest payable and similar charges**

	<b>30 June 2015</b>	<b>30 June 2014</b>
	<b>£</b>	<b>£</b>
Interest expense on Notes	1,248,479	1,341,886
Other interest	388,059	217,817
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	1,636,538	1,559,703
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Other interest represents amount due to investors under the terms of the mortgage portfolio acquisition and funding agreements.

**5. Fee and other income**

Included in fee and other income is £531,652 (2014: £2,463,146) relating to amounts collected on redemption of mortgage debtors in excess of book value. See note 8 for further information on mortgage debtors.

**6. Staff costs and directors remuneration**

The Company had no employees during the year (2014: nil).

**7. Tax**

	<b>30 June 2015</b>	<b>30 June 2014</b>
	<b>£</b>	<b>£</b>
UK tax at 20.75% (2014: 22.50%)		
Corporation tax		
Current period	42	44
	<hr/>	<hr/>
Total corporation tax	42	44
Deferred tax		
Current period	-	-
	<hr/>	<hr/>
	42	44
	<hr/>	<hr/>

**Factors affecting the average tax charge for the year**

The average effective rate of corporation tax assessed for the year is higher than the standard rate of corporation tax for companies in the UK of 20.75% (2014: 22.50%). The differences are explained below.

**Bridestone Financing plc**  
**Notes to the financial statements (continued)**  
For the year ended 30 June 2015

**7. Tax (continued)**

	<b>30 June 2015</b>	<b>30 June 2014</b>
	<b>£</b>	<b>£</b>
(Loss)/Profit on ordinary activities before tax	(282,363)	1,726,809
(Loss)/Profit before after tax multiplied by standard rate of tax of 20.75% (2014: 22.50%)	(58,590)	388,532
Effects of:		
Securitisation regulations	58,632	(388,488)
Total tax charge for the year	<u>42</u>	<u>44</u>

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 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.

**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.

**8. Mortgage debtors**

	<b>2015</b>	<b>2014</b>
	<b>£</b>	<b>£</b>
Residential mortgages	<u>20,845,015</u>	<u>22,661,003</u>

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.

**Bridestone Financing plc**  
**Notes to the financial statements (continued)**  
For the year ended 30 June 2015

**9. Cash and cash equivalents**

	<b>2015</b> <b>£</b>	<b>2014</b> <b>£</b>
Bank deposits	3,598	33,560
Amounts held on trust by third parties	406,170	694,239
	<u>409,768</u>	<u>727,799</u>

Amounts held on trust by third parties comprise £12,502 (2014: £12,502) held by Structured Finance Management Limited client account in respect of consideration for share capital allotted and £393,669 (2014: £681,738) held by Charter Mortgages Limited representing amounts received from borrowers under mortgage agreements.

**10. Current liabilities**

	<b>2015</b> <b>£</b>	<b>2014</b> <b>£</b>
Other creditors and accruals	54,685	83,125
Accrued interest on Notes	165,185	177,688
	<u>219,870</u>	<u>260,813</u>

**11. Liabilities: falling due after more than one year**

	<b>2015</b> <b>£</b>	<b>2014</b> <b>£</b>
Loan Notes due 2071	<u>21,658,685</u>	<u>23,469,356</u>

During the year the Company issued £nil (2014: nil) of floating rate loan notes, and repaid principal of £1,810,671 (2014: £1,947,701).

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.

**Bridestone Financing plc**  
**Notes to the financial statements (continued)**  
For the year ended 30 June 2015

**12. Called up share capital**

	<b>2015</b>	<b>2014</b>
	<b>£</b>	<b>£</b>
<b>Issued, called up and allotted</b>		
2 Ordinary shares of £1 fully paid up	2	2
49,998 Ordinary shares of £1 quarter paid	12,500	12,500
	<hr/>	<hr/>
	12,502	12,502
	<hr/>	<hr/>

**13. Reserves**

	<b>2015</b>	<b>2014</b>
	<b>£</b>	<b>£</b>
Profit and loss account	(636,274)	(353,869)
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**14. Profit and loss account**

	<b>£</b>
Balance at 30 June 2014	(353,869)
Profit for the year	(282,405)
	<hr/>
Balance at 30 June 2015	(636,274)
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**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 (2014: nil) to companies controlled by its ultimate controlling entities, and repaid principal of £1,810,671 (2014: £1,947,701)
- the Company paid loan note interest and other interest of £1,248,479 (2014: £1,341,886) to companies controlled by its ultimate controlling entities
- the Company paid fees for mortgage administration services and legal title housing services of £226,962 (2014: £241,695) to companies controlled by the Company's ultimate controlling entities (see note 16)
- the Company paid £12,187 (2013: £12,105) to Structured Finance Management Limited for corporate services including provision of directors.



**Bridestone Financing plc**  
**Notes to the financial statements (continued)**  
For the year ended 30 June 2015

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

As at 30 June 2015 and 30 June 2014 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.