Company Number 08968863

Chestnut Financing plc

Annual reports and financial statements

For the year ended 31 December 2015

Chestnut Financing plc

Contents

Chestnut Financing plc

Officers and professional advisers

Directors

SFM Directors Limited
SFM Directors (No.2) Limited
Paul Conroy

Company secretary and registered office

SFM Corporate Services Limited
35 Great St. Helen's
London
EC3A 6AP

Company number

08968863 (England and Wales)

Independent auditors

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

Strategic report for the year ended 31 December 2015

The directors present the strategic report of Chestnut Financing plc (the "Company") for the year ended 31 December 2015.

Principal activities and business review

The Company, limited by shares and incorporated in England and Wales, was established as a special purpose vehicle to raise funding by the issuance of £266,300,000 Class A guaranteed mortgage backed floating rate notes and £114,197,000 Class Z VFN notes (together the "Notes") due November 2030. The Class Z VFN Notes were purchased by EFG Finance (Guernsey) Limited, an affiliate of EFG Private Bank Limited ("EFG"). The Notes are listed on the Irish Stock Exchange.

On 28 May 2014 (the "closing date") the Company issued the Notes and used the proceeds to acquire the beneficial interest in a portfolio of fixed rate and floating rate residential mortgage loans and their related security (the "Mortgage Loans") to the amount of £369,481,340 and to fund a reserve account. The Mortgage Loans, originated by EFG, are secured over residential properties located in England. The borrowers of the Mortgage Loans are generally high net-worth individuals or corporate entities associated with such persons (the "Borrowers").

EFG International AG ("EFGI"), a Swiss corporate entity is the ultimate holding company of EFG and guarantees (the "Guarantee"), in certain circumstances, the timely payment of principal and interest on the Class A Notes.

The directors consider that the performance of the Company has been in line with expectations for the current year. There have been no unscheduled repayments or losses on the Mortgage Loans during the year.

The directors have no plans to significantly change the activities of the Company.

Results

The statement of comprehensive income is set out on page 9 and shows a loss for the financial year/period.

Key performance indicators, principal risks and uncertainties

The loss before taxation was £464,986 for the year ended 31 December 2015 (2014: £372,463).

All investor reports released by EFG indicate no arrears during the year. The Mortgage Loans increased to £361,196,502 at 31 December 2015 from £357,997,641 at 31 December 2014.

The principal risks faced by the Company are detailed in the 'Financial instruments' section below.

No impairment loss has been booked during the year (2014: £nil).

Future developments

The directors consider that the Company will continue to meet the scheduled repayment dates for the Notes for the foreseeable future using the cash generated from the Mortgage Loans.

Financial instruments

The Company's operations are financed primarily by means of the Notes. The Company issued such financial instruments to finance the acquisition of the Mortgage Loans.

The primary risks arising from the Company's financial instruments are credit risk, liquidity risk and market risk. The principal nature of such risks is summarised below.

Credit risk

Credit risk reflects the risk that the Borrowers will not be able to meet their contractual obligations on the Mortgage Loans as they fall due and will cause a financial loss by failing to discharge an obligation.

The Company's business objective rests on the performance of the Mortgage Loans. The Mortgage Loans are secured by first charges over residential properties in England, which represents the Company's primary mitigation of credit risk. The directors monitor performance of the Mortgage Loans or any deviation from expected terms or missed payments. Credit risk arising from non mortgage-related assets is managed by reference to counterparty credit ratings published by agencies such as Standard & Poor's or their equivalents.

Therefore the directors do not believe there has been any change in credit risk during the year and that no impairment should be recognised against the Mortgage Loans (2014: £nil).

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet the contractual commitments associated with its financial instruments, should the cash flows from the Mortgage Loans differ from those expected.

The Mortgage Loans are financed principally by the issuance of the Notes. The financing policy substantially reduces the Company's liquidity risk by matching the maturity profile of the Company's funding to the profile of the Mortgage Loans.

The Company's ability to pay amounts due on the Notes is, in substance, limited to the application of the receipts from the Mortgage Loans. In addition, EFGI guarantees in certain circumstances, the payment of interest and principal on the Class A Notes. The Company also has a cash balance of £22.7 million which is available on demand.

If not otherwise redeemed or purchased and cancelled the Notes will be redeemed at their principal amounts outstanding on the interest payment date falling in November 2030.

Market risk

Market risk is defined as the potential loss in value or earnings of an organisation arising from changes in external market factors. Market risk comprises interest rate risk.

Interest rate risk

Interest rate risk exists where interest rates on assets and liabilities are either set according to different bases or reset at different times. The Company minimises its exposure to interest rate risk by ensuring that the interest payment period characteristics of its assets and liabilities are similar.

Capital management

The Company is not subject to any external capital requirements, except for the minimum requirement under the Companies Act 2006. The Company has not breached this minimum requirement.

On behalf of the Board

Sue Abrahams
Per pro **SFM Directors Limited**
Director
7 April 2016

Directors' report for the year ended 31 December 2015

The directors present their annual report together with the audited financial statements for the Company for the year ended 31 December 2015.

Corporate governance

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 of the Notes 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.

Due to the nature of the securities which have been issued on the Irish Stock Exchange, the directors are satisfied that there is no requirement to publish a corporate governance statement and that the Company is exempt from the disclosure requirements of The Irish Corporate Governance Annex and the provisions of the UK Code Corporate Governance Code.

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position as well as the management of the various risks, are set out in the Strategic Report. In addition, note 12 to the financial statements includes the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments; and its exposures to credit risk and liquidity risk.

At the balance sheet date the Company is showing a net liability position. The Notes are long term limited recourse obligations of the Company and the ability of the Company to meet its obligations under the Notes is dependent upon the receipt by it of principal and interest from the Borrowers of the Mortgage Loans. The directors expect that the net liability position is eliminated in due course. EFGI guarantees, in certain circumstances, the timely payment of principal and interest on the Class A Notes. The Company has net current assets of £134.8 million (2014: £113.8 million). Furthermore the Company has purchased high quality Mortgage Loans which are secured by premium properties, of which over 62% (2014: 55%) are located in prime areas in London It is therefore considered to be unlikely that the Mortgage Loans will not be recoverable. No impairment of the Mortgage Loans has been recognised (2014: £nil). In addition the Company has a cash balance of £22.7 million which is available on demand.

Despite the current uncertainty in the economic environment, after making enquiries regarding the quality of assets and the limited-recourse nature of the Company's borrowings, the directors have formed a judgement, at the time of approving the financial statements, that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Share capital

The issued share capital consists of 50,000 (2014: 50,000) ordinary shares comprising 1 fully paid ordinary share (2014: 1) of £1 and 49,999 (2014: 49,999) quarter paid ordinary shares of £1 each.

Directors and their interests

The directors of the Company during the year, and subsequently, were:

SFM Directors Limited
SFM Directors (No.2) Limited
Paul Conroy

None of the directors has any beneficial interest in the ordinary share capital of the Company (2014: none). 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 (2014: £nil).

The directors do not recommend the payment of a dividend (2014: £nil).

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 reports and the financial statements.

Company secretary

The company secretary, who served during the year, and subsequently was SFM Corporate Services Limited.

Statement of disclosure of information to auditors

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

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

(b) the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself 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(2) of the Companies Act 2006.

Independent auditors

The independent auditors, PricewaterhouseCoopers LLP, have expressed their willingness to continue in office until the next annual general meeting. Pursuant to section 489 of the Companies Act 2006, a resolution for the re-appointment of PricewaterhouseCoopers LLP will be proposed at the forthcoming annual general meeting of the Company.

On behalf of the Board

Sue Abrahams
Per pro **SFM Directors Limited**
As Director
7 April 2016

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic report, Directors report and the financial statements in accordance with the Companies Act 2006, applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards including Financial Reporting Standard 102 - The Financial Reporting Standard Applicable in the UK and Republic of Ireland "FRS 102" 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 year. 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 UK Accounting Standards, including FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 102 used in the preparation of 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 to 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.

Independent auditors' report to the members of Chestnut Financing plc

Report on the financial statements

Our opinion

In our opinion, Chestnut Financing 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 loss and cash flows 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.

What we have audited

The financial statements, included within the Annual report and financial statements (the "Annual Report"), comprise:

- Balance Sheet as at 31 December 2015;
- Statement of comprehensive income for the year then ended;
- Cash flow statement for the year then ended;
- 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 United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice).

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.

Independent auditors' report to the members of Chestnut Financing plc (continued)

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of directors' responsibilities set out on page 6, 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 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.

Jeremy Jensen

Jeremy Jensen (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
11 April 2016

Chestnut Financing plc

Statement of comprehensive income for the year ended 31 December 2015

	Note	Year ended 31 December 2015 £	31 March 2014 to 31 December 2014 £
Interest receivable and similar income	2	11,083,382	6,463,562
Interest payable and similar charges	3	(10,607,125)	(6,231,468)
Net interest income		476,257	232,094
Administrative expenses		(941,243)	(604,557)
Loss on ordinary activities before taxation	4	**(464,986)**	**(372,463)**
Tax on loss on ordinary activities	6	(203)	(126)
Loss for the financial year/period	11	**(465,189)**	**(372,589)**
Other comprehensive income		-	-
Total comprehensive loss for the year/period		**(465,189)**	**(372,589)**

All amounts relate to continuing activities.

The notes on pages 13 to 22 form part of these financial statements.

Chestnut Financing plc
Company Number 08968863

Statement of changes in equity for the year ended 31 December 2015

	Called up share capital £	Profit and loss account £	Total shareholder's deficit £
Issue of shares as at 31 March 2014	12,501	-	**12,501**
Loss for the financial period and total comprehensive loss	-	(372,589)	**(372,589)**
Balance as at 31 December 2014	12,501	(372,589)	**(360,088)**
Opening balance as at 1 January 2015	12,501	(372,589)	**(360,088)**
Loss for the financial year and total comprehensive loss	-	(465,189)	**(465,189)**
Balance as at 31 December 2015	12,501	(837,778)	**(825,277)**

The notes on pages 13 to 22 form part of these financial statements.

Chestnut Financing plc
Company Number 08968863

Balance sheet as at 31 December 2015

	Note	2015 £	2014 £
Fixed assets			
Mortgage Loans receivable after one year	7	245,354,259	266,798,919
Current assets			
Mortgage Loans receivable within one year	8	115,842,243	91,198,722
Cash and cash equivalents		22,734,425	25,714,980
		138,576,668	116,913,702
Creditors: amount falling due within one year	9	(3,809,204)	(3,125,709)
Net current assets		134,767,464	113,787,993
Total assets less current liabilities		380,121,723	380,586,912
Creditors: amounts falling due after more than one year	9	(380,947,000)	(380,947,000)
Net liabilities		**(825,277)**	**(360,088)**
Financed by:			
Capital and reserves			
Called up share capital	10	12,501	12,501
Profit and loss account	11	(837,778)	(372,589)
Total shareholder's deficit		**(825,277)**	**(360,088)**

The notes on pages 13 to 22 form part of these financial statements.

The financial statements were approved and authorised for issue by the Board of Directors on 7 April 2016 and signed on their behalf by:

S Abrahams

Sue Abrahams
Per pro **SFM Directors Limited**
As Director

Chestnut Financing plc

Cash flow statement for the year ended 31 December 2015

	Note	Year ended 31 December 2015 £	31 March 2014 to 31 December 2014 £
Cash flows from operating activities			
Net cash (outflow)/inflow from operating activities	13	(715,524)	2,867,927
Tax paid		(126)	-
		(715,650)	2,867,927
Cash flows from investing activities			
Interest received on Mortgage Loans		10,824,531	3,161,545
Interest received on bank balances		38,378	10,604
Purchase of Mortgage Loans	7	(74,739,925)	(369,481,340)
Repayment of Mortgage Loans	7	71,541,064	11,483,699
		7,664,048	(354,825,492)
Cash inflow/(outflow) before financing activities		6,948,398	(351,957,565)
Cash flows from financing activities			
Issue of share capital	10	-	12,501
Issuance of Notes		-	380,947,000
Interest paid on Notes		(9,928,953)	(3,286,956)
		(9,928,953)	377,672,545
Net change in cash and cash equivalents in the year/period	14	(2,980,555)	25,714,980
Cash and cash equivalents at beginning of the year/period		25,714,980	-
Cash and cash equivalents at end of the year/period		**22,734,425**	**25,714,980**

The notes on pages 13 to 22 form part of these financial statements.

1) Accounting policies

Basis of preparation

The financial statements are prepared in accordance with the Companies Act 2006 and United Kingdom Generally Accepted Accounting Practice ("UK GAAP").

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements of Chestnut Financing plc (the "Company").

Accounting convention

The financial statements are prepared under the historical cost convention modified for the valuation of certain financial instruments, and in accordance with Financial Reporting Standard 102 ("FRS 102"). The Company has adopted FRS 102 from 1 January 2015 (the "transition date"). In the prior period the Company complied with UK Accounting Standards applicable before the introduction of FRS 102. The period of the last financial statements reported under previous UK Accounting Standards was 31 March 2014-31 December 2014. The accounting policies on transition to FRS 102 are not deemed to have a significant effect on the balance sheet of the Company.

There is no difference between the shareholder's deficit as at the transition date under the previous UK GAAP accounting standards and the shareholder's deficit as at the transition date under FRS 102.

There is no difference between the shareholder's deficit as at the year-end under the previous UK GAAP accounting standards and the shareholder's deficit as at the year-end under FRS 102.

There is no difference between the reported loss in the current year under the previous UK GAAP accounting standards and the reported loss in the current year under the FRS 102.

The Company's business activities, together with the factors likely to affect its future development, performance and position, are set out in the strategic report and the directors' report. The strategic report also describes the financial position of the Company; its cash flows, liquidity position and borrowing facilities; the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposure to credit risk and liquidity risk.

Going concern

As explained in the strategic report, the directors have 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.

Interest income and expense

Interest income and expense are accounted for on an accrual basis. Interest income on financial assets that are classified as loans and receivables and interest expense on financial liabilities other than those at fair value through profit or loss is determined using the effective interest rate method.

Other income

Other income comprises the reimbursement of costs incurred from the Borrowers. These are recognised on an accruals basis.

Other expenses

Other expenses comprise administration costs and are recognised on an accruals basis.

1) Accounting policies (*continued*)

Financial instruments

In accordance with Section 11 of Financial Reporting Standard FRS 102, the provisions of IAS 39 have been adopted in full with respect to the recognition and measurement of financial instruments.

Financial assets and financial liabilities are recognised in the balance sheet when the Company becomes a party to the contractual provisions of the instrument and are de-recognised on the date it ceases to be a party, or it transfers the rights to receive the contractual cash flows from the financial asset in a transaction such that substantially all the risks and rewards of ownership of the financial asset are transferred.

The Company's financial instruments comprise Mortgage Loans, cash and liquid resources, Notes, and various receivables and payables that arise from its operations. These financial instruments are classified as described below.

Mortgage Loans

The Mortgage Loans are non-derivative financial assets with fixed or determinable repayments that are not quoted in an active market. They are classified as loans and receivables. The Mortgage Loans are measured at initial recognition at fair value, and are subsequently measured at amortised cost less any impairment using the effective interest rate method.

Notes

Mortgage backed floating rate notes (the "Notes") are classified as other financial liabilities and are initially recognised at fair value at the date of issuance of the liability, and are subsequently measured at amortised cost using the effective interest rate method.

Segmental analysis

The Company's operations are carried out solely in the UK and the results and net assets are derived from its investment in the Mortgage Loans.

Taxation

Current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

For UK corporation tax purposes, the Company has been considered to fall within the permanent regime for taxation as a securitisation Company under the 'Taxation of Securitisation Companies Regulations 2006' (SI 2006/3296). Therefore, the Company is not required to pay corporation tax on its accounting profit. Instead, the Company is required to pay tax on its retained profits as specified in the documentation governing the securitisation transaction into which the Company has entered.

Critical accounting estimates and judgements

Impairment

The carrying amount of the Company's Mortgage Loans is reviewed at each balance sheet date to determine whether there is any indication of impairment. A financial asset or portfolio of financial assets is impaired and an impairment loss incurred if there is objective evidence that an event or events since initial recognition of the asset have adversely affected the amount or timing of future cash flows from the asset.

If there is objective evidence that an impairment loss has occurred, the amount of the loss is measured at the difference between the asset's carrying amount and the present value of estimated future cash flows. Impairment losses are recognised in the profit and loss account.

An impairment loss is reversed if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event after the impairment was recognised. An impairment loss is reversed only to the extent that the carrying value of the Mortgage Loans does not exceed the carrying amount that would have been determined if no impairment loss had been recognised. Reversals of impairment losses are recognised in the profit or loss account.

2) Interest receivable and similar income

	Year ended 31 December 2015 £	31 March 2014 to 31 December 2014 £
Interest income on Mortgage Loans	11,057,102	6,440,860
Bank interest and other similar interest	26,280	22,702
	11,083,382	6,463,562

3) Interest payable and similar charges

	Year ended 31 December 2015 £	31 March 2014 to 31 December 2014 £
Interest expense on Notes	10,607,125	6,231,468
	10,607,125	6,231,468

4) Loss on ordinary activities before taxation

	Year ended 31 December 2015 £	31 March 2014 to 31 December 2014 £
This has been arrived at after charging:		
Auditors' remuneration – audit of the Company's statutory financial statements	34,575	30,600

The Company also pays auditors' remuneration for Chestnut Financing Holdings Limited.

5) Directors emoluments and employees

The Company has no employees and services required are contracted from third parties (2014: none).

The directors received no remuneration from the Company in respect of qualifying services rendered to the Company during the year (2014: £nil).

6) Tax on loss on ordinary activities

a) Analysis of the Company tax in the year/period:

	Year ended 31 December 2015 £	31 March 2014 to 31 December 2014 £
UK corporation tax charge on the loss for the year/period	203	126

b) Factors affecting the Company current tax charge for the current year/period:

The current tax charge for the year/period differs than the effective rate of corporation tax in the UK of 20.25% (2014: 21.20%).

The difference is explained below:

	Year ended 31 December 2015 £	31 March 2014 to 31 December 2014 £
Current tax reconciliation:		
Loss on ordinary activities before tax	(464,986)	(372,463)
Current tax credit @ 20.25% (2014: 21.20%)	(94,160)	(78,217)
Effects of:		
Adjustment in accordance with securitisation tax rules	94,363	78,343
Total tax charge	203	126

For UK corporation tax purposes, the Company has been considered as a securitisation company under the 'Taxation of Securitisation Companies Regulations 2006' (SI 2006/3296). Therefore, the Company is not required to pay corporation tax on its accounting profit. Instead, the Company is required to pay tax on its retained profits of £300 on each interest payment date as specified in the documentation governing the securitisation transaction into which the Company has entered.

7) Fixed assets

The Mortgage Loans are secured by first charges over residential properties in the UK.

	2015 £	2014 £
Book value		
Opening balance	357,997,641	-
Purchase of Mortgage Loans	74,739,925	369,481,340
Repayment of Mortgage Loans	(71,541,064)	(11,483,699)
Net book value At 31 December	361,196,502	357,997,641

The maturity profile of the Mortgage Loans is as follows:		
Mortgage Loans receivable within one year (note 8)	115,842,243	91,198,722
Mortgage Loans receivable after one year	245,354,259	266,798,919
	361,196,502	357,997,641

8) Mortgage Loans receivable within one year

	2015 £	2014 £
Mortgage Loans	115,842,243	91,198,722
	115,842,243	91,198,722

9) Creditors

	2015 £	2014 £
Amounts falling due within one year:		
Accrued interest due on Notes	3,622,684	2,944,512
Fee accruals	186,317	181,071
Corporation tax provision	203	126
	3,809,204	3,125,709
Amounts falling due after more than one year:		
Notes	380,947,000	380,947,000

10) Called up share capital

	2015 £	2014 £
Issued, called up and fully paid		
Ordinary shares of £1 each: 1 fully paid 49,999 - 25 pence called up and paid	12,501	12,501

11) Profit and loss account

	2015 £	2014 £
Opening balance	(372,589)	-
Loss for the financial year/period	(465,189)	(372,589)
Balance at 31 December	(837,778)	(372,589)

12) Financial instruments

The narrative disclosure required by FRS 102 in relation to the nature of the financial instruments used during the year to mitigate credit, liquidity and market risk is set out below.

It is, and has been throughout the year under review, the Company's policy that no trading in financial instruments shall be undertaken. All financial assets have been classified as "loans and receivables" and all financial liabilities are classified as "other financial liabilities".

The Company's exposure to risk on its financial instruments and the management of such risk is largely determined at the inception of the securitisation transaction. The Company's activities and the role of each party to the transaction is clearly defined and documented. Cash flow modelling, including multiple stress scenarios, is carried out as part of the structuring of the transaction, and is required by the rating agencies.

Following initial set-up, the directors monitor the Company's performance by reviewing the investor reports annually. Such review is designed to ensure that the terms of the documentation have been complied with, that no unforeseen risks have arisen and that the Noteholders have been paid on a timely basis.

Credit risk

The ability of the Company to meet its obligations to make principal and interest payments on the Notes and to meet its operating and administrative expenses is dependent to the extent that it receives the amounts due on the Mortgage Loans. The Note holders have no further recourse to the Company should the receipts on the Mortgage Loans be insufficient to meet these obligations.

The maximum exposure to credit risk arising on the Company's financial assets at the reporting date is disclosed in the table below.

	Carrying Value 2015 £	Maximum Exposure 2015 £	Carrying Value 2014 £	Maximum Exposure 2014 £
Assets				
Mortgage Loans	361,196,502	361,196,502	357,997,641	357,997,641
Cash and cash equivalents	22,734,425	22,734,425	25,714,980	25,714,980
	383,930,927	383,930,927	383,712,621	383,712,621

The Company's business objective rests on the performance of the Mortgage Loans. There has been no material deterioration in the credit quality of the Mortgage Loans during the year and the Mortgage Loan covenants continue to be met.

Therefore the directors do not believe there has been any change in credit risk during the year and that no impairment should be recognised against the Mortgage Loans (2014: £nil).

12) Financial instruments (*continued*)

Credit risk (*continued*)

The table below sets out the gross carrying value and the collective impairments for the Mortgage Loans.

	Carrying value £	Impairment £	Fair value of collateral £
Mortgage Loans as at 31 December 2015:			
Individually impaired	-	-	-
Past due but not impaired	-	-	-
Neither past due nor impaired	361,196,502	-	789,933,000
	361,196,502	-	789,933,000
Mortgage Loans as at 31 December 2014:			
Individually impaired	-	-	-
Past due but not impaired	-	-	-
Neither past due nor impaired	357,997,641	-	790,960,000
	357,997,641	-	790,960,000

The Mortgage Loans are secured over a portfolio of residential properties in England. 70% of the collateral is concentrated in prime areas in London. Impairment to date on the Mortgage Loans has been £nil (2014: £nil) and there have been no defaults on either the interest or principal repayments. During the year there have been additions in collateral of £97,085,464 and disposals of £93,886,603.

Market risk

Market risk is defined as the potential loss in value or earnings of an organisation arising from changes in external market factors.

Interest rate risk is the only market risk to which the Company is exposed.

Interest rate risk

Interest rate risk exists where assets and liabilities have interest rates set under a different basis or which reset at different times. The Company minimises its exposure to interest rate risk by ensuring that the interest rate characteristics of Mortgage Loans and Notes (its principal assets and liabilities) are similar.

Interest on the floating rate liabilities is determined and payable quarterly in arrears at the following rates for three-month sterling deposits:

	£	
Class A Notes	266,300,000	LIBOR + 0.75%
Class Z VFN Notes	114,647,000	LIBOR + 5.50%
	380,947,000	

12) Financial instruments (*continued*)

Market risk (*continued*)

Interest rate risk is mitigated by the credit enhancement of the Class Z VFN Notes, the reserve account and the Guarantee. The Company therefore considers that it has no net interest rate risk exposure and therefore has not presented a sensitivity analysis.

EFG International AG ("EFGI"), a Swiss corporate entity is the ultimate holding company of EFG and guarantees (the "Guarantee"), in certain circumstances, the timely payment of principal and interest on the Class A Notes.

Currency risk

The Company's assets and liabilities are all denominated in Sterling. Therefore, a significant movement in exchange rates will not have an impact on the financial position and financial results of the Company.

Liquidity risk

Liquidity risk is the risk that the Company is not able to meet its financial obligations as they fall due or can do so only at an unacceptably high cost. The Company's ability to meet payments on the Notes as they fall due is dependent on timely receipt of funds on the Mortgage Loans.

In accordance with the Terms and Conditions of the Notes, whilst any of the Class A Notes remain outstanding, if the Company has insufficient funds available to pay interest and/or principal on the Class Z VFN Notes the Company will be entitled to defer payment of that amount until the following interest payment date.

In the event that the Company has insufficient funds available to pay interest and/or principal on the Class A Notes then the security may be enforced. EFGI guarantees, in certain circumstances, the timely payment of principal and interest on the Class A Notes. This occurs where there are insufficient funds available by the Company to pay interest and/or principal due on an interest payment date on the Class A Notes up to the date the Class A Notes are redeemed in full. If the Class A Notes are redeemed prior to the scheduled maturity date then EFGI will be required to pay any outstanding shortfall amounts only on the scheduled maturity date.

The table below reflects the undiscounted contractual cash flows of non-derivative financial liabilities at the balance sheet date.

	Carrying value	Gross cash flows	In less than 1 month	After 1 month but within 3 months	After 3 months but within 1 year	After 1 year but within 5 years	After 5 years
As at 31 December 2015	£	£	£	£	£	£	£
Notes	380,947,000	380,947,000	-	-	-	266,300,000	114,647,000
Interest payable on Notes	3,622,684	110,616,296	-	2,640,081	7,862,849	30,484,505	69,628,861
Total financial liabilities	**384,569,684**	**491,563,296**	**-**	**2,640,081**	**7,862,849**	**296,784,505**	**184,275,861**
As at 31 December 2014							
Notes	380,947,000	380,947,000	-	-	-	266,300,000	114,647,000
Interest payable on Notes	2,944,512	121,587,843	-	2,625,918	7,792,125	34,748,954	76,420,846
Total financial liabilities	**383,891,512**	**502,534,843**	**-**	**2,625,918**	**7,792,125**	**301,048,954**	**191,067,846**

The maturity profile of the Notes matches the redemption profile of the principal balances of the Mortgage Loans. If not otherwise redeemed or purchased and cancelled the Notes will be redeemed at their principal amounts outstanding on the scheduled interest payment date falling in August 2017 or on the final maturity date in November 2030.

12) Financial instruments (*continued*)

Liquidity risk (*continued*)

Fair value of financial assets and liabilities

FRS 102 in relation to the nature of the financial instruments that are measured in the balance sheet at fair value requires them to be put into a fair value measurement hierarchy based on fair value measurement as detailed below:

- Level 1 - Quoted prices (unadjusted) in active markets for 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 (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 - Valuation techniques that include inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. There are no financial instruments included in the Company's balance sheet that are measured at fair value.

13) Reconciliation of loss on ordinary activities before taxation to net cash flow from operating activities

	2015 £	2014 £
Loss for the financial year/period	(465,189)	(372,589)
Less: Interest received on Mortgage Loans	(11,057,102)	(6,440,860)
Interest receivable on bank balances	(26,280)	(22,702)
Add: Tax payable	203	126
Interest payable on Notes	10,607,125	6,231,468
Decrease in debtors	220,473	3,291,413
Increase in creditors	5,246	181,071
Net cash (outflow)/inflow from operating activities	(715,524)	2,867,927

14) Reconciliation of net cash flow to movement in net debt

	2015 £	2014 £
(Decrease)/increase in cash for the year/period	(2,980,555)	25,714,980
Issuance of Notes	-	(380,947,000)
Change in net debt resulting from cash flows	(2,980,555)	(355,232,020)
Net debt at start of year/period	(355,232,020)	-
Net debt at 31 December	(358,212,575)	(355,232,020)

15) Analysis of changes in net debt

	At 31 December 2014 £	Cash flow £	At 31 December 2015 £
Cash and cash equivalents	25,714,980	(2,980,555)	22,734,425
Debt due after one year	(380,947,000)	-	(380,947,000)
	(355,232,020)	(2,980,555)	(358,212,575)

16) Controlling party

The Company's immediate parent is Chestnut Financing Holdings Limited, a company incorporated in the United Kingdom and registered in England and Wales. The entire issued share capital of Chestnut Financing Holdings Limited is held on a discretionary trust basis for the benefit of certain charities by SFM Corporate Services Limited, a company incorporated in the United Kingdom and registered in England and Wales.

The Company's ultimate controlling party is EFG Investment (Luxembourg) S.A, a company incorporated under the laws of the Grand Duchy of Luxembourg and regulated by the Commission de Surveillance du Secteur Financier, in which the financial statements of the Company are consolidated.

Copies of the financial statements of EFG Investment (Luxembourg) S.A may be obtained from 14 allée Marconi L-2120 Luxembourg.

17) Related party transactions

During the year, fees of £29,049 (2014: £12,893) were paid to Structured Finance Management Limited for the provision of corporate services to the Company, including the provision of directors. At year end corporate services fees of £nil were accrued (2014: £nil).

SFM Corporate Services Limited is a wholly owned subsidiary of Structured Finance Management Limited.

The table below details related party transactions the Company has with EFG Finance (Guernsey) Limited, an affiliate of EFG.

	2015 £	2014 £
Liabilities		
Class Z Notes	114,647,000	114,647,000
Accrued interest payable on Class Z Notes	3,266,358	2,591,540
Profit and loss		
Interest paid on Class Z Notes	7,091,134	4,167,154
Servicing fee	856,071	513,365