Charter Court Financial Services Group Limited

Annual report and financial statements
for the year ended 31 December 2015

Registered number: 06712054

Charter Court Financial Services Group Limited

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Charter Court Financial Services Group Limited

Group strategic report

Principal activities

Charter Court Financial Services Group Limited together with its subsidiary undertakings "the Group" principal activities comprised of providing residential mortgage loans, secured short term lending, second charge loans, savings products, mortgage administration services and a range of analytical services within the UK residential mortgage sector.

On 6 January 2015 Charter Court Financial Services Ltd ("CCFS"), a wholly owned subsidiary of CCFSG received formal authorisation from the Prudential Regulation Authority ("PRA") to enter into retail deposit taking activities under the trading name of 'Charter Savings Bank'. Charter Savings Bank started accepting retail deposits on 2 March 2015 and held £1.6bn of deposits by the end of the year. In order to achieve the opening capital and liquidity position for CCFS as prescribed by the PRA, CCFSG had to recapitalise itself and subscribe to new share capital in CCFS. On the 6th January 2015 CCFSG issued new share capital to which its current joint controlling parties, Elliott International L.P. and Elliott Associates L.P. investors subscribed in full to £165m.

Business review

As shown in the statement of comprehensive income on page 13, the profit after taxation for the year improved from £1,965k to £21,421k. The drivers of increased revenue were growth in mortgage administration activity and interest, fees and other charges earned from originating first and second charge mortgage loans.

The net liabilities of the Group decreased from £20,430k to net assets of £165,990k. This increase was driven by capital injection of £165m and the Groups retained profits for the year. No dividend is paid or proposed in respect of the year (2014: £nil).

In March 2015 the Group issued its fourth public securitisation of residential mortgages through a special purpose vehicle, Precise Mortgage Funding 2015-1 Plc ("PMF 2015-1 Plc"). The Group's continued investment in the PMF 2015-1 Plc securitisation structure will provide it with exposure to the risks and rewards of the underlying mortgage assets therefore PMF 2015-1 Plc is treated as a subsidiary of Charter Court Financial Services Group Limited for financial reporting purposes.

In July 2015, the Group issued its fifth public securitisation of buy-to-let mortgages through the special purpose vehicle, Precise Mortgage Funding 2015-2B Plc ("PMF 2015-2B Plc") and retained no investment in the securitisation structure. This created a profit of £10m for the Group and the special purpose vehicle will not be recognised as a subsidiary of the Group for financial reporting purposes.

In November 2015 the Group issued its sixth securitisation of residential mortgages through a special purpose vehicle Precise Mortgage Funding 2015-3R Plc (PMF 2015-3R Plc"). This was not issued publically and as such all the risks and rewards are retained within the Group. As such PMF 2015-3R Plc is held as a subsidiary for financial reporting purposes.

During the year the group diversified its funding base by completing further securitisations, accepting retail deposits and entering into a new uncommitted wholesale funding facility with a tier 1 investment bank.

During the year, the Company issued 50 £0.001 A shares at £165,000k with £165,000k recognised as share premium.

Future developments

2015 has been a record year for the Group and it has increased underlying profitability and financial strength attracting new mortgage business and savings balances.

The Group plans to further increase its net lending funded through growing retail deposit balances and the capital markets.

Charter Court Financial Services Group Limited

Group strategic report (continued)

Principal risks and uncertainties

The Group's activities expose it to a number of financial risks and uncertainties; primarily credit risk, liquidity risk, interest rate risk, operational risk and franchise 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 Group consist of loans and receivables made up of residential mortgages, trade and other receivables and cash and cash equivalents.

Credit risk arises on residential mortgages, trade and other receivables and cash and cash equivalents.

The assets of the Group subject to credit risk are set out below:

Class	2015 £'000	2014 £'000
Residential mortgages	1,947,154	860,897
Trade and other receivables	2,594	1,944
Cash and cash equivalents	537,706	39,852
Potential exposure to credit risk (as restricted below)	2,487,454	902,693

Mortgages are held in CCFS and also the Group's securitisation vehicles Precise Mortgage Funding No.1 Plc ("PMF No.1 Plc"), Precise Mortgage Funding 2014-1 Plc ("PMF 2014-1 Plc"), Precise Mortgage Funding 2014-2 Plc ("PMF 2014-2 Plc"), PMF 2015-1 Plc, PMF 2015-3R Plc, Buttermere Plc and CCFS Warehouse No.1 Plc. For mortgages held in PMF No.1 Plc, PMF 2014-1 Plc, PMF 2014-2 Plc and PMF 2015-1 Plc the Group's credit risk is limited to a 5% holding in each of the securitisations. However, there is also exposure to losses in income through excess spread being otherwise used to cure principal losses. The Group's credit position is subordinated with each deal, therefore its exposure is limited to the first 5% of credit losses and the loss expectations are significantly less than 5%. For mortgages held in PMF 2015-3R Plc, Buttermere Plc and CCFS Warehouse No.1 Plc, the Group is also exposed to losses arising through excess spread.

At 31 December 2015, the average loan to value percentage of underlying mortgage assets to which the loans relate was 69% (2014: 68%) and only £99,000 (2014: £48,000) of the total balance represented arrears (amounts quoted being the actual amount in arrears). The estimated fair value of collateral held against residential mortgages is £3,934,721,000 (2014: £2,511,412,000).

Analysis of loans by LTV

Current LTV	2015 £'000	2014 £'000
≥ 80%	351,729	174,598
70 to 80%	827,203	339,773
60-70%	353,773	152,739
<60%	419,274	195,957
	1,951,979	863,067

The analysis by LTV above does not include accounting adjustments such as effective interest rate adjustments, mortgages fair value hedge adjustments or impairment provisions, which are included in the figure quoted in the Statement of Financial Position of £1,947,260k (2014: £860,897k).

Group strategic report (continued)

Principal risks and uncertainties (continued)

Credit Risk (continued)

The Group offers secured borrowers who are in financial difficulties a range of account management and forbearance options including capitalisation of arrears, temporary interest only concessions, payment holidays and term extensions.

The table below presents an analysis of residential mortgages subject to forbearance indicators at 31 December 2015.

	2015 No. of accounts	2015 Balance £'000	2014 No. of accounts	2014 Balance £'000
Accounts past due				
Accounts past due	38	3,516	-	-
Temporary interest only	7	749	1	135
Accounts not past due				
Arrangements	36	3,962	20	2,524
Term extensions	1	139	-	-
Informal extensions	64	16,074	65	29,408

There were 38 accounts past due (2014: no cases) amounting to £3,516,000 and 7 accounts (2014: 1 case) with a temporary interest only arrangement. There were 36 cases (2014: 20 cases) that an arrangement had been agreed on balances that were not past due. There was 1 case (2014: no cases) that had a formal extension agreed amounting to £139,000 (2014: £nil) and another 64 cases (2014: 65) with an informal extension agreed amounting to £16,074,000 (2014: £29,408,000). Of these 65 extension cases, 27 were no longer requiring extension by the end of the year. Only 1 loan with a balance of £407,000 has a missed payment.

The Group's customers for mortgage administration and analytical services are primarily large financial institutions and there is no significant history of credit/bad debt losses and no provisions have been made for bad or doubtful receivables. Details of trade and other receivables are shown in note 19.

The Group's cash balances are held in sterling at UK based banks in current accounts. Further details of cash and cash equivalents are shown in note 18 to the financial statements.

Liquidity Risk

Liquidity risk is the risk that the Group fails to meet its financial obligations as they fall due, whereas funding risk is the adverse impact of higher funding costs and/or lack of available funds on the Group's cash flow.

Liquidity and funding risks are centrally managed by Treasury on behalf of the Group in line with Group policies and risk appetites, and any regulatory guidance.

The Group has adequate funding sources and a diversified funding base, including retail funding (Retail Deposits), wholesale funding (Securitisation, Repo Lines and an uncommitted wholesale funding facility provided by a tier 1 investment bank), as well as access to the Bank of England's liquidity facilities.

The contractual maturity of retail deposits is analysed in note 26.

Charter Court Financial Services Group Limited

Group strategic report (continued)

Principal risks and uncertainties (continued)

Liquidity Risk (continued)

The following table details the Group's remaining contractual maturity for its financial liabilities with agreed repayment periods. The table has been drawn-up based on undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

The table includes both interest and principal cash flows.

31 December 2015	Weighted average effective interest rate %	Less than 3 months £'000	3 months to 1 year £'000	1-2 years £'000	2-5 years £'000	5+ years £'000	Total £'000
Asset backed loan notes	2.09	33	-	-	-	-	33
PMF No 1 loan notes	2.18	108	-	-	-	99,720	99,828
PMF 2014-1 loan notes	1.47	150	-	-	-	205,344	205,494
PMF 2014-2 loan notes	1.70	180	-	-	-	202,464	202,644
PMF 2015-1 Loan notes	1.69	164	-	-	-	196,233	196,397
CCFS Warehouse No.1 loan notes	2.44	93	-	100,000	-	-	100,093
		728	-	100,000	-	703,761	804,489

31 December 2014	Weighted average effective interest rate %	Less than 3 months £'000	3 months to 1 year £'000	1-2 years £'000	2-5 years £'000	5+ years £'000	Total £'000
Asset backed loan notes	2.02	275	-	-	-	252,174	252,449
Non-convertible loan notes	5.56	440	-	-	-	65,607	66,047
PMF No 1 loan notes	2.00	167	-	-	-	150,954	151,121
PMF 2014-1 loan notes	1.44	179	-	-	-	225,435	225,614
PMF 2014-2 loan notes	1.68	385	-	-	-	224,000	224,385
Redeemable preference shares	Nil	-	-	-	1,500	-	1,500
		1,446	-	-	1,500	918,170	921,116

Charter Court Financial Services Group Limited

Group strategic report (continued)

Principal risks and uncertainties (continued)

Operational risk

Operational risk is defined as the risk of loss resulting from inadequate or failed processes, people and systems or from external events. This definition includes legal risk, but excludes strategic and reputational risk.

CCFS has an Operational risk management framework to support the identification, measurement, management and reporting of Operational risks.

Operational risk is managed and controlled by senior management having the responsibility for understanding the operational risks within their respective business area and for putting in place appropriate controls and mitigating actions to further strengthen the control environment.

Compliance with regulatory requirements imposed by the Financial Conduct Authority and the Prudential Regulation Authority is monitored by the Director of Legal and Compliance and reported to the Operational and Conduct Risk Committee and the Board Risk Committee.

Interest rate risk

The Group manages interest rate risk, the risk that interest margins will be adversely affected by movements in market interest rates, by maintaining floating rate liabilities and matching those with floating rate assets, and hedging fixed rate assets through the purchase of interest rate swaps from large financial institutions with strong credit ratings. Interest Rate Risk is managed to ensure that the value at risk does not exceed 2% of capital resources or that earnings at risk do not exceed 5% of projected earnings in the following twelve months.

Interest rate sensitivity analysis

In measuring the impact on the Group's position at the year end, account is taken of the Group's assets, liabilities and derivatives and their maturity and repricing arrangements. Account is also taken of pipeline and repayments. The impact on the expected profitability of the Group in the next 12 months of a 2% parallel shift in interest rates prevalent at the year end is set out below.

	2015 £'000	2014 £'000
+ 2%	(987)	(489)
- 2%	470	357

This is due to the Group's net exposure to interest rates on its floating rate mortgage assets, floating rate investments, floating rate savings products and floating rate borrowings.

Market risk

Market risk is managed by ensuring Treasury counterparties meet minimum external credit ratings and individual exposures to single counterparties are assigned against the underlying instruments, such as cash or derivative exposures which are used to manage risk, or provide liquidity.

As part of the Liquidity and Treasury Investment Policies, CCFSG holds cash balances at central banks, and in high quality assets such as residential mortgage backed securities ("RMBS") which meet minimum rating requirements. These investments are held to maturity and therefore not part of any trading portfolio.

Group strategic report (continued)

Principal risks and uncertainties (continued)

Market risk (continued)

Regulatory change is also monitored as part of the responsibilities within the Treasury Risk oversight.

Franchise Risk

The Group provides a number of services, including the provision of mortgage lending, to the UK mortgage market.

Whilst lending activity continues to grow within the UK mortgage market, the Group's ability to meet their future trading forecasts is partially dependent upon any future changes in the level of activity in the economy and mortgage market as a whole.

However, the Directors believe that the Group's products and services are targeted at specific segments of the market and are confident that growth can be achieved independently of changes in market activity levels. The Group also offers retail deposits through its Charter Savings Bank brand, providing an online proposition to UK savers. The market is established, large and growing and so is the bank's share of it. However, it is possible that negative press (either market-wide or idiosyncratic) can affect the bank's ability to attract targeted inflows but the directors believe that with a combination of PR management, customer communications and pricing activity, this risk can be managed.

Performance & position

Key performance indicators (KPIs) - Financial

	Year ended 31 December 2015	Year ended 31 December 2014
Operating revenue per employee (1)	£174,099	£109,054
Employment costs as a percentage of revenue (2)	34.6%	59.6%
Number of mortgage and loan originations (3)	9,595	3,759
Securitisation funding (4)	£947.6m	£455.3m
Number of new savings account customers (5)	30,650	-

1 – Operating revenue per employee

Operating revenue is as per the Consolidated Statement of Comprehensive Income and as per note 7 in the notes to the consolidated financial statements. Number of employees is as per note 11 in the notes to the consolidated financial statements.

Management use this performance measure to highlight the value of income generated throughout the Group from the level of human resources employed.

2 – Employment costs as a percentage of revenue

Operating revenue is as per the Consolidated Statement of Comprehensive Income and as per note 7 in the notes to consolidated financial statements and employment costs are as per note 11 in the notes to the consolidated financial statements.

This measure enables management to monitor and assess the main operating costs of the business against income.

Principal risks and uncertainties (continued)

Performance & position (continued)

3 – Number of mortgage and loan originations

This measure enables management to monitor and control the growth of this business activity throughout the year.

4 – Securitisation funding

Management use this to judge the value of mortgage assets funded through securitisations as per the Group's diverse funding strategy.

5 – Number of new savings account customers

This measure enables management to monitor and control the growth of this business activity throughout the year.

Environment

The Group recognises the importance of its environmental responsibilities, monitors its impact on the environment and designs and implements policies to reduce any damage that might be caused by its activities. Initiatives designed to minimise the impact on the environment include recycling and reducing energy consumption.

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Group continues and that appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Employee consultation

The Group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Group. This is achieved through formal and informal meetings and various business updates on the Group's intranet. Employees are consulted regularly on a wide range of matters affecting their current and future interests. In addition, all employees on permanent contracts of employment are eligible for an annual bonus related to performance appraisals, subject to the overall performance of the Company and its fellow subsidiaries within the Group.

Ian Martin Lonergan (Chief Executive Officer) 20 April 2016
~~Chief Executive Officer~~
2 Charter Court
Broadlands
Wolverhampton
West Midlands, WV10 6TD

Charter Court Financial Services Group Limited

Directors' report

The Directors present their annual report on the affairs of Charter Court Financial Services Group Limited, together with the financial statements and auditor's report, for the year ended 31 December 2015.

Going concern

The statement of financial position shows a net current liability position of £523,234k at 31 December 2015 largely as a result of retail deposits repayable within one year. The liquidity exposure represented by these deposits is monitored, a process supervised by the Asset and Liability Committee. The company that holds the deposits, CCFS holds liquid assets above its regulatory limit to ensure sufficient headroom is available. At 31 December 2015 CCFS held £590m of liquid assets consisting of £461m of bank of England reserves, £125m of short term investments and £4m of cash.

The Group also have access to an uncommitted wholesale funding facility provided by a tier 1 investment bank, as well as access to the Bank of England's funds using PMF 2015-3R notes as collateral.

Detailed plans are produced quarterly with longer term forecasts covering a 12 month period. These plans provide information to the directors and investors, which is used to ensure the adequacy of resources available for the group to meet its business objectives, both on a short term and strategic basis. Longer term forecasts are also produced for capital resource planning.

After making enquiries, the directors have a reasonable expectation that the group 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 annual report and accounts.

Directors

The Directors, who served throughout the year (except as noted) and to the date of this report were as follows:

Name of Director	
Steven Howard Kasoff (resigned 6 January 2015)	Chairman
Ian Martin Lonergan	Chief Executive Officer
John Edward Nixon (resigned 6 January 2015)	Chief Operating Officer
Alan Vincent Cleary (resigned 6 January 2015)	Managing Director
Philip Anthony Jenks	Chairman
Jean Sebastien Maloney	Chief Financial Officer
Timothy Tracy Brooke (appointed 6 January 2015)	Independent Non-Executive Director
Ian William Ward (appointed 6 January 2015)	Independent Non-Executive Director
Ian Douglas Wilson (appointed 6 January 2015, resigned 24 November 2015)	Chief Risk Officer
Peter Charles Elcock (appointed 24 November 2015)	Chief Risk Officer

Directors' indemnities

The Group has made qualifying third party indemnity provisions for the benefit of its Directors which were made during the year and remain in force at the date of this report.

Charter Court Financial Services Group Limited

Directors' report (continued)

Capital structure

Details of issued share capital of the Group, together with details of movements in issued share capital in the year, are given in note 28 to the accounts. The Group has four classes of ordinary shares A, B, C and D shares. A, B and C shares carry no right to fixed income, whereas D shares carry a right to cumulative cash dividend on aggregate nominal value of issued D shares at a rate equal to LIBOR. The rights and obligations attaching to ordinary shares are set out in the Articles of Association of the Group.

Auditor

Each person 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 are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Deloitte LLP was appointed as auditor for the year and has expressed its willingness to continue in office as auditor.

Ian Martin Lonergan (Chief Executive Officer)
Chief Executive Officer
2 Charter Court
Broadlands
Wolverhampton
West Midlands, WV10 6TD

20 April 2016

Charter Court Financial Services Group Limited

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 International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that period. In preparing these financial statements, International Accounting Standard 1 requires that Directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Group's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group 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 Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditor's report to the members of Charter Court Financial Services Group Limited

We have audited the financial statements of Charter Court Financial Services Group Limited for the year ended 31 December 2015 which comprise the Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity, Consolidated Statement of Cash Flows, Company Statement of Financial Position, Company Statement of Changes in Equity, Company Statement of Cash Flows and the related notes 1 to 51. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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 Group's and the parent 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 Group's and of the parent Company's affairs as at 31 December 2015 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Independent auditor's report to the members of Charter Court Financial Services Group Limited (continued)

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Group Strategic report and the 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 by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company 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

20 April 2016

Charter Court Financial Services Group Limited

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2015

	Note	Year ended 31 December 2015 £'000	Year ended 31 December 2014 £'000
Continuing operations			
Interest receivable and similar income	5	78,244	31,021
Interest payable and similar charges	6	(33,377)	(15,534)
Net interest income		44,867	15,487
Non-interest income	7	4,229	4,797
Gain on sale to securitisation		10,993	-
Net gains/(losses) from derivative financial instruments	8	443	(1,501)
Total income		60,532	18,783
Administrative expenses		(32,888)	(20,132)
Operating profit/(loss)	9	27,644	(1,349)
Impairment losses		(474)	(53)
Profit/(Loss) before tax		27,170	(1,402)
Tax	12	(5,749)	3,367
Profit for the year from continuing operations		21,421	1,965
Other comprehensive income for the year		-	-
Total comprehensive profit for the year		21,421	1,965
Attributable to:			
Equity holders of the parent	30	21,421	1,965
Minority interests	32	-	-
		21,421	1,965

The notes on pages 17 to 63 form an integral part of the financial statements.

Charter Court Financial Services Group Limited
Consolidated Statement of Financial Position
As at 31 December 2015

	Note	2015 £'000	2014 £'000
Non-current assets			
Other intangible assets	13	420	488
Property, fixtures and equipment	14	900	987
Debt securities	16	114,238	-
Loans and receivables	17	1,767,832	766,774
		1,883,390	768,249
Current assets			
Loans and receivables	17	179,322	94,123
Trade and other receivables	19	2,594	1,944
Deferred tax asset	23	176	3,367
Cash and cash equivalents	19	537,706	39,852
Other assets held at fair value	19	268	175
Derivative financial instruments	20	1,133	-
		721,199	139,461
Total assets		2,604,589	907,710
Current liabilities			
Trade and other payables	24	(9,164)	(4,303)
Deposits from banks	25	(60,094)	-
Deposits from customers	26	(1,172,832)	-
Derivative financial instruments	20	(2,343)	(2,446)
		(1,244,433)	(6,749)
Net current (liabilities)/assets		(523,234)	132,712
Non-current liabilities			
Preference shares	21	-	(1,500)
Non-convertible loan notes	22	(804,489)	(919,891)
Deposits from customers	26	(389,677)	-
		(1,194,166)	(921,391)
Total liabilities		(2,438,599)	(928,140)
Net assets/(liabilities)		165,990	(20,430)
Equity			
Share capital	28	1	1
Share premium	29	165,006	6
Retained earnings	30	984	(20,437)
AFS Reserve	31	(1)	-
Equity attributable to equity holders of the parent		165,990	(20,430)
Minority interest	32	-	-
Total equity		165,990	(20,430)

Company Number: 06712054

The financial statements were approved by the board of Directors and authorised for issue on 20 April 2016. They were signed on its behalf by:

Ian Martin Lonergan – Chief Executive Officer

Jean Sebastien Maloney – Chief Financial Officer

Charter Court Financial Services Group Limited

Consolidated Statement of Changes in Equity
For the year ended 31 December 2015

	Share Capital £'000	Share Premium £'000	Retained earnings £'000	AFS Reserve £'000	Total controlling interest £'000	Minority interest £'000	Total £'000
At 1 January 2014	**1**	**-**	**(22,402)**	**-**	**(22,401)**	**-**	**(22,401)**
Share issue	-	6	-	-	6	-	6
Profit for the year	-	-	1,965	-	1,965	-	1,965
At 31 December 2014	**1**	**6**	**(20,437)**	**-**	**(20,430)**	**-**	**(20,430)**
Share issue	-	165,000	-	-	165,000	-	165,000
Profit for the year	-	-	21,421	-	21,421	-	21,421
Fair value loss	-	-	-	(1)	(1)	-	(1)
At 31 December 2015	**1**	**165,006**	**984**	**(1)**	**165,990**	**-**	**165,990**

Charter Court Financial Services Group Limited

Consolidated Statement of Cash Flows
For the year ended 31 December 2015

	Note	Year ended 31 December 2015 £'000	Year ended 31 December 2014 £'000
Net cash generated/(utilised) by operating activities	33	504,865	(587,733)
Investing activities			
Purchases of property improvements and equipment	14	(296)	(929)
Expenditure on product system development	13	(191)	(194)
Investment in debt securities	16	(114,238)	-
Deposits from banks	25	60,094	-
Movement in AFS reserve		(1)	-
Net cash utilised by investing activities		(54,632)	(1,123)
Financing activities			
Repurchase of preference shares	21	(1,500)	-
Proceeds on issue of non-convertible loan notes	22	53,118	25,100
Repayment of non-convertible loan notes	22	(119,642)	-
Proceeds on issue of asset backed loan notes	22	897,200	1,076,339
Repayment of asset backed loan notes	22	(946,555)	(527,286)
Proceeds on issue of shares	29	165,000	6
Net cash generated by financing activities		47,621	574,159
Net increase/(decrease) in cash and cash equivalents		497,854	(14,697)
Cash and cash equivalents at beginning of year		39,852	54,549
Cash and cash equivalents at end of year		537,706	39,852

1. General information

Charter Court Financial Services Group Limited is a Company incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is 2 Charter Court, Broadlands, Wolverhampton, West Midlands WV10 6TD. The nature of the Group's operations and its principal activities are set out in the Directors' report on pages 8 to 9.

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

2. Adoption of new and revised Standards

The Company has elected to adopt International Financial Reporting Standards as applied in the EU in force as at the Statement of Financial Position date of 31 December 2015.

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

IAS/IFRS standards

IFRS 9 (July 2014)	Financial Instruments
IFRS 15 (May 2014)	Revenue from contracts with customers
IFRS 10 (January 2016)	Consolidated Financial Statements
IAS 1 (amendments)	Disclosure Initiative
IAS 16 and IAS 38 (amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation
Annual Improvements to IFRSs: 2012-2014 Cycle	Amendments to: IFRS 3 Business Combinations, IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, IFRS 7 Financial Instruments: Disclosures, IAS 19 Employee Benefits and IAS 34 Interim Financial Reporting

The Directors do not expect that the adoption of the Standards and Interpretations listed above will have a material impact on the financial statements of the Company in future periods, except as that IFRS 9 will impact both the measurement and disclosures of Financial Instruments.

Beyond the information above, it is not practicable to provide a reasonable estimate of the effect of these standards until a detailed review has been completed.

The Group has adopted the amendments to IFRSs included in the Annual Improvements to IFRSs 2010 - 2012 Cycle and the Annual Improvements to IFRSs 2011 - 2013 Cycle for the first time in the current year. The amendments are in the nature of clarifications rather than substantive changes to existing requirements and their adoption has not had any significant impact on the amounts reported in these financial statements.

3. Accounting policies

Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs). The financial statements have also been prepared in accordance with IFRSs adopted by the European Union and therefore the Group financial statements comply with Article 4 of the EU IAS Regulation.

Going concern

The statement of financial position shows a net current liability position of £523,234k at 31 December 2015 largely as a result of retail deposits repayable within one year. The liquidity exposure represented by these deposits is monitored, a process supervised by the Asset and Liability Committee. The company that holds the deposits, CCFS holds liquid assets above its regulatory limit to ensure sufficient headroom is available. At 31 December 2015 CCFS held £590m of liquid assets consisting of £461m of bank of England reserves, £125m of short term investments and £4m of cash.

The Group also have access to an uncommitted wholesale funding facility provided by a tier 1 investment bank, as well as access to the Bank of England's funds using PMF 2015-3R notes as collateral.

Detailed plans are produced quarterly with longer term forecasts covering a 12 month period. These plans provide information to the directors and investors, which is used to ensure the adequacy of resources available for the group to meet its business objectives, both on a short term and strategic basis. Longer term forecasts are also produced for capital resource planning.

After making enquiries, the directors have a reasonable expectation that the group 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 annual report and accounts.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December 2015. The Company's year end of 31 December is co-terminus with its subsidiaries for the purposes of preparing consolidated financial statements. Control is achieved where the Company:

- has power over the investee
- is exposed, or has rights, to variable return from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group manages the administration of its securitised assets and is exposed to the risks and rewards of the underlying mortgage assets through its continued subordinated investment in the securitisation structures. Therefore, the Directors have determined that the Company exercises control over, and takes the majority of the risks and rewards of the activities of special purpose entities, Buttermere Plc, PMF No. 1 Plc, PMF 2014-1 Plc, PMF 2014-2 Plc, PMF 2015-1 Plc, PMF 2015-3R Plc and CCFS Warehouse No.1 Plc, incorporated to provide long term funding to the mortgages originated by the Company. Accordingly, these companies are also classified as subsidiaries of the Company for consolidation purposes despite the lack of direct legal ownership of these entities.

3. Accounting policies (continued)

Basis of consolidation (continued)

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Revenue recognition

Revenue 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.

Revenue from the rendering of services are recognised when the services are delivered and benefits are transferred to clients and customers. Turnover from services supplied is recognised upon completion of services on a monthly basis under the terms of contracts held with its key clients.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease.

Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

Foreign currencies

The individual financial statements of each group Company are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each group Company are expressed in pounds sterling, which is the functional currency of the Group and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each Statement of Financial Position date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the Statement of Financial Position date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in the statement of comprehensive income in the year in which they arise.

Borrowing costs

Borrowing costs are recognised in the statement of comprehensive income in the year in which they are incurred.

3. Accounting policies (continued)

Retirement benefit costs

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the Statement of Financial Position date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each Statement of Financial Position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled or the asset is realised. Deferred tax is charged or credited in the statement of comprehensive income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

3. Accounting policies (continued)

Property, fixtures and equipment

Leasehold property improvements, fixtures and equipment and computer equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is charged so as to write off the cost or valuation of assets, over their estimated useful lives, using the straight-line method, on the following bases:

Leasehold property improvements	20% per annum
Fixtures and equipment	20% —33.3% per annum
Computer equipment	33.3% per annum

The net gain or loss arising on the disposal or retirement of tangible fixed assets is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income or expenses.

Other intangible assets

Computer software and licences, which are not integral to specific related items of equipment, and trademarks are stated at cost less accumulated amortisation and any recognised impairment loss.

Amortisation is charged so as to write off the cost or valuation of assets over, their estimated useful lives, using the straight-line method, on the following bases:

Computer software and licences	20% - 33.3% per annum
Trademarks	25% per annum

Internally-generated intangible assets – development expenditure

Internally-generated intangible assets are recognised only if all of the following conditions are met:

- an asset is being created that can be identified after establishing the technical and commercial feasibility of the resulting product;
- it is probable that the asset created will generate future economic benefits; and
- the development cost of the asset can be measured reliably.

Internally-generated intangible assets are amortised on a straight-line basis at a rate of 25% over their useful lives, determined as 4 years. Subsequent expenditure on internally-generated intangible assets, after its purchase or completion, is recognised as an expense in the year in which it is incurred. Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the year in which it is incurred.

3. Accounting policies (continued)

Impairment of tangible and intangible assets excluding goodwill

At each Statement of Financial Position date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Financial Assets

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit and loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets 'at fair value though profit or loss' (FVTPL), 'held to maturity' investments, 'available for sale' (AFS) financial assets and 'loans and receivables'. The classification on the nature and purpose of the financial assets is determined at the time of initial recognition.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

3. Accounting policies (continued)

Financial assets at FVTPL

Financial assets are classified as FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 *Financial Instruments*: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Impairment of loans and receivables

Loans and receivables are reviewed for indications of possible impairment throughout the year and at each Statement of Financial Position date, in accordance with IAS 39. Where loans exhibit objective evidence of impairment, the carrying value of the loans is reduced to the net present value of their expected future cash flows, including the value of the potential security, discounted at the original effective interest rate ("EIR"). Loans are assessed collectively, grouped by risk characteristics and account is taken of any impairment arising due to events which are believed to have taken place but have not been specifically identified at the Statement of Financial Position date.

3. Accounting policies (continued)

Derivative financial instruments

The Group entered into derivative financial instruments to manage its exposure to interest rate risk including an interest rate swap. Further details of derivative financial instruments are disclosed in note 20.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event timing of the recognition in profit and loss depends on the nature of the hedge relationship. The Group designates the derivative as a hedge of the fair value of recognised assets.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability.

Hedge accounting

The Group designates certain hedging instruments as fair value hedges.

At the inception of the hedge relationship, the entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair values of the hedged item.

Fair value hedges

A fair value hedge is used to hedge exposures to variability in the fair value of mortgage assets. Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the Statement of Comprehensive Income, together with any changes in the fair value of the hedged asset that are attributable to the hedged risk.

Impairment of other financial assets

Financial assets are assessed for indicators of impairment at each Statement of Financial Position date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account.

When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the statement of comprehensive income.

3. Accounting policies (continued)

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. This includes cash collected in the securitisation vehicle prior to paying down loan notes.

Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant year. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the Statement of Financial Position date, and are discounted to present value where the effect is material.

Borrowings

Borrowings are carried on the Statement of Financial Position at amortised cost. The initial value recognised includes the principal amount received less any discounts on issue or costs of issuance.

Interest and all other costs of the funding are expensed to the statement of comprehensive income as interest payable over the term of the borrowing on an Effective Interest Rate basis.

4. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 3, 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.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year or in the year of the revision and future years if the revision affects both current and future years.

Critical judgements in applying the Group's accounting policies

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

Impairment losses on mortgage loans

Impairment losses on loans are calculated based on statistical models. Key assumptions are based on expected cash flows from borrowers after taking account of expected proceeds from realisable security. The key assumptions are based on historical data and market analysis.

The accuracy of impairment calculations will be affected by unexpected changes in the economic environment which could impact cash flows and borrower behaviour. Key economic factors which could result in losses exceeding that expected, to the extent that they vary from that assumed in management's impairment models, could be increases in unemployment and falling house prices.

Effective interest rates

In order to determine the effective interest rate applicable to loans an estimate must be made of the life of the loan and the cash flows attributable to it. Estimates are based on historical data and current market analysis. Estimates are reviewed regularly. The accuracy of the effective interest rates applied would be compromised by any differences in actual borrower behaviour and that predicted.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the Statement of Financial Position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

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

Estimated lives

Loans and receivables are valued using the EIR method. The EIR method spreads the expected net income arising from a loan over its expected life. The EIR is that rate of interest which, at inception, exactly discounts the future cash payments and receipts arising from the loan to the initial carrying amount. A critical assumption in the calculation is the expected life, as this determines the assumed period over which customers may be paying various differentiated interest rates. The assumptions on expected life are based on the historic experience of similar products. These assumptions are monitored to ensure their ongoing appropriateness.

Recoverability of internally-generated intangible asset

During the year, management considered the recoverability of its internally-generated intangible asset which is included in its Statement of Financial Position at £111k (2014: £235k).

The substance of the intangible assets are £73k for an IT Savings platform as the savings products are available to customers over the internet and £38k is that of an IT platform which is used to provide mortgage administration services and the system development for the mortgage origination system. Based on future expected cash flows from retail deposits and mortgage administration services the Directors believe the amounts recorded on the Statement of Financial Position as at 31 December 2015 is fully recoverable.

Impairment losses on loans and receivables

Impairment losses on loans are calculated based on statistical models. Key assumptions are based on expected cash flows from borrowers after taking account of expected proceeds from realisable security. The key assumptions are based on historical data and market analysis.

The accuracy of impairment calculations will be affected by unexpected changes in the economic environment which could impact cash flows and borrower behaviour. Key economic factors which could result in losses exceeding that expected, to the extent that they vary from that assumed in management's impairment models, could be increases in unemployment and falling house prices.

Derivative financial instruments

The Group fair values its interest rate swaps using observable market data which is used to construct zero coupon curves and derive the necessary forward interest cash flows and discount rates. For balance guarantee swaps taken out to hedge interest rate risk on portfolios of fixed rate mortgages there is uncertainty regarding the future behaviour of the underlying mortgages which will affect the notional value at which a balance guarantee swap accrues and pays interest. Expectations of future behaviour of the underlying portfolios is reviewed periodically by management and factored into the balance guarantee swap's valuation calculations. Uncertainty regarding credit valuation adjustments for swaps is mitigated through the Groups counterparties to swaps being bankruptcy remote structured finance vehicles which grants Secured Creditor rights to its swap counterparty and the requirement for Group external counterparties to maintain minimum rating levels at all times. In the event of a rating downgrade counterparties are required to post collateral and replace themselves as counterparty to the swap.

Notes to the consolidated financial statements (continued)
For the year ended 31 December 2015

5. Interest receivable and similar income

	2015 £'000	2014 £'000
Interest on residential mortgages	78,746	30,964
Interest and other income on debt securities	934	-
Interest and other income on liquid assets	1,904	57
Net expense on derivative financial instruments hedging assets	(3,340)	-
	78,244	31,021

6. Interest payable and similar charges

	2015 £'000	2014 £'000
Interest expense on asset backed loan notes	20,076	11,550
Interest on non-convertible loan notes	476	2,594
Interest payable on deposits and other borrowings	13,781	-
Interest on interest rate swaps not in hedging relationships	-	1,390
Net income on derivative financial instruments	(956)	-
	33,377	15,534

7. Non-interest income

An analysis of the Group's revenue is as follows:	2015 £'000	2014 £'000
Revenue from the rendering of mortgage administration services under client contracts	3,333	3,324
Revenue from the rendering of credit analytical services under client contracts	2	92
Revenue from mortgage origination activities	894	1,381
	4,229	4,797

All revenues are generated within the UK from a single income generating unit. The Group holds legal title to residential mortgages under the terms of third party service contracts. At 31 December 2015 the Group held legal title to 308 (2014: 321) of such mortgage loans with an aggregate current balance of £35,863,000 (2014: £38,120,000). The economic benefit of these mortgage loans is held by third parties; accordingly the mortgage loans are not included in the Group's Statement of Financial Position. Income from legal title housing services for the year of £55,000 (2014: £59,000) is included within "*Revenue from the rendering of mortgage administration services under client contracts*" above.

8. Net gains/(losses) from derivative financial instruments

	2015 £'000	2014 £'000
Gain on derivatives designated as fair value hedges	354	(1,442)
Loss in fair value of hedged items attributable to hedged risk	(598)	1,482
	(244)	40
Change in fair value of interest rate swaps	631	(433)
Net gain/(loss) on disposal of interest rate swaps	56	(1,108)
	443	(1,501)

9. Operating profit for the year

Operating profit for the year has been arrived at after charging:

	2015 £'000	2014 £'000
Net foreign exchange losses	5	1
Depreciation of property, fixtures and equipment	383	235
Amortisation of intangible assets	238	278
Intangible assets written off	21	-
Impairment of loans and receivables	474	48
Operating lease costs	312	275
Staff costs (see note 11)	17,008	12,087

The auditor's remuneration for audit and other services is disclosed in note 10.

Charter Court Financial Services Group Limited

Notes to the consolidated financial statements (continued)
For the year ended 31 December 2015

10. Auditor's remuneration

The analysis of auditor's remuneration is as follows:	2015 £'000	2014 £'000
Fees payable to the Group's auditor for the audit of the Company's annual accounts	17	15
Fees payable to the Group's auditor and for other services to the Group's companies		
- The audit of the Group's parent Company and subsidiaries within the Group pursuant to legislation	158	93
Total audit fees	175	108
Audit related assurance services	59	-
Other assurance services	10	-
Total assurance services	69	-
Tax compliance services	50	31
Tax advisory services	45	18
Total services relating to taxation	95	49
Services relating to corporate finance advisory	145	24
Securitisation due diligence services	77	118
Capital structure review	-	47
Prudential regulatory advice	-	45
Risk and regulation services	117	-
Total other non-audit services	339	234
Total non-audit services	503	283

Charter Court Financial Services Group Limited

Notes to the consolidated financial statements (continued)
For the year ended 31 December 2015

11. Staff costs

The average monthly number of employees (including executive Directors) was:

	2015 Number	2014 Number
Collections and recovery and processing	133	84
Sales and marketing	17	14
Compliance	7	4
Finance	34	22
Operations and administrative support	91	62
	282	186

Their aggregate remuneration comprised:	2015 £'000	2014 £'000
Wages and salaries	14,526	10,334
Social security costs	1,669	1,219
Other pension costs (see note 35)	813	534
	17,008	12,087

The remuneration of the Directors and key management personnel is disclosed in note 38.

12. Tax

	2015 £'000	2014 £'000
Current tax:		
Current tax on profits for the year	2,450	-
Adjustment in respect of prior years	108	-
	2,558	-
Deferred tax:		
Current year	3,358	(3,367)
Adjustments in respect of prior years	(139)	-
Effect of changes in tax rates	(28)	-
Total deferred tax charge/(credit)	3,191	(3,367)
Tax per Statement of Comprehensive Income	5,749	3,367

Corporation tax is calculated at 20.25% (2014: 21.5%) of the estimated assessable profit for the year.

12. Tax (continued)

The charge for the year can be reconciled to the profit per the statement of comprehensive income as follows:

	2015 £'000	2014 £'000
Profit/(loss) before tax:		
Continuing operations	27,170	(1,402)
Tax at the UK corporation tax rate of 20.25% (2014: 21.5%)	5,501	(301)
Adjustments in respect of prior years	(30)	-
Expenses not deductible for tax purposes	526	619
Securitisation regulations	(94)	-
Deferred tax not recognised (note 23)	-	(3,663)
Income not taxable	(126)	-
Effect of differences in tax rate	(28)	(22)
Tax charge/(credit) for the year	5,749	(3,367)

The effective tax rate for the 2015 financial year was 21.16% (2014: nil%).

Deferred tax balances, relating to the wholly owned subsidiaries Charter Mortgages Limited, Charter Court Financial Services Limited and Exact Mortgage Experts Limited, are in respect of tax losses and timing differences of capital allowances in excess of depreciation and other short term differences. The net deferred tax charge of £3,248,000 (2014: credit of £3,367,000) has been recognised in the Consolidated Statement of Comprehensive Income and the corresponding net deferred tax asset has been recognised in non-current assets. For further details refer to note 23.

Change in tax rate

In July 2013, a reduction in the corporation tax rate to 23% to 21% with effect 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, amongst other things, 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 in the Finance Bill 2015 on 26 October 2015 and existing temporary differences may therefore unwind in periods subject to these reduced rates.

Deferred tax assets and liabilities are measured at tax rates that are enacted or substantively enacted at the balance sheet date. Accordingly the reduction to 18% has been taken into account when measuring the potential deferred tax assets and liabilities at 31 December 2015.

Notes to the consolidated financial statements (continued)
For the year ended 31 December 2015

13. Other intangible assets

	Development costs £'000	Other intangibles £'000	Total £'000
Cost			
At 1 January 2014	1,993	287	2,280
Additions	90	104	194
At 31 December 2014	2,083	391	2,474
Additions	-	191	191
Disposals*	(21)	-	(21)
At 31 December 2015	2,062	582	2,644
Amortisation			
At 1 January 2014	1,678	30	1,708
Charge for the year	170	108	278
At 31 December 2014	1,848	138	1,986
Charge for the year	103	135	238
At 31 December 2015	1,951	273	2,224
Carrying amount			
At 31 December 2015	111	309	420
At 31 December 2014	235	253	488
At 1 January 2014	315	257	572

*Write-offs in the year relate to costs previously capitalised but not amortised as the project did not go live. The project has since been aborted hence write-off of any previously capitalised cost.

The Directors have considered the carrying value of intangible assets during the year and determined that there are no indications of impairment at the year end.

Notes to the consolidated financial statements (continued)
For the year ended 31 December 2015

14. Property, fixtures and equipment

	Leasehold property improvements £'000	Fixtures and equipment £'000	Computer Equipment £'000	Total £
Cost				
At 1 January 2014	154	111	254	519
Additions	293	67	569	929
At 31 December 2014	447	178	823	1,448
Additions	21	117	158	296
At 31 December 2015	468	295	981	1,744
Accumulated depreciation and impairment				
At 1 January 2014	25	70	131	226
Charge for the year	68	21	146	235
At 31 December 2014	93	91	277	461
Charge for the year	87	39	257	383
At 31 December 2015	180	130	534	844
Carrying amount				
At 31 December 2015	288	165	447	900
At 31 December 2014	354	87	546	987
At 1 January 2014	129	41	123	293

15. Subsidiaries

A list of the investments in subsidiaries, including the name, country of incorporation, proportion of ownership interest is given in note 41 to the Company's separate financial statements.

Notes to the consolidated financial statements (continued)
For the year ended 31 December 2015

16. Debt securities

	2015 £'000	2014 £'000
Available for sale debt securities	1,997	-
Held to maturity debt securities	112,241	-
	114,238	-

All available for sale debt securities are held at fair value and are level 1 fair value measurements being derived from observable quoted prices, in active markets.

Movements in the debt securities held during the year were:

	Available for sale £'000	Held to Maturity £'000	Total £'000
At 1 January 2015	-	-	-
Additions	1,998	116,040	118,038
Disposals and redemptions	-	(4,172)	(4,172)
Changes in fair value	(1)	-	(1)
Amortisation	-	220	220
Accrued interest	-	153	153
At 31 December 2015	1,997	112,241	114,238

Notes to the consolidated financial statements (continued)
For the year ended 31 December 2015

17. Loans and receivables

	2015 £'000	2014 £'000
Residential mortgages	1,945,420	859,161
Fair value adjustment for hedged mortgages	1,734	1,736
	1,947,154	860,897

Residential mortgages are secured on residential property within the United Kingdom.

Mortgage loans have a contractual term of up to thirty years. Borrowers are entitled to settle the loan at any point and in most cases early settlement does take place. All borrowers are required to make monthly payments, except where interest is retained on origination and applied to the account as monthly payments would fall.

The fair value of residential mortgages is not considered to be materially different to the amortised cost value at which they are disclosed.

An analysis of the types of residential mortgage loans at 31 December 2015 is set out below.

	2015 £'000	2014 £'000
Buy-to-let mortgage assets	849,678	304,348
Long term homeowner mortgage assets	828,035	420,382
Short term bridging mortgage assets	188,656	100,782
Second charge mortgage assets	80,785	35,385
	1,947,154	860,897

The mortgage loans consist of £1,767,832k (2014: £766,774k) of non-current assets and £179,322k (2014: £94,123k) of current assets.

The residential mortgage loans above pledged as collateral for the liabilities described in note 21 were:

	2015 £'000	2014 £'000
In respect of:		
Asset backed loan notes	831,059	860,897

17. Loans and receivables (continued)

Ageing of past due but not impaired mortgage loans

	2015 £'000	2014 £'000
0-30 days	7,534	346
30-60 days	1,494	-
60-90 days	1,154	-
90-120 days	-	-
> 120 days	-	-
	10,182	346

A collective provision of £309,000 (2014: £86,000) is held against past due but not impaired receivables. A specific provision of £252,000 (2014: £nil) is held against mortgage loans with are not past due but considered to be impaired. The total balance of these loans is £504,000 (2014: £nil).

Ageing of past due and impaired mortgage loans

	2015 £'000	2014 £'000
0-30 days	-	1,014
30-60 days	-	653
60-90 days	11	124
90-120 days	206	97
> 120 days	374	140
	591	2,028

A provision of £14,000 (2014: £15,000) is held against past due and impaired receivables.

18. Residential mortgages

The movements in the Group's residential mortgages in the year were:

	2015 £'000	2014 £'000
At 1 January	860,897	270,020
Additions	1,609,446	1,227,930
Effective interest rate adjustments	(2,177)	(2,497)
Sales to third parties	(224,187)	(496,796)
Interest charged and other debits	74,241	29,871
Repayments and redemptions	(370,589)	(169,103)
Write-offs	(1)	-
Movement on impaired allowance	(474)	(48)
Fair value (losses)/gains	(2)	1,520
At 31 December	1,947,154	860,897

Other debits include primarily interest charged to customers on loans outstanding and impairment movements on these loans.

Impairment provisions on residential mortgages

The following amounts in respect of impairment provisions have been deducted from the appropriate assets in the Statement of Financial Position:

	2015 £'000	2014 £'000
Collective impairment provision		
At 1 January	86	47
Charge for the year	223	39
At 31 December	309	86

	2015 £'000	2014 £'000
Specific impairment provision		
At 1 January	15	6
Charge for the year	251	9
At 31 December	266	15

19. Current financial assets

Trade and other receivables

	2015 £'000	2014 £'000
Amounts receivable for the rendering of services	773	1,016
Prepayments and other receivables	1,821	928
	2,594	1,944

Other receivables

Included in other receivables held by the Group at 31 December 2015 was an amount of £nil (2014: £65,000), comprising of £nil (2014: £65,000) held by the Group's bankers as collateral for security on the Group's credit card facility.

Amounts receivable for the rendering of services are made up of fees invoiced at the year end of £312,000 (2014: £215,000) and accrued income in respect of fees not invoiced at the year end of £461,000 (2014: £801,000).

Included in the Group's trade receivables balance are debtors with a carrying amount of £236,000 (2014: £50,000) representing 75.8% (2014: 23.2%) of the total balance which are past due at the reporting date for which the Group has not provided as there has not been a significant change in credit quality and the amounts are still considered fully recoverable. There is no significant concentration of risk. No interest is chargeable on overdue receivables.

Ageing of past due but not impaired trade receivables

	2015 £'000	2014 £'000
30-60 days	127	50
60-90 days	109	-
90-120 days	-	-
> 120 days	-	-
	236	50

No provision (2014: none) is held against past due receivables.

The Directors consider that the carrying amount of trade and other receivables is approximately equal to their fair value.

19. Current financial assets (continued)

Cash and cash equivalents

	2015 £'000	2014 £'000
Free cash	11,764	9,285
Securitisation cash	64,603	30,567
Balances with the Bank of England other than mandatory reserve deposits	36,813	-
Mandatory reserve with the Bank of England	424,526	-
	537,706	39,852

Cash and cash equivalents comprise cash and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets is approximately equal to their fair value.

Only 'free cash' is unrestrictedly available for the Group's general purposes. Securitisation cash is not freely available to the Group under the terms of securitisation agreements. The mandatory reserve with the Bank of England is not available for use in the Group's day to day operations.

Other assets	2015 £'000	2014 £'000
Other assets held at fair value	268	175

Other assets held at fair value relate to the fair value gain on mortgage assets held, where the premium recovered over par value is received by Charter Court Financial Services Limited. All Other assets held at fair value are Level 2 fair value measurements, being derived from inputs which are not quoted in active markets.

20. Derivative financial instruments

Derivatives designated as fair value hedges	Notional £'000	Positive MV £'000	Negative MV £'000
Interest rate swaps at 31 December 2015	2,059,318	1,133	2,343
Interest rate swaps at 31 December 2014	530,796	-	2,446

The interest rate swap agreements under which the Group pays a fixed rate of interest and receives an interest based on LIBOR. These swaps are used to hedge the exposure to changes in fair value of fixed rate mortgage assets as a result of changes in market interest rates. The notional value of the interest rate swaps are linked to the notional of the hedged mortgage assets and this resets each quarter.

Interest rate swaps are level 2 fair value measurements, being derived from inputs which are not quoted in active markets.

21. Borrowings

	2015 £'000	2014 £'000
Secured borrowing		
Asset backed loan notes	804,489	853,844
Unsecured borrowing		
Redeemable preference shares	-	1,500
Non-convertible loan notes (loan stock)	-	66,047
	-	67,547
Total borrowings		
Amount due for settlement within 12 months	719	1,446
Amount due for settlement after 12 months	803,770	919,945

Analysis of borrowings by currency:

	Sterling 2015 £'000	Sterling 2014 £'000
Redeemable cumulative preference shares	-	1,500
Non-convertible loan notes (loan stock)	-	66,047
Asset backed loan notes (loan stock)	804,489	853,844
	804,489	921,391

The fair values of borrowings are not considered significantly different to their carrying values and the effective rates of interest are not materially different to the rates charged, as the borrowings are stated using rates that would be readily available on active markets.

The other principal features of the Group's borrowings are as follows.

The Group has three principal types of debt:

(a) Redeemable preference shares

Redeemable preference shares of £1,500,000 were issued on 17 November 2008 at an issue price at par value of £1 per share. These preference shares carried no voting rights and no rights to fixed income. The preference shares were redeemed at par on 17 November 2015. These balances are classified as a liability in accordance with IAS32 as they share the same characteristics of an unsecured loan. They were fully repaid on 6 January 2015.

21. Borrowings (continued)

(b) Non-convertible loan notes (loan stock)

(i) Outstanding loan stock bears interest from and including the dates of issue at five percent above the London Interbank Offered rate ("LIBOR"), payable in arrears on each interest payment date.
(ii) The Group may, without penalty, at any time by serving at least seven days' written notice on the stockholders, redeem at par the stock or any part of the Stock, together with all interest accrued to the date of redemption or otherwise paid.
(iii) During the year the Group redeemed all the stock at par together with all the interest accrued to the date of redemption or otherwise paid.

(c) Asset backed loan notes

The asset backed loan notes are secured on fixed and variable rate mortgages and are redeemable in part from time to time, but such redemptions are limited to the net principal received from borrowers in respect of underlying assets. The maturity date of the funds matches the maturity date of the underlying assets. It is likely that a large proportion of these notes will be repaid within five years.

Interest is payable at fixed margins above the London Inter Bank Offer Rate (LIBOR) for three month sterling deposits.

Notes are issued through seven funding vehicles.

A revolving vehicle Buttermere Plc, funds mortgages from origination. Outstanding notes can be fully redeemed through the sale or prepayment of the underlying asset at any time.

A pass through publically rated securitisation; Precise Mortgage Funding No.1 Plc ("PMF No.1 Plc"), closed on 5 December 2013 and issued £163.8m of sterling mortgage backed floating rate notes at par. £134.5m of the notes were rated AAA, £6.5m rated AA, £6.5m rated A, £10.4m rated BBB, and £3.0m rated BB. The Group retained £8.2m of unrated and subordinated notes, equal to 5% of the issue amount

A pass through publically rated securitisation; Precise Mortgage Funding 2014-1 Plc ("PMF 2014-1 Plc"), closed on 22 July 2014 and issued £235.0m of sterling mortgage backed floating rate notes at par. £199.7m of the notes were rated AAA, £10.0m rated AA, £15.0m rated A and £5.4m rated BBB. The Group retained £11.8m of unrated and subordinated notes, equal to 5% of the issue amount.

A pass through publically rated securitisation; Precise Mortgage Funding 2014-2 Plc ("PMF 2014-2 Plc"), closed on 25 November 2014 and issued £230.0m of sterling mortgage backed floating rate notes at par. £189.8m of the notes were rated AAA, £10.9m rated AA, £12.0m rated A and £12.5m rated BBB. The Group retained £11.5m of unrated and subordinated notes, equal to 5% of the issue amount.

A pass through publically rated securitisation; Precise Mortgage Funding 2015-1 Plc ("PMF 2015-1 Plc"), closed on 10 March 2015 and issued £201.2m of sterling mortgage backed floating rate notes at par. £167.5m of the notes were rated AAA, £11.8m rated AA, £10.2m rated A and £11.7m rated BBB. The Group retained £10.4m of unrated and subordinated notes, equal to 5% of the issue amount.

21. Borrowings (continued)

(c) Asset backed loan notes (continued)

A pass through publically rated securitisation; Precise Mortgage Funding 2015-3R Plc ("PMF 2015-3R Plc"), closed on 6 November 2015 and issued £457.7m of sterling mortgage backed floating rate notes at par. £429.8m of the notes were rated AAA and £27.9m rated AA. The Group retained these notes. The Group also retained £73.4m of unrated and subordinated notes, equal to 14% of the issue amount.

CCFS Warehouse No.1 Plc issued £115.8m of unrated sterling mortgage backed floating notes at par on 18 December 2015. The Group retained £15.8m of these notes.

PMF No. 1 Plc, PMF 2014-1 Plc, PMF 2014-2 Plc, PMF 2015-1 Plc and PMF 2015-3R Plc each include an option to repay, prior to final maturity, the then outstanding principal amounts on all of their notes on or after an earlier date (the 'call date').

The Group publishes detailed information on the performance of its publically rated securitisations, links to which are can be accessed through www.chartercourtfs.co.uk.

i) Buttermere asset backed loan notes

Buttermere Plc Notes in issue at 31 December are:

	Principal balance		Margin over LIBOR	
	2015	2014	2015	2014
	£'000	£'000	%	%
A Note	-	189,337	0.80	0.80
B Note	-	63,112	3.60	3.60
	-	252,449		

During the year, the Group issued £596,000,000 (2014: £621,000,000) mortgage backed floating rate notes and repaid principal of £848,449,000 (2014: £513,758,000). The final maturity date of the notes is 12 June 2045. Principal on the notes can be repaid before the final repayment date without penalty.

ii) PMF No 1 asset backed loan notes

PMF No. 1 Notes in issue to external investors at 31 December are:

	Principal balance		Margin over LIBOR
	2015	2014	
	£'000	£'000	%
A Note	73,830	125,970	1.15%
B Note	6,500	6,500	1.75%
C Note	6,500	6,500	2.15%
D Note	10,400	10,400	3.25%
E Note	2,975	2,975	5.25%
	100,205	152,345	

The final maturity date of the notes is 12 March 2047. The call date is 12 December 2018.

21. Borrowings (continued)

(c) Asset backed loan notes (continued)

iii) PMF 2014-1 asset backed loan notes

PMF 2014-1 Notes in issue to external investors at 31 December are:

	Principal balance		Margin over LIBOR
	2015	2014	
	£'000	£'000	%
A Note	175,582	196,413	0.80%
B Note	10,000	10,000	1.15%
C Note	15,000	15,000	1.40%
D Note	5,400	5,400	1.90%
	205,982	226,813	

The final maturity date of the notes is 12 September 2047. The call date is 12 June 2019.

iv) PMF 2014-2 asset backed loan notes

PMF 2014-2 Notes in issue to external investors at 31 December are:

	Principal balance		Margin over LIBOR
	2015	2014	
	£'000	£'000	%
A Note	167,760	189,750	0.95%
B Note	10,925	10,925	1.50%
C Note	12,029	12,029	1.90%
D Note	12,535	12,535	2.40%
	203,249	225,239	

The final maturity date of the notes is 12 December 2047. The call date is 12 December 2019.

v) PMF 2015-1 asset backed loan notes

PMF 2015-1 Notes in issue to external investors at 31 December are:

	Principal balance		Margin over LIBOR
	2015	2014	
	£'000	£'000	%
A Note	163,517	-	0.95%
B Note	11,800	-	1.35%
C Note	10,200	-	1.75%
D Note	11,700	-	2.40%
	197,217	-	

The final maturity date of the notes is 12 March 2048. The call date is 12 June 2020.

21. Borrowings (continued)

(c) Asset backed loan notes (continued)

vi) CCFS Warehouse No.1 plc asset backed loan notes

CCFS Warehouse No.1 plc Notes in issue to external investors at 31 December are:

	Principal balance		Margin over LIBOR
	2015	2014	
	£'000	£'000	%
A Note	100,000	-	1.85%
	100,000	-	

The final maturity date of the notes is 16 November 2017.

Interest Rates

The weighted average interest rates paid during the year were as follows:

	2015	2014
	%	%
Redeemable cumulative preference shares	Nil	Nil
Non-convertible loan notes	2.09	5.56
Buttermere asset backed loan notes	2.09	2.02
PMF No 1 asset backed loan notes	2.18	2.00
PMF 2014-1 asset backed loan notes	1.47	1.44
PMF 2014-2 asset backed loan notes	1.70	1.68
PMF 2015-1 asset backed loan notes	1.69	-
CCFS Warehouse No.1 asset backed loan notes	2.44	-

22. Loan notes

	2015	2014
	£'000	£'000
Non-convertible loan notes	-	66,047
PMF No 1 asset backed loan notes	99,828	151,121
PMF 2014-1 asset backed loan notes	205,494	225,614
PMF 2014-2 asset backed loan notes	202,644	224,385
PMF 2015-1 asset backed loan notes	196,397	-
Buttermere plc asset backed loan notes	33	252,724
CCFS Warehouse No.1 asset backed loan notes	100,093	-
	804,489	919,891

Non-convertible loan notes

The loan note drawdowns provided the Group with further loan note borrowings of £53,118,000, £30,000,000 issued on 30 January 2015 and £23,118,000 on 20 March 2015 (2014: £25,100,000; £13,500,000 issued on 17 July 2014 and £11,600,000 on 18 November 2014).

Notes to the consolidated financial statements (continued)
For the year ended 31 December 2015

22. Loan notes (continued)

Non-convertible loan notes (continued)

By the Statement of Financial Position date the non-convertible loans notes and related interest had been repaid in full.

The net proceeds received from the issue of these loan notes have been wholly classified as liability, representing the value of the liability at amortised amount:

	£'000
Liability at 31 December 2014	66,047
Proceeds on further issue of non-convertible loan notes	53,118
Repayment of non-convertible loan notes	(118,726)
Decrease in accrued interest	(439)
Liability at 31 December 2015	-

PMF No 1 asset backed loan notes

The net proceeds received from the issue of PMF No 1 loan notes have been wholly classified as liabilities, representing the value of the liability at its amortised cost amount:

	£'000
Liability at 31 December 2014	151,121
Interest chargeable and accrued	3,738
Interest and principal paid	(55,031)
Liability at 31 December 2015	99,828

PMF 2014-1 asset backed loan notes

The net proceeds received from the issue of PMF 2014-1 loan notes have been wholly classified as liabilities, representing the value of the liability at its amortised cost amount:

	£'000
Liability at 31 December 2014	225,614
Interest chargeable and accrued	3,950
Interest and principal paid	(24,070)
Liability at 31 December 2015	205,494

PMF 2014-2 asset backed loan notes

The net proceeds received from the issue of PMF 2014-2 loan notes have been wholly classified as liabilities, representing the value of the liability at its amortised cost amount:

	£'000
Liability at 31 December 2014	224,385
Notes purchased by group	(11,658)
Interest chargeable and accrued	4,152
Interest and principal paid	(14,235)
Liability at 31 December 2015	202,644

22. Loan notes (continued)

PMF 2015-1 asset backed loan notes

The net proceeds received from the issue of PMF 2015-1 loan notes have been wholly classified as liabilities, representing the value of the liability at its amortised cost amount:

	£'000
Liability at 31 December 2014	-
Proceeds on issue of asset backed loan notes	201,200
Interest chargeable and accrued	3,033
Interest and principal paid	(7,836)
Liability at 31 December 2015	196,397

Buttermere plc asset backed loan notes

The net proceeds received from the issue of Buttermere plc loan notes have been wholly classified as liabilities, representing the value of the liability at its amortised cost amount:

	£'000
Liability at 31 December 2014	252,724
Proceeds on issue of asset backed loan notes	596,000
Interest chargeable and accrued	5,082
Interest and principal paid	(853,773)
Liability at 31 December 2015	33

CCFS Warehouse No. plc asset backed loan notes

The net proceeds received from the issue of CCFS Warehouse No.1 plc loan notes have been wholly classified as liabilities, representing the value of the liability at its amortised cost amount:

	£'000
Liability at 31 December 2014	-
Proceeds on issue of asset backed loan notes	100,000
Interest chargeable and accrued	93
Liability at 31 December 2015	100,093

Notes to the consolidated financial statements (continued)
For the year ended 31 December 2015

23. Deferred tax

At the Statement of Financial Position date, the Group has unused tax losses of £198,000 (2014: £16,580,000) available for offset against future trading profits, which would give rise to a deferred tax asset of £36,000 (2014: £3,316,000), following a tax rate change to 18% enacted in advance of the year end (see note 12).

Movement on deferred taxation balance in the period

	2015 £'000	2014 £'000
Opening balance	3,367	-
(Charge)/credit to the profit and loss account	(3,191)	3,367
	176	3,367

Analysis of deferred tax balance

	2015 £'000	2014 £'000
Capital allowances in excess of depreciation	41	39
Losses	36	3,316
Short term timing differences	99	12
	176	3,367

24. Other financial liabilities

Trade and other payables

	2015 £'000	2014 £'000
Trade payables and accruals	8,018	4,303
Corporation tax payable	1,146	-
	9,164	4,303

Trade creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. For most suppliers no interest is charged on the trade payables for the first 30 days from the date of the invoice. Thereafter, interest is chargeable on the outstanding balances at various interest rates, however, no interest was actually charged during the year on overdue supplier balances. The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

The Directors consider that the carrying amount of trade payables approximates to their fair value.

25. Deposits from banks

As at 31 December 2015 deposits from banks include £60,094,000 (2014: £nil) in respect of sale and repurchase agreements. The carrying value of assets of £83,301,000 sold under sale and repurchase agreements is included within debt securities (see note 16).

26. Deposits from customers

Deposits from customers are retail deposits held by Charter Court Savings Bank which were received from customers in the UK and denominated in sterling. The deposits comprise principally term deposits and 30 – 120 day notice accounts.

The contractual maturity of these deposits is analysed below.

	2015 £'000	2014 £'000
Amounts repayable		
On demand	21,892	-
In less than 3 months	26,492	-
In more than 3 months but less than 1 year	1,124,448	-
In more than 1 year but less than 2 years	200,867	-
In more than 2 years but less than 5 years	188,430	-
Total deposits	1,562,129	-
Fair value adjustment for hedged risk	380	-
	1,562,509	-

26. Deposits from customers (continued)

Fair value adjustment for hedged risk (FVAHR)

The Company has entered into interest rate swaps that protect it from changes in interest rates on the floating rate assets that are funded by its portfolio of fixed rate customer deposits. Changes in the fair value of these swaps are offset by changes in the FVAHR of the fixed rate customer deposits.

27. Financial guarantee

On 10 December 2015 Charter Court Financial Services Limited entered into a financial guarantee in favour of GIFS Capital Company, LLC acting as Original Class A Variable Funding Noteholder to CCFS Warehouse No 1 plc, and Elavon Financial Services Limited acting in its capacity as Agent to the same transaction. The guarantee covers interest, default interest, principal, tax gross up and break costs as they fall due, should CCFS Warehouse No 1 plc be unable to meet its obligations due in relation to the Class A Variable Funding Notes issued. As at 31 December 2015 the fair value of the guarantee was £nil.

28. Share capital

	2015 Number	2015 £	2014 Number	2014 £
Issued and called up:				
'A' Class ordinary shares of £0.001 each	741,386	742	741,336	742
'B' Class ordinary shares of £0.001 each	242,330	242	242,330	242
'C' Class ordinary shares of £0.001 each	16,334	16	16,334	16
'D' Class shares of £0.001 each	252,000	252	252,000	252
	1,252,050	1,252	1,252,000	1,252

During the year, 50 A class shares were issued at £0.001 nominal value.

The class A and B ordinary shares have full voting, dividend and capital distribution rights. The shares do not carry any rights of redemption. The class C ordinary shares are identical to the A and B shares other than they do not entitle the holder to voting rights.

The class D shares have full voting rights, with each D shareholder entitled to exercise 5% of the total voting rights in the Company. The shares do not carry dividend and capital distribution rights and do not carry any rights of redemption. D shareholders are entitled to D Dividends, which shall be distributed to them before further profits are distributed amongst the holders of A, B and C ordinary shares on a pro rata basis. The D shares are held by 4 individuals.

29. Share premium

	£'000
Balance at 31 December 2014	6
Share premium arising in the year	165,000
Balance at 31 December 2015	165,006

The share premium arose in the year due to the issue of 50 A class shares for consideration of £165,000,000.

30. Retained earnings

	£'000
At 31 December 2014	(20,437)
Net profit for the year	21,421
Balance at 31 December 2015	984

31. AFS reserve

	£'000
At 31 December 2014	-
Fair value loss	(1)
Balance at 31 December 2015	(1)

This is the fair value movement on revaluation of Treasury Bills that are available for sale.

32. Non-controlling interest

	£
At 31 December 2014 and at 31 December 2015	1

33. Notes to the Consolidated Statement of Cash Flows

	2015 £'000	2014 £'000
Profit for the year	21,421	1,965
Adjustments for:		
Impairment provisions	474	48
Finance costs	476	2,519
Depreciation of property improvements, fixtures and equipment	383	235
Amortisation of intangible assets	238	278
Write off of intangible assets	21	-
Deferred tax asset movement	3,191	(3,367)
Corporation tax charge	2,558	-
Increase in residential mortgages	(1,086,731)	(590,925)
Operating cash flows before movements in working capital	(1,057,969)	(589,247)
Movement in derivatives	(1,236)	2,192
Change in assets held at fair value	(94)	(31)
Increase in receivables	(703)	(157)
Increase/(decrease) in payables	3,715	(490)
Increase in retail deposits	1,562,509	-
Tax paid	(1,357)	-
Cash generated/(utilised) by operations	504,865	(587,733)
Net cash generated/(utilised) by operating activities	504,865	(587,733)

Cash and cash equivalents (which are presented as a single class of assets on the face of the Statement of Financial Position) comprise cash at bank and securitisation cash (note 19).

34. Operating lease arrangements

The group as lessee	2015 £'000	2014 £'000
Minimum lease payments under operating leases recognised as an expense in the year	312	275

At the Statement of Financial Position date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:	2015 £'000	2014 £'000
Within one year	677	329
In the second to fifth years inclusive	96	329
After five years	-	-
	773	658

Operating lease payments include rentals payable by the group for the use of the Charter Court office premises. Leases are negotiated for an average term of 3 years and rentals are fixed for an average of 3 years, expiring in December 2016.

The Group entered into a new lease for additional office premises. Leases are negotiated for an average term of 17 months and rentals are fixed for an average of 17 months, expiring in February 2017.

The Group also entered into a new lease for an additional office based in London during the year. The lease and rental is fixed for 18 months, expiring in April 2017.

35. Retirement benefit schemes

Defined contribution schemes

The group operates defined contribution retirement benefit schemes for all qualifying employees who subscribe to the terms and conditions of the scheme policy.

The total cost of £813,000 (2014: £534,000) charged to income represents contributions payable to these schemes by the Group at rates specified in the rules of the plans. As at 31 December 2015, contributions of £nil (2014: £61,000) due in respect of the current reporting year had not been paid over to the schemes. The amount is included within trade and other payables, note 24.

36. Financial Instruments

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 21, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in notes 28 to 30.

CCFS conducts an annual internal capital adequacy assessment process ("ICAAP"), which is approved by the Board with the current version as at September 2015.

The ICAAP is used to assess CCFS' capital adequacy and determine the levels of capital required to support the current and future risks in the business derived from the 3 year corporate plan.

Relevant changes resulting from the Capital Requirements Directive (CRD) and the Capital Requirements Regulation (CRR), collectively known as CRD IV, have been incorporated where applicable. CRD IV introduced a new leverage ratio requirement. The leverage ratio is a non-risk based measure that is designed to act as a supplement to risk based capital requirements. CCFS reports its Leverage ratio based on guidance from the PRA.

CCFS is supervised by the Prudential Regulation Authority (PRA) who issue individual capital guidance which specifies a level of regulatory capital which CCFS is required to hold relative to its risk weighted assets as well as a PRA designated Capital Buffer.

CCFS' regulatory capital is reviewed on a monthly basis by the Board of Directors and the Assets and Liability Committee on a current and forward looking basis.

The future regulatory capital requirements are also considered as part of CCFS' forecasting and strategic planning process.

Gearing ratio

The Group's risk management committee reviews the capital structure on annual basis. As part of this review, the committee considers the cost of capital and the risks associated with each class of capital.

The gearing ratio at the year end is as follows:

	2015 £'000	2014 £'000
Debt	804,489	921,391
Cash and cash equivalents	(537,706)	(39,852)
Net Debt	266,783	881,539
Equity	165,990	(20,430)
Net debt to equity ratio	1.61:1	43.15:1

Debt is defined as long-term borrowings, as detailed in note 21.

Equity includes all capital and reserves of the Group attributable to equity holders of the parent.

36. Financial Instruments (continued)

Externally imposed capital requirement

Charter Court Financial Services Limited, a wholly owned subsidiary of Charter Court Financial Services Group Ltd, is a Prudential Regulation Authority ("PRA") regulated Company and is required by the PRA to maintain a minimum level of capital.

Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability are disclosed in note 3 to the financial statements.

Categories of financial instruments

	Carrying value	
	2015	**2014**
	£'000	**£'000**
Financial assets		
Cash and cash equivalents	537,706	39,852
Fair value through profit and loss (FVTPL)		
Other financial assets - designated as FVTPL	268	175
Derivative instruments	1,133	-
Loans and receivables held at amortised cost		
Loans and receivables	1,947,154	860,897
Trade and other receivables	2,594	1,944
Financial liabilities		
Fair value through profit and loss (FVTPL)		
Derivative instruments in designated hedge accounting relationships	2,343	1,869
Derivative instruments not in designated hedge accounting relationships	-	577
Financial liabilities held at amortised cost		
Trade and other payables	9,164	4,303
Total borrowings	804,489	921,391

The carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements are approximately equal to their fair values.

37. Financial risk management objectives and policies

Risk Management

The Group's activities expose it to a number of financial risks and uncertainties; primarily credit risk, liquidity risk, interest rate risk, market risk and operational risk which are explained in more detail below:

Market Risk

Market risk is managed by ensuring Treasury counterparties meet minimum external credit ratings and individual exposures to single counterparties are assigned against the underlying instruments, such as cash or derivative exposures which are used to manage risk, or provide liquidity.

As part of the Liquidity and Treasury Investment Policies, the Group holds cash balances at central banks, and in high quality assets such as RMBS which meet minimum rating requirements. These investments are held to maturity and therefore not part of any Trading portfolio.

Regulatory change is also monitored as part of the responsibilities within the Treasury Risk oversight.

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 Group consist of loans and receivables made up of residential mortgages, trade and other receivables and cash and cash equivalents.

Credit risk arises on residential mortgages, trade and other receivables and cash and cash equivalents.

The assets of the Group subject to credit risk are set out below:

Class	2015 £'000	2014 £'000
Residential mortgages	1,947,154	860,897
Trade and other receivables	2,594	1,944
Cash and cash equivalents	537,706	39,852
Other assets held at fair value	268	175
Potential exposure to credit risk (as restricted below)	2,487,722	902,868

Mortgages are held in CCFS and also the Group's securitisation vehicles PMF No 1, PMF 2014-1, PMF 2014-2, PMF 2015-1, PMF 2015-3R, Buttermere plc and CCFS Warehouse No.1 plc. For mortgages held in PMF No 1, PMF 2014-1, PMF 2014-2 and PMF 2015-1 the Company's credit risk is limited to a 5% holding in each of the securitisations. However, there is also exposure to losses in income through excess spread being otherwise used to cure principal losses. The Group's credit position is subordinated with each deal, therefore its exposure is limited to the first 5% of credit losses and the loss expectations are significantly less than 5%. For mortgages held in PMF 2015-3R, Buttermere plc and CCFS Warehouse No. plc, the Group is also exposed to losses arising through excess spread.

At 31 December 2015, the average loan to value percentage of underlying mortgage assets to which the loans relate was 69% (2014: 68%) and only £99,000 (2014: £48,000) of the total balance represented arrears. The estimated fair value of collateral held against residential mortgages is £3,934,721,000 (2014: £2,511,412,000).

37. Financial risk management objectives and policies (continued)

Credit Risk (continued)

Analysis of loans by LTV

Current LTV	2015 £'000	2014 £'000
≥ 80%	351,729	174,598
70 to 80%	827,203	339,773
60-70%	353,773	152,739
<60%	419,274	195,957
	1,951,979	863,067

The Group offers secured borrowers who are in financial difficulties a range of account management and forbearance options including capitalisation, temporary interest only concessions, payment holidays and term extensions.

The table below presents an analysis of residential mortgages subject to forbearance indicators at 31 December 2015.

	2015 No. of accounts	2015 £'000	2014 No. of accounts	2014 £'000
Accounts past due				
Accounts past due	38	3,516	-	-
Temporary interest only	7	749	1	135
Accounts not past due				
Arrangements	36	3,962	20	2,524
Term extensions	1	139	-	-
Informal extensions	64	16,074	65	29,408

There were 38 accounts past due (2014: no cases) amounting to £3,516,000 and 7 accounts (2014: 1 case) with a temporary interest only arrangement. There were 36 cases (2014: 20 cases) that an arrangement had been agreed on balances that were not past due. There was 1 case (2014: no cases) that had a formal extension agreed amounting to £139,000 (2014: £nil) and another 64 cases (2014: 65) with an informal extension agreed amounting to £16,074,000 (2014: £29,408,000). Of these 65 extension cases, 27 were no longer requiring extension by the end of the year. Only 1 loan with a balance of £407,000 has a missed payment.

The Group's customers for mortgage administration and analytical services are primarily large financial institutions and there is no significant history of credit/bad debt losses and no provisions have been made for bad or doubtful receivables. Details of trade and other receivables are shown in note 19.

The Group's cash balances are held in sterling at UK based banks in current accounts. Further details of cash and cash equivalents are shown in note 19 to the financial statements.

37. Financial risk management objectives and policies (continued)

Liquidity Risk

Liquidity risk is the risk that the Group fails to meet its financial obligations as they fall due, whereas funding risk is the adverse impact of higher funding costs and/or lack of available funds on the Group's cash flow.

Liquidity and funding risks are centrally managed by Treasury on behalf of the Group in line with group policies and risk appetites, and any regulatory guidance.

The Group has adequate funding sources and a diversified funding base, including retail funding (Retail Deposits), wholesale funding (Securitisation, Repo Lines and a warehouse funding facility provided by a tier 1 investment bank), as well as access to the Bank of England's liquidity facilities.

The contractual maturity of retail deposits is analysed in note 26.The overall liquidity risk is mitigated as a result of the structure of the repayment of capital being required only in line with the amortisation of the underlying mortgage assets.

The following table details the Group's remaining contractual maturity for financial liabilities with agreed repayment periods. The table has been drawn- up based on undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

	Weighted average effective interest rate %	Less than 3 months £'000	3 months to 1 year £'000	1-2 years £'000	2-5 years £'000	5+ years £'000	Total £'000
31 December 2015							
Asset backed loan notes	2.09	33	-	-	-	-	33
PMF No 1 loan notes	2.18	108	-	-	-	99,720	99,828
PMF 2014-1 loan notes	1.47	150	-	-	-	205,344	205,494
PMF 2014-2 loan notes	1.70	180	-	-	-	202,464	202,644
PMF 2015-1 Loan notes	1.69	164	-	-	-	196,233	196,397
CCFS Warehouse No.1 loan notes	2.44	93	-	100,000	-	-	100,093
		728	-	100,000	-	703,761	804,489

37. Financial risk management objectives and policies (continued)

Liquidity Risk (continued)

31 December 2014	Weighted average effective interest rate %	Less than 3 months £'000	3 months to 1 year £'000	1-2 years £'000	2-5 years £'000	5+ years £'000	Total £'000
Asset backed loan notes	2.02	275	-	-	-	252,174	252,449
Non-convertible loan notes	5.56	440	-	-	-	65,607	66,047
PMF No 1 loan notes	2.00	167	-	-	-	150,954	151,121
PMF 2014-1 Loan notes	1.44	179	-	-	-	225,435	225,614
PMF 2014-2 Loan notes	1.68	385	-	-	-	224,000	224,385
Redeemable preference shares	Nil	-	-	-	1,500	-	1,500
		1,446	-	-	1,500	918,170	921,116

Interest Rate Risk

The Group manages interest rate risk, the risk that interest margins will be adversely affected by movements in market interest rates, by maintaining floating rate liabilities and matching those with floating rate assets, and hedging fixed rate assets through the purchase of interest rate swaps from large financial institutions with strong credit ratings. Interest Rate Risk is managed to ensure that the value at risk does not exceed 2% of capital resources or that earnings at risk do not exceed 5% of projected earnings in the following twelve months.

At 31 December 2015 the Group held fixed rate assets with a current value of £920,730,000 (2014: £180,086,000).

The details of the hedging instrument in place at 31 December 2015 and 31 December 2014 are set out in note 20.

37. Financial risk management objectives and policies (continued)

Interest Rate Risk (continued)

Interest rate sensitivity analysis

In measuring the impact of the Group's position at the year end, account is taken of the Group's assets, liabilities and derivatives and their maturity and repricing arrangements. Account is also taken of pipeline and repayments. The impact on the expected profitability of the Group in the next 12 months of a 2% parallel shift in interest rates prevalent at the year end is set out below.

	2015 £'000	2014 £'000
+ 2%	(987)	(489)
- 2%	470	357

This is due to the Group's net exposure to interest rates on its floating rate mortgage assets, floating rate investments, floating rate savings and floating rate borrowings.

Franchise Risk

The Group provides a number of services, including the provision of mortgage lending, to the UK mortgage market.

Whilst lending activity continues to grow within the UK mortgage, the Group's ability to meet their future trading forecasts is partially dependent upon any future changes in the level of activity in the economy and mortgage market as a whole.

However, the Directors believe that the Group's products and services are targeted at specific segments of the market and are confident that growth can be achieved independently of changes in market activity levels.

The Group also offers retail deposits through its Charter Savings Bank brand, providing an online proposition to UK savers. The market is established, large and growing and so is the bank's share of it. However, it is possible that negative press (either market-wide or idiosyncratic) can affect the bank's ability to attract targeted inflows but the directors believe that with a combination of PR management, customer communications and pricing activity, this risk can be managed.

Operational Risk

Operational risk is defined as the risk of loss resulting from inadequate or failed processes, people and systems or from external events. This definition includes legal risk, but excludes strategic and reputational risk.

CCFS has an Operational risk management framework to support the identification, measurement, management and reporting of Operational risks.
Operational risk is managed and controlled by senior management having the responsibility for understanding the operational risks within their respective business area and for putting in place appropriate controls and mitigating actions to further strengthen the control environment.

Compliance with regulatory requirements imposed by the Financial Conduct Authority and the Prudential Regulation Authority is monitored by the Director of Legal and Compliance and reported to the Operational and Conduct Risk Committee and the Board Risk Committee.

38. Related party transactions

The controlling parties, as stated below, are 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. Transactions with other entities controlled by Elliott International L.P. and Elliott Associates L.P. are shown below. Manchester Securities Corp operates as a brokerage firm.

	Loan notes subscribed £'000	Interest and similar charges £'000	Balance due from the Company £'000
Year ended 31 December 2015			
Manchester Securities Corp.	596,000	5,082	33
Year ended 31 December 2014			
Manchester Securities Corp.	621,000	5,928	252,723

Loans from related parties

	2015 £'000	2014 £'000
Loans from Elliott International L.P.	-	42,931
Loans from Elliott Associates L.P.	-	23,116
	-	66,047

Amounts owed by related parties

	2015 Fees received £'000	2015 Balance due from the Company £'000	2014 Fees received £'000	2014 Balance due from the Company £'000
Elliott Advisors (UK) Limited with Charter Court Financial Services Limited	-	-	33	-
	-	-	33	-

As at 31 December 2015, Charter Court Financial Services Group Limited'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, by virtue of their combined controlling interest in the Group's issued share capital and voting rights.

The loans from the related parties are unsecured borrowings through the issue of non-convertible loan notes (loan stock) listed on the Channel Islands Stock Exchange. The loans are stated at amortised cost, equivalent to their fair value. Further details of these borrowings are stated in notes 21 to 22.

38. Related party transactions (continued)

Remuneration of key management personnel

The remuneration of the Directors, who are the key management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS 24 *Related Party Disclosures*.

	Highest paid Director 2015 £'000	Year ended 31 December 2015 £'000	Highest paid Director 2014 £'000	Year ended 31 December 2014 £
Short-term employee benefits	784	2,980	668	2,297
Other long-term benefits	30	53	57	78
	814	3,033	725	2,375

Steven Kasoff who served as Director during the year, received no remuneration for the year of account and none is due as outstanding as at the year end.

During the year to 31 December 2015 fees of £273,000 (2014: £126,000) were paid to Non-Executive Directors for services provided to the Group.

39. Ultimate controlling party of the Group

As at 31 December 2015, Charter Court Financial Services Group Limited'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, by virtue of their combined controlling interest in the Group's issued share capital and voting rights.

Charter Court Financial Services Group Limited

Company Statement of Financial Position
For the year ended 31 December 2015

	Note	2015 £'000	2014 £'000
Non-current assets			
Investment in subsidiaries	41	136,851	3,660
Current assets			
Deferred tax asset	42	8	-
Loans due from other group entities	43	-	34,969
Cash and cash equivalents		1	1,431
		9	36,400
Total assets		136,860	40,060
Current liabilities			
Trade and other payables	44	(1)	(9)
Net current assets		8	36,391
Non-current liabilities			
Preference shares	44	-	(1,500)
Non-convertible loan notes	44	-	(66,047)
		-	(67,547)
Total liabilities		(1)	(67,556)
Net assets/(liabilities)		136,859	(27,496)
Equity			
Share capital	45	1	1
Share premium	46	165,006	6
Retained earnings	47	(28,148)	(27,503)
Total equity		136,859	(27,496)

Company number: 06712054

The financial statements were approved by the board of Directors and authorised for issue on 20 April 2016. They were signed on its behalf by:

Ian Martin Lonergan
Chief Executive Officer

Jean Sebastien Maloney
Chief Financial Officer

Charter Court Financial Services Group Limited

Company Statement of Changes in Equity
For the year ended 31 December 2015

	Share Capital £'000	Share premium £'000	Retained earnings £'000	Total £'000
At 1 January 2014	**1**	**-**	**(574)**	**(573)**
Share issue	-	6	-	6
Loss for the year	-	-	(26,929)	(26,929)
At 1 January 2015	**1**	**6**	**(27,503)**	**(27,496)**
Share issue	-	165,000	-	165,000
Loss for the year	-	-	(645)	(645)
At 31 December 2015	**1**	**165,006**	**(28,148)**	**136,859**

Charter Court Financial Services Group Limited

Company Statement of Cash Flows
For the year ended 31 December 2015

	Note	2015 £'000	2014 £'000
Net cash generated/(utilised) by operating activities	48	34,358	(26,985)
Investing activities			
Purchase of shares in subsidiaries		(133,191)	(790)
Net cash utilised by investing activities		(133,191)	(790)
Financing activities			
Proceeds from issue of shares		165,000	6
Proceeds from issue of non-convertible loan notes		53,118	25,100
Repayment of non-convertible loan notes		(119,215)	-
Repurchase of preference shares		(1,500)	-
Net cash generated by financing activities		97,403	25,106
Net decrease in cash and cash equivalents		(1,430)	(2,669)
Cash and cash equivalents at beginning of year		1,431	4,100
Cash and cash equivalents at end of year		1	1,431

Notes to the Company financial statements
For the year ended 31 December 2015

40. Significant accounting policies

The separate financial statements of the Company are presented as required by the Companies Act 2006. As permitted by that Act, the separate financial statements have been prepared in accordance with International Financial Reporting Standards.

The financial statements have been prepared on the historical cost basis. The principal accounting policies adopted are the same as those set out in note 3 to the consolidated financial statements except as noted below.

Investments in subsidiaries are stated at cost less, where appropriate, provisions for impairment.

The result for the financial year of Charter Court Financial Services Group Limited as a Company was a loss of £645,000 (2014: £26,929,000). As permitted by section 408 of the Companies Act 2006, no separate statement of comprehensive income is presented in respect of the parent Company.

41. Investment in subsidiaries

	Total £'000
Cost	
At 1 January 2015	46,395
Additions	133,740
At 31 December 2015	180,135
Impairment	
At 1 January 2015	42,735
Charge for the year	549
At 31 December 2015	43,284
Carrying amount	
At 1 January 2015	3,660
At 31 December 2015	136,851

During the year the Company subscribed to 1 Share in Charter Court Financial Services Limited for £122,640,000 and 1 Share in Broadlands Finance Limited for £11,100,000.

Notes to the Company financial statements (continued)
For the year ended 31 December 2015

41. Investment in subsidiaries (continued)

Details of the Company's subsidiaries at 31 December 2015 are as follows:

Name	Principal Activity	Proportion of ownership interest %	Proportion Of voting power held %
Charter Court Financial Services Limited	FCA regulated Mortgage Administration	100	100
Exact Mortgage Experts Limited	Group Service Company	100	100
Charter Mortgages Limited	Mortgage Administration and Analytical Services	100	100
Broadlands Finance Limited	Mortgage Administration Services	100	100
Buttermere Plc	Special Purpose Entity	0	0
Precise Mortgage Funding No 1 Plc	Special Purpose Entity	0	0
Precise Mortgage Holdings No 1 Limited	SPV Holding Company	0	0
Precise Mortgage Funding 2014-1 Plc	Special Purpose Entity	0	0
Precise Mortgage Holdings 2014-1 Limited	SPV Holding Company	0	0
Precise Mortgage Funding 2014-2 Plc	Special Purpose Entity	0	0
Precise Mortgage Holdings 2014-2 Limited	SPV Holding Company	0	0
Issuer Purchase Holdings Limited	SPV Holding Company	0	0
Precise Mortgage Funding 2015-1 Plc	Special Purpose Entity	0	0

Notes to the Company financial statements (continued)
For the year ended 31 December 2015

41. Investment in subsidiaries (continued)

Name	Principal Activity	Proportion of ownership interest %	Proportion Of voting power held %
Precise Mortgage Holdings 2015-1 Limited	SPV Holding Company	0	0
Precise Mortgage Funding 2015-3R Plc	Special Purpose Entity	0	0
Precise Mortgage Holdings 2015-3R Limited	SPV Holding Company	0	0
CCFS Warehouse No.1 Plc	Special Purpose Entity	0	0
CCFS Warehouse No.1 Holdings Limited	SPV Holding Company	0	0

The investments in subsidiaries are all stated at cost less impairment.

Special purpose entities which the Group is deemed to control are treated as subsidiaries for accounting purposes.

All of the above companies are incorporated and operate in the United Kingdom.

42. Deferred tax

	2015 £'000	2014 £'000
Deferred tax asset	8	-

At the Statement of Financial Position date, the Company has unused tax losses of £47,000 (2014: £nil) available for offset against future trading profits, which would give rise to a deferred tax asset of £8,000 (2014: £nil) following a tax rate of 18% enacted in advance of the year end (2014: 20%).

42. Deferred tax (continued)

Movement on deferred taxation balance in the period

	2015 £'000	2014 £'000
Opening balance	-	-
Credit to the Statement of Comprehensive Income	8	-
	8	-

Analysis of deferred tax balance

	2015 £'000	2014 £'000
Losses	8	-
	8	-

43. Financial assets

Loans due from other group entities

At the Statement of Financial Position date, amounts receivable from fellow group entities were £nil (2014: £34,969,000). The carrying amount of these assets approximates their fair value. There are no past due or impaired receivable balances. Further details are contained in note 50 to the Company financial statements.

44. Financial liabilities

Trade and other payables

	2015 £'000	2014 £'000
Trade and other payables	1	9

Loans from other group entities

At the Statement of Financial Position date, amounts payable to fellow group entities were £1,000 (2014: £nil). The carrying amount of these assets approximates their fair value. Further details are contained in note 49 to the Company financial statements.

Borrowings

Details of the redeemable cumulative preference shares are given in note 21 to the consolidated financial statements.

Non-convertible loan notes

Details of the non-convertible loan notes are given in note 21 to the consolidated financial statements.

45. Share capital

Details of the Company's share capital are disclosed in note 28 to the consolidated financial statements.

Notes to the Company financial statements (continued)
For the year ended 31 December 2015

46. Share premium

Details of the Company's share premium are disclosed in note 29 to the consolidated financial statements.

47. Retained earnings

	£'000
At 31 December 2014	(27,503)
Net loss for the year	(645)
Balance at 31 December 2015	(28,148)

48. Notes to the Statement of Cash Flows

	2015 £'000	2014 £'000
Loss for the year	(645)	(26,929)
Adjustments for:		
Finance costs	50	2,593
Deferred tax asset	(8)	-
Operating cash flows before movements in working capital	(603)	(24,336)
Decrease in receivables	-	2
(Decrease)/increase in payables	(8)	9
Decrease/(increase) in loans to undertakings for working capital	34,969	(2,660)
Cash generated/(utilised) by operations	34,358	(26,985)
Net cash generated/(utilised) by operating activities	34,358	(26,985)

49. Financial instruments

Capital risk management

The Company manages its capital to ensure that it will be able to continue as going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Company consists of debt, which includes the borrowings disclosed in note 21, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in notes 45 to 47.

The Group's risk management committee reviews the capital structure on an annual basis – see note 36 of the consolidated financial statements.

Notes to the Company financial statements (continued)
For the year ended 31 December 2015

50. Related parties

Loans due from related parties

	2015 £'000	2014 £'000
Charter Court Financial Services Limited	-	34,969
	-	34,969

During 2014 the Group reorganised its inter Company balances so only a balance with CCFS remained. All loans payable between related parties within the Group are on an interest-free basis. During the year the balance was repaid in full.

Loans from related parties

	2015 £'000	2014 £'000
Loans from Elliott International L.P.	-	42,931
Loans from Elliott Associates L.P.	-	23,116
	-	66,047

As at 31 December 2015, Charter Court Financial Services Group Limited'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, by virtue of their combined controlling interest in the Group's issued share capital and voting rights. The loans from the related parties are unsecured borrowings through the issue of non-convertible loan notes (loan stock) listed on the Channel Islands Stock Exchange. The loans are stated at amortised cost, equivalent to its fair value. Further details of these borrowings are stated in notes 21 and 22 to the consolidated financial statements.

The loans from Charter Mortgages Limited and Broadlands Finance Limited are in respect of the £1 cash consideration receivable from each group entity for the issue of share capital at par.

Remuneration of key management personnel

Details of remuneration of key management personnel is shown in note 38 to the consolidated financial statements.

51. Immediate and ultimate controlling party

Details of the immediate and ultimate controlling party are shown in note 39 to the consolidated financial statements.