



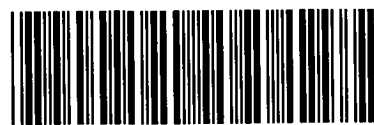
Acenden Limited

Annual Report and Group Financial Statements

30 November 2014

Registration No 05381786

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COMPANIES HOUSE

Directors

P Williamson (Non-Executive Chairman)
J A Pool (Non-Executive)
A Attia
J A Lundgren
P McMillan

Secretary

TMF Corporate Administration Services Limited
5th Floor
6 St Andrew Street
London EC4A 3AE

Auditors

Ernst & Young LLP
1 More London Place
London SE1 2AF

Bankers

Barclays Bank Plc
Cheapside Business Centre
155 Bishopsgate
London EC2M 3XA

Solicitors

Taylor Wessing
5 New Street Square
London EC4A 3TW

Registered Office

St Johns Place
Easton Street
High Wycombe HP11 1NL

Strategic report

The directors present their strategic report for the year ended 30 November 2014.

Principal Activity

The principal activity of the group is the provision of third party residential mortgage services to lenders and investors in the UK and Ireland. The group is headquartered in High Wycombe with further offices in London and Dublin. It is authorised and regulated by the Financial Conduct Authority.

At 30 November 2014, Acenden managed a portfolio of over 60,000 loans with an outstanding balance of £5.1bn and employed 365 staff. Initially founded as a captive mortgage and loan servicer as part of the Lehman Brothers group of companies, the management team of Acenden has subsequently developed the business to on-board 3rd party mortgage portfolios, building on the reliable income streams generated from the legacy Lehman originated securitisations.

Acenden provides comprehensive primary loan administration servicing, dedicated special servicing (arrears management), data due diligence, data cleansing and data collection services, portfolio assessment and due diligence services, arrangement of insurance policies and cash bond administration and investor reporting services in support of securitisation programmes.

Business Review

The UK servicing landscape saw significant change during 2014 as the large outsourcing companies acquired mortgage servicing platforms. Capita purchased the Crown Mortgage Servicing platform from its PE owners and Computershare purchased Homeloan Management from Skipton Building Society.

Acenden continued to be an active participant in the portfolio sales in the UK and Ireland. In the UK, our partners did not buy any portfolios though and we therefore did not take on any new business. However in Ireland one of our partners was successful on a number of transactions. This resulted in one portfolio being boarded in 2014 and subsequent loan pools are expected to be boarded in 2015. In addition, Acenden was successful in renewing a long-term contract with an existing Irish client.

The amount of loans sold into the market has been broadly consistent with previous years although the number of sales seems to be reducing. The bank outsourcing market is still the rarity in the market, although the Co-operative Bank has decided to outsource some of its mortgage processing.

Following a strategic review of the IT platform, management commenced adopting a new target operating model. Key aspects of this include:

- Upgrading of the core mortgage servicing platform resulting in a lower ongoing maintenance cost. A number of phases have now been completed and the benefits realisation is on track.
- Addition of a special servicing module which will allow the current special servicing system to be decommissioned. The new platform is now being configured and expected to go live in the UK in 2015.

These system upgrades will drive increased automation of processes creating further efficiencies and enhanced operational controls.

Strategic report

Financial Performance

The group's key financial and other performance indicators during the year were as follows:

	2014	2013	Movement
Income (£m)	31.7	35.1	-9%
Operating profit (£m)	0.6	5.7	-90%
Profit after tax (£m)	16.1	10.0	61%
Average no. of loans serviced	62,900	66,400	-5%
Average no. of employees	357	360	-1%

Operating profit for 2014 reflects the company's current stage of development. Broadly, the closed book of Lehman Group securitised assets that Acenden has serviced for a number of years has continued to contract. With the new Irish client being boarded late in 2014 and with the further books anticipated in 2015, the decline in income from the closed Lehman book has started to be replaced.

Concurrently, the Acenden business has been prepared for sale. A stronger senior management team has been established and, as noted above, the development work on the upgrading of the operational platform has continued, with both of these adding to the cost base in 2014. The business has also had to absorb some of the direct costs of sale during the year.

The securitised portfolio continued to provide a reliable source of revenue for Acenden. The run-off of the book largely accounts for the 9% reduction in income. The new Irish client brought the servicing of an additional 1,400 loans.

Operating expenses increased by £1.8m in 2014. Whilst some efficiencies from improvements to the operating platform were realised during the year, these were more than offset by the significant non-recurring development and sale related costs.

Overall profit for the year included some significant items. In December 2013, Acenden acquired a book of unsecured loans following the exercise of a call option. The performing loans were subsequently marketed for sale and sold in May 2014 generating a net profit of £14.2 million. In addition, there was a recovery of £4.4 million of amounts owed by Lehman Brothers Holdings Inc. (LBHI).

The directors consider the company to have a strong cash and balance sheet position.

Future Development

On 6 January 2015, funds managed by Blackstone Tactical Opportunities and TPG Special Situations Partners agreed to acquire Acenden from the administrators of Lehman Brothers subject to regulatory approval. The directors consider that the growth of the group through increasing the servicing portfolio, both in the UK and Ireland, is fully supported by this acquisition.

Strategic report

Financial Risk Management

The group's principal financial assets include cash, trade debtor and other debtor balances that arise directly from its operations.

Credit Risk

The group's credit risk has been primarily attributable to its trade and other debtor balances. Debtor balances are represented in the balance sheet net of allowances for doubtful debtors. An allowance for impairment is established where there is evidence of a reduction in the recoverability of the balances. The directors regularly review the cash flow from trade debtors and assess the recoverability of all debtor balances to minimise its exposure to credit risk.

Liquidity Risk

The group generally has a low exposure to liquidity risk as cash flows from its mortgage servicing and other intermediation activities cover its on-going operating costs. These net cash flows along with the cash balances maintained are sufficient to cover any short-term liquidity issues that may arise. Nonetheless, the directors closely monitor the cash flows and on-going liquidity position to ensure the group is not exposed to liquidity risks.

Approved by the board of directors and signed on behalf of the Board



Director P Williamson
Date 3 March 2015

Directors' report

The directors present their report and the audited consolidated financial statements for the group for the year ended 30 November 2014.

Results and Dividends

The profit for the year after taxation was £16.1 million (2013: £10.0 million). On 24 April 2014 the board declared a dividend to the "B" preference shareholder of £2.4 million. The dividend was paid on 6 May 2014. This dividend was funded by distributions from LBHI.

On 28 November 2014, Acenden and Storm Funding Limited (in administration) ('Storm') entered into a deed of assignment to assign all of Acenden's rights in the LBHI receivable to Storm. The assignment was ratified by the United States Bankruptcy Court on 26 December 2014. Storm was the holder of the B Share in Acenden. The B Share entitled Storm to receive amounts paid to the Company in respect of the LBHI receivable. As the B share was now redundant it was repurchased from Storm for consideration of £1 and then redeemed on 8 January 2015.

On 22 January 2015 the board declared a dividend to the holders of ordinary shares of £11.7 million. The dividend was paid on 30 January 2015.

Directors

The directors who served during the year were as follows:

P Williamson
J Pool
A Attia
J Lundgren
P McMillan

Going Concern

The directors have carefully considered the group's cash and earnings forecast taking into account possible changes in trading performance. The directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future.

For these reasons the directors continue to adopt the going concern basis of accounting in preparing the annual consolidated financial statements.

Disabled Employees

Applications for employment by disabled persons are always properly considered, including taking into account any reasonable workplace adjustments. In the event of members of staff becoming disabled during employment every effort is made to support their return to work including making appropriate adjustments to facilities and working practices. It is the policy of the group that the training, career development and promotion opportunities for disabled persons should, as far as reasonably practicable, be identical with that of other employees.

Directors' report

Employee Involvement

No compulsory or voluntary information & consultation agreement under the Information and Consultation of Employees Regulations 2004 exists and no requests for such were made by employees during the year.

The policy of providing employees with information about the group's performance and outlook has been continued through regularly published communications to all staff with an employee engagement strategy in place. An employee briefing was held in June 2014 to provide an update on the performance and strategy of the group.

Disclosure of Information to the Auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the group's auditor, the directors have taken all the steps that they are obliged to take as directors in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Re-appointment of Auditors

The auditors are deemed to be re-appointed under section 487(2) of the Companies Act 2006.

Approved by the board of directors and signed on behalf of the Board.



Director P Williamson
Date 3 March 2015

Statement of directors' responsibilities

The directors are responsible for preparing the strategic report, director's report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

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

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

Independent auditors' report

To the members of Acenden Limited

We have audited the financial statements of Acenden Limited for the year ended 30 November 2014 which comprise the Group Profit and Loss Account, the Group and Parent Company Balance Sheet, the Group Statement of Cash Flows and related notes 1 to 27. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the group'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 auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report and group financial statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 30 November 2014 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

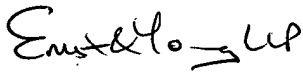
Independent auditors' report

To the members of Acenden Limited

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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.



Amarjit Singh (Senior statutory auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor
London

Date 3 MARCH 2015

Group profit and loss account

for the year ended 30 November 2014

	Notes	2014 £000	2013 £000
Fees receivable and related income	2	31,749	35,075
Operating and administration expenses		(31,178)	(29,381)
Operating profit on ordinary activities before interest and taxation		571	5,694
Amounts recovered from Group undertakings	11	4,386	4,388
Interest receivable and similar income	3	153	118
Profit on ordinary activities before taxation	4	5,110	10,200
Gain on disposal of unsecured loans		14,194	-
Other Income		1,115	-
Profit for the financial year before taxation		20,419	10,200
Tax on profit	7	(4,276)	(167)
Profit for the financial year after taxation		16,143	10,033

The results are in respect of continuing operations.

There are no recognised gains or losses other than the profit on ordinary activities and investment proceeds stated above.

The notes on pages 14 to 30 form part of these financial statements.

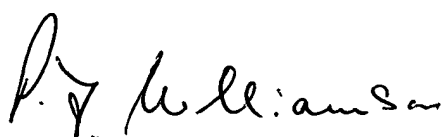
Group balance sheet

as at 30 November 2014

	Notes	2014 £000	2013 £000
Fixed assets			
Tangible assets	8	3,954	3,156
Current assets			
Unsecured loans	9	-	20,642
Debtors: amounts falling due within one year	11	13,881	13,360
Cash at bank	12	31,833	15,422
		<u>45,714</u>	<u>49,424</u>
Current liabilities			
Creditors: amounts falling due within one year	13	(10,723)	(11,043)
Deferred income	15	(2,608)	(19,109)
		<u>(13,331)</u>	<u>(30,152)</u>
Net Current Assets		<u>32,383</u>	<u>19,272</u>
Deferred tax	24	931	1,144
Net Assets		<u>37,268</u>	<u>23,572</u>
Capital and reserves			
Called up share capital	16	250	250
Share premium account	17	10	10
Profit and loss account	18	11,181	(4,962)
Reserves	19	25,827	28,274
Shareholders' funds	20	<u>37,268</u>	<u>23,572</u>

The notes on pages 14 to 30 form part of these financial statements.

These financial statements were approved for issue by the board of directors on 3 March 2015 and were signed on its behalf by:



Director P Williamson

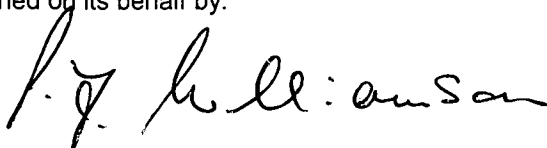
Parent company balance sheet

as at 30 November 2014

	Notes	2014 £000	2013 £000
Fixed assets			
Tangible assets	8	3,954	3,156
Investments in subsidiaries	10	675	-
		<u>4,629</u>	<u>3,156</u>
Current assets			
Unsecured loans	9	-	20,642
Debtors: amounts falling due within one year	11	11,806	13,360
Cash at bank	12	30,211	15,422
		<u>42,017</u>	<u>49,424</u>
Current liabilities			
Creditors: amounts falling due within one year	13	(10,295)	(11,043)
Deferred income	15	(468)	(19,109)
		<u>(10,763)</u>	<u>(30,152)</u>
Net Current Assets		<u>31,254</u>	<u>19,272</u>
Deferred tax	24	931	1,144
Net Assets		<u>36,814</u>	<u>23,572</u>
Capital and reserves			
Called up share capital	16	250	250
Share premium account	17	10	10
Profit and loss account		10,727	(4,962)
Reserves	19	25,827	28,274
Shareholders' funds	20	<u>36,814</u>	<u>23,572</u>

The notes on pages 14 to 30 form part of these financial statements.

These financial statements were approved for issue by the board of directors on 3 March 2015 and were signed on its behalf by:



Director P Williamson

Group statement of cash flows

for the year ended 30 November 2014

	Notes	2014 £000	2013 £000
Net cash inflow from operating activities	21	732	3,720
Cash flow from investing activities			
Gain on disposal of unsecured loans		16,508	-
Interest income		153	118
Other income		1,115	-
Investment in fixed assets	8	(2,352)	(1,137)
Net cash inflow from investing activities		15,424	(1,019)
Cash flow from financing activities			
Proceeds from share issuance	17	-	1
Amounts recovered from Group undertakings		4,386	4,388
Dividends paid	19	(2,447)	(13,470)
Net cash outflow from financing activities		1,939	(9,081)
Taxation			
Corporation tax paid		(1,684)	(846)
Increase/(decrease) in net cash		16,411	(7,226)
Net cash at 1 December 2013		15,422	22,648
Net cash at 30 November 2014	12	31,833	15,422

The notes on pages 14 to 30 form part of these financial statements.

Notes to the financial statements

for the year ended 30 November 2014

1. Accounting policies

Basis of accounting

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards.

Basis of consolidation

The Group financial statements consolidate the financial statements of the Company and all its subsidiaries for the year ended 30 November 2014.

The assets, liabilities and cash flows of Cell A52 Harlequin Insurance PCC Limited have been included in the group financial statements as a quasi-subsiary. The group is entitled to all dividends and distributions of profit from the cell subject to approval from its board of directors.

In accordance with section 408 (4) of the Companies Act 2006, Acenden Limited is exempt from the requirement to present its own profit and loss account. The result for the year of Acenden Limited is disclosed in note 18 to the financial statements.

Consolidation exemption

The company has taken advantage of the ruling under Companies Act 2006 Section 405(2), where a subsidiary may not be included for consolidation purposes, if it is not material to the group and as such has not consolidated New Street Mortgages Limited and New Street Mortgages (Ireland) Limited.

Fees and interest income

Fees receivable represents fees earned by the Group for providing mortgage administration services. Other related income represents revenue from Insurance intermediation activities and amounts recharged to group related entities which include a mark-up for overhead costs incurred on their behalf.

Insurance income is deferred over the life of the insurance policy issued with unearned premiums recognised as a deferred income liability on a monthly pro rata basis.

Interest receivable represents interest earned on cash assets. These are accounted for on an accrual basis.

Receipts and payments of fees are accounted for on an accruals basis. Fee income is provided against based on the expected recovery rate. The provision is calculated based on the prior year performance of the serviced mortgage assets and the current status of the individual loans for which fees are receivable.

Expenses

Receipts and payments of expenses are accounted for on an accruals basis.

Tangible fixed assets, depreciation and impairment

Tangible fixed assets are stated at cost less accumulated depreciation and impairment losses, if any.

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments (beginning the month following acquisition) over their estimated useful economic lives as follows:

Notes to the financial statements

for the year ended 30 November 2014

1. Accounting policies (continued)

Leasehold improvements	–	lesser of 15 years or lease term
Furniture, fixtures and office equipment	–	10%
Computer equipment and systems	–	20 - 33%

The carrying values of tangible assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Other investments

Other investments are accounted for at the lower of cost or net realisable value.

Unsecured loans

Unsecured loans are recognised at amortised cost less impairment when it is deemed there is a permanent diminution in value.

Debtors

Trade and other debtors are carried at the lower of their original invoiced value and recoverable amount. Provision is made when there is objective evidence that the Group will not be able to recover balances in full, with the charge being recognised in the profit and loss account. Balances are written off when the probability of recovery is assessed as being remote.

Creditors

Trade and other creditors are recognised at nominal value.

Deferred Income

The discount on acquisition of the unsecured loans has been treated as deferred income and will be credited to the profit and loss account over the remaining life of the unsecured loan portfolio.

Foreign Currency Translation

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction and recorded in sterling. All differences are recorded in the profit or loss account as exchange gain or loss.

As at the reporting date, the monetary assets and liabilities of an overseas branch are translated at the rate of exchange on the balance sheet date where the asset or liabilities have not been recorded in sterling at the transaction date.

Taxation

The charge for taxation is based on the profit for the year and takes into account group losses allocated to the Group and taxation deferred because of timing differences between the treatments of certain items for taxation and accounting purposes.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transaction or events that result in an obligation to pay more, or a right to pay less tax in the future, have occurred at the balance sheet date.

Deferred tax assets are recognised only to the extent that the directors consider it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Deferred tax is measured on a non-discounted basis at the

Notes to the financial statements

for the year ended 30 November 2014

1. Accounting policies (continued)

tax rates that are expected to apply in periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Provisions

Provisions are recognised for present legal or constructive obligations arising as consequences of past events where it is more likely than not that a transfer of economic benefit will be necessary to settle the obligation, which can be reliably estimated.

A provision is recognised for the estimated cost of settling all claims incurred up to but not paid at the balance sheet date whether reported or not based on previous loss experience.

The Company takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established. The estimation of claims incurred but not reported is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Company, where more information about the claim event is generally available.

Leasing commitments

Rentals payable under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

Financial instruments

Financial assets are classified in the following categories: cash at bank, unsecured loans and debtors. Financial assets are recorded in these respective categories upon initial recognition. Assets within the 'cash at bank' category comprise term deposits, cash at banks and in hand with an original maturity of three months or less.

Share-based payments

Share-based payments are accounted for on a fair value basis with the difference between the fair value of the shares issued and the acquisition price transferred to a share-based payment reserve and the expense included in wages and salaries in the profit & loss account.

Pension contributions

The Company operates a stakeholder pension plan with company contributions rates of between 7% and 12% of basic salary. Contributions are recognised on an accrual basis.

Turnover

The Group's income and trade are wholly within the UK and the Republic of Ireland, and within a single market sector therefore no segmental analysis has been presented.

Notes to the financial statements

for the year ended 30 November 2014

2. Fees receivable and related income

	2014 £000	2013 £000
Fee Income	8,628	9,727
Servicing Income	15,736	16,956
Insurance Income	2,955	2,520
Other Income	4,430	5,872
	<u>31,749</u>	<u>35,075</u>

3. Interest receivable and similar income

	2014 £000	2013 £000
Other interest received	153	118
	<u>153</u>	<u>118</u>

4. Profit on ordinary activities before taxation

	2014 £000	2013 £000
Profit on ordinary activities before taxation is stated after charging:		
Auditor's remuneration in respect of:		
– audit of parent company financial statements	45	38
– audit of subsidiary financial statements	7	-
– other non-audit activities	7	-
Depreciation	1,526	1,275
Operating leases:		
– Land and buildings	1,173	1,193
Write off of work in progress	29	92
Redundancy costs	119	218
Company sale related expenses	523	-

5. Staff numbers and costs

The average number of employees, including directors, during the year was 357 (2013: 360) and they were employed in the following areas of the business:

	2014 £000	2013 £000
Sales and marketing	3	3
Administration	354	357
	<u>357</u>	<u>360</u>

Notes to the financial statements

for the year ended 30 November 2014

5. Staff numbers and costs (continued)

	2014 £000	2013 £000
Wages and salaries	13,409	12,709
Social security costs	1,422	1,528
Other pension costs	1,113	1,022
	<u>15,944</u>	<u>15,259</u>

6. Directors' Remuneration

During the year four directors and the chairman were remunerated by the Group. Included within wages and salaries are the directors' remuneration of £926k (2013: £668k). The highest paid director's total emoluments were £322k (2013: £334k).

Included in the total remuneration disclosed above is a total of £39k (2013: £25k) being pension contributions in respect of the directors. The pension contribution for the highest paid director was £23k (2013: £19k).

7. Tax on ordinary activities

(a) Analysis of taxable profit in the year

	2014 £000	2013 £000
<i>Current tax:</i>		
UK corporation tax on the profit for the year	4,546	1,241
Double tax relief	(43)	(73)
Adjustments in respect of previous periods	(488)	(1,317)
Overseas tax suffered	43	73
Tax on profit on ordinary activities (note 7(b))	<u>4,058</u>	<u>(76)</u>
<i>Deferred tax:</i>		
Origination and reversal of timing differences	32	72
Adjustments in respect of prior periods	184	-
Effect of rate change	2	171
Tax on profit on ordinary activities	<u>4,276</u>	<u>167</u>

Notes to the financial statements

for the year ended 30 November 2014

7. Tax on ordinary activities (continued)

(b) Factors affecting tax on profit for the year

The rate of tax assessed for the year is lower than the standard rate for current corporation tax in the UK of 21.66% (2013: 23.33%). The differences are explained below:

	2014 £000	2013 £000
Profit on ordinary activities before tax	20,419	10,200
Profit on ordinary activities multiplied by the standard rate of corporation tax of 21.66% (2013: 23.33%)	4,423	2,379
Effects of:		
(Income)/expenses not deductible for tax purposes	155	(1,066)
Other short term timing differences	(32)	(72)
Adjustments in respect of prior periods	(488)	(1,317)
Current tax for the year (note 7(a))	4,058	(76)

8. Tangible Fixed Assets

Group and Parent Company

	Assets under development £000	Computer equipment and systems £000	Furniture, fixtures and office equipment £000	Leasehold improvements £000	Total £000
Cost:					
At 1 December 2013	477	16,312	3,736	1,777	22,302
Additions	412	1,915	18	7	2,352
Disposals	-	-	-	(7)	(7)
Write-off	(21)	(10,946)	(1,556)	(357)	(12,880)
Transferred during year	(434)	434	1	-	1
At 30 November 2014	434	7,715	2,199	1,420	11,768
Depreciation:					
At 1 December 2013	-	14,583	3,421	1,142	19,146
Charge for year	-	1,242	85	199	1,526
Write-off	-	(10,945)	(1,555)	(358)	(12,858)
At 30 November 2014	-	4,880	1,951	983	7,814
Net book value:					
At 1 December 2013	477	1,729	315	635	3,156
At 30 November 2014	434	2,835	248	437	3,954

There were no fixed assets held under finance leases.

Notes to the financial statements

for the year ended 30 November 2014

9. Unsecured Loans

Group and Parent Company

	2014 £000	2013 £000
Unsecured loans	-	20,642
	-	20,642

On 19 October 2013 the Company served notice to exercise an option to acquire a portfolio of unsecured personal loans from Consumer Unsecured Re-performing Loans (CURL) plc ("CURL") with effect from 17 December 2013. The unsecured loans were reflected in the accounts at their amortised cost as at 30 November 2013 as the Company had the rights to the cash flows from the loans from this date. The unsecured loans acquired included both performing and charged-off loans. The acquisition cost was attributed to the performing portfolio as the charged-off loans were not expected to perform in the future.

The performing loan portfolio was subsequently sold on 15 May 2014 resulting in a gain on sale of £14,194,000. The charged-off loans have been retained.

10. Investment in subsidiaries

Parent Company

	2014 £000	2013 £000
Investments	675	-
	675	-

The undertakings in which the Company's interest at 30 November 2014 is more than 20% are as follows:

Company name	Country	Percentage Shareholding	Description
New Street Mortgages Limited	United Kingdom	100%	Non-trading
New Street Mortgages Ireland Limited	Ireland	100%	Non-trading
Cell A52 Harlequin Insurance PCC Limited	Guernsey	100%	Producer Owned Reinsurance Captive

At 30 November 2014 the Company held 100 ordinary shares of £1 each in New Street Mortgages Limited, and has paid up £1 on each share. These holdings represent the entire issued share capital of that company. The company has not yet commenced trading.

Notes to the financial statements

for the year ended 30 November 2014

10. Investment in subsidiaries (continued)

At 30 November 2014 the Company held 1,000 ordinary shares of €1 each in New Street Mortgages Ireland Limited. These holdings represent the entire issued share capital of that company. The company has not yet commenced trading.

Harlequin Insurance PCC Limited is a Protected Cell Company registered and regulated in Guernsey. Cell A52 ('the Cell') is not a separate legal entity but is a cell of Harlequin Insurance PCC Limited.

At 30 November 2014 the Company held 675,000 Non-Voting Redeemable Cell Shares of £1 each in the Cell, and has paid up £1 on each share. These holdings represent the entire issued share capital of the Cell and give the Company rights to dividends, other distributions and redemptions in relation to the profits and net assets of this Cell only. The Cell acts as a Producer Owned Reinsurance Captive of block policies relating to buildings and property owners liability.

11. Debtors: amounts falling due within one year

	Group		Parent Company	
	2014	2013	2014	2013
	£000	£000	£000	£000
Amounts owed by Group undertakings	33,985	38,371	33,985	38,371
Provision against amounts owed by Group undertakings	(33,985)	(38,371)	(33,985)	(38,371)
Total amounts owed by Group undertakings (see note 24)	-	-	-	-
Trade debtors - gross	12,506	14,939	12,506	14,939
Provisions	(2,763)	(3,161)	(2,763)	(3,161)
Trade debtors - net	9,743	11,778	9,743	11,778
Other debtors	3,072	305	1,003	305
Prepayments	1,066	1,277	1,060	1,277
	13,881	13,360	11,806	13,360

Notes to the financial statements

for the year ended 30 November 2014

11. Debtors: amounts falling due within one year (continued)

The movement in provisions against debtors was:

	2014		2013	
Group and Parent Company	Group undertakings	Trade debtors	Group undertakings	Trade debtors
	£000	£000	£000	£000
Opening balance	38,371	3,161	42,788	3,916
Charge for year	-	-	-	475
Recovered during year	(4,386)	(398)	(4,388)	-
Amounts written off during year	-	-	(29)	(1,230)
Closing balance	33,985	2,763	38,371	3,161

The provision against Group undertakings predominantly relates to the amount owing by Lehman Brothers Holding Inc. During 2014 £4,386k (2013: £4,388k) was received from the Lehman group against which the company had made provisions of £4,386k (2013: £4,388k).

On 28 November 2014, Acenden and Storm Funding Limited (in administration) ('Storm') entered into a deed of assignment to assign all of Acenden's rights in the LBHI receivable to Storm. The assignment was ratified by the United States Bankruptcy Court on 26 December 2014. This receivable of £33,867,000 as at 30 November 2014 was fully provided against. All the future payments and distributions will be made directly to Storm Funding Limited after this date.

12. Cash at Bank

	Group		Parent Company	
	2014	2013	2014	2013
	£000	£000	£000	£000
Cash at bank	2,309	54	687	54
Short-term deposit	29,524	12,177	29,524	12,177
Escrow	-	3,191	-	3,191
	31,833	15,422	30,211	15,422

Notes to the financial statements

for the year ended 30 November 2014

13. Creditors: amounts falling due within one year

	Group		Parent Company	
	2014	2013	2014	2013
	£000	£000	£000	£000
Amounts owed to Group undertakings	9	1,018	9	1,018
Trade Creditors	45	564	45	564
Accrued expenses	4,850	5,121	4,850	5,121
Amounts payable for unsecured loan portfolio (see note 9)	-	2,313	-	2,313
Employee Taxation and social security	162	14	162	14
Other Creditors	1,854	1,093	1,854	1,093
Provisions	954	450	652	450
Corporation Tax	2,849	470	2,723	470
	<u>10,723</u>	<u>11,043</u>	<u>10,295</u>	<u>11,043</u>

14. Provisions

	Group		Parent Company	
	2014	2013	2014	2013
	£000	£000	£000	£000
Opening balance	450	718	450	718
Increase/(decrease) in provisions during year	504	(268)	202	(268)
Closing balance	<u>954</u>	<u>450</u>	<u>652</u>	<u>450</u>

15. Deferred income

	Group		Parent Company	
	2014	2013	2014	2013
	£000	£000	£000	£000
Discount on acquisition of unsecured loans	-	18,328	-	18,328
Other deferred income	2,608	781	468	781
	<u>2,608</u>	<u>19,109</u>	<u>468</u>	<u>19,109</u>

The difference between the final purchase price and the amortised cost of the unsecured loan portfolio had been recognised as a discount on acquisition of unsecured loans.

Notes to the financial statements

for the year ended 30 November 2014

16. Allotted and issued share capital Group and Parent Company

	2014 £	2013 £
<i>Allotted called up and fully paid</i>		
Shares of £1 each – fully paid		
At 1 December 2013	250,094	250,088
Allotment of ordinary shares	-	7
Redemption of Preference "A" Shares	-	(1)
	<u>250,094</u>	<u>250,094</u>
At 30 November 2014		
Ordinary shares	400	400
Preference B shares ("B")	1	1
Deferred shares ("Deferred")	249,693	249,693
	<u>250,094</u>	<u>250,094</u>
At 30 November 2014		

The ordinary shares, ranking pari passu, have equal voting rights and are entitled to "available profits" once there is no "B" share credit (further defined below).

The "B" share has no voting right but is entitled to the sum of the aggregate amount received by the company in respect of the Lehman Brothers Holding Inc. receivable, (see note 25, 27). The "B" share is not transferable.

The "deferred" shares are not entitled to any distributions of available profits, assets on a liquidation or return of capital. The holders of the deferred shares have no voting rights and the shares are only transferable to the holder or acquirer of a controlling interest in the Company.

On 8 January 2015, the "B" share was redeemed at par value.

17. Share Premium Group and Parent Company

	2014 £000	2013 £000
At 1 December 2013	10	9
Issue of shares	-	1
	<u>10</u>	<u>10</u>
At 30 November 2014		

Notes to the financial statements

for the year ended 30 November 2014

18. Profit and loss account

Group

	2014 £000	2013 £000
At 1 December 2013	(4,962)	(14,995)
Profit for the year	16,143	10,033
At 30 November 2014	11,181	(4,962)

The company has taken advantage of the exception within section 408 of the Companies Act 2006 not to present its own profit and loss account. The profit for the year for Acenden Limited was £15,689,000 (2013: £10,033,000).

19. Reserves

Group and Parent Company

	Other Reserves £000	Share- Based Payment Reserve £000	Total £000
2014			
At 1 December 2013	28,093	181	28,274
Dividends paid to "B" preference shareholder	(2,447)	-	(2,447)
Closing balance at 30 November 2014	25,646	181	25,827
2013			
At 1 December 2013	41,563	-	41,563
Dividends paid to "A" preference shareholder	(5,210)	-	(5,210)
Dividends paid to "B" preference shareholder	(8,260)	-	(8,260)
Share based payment scheme recognised	-	181	181
Closing balance at 30 November 2014	28,093	181	28,274

After the year-end a dividend was paid for £11,665,000 on 30 January 2015 to the ordinary shareholders.

Notes to the financial statements

for the year ended 30 November 2014

20. Reconciliation of shareholders' funds

Group

	2014	2013
	£000	£000
Opening shareholders' funds at 1 December 2013	23,572	26,827
Profit for the year	16,143	10,033
Proceeds of issuance of shares	-	1
Dividends paid	(2,447)	(13,470)
Employee share based payment	-	181
Closing shareholders' funds at 30 November 2014	37,268	23,572

21. Reconciliation of operating profit to cash generated by operations

Group

	2014	2013
	£000	£000
Operating profit from operations	571	5,694
Depreciation – fixed assets	1,526	1,275
Write-off of fixed assets	29	92
(Increase)/decrease in debtors	(521)	(2,042)
(Increase)/decrease in deferred income	1,826	-(5)
Decrease in creditors	(2,699)	(1,475)
Share based payment	-	181
Net cash flow from operating activities	732	3,720

22. Pension contributions

The Group operates a stakeholder pension plan with the group contributing rates of between 7% and 12% of basic salary. During the year the Company contributed pension costs of £1,584,000 (2013: £1,022,000) in respect of pensions and at the 30 November 2014 had a creditor of £130,000 (2013: £129,000).

Notes to the financial statements

for the year ended 30 November 2014

23. Obligations under operating leases

Group and Parent Company

The minimum lease payments to which the Group is committed under non-cancellable operating leases for the coming years are:

	<i>Land and buildings</i>	
	2014	2013
	£000	£000
On lease expiring:		
Within one year	1,333	1,173
Between one and five years	1,846	1,946
Over five years	740	1,602
	<u>3,919</u>	<u>4,721</u>

The operating lease commitments represent rentals payable by the Group primarily for its office property. The buildings under operating leases are for properties in High Wycombe, London and Dublin (Ireland).

24. Deferred taxation

Group and Parent Company

	2014	2013
	£000	£000
Asset at start of year	1,144	1,387
Deferred tax movement in the profit and loss account (note 7)	(215)	(72)
Rate change in respect of timing differences	2	(171)
Asset at the end of year	<u>931</u>	<u>1,144</u>

The reduction in the UK corporation tax rate to 20% was substantively enacted in July 2013 and is effective from 1 April 2015. Accordingly the rate of 20% has been applied in the measurement of the Company's deferred tax asset as at 30 November 2014.

Notes to the financial statements

for the year ended 30 November 2014

25. Related party transactions

Parent Company

Acenden Limited has entered into transactions in the ordinary course of business with other related parties. Transactions entered into, and trading balances outstanding at the end of the year were:

	2014 £000 <i>Transactions Payments/ (Receipts)</i>	2014 £000 <i>Interest paid</i>	2014 £000 <i>Amounts owed by related parties</i>	2014 £000 <i>Amounts owed to related parties</i>
AMS Decisions Advisers LLP	1,423	-	-	(272)
MOKA Consulting Ltd	310	-	-	-
Lehman Brothers Holding Inc.	2*	-	33,867	-
Less provision	-	-	(33,867)	-
Lehman Brothers Europe Ltd	-	-	40	-
Less provision	-	-	(40)	-
Lehman Brothers Holdings Inc PCO	108*	-	-	(5)
Lehman Brothers Inc PCO	-	-	-	(3)
Lehman Brothers Lease and Finance Ltd	19*	-	-	-
Lehman Brothers Limited	4*	-	-	-
LBSF No. 1	49*	-	-	-
Lehman Brothers Special Financing Inc	-	-	30	-
Less provisions	-	-	(30)	-
MBAM Investor limited	3*	-	-	-
Preferred Holdings Ltd	-	-	9	-
Less provision	-	-	(9)	-
Preferred Group Ltd	-	-	8	-
Less provision	-	-	(8)	-
Southern Pacific Personal Loans Ltd	-	-	31	-
Less provision	-	-	(31)	-
Southern Pacific Mortgage Ltd	(2,051)	-	-	-
Preferred Mortgages Limited	(1,013)	-	-	-
Preferred Funding 5 Ltd	(175)	-	-	-
Southern Pacific Funding 3 Limited	(167)	-	-	-
Storm Funding Ltd	1,286*	-	-	-
Total related party transactions	(202)	-	-	(280)

*Amount paid to Lehman entities for Group tax losses

Notes to the financial statements

for the year ended 30 November 2014

25. Related party transactions (continued)

	2013 £000	2013 £000	2013 £000	2013 £000
	<i>Transactions Payments/ (Receipts)</i>	<i>Interest paid</i>	<i>Amounts owed by related parties</i>	<i>Amounts owed to related parties</i>
AMS Decisions Advisers LLP	465	-	85	-
MOKA Consulting Ltd	118	-	-	-
Lehman Brothers Holding Inc.	-	-	38,253	(2)*
<i>Less provision</i>	-	-	(38,253)	-
Lehman Brothers Europe Ltd	-	-	40	-
<i>Less provision</i>	-	-	(40)	-
Lehman Brothers Holdings Inc PCO	-	-	-	(5)
Lehman Brothers Inc PCO	-	-	-	(3)
Lehman Brothers Lease and Finance Ltd	-	-	-	(19)*
Lehman Brothers Special Financing Inc	-	-	30	-
<i>Less provisions</i>	-	-	(30)	-
Preferred Holdings Ltd	-	-	9	-
<i>Less provision</i>	-	-	(9)	-
Preferred Group Ltd	-	-	8	-
<i>Less provision</i>	-	-	(8)	-
Preferred Mortgages Limited	(721)	-	-	-
Preferred Funding 5 Ltd	(369)	-	-	-
Southern Pacific Funding 3 Limited	(270)	-	-	-
Southern Pacific Mortgages Limited	(2,570)	-	-	-
Southern Pacific Personal Loans Ltd	-	-	31	-
<i>Less provision</i>	-	-	(31)	-
Storm Funding Ltd	-	(50)	-	(988)*
Total related party transactions	(3,347)	(50)	85	(1,017)

*Amount owed to Lehman entities for Group tax losses

All transactions with related parties have been carried out at arm's length. Lehman Brothers Holdings Inc. (In Administration) is the parent company indirectly owning 100% of the share capital of these companies.

AMS Decisions Advisers LLP and MOKA Consulting Ltd have a common director with Acenden Limited. Both provide professional and advisory services.

Notes to the financial statements

for the year ended 30 November 2014

26. Ultimate parent undertaking and controlling party

The immediate parent company of Acenden Limited is Storm Funding Limited (in administration).

The ultimate parent company of Acenden Limited is Lehman Brothers Holding Inc. (In administration). The Company was incorporated in the State of Delaware in the United States of America and put into chapter 11 Bankruptcy in September 2008.

27. Events since the balance sheet date

On 6 January 2015, Funds managed by Blackstone Tactical Opportunities and TPG Special Situations Partners agreed to acquire Acenden from the administrators of Lehman Brothers subject to regulatory approval.

The LBHI receivable of £33,867,000 was assigned to Storm Funding Limited subsequent to the year ended 30 November 2014, details of which are disclosed in Note 11.