

**Broadlands Finance Limited**  
**Annual report and financial statements**  
**For the year ended 31 December 2019**

**Registered number: 06957973**



## **Broadlands Finance Limited**

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## **Broadlands Finance Limited**

### **Directors' report**

The Directors present their annual report of Broadlands Finance Limited ("the Company"), together with the financial statements and Auditor's Report, for the year ended 31 December 2019.

The Company qualifies as a small company in accordance with the sections 381-382 of the Companies Act 2006 ("the Act"). The Directors' Report has been prepared in accordance with the special provisions relating to small companies exemptions provided in sections 414B (as incorporated) to the Act by The Strategic Report and Directors' Report Regulations 2013 and section 415(A)(1) and (2) of the Act. The Directors have taken advantage of the small companies' exemption from the requirement to prepare a Strategic Report.

#### **Principal activities**

The principal activity of the Company is the provision of administrative services to Charter Court Financial Services Group plc ("CCFSG") and its subsidiaries within the United Kingdom.

The Company is a wholly-owned subsidiary of CCFSG. With effect from 4 October 2019, CCFSG became a wholly-owned subsidiary of OneSavings Bank plc ("OSB"). The OSB Group comprises OSB and its subsidiaries, which includes CCFSG and its subsidiaries.

#### **Business review**

The Company holds an investment in debt securities of one of OSB Group's securitisation entities, Precise Mortgage Funding 2015-1 plc ("PMF 2015-1"). PMF 2015-1 is a special purpose vehicle established to raise funding for Charter Court Financial Services Limited ("CCFSL"). The Company is entitled to interest on the debt securities and to any deferred consideration of the vehicle.

#### **Key performance indicators**

The key performance indicators used by management in assessing the performance of the Company are the annual financial statements.

#### **Future developments**

The Company's primary business model will include the purchase and servicing of customer loans from a fellow subsidiary, CCFS, using either warehouse or securitisation funding.

#### *Covid-19*

Since the year end, the COVID-19 pandemic has caused significant economic and social disruption and has led to unprecedented uncertainty in the outlook for the UK and global economies. Further details of the potential impact on the Company, and actions taken, can be found in; note 26 to the financial statements, Financial risk management objectives and policies, Pandemic risk; and, note 29 to the financial statements, Post balance sheet events.

#### **Results**

The loss for the year, after taxation, is £89k (2018: profit of £623k). The net assets of the Company as at 31 December 2019 are £13,512k (2018: £13,601k).

## **Broadlands Finance Limited**

### **Directors' report (continued)**

#### **Directors**

The Directors, who served during the year and to the date of this report, unless otherwise indicated, were as follows:

#### **Name of Directors**

Jens Bech (appointed 1 June 2020)

Tim Brooke (resigned 7 May 2020)

Peter Elcock (resigned 4 October 2019)

Andrew Golding (appointed 4 October 2019)

Noël Harwerth (resigned 1 June 2020)

Philip Jenks (resigned 4 October 2019)

Rajan Kapoor (resigned 1 June 2020)

Ian Lonergan (resigned 4 October 2019)

Sebastien Maloney (resigned 4 October 2019)

April Talintyre (appointed 4 October 2019)

Ian Ward (resigned 7 May 2020)

Sir Malcolm Williamson (resigned 4 February 2020)

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

#### **Company Secretary**

Dianne Wendy Malsbury resigned as Company Secretary on 12 November 2019. Jason Stanley Elphick was appointed Company Secretary on 12 November 2019.

#### **Directors' indemnities**

The Articles provide, subject to the provisions of UK legislation, an indemnity for Directors and Officers of the Company in respect of liabilities they may incur in the discharge of their duties or in the exercise of their powers, including any liabilities relating to the defence of any proceedings brought against them, which relate to anything done or omitted, or alleged to have been done or omitted, by them as Officers or employees of the Company. Directors' and Officers' liability insurance cover is in place in respect of all Directors.

#### **Environment**

The Company 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.

#### **Employees**

The Company has no employees. All operational services have been contracted to another group company being Exact Mortgage Experts Limited.

## **Broadlands Finance Limited**

### **Directors' report (continued)**

#### **Principal risks and uncertainties**

Principal risks and uncertainties are discussed in note 26 to the financial statements.

#### **Going concern basis**

The Directors have undertaken a going concern assessment to satisfy themselves that the Company has sufficient resources to continue in operational existence for a period in excess of 12 months from the date of this report and have prepared the financial statements on that basis.

In assessing whether the going concern basis is appropriate, the Directors considered the information contained in the financial statements and the latest business plans for the Company. The assessment also considered the wider OSB Group, in which the Company is a subsidiary undertaking.

The wider OSB Group forecasts have been subject to scenarios which have been compared to the latest Brexit and COVID-19 pandemic economic scenarios provided by the OSB Group's external economic advisors, as well as reverse stress tests.

The COVID-19 assessment, which focussed on capital, liquidity and operational resilience at the wider OSB Group level, included the following actions:

- Financial and capital forecasts were prepared under stress scenarios which were assessed against the latest COVID-19 related economic forecasts provided by the OSB Group's external economic advisors. Reverse stress tests were also run, to assess what combinations of House Price Index and unemployment variables would utilise regulatory capital buffers in full and breach the minimum prudential requirements. The Directors assessed the likelihood of those reverse stress scenarios occurring within the next 12 months and concluded that the likelihood is remote.
- The latest liquidity and contingent liquidity positions and forecasts were assessed against the ILAAP stress scenarios, which were reviewed for suitability in the context of COVID-19 related stresses.
- Future operational resilience was assessed, including the ability to achieve social distancing within offices and continue to support significant levels of home working; adapt the IT technology and network to continue to support home working, establish and maintain internal and external communications; adapt how regulatory engagement is managed; and plan for a phased return to offices in line with government guidance. The assessment also covered the operational resilience of material outsourcing arrangements.

Having reviewed these assessments, the Directors are satisfied that the Company has adequate resources to continue in operational existence for a period in excess of 12 months from the date of this report.

See note 29 to the financial statements, Post balance sheet events for further details on COVID-19.

#### **Dividends**

No dividend has been paid or proposed by the Company in the current financial year.

#### **Post balance sheet events**

There have been no significant events between 31 December 2019 and the date of approval of the financial statements which would require adjustment to the financial statements. Note 29 provides information in respect to; a purchase of mortgage assets and subsequent securitisation, PMF 2015-1 Plc announcing its intention to redeem all of its notes in issue on 12 June 2020; and, the COVID-19 outbreak.

## **Broadlands Finance Limited**

### **Directors' report (continued)**

#### **Audit disclosure**

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

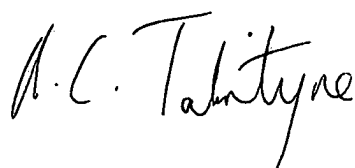
- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the Director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

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

#### **Auditor**

Deloitte LLP, who were appointed as auditor for the year, have expressed their willingness to continue in office as auditor.

Approved by the Board of Directors and signed on its behalf by:



April Talintyre  
2 Charter Court  
Broadlands  
Wolverhampton  
West Midlands  
WV10 6TD  
19 June 2020

## **Broadlands Finance 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 Company and of the profit or loss of the Company 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 Company'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 Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

# **Independent auditor's report to the members of Broadlands Finance Limited**

## **Report on the audit of the financial statements**

### **Opinion**

In our opinion the financial statements of Broadlands Finance Limited (the "Company"):

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the Statement of comprehensive income;
- the Statement of financial position;
- the Statement of changes in equity;
- the Statement of cash flows; and
- the related notes 1 to 29.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the "FRC's") Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Conclusions relating to going concern**

We are required by ISAs (UK) to report in respect of the following matters where:

- the Directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.



# **Independent auditor's report to the members of Broadlands Finance Limited**

## **Other information**

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

## **Responsibilities of Directors**

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, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

## **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

# **Independent auditor's report to the members of Broadlands Finance Limited**

## **Report on other legal and regulatory requirements**

### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' Report has been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Directors' report.

### **Matters on which we are required to report by exception**

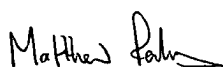
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to take advantage of the small companies' exemption in preparing the directors' report and from the requirement to prepare a strategic report.

We have nothing to report in respect of these matters.

### **Use of our report**

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.



Matt Perkins FCA (Senior statutory auditor)  
For and on behalf of Deloitte LLP  
Statutory Auditor  
Birmingham, United Kingdom  
19 June 2020

## Broadlands Finance Limited

### Statement of Comprehensive Income For the year ended 31 December 2019

		Year ended 31 December 2019 £000	Year ended 31 December 2018 £000
<b>Continuing activities</b>	<b>Note</b>		
Interest receivable	6	109	107
Interest payable	7	(2)	(2)
<b>Net interest income</b>		<u>107</u>	<u>105</u>
 Non-interest (expense)/income	 8	 <u>(53)</u>	 <u>716</u>
<b>Net total income</b>		<b>54</b>	<b>821</b>
 Administrative expenses		 <u>(143)</u>	 <u>(52)</u>
<b>(Loss)/profit before tax</b>	<b>9</b>	<b>(89)</b>	<b>769</b>
 Tax charge	 12	 <u>-</u>	 <u>(146)</u>
<b>(Loss)/profit and total comprehensive (expense)/income for the year</b>		<u><b>(89)</b></u>	<u><b>623</b></u>
 <b>Attributable to:</b>			
Equity holders of the Company		<u><b>(89)</b></u>	<u><b>623</b></u>

## Broadlands Finance Limited

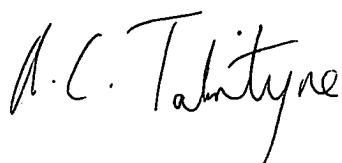
### Statement of Financial Position As at 31 December 2019

	Note	2019 £000	2018 £000
<b>Assets</b>			
Cash and cash equivalents	13	3,032	2,031
Loan notes receivable	14	10,366	10,366
Derivative financial instruments	15	377	1,532
Trade and other receivables	16	47	190
Deferred deal costs	17	-	43
<b>Total assets</b>		<u>13,822</u>	<u>14,162</u>
<b>Liabilities</b>			
Corporation tax payable	18	<u>310</u>	<u>561</u>
<b>Total liabilities</b>		<u>310</u>	<u>561</u>
<b>Net assets</b>		<u>13,512</u>	<u>13,601</u>
<b>Equity</b>			
Share capital	19	-	-
Share premium	20	11,100	11,100
Retained earnings	21	<u>2,412</u>	<u>2,501</u>
<b>Total equity</b>		<u>13,512</u>	<u>13,601</u>

Company Number: 06957973

Notes 1 to 29 form an integral part of the financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 19 June 2020. They were signed on its behalf by:



April Talintyre

## Broadlands Finance Limited

### Statement of Changes in Equity For the year ended 31 December 2019

	Share capital £000	Share premium £000	Retained earnings £000	Total £000
Note	19	20	21	
<b>At 1 January 2018</b>	-	11,100	4,378	15,478
Profit and total comprehensive income for the year	-	-	623	623
Dividends paid	-	-	(2,500)	(2,500)
<b>At 31 December 2018</b>	-	11,100	2,501	13,601
Loss and total comprehensive expense for the year	-	-	(89)	(89)
<b>At 31 December 2019</b>	-	11,100	2,412	13,512

## Broadlands Finance Limited

### Statement of Cash Flows For the year ended 31 December 2019

		Year ended 31 December 2019 £000	Year ended 31 December 2018 £000
	Note		
Net cash from operating activities	23	1,001	1,469
Financing activities			
Dividends paid		-	(2,500)
Cash utilised by financing activities		-	(2,500)
Net increase/(decrease) in cash and cash equivalents		1,001	(1,031)
Cash and cash equivalents at the beginning of the year		2,031	3,062
Cash and cash equivalents at end of year	13	3,032	2,031

# **Broadlands Finance Limited**

## **Notes to the Financial Statements For the year ended 31 December 2019**

### **1. General information**

Broadlands Finance Limited is a Company incorporated in the United Kingdom and registered in England and Wales under the Companies Act 2006 with company number 06957973. The Company is a private company limited by shares. The address of the registered office is 2 Charter Court, Broadlands, Wolverhampton, West Midlands, WV10 6TD. The nature of the Company's operations and its principal activities are set out in the Directors' Report on pages 3 to 5.

### **2. Basis of preparation**

The financial statements for the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as adopted by the European Union ("EU") and therefore the Company financial statements comply with Article 4 of the EU IAS Regulation. The IFRS, as adopted by the EU, applied for all periods herein presented, are those that are effective for accounting periods beginning on or after 1 January 2019.

The Company's financial statements are prepared under the historical cost convention as modified by the revaluation of derivative financial instrument and other assets held at fair value through profit or loss or held at fair value through other comprehensive income. Historical cost is generally based on the fair value of the consideration given in exchange for services. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for measurements that have some similarities to fair value but are not fair value, such as value in use in IAS 36.

The financial statements are presented in pounds sterling. The functional currency of the Company is pounds sterling, which is the currency of the primary economic environment in which the entities operate. There are currently no foreign operations within the Company.

The Company's accounting reference date is 31 December so that the year end is aligned with its ultimate parent company, immediate parent company and fellow subsidiaries within OSB Group for the purposes of preparing consolidated financial statements for OSB Group. The Company has no subsidiaries and accordingly, these financial statements relate to the Company only.

The Directors have undertaken a going concern assessment to satisfy themselves that the Company has sufficient resources to continue in operational existence for a period in excess of 12 months from the date of this report and have prepared the financial statements on that basis.

In assessing whether the going concern basis is appropriate, the Directors considered the information contained in the financial statements and the latest business plans for the Company. The assessment also considered the wider OSB Group, in which the Company is a subsidiary undertaking.

# **Broadlands Finance Limited**

## **Notes to the financial statements (continued) For the year ended 31 December 2019**

### **2. Basis of preparation (continued)**

The wider OSB Group forecasts have been subject to scenarios which have been compared to the latest Brexit and COVID-19 pandemic economic scenarios provided by the OSB Group's external economic advisors, as well as reverse stress tests.

The COVID-19 assessment, which focussed on capital, liquidity and operational resilience at the wider OSB Group level, included the following actions:

- Financial and capital forecasts were prepared under stress scenarios which were assessed against the latest COVID-19 related economic forecasts provided by the OSB Group's external economic advisors. Reverse stress tests were also run, to assess what combinations of House Price Index and unemployment variables would utilise regulatory capital buffers in full and breach the minimum prudential requirements. The Directors assessed the likelihood of those reverse stress scenarios occurring within the next 12 months and concluded that the likelihood is remote.
- The latest liquidity and contingent liquidity positions and forecasts were assessed against the ILAAP stress scenarios, which were reviewed for suitability in the context of COVID-19 related stresses.
- Future operational resilience was assessed, including the ability to achieve social distancing within offices and continue to support significant levels of home working; adapt the IT technology and network to continue to support home working, establish and maintain internal and external communications; adapt how regulatory engagement is managed; and plan for a phased return to offices in line with government guidance. The assessment also covered the operational resilience of material outsourcing arrangements.

Having reviewed these assessments, the Directors are satisfied that the Company has adequate resources to continue in operational existence for a period in excess of 12 months from the date of this report.

See note 29 to the financial statements, Post balance sheet events for further details on COVID-19.

### **3. Adoption of new and revised standards**

The following financial reporting standard amendments and interpretations were in issue and have been applied in the financial statements from 1 January 2019.

Annual Improvements to IFRS Standards 2015–2017 Cycle	Amendments to IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs
IFRIC 23	Uncertainty over Income Tax Treatments

The Company also elected to early adopt the amendments to IFRS 9, IAS 39 and IFRS 7 Interest Rate Benchmark Reform issued in September 2019, there has been no material impact on the Company.

There has been no material impact on the financial statements of the Company from the adoption of these financial reporting standard amendments and interpretations.



# **Broadlands Finance Limited**

## **Notes to the financial statements (continued) For the year ended 31 December 2019**

### **3. Adoption of new and revised standards (continued)**

#### **International financial reporting standards issued but not yet adopted which are applicable to the Company**

The following financial reporting standards were in issue but have not been applied in the financial statements, as they were not yet effective on 31 December 2019.

#### **Effective for accounting periods beginning on or after 1 January 2020:**

Amendments to the Conceptual Framework for Financial reporting, including amendments to references to the Conceptual Framework in IFRS Standards.

Amendments to IFRS 3	Definition of a Business
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Amendments to IAS 1 and IAS 8	Definition of Material
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The Directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Company in future periods.

### **4. Accounting policies**

#### **Revenue recognition**

The revenue of the Company represents interest receivable and similar income. Interest receivable is due on its investment in PMF 2015-1 as it holds the residual certificates, Z note and subordinated loan. The Z note and subordinated loan give rise to fixed and determinable payments, as disclosed in note 14. The residual certificates give the Company an entitlement to deferred consideration from PMF 2015-1 after the distributions to loan note holders, suppliers and swap providers.

Interest receivable on cash and short term bank deposits is recognised within the Statement of Comprehensive Income in the period it is earned.

#### **Profit before tax**

Profit before tax is stated after charging certain administrative expense, investment income and finance costs.

#### **Taxation**

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

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 periods and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the Statement of Financial Position date.

## **Broadlands Finance Limited**

### **Notes to the financial statements (continued) For the year ended 31 December 2019**

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

##### **Financial instruments**

Financial assets and financial liabilities are recognised in the Company's Statement of Financial Position when the Company becomes a party to the contractual provisions of the instrument.

##### ***Financial assets at amortised cost***

Trade receivables, loans and other receivables are initially recognised at fair value net of transaction costs incurred and subsequently stated at amortised cost using the EIR method. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

##### ***Effective interest method***

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at fair value through profit and loss ("FVTPL").

##### ***Impairment of financial assets***

The Company assesses on a forward-looking basis the expected credit losses associated with its financial instruments that are not measured at FVTPL.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets.

##### ***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.

##### ***Financial liabilities***

Financial liabilities are classified according to the substance of the contractual arrangements entered into. Financial liabilities are measured at amortised cost using effective interest rate models.

## Broadlands Finance Limited

### Notes to the financial statements (continued) For the year ended 31 December 2019

#### 4. Accounting policies (continued)

##### Derivative financial instruments

The Company holds an investment in the residual certificates of one of OSB Group's securitisation entities, PMF 2015-1. The residual certificates give the Company an entitlement to deferred consideration from PMF 2015-1 after the distributions to loan note holders, suppliers and swap providers.

The Company's right to the deferred consideration was initially recognised at fair value at the date the derivative contract was entered into and subsequently re-measured at fair value at each Statement of Financial Position date.

The resulting gain or loss is recognised in profit or loss immediately.

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.

#### 5. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 4, 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 period in which the estimate is revised, if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

##### Critical judgements in applying the Company's accounting policies

The Directors believe there are no critical judgements in applying the Company's accounting policies.

##### Key sources of estimation uncertainty

The Directors believe there are no material key sources of estimation uncertainty in applying the Company's accounting policies.

#### 6. Interest receivable

	Year ended 31 December 2019 £000	Year ended 31 December 2018 £000
At amortised cost:		
Interest and other income on debt securities	93	93
Interest receivable from deposits	16	14
	<u>109</u>	<u>107</u>

## Broadlands Finance Limited

### Notes to the financial statements (continued) For the year ended 31 December 2019

#### 7. Interest payable

	Year ended 31 December 2019 £000	Year ended 31 December 2018 £000
Interest payable on swaps	<u>2</u>	<u>2</u>

#### 8. Non-interest (expense)/income

	Year ended 31 December 2019 £000	Year ended 31 December 2018 £000
Income from residual certificates	1,102	2,174
Fair value movements on derivative financial instruments	<u>(1,155)</u>	<u>(1,458)</u>
Non-interest income	<u>(53)</u>	<u>716</u>

#### 9. Profit before tax

Information about the auditor's remuneration for audit and fees for other services is disclosed in note 10. Information about staff costs is disclosed in note 11.

#### 10. Auditor's remuneration

The analysis of auditor's remuneration is as follows:

	Year ended 31 December 2019 £000	Year ended 31 December 2018 £000
Fees payable to the auditor for the audit of the Company's annual accounts	25	37
Fee payable to auditor for assurance services:		
- Audit assurance services	<u>5</u>	<u>7</u>
<b>Total fees</b>	<u>30</u>	<u>44</u>

In 2019 and 2018 fees payable to Deloitte LLP for audit-related assurance services included an interim review.

The external audit costs were borne by CCFSL on behalf of the Company.

#### 11. Staff costs

The Company has no employees. All services to the Company are provided by employees of Exact Mortgage Experts Limited, a related party which is an associated subsidiary within the Company's immediate group. No recharge is made for the costs incurred.

Until 4 October 2019, when OneSavings Bank plc became the ultimate controlling party of the Company (see note 28); all Directors were employees of Exact Mortgage Experts Limited ("EME"), a fellow OSB Group entity, and therefore received remuneration from EME. From 4 October 2019 onwards, all Directors are employees of OSB Group and therefore receive remuneration from OSB Group.

# Broadlands Finance Limited

## Notes to the financial statements (continued) For the year ended 31 December 2019

### 12. Tax charge

	Year ended 31 December 2019 £000	Year ended 31 December 2018 £000
Current tax:		
Current tax on profits for the year	-	(146)
Tax per Statement of Comprehensive Income	<u>-</u>	<u>(146)</u>

A reconciliation of the expected tax charge based on the standard rate of tax for the year ended 31 December 2019 of 19% (2018: 19%) to the actual tax charge is set out below:

	Year ended 31 December 2019 £000	Year ended 31 December 2018 £000
(Loss)/profit before tax:	(89)	769
Tax at the UK corporation tax rate of 19% (2018: 19%)	17	(146)
Group relief	(17)	-
Tax charge for the year	<u>-</u>	<u>(146)</u>

### Change in tax rate

A reduction in the UK corporation tax rate from 19% to 18% (effective from 1 April 2020) was enacted on 26 October 2015 and an additional reduction to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2017. In March 2020, these rate reductions were cancelled by the UK Government and the UK corporation tax rate will remain at 19% from 1 April 2020. However, as this cancellation was not enacted at the balance sheet date, deferred tax balances expected to unwind after 1 April 2020 continue to be recognised at 17%.

### 13. Cash and cash equivalents

	As at 31 December 2019 £000	As at 31 December 2018 £000
Cash and cash equivalents	<u>3,032</u>	<u>2,031</u>

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.

## Broadlands Finance Limited

### Notes to the financial statements (continued) For the year ended 31 December 2019

#### 14. Loan notes receivable

	As at 31 December 2019 £000	As at 31 December 2018 £000
PMF 2015-1 plc Z Note	4,330	4,330
PMF 2015-1 plc Subordinated Note	6,036	6,036
	<u>10,366</u>	<u>10,366</u>

The Z Note and Subordinated Note attract a fixed rate coupon of 90 basis points payable quarterly in arrears. On 29 May 2020, PMF 2015-1 Plc announced its intention to redeem all of its notes in issue at their then principal amount outstanding together with accrued interest on 12 June 2020, see note 29 for further details...

All balances are due after 12 months.

#### 15. Derivative financial instruments

	As at 31 December 2019 £000	As at 31 December 2018 £000
PMF 2015-1 plc residual certificates	<u>377</u>	<u>1,532</u>

The Company holds an investment in the residual certificates of one of OSB Group's securitisation entities, PMF 2015-1. The residual certificates give the Company an entitlement to deferred consideration from PMF 2015-1 after the distributions to loan note holders, suppliers and swap providers.

The investment in the residual certificates held at fair value is categorised as level 3. The fair value is based on expected future cash flows using an assumed amortisation profile of the underlying securitisation's pool of mortgages. The cash flows are discounted to present value using a risk adjusted rate.

## Broadlands Finance Limited

### Notes to the financial statements (continued) For the year ended 31 December 2019

#### 16. Trade and other receivables

	As at 31 December 2019 £000	As at 31 December 2018 £000
Deferred consideration	41	184
Interest receivable	6	6
	<u>47</u>	<u>190</u>

Included in deferred consideration is £41k (2018: £184k) owed by PMF 2015-1.

The Directors consider that the carrying amount of trade and other receivables is approximately equal to their fair value. All balances are all due within 12 months.

#### 17. Deferred deal costs

	As at 31 December 2019 £000	As at 31 December 2018 £000
Deferred deal costs	<u>-</u>	<u>43</u>

Deferred deal costs related to PMF 2015-1. Costs were being amortised over the expected life of each transaction and in line with the predicted investment return due to the Company. Amortisation in the year amounted to £43k (2018: £53k).

All balances are due within 12 months.

#### 18. Corporation tax payable

	As at 31 December 2019 £000	As at 31 December 2018 £000
Corporation tax payable	<u>310</u>	<u>561</u>

All balances are due within 12 months.

## Broadlands Finance Limited

### Notes to the financial statements (continued) For the year ended 31 December 2019

#### 19. Share capital

	As at 31 December 2019 £	As at 31 December 2018 £
Authorised, issued and called up:		
2 Ordinary shares of £1 each	<u>2</u>	<u>2</u>

The Company has one class of ordinary shares which carries no right to fixed income.

#### 20. Share premium

	As at 31 December 2019 £000	As at 31 December 2018 £000
At 31 December	<u>11,100</u>	<u>11,100</u>

Share premium arose due to CCFSG subscribing in share capital in the Company.

#### 21. Retained earnings

	£000
At 1 January 2018	4,378
Profit and total comprehensive income for the year	623
Dividends paid	(2,500)
At 31 December 2018	<u>2,501</u>
Loss and total comprehensive income for the year	(89)
At 31 December 2019	<u>2,412</u>

#### 22. Dividends paid

No dividend was paid during the year (2018: £2,500k, £1,250k per share).



# Broadlands Finance Limited

## Notes to the financial statements (continued) For the year ended 31 December 2019

### 23. Net cash flow from operating activities

	Year ended 31 December 2019	Year ended 31 December 2018
	£000	£000
(Loss)/profit before tax for the year	(89)	769
Decrease in derivative financial instruments	1,155	1,458
Decrease/(increase) in trade and other receivables	143	(184)
Decrease in deferred deal costs	43	53
Decrease in trade and other payables	-	(128)
Cash generated from operating activities	1,252	1,968
Tax paid	(251)	(499)
Net cash generated from operating activities	1,001	1,469

### 24. Capital risk management

OSB Group manages its capital to ensure that entities in the OSB Group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Company consists of debt, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in notes 19 to 21.

### 25. Financial instruments

#### Categories of financial instruments

	Carrying value	
	As at 31 December 2019	As at 31 December 2018
	£000	£000
<b>Financial assets held at amortised cost</b>		
Cash and cash equivalents	3,032	2,031
Loan notes receivable	10,366	10,366
Trade and other receivables	47	190
Deferred deal costs	-	43
	13,445	12,630
<b>Financial assets held at FVTPL</b>		
Derivative financial instruments	377	1,532

The fair values of cash and cash equivalents, loan notes receivable, trade and other receivables and trade and other payables and are not considered to be materially different from their book values. In arriving at that conclusion, market inputs have been considered but because these assets mature within three months of the year end, and the interest rates charged on financial liabilities reset to market rates on a quarterly basis, little difference arises.

## Broadlands Finance Limited

### Notes to the financial statements (continued)

#### For the year ended 31 December 2019

##### 26. Financial risk management objectives and policies

Derivative financial instruments held at fair value are all Level 3 fair value measurements, being derived from inputs which are not quoted in active markets. For further information see note 15.

##### Risk management

The Company's activities expose it to a number of financial risks and uncertainties; primarily credit risk, liquidity risk, interest rate risk, market risk, business risk and operational risk which are explained in more detail below. An emerging risk that has arisen after the year end, is pandemic risk; the risks to the Company associated with pandemic risk are explained in more detail at the end of this note.

##### Credit risk

Credit risk is the risk of financial loss arising from the failure of a customer or counterparty to settle their financial and contractual obligations as they fall due. Financial assets of the Company consist of receivables made up of loan notes, derivative financial instruments, trade and other receivables and cash and cash equivalents.

Credit risk arising on cash and cash equivalents, loan notes receivable and trade and other receivables is reviewed by the Group Credit Committee and overseen by the Risk Management Committee and isk Committee.

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

Class	As at 31	As at 31
	December 2019	December 2018
	£000	£000
Cash and cash equivalents	3,032	2,031
Loan notes receivable	10,366	10,366
Derivative financial instruments	377	1,532
Trade and other receivables	47	190
	<u>13,822</u>	<u>14,119</u>

##### Liquidity and funding risk

Liquidity and funding risk is the risk that the Company 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 Company's cash flow.

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

##### Market risk

Market risk is the risk of losses resulting from movements in market prices or other external factors. The most significant market risk for the Company is interest rate risk, which is managed at Group level.

## Broadlands Finance Limited

### Notes to the financial statements (continued) For the year ended 31 December 2019

#### 26. Financial risk management objectives and policies (continued)

##### Interest rate risk

Interest rate risk, the risk that interest margins will be adversely affected by movements in market interest rates, is managed 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 3% of projected net interest income in the following 12 months.

##### Interest rate sensitivity analysis

In measuring the impact and the Company's position at the year end, account is taken of the Company's assets and liabilities and their maturity and repricing arrangements. Account is also taken of pipeline and repayments. The impact on the expected profitability of the Company in the next 12 months of a 0.50% parallel shift in interest rates prevalent at the year-end is set out below.

	As at 31 December 2019 £000	As at 31 December 2018 £000
+ 0.50%	-	58
- 0.50%	-	(58)

##### Operational risk

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, human factors or external events where the root cause is not due to credit or market risks. It includes information technology, information security, change management, outsourcing, tax, legal, people and financial control risks.

The Company continues to build its understanding of potential adverse effects resulting from emerging and changing risks such as IT risks, cybercrime and the broader macro economy. The Company is alert to these risks and they are assessed, monitored and controlled as part of OSB Group's IT strategy and operational risk management activities.

OSB Group has an operational risk management framework to support the identification, measurement, management and reporting of operational risks and 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.

Operational risk and the broader framework is reviewed by the Operational Risk Working Group which comprises senior members of risk management and all business areas and is overseen by the Risk Management Committee and Risk Committee.

## **Broadlands Finance Limited**

### **Notes to the financial statements (continued)** **For the year ended 31 December 2019**

#### **26. Financial risk management objectives and policies (continued)**

##### **Business risk**

The Company's income is dependent on a company that holds mortgages in the UK mortgage market, and therefore is partially dependent upon any future changes in the level of activity in the economy, and mortgage market as a whole.

The final outcome of Brexit is uncertain and thus it is not possible to predict with any certainty the impact on the UK economy. This matter and any emerging risks continue to be kept under close review. In the meantime, the business remains focused on its principal activities, with the exception of actions taken in response to the current COVID-19 pandemic situation (see pandemic risk below and Note 29, Post balance sheet events for further details).

##### **Pandemic risk**

Since the year end, the COVID-19 pandemic has caused significant economic and social disruption and has led to unprecedented uncertainty in the outlook for the UK and global economies. The financial services sector and the Company in a global pandemic could be adversely impacted as a consequence of deteriorating credit risk profile, market uncertainty, declining liquidity and curtailed operational capacity.

The asset quality profile could be impacted through declining customer affordability, increasing delinquency and diminishing underlying security values. This would feed through into increasing credit write-offs, credit provisions and capital requirements. Use of forbearance may also need to be reassessed to manage the asset quality profile in a prudent and a conduct sensitive manner. The Company may also be required to re-evaluate the key judgements and assumptions underpinning its business, capital, provisioning and wider risk models.

The Company's funding sources could be impacted as wholesale capital markets are also expected to experience reduced liquidity and risk appetite though this may be offset by more aggressive central bank open market operations.

See note 29 to the financial statements, Post balance sheet events for further details.

## Broadlands Finance Limited

### Notes to the financial statements (continued) For the year ended 31 December 2019

#### 27. Related party transactions

PMF 2015-1 meets the definition of a special purpose entity under IFRS. In accordance with the requirements of IFRS 10 consolidated financial statements, PMF 2015-1's accounts were consolidated within the Group accounts of CCFSG for the year ended 31 December 2018 and are consolidated within the Group accounts of OSB Group for the year ended 31 December 2019 (see note 28). Consequently, the Company's investments in PMF 2015-1 and related cash flows are considered to be related party transactions.

Statement of Financial Position	Loan notes receivable £000	Derivative financial instruments £000	Deferred consideration receivable/ (payable) £000	Accrued interest receivable on loan notes £000
<b>Year ended 31 December 2019</b>				
Precise Mortgage Funding 2015-1 plc	<u>10,366</u>	<u>377</u>	<u>41</u>	<u>5</u>
<b>Year ended 31 December 2018</b>				
Precise Mortgage Funding 2015-1 plc	<u>10,366</u>	<u>1,532</u>	<u>184</u>	<u>5</u>
<b>Statement of Comprehensive Income</b>				
			Interest receivable on loan notes £000	Deferred consideration receivable £000
<b>Year ended 31 December 2019</b>				
Precise Mortgage Funding 2015-1 plc			<u>93</u>	<u>1,102</u>
<b>Year ended 31 December 2018</b>				
Precise Mortgage Funding 2015-1 plc			<u>92</u>	<u>2,174</u>

During the year, external audit costs of £30k (2018: £44k) and taxation fees of £4k (2018: £4k) were borne by CCFSL on behalf of the Company.

#### Remuneration of key management personnel

As set out in note 11, all staff costs including Directors and key management remuneration are borne by a Group entity, Exact Mortgage Experts Limited, for which no recharge is made.

## **Broadlands Finance Limited**

### **Notes to the financial statements (continued) For the year ended 31 December 2019**

#### **28. Immediate parent company and ultimate controlling party**

CCFSG is the immediate parent of the Company and owns 100% of its issued ordinary share capital.

On 4 October 2019, OneSavings Bank plc acquired all of the share capital of CCFSG and is the ultimate controlling party of the Company. The largest and smallest parent company preparing group financial statements is OSB.

Copies of the OSB Group financial statements may be obtained from OSB Group's Company Secretary at the registered office: Reliance House, Sun Pier, Chatham, Kent ME4 4ET.

#### **29. Post balance sheet events**

##### **Business activity**

On 26 February 2020 the Company securitised £330m of mortgage loans, which it had purchased from CCFSL, through Charter Mortgage Funding 2020-1 plc ("CMF 2020-1"). On issue, all notes were sold external to the OSB Group. The Company purchased the residual certificates issued by CMF 2020-1; and therefore, as the Company has retained the risks and rewards of the portfolio of mortgage loans, the mortgage loans continue to be recognised on the Statement of Financial Position of the Company.

On 29 May 2020, PMF 2015-1 Plc announced its intention to redeem all of its notes in issue at their then principal amount outstanding together with accrued interest on 12 June 2020. All the notes outstanding together with accrued interest were redeemed on 12 June 2020. As a result the Company's investment in PMF 2015-1 was redeemed in full at the principal amount outstanding together with accrued interest on 12 June 2020.

##### **COVID-19**

The outbreak of COVID-19 and its impact on the global and UK economies is considered to be a non-adjusting event as, at the year end date, the scale of the outbreak remained limited and recognition of the pandemic only arose in 2020. Therefore the amounts recognised in these financial statements are not adjusted for the impact of COVID-19.

The Company has continued to operate effectively through the lockdown.

As stated above, since 26 February 2020 the Company has recognised £330 million of mortgage loans on its Statement of Financial Position. The Company holds expected credit loss provisions ("ECLs") against these mortgage loans. The immediate financial impacts of the COVID-19 crisis on the Company are expected to be in respect of ECLs due to macroeconomic factors used in their calculation. The COVID-19 pandemic has led to a weakening in gross domestic product ("GDP") with potential impacts on unemployment and house prices. We expect to see a more adverse economic scenario for at least the short term with higher unemployment and potential house price changes impacting the modelling of ECLs by the Company. ECLs may also be adversely impacted by increased levels of default for single name exposures including customers that have taken out a payment holiday going into arrears at the end of the payment holiday.

The Company expects there will be an impact on customer behaviour due to COVID-19 which impacts estimates made in the effective interest rate ("EIR") calculations. The effect of extending the expected lives would be to increase the EIR rate which would increase income.