

Stonehaven UK Ltd

Annual report and financial statements for the year ended
31 December 2016



Registered number 05487702

Stonehaven UK Limited

Company information

Directors	Robert Sharpe Thomas Evans Christopher Evans
Non-executive directors	Michael Fairey Brian Magnus Diarmuid Cummins (Resigned 26/07/2016)
Secretary	Abayomi Akisanya
Registered office	110 Cannon Street London EC4N 6EU
Company number	05487702
Auditor	Grant Thornton UK LLP 30 Finsbury Square London EC2P 2YU
Legal advisers	Kennedys Law LLP 25 Fenchurch Avenue London EC3M 5AD

Stonehaven UK Limited

Annual report and financial statements for the year ended 31 December 2016

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Stonehaven UK Limited

Directors' report

The directors present their annual report on the affairs of the company, together with the financial statements and auditor's report, for the year ended 31 December 2016. The directors' report has been prepared in accordance with the provisions applicable to companies subject to the small companies' regime.

The Company is exempt by virtue of Section 414B of the Companies Act 2006 from the requirement to prepare a Strategic report.

Principal activity and business review

The principal activities of the company are the provision and servicing of lifetime mortgages for third parties.

Results and business review

The company continued to lend lifetime mortgages throughout 2016 and continued servicing lifetime mortgages for third parties.

The company's results for the financial year are shown in the statement of comprehensive income on page 10. The loss for the year, after tax, was £197,000 compared to a loss of £111,000 in 2015.

As shown in the statement of comprehensive income on page 10, revenue increased from £6,995,000 to £7,048,000 and the operating loss was £183,000, compared to an operating loss of £88,000 in 2015. Average staff numbers increased to 29 for 2016 (2015:24).

Principal risks

The principal risks relating to the company's activities, including market and operational risks, are monitored closely through bi-monthly risk committee meetings.

Financial risk management objectives and policies

The company's activities expose it to a number of financial risks including credit risk and liquidity risk. However in practice these risks are managed through the assignment of the equitable interest in mortgage advances to counterparties with high credit ratings. The company manages its liquidity risk by ensuring that there is enough cash to meet its obligations. In addition, the credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Going concern

The financial statements have been prepared on a going concern basis as explained in note 3.

Dividend

The directors do not recommend the payment of a dividend (2015: £nil).

Stonehaven UK Limited

Directors' report (continued)

Directors

The directors who held office throughout the year were as follows:

Thomas Evans	Managing Director
Christopher Evans	Executive Director
Brian Magnus	Non-executive Director
Diarmuid Cummins	Non-executive Director (resigned 29 July 2016)
Michael Fairey	Non-executive Director
Robert Sharpe	Executive Chairman

The company is managed by the executive directors. The Companies Act disclosure requirements concerning the Company's ultimate controlling party are set out in note 21.

Political donations

The company made no political donations during the year (2015: £nil).

Stonehaven UK Limited

Auditor

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/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's 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.

There was no change to auditors in 2016 and Grant Thornton UK LLP continue in office as auditors.

Grant Thornton UK LLP have indicated their willingness to continue in office as auditor and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

By order of the Board



Thomas Evans, Managing Director
29 March 2017

Stonehaven UK Limited

Statement of Directors' responsibilities

The directors are responsible for preparing the Directors' 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 they have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and applicable law.

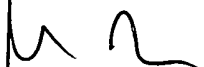
Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable IFRSs 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 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By order of the Board



Thomas Evans, Managing Director
29 March 2017

Stonehaven UK Limited

Independent auditor's report to the member of Stonehaven UK Limited

We have audited the financial statements of Stonehaven UK Limited for the year ended 31 December 2016 which comprise the statement of financial position, the statement of comprehensive income, the statement of cash flow, the statement of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities, 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

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion 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.
- the Directors' Report has been prepared in accordance with applicable legal requirements.

Matter on which we are required to report under the Companies Act 2006

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

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Stonehaven UK Limited



Andrew Heffron
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
30 Finsbury Square
London
EC2P 2YU

29 March 2017

Stonehaven UK Limited

Statement of Comprehensive Income for the year ended 31 December 2016

	Notes	2016 £'000	2015 £'000
Revenue	4	7,048	6,995
Cost of sales		<u>(3,504)</u>	<u>(4,234)</u>
Gross profit		3,544	2,761
Administrative expenses	7	(3,727)	(2,849)
Operating Loss		<u>(183)</u>	<u>(88)</u>
Investment revenue	5	6	9
Finance costs	6	<u>(9)</u>	<u>(36)</u>
Loss before tax		(186)	(115)
Tax credit/ (charge)	10	<u>(11)</u>	4
Loss for the year from continuing operations attributable to equity holders		<u>(197)</u>	<u>(111)</u>
Total comprehensive income for the year		<u>(197)</u>	<u>(111)</u>

The results above relate to continuing operations.

The notes on pages 14 to 31 form part of these financial statements.

Stonehaven UK Limited

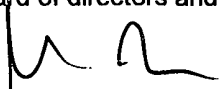
Statement of Financial Position as at 31 December 2016

	Notes	2016 £'000	2015 £'000
Assets			
Non-current assets			
Intangible assets	11	439	316
Property, plant and equipment	12	7	6
Investment in Subsidiary		-	0*
Receivables from related party	13	524	667
		<u>970</u>	<u>989</u>
Current assets			
Trade and other receivables	13	575	193
Cash and cash equivalents	13	451	1,041
		<u>1,026</u>	<u>1,234</u>
Total assets		<u>1,996</u>	<u>2,223</u>
Liabilities			
Current liabilities			
Trade and other payables	14	840	737
Due to group Companies		-	0*
Borrowings	15	-	742
		<u>840</u>	<u>1,479</u>
Total liabilities		<u>840</u>	<u>1,479</u>
Net assets/(liabilities)		<u>1,156</u>	<u>744</u>
Equity			
Share capital	16	609	-
Share premium account	17	101	101
Other reserves	18	25	25
Retained earnings/(losses)	19	421	618
Total equity/(deficit)		<u>1,156</u>	<u>744</u>

The notes on pages 14 to 31 form part of these financial statements.

*Value is £100

The financial statements of Stonehaven UK Limited, registration number 05487702, were approved by the board of directors and authorised for issue on 29 March 2017 and were signed on its behalf by:-



Thomas Evans, Managing Director
29 March 2017

Stonehaven UK Limited

Statement of Changes in Equity for the year ended 31 December 2016

	Share capital £'000	Share premium £'000	Other reserves £'000	Retained (losses)/ earnings £'000	Total £'000
At 1 January 2015	-	101	25	729	855
Loss for the year	-	-	-	(111)	(111)
At 31 December 2015	-	101	25	618	744
Loss for the year	-	-	-	(197)	(197)
Conversion of preference shares	609	-	-	-	609
At 31 December 2016	609	101	25	421	1,156

The notes on pages 14 to 31 form part of these financial statements.

Stonehaven UK Limited

Statement of Cash Flows for the year ended 31 December 2016

	Notes	2016 £'000	2015 £'000
Net cash from operating activities	20	(219)	517
Investing activities			
Interest received	5	(6)	(8)
Purchase of equipment	12	(7)	(6)
Expenditure on intangible assets	11	(358)	(235)
Net cash used in investing activities		(371)	(249)
Net increase/(decrease) in cash and cash equivalents		(590)	268
Cash and cash equivalents at beginning of year		1,041	773
Cash and cash equivalents at end of year		451	1,041

The notes on pages 14 to 31 form part of these financial statements.

Stonehaven UK Limited

Notes to the financial statements for the year ended 31 December 2016

1. General information

Stonehaven UK Limited is a company incorporated in Great Britain under the Companies Act 2006. The address of the registered office is given on page 2. The nature of the company's operations and its principal activities are set out in the Directors' Report.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the company operates.

2. Standards issued but not adopted

All new standards and interpretations released by the International Accounting Standards Board (IASB) have been considered. The following new and amended standards that came into effect in the year have been adopted by the Company during the period as appropriate:

Amendments to IFRS 10, IFRS 12 and IFRS 37.

These relate to investment entities and had no impact on these financial statements.

IAS 32: Amendment: Offsetting financial assets and financial liabilities.

IAS 36: Amendment: Recoverable Amount Disclosures for Non-Financial Assets.

IAS 39: Amendment: Novation of Derivatives and Continuation of Hedge Accounts.

IAS 19: Amendment: Defined benefits – employee contributions.

IFRIC 21: Levies.

These amendments have had no impact on these financial statements.

Stonehaven UK Limited

Notes to the financial statements for the year ended 31 December 2016

3. Significant accounting policies

Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

The financial statements have been prepared on the historical cost basis except for the revaluation of certain financial instruments. Historical cost is generally based on the fair value of the consideration given in exchange for the assets. The principal accounting policies adopted, which have been applied consistently during the current year and prior year, are set out below.

Going concern basis

The company's results and business activities, and the company's financial risk management objectives and policies are set out in the directors' report on page 4. The loss for the year, after tax, was £197,000 (2015: loss of £111,000) and the company has net assets of £1,156,000 (2015: net assets of £744,000).

The company is financed by ordinary shares capital to the value of £609,000, after the conversion of preference shares into Ordinary shares class A. In addition, the company has cash of £451,000 (2015: £1,041,000) available to meet the company's obligations in the medium term.

During the year the company continued new lending (which is now on behalf of a Related party and a third party) and also continued to provide lifetime mortgage servicing for two third parties. In view of these ongoing agreements, the level of cash in the business and the company's forecasts, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the next 12 months.

Revenue recognition

The company's revenue consists principally of mortgage origination income, mortgage servicing fees and mortgage completion fees.

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business, net of discounts, VAT and other sales related taxes. Origination income, completion and advice fees and commissions are recognised in the period earned. Servicing fees are recognised on an accruals basis as the service is provided.

Investment income

Investment income is recognised on an accruals basis using the effective interest rate method.

Stonehaven UK Limited

Notes to the financial statements for the year ended 31 December 2016

3. Significant accounting policies (continued)

Finance costs

Finance costs of financial liabilities are recognised in the statement of comprehensive income over the term of such instruments using the effective interest rate method.

Employee benefits

The company currently has a defined contribution pension scheme and private medical insurance. Costs for this are outlined in note 9.

Property, plant and equipment

Equipment is stated at cost less accumulated depreciation and any recognised impairment losses.

Depreciation is charged so as to write off the cost of assets over their estimated useful lives using the straight-line method at the following rates:

Computer equipment	33%
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Intangible assets

Expenditure on development activities is recognised as an expense in the period in which it is incurred. An internally-generated intangible asset is recognised only if all of the following conditions are met:

- an asset is created that can be identified (such as software and new processes);
- it is probable that the asset created will generate future economic benefits; and
- the development cost of the asset can be measured reliably.

Internally-generated intangible assets are amortised on a straight-line basis over their useful lives at the following rates:

Websites	33%
Systems	33%

Impairment reviews take place when events or changes in circumstances indicate that the carrying value may not be recoverable. Impairment losses are recognised in the statement of comprehensive income.

Stonehaven UK Limited

Notes to the financial statements for the year ended 31 December 2016

3. Significant 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 instruments.

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. Cash and cash equivalents are classified as loans and receivables.

Trade and other receivables

Trade and other receivables are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Derecognition of financial assets

The company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the company are recognised at the value of proceeds received, net of direct issue costs.

Warrants over ordinary shares are classified as equity instruments measured at cost, being the amount of issue proceeds.

Financial liabilities

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

Preference shares are financial liabilities and are measured at amortised cost using the effective interest method.

Stonehaven UK Limited

Notes to the financial statements for the year ended 31 December 2016

3. Significant accounting policies (continued)

Derecognition of financial liabilities

The company derecognises financial liabilities when, and only when, the company's obligations are discharged, cancelled or they expire.

Taxation

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

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

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the liability method at each reporting date. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted at the reporting date.

Critical accounting estimates and judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, 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, in particular regarding the carrying value of intangible assets (note 11) and derivative financial instruments (note 13). 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.

Stonehaven UK Limited

Notes to the financial statements for the year ended 31 December 2016

4. Revenue

An analysis of the company's revenue is as follows:

	2016 £'000	2015 £'000
Origination and servicing income	5,304	5,200
Application, completion and other fees	1,744	1,795
	<u>7,048</u>	<u>6,995</u>

5. Investment revenue

	2016 £'000	2015 £'000
Interest on bank deposits	-	-
Related party loan interest receivable	6	8
Interest received on debtors	-	1
	<u>-</u>	<u>1</u>

6. Finance costs

	2016 £'000	2015 £'000
Dividend payable on preference shares (note 15)	9	36
	<u>9</u>	<u>36</u>

7. Administrative expenses

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

	2016 £'000	2015 £'000
Depreciation of property, plant and equipment	6	5
Amortisation of intangible assets	235	186
Staff costs (see note 9)	1,692	1,696
	<u>1,933</u>	<u>1,887</u>

Stonehaven UK Limited

Notes to the financial statements for the year ended 31 December 2016

8. Auditor's remuneration

	2016 £'000	2015 £'000
Fees payable to the company's auditor: Audit of the company's annual accounts	<u>23</u>	<u>23</u>
Non-audit service fee	<u>-</u>	<u>13</u>

The statutory audit fee of the company was £22,680 including VAT. For details of full remuneration paid to the Auditor, refer to the UK Group Financial statements for MGM Advantage Holdings Limited.

9. Staff costs and directors' remuneration

The average number of employees (including executive directors) was:

	2016 Number	2015 Number
Chief executive	2	2
Sales and marketing	3	2
Operations	19	15
Finance	5	5
	<u>29</u>	<u>24</u>

	£'000	£'000
The aggregate remuneration including directors' remuneration comprised:		
Wages and salaries	1,433	1,521
Social security costs	160	173
Employer Gross Pension Contribution	88	2
Employer Management Healthcare Expense	11	-
	<u>1,692</u>	<u>1,696</u>

Directors' remuneration

	£'000	£'000
Emoluments	<u>444</u>	<u>600</u>
	<u>444</u>	<u>600</u>

The total emoluments of the highest paid director were £259,836.33 (2015: £300,000). Pension contributions received in the year were £12,594.

Stonehaven UK Limited

Notes to the financial statements for the year ended 31 December 2016

10. Tax

Current Tax	2016	2015
	£'000	£'000
UK Corporation tax charge/ (credit) on profits	-	(11)
Other	(5)	-
Adjustments in respect of previous periods	16	7
Total current tax charge/(credit)	<u>11</u>	<u>(4)</u>
Deferred Tax	2016	2015
	£'000	£'000
Origination and reversal of timing differences	-	-
Brought forward DTA (unrecognised in 2015)	-	(2)
Adjustment in respect of prior periods	2	-
Total deferred tax charge/ (credit)	<u>2</u>	<u>(2)</u>
Tax charge/ (credit) on profit on ordinary activities	<u>13</u>	<u>(6)</u>
Factors affecting tax charge for the period:		
Loss on ordinary activities before tax	<u>(186)</u>	<u>(115)</u>
Tax at the UK corporation tax rate of 20% (2015: 20%)	(37)	(23)
Effect of:		
<i>Fixed asset differences</i>	-	-
Expenses not deductible for tax purposes	2	12
Recognition of brought forward DTA (unrecognised in 2014)	-	(2)
Tax adjustments and other temporary differences	1	-
Prior year adjustment	16	7
Prior year adjustment - deferred Tax	2	-
Adjust closing deferred tax to average rate 20%	5	-
Adjust opening deferred tax to average rate 20%	-	-
Deferred tax not recognised	24	-
Total tax (see above)	<u>13</u>	<u>(6)</u>

UK corporation tax rate remained constant at 20%.

There is a deferred tax asset of £nil in 2016 (2015: £2,425) in relation to the carried forward tax losses and a potential deferred tax asset of £nil (2015: £nil) in relation to excess of capital allowances over depreciation.

These have not been recognised as it is not certain whether they will reverse in the foreseeable future.

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Notes to the financial statements for the year ended 31 December 2016

11. Intangible assets

	Development costs £'000
Cost	
At 1 January 2015	1,382
Additions	<u>235</u>
At 1 January 2016	1,617
Additions	<u>358</u>
At 31 December 2016	<u>1,975</u>
Amortisation	
At 1 January 2015	1,115
Charge for the year	<u>186</u>
At 1 January 2016	1,301
Charge for the year	<u>235</u>
At 31 December 2016	<u>1,536</u>
Carrying amount	
At 31 December 2016	<u><u>439</u></u>
At 31 December 2015	<u><u>316</u></u>

Intangible assets comprise the internally generated development cost of systems and websites.

Stonehaven UK Limited

Notes to the financial statements for the year ended 31 December 2016

12. Property, plant and equipment

	Computer Equipment £'000
Cost	
At 1 January 2015	84
Additions	<u>6</u>
At 1 January 2016	90
Additions	<u>7</u>
At 31 December 2016	<u><u>97</u></u>
Accumulated depreciation	
At 1 January 2015	79
Charge for the year	<u>5</u>
At 1 January 2016	84
Charge for the year	<u>6</u>
At 31 December 2016	<u><u>90</u></u>
Carrying amount	
At 31 December 2016	<u><u>7</u></u>
At 31 December 2015	<u><u>6</u></u>

Stonehaven UK Limited

Notes to the financial statements for the year ended 31 December 2016

13. Trade and other receivables

Amounts due for settlement after 12 months

	2016 £'000	2015 £'000
Related party loan receivable	524	667
	<u>524</u>	<u>667</u>

Stonehaven UK Ltd granted a loan of £750,000 to MGM Advantage Holdings Limited on 1 October 2014. The loan may be repaid at any time after 1 October 2019 and accrues interest daily at interest rate of 6 month LIBOR plus 0.5%. As at 31 December 2016, £524,305 (2015: £667,436) with an additional £16,876 (2015: £10,419) interest was outstanding.

On the 2 April 2016 Stonehaven UK Ltd reduced the outstanding loan receivable from MGM Advantage Holdings from £667,436 to £524,305. This was a result of an invoice received from MGM Advantage Holdings for a recharge amount of £143,131.

Amounts due for settlement within 12 months

Trade and other receivables

	2016 £'000	2015 £'000
Trade debtors	149	105
Amounts due from related party	288	35
Related party loan interest receivable	17	10
Prepayments & accrued income	38	32
Other debtors	83	11
	<u>575</u>	<u>193</u>

The directors consider that the carrying amount of trade and other receivables approximates their fair value. Included in other debtors is the amount of £10,774 (2015: £Nil) relating to directors this was repaid in January 2017.

Cash and cash equivalents

	2016 £'000	2015 £'000
Cash and cash equivalents	<u>451</u>	<u>1,041</u>

Cash and cash equivalents comprise cash held by the company and short-term bank deposits with an original maturity of six months or less. The carrying amount of these assets approximates to their fair value.

Stonehaven UK Limited

Notes to the financial statements for the year ended 31 December 2016

Credit risk

The company's credit risk is primarily attributable to its trade receivables. The company's maximum exposure to credit risk is the amount shown on the Statement of Financial Position. An allowance for impairment would be made where there is an identified loss event which, in the directors' opinion, is evidence of a reduction in the recoverability of the cash flows. No assets are either past due or impaired (2015: £nil).

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

14. Trade and other payables

Amounts due for settlement within 12 months

	2016 £'000	2015 £'000
Trade payables and accruals	805	698
Social security costs payable	35	39
	<u>840</u>	<u>737</u>

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

Stonehaven UK Limited

Notes to the financial statements for the year ended 31 December 2016

15. Borrowings

Amounts due for settlement within 12 months

	2016 £'000	2015 £'000
6% redeemable cumulative preference shares	741	705
Dividend accrued and capitalised	9	36
Conversion of Preference shares	(750)	-
	<u>-</u>	<u>741</u>

Preference shares

	2016 £'000	2015 £'000
Issued and fully paid		
Nil (2015: 2,028,721) 6% redeemable cumulative preference shares of £0.30 each (2015: £0.30 each).	<u>-</u>	<u>609</u>

The redeemable preference shares are presented as a liability in accordance with IAS 32 and accordingly are excluded from issued share capital in the Statement of Financial Position.

On the 19 April 2016, all the outstanding preference shares at a sum equal to the issue price plus any arrears and accruals of the dividends payable on such preference shares, were converted to Ordinary A type shares .

The following actions were taken on the redemption date 19 April 2016 to:

- Subdivide the 2,028,721 £0.30 preference shares into 60,861,630 £0.01 preference shares approved by way of an ordinary resolution;
- Convert each of the 60,861,630 £0.01 preference shares into an £0.01 A ordinary share (i.e. the same class/rights/ nominal as the existing A £0.01 ordinary shares) of the Company approved by way of an ordinary resolution;
- Amend the Articles of Association of the Company to remove reference to the preference shares approved by way of a special resolution; and
- Payment of the dividend accrual amount of £133,610.77 to the shareholder, MGM Advantage Holdings, on or prior to the redemption date.

Stonehaven UK Limited

Notes to the financial statements for the year ended 31 December 2016

15. Borrowings (continued)

Liquidity risk management

The company has an appropriate liquidity risk management framework for the management of its short, medium and long-term funding and liquidity management requirements. The company maintains adequate reserves, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The following tables detail the company's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the company can be required to pay. The table includes both interest and principal cash flows.

	Weighted average effective Interest rate %	Less than 1 month £000	1-3 months £000	3 months to 1 year £000	1-5 years £000	5+ years £000	Total £000
2016							
Non-interest bearing	-	840	-	-	-	-	840
Fixed interest rate instruments	6	-	-	-	-	-	-
		<u>840</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>840</u>
2015							
Non-interest bearing	-	737	-	-	-	-	737
Fixed interest rate instruments	6	-	-	742	-	-	742
		<u>737</u>	<u>-</u>	<u>742</u>	<u>-</u>	<u>-</u>	<u>1,479</u>

Capital risk management

The company manages its capital in line with regulatory requirements to ensure that it is able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the company consists of debt, which includes the borrowings disclosed above and equity comprising issued capital, reserves and retained earnings as disclosed in notes 16 to 19.

The company maintained capital in excess of the Financial Conduct Authority's regulatory capital requirements during the year.

Market risk

Interest rate risk management

The company is financed by fixed rate ordinary shares, and therefore is not exposed to interest rate risk. Therefore, no sensitivity analysis is presented.

Stonehaven UK Limited

Notes to the financial statements for the year ended 31 December 2016

16. Share capital

	A ordinary shares		
Number of shares in issue			
At 1 January and 31 December 2015	177		
Acquired in the period	-		
Conversion of Preference shares	60,861,630		
	<u>60,861,807</u>		
Balance at 31 December 2016			
		B ordinary shares	
At 1 January and 31 December 2016		<u>17,500</u>	
		2016	2015
		£	£
Issued and fully paid			
60,861,807 (2015: 177) A ordinary shares of £0.01 each	608,618		2
17,500 B ordinary shares of £0.01 each	175		175
	<u>608,793</u>		<u>177</u>

A ordinary shares

The holders of A ordinary shares are entitled to any income distribution and any capital distributions ranking *pari passu* with the B ordinary shares. The holders of the A ordinary shares shall be entitled to one vote per A ordinary share held at a general meeting.

B ordinary shares

The holders of the B ordinary shares are entitled to any income distribution and any capital distributions ranking *pari passu* with the A ordinary shares. The holders of the B ordinary shares shall be entitled to the greater of (i) one vote per B ordinary share held and (ii) such number of votes per B ordinary share held equal to the number of votes capable of being cast by holders of A ordinary shares, plus one, divided by the number of B ordinary shares capable of being voted by holders of B ordinary shares at a general meeting.

Warrants

Outstanding warrants have been issued to subscribe for shares of the company as follows:

	Number of shares	Subscription price per share	Exercise period
A ordinary shares of £0.01 each	19,014	£5.00	19 April 2086

The warrants are held at cost of £nil (2015: £nil). Premiums received for warrants have been included in Other reserves (see note 18).

Stonehaven UK Limited

Notes to the financial statements for the year ended 31 December 2016

17. Share premium account

	£'000
At 1 January 2016 and 31 December 2016	<u>101</u>

18. Other reserves

	£'000
At 1 January 2016 and 31 December 2016	<u>25</u>

19. Retained earnings

	£'000
At 1 January 2016	618
Loss for the year	(197)
At 31 December 2016	<u>421</u>

20. Notes to the cash flow statement

	2016 £'000	2015 £'000
Loss before tax for the year	(186)	(115)
Adjustments for:		
MGM loan receivable	(143)	(83)
Depreciation of property, plant and equipment	6	5
Amortisation of intangible assets	235	186
Movement in fair value of derivatives	-	-
Increase/(decrease) in dividend accrued on preference shares	9	36
Tax expense	<u>(11)</u>	<u>-</u>
Operating cash flows before movements in working capital	(90)	29
(Increase)/decrease in trade and other receivables	(232)	140
(Decrease)/increase in trade and other payables	<u>103</u>	<u>451</u>
Cash from operations	(219)	620
Income taxes paid	<u>-</u>	<u>(103)</u>
Net cash from operating activities	<u>(219)</u>	<u>517</u>

Stonehaven UK Limited

Notes to the financial statements for the year ended 31 December 2016

21. Ultimate controlling party

The immediate parent company of Stonehaven UK Limited is MGM Advantage Holdings Limited, a company incorporated in the United Kingdom. Group consolidated accounts for the MGM Advantage Group can be obtained from MGM House, Heene Road, Worthing, West Sussex, BN11 3AT.

The ultimate parent undertaking of the company is ICE Acquisitions S.à r.l., a company incorporated in Luxembourg. The financial statements of ICE Acquisitions S.à r.l. can be obtained from Siège Social: 20 rue Eugène Ruppert, L-2453, Luxembourg.

22. Related parties

At year-end and during the year, the company had the following related parties:

MGM Advantage Holdings & Group companies
ICE Acquisitions S.à r.l.
Key management personnel (including directors).

Year end balances and transactions with related parties

The remuneration of the directors, who are the key management personnel, is disclosed in note 9.

In the year, transactions with related parties include all transactions with MGM Advantage Holdings Limited and its fellow subsidiary undertakings, MGM Advantage Life Limited.

The following income/(expense) transactions were made with other group companies:

	2016	2015
	£'000	£'000
MGM Advantage Holdings Limited:		
Origination income recharge	218	192
Management service fees	(143)	(83)
MGM Advantage Services Limited:		
Service fees for policy administration	(900)	-
Property rental paid	(168)	(168)
Property services	(24)	(24)
Non-exec director fee	(48)	(48)
MGM Advantage Life Limited:		
Equity release origination and servicing income*	1,073	4,419
	<u>8</u>	<u>4,288</u>

*Equity Release origination and servicing income less ERCs and Redemption fees collected and transferred.

Stonehaven UK Limited

The following related party balances were due from related party undertakings and outstanding at the year-end:

	2016	2015
	£'000	£'000
MGM Advantage Holdings Limited:		
MGM loan Receivable	524	667
Loan Interest Income (receivable)	17	9
Other debtors (included in Amounts due from related parties)	218	-
Dividends payable on preference shares	-	(134)
MGM Advantage Services Limited:		
Service charge payable	(150)	-
MGM Advantage Life Limited:		
Trade debtors (included in Amounts due from related parties)	70	35
	<u>679</u>	<u>577</u>

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No provisions have been made for doubtful debts in respect of the amounts owed by related parties.

23. Events after the Reporting Period

In March 2017 Stonehaven entered into a new funding agreement to provide Equity Release Mortgages to an additional third party.