

Company Registration No. 3302753

ORCHARDBROOK LIMITED

Annual Report and Financial Statements

For the year ended 31 December 2016

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ORCHARDBROOK LIMITED

Annual Report and Financial Statements for the year ended 31 December 2016

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ORCHARDBROOK LIMITED

Annual Report and Financial Statements for the year ended 31 December 2016

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

Capita Trust Corporate Services Limited
Capita Trust Corporate Limited
Paula Corrigan (resigned 1 February 2016)
Sean Martin (appointed 1 February 2016)

SECRETARY

Capita Trust Corporate Limited
34 Beckenham Road
Beckenham, Kent
BR3 4TU

REGISTERED OFFICE

4th Floor
40 Dukes Place
London
EC3A 7NH

BANKERS

The Royal Bank of Scotland plc
135 Bishopsgate
London
EC2M 3UR

SOLICITORS

Clifford Chance
10 Upper Bank Street
London
E14 5JJ

AUDITOR

Ernst & Young LLP
25 Churchill Place
Canary Wharf
London
E14 5EY

ORCHARDBROOK LIMITED

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STRATEGIC REPORT

ACTIVITIES

The principal activity of the Company is investment in asset backed loan notes issued by Finance for Residential Social Housing PLC.

BUSINESS REVIEW AND KEY PERFORMANCE INDICATORS

During the period the Company maintained its investment in asset backed notes. The directors expect the level of activity to remain at the same level in the forthcoming financial year.

The existing loan agreement with The Royal Bank of Scotland plc provides a cash margin to cover its ongoing expenses and to provide a profit. The average margin for the year is 0.28% (2015: 0.29%) which is calculated by dividing net interest income with loan asset.

Profit during the year £24,000 (2015: £5,000). Net asset position as at end of 2016 £109,000 (2015: £85,000).

RISK MANAGEMENT POLICIES AND PROCEDURES

The principal risks facing the Company are liquidity risk, interest rate risk and credit risk. These risks have been monitored on an ongoing basis during the year and the Company has policies in place to mitigate these risks, as summarised below.

Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its obligations as they fall due.

The Company reduces its liquidity risk by matching the maturity profile of the Company's funding to the maturity profile of the assets being funded. Currently the Company holds Series 3 loan note issued by Finance for Residential Social Housing PLC which is funded by a loan whereby the Company's funding effectively matches the underlying assets.

Interest rate risk

The Company financed the investment in Finance for Residential Social Housing plc Series 3 loan notes by borrowing funds denominated in Sterling from The Royal Bank of Scotland plc. This funding carries a fixed interest rate of 6.50% minus an adjustment rate (which is calculated to provide the Company with an increasing cash margin over the life of the loan) and the investment in Finance for Residential Social Housing plc yields a fixed interest rate of 6.50%. The interest rate risk is therefore mitigated as the interest received on investment is always higher than the interest paid on loan.

Credit risk

The Company regularly monitors its investment in Finance for Residential Social Housing Plc to ensure that it is recoverable.

GOING CONCERN RISK

The Company is financed by a loan which is repayable on the maturity date of October 2058 or on the settlement date of Series 3 notes, whichever is earlier. The Company earns a margin between the interest income from its investment in asset backed notes over the interest expense on the loan funding sufficient to cover its administrative expenses.

After making enquiries, and considering the uncertainties described above, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis in preparing the annual report and accounts.

ORCHARDBROOK LIMITED

Annual Report and Financial Statements for the year ended 31 December 2016

STRATEGIC REPORT

Approved by the Board of Directors

and signed on behalf of the Board

A handwritten signature in black ink, appearing to read 'David Osborne', written over a horizontal line.

David Osborne

For and on behalf of

Director

Capita Trust Corporate Services Limited

Date: 28 September 2017

ORCHARDBROOK LIMITED

Annual Report and Financial Statements for the year ended 31 December 2016

DIRECTORS' REPORT

The directors present their report on the affairs of Orchardbrook Limited ("the Company") together with the financial statements and auditor's report for the year ended 31 December 2016.

RESULTS AND DIVIDENDS

The results for the year and the state of the Company's affairs are set out in the accompanying financial statements.

No dividends were declared or paid by the Company during the year (2015: £nil) and the directors do not propose a final dividend (2015: £nil).

DIRECTORS

The directors who served throughout the year, except as noted, are as follows:

Capita Trust Corporate Services Limited
Capita Trust Corporate Limited
Paula Corrigan (resigned 1 February 2016)
Sean Martin (appointed 1 February 2016)

AUDITOR

Ernst & Young LLP has expressed their willingness to take the office as auditor and a resolution to appoint them will be proposed at the forthcoming Annual General Meeting.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO THE AUDITOR

The directors confirm that:

- a) so far as each of the directors are aware, there is no relevant information of which the Company's auditor is unaware; and
- b) each director has taken all the steps that they ought to have taken as directors in order to make themselves 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 section 418 of the Companies Act 2006.

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



David Osborne

For and on behalf of

Director

Capita Trust Corporate Services Limited

Date: 28 September 2017

ORCHARDBROOK LIMITED

Annual Report and Financial Statements for the year ended 31 December 2016

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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the 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 accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed; 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ORCHARDBROOK LIMITED

We have audited the financial statements of Orchardbrook Limited for the year ended 31 December 2016 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statements of Changes in Equity, the Statement of Cash Flows and the related notes 1 to 18. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with FRS 102; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ORCHARDBROOK LIMITED (continued)

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

Matters on which we are required to report by exception

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have identified no material misstatements in the Strategic Report or Directors' Report.

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.

Ernst & Young LLP

Rhys Taylor (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

London, United Kingdom

28 September 2017

ORCHARDBROOK LIMITED

Annual Report and Financial Statements for the year ended 31 December 2016

STATEMENT OF COMPREHENSIVE INCOME

	Notes	2016 £'000	Restated 2015 £'000
Interest income	3	632	632
Interest expense	4	(605)	(604)
Other expenses	5	(13)	(23)
Other income		16	14
		<u> </u>	<u> </u>
PROFIT BEFORE TAXATION		30	19
Tax Expense	6	(6)	(14)
		<u> </u>	<u> </u>
PROFIT FOR THE FINANCIAL YEAR	12	<u> </u> <u> </u>	<u> </u> <u> </u>

All of the amounts above are in respect of continuing operations.

The accompanying notes are an integral part of this Statement of Comprehensive income

A separate statement of other comprehensive income is not presented as there are no reportable gains and losses in other comprehensive income.

ORCHARDBROOK LIMITED

Annual Report and Financial Statements for the year ended 31 December 2016


STATEMENT OF FINANCIAL POSITION

	Note	2016 £'000	Restated 31 Dec 2015 £'000	Restated 1 Jan 2015 £'000
NON-CURRENT ASSETS				
Investments – loan notes	7	9,717	9,717	9,717
CURRENT ASSETS				
Debtors	8	160	160	160
Cash at Bank		61	44	40
TOTAL CURRENT ASSETS		<u>221</u>	<u>204</u>	<u>200</u>
TOTAL ASSETS		<u>9,938</u>	<u>9,921</u>	<u>9,917</u>
CURRENT LIABILITIES				
Creditors	9	(175)	(169)	(157)
NON-CURRENT LIABILITIES				
Loan payable	10	(9,654)	(9,667)	(9,680)
TOTAL LIABILITIES		<u>(9,829)</u>	<u>(9,836)</u>	<u>(9,837)</u>
NET ASSETS		<u>109</u>	<u>85</u>	<u>80</u>
Capital and reserves				
Called-up share capital	11	-	-	-
Retained earnings	12	109	85	80
SHAREHOLDERS' FUNDS		<u>109</u>	<u>85</u>	<u>80</u>

The accompanying notes are an integral part of the statement of financial position.

These financial statements of Orchardbrook Limited, registration number 3302753, were approved and authorised for issue by the Board of Directors on 28 September 2017.

Signed on behalf of the Board of Directors



David Osborne

For and on behalf of

Director

Capita Trust Corporate Services Limited

ORCHARDBROOK LIMITED

Annual Report and Financial Statements for the year ended 31 December 2016

STATEMENT OF CHANGES IN EQUITY

	Share capital	Retained earnings	Total
	£'000	£'000	£'000
Balance as at 1 January 2015	-	29	29
Correction of prior period error	-	51	51
Restated balance as at 1 January 2015	-	80	80
Total restated comprehensive profit for the year	-	5	5
Restated balance as at 31 December 2015	-	85	85
Total comprehensive profit for the year	-	24	24
Balance as at 31 December 2016	-	109	109

STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

	Notes	2016	Restated
		£'000	2015
			£'000
Cash flow generated from operating activities	13	17	4
Net cash flow generated from operating activities		17	4
Increase in cash		17	4

The accompanying notes are an integral part of these statements.

ORCHARDBROOK LIMITED

Annual Report and Financial Statements for the year ended 31 December 2016

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

A summary of the principal accounting policies, all of which have been applied consistently throughout the year and the preceding year, is set out below:

General Information and basis of accounting

Orchardbrook Limited is a company limited by shares incorporated in England in the United Kingdom under the Companies Act. The nature of the Company's operations and its principal activities are set out in the Directors' and Strategic report.

The financial statements have been prepared under historical cost convention and in compliance with Financial Reporting Standard 102 (FRS 102) issued by Financial Reporting Council. The financial statements have been prepared on a going concern basis as explained in the Directors' and Strategic report.

The functional currency of Orchardbrook Limited is considered to be pounds sterling because that is the currency of the primary economic environment in which the Company operates.

Due to the fact that the nature of the business is to provide loan finance, the directors are of the opinion that it is more appropriate to use interest income and interest expense rather than turnover and cost of sales in preparing the Statement of Comprehensive Income.

Going concern

The Company is financed by a loan which is repayable on the maturity date of October 2058 or on the settlement date of Series 3 notes, whichever is earlier. The Company earns a margin between the interest income from its investment in asset backed notes over the interest expense on the loan funding sufficient to cover its administrative expenses.

After making enquiries, and considering the uncertainties described above, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis in preparing the annual report and accounts.

Financial Instruments

In accordance with Financial Reporting Standard 102, the provisions of Section 11 and 12 have been adopted in full with respect to the recognition and measurement of financial instruments.

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

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits with banks together with short-term highly liquid investments that are readily convertible to known amounts of cash and subject to insignificant risk of changes in value are classified as loans and receivables. Interest income receivable on cash and cash equivalents is accounted for on an accruals basis using the effective interest rate method.

Short-term debtors and creditors

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price.

Financial assets

Non-derivative financial assets with fixed or determinable repayments that are not quoted in an active market are classified as loans and receivables.

Loans and receivables are initially recognised at fair value plus directly related transaction costs. They are subsequently measured at amortised cost using the effective interest method less any impairment losses.

All financial assets are classified as loans and receivables unless otherwise indicated.

NOTES TO THE FINANCIAL STATEMENTS

ACCOUNTING POLICIES (CONTINUED)

Financial Instruments (Continued)

Financial liabilities

Non-derivative financial liabilities are measured at amortised cost using the effective interest method.

Interest income

Investment income is accounted for on an accruals basis using effective interest rate method. The effective interest rate is the rate that exactly discounts all estimated future cash payments or receipts through the expected life of the financial instrument. Investment income includes interest receivable on the Series 3 loan notes acquired from Finance for Residential Social Housing Plc.

Interest expense

Interest expense paid on The Royal Bank of Scotland loan is accounted for on an accruals basis using the effective interest rate method. The effective interest rate is the rate that exactly discounts all estimated future cash payments or receipts through the expected life of the financial instrument.

Impairment of assets

Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss.

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

Taxation

Provision is made for taxation at current enacted rates on taxable profits, arising in income or in equity.

Deferred taxation is accounted for in full for all temporary differences between the carrying amount of an asset or liability for accounting purposes and its carrying amount for tax purposes.

Deferred tax assets are only recognised to the extent that it is probable that they will be recovered.

Critical accounting policies and key sources of estimation uncertainty

The preparation of financial statements in conformity with UK company law requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expense, in order to determine the amortised cost balance of these instruments. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements on carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates used in the financial statements.

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 the current and future periods.

Restatement of prior year comparatives

The Company adopted the full provisions of FRS 102 in 2015 with an effective date of transition of 1 January 2014. In accounting for the loan payable and creditor liabilities under FRS 102, the Company did not calculate the amortized cost of its loan payable in accordance with the standards. The adjustments required to correctly account for the error on a retrospective basis have been presented in the statement of comprehensive income, statement of financial position, and statement of changes in equity, as well as relevant note disclosures. The error has been corrected by restating each of the affected financial statement line items for the prior periods as follows:

ORCHARDBROOK LIMITED

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NOTES TO THE FINANCIAL STATEMENTS**ACCOUNTING POLICIES (CONTINUED)****Financial Instruments (Continued)****Restatement of prior year comparatives (continued)**

		As previously disclosed £'000	Correction of error £'000	As restated £'000
Statement of Comprehensive Income				
Interest expense	31 Dec 2015	618	(14)	604
Tax Expense	31 Dec 2015	2	12	14
Statement of Financial Position				
Current liabilities:				
Creditors	1 Jan 2015	171	(14)	157
	31 Dec 2015	172	(3)	169
Non-current liabilities:				
Loan payable	1 Jan 2015	9,717	(37)	9,680
	31 Dec 2015	9,717	(50)	9,667
Retained earnings				
	1 Jan 2015	29	51	80
	31 Dec 2015	32	53	85

2. DIRECTORS AND EMPLOYEES

None of the directors received any emoluments for their services to the Company during the year (2015: £nil).

None of the directors had any material interest in any contract of significance in relation to the business of the Company (2015: £nil).

The Company does not have any employees (2015: none).

3. INTEREST INCOME

	2016 £'000	2015 £'000
Interest income on loan notes	632	632

4. INTEREST EXPENSE

	2016 £'000	2015 £'000
Interest on loan payable	605	604

ORCHARDBROOK LIMITED

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NOTES TO THE FINANCIAL STATEMENTS**5. ADMINISTRATIVE EXPENSES**

	2016	2015
	£'000	£'000
Auditor's fees – audit of the Company's annual accounts	6	6
Other expenses	7	17
	<u>13</u>	<u>23</u>

6. TAXATION

The tax charge for the year comprises:

	2016	2015
	£'000	£'000
Current taxation		
Charge for the year	<u>6</u>	<u>14</u>
Tax charge for the year	<u>6</u>	<u>14</u>

The actual tax charge/(credit) differs from the expected tax charge/(credit) computed by applying the UK corporation tax rate of 20% (2015 - 20%) as follows:

	2016	2015
	£'000	£'000
Expected tax charge	6	4
Taxable amounts arising on transition to FRS 102	-	10
Actual tax charge	<u>6</u>	<u>14</u>

The changes to tax rates proposed in recent years are not expected to have a material effect on the company.

7. INVESTMENT IN LOAN NOTES

	2016	2015
	£'000	£'000
Series 3 loan notes issued by Finance for Residential Social Housing Plc	<u>9,717</u>	<u>9,717</u>

The legal maturity of the loan notes is October 2058. The directors consider there has been no impairment in value, as they believe the cost of the notes will be realised in full. The loan note carries a fixed rate of interest of 6.50%.

ORCHARDBROOK LIMITED

Annual Report and Financial Statements for the year ended 31 December 2016

NOTES TO THE FINANCIAL STATEMENTS**8. DEBTORS**

	2016	2015
	£'000	£'000
Accrued interest income on loan note	160	160
	<u>160</u>	<u>160</u>

9. CREDITORS

	2016	2015
	£'000	£'000
Amounts due to Finance for Residential Social Housing Plc	10	16
Other Accruals	165	153
	<u>175</u>	<u>169</u>

10. LOAN PAYABLE

	2016	2015
	£'000	£'000
Loan payable – amounts falling due after more than one year	9,654	9,667
	<u>9,654</u>	<u>9,667</u>

The loan payable to the Royal Bank of Scotland Plc carries a fixed rate of interest of 6.50% minus an adjustment rate (which is calculated to provide the Company with an increasing cash margin over the life of the loan). The annual effective interest rate applicable to these notes at period end was 6.26% (2015: 6.26%) and the legal maturity is at 2058.

11. CALLED-UP SHARE CAPITAL

	2016	2015
	£	£
Allotted, called-up and fully paid 1 ordinary share of £1	1	1
	<u>1</u>	<u>1</u>

12. RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

	2016	2015
	£'000	£'000
Opening equity shareholders' funds	85	80
Profit for the financial year	24	5
	<u>109</u>	<u>85</u>

ORCHARDBROOK LIMITED

Annual Report and Financial Statements for the year ended 31 December 2016

NOTES TO THE FINANCIAL STATEMENTS**13. RECONCILIATION OF OPERATING PROFIT TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES**

	2016 £'000	2015 £'000
Profit after tax	24	5
Movement in Loans payable	(13)	(13)
Increase/(decrease) in creditors	6	12
	<u>17</u>	<u>4</u>
Net cash inflow from operating activities	<u>17</u>	<u>4</u>

14. FINANCIAL INSTRUMENTS

The Company's financial instruments comprise of fixed rate notes, loans payable and cash. Accrued interest income, accrued interest payable and other items arise, from its operations.

The principal risks facing the Company are liquidity risk, interest rate risk and credit risk. These risks have been monitored on an ongoing basis during the year and the Company has policies in place to mitigate these risks, as summarised below.

Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its obligations as they fall due.

The Company reduces its liquidity risk by matching the maturity profile of the Company's funding to the maturity profile of the assets being funded. Currently the Company holds Series 3 loan note issued by Finance for Residential Social Housing PLC which is funded by a loan whereby the Company's funding effectively matches the underlying assets.

The table below reflects the undiscounted contractual cash flows of financial liabilities at the balance sheet:

As at 31 December 2016	Carrying amount £'000	Contractual cash flows	<1 mths £'000	1-3 mths £'000	3mths- 1 year £'000	1-5 years £'000	5 years and over £'000
Loan payable	(9,654)	(28,210)	-	-	(617)	(2,461)	(25,132)
Other creditors	(175)	(175)	-	-	(175)	-	-
	<u>(9,829)</u>	<u>(28,385)</u>	<u>-</u>	<u>-</u>	<u>(792)</u>	<u>(2,461)</u>	<u>(25,132)</u>

As at 31 December 2015	Carrying amount £'000	Contractual cash flows	<1 mths £'000	1-3 mths £'000	3mths- 1 year £'000	1-5 years £'000	5 years and over £'000
Loan payable	(9,667)	(28,828)	-	-	(618)	(2,464)	(25,746)
Other creditors	(169)	(169)	-	-	(169)	-	-
	<u>(9,836)</u>	<u>(28,997)</u>	<u>-</u>	<u>-</u>	<u>(787)</u>	<u>(2,464)</u>	<u>(25,746)</u>

ORCHARDBROOK LIMITED

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NOTES TO THE FINANCIAL STATEMENTS

14. FINANCIAL INSTRUMENTS (CONTINUED)

In the current year, the Company determined that undiscounted contractual cash flows of financial liabilities were not fully disclosed in the prior period. The Company has amended the 2015 table to reflect the correct assumptions on undiscounted contractual cash flows in the prior period.

Interest rate risk

The Company financed the investment in Finance for Residential Social Housing plc Series 3 loan notes by borrowing funds denominated in Sterling from The Royal Bank of Scotland plc. This funding carries a fixed interest rate of 6.50% minus an adjustment rate (which is calculated to provide the Company with an increasing cash margin over the life of the loan) and the investment in Finance for Residential Social Housing plc yields a fixed interest rate of 6.50%. The interest rate risk is therefore mitigated as the interest received on investment is always higher than the interest paid on loan.

Credit risk

The Company regularly monitors its investment in Finance for Residential Social Housing Plc to ensure that it is recoverable.

15. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The ordinary shares of the Company are held by Royal Exchange Trust Company Limited under a trust deed for charity beneficiaries. The Company does not have a controlling party.

16. RELATED PARTY TRANSACTIONS

Royal Exchange Trust Company Limited owns 100% of the Finance for Residential Social Housing (Holdings) Limited Company and Orchardbrook Limited. Finance for Residential Social Housing (Holdings) Limited Company holds the shares in Finance for Residential Social Housing Plc. Transactions between Finance for Residential Social Housing Plc and Orchardbrook Limited are deemed related party transactions. The table below summarises the transactions with Finance for Residential Social Housing Plc which wholly relate to the Company's investment in loan notes issued by Finance for Residential Social Housing Plc:

	Balance Sheet		Profit and Loss Account	
	asset		Income	
	£'000		£'000	
	2016	2015	2016	2015
Interest on loan notes	-	-	632	632
Interest accrued	160	160	-	-
Series 3 loan notes	9,717	9,717	-	-

17. EVENTS OCCURRING AFTER THE STATEMENT OF FINANCIAL POSITION DATE

There has been no subsequent event after the statement of financial position date.

18. COMPARATIVE AMOUNTS

Certain comparative amounts for the prior period have been reclassified to conform to current period presentations.