Co. No. 07454474

Castle Trust Capital plc

Strategic report, directors' report and consolidated financial statements for the year ended 30 September 2019

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Strategic report, directors' report and consolidated financial statements

For the year ended 30 September 2019

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Corporate information

Registered No: 07454474

Directors

Mr Andrew Spencer Doman

Mr Jonathan James Cox

The Rt Hon The Lord Deben

Mr Patrick Nigel Christopher Gale

Mr Timothy John Hanford

Mr Richard Alexander McGregor Ramsay

Mr Martin Paul Bischoff

Mr Paul Lloyd-Jones (appointed 8 May 2019)

Ms Marian Macdonald Martin (appointed 30 September 2019)

Secretary
Mr Andrew Macdonald

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United Kingdom

Bankers
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Registered office
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London
EC4A 1BD

Principal place of business
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EC2N 1HQ

Chief Executive Officer's review

I am pleased to present the Castle Trust accounts for the year ended September 2019.

A key focus since I joined the business in May 2018 has been on improving the quality of the loan book and building strong foundations to support our journey to become a bank. We are now showing the benefits of the various actions taken and I expect us to build on this momentum in the coming year.

We have made substantial progress in our application for a banking licence. In September 2019 we announced that we had submitted our application, having been formally invited to apply in July. We look forward to working with our regulators in the coming months as we ready ourselves to become a bank during the first half of 2020.

The financial performance for the year demonstrates that the foundations are now in place to support strong and profitable growth going forward. We have maintained robust originations despite being significantly more selective in our underwriting approach. Profit Before Tax (excluding a one-off goodwill impairment in the prior year) improved to £1.6m from a loss of £14.1m last year.

We remain strongly capitalised with a Tier 1 Capital Ratio in excess of 15%, which we expect to maintain throughout our planning horizon.

I am proud of the progress we have made and would like to take this opportunity to thank all my colleagues for their great work during the year and for their ongoing commitment to developing the business.

I would also like to thank our major shareholder, J.C. Flowers, for their ongoing financial and strategic support as we prepare to accelerate growth in the coming year and beyond.

Martin Bischoff
Chief Executive Officer

Strategic report

The directors present their strategic report and consolidated financial statements of Castle Trust Capital plc (the "Company", "Castle Trust" or "CTC") and consolidated entities (the "Group") for the year ended 30 September 2019.

Business overview

Castle Trust is a speciality finance provider in the UK and is currently in the process of applying for a banking licence. Castle Trust competes in business segments that are experiencing sector specific growth and have the ability to deliver attractive shareholder returns relative to the risks that they represent. Castle Trust considers its competitive advantage is its ability to deliver products that are valuable for customers but not offered by the traditional banking industry. This is supplemented by knowledge of the distribution networks in which Castle Trust operates, the strength of Castle Trust's underwriting and superior market insight. This has enabled Castle Trust to deliver competitive pricing relative to its peers.

Castle Trust principally provides mortgage finance (which includes residential development finance) and point of sale consumer finance. In previous years Castle Trust has also provided wholesale loans; however this is no longer an active business segment. These business activities are currently funded by the issuance of Fortress Bonds to retail investors.

In previous years, Castle Trust originated a number of products where the returns were linked to movements in house prices. As part of the banking licence application, in order to simplify and de-risk Castle Trust, the fair value element of these legacy loans was sold to a related on 30 September 2019. Further details are provided below.

Property Finance

During the year Castle Trust combined the Residential Development and Mortgage Finance businesses into one business line, Property Finance. This business serves discrete niche segments within the UK mortgage and residential development markets.

In Mortgage Finance, the product range encompasses both first and second charge lending secured against a range of residential property including specialist assets such as houses in multiple occupation, buy-to-let portfolios, holiday lets and apartment blocks. Target customers include portfolio investors and high net worth individuals. Castle Trust has a flexible and innovative approach to structuring. This focus enables Castle Trust to deliver attractive and sustainable risk adjusted returns in excess of those which are available in the mainstream mortgage market.

For Residential Development, Castle Trust serves property developers by offering senior financing to experienced professionals, who want to enhance their returns through the efficient use of their equity capital. A broad range of schemes are considered including site acquisition, refurbishment, conversions under permitted development rights and new build houses/apartments.

Point of sale consumer lending

This division provides point of sale finance allowing small to medium-sized retailers to offer finance to their customers in store or online with credit decisions provided within seconds through Omni Capital Retail Finance Limited ("Omni"). The combination of Omni's platform with the Group's low cost of funding and capability in credit analytics is expected to allow significant growth in Omni's loan book and accelerate the Group's transition to continued profitability.

Investment business

This business line supplies funding to the other business lines of Castle Trust to enable them to grow their lending. The funding is sourced through a structure that enables Castle Trust to offer fixed rate bonds ("Fortress Bonds") to retail customers who are protected by the investment arm of the Financial Services Compensation Scheme ("FSCS") up to a maximum of £85,000 per eligible investor. The programme has demonstrated a track record of offering customers attractive returns. Castle Trust's ability to secure funding at a competitive cost enables Castle Trust to continue to grow Castle Trust's lending activities in line with the strategic objectives.

Part of the process of becoming a bank will involve Fortress Bond holders transferring their investment into new banking deposit products, the structure of which (for example the interest rate and maturity profile) will match their existing

investment holding. The Investment business is then envisaged to become the Savings division and will be able to offer a wider selection of products and an enhanced online experience to existing and new customers.

Group simplification

In order to simplify and de-risk the Group before becoming a bank, the following steps were undertaken on 30 September 2019:

- The beneficial interest of the fair value element of all of Castle Trust's house price linked mortgages have been sold to an entity controlled by J.C. Flowers (CTC Holdings (Cayman) Limited).
- Castle Trust Finance Limited ("CTF") sold its interest in the fixed income element of IPS and BTLELs mortgages to CTC. In addition, all remaining assets within CTF were sold to CTC.
- Castle Trust Treasury Limited's ("CTT") business was transferred to CTC. This has resulted in CTC providing intra-group funding to Omni instead of CTT.

Business review

Customers

Customers are at the heart of everything Castle Trust does, with the business closely tracking the customer experience in the two high volume business units – Investments and Omni.

During the year, Castle Trust has seen significant strengthening of its already high net promoter scores ("NPS"). The Investments business unit achieved an increased NPS of +40 for August 2019 (October 2018 +28). Omni achieved an exceptionally high NPS of +70 for June 2019 up from +61 from the first Omni survey we commissioned in March 2019.

The business continues to see stable and very high retention rates (above 70%) in our Investments business and our customers continue to take out new bonds and refer us to family members with over 80% of recent new business originating from existing customer households.

Becoming a Bank

Good progress continues to be made on the banking application. The formal application was submitted in September 2019 and the business has been working closely with the regulators subsequent to the year-end.

As well as the application itself, there has been significant work undertaken in getting the business ready to become a bank. Key achievements include:

- applying for regulatory approval to transfer our immediate parent company to CTC Holdings Limited, a new UK holding company, in order to simplify our ownership structure;
- selling various legacy mortgage instruments linked to house prices in order to reduce accounting volatility;
- issuing additional equity to our major shareholder, further enhancing our capital position; and
- completing the initial build of our core deposit system with good progress made on building out key ancillary infrastructure.

Credit & Remediation

Over the last 18 months Castle Trust has focussed on improving the quality of lending, moderating its risk appetite and growth aspirations across all lending classes. Impairment charges have reduced markedly as a result. The business has also strengthened its ability to detect and prevent fraud and seen a 72% year on year reduction in the value of fraud allegations.

The Development Finance portfolio work out has largely been completed and as a result this product line has been re-launched for new business following the year-end.

Having designated our historic wholesale funding positions as non-core we have now largely exited these exposures and expect to exit the remainder shortly.

Colleagues

Castle Trust's people are what make the business work, creating great, bespoke solutions for its customers and developing their business for the future.

The business has a strong management team in position and working well together, bringing experience from a range of small banks, high street banks and building societies, regulators and specialist lenders.

In addition, Castle Trust continues to strengthen the non-executive team with Marian Martin appointed during the year. Chairing the Risk Committee, Marian was previously Chief Risk Officer at Virgin Money and serves as a non-executive director at PCF Bank and Starling Bank.

Castle Trust has established a new set of values based on a bottom up approach using colleague generated feedback. The values agreed are customers first, forward thinking, professional pride, achieve together and open & transparent. These values have been integrated into colleagues' appraisals and Castle Trust continues to focus on embedding them over the coming year.

Outlook

The future is bright for Castle Trust and its customers. Upon becoming a bank, Castle Trust will be able to offer their Savings customers a broader range of products and an upgraded online experience. This will materially increase its ability to raise funding at a competitive cost. The core borrowers the business serves will remain unchanged and Castle Trust will continue to support them to achieve their financial goals where others are unable or unwilling to. As a bank, Castle Trust will be able to do this in a more flexible way and be able to bring the benefit of their expertise and dynamic approach to more customer segments.

Financial Performance

The following Key Performance Indicators ("KPIs") are used by management to track how the business performing.

Key performance indicator	**2019** **£'000s**	2018 £'000s	*Variance* £'000s
Loan book growth			
Property Finance	486,681	532,055	(45,374)
Point of sale consumer lending	104,981	124,922	(19,941)
Total	**591,662**	656,977	(65,315)
Investment business	711,128	727,770	(16,642)
Cash and cash equivalents	140,349	118,514	21,835
Net interest income	36,282	35,034	1,248
Profit/ (loss) before tax, goodwill and intangible asset impairment	1,606	(14,123)	15,675
CET1 Capital Ratio	15.90%	19.60%	3.70%

KPIs are not shown for return on assets as the Group made a loss in the prior period.

The property finance loan book represents the value of assets loaned to mortgage and residential development finance customers net of related impairments. The decrease in the loan balance in the year is due principally to the £28.9m transfer of the beneficial interest of the fair value element of the majority of Castle Trust's house price linked mortgages outside of the Group as part of the Group simplification exercise. The remainder of the movement is due to challenging trading conditions in the market due principally to uncertainty around the Brexit outcome and the resulting impact that this has had with customers completing on larger property purchases and development projects. The pipeline of new

business remains strong and following the recent general election result and forthcoming EU exit date, greater certainty should now return to the UK property marketing enabling the property division to grow once more in 2020.

The point of sale consumer lending loan book represents the value of consumer loans less any related impairments. With the transition to IFRS 9, the business has seen a one off transitional adjustment of £8.0m increasing the impairment provision. Further details of this transitional adjustment can be found in Note 2. The residual decrease in the loan balance of £11.9m follows a significant strategic change in direction for Omni. In the prior year, Omni experienced high levels of customer defaults, fraud, and impairments which led to the Omni business exiting several key retailer relationships, ending the provision of second line lending and tightening individual lending credit criteria. A decline in the loan book was an inevitable consequence of this strategic decision as the old business rolled off whilst the commercial team onboarded new retailers and brokers who are better aligned with its longer-term strategic business plan. This decision has now begun to pay off, as the loan book began to build once more towards the end of the year. Post year end, originations are continuing to grow, and significant loan growth is forecast through 2020.

Investment business relates principally to Fortress Bond balances held by customers. The decrease in this balance has been driven by asset funding requirements, with the overall loan book reducing in the year. Castle Trust managed this decline by undertaking very limited marketing for the Fortress Bond product in the year, relying principally on customer reinvestment to maintain liquidity at comfortable levels.

Cash and cash equivalents is a measure of readily available liquid funds that Castle Trust can utilise to meet customer and business needs. The increase of £21.8m in the year reflects the overall decrease in the loan book with a buffer maintained to ensure that Castle Trust can support the changes required in becoming a bank and to ensure sufficient liquidity to meet regulatory and planning requirements.

Net interest income demonstrates the return generated on the loan book less the associated cost of funding paid to investment customers and is a key indicator in assessing underlying profitability. Despite the fall in the loan book values by the end of the year, the average value throughout the financial year was greater than in the prior year resulting in the £1.2m increase in 2019.

Profit/(loss) before tax, goodwill and intangible assets written off is a measure of underlying profitability excluding exceptional items. The increase in year is primarily due to the following:

- An improvement in underlying operating income of £3.8m with higher net interest income as detailed above and a further £3.0m increase in fair value gains linked principally to house price related mortgage products.
- Lower administrative expenses of £4.4m due to reduced headcount and overheads as disciplined cost management policies and synergies adopted by management take effect.
- Reduction in impairment charges of £7.6m as remediation programs and revised credit lending procedures have reduced customer defaults and improved the credit profile of the ongoing loan book.

The CET1 Capital ratio is a key metric used throughout the industry to measure the capital adequacy of a business. It shows the ratio between the calculated risk weighted assets and tier 1 capital. The 0.7% improvement in the year is principally due to a reduction in Castle Trust's risk weighted assets following the decrease in the value of the loan book.

Principal risks and uncertainties

The Group is subject to financial risks, such as credit risk, market risk and liquidity risk, as well as non-financial risks, such as regulatory and operational risk. The Board is responsible for setting the risk appetite for each of these risks and reviewing these risks on a regular basis. Please refer to note 26 for further details on how these risks are managed.

Credit risk

Credit risk is the risk that a counterparty will fail to meet its obligations in accordance with agreed terms. The Group is exposed to credit risk from its loans to customers, intermediaries, derivative financial instruments, cash and cash equivalents and its loans and advances to credit institutions. The Group manages its credit risk in accordance with policies set by the Board and during monthly credit risk committee meetings.

Concentration risk is considered to be a component of credit risk and is the risk that Castle Trust is materially exposed to single counterparties and significant risk categories.

Liquidity risk

Liquidity risk is the risk that a firm is unable to meet its liabilities as they fall due, without incurring unacceptably large losses. The Group is exposed to liquidity risk due to nature of its business actives. Liquidity risk is reviewed on a monthly basis and formally reviewed by the Board on an annual basis.

Market risk

Market risk is the risk that the fair value of future cash flows from financial instruments will fluctuate as a result of changes in market variables. Interest rate risk and house price risk are the key market risks Castle Trust is exposed to as a result of variability arising from interest rates and house prices. As explained in the Business Overview, as the beneficial interest of the fair value element of all of Castle Trust's house price linked mortgages has been sold to CTC Holdings (Cayman) Limited, CTC's exposure to house price risk is greatly reduced. Both risks have been historically managed by the Group at a consolidated level with the use of derivatives and naturally hedging assets and liabilities where possible. Given the exposure to house price risk is now considered immaterial this risk no longer requires active management.

Capital management

CTC and Castle Trust Capital Management Limited ("CTCM") are regulated by The Financial Conduct Authority ("FCA") and, as investment firms, are additionally subject to the requirements of the Capital Requirements Regulation (EU 575/2013) which governs capital levels. Regulatory capital requirements are monitored as part of the overall management of capital, with Key Risk Indicators assigned and monitored for regulatory capital ratios. Omni is also subject to FCA regulation over its consumer credit activities.

Capital management disclosures, to the extent they are not included in the financial statements, will be published in a Supplementary Regulatory Capital and Remuneration Disclosure on Castle Trust's website (www.castletrust.co.uk). CTC and CTCM are subject to a fixed overhead requirement.

Regulatory risk

Castle Trust provides services which are subject to regulation by the FCA and has implemented and maintained appropriate processes and controls to ensure both that it does not sell services or products which are not suitable for clients and to ensure that the conduct of Castle Trust's activities comply with the relevant regulations.

Castle Trust operates in a legal and regulated environment that exposes it to litigation and regulatory risks. As a result Castle Trust receives complaints, is subject to threatened or actual legal proceedings and manages regulatory enquiries and investigations. Where it is concluded that it is more likely than not that a payment will be made a provision is raised based on management's best estimate of the amount payable. All material matters, if any, are subject to periodic review to determine if they can be reasonably estimated. Castle Trust does not expect the ultimate resolution of any matters to have a materially adverse impact on its financial statements.

Regulatory risks relating to the banking licence application are further described in the directors' going concern assessment.

Operational risk

Castle Trust is exposed to the risk that process errors, omissions and other incidents could result in operational losses. Having previously relied extensively on third party service providers Castle Trust has brought in house its investment operations and so greater transparency and oversight is more easily facilitated.

Although capital requirements for CTC are covered by the investment firm fixed overhead requirement, CTC manages operational risk via the customer and operational risk committee, which regularly reviews complaints, the operational risk event log, monitoring of key risk indicators including conduct risk and all customer touch points, compliance monitoring and regulatory change and horizon planning.

Other matters

The other significant area of uncertainty impacting the Group is the UK's withdrawal from the European Union ("EU"). It is not clear what the direct impact will be on Castle Trust; however, there is a risk that the UK governments negotiated outcome could impact GDP growth, inflation (including house price growth) and interest rates. This may have an adverse impact on loan book growth and potentially the recovery of amounts due from customers which would result in higher impairment charges and lower profitability.

The Board has considered the potential impact of these uncertain outcomes as part of setting Castle Trust's risk appetite, capital plans and impairment assumptions. The Board will continue to closely monitor the situation as the economic outcome of Brexit becomes more certain.

By order of the Board

Mr Andrew Macdonald
Company Secretary
23 January 2020

Directors' report

The directors present their report for Castle Trust incorporating the individual financial statements for Castle Trust Capital plc for the year ended 30 September 2019. The information on page 1 forms part of this report.

Directors

Details of directors who served during the year are provided on page 1.

Regulatory environment

CTC, CTCM and Omni (with respect to consumer credit only) are authorised and regulated by the FCA.

Results and dividends

The results of the Group for the year are set out in the consolidated statement of comprehensive income on page 14. The Group has made a total comprehensive profit in the current financial year of £1.6 million (30 September 2018: loss of £28.7 million). The directors do not recommend the payment of a dividend (2018: £nil).

Please refer to note 28 for details of allotted shares in the year.

Financial risk management and exposure to risk

The Group measures and monitors risk on a regular basis and formally reviews its risk position at the Risk Committee every quarter. The main financial risk to which Castle Trust is exposed as at 30 September 2019 is credit risk as set out in the strategic report. Castle Trust is also exposed to other market risks (primarily interest rate risk and house price risk) and liquidity risk as these risks are inherent in the business. Each of these risks are regularly measured and monitored, and appropriately managed. Refer to the strategic report on page 7 and note 26 for full details.

The Risk Function is responsible for the management of risk and is independent of the business areas responsible for managing these risks and has direct access to the Risk Committee responsible for setting and oversight of risk strategy and policies. The Risk Committee (which has met 2 times during the financial year) has delegated various decision making and monitoring responsibilities to the following executive committees: the monthly Credit Risk Committee, the monthly Non-Financial risk committee and the Credit Approval committee.

Castle Trust uses financial instruments to mitigate the impact of risks in relation to interest rate risk. Castle Trust's lending business is funded by fixed rate funding which typically has a shorter maturity than the lending. This gives rise to interest rate risk. In order to hedge this risk, Castle Trust entered into a series of interest rate swaps and historically designated these as fair value hedges using a portfolio hedging model. Fair value hedge accounting was discontinued on 1 July 2017 and has not been applied since. Refer to note 14 for further details of the Group's hedging arrangements.

Future developments

Castle Trust has applied to the relevant financial regulators for permission to accept deposits, commonly known as a banking licence, following extensive discussion as part of the pre-application phase. This application was made on 3 September 2019. Should the application for a banking licence be successful, and the nature of funding for the Group's business activities change (from Fortress Bonds to deposits), it is possible that the business of certain subsidiaries will be discontinued as part of a wider rationalisation of entities within the Group. The future legal entity structure of the Group is currently under review but the plan is subject to ongoing discussion with the regulators as part of the banking licence application process. Castle Trust Treasury Limited and Castle Trust Finance Limited were restructured prior to the end of the financial year 30 September 2019 and are currently in the process of being liquidated. In the event that business activities of other subsidiaries in the Group are discontinued, the directors anticipate that any wind down would take place in an orderly manner to ensure the subsidiaries can meet liabilities as they fall due on the basis that the key assets in entities that may be discontinued comprise receivables due from other Group entities.

Events since the balance sheet date

Subsequent to the reporting period the Group has begun the process of winding down CTF and CTT with the aim of liquidating these companies in 2020.

Going concern assessment

The consolidated financial statements of Castle Trust have been prepared on a going concern basis. In assessing whether the going concern assumption remains appropriate for the Group, the directors have focussed in particular on the liquidity and capital position for the next 12 months.

The directors believe the likelihood of achieving full banking licence status to be high. This is based on progress made to date and the ongoing positive feedback from the PRA and FCA. The directors have carefully considered any uncertainties of the timing and outcome of the Group's application for a banking licence and any impact that this would have on the liquidity and capital position of the Group.

Whilst the likelihood of the following scenarios remains remote, each one has been considered:

- An extended delay between being granted Authorisation with Restriction ("AWR") and full licence and the ability of Castle Trust to raise additional funding;

- Delays to a successful Scheme of Arrangement, whereby the exiting Fortress Bond portfolio is unable to be migrated into a deposit product;

- The banking licence application being ultimately unsuccessful.

In considering these scenarios, the directors assessed the mitigating actions Castle Trust would take and the impact of such actions on liquidity and capital. The directors have concluded that in all scenarios Castle Trust will continue to be a going concern for the next 12 months.

The Group is strongly capitalised with total equity of £58.8 million, total assets of £778.7 million, total liabilities of £719.9 million and surplus cash of £140.3 million. The maturity profile of contractual cash inflows and outflows assuming no new lending and funding and no roll-over of bonds show a net positive inflow of cash for the 12 months subsequent to year end (Note 27). The directors are further assured by the investors in the Group having committed to providing financial support of up to £20 million to ensure that the Group has adequate regulatory capital for meeting growth targets relating to the banking licence application.

The Group continues to raise funding through new bond issuances in addition to having sourced alternative funding lines. Existing customers elected to reinvest on average 73% of the proceeds of their matured bonds during the year. To support their going concern assessment, the directors considered the reinvestment rate of existing bond holders and performed sensitivity analysis around a decline in the reinvestment rate. This included stress testing alternative scenarios for reduced reinvestment rates to establish the impact on the funding position of the Group. The ability of the Group to attract new bond customers is continuously assessed, together with sensitivity analysis on potential changes in the interest rate offered on new bond issuance which may occur as a result of changes in the macro economic environment and alternative rates available in the market.

On becoming a bank, the directors are confident that the Group's existing ability to raise funding through bonds will be replicated under new fixed term deposit products which will offer similar terms but within a more robust regulatory environment. Maintaining reinvestment rates and attracting new business into the deposit products will be achieved through the competitive pricing of products and leveraging off the strong brand and customer base that Castle Trust has developed over recent years.

The directors have also considered the following as part of the going concern assessment:

- Risk management policies and how the Group is placed to manage business risks. The directors assessed the sensitivity of the Group's financial position to a worsening of the financial risks to which the Group is exposed, including potential changes in credit risk profile and market risk exposure under stressed scenarios.

- The overall regulatory risk of the business including the risks associated with the current business model, potential exposure to conduct risk and the impact of changes in the regulatory landscape.

Based on the assessment set out above, the directors are satisfied that the Group has sufficient resources to continue in business for the foreseeable future and meet its liabilities as they fall due in the next 12 months. Furthermore, the directors are not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern.

Directors' indemnity and directors' & officers' liability insurance

Castle Trust maintains a directors' and officers' liability insurance policy. In accordance with Castle Trust's Articles of Association, the Board may also indemnify a director from the assets of Castle Trust against any costs or liability incurred as a result of their office, to the extent permitted by law. Neither the insurance policy nor any indemnities that may be provided by Castle Trust provide cover for fraudulent or dishonest actions by the directors.

Disclosure of information to the auditors

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

By order of the Board

Mr Andrew Macdonald,
Company Secretary,
23 January 2020

Statement of directors' responsibilities

The directors are responsible for preparing the strategic report, the directors' report, and the consolidated 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 consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and applicable law.

Under Company law, the directors must not approve the consolidated financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that year.

In preparing the consolidated financial statements the directors are required to:

- present fairly the financial position, financial performance and cash flows of the Group;
- select suitable accounting policies in accordance with IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- make judgements that are reasonable;
- provide additional disclosures when compliance with the specific requirements in IFRS as adopted by the EU is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance;
- state whether the Group's financial statements have been prepared in accordance with IFRS as adopted by the EU, 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 Group will continue in business.

The strategic report and the directors' report include a fair review of the development and performance of the business and the position of the Group and the undertakings included in the consolidation, taken as a whole, together with a description of the principal risks and uncertainties faced by the Group.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group, in accordance with the Companies Act 2006. The directors are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditor's report to the members of Castle Trust Capital plc

Opinion

We have audited the financial statements of Castle Trust Capital plc ('the parent company') and its subsidiaries (the 'group') for the year ended 30 September 2019 which comprise the Consolidated statement of comprehensive income, the Consolidated and Company statement of financial position, the Consolidated and Company statement of changes in equity, the Consolidated and Company statement of cash flows and the related notes 1 to 35, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the group's and of the parent company's affairs as at 30 September 2019 and of the group's profit for the year then ended;
- the financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

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 below. We are independent of the group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including 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 have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the 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 group's or the parent 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.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this 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 the other information, we are required to report that fact.

We have nothing to report in this regard.

We have nothing to report in this regard.

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 strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 12, 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 group's and the parent 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 group or the parent 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 Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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.

Ernst & Young LLP

Rhys Taylor (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
23 January 2020

Notes:

1. The maintenance and integrity of Castle Trust Capital plc's web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Consolidated statement of comprehensive income

For the year ended 30 September 2019

	Notes	Group 2019 £'000	Group 2018 £'000
Interest and similar income calculated using EIR	3	**56,821**	57,715
Other interest and similar income	3	**5,370**	2,374
Interest and similar expense	4	**(25,909)**	(25,055)
Net interest income		**36,282**	35,034
Fees and commission income		**321**	522
Fees and commission expense		**(668)**	(386)
Realised/ unrealised gain on financial instruments at fair value through profit or loss	5	**5,063**	2,000
Total operating income		**40,998**	37,170
Administrative expenses	6	**(27,673)**	(32,136)
Goodwill and intangible assets written off	18	**-**	(8,675)
Impairment losses	11	**(9,963)**	(17,563)
Depreciation and amortisation	16,18	**(1,756)**	(1,594)
Total operating expenses		**(39,392)**	(59,968)
Profit / (loss) before tax		**1,606**	(22,798)
Corporation tax	7	**-**	(5,869)
Total profit / (loss)		**1,606**	(28,667)
Other comprehensive income			
Items not reclassified to profit or loss in subsequent periods			
Fair value of own credit risk changes of financial liabilities at FVPL		**41**	-
Total other comprehensive income for the year		**41**	-
Profit / (loss) for the year attributed to:			
Non-controlling interests	17	**(24)**	(38)
Equity holders of the parent		**1,630**	(28,629)
Total profit / (loss)		**1,606**	(28,667)
Total comprehensive income for the year attributed to:			
Non-controlling interests		**(24)**	(38)
Equity holders of the parent		**1,671**	(28,629)
Total comprehensive income / (loss)		**1,647**	(28,667)

The results for all years presented comprise continuing operations.

Notes on pages 19 to 69 are an integral part of these financial statements.

Consolidated and Company statement of financial position

Registered number: 07454474

As at 30 September 2019

Assets	Notes	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
Cash and cash equivalents	8	140,349	118,514	131,434	40,556
Loans and advances to credit institutions	9	14,926	-	14,926	-
Trade and other receivables	10	1,875	2,926	1,153	713
Loans to customers					
At amortised cost	11	611,033	629,742	481,353	403,081
Designated at fair value through profit or loss	12	5,328	69,780	5,328	9,733
Fair value hedge asset		-	229	-	-
Derivative financial instruments					
House price option	13	-	9,150	-	26,669
Derivatives held for risk management	14	-	176	-	-
Prepayments		972	1,501	855	271
Amounts due from group companies for MILA	15	-	-	126,930	-
Property and equipment	16	454	489	324	123
Investment in subsidiaries	17	-	-	30,395	23,395
Intangible assets	18	3,768	2,657	2,076	950
Total assets		778,705	835,164	794,774	505,491
Liabilities					
Trade and other payables	19	4,983	7,566	4,506	6,504
Debt securities in issue	20	-	9,642	-	-
Provisions for liabilities	21	374	365	-	-
Amounts due to customers for Fortress Bonds	22	711,128	727,770	-	-
Amounts due to group companies for BLA/ MILA	22	-	-	720,089	402,825
Financial liabilities at fair value through profit or loss	23	3,436	24,989	-	15,339
Amounts due to related parties under inter-company swap arrangements	24	-	-	3,436	9,650
Total liabilities		719,921	770,332	728,031	434,318
Equity					
Share capital	28	13,212	12,992	13,212	12,992
Share premium		106,147	104,166	106,147	104,166
Own credit revaluation reserves		41		41	
Retained earnings		(60,608)	(52,342)	(52,657)	(45,985)
Issued capital and reserves attributable to owners of the parent		58,792	64,816	66,743	71,173
Non-controlling interests	17	(8)	16	-	-
Total equity		58,784	64,832	66,743	71,173
Total equity and liabilities		778,705	835,164	794,774	505,491

Notes on pages 19 to 69 are an integral part of these financial statements.

The Company's loss for the year was £5,433k (2018: loss of £36,754k).

The financial statements were approved by the Board of Directors and authorised for issue on 23 January 2020 and were signed on its behalf by:

Martin Bischoff
Chief Executive Officer
23 January 2020

Consolidated statement of changes in equity

For the year ended 30 September 2019

	Note	Share capital	Share premium	Own credit revaluation reserves	Retained earnings	Total	Non-controlling interest	Total equity
		£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 October 2018		12,992	104,166	-	(52,342)	64,816	16	64,832
IFRS 9 transition adjustment	2.4.16			-	(9,896)	(9,896)	-	(9,896)
Restated at 1 October 2018		12,992	104,166	-	(62,238)	54,920	16	54,936
Total comprehensive profit for the year		-	-	-	1,630	1,630	(24)	1,606
Fair value of own credit risk changes of financial liabilities at FVPL		-	-	41	-	41	-	41
Issue of share capital	28	220	1,981	-	-	2,201	-	2,201
At 30 September 2019		13,212	106,147	41	(60,608)	58,792	(8)	58,784

For the year ended 30 September 2018

	Share capital	Share premium	Retained earnings	Total	Non-controlling interest	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 October 2017	9,526	72,971	(23,713)	58,784	54	58,838
Total comprehensive loss for the year	-	-	(28,629)	(28,629)	(38)	(28,667)
Issue of share capital	3,466	31,195	-	34,661	-	34,661
At 30 September 2018	12,992	104,166	(52,342)	64,816	16	64,832

Company statement of changes in equity

For the year ended 30 September 2019

	Note	Share capital	Share premium	Own credit revaluation reserves	Retained earnings	Total equity
		£'000	£'000	£'000	£'000	£'000
At 1 October 2018		12,992	*104,166*	-	(45,985)	71,173
IFRS 9 transition adjustment	2.4.16	-	-	-	(1,239)	(1,239)
Restated at 1 October 2018		12,992	104,166	-	(47,224)	69,934
Total comprehensive profit for the year		-	-	-	(5,433)	(5,433)
Fair value of own credit risk changes of financial liabilities at FVPL		-	-	41	-	41
Issue of share capital	28	220	1,981	-	-	2,201
At 30 September 2019		13,212	106,147	41	(52,657)	66,743

For the year ended 30 September 2018

	Share capital	Share premium	Retained earnings	Total equity
	£'000	£'000	£'000	£'000
At 1 October 2017	9,526	72,971	(9,231)	73,266
Total comprehensive loss for the year	-	-	(36,754)	(36,754)
Issue of share capital	3,466	31,195	-	34,661
At 30 September 2018	12,992	104,166	(45,985)	71,173

Notes on pages 19 to 69 are an integral part of these financial statements.

Consolidated and Company statement of cash flows

For the year ended 30 September 2019

Cash flow from operating activities	Group 2019 £'000	Group 2018 £'000	Company 2019 £ '000	Company 2018 £ '000
Bank interest received	788	627	609	435
Bank charges and interest paid	(776)	(1,470)	(15)	(87)
Fees and commission paid	(1,773)	(2,653)	(1,609)	(2,215)
Fees and commission received	2,143	1,503	2,043	1,507
Payments to suppliers	(18,538)	(20,255)	(17,179)	(7,001)
Payments to employees	(13,184)	(14,741)	(12,853)	(11,238)
Mortgages issued	(133,728)	(184,471)	(133,728)	(184,472)
Mortgages principal redeemed	157,400	132,508	157,400	132,508
Mortgage interest received	29,272	23,132	29,272	23,132
Mortgage profit share received	2,786	4,843	2,786	4,843
Consumer loans issued	(106,529)	(165,613)	-	-
Consumer loans principal redeemed	121,154	95,195	-	-
Consumer loan interest received	8,676	9,609	-	-
Wholesale loans issued	(6,378)	(58,299)	-	-
Wholesale loans principal redeemed	14,804	6,676	-	-
Wholesale loans interest received	5,717	3,278	-	-
Net cash inflow / (outflow) from operating activities	61,834	(170,131)	26,726	(42,588)
Investment in subsidiaries	-	-	-	(18,500)
Receipts from group companies	-	-	8,435	1,302
Payments to group companies	-	-	(16,542)	(35,943)
Purchase of intangible assets	-	(844)	-	(183)
Proceeds from sale of wholesale loans	14,844	-	-	-
Proceeds from sale of / (payments to purchase) loans and advances to credit institutions	(15,050)	16,026	(14,900)	900
Proceeds from sale of house price options	16,600	-	16,600	-
Purchase of property, plant and equipment	(269)	(352)	(269)	(190)
Net cash inflow / (outflow) from investing activities	16,125	14,830	(6,676)	(52,614)
Cash flow from financing activities				
Proceeds from issue of share capital	2,201	34,662	2,201	34,662
Proceeds from issue of financial liabilities at amortised cost / Borrower Loan Agreement with related parties	123,697	230,710	-	145,586
Distributions of principal for redemptions of financial liabilities at fair value through profit or loss	(23,738)	(960)	(5,031)	(960)
Distributions of profit share for financial liabilities at fair value through profit or loss	-	(557)	-	(557)
Interest paid on MLA	-	-	(13,899)	-
Principal repayment of MLA	-	-	(110,948)	-
Principal receipts for MLA	-	-	200,130	-
Interest paid for financial liabilities at amortised cost	(19,842)	(13,429)	(1,625)	(2,601)
Proceeds from issue of debt securities	10,000	10,000	-	-
Principal repayment of debt securities issued	(20,000)	-	-	-
Interest paid on debt securities	(763)	(291)	-	-
Distributions of principal for maturities of financial liabilities at amortised cost	(127,679)	(113,644)	-	(59,938)
Net cash (outflow) / inflow from financing activities	(56,124)	146,491	70,828	116,192
Net increase / (decrease) in cash and cash equivalents	21,835	(8,810)	90,878	20,990
Cash and cash equivalents at beginning of the year	118,514	127,324	40,556	19,566
Cash and cash equivalents at end of the year	140,349	118,514	131,434	40,556

The amount of undrawn borrowing facilities that may be available in the future for operating activities and settling capital commitments is £75.0 million (2018: £65.0 million). There are restrictions on the use of these facilities as they are available as a result of the securitisation Castle Trust completed in the prior year; see note 8 for further details.

Notes on pages 19 to 69 are an integral part of these financial statements.

1. Corporate information

CTC is incorporated and domiciled in the UK. These consolidated financial statements for the year ended 30 September 2019 were authorised for issue in accordance with a resolution of directors on 22 January 2020. The Group has only one class of business.

2. Accounting policies

2.1 Basis of preparation

The Group's statutory consolidated financial statements and the Company's statutory financial statements for the year ended 30 September 2019 have been prepared under IFRS as adopted by the EU. The Group has consistently applied the same accounting policies as at 30 September 2018 as in the prior year except in relation to the Group and Company's first time adoption of IFRS 9 Financial Instruments ("IFRS 9") from 1 October 2018.

These consolidated financial statements have been prepared on a historical cost basis, except for financial assets and liabilities that are measured at fair value. The consolidated financial statements are presented in sterling and all values are rounded to the nearest one thousand pounds (£'000) except where otherwise indicated.

The Company has taken advantage of the exemption in Section 408 of the Companies Act 2006 not to present its own statement of comprehensive income.

The Group's directors have assessed its ability to continue as a going concern and are satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, the directors are not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern.

Consequently, the consolidated financial statements of Castle Trust have been prepared on a going concern basis. Please refer to the director's report for further details of the assessment.

2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and the subsidiaries that it controls as at 30 September 2019. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns
- Generally, there is a presumption that a majority of voting rights result in control

To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

2.3 Significant accounting judgements, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures, as well as the disclosures of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

In the process of applying the Group's accounting policies, management has made the following judgements and key assumptions concerning the future, as well as other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances beyond the control of the Group. Such changes are reflected in the assumptions when they occur. The following items are considered to be the significant accounting judgements, estimates and assumptions relevant to the Group.

Following Castle Trust's announcement that it is applying for a banking licence and the worse performance than expected observed in the prior year on its consumer lending business, Castle Trust materially revised its forecasts which were used to determine the recoverability of goodwill. As such Castle Trust concluded that it was appropriate to write off the balance of goodwill and so this is no longer considered a significant accounting judgement, estimate or assumption.

(i) Impairment losses on loans to customers

The Group's implementation of IFRS 9 on 1 October 2018 has changed the judgements and estimates used when determining impairments. IFRS 9 replaced the IAS 39 "incurred loss" impairment recognition framework with a three stage expected credit loss ("ECL") approach. In order to implement IFRS 9, internal models were built to determine Probability of Default ("PD"), Loss Given Default ("LGD"), Exposure at Default ("EAD") and forecast economic scenarios.

Judgement is required to determine the appropriateness of estimates underpinning the models when determining ECLs as explained below:

- **PD models** – the Group uses a number of PD models to assess the likelihood of a default event occurring within the next 12 months, utilising predominately internal information. The Group also computes a lifetime PD estimate for each relevant loan exposure based on the 12 month PD.
- **LGD model** – the Group uses a number of LGD models which include a number of inputs that require judgement and estimation, principally the likelihood of each recovery method and the resulting proceeds from following that recovery method.
- **EAD model** – the Group uses a number of EAD models to determine exposure at default and these follow a consistent approach to existing Effective Interest Rate ("EIR") models which use Conditional Prepayment Assumptions when determining the EIR.
- **Economic scenarios model** – the Group uses an economic scenarios model when determining the forward-looking assumptions to be used in different economic scenarios and the weighting of the likelihood of those scenarios. The development of this model required judgement when assessing the correlations between macroeconomic scenarios and economic inputs (such as unemployment levels and collateral values) and the effect on PDs, EADs and LGD.

In addition to the items noted above judgement is also required in:

- Determining the appropriate segmentation of the Group's portfolio so that the appropriate model is used and the assumptions used in that model have been derived from historic data that is representative of the current portfolio in the current economic climate.

- Identifying which stage a loan is in (for example by determining what constitutes a significant deterioration in credit quality) and the criteria for movement between the stages. Please also see note 26 for further details surrounding methodology.

Where there is little prospect of a recovery being made for a Stage 3 financial asset, the impairment provision is utilised and the carrying value of the loan is then directly reduced. The impairment loss on loans to customers is disclosed in more detail in note 11.

(ii) Fair value measurement of financial assets and liabilities

The Group measures certain financial instruments at fair value through profit or loss. 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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or;
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Where the fair values of financial assets and financial liabilities cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from some observable market data but some judgement is required to establish fair values. The judgements include considerations such as liquidity, discount rates and early redemption assumptions.

Fair value related disclosures for financial instruments that are measured at fair value or amortised cost are disclosed in note 25.

(iii) Effective Interest Rate (EIR) method

The EIR methodology recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected behavioural life of relevant financial instruments and recognises the effect of potentially different interest rates charged at various stages and other characteristics of the product life cycle (including prepayments and penalty interest and charges). This estimation, by nature, requires an element of judgement regarding the expected behaviour and life-cycle of the instruments. A conditional prepayment rate (CPR), being a loan prepayment rate equivalent to the proportion of a loan's principal that is assumed to be paid off ahead of time in each period, is estimated. The calculation of this estimate is based on a number of factors, such as historical prepayment rates for previous loans similar to ones and future economic outlooks.

(iv) Deferred tax assets

The status, measurements and treatment of deferred tax assets recognised in the consolidated financial statements are disclosed in note 7. The decision to recognise the assets is based on the Group's estimation of profits arising in the short to medium term against which the brought forward losses might be relieved. The status, measurement and treatment of these assets are monitored at each reporting date.

(v) Consolidation of structured entities

The Group's ultimate controlling party sponsors the formation of structured entities ("SEs"), which may or may not be directly or indirectly-owned subsidiaries of Castle Trust Capital plc.

Structured entities are entities whereby consolidation is not solely determined by voting rights and share ownership. The Group determines whether it is a parent by assessing whether it controls the SEs. The Group considers all relevant facts and circumstances when assessing whether it controls the SEs. The Group controls the SEs when it is exposed, or has rights, to variable returns from its involvement with the SEs and has the ability to affect those returns through its power over the SEs.

The Group consolidates the SEs that it controls. The Group's involvement with consolidated SEs is detailed in note 17.

Accounting judgment significant in the prior year

(vi) Impairment of goodwill

Goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to a cash generating unit. Judgement is needed to determine the appropriateness of this allocation. Impairment testing involves a number of judgmental areas: the preparation of cash flow forecasts; the assessment of the discount rate appropriate to the business; estimation of the fair value of cash-generating units; and the valuation of their separable assets.

2.4 Significant accounting policies

2.4.1 Interest and similar income

2.4.1.1 Interest and similar income calculated using EIR

The Group calculates interest income by applying the EIR to the gross carrying amount of financial assets other than credit-impaired assets.

When a financial asset becomes credit-impaired and is, therefore, regarded as 'Stage 3', the Group calculates interest income by applying the EIR to the net amortised cost of the financial asset. If the financial asset cures and is no longer credit-impaired, the Group reverts to calculating interest income on a gross basis.

If expectations are revised, the carrying amount of the asset is adjusted with an associated increase or reduction recorded in interest income. The adjustment is subsequently amortised through interest and similar income in the statement of comprehensive income.

For acquired loan books the EIR calculated at acquisition is not changed for subsequent variances in actual to expected cash flows. The Group monitors the actual cash flows for each acquired book and where they diverge significantly from expectation, the future cash flows are reset (an 'AG8' adjustment). In assessing whether to adjust future cash flows on an acquired portfolio, the Group considers the cash variance on an absolute basis. Where cash flows for an acquired portfolio are reset, they are discounted at the EIR to derive a new carrying value, with changes taken to profit or loss as interest income.

2.4.1.2 Other interest and similar income

Interest income and expense on financial assets and financial liabilities at fair value though profit or loss are presented in the statement of comprehensive income within other interest and similar income, and interest and similar expense, respectively (except for Partnership mortgages). Interest income and expense is calculated based on similar principles to the EIR basis. Partnership mortgages differ from the other products in that none of the Partnership mortgages have a minimum repayment amount or fixed interest rate, and are potentially subject to greater variability given Castle Trust is obliged to make payments to the customer in the event of a fall in valuation of the underlying property, in certain cases.

2.4.2 Financial assets and liabilities

2.4.2.1 Initial recognition

Financial assets and liabilities, with the exception of loans to customers, are initially recognised on the trade date, i.e., the date that the Group becomes a party to the contractual provisions of the instrument. Loans to customers are recognised when funds are transferred to the customers' accounts.

Financial assets and liabilities are initially measured at their fair value and transaction costs are added to, or subtracted from, this amount, except in the case of financial assets and financial liabilities recorded at Fair Value through Profit or Loss ("FVPL"), where transaction costs are expensed.

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instrument as set out below.

2.4.2.2 Subsequent measurement of financial assets and liabilities

From 1 October 2018, the Group classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either amortised cost or FVPL.

Financial liabilities, other than loan commitments and financial guarantees, are measured at amortised cost or at FVPL (when they are held for trading, derivative instruments or the fair value designation is applied).

Loans and advances to credit institutions, loans to customers and trade and other receivables

From 1 October 2018, the Group only measures financial instruments at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

The details of these conditions are outlined below. The Group classifies the following financial assets at amortised cost:

- Loans and advances to credit institutions;
- Loans to customers (for those not accounted for at FVPL as set out below); and
- Trade and other receivables.

Business model assessment

The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective (not on an instrument-by-instrument basis) and is based on observable factors such as:

- How the performance of the business model and the financial assets held are evaluated and reported to key management personnel;
- The risks that affect the performance of the business model and the financial assets held and, in particular, the way those risks are managed;
- How managers of the business are compensated; and
- The expected frequency, value and timing of sales.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

The SPPI test

As a second step of its classification process the Group assesses the contractual terms of financial assets to identify whether they meet the SPPI test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Group applies judgement and considers relevant factors such as early repayment features.

In contrast, contractual terms that introduce a more than *de minimis* exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVPL.

After initial measurement, these are measured at amortised cost using the EIR methodology, less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The EIR amortisation is included in interest and similar income calculated using EIR in the statement of total comprehensive income.

Financial assets and liabilities at fair value through profit or loss

Financial assets and liabilities classified in this category include those that have been designated upon initial recognition or are mandatorily required to be measured at fair value under IFRS 9. The Group has only designated an instrument at fair value through profit or loss upon initial recognition when the designation eliminates, or significantly reduces, the inconsistent treatment that would otherwise arise from measuring the assets or recognising gains or losses on them on a different basis.

The Group classified the following financial assets and liabilities at fair value through profit or loss:

- Certain loans to customers as set out below (however the house price derivative element of all except 2 of these loans has been sold as at 30 September 2019 and the remaining fixed income components have been derecognised and then re-recognised "At amortised cost". The 2 loans where the house price derivative was not sold continue to be classified as "Designated at fair value.")
- Derivatives held for risk management – interest rate swaps not in effective hedging relationships. (However there were none outstanding at 30 September 2019.)
- Financial liabilities at fair value through profit or loss

  These comprise liabilities to redeemable preference ("Foundation Housas" and "Growth Housas") shareholders and loan note ("Income Housas") holders. In addition, this comprised derivative financial liabilities related to over-the-counter call options sold to CTC Holdings (Cayman) Ltd during the year which was repaid at 30 September 2019.
- Amounts due to related parties under inter-company swap arrangements.

  With respect to the Company only, these comprise liabilities under the swap agreement to Castle Trust Income Housa plc ("CTIH") and the Castle Trust Growth Housa PC ("PC")

Financial assets and financial liabilities at FVPL are recorded in the statement of financial position at fair value. Changes in fair value are recorded in profit and loss.

Loans to customers at fair value through profit or loss included house price linked products: Partnership Mortgages ("PMs"), Index Profit Share mortgages ("IPS") and Buy-to-let equity loans ("BTLEL").

- PMs were only available to owner occupiers with a term of c15 years and more. The repayment amount incorporated a profit/loss share based on any change in the value of the individual's mortgaged property.
- BTLELs were available to buy-to-let investors only with a term of up to 10 years. The repayment amount incorporated a profit share based on any change in the value of the individual's mortgaged property.
- IPS mortgages were available to buy-to-let investors and owner occupiers (who are exempt from the Consumer Credit Act ("CCA") (via the high net worth / business exemption tests)) with a term of typically 5 years. The original amount of the loan is repayable at redemption plus a deferred interest component (typically 5% pa where applicable) plus typically one times the increase in value of the national Halifax House Price Index ("HHPI"), if the property has increased in value, or the minimum repayment amount (typically 3.5% pa), whichever is greater.

The following table summarises the difference in treatment at a company and consolidated level for house price linked products:

	Partnership mortgages	BTLEL	IPS Mortgages pre 1 October 2014	IPS subsequent to 1 October 2014
Company balance sheet	IAS 39 & IFRS 9: Fixed income and house price option at FVTPL	IAS 39 & IFRS 9: House price option at FVTPL	IAS 39 & IFRS 9: House price option at FVTPL	IAS 39 & IFRS 9: House price option at FVTPL
Group balance sheet	IAS 39 & IFRS 9: Fixed income and house price option at FVTPL	IAS 39 & IFRS 9: Fixed income and house price option at FVTPL	IAS 39 & IFRS 9: Fixed income and house price option at FVTPL	IAS 39: Bifurcated house price option at FVTPL Fixed income component at amortised cost IFRS 9: Fixed income and house price option at FVTPL

	Partnership mortgages	BTLEL	IPS Mortgages pre 1 October 2014	IPS subsequent to 1 October 2014
Group and Company statement of total comprehensive income	IAS 39 & IFRS 9: All gains and losses are presented within Realised and unrealised gains on financial instruments at fair value through profit and loss.	IAS 39 & IFRS 9: Interest income presented separately from fair value movements in other interest and similar income	IAS 39 & IFRS 9: Interest income presented separately from fair value movements in other interest and similar income	IAS 39 & IFRS 9: Interest income presented separately from fair value movements in other interest and similar income

Financial liabilities at amortised cost

Financial liabilities at amortised cost are non-derivative financial liabilities with fixed or determinable payments that are not quoted in an active market. The Group classifies the following financial liabilities at amortised cost:

- Trade and other payables
- Amounts due to customers

  These comprise fixed rate Fortress Bonds liabilities
- Amounts due to group companies

  With respect to the Company only, these comprise the Borrower Loan Agreement liability to its subsidiary Castle Trust Direct Limited ("CTD"), in order to allow CTD to pay interest on and the amount due on the relevant maturity date of the Fortress Bonds sold to customers, and the Master Intra Group Lending Agreement ("MILA") comprising intercompany loans for general operational funding to CTF, Omni and CTCM.

After initial measurement, financial liabilities at amortised cost are subsequently measured at amortised cost using the EIR methodology. Amortised cost is calculated by taking into account any discount or premium on issue funds, and costs that are an integral part of the EIR. A compound financial instrument which contains both a liability and an equity component is separated at the issue date. The EIR amortisation is included in interest and similar expense in the statement of comprehensive income.

2.4.2.3 Derecognition

Derecognition due to substantial modification of terms and conditions

The Group derecognises a financial asset when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognised as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. Please see note 11. The newly recognised loans are classified as Stage 1 for ECL measurement purposes, unless the new loan is deemed to be Purchased or Credit Impaired ("POCI").

When assessing whether or not to derecognise a financial asset, amongst others, the Group considers the following factors: introduction of an equity feature; change in counterparty and if the modification is such that the instrument would no longer meet the SPPI criterion.

If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Group records a modification gain or loss, to the extent that an impairment loss has not already been recorded.

Derecognition other than for substantial modification

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the rights to receive cash flows from the financial asset have expired. The Group also derecognises the financial asset if it has both transferred the financial asset and the transfer qualifies for derecognition.

The Group has transferred the financial asset if, and only if, either:

- The Group has transferred its contractual rights to receive cash flows from the financial asset; or
- It retains the rights to the cash flows, but has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass–through' arrangement

Pass-through arrangements are transactions whereby the Group retains the contractual rights to receive the cash flows of a financial asset (the 'original asset'), but assumes a contractual obligation to pay those cash flows to one or more entities (the 'eventual recipients'), when all of the following three conditions are met:

- The Group has no obligation to pay amounts to the eventual recipients unless it has collected equivalent amounts from the original asset, excluding short-term advances with the right to full recovery of the amount lent plus accrued interest at market rates;
- The Group cannot sell or pledge the original asset other than as security to the eventual recipients; and
- The Group has to remit any cash flows it collects on behalf of the eventual recipients without material delay.

In addition, the Group is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents including interest earned, during the period between the collection date and the date of required remittance to the eventual recipients.

A transfer only qualifies for derecognition if either:

- The Group has transferred substantially all the risks and rewards of the asset; or
- The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

The Group considers control to be transferred if and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without imposing additional restrictions on the transfer.

When the Group has neither transferred nor retained substantially all the risks and rewards and has retained control of the asset, the asset continues to be recognised only to the extent of the Group's continuing involvement, in which case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration the Group could be required to pay. If continuing involvement takes the form of a written or purchased option (or both) on the transferred asset, the continuing involvement is measured at the value the Group would be required to pay upon repurchase. In the case of a written put option on an asset that is measured at fair value, the extent of the entity's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in the statement of comprehensive income.

2.4.3 Fair value hedge

A fair value hedge is used to hedge exposures to variability in the fair value of financial assets and liabilities, such as fixed rate loans and investment products. The gain or loss from the change in fair value of the hedging instrument is recognised immediately in the statement of comprehensive income. At the same time the carrying amount of the hedged item is adjusted for the corresponding gain or loss with respect to the hedged risk, which is also recognised immediately in the statement of comprehensive income. If the hedge no longer meets the criteria for hedge accounting, changes in the fair value of the hedged item attributable to the hedged risk are no longer recognised in the statement of comprehensive income. The cumulative adjustment that has been made to the carrying amount of the hedged item is amortised to the statement of comprehensive income using the effective interest method over the period to maturity.

2.4.4 Impairment of financial assets

The adoption of IFRS 9 has fundamentally changed the Group's loan loss impairment method by replacing IAS 39's incurred loss approach with a forward-looking ECL approach. From 1 October 2018, the Group has been recording the allowance for expected credit losses for all financial assets, together with loan commitments and financial guarantee

contracts, in this section all referred to as 'financial instruments'. Equity instruments are not subject to impairment under IFRS 9.

Overview of the ECL principles

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL)). The Group's policies for determining if there has been a significant increase in credit risk are set out in Note 26.1.

The 12mECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Both LTECLs and 12mECLs are calculated on an individual basis except for wholesale loans where impairment is measured using a collectively modelled impaired provision as each loan advanced by Castle Trust is individually not significant and the approach is consistent with IFRS 9.

The Group has established a policy to perform an assessment, half-yearly, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

Based on the above process, the Group groups its loans into Stage 1, Stage 2 and Stage 3, as described below:

- Stage 1: When loans are first recognised, the Group recognises an allowance based on 12mECLs. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2.
- Stage 2: When a loan has shown a significant increase in credit risk since origination, the Group records an allowance for the LTECLs. Stage 2 loans also include facilities; where the credit risk has improved and the loan has been reclassified from Stage 3.
- Stage 3: Loans considered credit-impaired (as outlined in Note 26.1). The Group records an allowance for the LTECLs.

For financial assets for which the Group has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a (partial) derecognition of the financial asset.

The calculation of ECLs

The Group calculates ECLs based on three probability-weighted scenarios to measure the expected cash shortfalls, discounted at the EIR. A cash shortfall is the difference between the cash flows that are due in accordance with the contract and the cash flows that are expected to be received.

The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

- PD: The Probability of Default is an estimate of the likelihood of default over a 12 month period then extrapolated over the life of each loan.
- EAD: The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.
- LGD: The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that are expected to be received, including from the realisation of any collateral.
- Loan commitments: When estimating LTECLs for undrawn loan commitments, the Group estimates the expected portion of the loan commitment that will be drawn down over its expected life. The ECL is then based on the present value of the expected shortfalls in cash flows if the loan is drawn down, based on a probability-weighting of the three scenarios. The expected cash shortfalls are discounted at the EIR of the loan.

When estimating the ECLs, the Group considers three scenarios (a base case, an upside and a downside). Each of these is associated with different PDs, EADs and LGDs. When relevant, the assessment of multiple scenarios also incorporates how defaulted loans are expected to be recovered, including the probability that the loans will cure and

the value of collateral or the amount that might be received for selling the asset. The maximum period for which the credit losses are determined is the contractual life of a financial instrument unless the Group has the legal right to call it earlier.

Impairment losses and releases are accounted for and disclosed separately from modification losses or gains that are accounted for as an adjustment of the financial asset's gross carrying value. Provisions for ECLs for undrawn loan commitments are assessed as part of the ECL calculation.

Forward looking information

In its ECL models, the Group uses the following forward-looking information as economic inputs:

- GDP growth;
- Unemployment rates;
- Central Bank base rates; and
- House price index.

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

Collateral valuation

To mitigate its credit risks on financial assets, the Group seeks to use collateral, where possible. The collateral comes in various forms, such as guarantees, real estate, receivables, inventories and other non-financial assets. The Group's accounting policy for collateral assigned to it through its lending arrangements under IFRS 9 is the same is it was under IAS 39. Collateral, unless repossessed, is not recorded on the Group's statement of financial position. However, the fair value of collateral affects the calculation of ECLs. It is generally assessed, at a minimum, at inception and at default with values modelled through the lifetime of the loan.

To the extent possible, the Group uses active market data for valuing financial assets held as collateral. Other financial assets which do not have readily determinable market values are valued using models. Non-financial collateral, such as real estate, is valued based on data provided by third parties such as mortgage brokers, or based on housing price indices.

Write-offs

The Group's accounting policy under IFRS 9 remains the same as it was under IAS 39. Financial assets are written off either partially or in their entirety only when the Group has stopped pursuing the recovery. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to credit loss expense.

Forborne and modified loans

The Group sometimes makes concessions or modifications to the original terms of loans as a response to the borrower's financial difficulties. Derecognition decisions and classification between Stage 2 and Stage 3 are determined on a case-by-case basis. If modifications are substantial, the loan is derecognised, as explained above.

From 1 October 2018, when the loan has been renegotiated or modified but not derecognised, the Group also reassesses whether there has been a significant increase in credit risk. The Group also considers whether the assets should be classified as Stage 3. Once an asset has been classified as forborne, it will remain forborne for a minimum 6-month probation period. In order for the loan to be reclassified out of the forborne category, the customer has to meet all of the following criteria:

- All of its facilities have to be considered performing;
- The probation period of one year has passed from the date the forborne contract was considered performing; and
- Regular payments of more than an insignificant amount of principal or interest have been made during the probation period.

Details of forborne assets are disclosed in Note 26.1.

2.4.5 Cash and cash equivalents

Cash and cash equivalents comprise cash and highly liquid financial assets with original maturities of less than three months from the date of acquisition subject to an insignificant risk of changes in their fair value.

2.4.6 Client monies

The Group holds client monies on behalf of investors prior to the underlying investments being recorded in their name or when amounts are due and payable to investors. Castle Trust does not obtain the rewards, nor is exposed to the risks of ownership. Client monies are not included in the balance sheet of the Group or Company on that basis. The amount of client monies held as at 30 September 2019 was £6,743k (2018: £4,706k).

2.4.7 Business combinations and goodwill

Business combinations are accounted for using the acquisition method of accounting. This involves recognising identifiable assets (including previously unrecognised intangible assets) and liabilities (including contingent liabilities but excluding future restructuring) of the acquired business at fair value. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. If the cost of acquisition is less than the fair values of the identifiable net assets acquired, the discount on acquisition is recognised directly in the income statement in the year of acquisition.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually, or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to a cash generating unit. Each unit to which the goodwill is allocated represents the lowest level within the Group at which goodwill is monitored for internal management purposes, and is not larger than an operating segment in accordance with IFRS 8 Operating Segments.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, are expensed as incurred.

2.4.8 Property and equipment

Property and equipment is stated at cost excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment in value. Changes in the expected useful life are accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates.

Depreciation is calculated using the straight-line method to write down the cost of property and equipment to their residual values over their estimated useful lives. The estimated useful lives are as follows:

- Computer equipment: 3 years
- Office equipment: 3 years

Property and equipment is derecognised on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on the derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in other operating income in the statement of comprehensive income in the year the asset is derecognised.

2.4.9 Intangible assets

Intangible assets are identifiable non-monetary assets without physical substance. An intangible asset is recognised only when its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the Group.

In some instances, the Group develops its own operational systems, primarily a suite of systems that allow the Group to operate, record and value its products. These systems are developed in separate releases. The cost of each release can be measured reliably and the future economic benefits can be assessed as certain to flow to Castle Trust.

In some instances, a number of technical releases are required before the system can be said to achieve the requirements of IAS 38 Intangible Assets, in which case, the related expenses are capitalised as research and development costs as long as the technical and operational feasibility of the asset has been established. Once the resultant system(s) meets the definition as such under IAS 38, the assets are transferred into the computer software category of intangible assets.

The value that will be derived from acquired computer software is assessed and recognised as an intangible asset where the asset is expected to enhance the Group's future income.

Castle Trust assesses at the end of each reporting period whether there is any indication that an intangible asset may be impaired via external and internal sources of information. Refer to note 2.4.13 for further details.

Intangible assets are initially measured at cost. After initial measurement, intangible assets are carried at cost less accumulated amortisation and impairment losses. The estimated useful lives are as follows:

- Internally generated software: 5 years
- Acquired software: 3 years
- Customer relationships: 3 years

Each asset, or related group of assets, is assessed as to its expected useful life and the expected pattern of benefits to the Group over that period. Each asset is amortised on a systematic (straight line) basis and the amortisation share is recorded in depreciation and amortisation. Research and development costs are not amortised until the resultant system has met the criteria of a computer system and has been transferred into that category.

2.4.10 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement. A contingent liability is disclosed where this is not probable but more likely than remote.

2.4.11 Leases

Operating lease payments are recognised as an operating expense in the statement of comprehensive income on a straight-line basis over the lease term.

2.4.12 Taxes

Current tax

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit and loss
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that temporary differences will not reverse in the foreseeable future

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- Where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that the future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes related to the same taxable entity and the same taxation authority.

See note 7 for further description of the current status of deferred tax assets.

2.4.13 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of comprehensive income.

2.4.14 Impairment of trade receivables

IFRS 9 allows a simplified approach to assess impairment of trade receivables. The simplified approach allows lifetime expected losses on trade receivables to be recognised without the need to identify significant increases in credit risk. The Group has adopted this simplified approach in its assessment of impairment of trade receivables by determining the appropriate grouping of receivables by product type and rating, determining the period over which historical loss rates are appropriate and then determining the historical loss rates based on the forward looking macro-economic factors identified for the Group. The Group determined the appropriate Probability of Default ("PD") estimate for trade receivables by reference to publicly available credit ratings, the Loss Given Default by comparison with other similar exposures without eligible collateral and the Exposure at Default by using the outstanding balance at the reporting date. Forward- looking and multiple economic scenarios were examined by adjustment to the modelled PD.

2.4.15 Accounting policies applied to financial instruments prior to 1 October 2018

i. Impairment losses on loans to customers

The Group reviewed its individually significant loans to customers at each statement of financial position date to assess whether an impairment loss should have been recorded in the statement of comprehensive income. In particular, management's judgement was required in the estimation of the amount and timing of future cash flows when determining the impairment loss. These estimates were based on assumptions about a number of factors and actual results may have differed, resulting in future changes to the allowance.

Loans to customers that had been assessed individually and found not to be impaired and all individually insignificant loans and advances were then assessed collectively, in groups of assets with similar risk characteristics, to determine whether provision should have been made due to incurred loss events for which there was objective evidence, but the effects of which were not yet evident. The collective assessment took account of data from the loan portfolio and judgements on the effect of risks and economic data.

Where there was little prospect of a recovery being made for an impaired financial asset the impairment provision was utilised and the carrying value of the loan was then directly reduced.

ii. Classification and measurement

The 2018 comparatives are classified in accordance with IAS39.

As described in note 2.4.2.2 above and note 2.4.15 below, IPS mortgages issued subsequent to 1 October 2014 are no longer bifurcated.

2.4.16 Implementation of IFRS 9

The Group implemented IFRS 9 on 1 October 2018. The new standard has two key areas of change from the accounting policies applied in the financial statements for the year ended 30 September 2018 as set out below. The change in accounting policy has been made in accordance with the transitional provisions set out in IFRS 9.

i. Classification and measurement

IFRS 9 introduces a different classification of financial assets based on the entity's business model and the cash flow characteristics of the instruments. IFRS 9 applies one classification approach for all types of financial assets, including those that contain embedded derivative features. The financial assets are now classified in their entirety rather than being subject to complex bifurcation requirements.

This had a significant impact on Castle Trust in relation to bifurcated IPS mortgages (those IPS mortgages issued subsequent to 1 October 2014) in the consolidated financial statements. These mortgages are now measured at FVPL as one instrument. The impact of this is shown in the table below.

IFRS 7 requires that entities include the effect of changes in own credit risk when determining the carrying amounts of liabilities measured at fair value. Under IAS 39, such movements were recorded in the statement of profit or loss. Upon adoption of IFRS 9, for financial liabilities designated as at FVTPL using the fair value option, such movements are now recorded in Other comprehensive income

IFRS 9 has not changed the classification or measurement of the Group's financial liabilities.

ii. Measurement of ECL

As stated above, the Group's implementation of IFRS 9 on 1 October 2018 has changed the judgements and estimates used when determining impairments. IFRS 9 replaced the IAS 39 "incurred loss" impairment recognition framework with a three stage expected credit loss ("ECL") approach. In order to implement IFRS 9, internal models were built to determine Probability of Default ("PD"), Loss Given Default ("LGD"), Exposure at Default ("EAD") and forecast economic scenarios.

The assessment of credit risk and estimation of ECL are unbiased and probability weighted. ECL is measured on either a 12 month (stage 1) or lifetime (stage 2) basis depending on whether a significant increase in credit risk has occurred since initial recognition or where an account meets the Group's definition of default (stage 3).

A reconciliation between the carrying amounts under IAS 39 to the balance reported under IFRS 9 as of 1 October 2018 is, as follows:

Castle Trust Capital plc consolidated	IAS 39	Reclassification		Remeasurement		IFRS 9
	30/09/2018					01/10/2018
Assets	**£'000**	**£'000**		**£'000**		**£'000**
Cash and cash equivalents	118,514	-		-		118,514
Trade and other receivables	2,926	(490)	3	-		2,436
Gross trade and other receivables	*2,926*	-		-		*2,926*
Retailer impairment provision	-	*(490)*		-		*(490)*
Loans to customers						
At amortised cost	629,742	(49,711)		(9,896)	2	570,135
Gross loan balances	***649,146***	***(51,549)***		-		***597,597***
Wholesale loans impairment	*(980)*	-		*(589)*		*(1,569)*
Consumer loans impairment	*(12,677)*	*490*	3	*(7,950)*		*(20,137)*
Property loans impairment	*(5,747)*	*1,348*	1	*(1,357)*		*(5,756)*
Designated at fair value through profit or loss	69,780	59,351	1	-		129,131
Fair value hedge asset	229	-		-		229
Derivative financial instruments						
House price option	9,150	(9,150)	1	-		-
Derivatives held for risk management	176	-		-		176
Prepayments	1,501	-		-		1,501
Property and equipment	489	-		-		489
Intangible assets	2,657	-		-		2,657
Total assets	**835,164**	-		**(9,896)**		**825,268**
Total liabilities	**770,332**	-		-		**770,332**
Equity						
Share capital	12,992	-		-		12,992
Share premium	104,166	-		-		104,166
Retained earnings	(52,342)	-		(9,896)		(62,238)
Non-controlling interests	16	-		-		16
Total equity	**64,832**	-		**(9,896)**		**54,936**
Total equity and liabilities	**835,164**	-		**(9,896)**		**825,268**

[1] Index Profit Share mortgages which under IAS 39 were bifurcated with the embedded derivative shown separately from the host contract as a house price option are now measured under IFRS 9 at fair value through profit or loss as one instrument.

[2] Under IFRS 9 impairments for all loans to customers at amortised cost are determined based on expected credit losses rather than incurred losses as they were under IAS 39.

[3] The impairment provision against consumer loan retailer debtors has been reclassified against the debtor balance for improved presentational purposes.

As a result of model refinements, particularly to the estimate of the PD, the impact of the date of transition of IFRS 9 was £2.6 million higher than the estimate of £7.3 million disclosed in the prior year financial statements.

Castle Trust Capital plc Company	IAS 39 30/09/2018	Remeasurement		IFRS 9 01/10/2018
Assets	£'000	£'000		£'000
Cash and cash equivalents	40,556	-		40,556
Loans and advances to credit institutions	-	-		-
Trade and other receivables	713	-		713
Loans to customers		-		-
At amortised cost	403,081	(1,239)	1	401,842
Gross loan balances	*407,323*	-		*407,323*
Property loans impairment	*(4,242)*	*(1,239)*		*(5,481)*
Designated at fair value through profit or loss	9,733	-		9,733
Fair value hedge asset	-	-		-
Derivative financial instruments		-		-
House price option	26,669	-		26,669
Derivatives held for risk management	-	-		-
Prepayments	271	-		271
Deferred tax asset	-	-		-
Property and equipment	123	-		123
Investment in subsidiaries	23,395	-		23,395
Intangible assets	950	-		950
Total assets	505,491	(1,239)		504,252
		-		-
Total liabilities	434,318	-		434,318
Equity				
Share capital	12,992	-		12,992
Share premium	104,166	-		104,166
Retained earnings	(45,985)	(1,239)		(47,224)
Issued capital and reserves attributable to owners of the parent	71,173	(1,239)		69,934
Non-controlling interests	-	-		-
Total equity	71,173	(1,239)		69,934
Total equity and liabilities	505,491	(1,239)		504,252

[1] Under IFRS 9 impairments for all loans to customers at amortised cost are determined based on expected credit losses rather than incurred losses as they were under IAS 39.

The Group and Company have not restated comparative information for prior periods with respect to classification and measurement (including impairment) requirements. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in retained earnings and reserves as at 1 October 2018. Accordingly, the information presented for 2018 does not reflect the requirements of IFRS 9, but rather those of IAS 39.

2.4.17 Implementation of IFRS 15 Revenue

The Group implemented IFRS 15 on 1 October 2018 opting for the modified retrospective method with the cumulative effect of initially applying IFRS 15 recognized on equity at the date of initial application of 1 October 2018.

The Group has applied IFRS 15 as an adjustment to the opening balance of equity at October 1, 2018. Therefore, the comparative information has not been restated and continues to be reported under IAS 18 and IAS 11. There was no material impact on adoption.

2.4.18 IAS 1 Presentation of interest income

With effect from 1 January 2018, paragraph 82(a) of IAS 1 Presentation of Financial Statements requires interest revenue calculated using the effective interest rate method to be differentiated and presented separately from interest revenue calculated using other methods. Consequently, interest income on financial instruments at fair value through profit or loss is now disclosed separately on the statement of comprehensive income and the comparative period has been amended to reflect the same presentation. Refer to note 3 for more detail.

2.5 Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's consolidated financial statements are disclosed below. The Group does not intend to adopt these standards early, so

they will be adopted in the relevant year of mandatory adoption. Standards not early adopted but applicable to the Group include:

(i) **IFRS 16 Leases, effective from 1 January 2019, replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease and two related SIC interpretations.**

The new standard requires the lessees to recognise right-of-use assets and lease liabilities for most leases over 12 months long. Lessor accounting has largely remained unchanged.

The Company has operating leases for office space. The Company has opted to use the modified retrospective approach where the cumulative effect of initially applying IFRS 16 is recognized as an adjustment to equity at the date of initial application. Where no adjustment is required, e.g. for small assets, no adjustment will be made.

When applying the modified retrospective approach, a lessee does not restate comparative figures. Instead, a lessee recognises the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the date of initial application.

As the Company proposes to use the modified retrospective method with the Right of Use asset set to the Lease Liability the net overall effect on the total equity at 1 October 2019, under the current leases, will be nil at transition. However, gross assets and liabilities will be impacted equally both being grossed up by £1,093k. There will be no impact on the tax treatment of leases at the date of initial application. There will be a capital impact due to the increase in risk weighted assets.

3 Interest and similar income

The following table summarises the components of interest and similar income:

	Group 2019 £'000	Group 2018 £'000
Interest and similar income calculated using EIR		
On financial assets at amortised cost		
Loans to customers	56,821	57,715
	56,821	57,715
Other interest and similar income		
Loans and advances to credit institutions	779	311
On financial assets at fair value through profit or loss		
Net interest income on derivatives held for risk management	422	122
Loans to customers	4,169	1,941
	5,370	2,374
Total interest and similar income	62,191	60,089

4 Interest and similar expense

The following table summarises the components of interest and similar expense:

	Group 2019 £'000	Group 2018 £'000
Interest on Fortress Bonds on an EIR basis	24,421	24,729
Interest expense on financial liabilities at fair value through profit or loss: Housas	18	69
Other interest expense	1,470	257
	25,909	25,055

Other interest expense relates to interest paid on HSBC interest rate swaps during the year and interest on the loan facility (see Note 20).

5 Realised and unrealised gain / (loss) on financial instruments at fair value through profit or loss

The following tables summarise the components of realised and unrealised gains and losses:

5.1 Realised gains / (losses)

	Group 2019 £'000	Group 2018 £'000
Net realised loss on financial assets designated at fair value through profit or loss	2,879	(1,158)
Net realised loss on financial liabilities designated at fair value through profit or loss	(275)	(73)
Net realised gains on derivatives at fair value through profit or loss	3,051	-
Net realised gain / (loss) on financial instruments at fair value through profit or loss	5,655	(1,231)

5.2 Unrealised gains / (losses)

	Group 2019 £'000	Group 2018 £'000
Net unrealised gain on financial assets designated at fair value through profit or loss	-	2,017
Net unrealised loss on financial liabilities designated at fair value through profit or loss	(187)	(439)
Net unrealised (loss) / gain on derivatives at fair value through profit or loss	(405)	1,653
Net unrealised (loss) / gain on financial instruments at fair value through profit or loss	(592)	3,231
Total realised/ unrealised gain on financial instruments at fair value through profit or loss	5,063	2,000

6 Administrative expenses

The following tables summarise the components of staff and other administrative expense:

Staff expenses	Group 2019 £'000	Group 2018 £'000
Wages and salaries	10,423	12,204
Social security costs	1,251	1,308
Company contributions to defined contribution pension plan	311	252
Termination costs	113	47
Other personnel costs	889	2,103
Total staff expenses	12,987	15,914

Other operating expenses	2019 £'000	2018 £'000
Advertising and marketing	173	248
Administration costs	2,622	2,234
Professional fees	6,731	5,375
Rental charges paid under operating leases	494	650
Non-recoverable VAT expense	2,372	2,436
Bank charges and similar expense	330	372
Other operating expenses	1,964	4,907
Total operating expenses	14,686	16,222
Total administrative expenses	27,673	32,136

Administrative expenses decreased in the year primarily due to lower digital marketing costs offset by one-off expenses relating to the banking licence application.

Included within professional fees are the costs of contractors of £3,952k (2018: £2,916k).

Included within professional fees are the following expenses related to services provided by the Group's auditors:

Company	2019 £'000	2018 £'000
Audit of the Company's statutory financial statements	496	444
Non-audit services:		
Audit related assurance services	50	52
Total company auditors' remuneration	**546**	496
Subsidiaries		
Audit of the Group subsidiaries' statutory financial statements	525	432
Non-audit services:		
Audit related assurance services of Group subsidiaries	50	52
Total Subsidiary auditors' remuneration	**575**	484
Total Group auditors' remuneration	**1,121**	980

6.1 Employee numbers

The following table summarises the monthly average number of people employed by the Group during the year.

	2019 Number	2018 Number
Monthly average number of people employed in:		
Legal, compliance and risk	15	18
Sales and marketing	34	47
Operations	165	164
Monthly average number of people employed during the year	214	229

6.2 Key management compensation

The Company considers that directors and members of the executive committee of the Company meet the definition of key management. The following table presents key management excluding directors as director's compensation is set out separately below. The following table summarises key management personnel's compensation, the allocation of which to the company has been applied consistently in 2019 as in 2018.

Group	2019 £'000	2018 £'000
Compensation of key management personnel:		
Short-term employee benefits	1,796	1,776
Post-employment benefits	34	23
	1,830	1,799

Company	2019 £'000	2018 £'000
Compensation of key management personnel:		
Short-term employee benefits	574	529
Post-employment benefits	10	7
	584	536

	2019 £'000	2018 £'000
Close members of the family of key management personnel	-	7

6.3 Directors' remuneration

The directors of the company are also directors of other group undertakings. The directors received their total remuneration from the Group, as disclosed below, and have estimated an apportionment of this to each entity in the Group. The following table summarises the total directors' remuneration.

	2019 £'000	2018 £'000
Aggregate remuneration in respect of qualifying services	1,195	1,382
Highest paid director's remuneration	669	290
Company contributions to defined contribution pension plan	-	11

Included within directors' remuneration are amounts paid of £nil (2018: £282k) as consultancy fees to entities controlled or jointly controlled by directors. This was presented separately in the related party note in the prior year.

Additionally included within directors' remuneration are amounts of £nil (2018: £123k) as compensation for loss of office.

7 Corporation tax

The following tables set out the components of income tax and the reconciliation of the total tax charge to the tax charge that would apply if all profits had been charged at the Company's corporate tax rate for the current and prior year.

Total tax

	Group 2019 £'000	Group 2018 £'000
Current tax	-	
Deferred tax (credit) / charge	-	5,869
Total tax	-	5,869
Reconciliation of total group tax charge / (credit)		
Accounting profit / (loss) before tax	1,606	(22,798)
UK corporation tax at 19% (2018: 19%)	305	(4,332)
Adjustment to tax charge in respect of previous periods - deferred tax	-	(5)
Disallowable expenses	-	1,609
Deferred tax not recognised	(305)	2,861
Deferred tax no longer recognised	-	5,736
Total tax (credit) / charge	-	5,869

The following table shows the deferred tax recorded in the consolidated statement of financial position and changes recorded in corporation tax expense:

Deferred tax

	Group 2019 £'000	Group 2018 £'000
As at 1 October	-	5,869
Recognised in profit and loss during the year	-	(5,869)
Deferred tax asset arising from acquistion of subsidiary	-	-
At 30 September	-	-

A deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it is probable that future taxable profits will be available to utilise the asset.

Group

As at 30 September 2019 the Group had total trading losses of £45,508k (2018: £49,697k), short term timing differences of £7,363k (2018: £-1,613k) and decelerated capital allowances of £595k (2018: £1,065k). The group has not recognised deferred tax (2018: £ nil).

A net deferred tax asset has arisen at consolidation totalling £294k (2018 : £873k) due to consolidation adjustments. In line with the treatment adopted in prior years, the deferred tax liability due to the revaluation of mortgages (including related fees) has been offset against the deferred tax asset arising from other consolidation adjustments resulting in this net deferred tax asset. As mentioned previously, the resulting deferred tax asset is not recognised in the group for the year ended 30 September 2019.

Company

As at 30 September 2019, the Company had total trading losses of £9,305k (2018: £7,460k), short term timing differences of £1,573k (2018: £nil) and decelerated capital allowances of £203k (2018: £628k) in respect of which no deferred tax asset (2018: £ nil) has been recognised.

The Finance Act 2016, enacted on 15 September 2016, included a decrease in corporation tax rates to 17% from 1 April 2020.

8 Cash and cash equivalents

The following table sets out each component of cash and cash equivalents.

	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
Cash at bank	29,974	38,156	21,059	10,608
Short-term deposits and other liquid assets	-	10,415	-	-
Treasury Bills	110,375	69,943	110,375	29,948
Total cash and cash equivalents	140,349	118,514	131,434	40,556

The carrying value of cash and cash equivalents approximates to fair value.

Group cash and cash equivalents at 30 September 2019 include £1,612k (2018: £1,952k) held by the special purpose vehicle, Castle Trust Belfry Limited, which is not available to the other members of the Group.

9 Loans and advances to credit institutions

The following table sets out the components of loans and advances to credit institutions.

Group	2019 £'000	2018 £'000
Amounts held on medium-term deposits	14,926	-
Total loans and advances to credit institutions	14,926	-

Company	2019 £'000	2018 £'000
Amounts held on medium-term deposits	14,926	-
Total loans and advances to credit institutions	14,926	-

Loans and advances to credit institutions comprises deposits with Aldermore Bank *of £14,926k (2018: £nil) with maturity* from inception greater than 3 months. Interest is paid on release of the invested funds at the end of the contract. Loans and advances to credit institutions are valued at amortised cost which approximates to fair value.

10 Trade and other receivables

The following table sets out carrying amount of trade and other receivables:

Group	2019 £'000	2018 £'000
Trade and other receivables	4,767	3,416
Impairment	(2,892)	(490)
	1,875	2,926

Company	2019 £'000	2018 £'000
Trade and other receivables	1,153	713
Impairment	-	-
	1,153	713

Group

Trade and other receivables Gross	Other trade and other receivables £'000	Retailer debtors £'000	Total £'000
Gross carrying amount as at 1 Oct 2018	2,767	649	3,416
New assets originated or purchased	-	2,629	2,629
Recoveries	-	-	-
Amounts written off	-	-	-
Net Movement	(1,278)		(1,278)
Total gross carrying amount at 30 September 2019	1,489	3,278	4,767

Trade and other receivables ECL	Other trade and other receivables £'000	Retailer debtors £'000	Total £'000
At 1 Oct 2018	-	490	490
New assets originated or purchased	-	2,402	2,402
Amounts written off	-	-	-
Total gross carrying amount at 30 September 2019	-	2,892	2,892

The fair value of trade and other receivables approximates to the carrying value as presented in the statement of financial position as the receipt of the related cash is not more than three months from the date of the recognition of the asset and is not subject to significant credit risk.

11 Loans to customers at amortised cost

Loans to customers at amortised cost comprise all property loans (Serviced & Interest Roll Up mortgages, RDF loans and the fixed income component of all house price linked loans), wholesale loans and consumer loans.

In order to remove house price risk from the Group relating to mortgages held at fair value, the beneficial ownership in all the House Price Options ("HPO's"), excepting those belonging to 2 mortgages, were sold to an entity controlled by J.C.Flowers ("CTC Holdings (Cayman) Limited") on the 30 September 2019, and the contractual rights to receive the cash flows of those HPO's were transferred at the same date. The remaining fixed income components of these mortgages, totalling £86 million, which are still held within the Group, were deemed to have been substantially modified and hence were derecognised and then re-recognised as "Loans to customers at amortised cost".

On the same date, CTF sold back its interest in the fixed interest and principal strips of the IPS and BTL loans to CTC at fair value of £86 million on the transfer date. Additionally, the Partnership Mortgages held in CTC were deemed to have been substantially modified by the sale of their embedded HPO to the entity controlled by J.C. Flowers, as described previously, and hence were derecognised and then re-recognised as "Loans at amortised cost" at a value of £5.7 million.

Please see note 33 for further details.

The following table sets out the carrying value of loans to customers by product type.

Group	Amortised Cost 30 September 2019 £'000	Gross 30 September 2019 £'000	ECL 30 September 2019 £'000
Consumer loans	104,981	122,830	(17,849)
Wholesale lending	24,699	24,699	-
Property loans	481,353	490,797	(9,444)
Total loans to customers at amortised cost	**611,033**	**638,326**	**(27,293)**

	Amortised Cost 1 October 2018 £'000	Gross 1 October 2018 £'000	ECL 1 October 2018 £'000
Consumer loans	117,462	137,599	(20,137)
Wholesale lending	51,106	52,675	(1,569)
Property loans	401,567	407,323	(5,756)
Total loans to customers at amortised cost	570,135	597,597	(27,462)

Movement in impairment provision in year	£'000
Consumer loans	2,288
Wholesale lending	1,569
Property loans	(3,688)
Total movement in impairment provisions	**169**
Write-offs in year	**(10,132)**
Total impairment losses on loans to customers	**(9,963)**

Company	Amortised Cost 30 September 2019 £'000	Gross 30 September 2019 £'000	Impairment 30 September 2019 £'000
Property loans	481,353	490,797	(9,444)
Total loans to customers at amortised cost	**481,353**	**490,797**	**(9,444)**

	Amortised Cost 1 October 2018 £'000	Gross 1 October 2018 £'000	Impairment 1 October 2018 £'000
Property loans	401,842	407,323	(5,481)
Total loans to customers at amortised cost	401,842	407,323	(5,481)

Movement in impairment provision in period	£'000
Property loans	(3,963)
Total movement in impairment provisions	**(3,963)**
Write-offs in period	**(257)**
Total impairment losses on loans to customers	**(4,220)**

At 30 September 2019, Group loans to customers at amortised cost includes £11.4 million (2018: £18.8 million) of loans which have been used in secured funding arrangements, resulting in the beneficial interest in these loans being transferred to CTB which is a Special Purpose Vehicle consolidated into these financial statements. All the assets pledged are retained within the statement of financial position as the Group retains substantially all the risks and rewards relating to the loans.

For fair values, fair value hierarchy classifications, sensitivities and modelling techniques refer to note 25.

Reconciliation of gross loan and ECL movements in the year

The following tables set out a reconciliation, from the start to the end of the year, of the movement in gross loan balance in the statement of financial position for loans and advances at amortised cost.

Group	Stage 1		Stage 2		Stage 3		IAS 39		Total	
	Gross	ECL	Gross	ECL	Gross	ECL	Gross	ECL	Gross	ECL
Total	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 30 September 2018	-		-		-		649,146	(19,404)	649,146	(19,404)
IFRS 9 transitional adjustment	520,579	(4,753)	32,945	(2,963)	44,073	(19,746)	(649,146)	19,404	(51,549)	(8,058)
Gross carrying amount as at 1 Oct 2018	520,579	(4,753)	32,945	(2,963)	44,073	(19,746)	-	-	597,597	(27,462)
New assets originated or purchased	252,054	(2,250)	577	(7)	482	(111)	-	-	253,113	(2,368)
Assets derecognised or repaid	(301,346)	4,910	(18,518)	1,272	(17,573)	7,584	-	-	(337,437)	13,766
Transfers to Stage 1	1,192	(196)	(1,157)	164	(35)	32	-	-	-	-
Transfers to Stage 2	(63,994)	686	68,714	(755)	(4,720)	69	-	-	-	-
Transfers to Stage 3	(17,376)	388	(5,953)	1,166	23,329	(1,554)	-	-	-	-
Amortisation of interest	28,391	-	7,817	-	3,166	-	-	-	39,374	-
Provisions for commitments	-	358	-	-	-	-	-	-	-	358
Unwind of discount	-	(447)	-	(264)	-	(1,788)	-	-	-	(2,499)
Impact on period end ECL of exposures transferred between stages during the period	-	(4,839)	-	(1,296)	-	(2,953)	-	-	-	(9,088)
Modification and rerecognition from designated at fair value after sale of HPO	80,136	-	2,564	-	2,979	-	-	-	85,679	-
Total gross carrying amount at 30 September 2019	499,636	(6,143)	86,989	(2,683)	51,701	(18,467)	-		638,326	(27,293)

	Stage 1		Stage 2		Stage 3		IAS 39		Total	
	Gross	ECL	Gross	ECL	Gross	ECL	Gross	ECL	Gross	ECL
Consumer loans	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 30 September 2018							137,599	(12,677)	137,599	(12,677)
IFRS 9 transitional adjustment	114,852	(2,306)	7,674	(2,305)	15,073	(15,526)	(137,599)	12,677	-	(7,460)
Gross carrying amount as at 1 Oct 2018	114,852	(2,306)	7,674	(2,305)	15,073	(15,526)	-	-	137,599	(20,137)
New assets originated or purchased	98,356	(1,933)	-	-	-	-	-	-	98,356	(1,933)
Assets derecognised or repaid (excluding write offs)	(117,445)	3,500	(3,612)	820	(6,021)	5,335	-	-	(127,078)	9,655
Transfers to Stage 1	677	(190)	(642)	158	(35)	32	-	-	-	-
Transfers to Stage 2	(5,399)	244	5,480	(313)	(81)	69	-	-	-	-
Transfers to Stage 3	(4,974)	299	(3,102)	1,111	8,076	(1,410)	-	-	-	-
Amortisation of interest	11,137	-	825	-	1,991	-	-	-	13,953	-
Provisions for commitments	-	284	-		-	-	-	-	-	284
Unwind of discount	-	(446)	-	(266)	-	(1,785)	-	-	-	(2,497)
Impact on period end ECL of exposures transferred between stages during the period	-	(2,882)	-	(507)	-	168	-	-	-	(3,221)
Total gross carrying amount at 30 September 2019	97,204	(3,430)	6,623	(1,302)	19,003	(13,117)	-		122,830	(17,849)

	Stage 1		Stage 2		Stage 3		IAS 39		Total	
	Gross	ECL	Gross	ECL	Gross	ECL	Gross	ECL	Gross	ECL
Wholesale loans	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 30 September 2018							52,675	(980)	52,675	(980)
IFRS 9 transitional adjustment	50,887	(585)	952	(271)	836	(713)	(52,675)	980	-	(589)
Gross carrying amount as at 1 Oct 2018	50,887	(585)	952	(271)	836	(713)	-	-	52,675	(1,569)
New assets originated or purchased	63	(1)	-	-	-	-	-	-	63	(1)
Assets derecognised or repaid	(26,251)	586	(952)	271	(836)	713	-	-	(28,039)	1,570
Total gross carrying amount at 30 September 2019	24,699	-	-	-	-	-	-	-	24,699	-

	Stage 1		Stage 2		Stage 3		IAS 39		Total	
	Gross	ECL	Gross	ECL	Gross	ECL	Gross	ECL	Gross	ECL
Property loans	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 30 September 2018							458,872	(5,747)	458,872	(5,747)
IFRS 9 transitional adjustment	354,840	(1,862)	24,319	(387)	28,164	(3,507)	(458,872)	5,747	(51,549)	5,747
Gross carrying amount as at 1 Oct 2018	354,840	(1,862)	24,319	(387)	28,164	(3,507)		-	407,323	(5,756)
New assets originated or purchased	153,635	(316)	577	(7)	482	(111)			154,694	(434)
Assets derecognised or repaid	(157,650)	824	(13,954)	181	(10,716)	1,536			(182,320)	2,541
Transfers to Stage 1	515	(6)	(515)	6	-	-			-	-
Transfers to Stage 2	(58,595)	442	63,234	(442)	(4,639)	-			-	-
Transfers to Stage 3	(12,402)	89	(2,851)	55	15,253	(144)			-	-
Amortisation of interest	17,254	-	6,992		1,175				25,421	-
Provision for commitments	-	74	-		-				-	74
Unwind of discount	-	(1)	-	2	-	(3)			-	(2)
Impact on period end ECL of exposures transferred between stages during the period	-	(1,957)	-	(789)	-	(3,121)	-	-	-	(5,867)
Modification and rerecognition from designated at fair value after sale of HPO	80,136	-	2,564	-	2,979				85,679	-
Total gross carrying amount at 30 September 2019	377,733	(2,713)	80,366	(1,381)	32,698	(5,350)			490,797	(9,444)

Company	Stage 1		Stage 2		Stage 3		IAS 39		Total	
	Gross	ECL	Gross	ECL	Gross	ECL	Gross	ECL	Gross	ECL
Property loans	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 30 September 2018							407,323	(4,242)	407,323	(4,242)
IFRS 9 transitional adjustment	354,840	(1,586)	24,319	(387)	28,164	(3,508)	(407,323)	4,242	0	4,242
Gross carrying amount as at 1 Oct 2018	354,840	(1,586)	24,319	(387)	28,164	(3,508)	-	-	407,323	(5,481)
New assets originated or purchased	153,635	(316)	577	(7)	482	(111)			154,694	(434)
Assets derecognised or repaid (excluding write offs)	(157,650)	515	(13,954)	181	(10,716)	1,536			(182,320)	2,232
Transfers to Stage 1	515	(6)	(515)	6	-				-	-
Transfers to Stage 2	(58,595)	442	63,234	(442)	(4,639)				-	-
Transfers to Stage 3	(12,402)	89	(2,851)	55	15,253	(144)			-	-
Amortisation of interest	17,254		6,992		954				25,200	-
Provisions for commitments		74							-	74
Impact on period end ECL of exposures transferred between stages during the period		(1,924)		(789)		(3,120)			-	(5,833)
Unwind of discount		(1)		2		(3)			-	(2)
Amounts written off	-		-		-				-	-
Transferred from CTF	74,417		2,564		3,200				80,181	-
Partnership mortgages modified and rerecognised	5,719								5,719	-
Total gross carrying amount at 30 September 2019	377,733	(2,713)	80,366	(1,381)	32,698	(5,350)	-		490,797	(9,444)

Reconciliation of impairment movements in prior year

Group

	£'000	£'000	£'000	£'000
Opening balance at 1 October 2017	1,785	-	731	2,516
Charge for the year	13,003	-	4,070	17,073
Utilisation	-	-	(185)	(185)
Closing balance at 30 September 2018	14,788	-	4,616	19,404

Company

	£'000	£'000	£'000	£'000
Opening balance at 1 October 2017	512	-	764	1,276
Charge for the year	2,755	-	211	2,966
Utilisation	-	-	-	-
Closing balance at 30 September 2018	3,267	-	975	4,242

Interest income recognised during the year on Stage 3 impaired loans was £1,131k (2018: impaired loans £814k)

The table below shows the credit quality and the maximum exposure to credit risk:

Group	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Total	**£'000**	**£'000**	**£'000**	**£'000**
Performing				
High grade	112,199	12,619	-	124,817
Standard grade	331,129	70,199	-	401,328
Sub-standard grade	56,308	4,172	-	60,479
Non-performing				-
Individually impaired	-	-	51,701	51,701
Total gross carrying amount at 30 September 2019	499,636	86,989	51,701	638,326

Company Internal rating grade	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
Performing				
High grade	89,378	15,194	-	104,572
Standard grade	245,750	63,246	-	308,996
Sub-standard grade	42,605	1,926	-	44,531
Non-performing				
Individually impaired	-	-	32,698	32,698
Total gross carrying amount at 30 September 2019	377,733	80,366	32,698	490,797

For property loans, Castle Trust has utilised the current Loan To Value (LTV) of exposures as the rating criteria for the property portfolio.

The following criteria was applied.

- High grade exposures have an LTV of less than 50%;
- Standard grade exposures have an LTV between 50% and 80%; and
- Substandard grade exposures have an LTV in excess of 80%.

For consumer loans, Castle Trust has utilised the Delphi Credit Score of borrower as the rating criteria for the Omni portfolio. The Delphi score is measured at origination.

The following criteria was applied.

- High grade exposures have a Delphi Score in excess of 1100
- Standard grade exposures have a Delphi Score between 800 and 1100; and
- Substandard grade exposures have a Delphi Score less than 800.

For wholesale loans, Castle Trust has assessed the exposure as Standard quality.

All exposures in Stage 3 are non-performing and are individually impaired.

12 Financial assets designated at fair value through profit or loss

Mortgages designated at fair value through profit or loss together were measured at fair value because they were managed and their performance was evaluated on a fair value basis. Mortgage assets were measured at fair value on a recurring basis and their valuation was categorised at Level 3. For fair value hierarchy classifications, modelling and sensitivities disclosures refer to note 25.

The following tables show a reconciliation from the opening balances to the closing balances, including the total gains for the year that are recognised in the statement of comprehensive income within 'Realised / unrealised gain on financial instruments at fair value through profit or loss'.

On 30 September 2019, the embedded house price derivatives of all the mortgages designated at fair value through profit or loss were sold to CTC Holding (Cayman) Limited except for 2 mortgages which were not sold. The remaining financial instruments, having been substantially modified, were thus derecognised. New financial instruments, being the remaining fixed income host contracts, were recognised as "Loans at Amortised Cost". Please see note 33 for further details.

Group

Movements in the year to 30 September 2019	Partnership Mortgages £'000	Buy To Let Equity Loans £'000	Index Profit Share mortgages £'000	Total £'000
Opening balance at 30 September 2018	9,733	54,002	6,045	69,780
IFRS transitional adjustment	-	-	59,351	59,351
At 1 October 2018	9,733	54,002	65,396	129,131
Redemptions in the year	(846)	(4,019)	(9,272)	(14,137)
Sale of House Price Option	(3,767)	(16,889)	(8,262)	(28,918)
Derecognition of Fixed Income Component	(5,719)	(37,530)	(42,702)	(85,951)
Interest income component	-	1,256	1,584	2,840
Net gain on financial assets designated at fair value through profit or loss	599	3,180	(1,416)	2,363
Closing balance at 30 September 2019	-	-	5,328	5,328

Movements in the year to 30 September 2018	Partnership Mortgages	Buy To Let Equity Loans	Index Profit Share mortgages	Total
	£'000	£'000	£'000	£'000
Opening balance at 1 October 2017	10,273	55,793	10,328	76,394
Redemptions in the year	(888)	(4,926)	(4,610)	(10,424)
Interest income component	-	1,780	161	1,941
Net gain on financial assets designated at fair value through profit or loss	348	1,355	166	1,869
Closing balance at 30 September 2018	9,733	54,002	6,045	69,780

The total unrealised gains/losses as at year end was £nil (2018: £1,870k).

Company

Movements in the year to 30 September 2019	**Index Profit Share mortgages**	**Partnership Mortgages**	**Total**
	£'000	**£'000**	**£'000**
Opening balance at 1 October 2018	-	9,733	9,733
Redemptions in the year	-	(846)	(846)
Additions	5,328		5,328
Sale of House Price Option	-	(3,767)	(3,767)
Derecognition of Fixed Income Component	-	(5,719)	(5,719)
Net gain on financial assets designated at fair value through profit or loss	-	599	599
Closing balance at 30 September 2019	5,328	-	5,328

Movements in the year to 30 September 2018	Partnership Mortgages	Total
	£'000	£'000
Opening balance at 1 October 2017	10,273	10,273
Redemptions in the year	(888)	(888)
Net gain on financial assets designated at fair value through profit or loss	348	348
Closing balance at 30 September 2018	9,733	9,733

The total unrealised gains/losses as at year end was £nil (2018: £2,863k).

There were no transfers into Level 3 assets other than the completions in the year, and no transfers out other than redemptions.

13 House price option

Under IAS 39, in the Group accounts IPS mortgages issued since 1 October 2014 were bifurcated into the host contract, *being the fixed interest repayment element, and the house price option, being the return linked to the HPI index.* Prior to this date these mortgages were not bifurcated. Under IFRS 9 these are no longer bifurcated.

In the Company accounts, CTC recognised the house price option element of IPS and BTLEL whilst the host contracts of all IPS and BTLEL mortgages were sold to CTF. The fixed income element was transferred to CTF on 31 July 2015 (IPS issued to 30 September 2014 and BTLEL mortgages issued prior to the date of transaction), 31 December 2015 (remaining BTLEL mortgages issued prior to the date of transaction) and 31 July 2016 (the fixed income element of IPS mortgages issued since 1 October 2014 and bifurcated in the company accounts to the date of this transaction).

The House Price Options were measured at fair value as their performance was evaluated on the basis of the movement of the HPI and house prices in general. The fair value of house price option is classified as Level 3 in fair value hierarchy. The modelling assumptions underlying the fair value of house price linked derivatives are covered in note 25.1.

On 30 September 2019 CTF sold the host contracts of all IPS and BTLEL mortgages to CTC. In addition, CTC sold the house price derivatives relating to PM, IPS and BTLEL mortgages to CTC Holdings (Cayman) Limited. Please see note 33 for further details.

The following tables show a reconciliation from the opening balances to the closing balances, including the total gains for the year that are recognised in the statement of comprehensive income within 'Realised and unrealised gain on financial instruments at fair value through profit or loss'.

Movements in the period	Group IPS mortgage house price option £'000	Company IPS mortgage house price option £'000	Company BTLEL mortgage house price option £'000	Company Total house price option £'000
Opening balance at 1 October 2018	9,150	10,702	15,967	26,669
IFRS 9 transition adjustment	(9,150)	-	-	-
Revised at 1 October 2018	-	10,702	15,967	26,669
Redemptions in the period	-	(1,851)	(535)	(2,386)
Disposal		(8,232)	(16,889)	(25,121)
Net (loss) / gain on house price derivatives at fair value through profit or loss	-	(619)	1,457	838
Closing balance at 30 September 2019	-	-	-	-

Movements in the period	Group IPS mortgage house price option £'000	Company IPS mortgage house price option £'000	Company BTLEL mortgage house price option £'000	Company Total house price option £'000
Opening balance at 1 October 2017	12,153	14,794	16,161	30,955
Redemptions in the period	(829)	(1,010)	(734)	(1,744)
Net gain on house price derivatives at fair value through profit or loss	(2,174)	(3,082)	540	(2,542)
Closing balance at 30 September 2018	9,150	10,702	15,967	26,669

The total unrealised gains/losses for the Group as at year end was £nil (2018: £7,467k) and for the Company was £nil (2018: £16,772k).

There were no transfers into Level 3 assets other than completions in the year, and no transfers out.

14 Derivatives held for risk management

During the year the Group used derivative financial instruments to hedge its exposure to interest rate risk in relation to increases/decreases in interest rates relating to loans to customers and liabilities at amortised cost. Hedge accounting was discontinued from 1 July 2017.

The following table shows a breakdown of the derivatives used at the reporting date and at 30 September 2018:

Group Derivatives held for risk management	Contract or underlying principal amount £'000	Positive market value £'000	Negative market value £'000	Total £'000
Interest rate swaps (not in hedging relationships)	-	-	-	-
	-	-	-	-

As at 30 September 2018 Group Derivatives held for risk management	Contract or underlying principal amount £'000	Positive market value £'000	Negative market value £'000	Total £'000
Interest rate swaps (not in hedging relationships)	91,500	176	-	176
	91,500	176	-	176

Margin of £nil (2018: £150k) is included within cash and cash equivalents.

The interest rate swaps are valued using a discounted cash flow model. The model is based on observable market inputs. The most significant input is the forward rate which is observed from the interest rate swap market.

For fair value hierarchy classifications and sensitivities disclosure refer to note 25.

15 Amounts due from group companies

Company	2019 £'000	2018 £'000
Amounts due under MILA from Omni	126,258	-
CTCM intercompany loan	672	-
Total amounts due to group companies	**126,930**	-

MILA funding is fixed rate intercompany funding designed to reduce interest rate risk in the Company. The terms of the MILA are up to 5 years. Interest is compounded daily based on the funds transfer pricing rate determined, based on underlying market conditions, which ranges from 4.2% to 5.4% (2018: 3.6% to 9.1% in relation to the BLA). Interest is paid at maturity with the principal amount of the MILA. Refer to note 27 for details on the maturity profile of the MILA. The combined ECL calculated across all intercompany exposures and the individual intercompany ECLs themselves are considered immaterial.

The intercompany loan relates to proceeds from transfers of ISA's.

16 Property and equipment

The following table sets out components of property and equipment and a reconciliation of the cost and net book value during the year:

	Group			Company		
	Office and computer equipment	Leasehold improvements	Total	Office and computer equipment	Leasehold improvements	Total
Cost	£'000	£'000	£'000	£'000	£'000	£'000
At 1 October 2017	575	533	1,108	60	-	60
Additions in year	162	191	353	26	165	191
Disposals in year	(26)	(17)	(43)	-	-	-
At 30 September 2018	711	707	1,418	86	165	251
Additions in year	345	3	349	345	3	348
Disposals in year	-	-	-	-	-	-
At 30 September 2019	**1,056**	**710**	**1,766**	**431**	**168**	**599**
Depreciation and impairment						
At 1 October 2017	409	222	631	60	-	60
Depreciation charge for the year	110	209	319	2	66	68
Depreciation on disposed assets	(13)	(8)	(21)	-	-	-
At 30 September 2018	506	423	929	62	66	128
Depreciation charge for the year	159	224	383	60	87	147
Depreciation on disposed assets	-	-	-	-	-	-
At 30 September 2019	**665**	**647**	**1,312**	**122**	**153**	**275**
Net book value						
At 30 September 2018	205	284	489	24	99	123
At 30 September 2019	**391**	**63**	**454**	**309**	**15**	**324**

17 Investment in subsidiaries

The following table sets out the carrying value of subsidiaries.

Cost	£'000
At 1 October 2017	43,360
Invested in CTF by capital addition	3,000
Invested in CTT by capital addition	500
Invested in CTCM by capital addition	1,500
Invested in CTPOS by capital addition	13,500
Invested in CTIH by write off of intercompany loan	114
Invested in CTPOS by write off of intercompany loan	4,889
At 30 September 2018	66,863
Invested in CTPOS by capital addition	7,000
Invested in CTIH by write off of intercompany loan	78
At 30 September 2019	**73,941**

Impairment	
At 1 October 2017	8,085
Impairment to investment in CTT	1,024
Impairment to investment in CTCM	11,062
Impairment to investment in CTPOS	23,183
Impairment to investment in CTIH	114
At 30 September 2018	43,468
Impairment to investment in CTIH	78
At 30 September 2019	**43,546**

Net book value	
At 30 September 2018	23,395
At 30 September 2019	**30,395**

The Group and the parent company hold the following proportion of the nominal value (£0.10) of shares in the following Group subsidiary undertakings included in the consolidated accounts:

Name of Company	Holding	Proportion of voting rights & nominal value of shares held	Nature of business	Country of incorporation
Castle Trust Capital Management Limited	Ordinary shares	100%	Provision of marketing, investment and administration management services	UK
Castle Trust Income Housa plc***	Ordinary shares	100%	Issuer of Loan Notes	Jersey
Castle Trust Direct plc	Ordinary shares	100%	Issuer of Fortress Bonds	UK
Castle Trust Capital Nominees Limited*	Ordinary shares	100%	Nominee company	UK
Castle Trust Finance Limited	Ordinary shares	100%	Mortgage holder	UK
Castle Trust Services Limited (formerly Castle Trust Treasury Limited)	Ordinary shares	100%	Dormant	UK
Castle Trust POS Limited	Ordinary shares	100%	Holding company	UK
Castle Trust Treasury Limited	Ordinary shares	100%	Treasury entity	UK
Omni Capital Retail Finance Limited**	Ordinary shares	100%	Point of sale consumer finance provider	UK
Omni Money Limited	Ordinary shares	100%	Dissolved	UK
Omni Capital Consumer Finance Limited	Ordinary shares	100%	Dissolved	UK
Castle Trust PCC		0%	Public protected cell company	Jersey
Castle Trust Growth Housa PC		0%	Issuer of preference shares	Jersey
Castle Trust Belfry Limited		0%	SPV	UK

*The holding of CTCN is held indirectly via CTCM.

**The holding of Omni is held indirectly via CTPOS.

***The registered office for all these companies is 10 Norwich Street, London, EC4A 1BD with the exception of Castle Trust Income Housa plc whose registered office is PO Box 1075, JTC House, 28 Esplanade Street, St Helier, Jersey, JE2 3QA and Castle Trust Belfry Limited whose registered office is 11th Floor 200 Aldersgate Street, London, United Kingdom, EC1A 4HD.

17.1 Interests in structured entities

The Group has interests in consolidated structured entities as described below.

The entire ordinary share capital in the Castle Trust PCC ("the PCC") and its Protected Cell, Castle Trust Growth Housa PC, ("the PC") is owned by JTC Trustees Limited as trustee of Housing Foundation Charitable Trust.

The Group is required to consolidate the PCC and PC as the purpose and design of the entities to act as special purpose entities results in returns received by Castle Trust. Castle Trust has the current ability to direct those activities and therefore exhibits control over the operational activities of these entities as evidenced by the following.

- Castle Trust has a contractual arrangement with the PCC and PC, which means that if an investor (an investor in Housas) redeems their investment before maturity, any gain / loss will be borne by Castle Trust and not the PC.
- In addition, through CTCM, the Group provides marketing and investment management services to the PC, thereby providing the majority of its operational functionality. The terms of the investment management agreement do not include a restricted mandate; therefore, the Group is able to substantially control the activities that most significantly affect returns of the PC.
- Finally, all ongoing expenses of PCC and PC are paid and will continue to be paid by CTCM.

As a result, the Group presents a non-controlling interest in relation to the PCC and PC in the consolidated statement of financial position.

The entire ordinary share capital in CTB is owned by Maples FS UK Group Services Limited.

The Group is required to consolidate CTB as the purpose and design of the entity is to allow Omni to continue providing point of sale consumer loans whilst securing lower funding costs by securitising the assets. CTB only acts as a vehicle to facilitate this securitisation and hence all decisions about relevant activities of CTB will be made by Omni. Omni has power over CTB because it remains the servicer of the loans, has rights to appoint key management personnel and establishes budgets. Additionally, Omni is exposed to variable returns principally in relation to the 25% junior tranche it holds and retains its ability to use its power to affect the amount of its returns, subject to prescribed criteria in the Term Sheet and borrower restrictions within the Senior Facility Agreement which are considered to be protective rights.

17.3 Non-controlling interests

The shareholder's reserves of the PC and CTB constitute the balance of non-controlling interests within Group equity. This represents the position that although the entity is consolidated within the Group by virtue of control, the Group does in fact have no share in the interest of the shareholder's equity of the PC or CTB. The movement on this balance is shown on the face of the Group statement of comprehensive income, and the final balance as at 30 September 2019 is shown on the face of the Group statement of financial position.

Non-controlling interests: shareholders equity of Castle Trust Growth Housa PC and Castle Trust Belfry Limited	2019 £'000	2018 £'000
Opening balance	16	54
Total comprehensive loss for the year attributable to equity holders of the PC	(24)	(38)
Total comprehensive profit for the year attributable to equity holders of Castle Trust Belfry	0	-
Closing balance	(8)	16

17.4 Significant restrictions

There are no restrictions on the ability of subsidiaries to transfer funds to the Group in the form of cash dividends or to repay loans and advances. There are no protective rights of non-controlling interests which significantly restrict the Group's ability to access or use the assets and settle the liabilities of the Group other than the restrictions over the cash and cash equivalents held by Castle Trust Belfry Limited mentioned in note 8.

18 Intangible assets

The following table sets out the net book value of intangible assets recorded in the consolidated statement of financial position by category of intangible asset. Software includes mortgage operations, valuation and software acquired as part of the acquisition of Omni Capital Retail Finance Ltd. Goodwill and customer relationships also relate to the acquisition of Omni Capital Retail Finance Ltd in the year ended 30 September 2017.

	Group	Group	Group	Group	Company	Company
	Goodwill	Customer relationships acquired as part of acquisition	Internally developed software	Total	Internally developed software	Total
Cost	£'000	£'000	£'000	£'000	£'000	£'000
At 1 October 2017	8,212	606	3,713	12,531	1,517	1,517
Adiditions in the year	-	-	844	844	183	183
Written off in the year	(8,212)	(606)	-	(8,818)	-	-
At 30 September 2018	-	-	4,557	4,557	1,700	1,700
Additions in the year	-	-	2,484	2,484	1,582	1,582
Written off in the year	-	-	-	-	-	-
At 30 September 2019	-	-	7,041	7,041	3,282	3,282
Accumulated amortisation and impairment						
At 1 October 2017	-	143	625	768	332	332
Amortisation charge for the year	-	-	1,275	1,275	418	418
Amortisation on written off assets	-	(143)	-	(143)	-	-
At 30 September 2018	-	-	1,900	1,900	750	750
Amortisation charge for the year	-	-	1,373	1,373	456	456
Amortisation on written off assets	-	-	-	-	-	-
At 30 September 2019	-	-	3,273	3,273	1,206	1,206
Net book value						
At 30 September 2018	-	-	2,657	2,657	950	950
At 30 September 2019	-	-	3,768	3,768	2,076	2,076

The remaining amortisation period of internally developed software for consumer loans is 2 years and internally developed software used for investment operations (included within internally developed software in the Group) is 2 years.

19 Trade and other payables

The following table sets out the components of trade and other payables.

	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
Trade creditors	**2,519**	4,253	**1,124**	435
Accruals and deferred income	**2,464**	3,163	**2,720**	2,585
Deposits from banks	**-**	150	**-**	-
Amounts owed to subsidiary undertakings	**-**	-	**662**	3,484
Total trade and other payables	**4,983**	7,566	**4,506**	6,504

Trade and other payables consist of expenses paid in relation to the on-going costs of the business. They are recorded at cost, which approximates to fair value due to the short payment terms on which Castle Trust operates, with the majority of trade liabilities being extinguished within 30 days of the recognition of the liability.

20 Debt securities in issue

The following table summarised debt securities in issue:

Group

Due in more than one year	**2019 £'000**	2018 £'000
Senior loan facility	**-**	9,642
Total debt securities in issue	**-**	9,642

Debt securities in issue comprise a loan facility issued on 20 April 2018. The final maturity date is 20 April 2023.

As at 30 September 2019, junior loan notes with a principal value of £11,436k issued by CTB are secured on certain portfolios of consumer loans. The terms of the notes issued are up to 5 years. Interest is paid based on the applicable margin and is paid monthly in arrears. As the junior notes are subscribed to by a Group company they are eliminated on consolidation.

21 Provisions for liabilities

The following table sets out the components of provisions for liabilities. The restructuring provision is in relation to the Group restructuring whereby the Group has closed its Watford office and relocated to Castle Trust's offices in Basingstoke and London.

	2019 Restructuring provision £'000	**2019 Claims under Consumer Credit Act 1974 £'000**	**2019 Total £'000**	2018 Restructuring provision £'000	2018 Claims under Consumer Credit Act 1974 £'000	2018 Total £'000
At 1 October	**63**	**302**	**365**	295	126	421
Charge during the year	**-**	**374**	**374**	-	199	199
Utilised	**(63)**	**(302)**	**(365)**	(232)	(23)	(255)
At 30 September	**-**	**374**	**374**	63	302	365

Omni is exposed to risk under s.75 of the Consumer Credit Act (CCA) in relation to misrepresentations or breaches of contract by suppliers of goods and services to customers where the purchase of those goods and services is financed by Omni. Omni has recourse to the supplier in the event of such a liability and as such a provision is held to cover the cases where the supplier is distressed and unlikely to be able to compensate customers. The provision is validated using claim volumes, management's estimate of claims upheld and the loss given each claim.

22 Amounts due to customers & group companies

Group financial liabilities in respect of Fortress Bonds and Company liabilities in respect of intercompany funding from CTT are valued at amortised cost, less transaction costs incurred in issuing the bonds or raising the liabilities.

Group	2019 £'000	2018 £'000
Amounts owed to customers excluding unamortised transaction cost	**714,313**	735,020
Brought forward unamortised transaction costs	**(7,249)**	(10,553)
Additional transaction costs in the year	**(334)**	(3,447)
Amortisation of transaction costs in the year	**4,398**	6,750
Financial liabilities at amortised cost	**711,128**	727,770

Company	2019 £'000	2018 £'000
Amounts due under MILA	**18,425**	402,825
Amounts due under BLA	**701,664**	0
Total amounts due to group companies	**720,089**	402,825

Fortress bonds are fixed rate bonds of between 1 and 5 year's term that are issued to the public and listed on the Irish Stock Exchange. In the prior reporting period the Company has ceased issuing the 5-year bond. Interest is paid based on the applicable Annual Equivalent Rate ("AER") prevailing at the date of issuance which range from 2% to 4%. Depending on the Fortress Bond subscribed for, interest is either paid quarterly or at maturity with the principal amount of the Fortress Bond. Refer to note 27 for details on the maturity profile of the Fortress Bonds in issuance.

For fair value, fair value hierarchy classifications and sensitivities disclosure refer to note 25.

The hierarchy position is considered to be Level 3, as the lowest level input, being the discount rate, is unobservable.

MILA funding is fixed rate intercompany funding designed to reduce interest rate risk in the Company. The terms of the MILA are up to 5 years. Interest is compounded daily based on the funds transfer pricing rate determined, based on underlying market conditions, which ranges from 4.2% to 5.4% (2018: 3.6% to 9.1% in relation to the BLA). Interest is paid at maturity with the principal amount of the MILA. Refer to note 27 for details on the maturity profile of the MILA.

23 Financial liabilities at fair value through profit or loss

Group financial liabilities at fair value through profit or loss include House liabilities that are designated at fair value through profit or loss and derivative liabilities.

Group	2019 £'000	2018 £'000
Housa liabilities	**3,436**	9,650
HPI index contract - call options	**-**	15,339
Total financial liabilities at fair value through profit or loss	**3,436**	24,989

Company	2019 £'000	2018 £'000
HPI index contract - call options	**-**	15,339
Total financial liabilities at fair value through profit or loss	**-**	15,339

23.1 Fair value of Housa liabilities

The existing book is in run-off however there were three main variants of the Housa issued, as explained below.

Income Housas are Loan Notes issued up to July 2014 by Castle Trust Income Housa plc which pay investors a quarterly coupon. Growth Housas are participating preference shares of Castle Trust PCC issued up to October 2015

which pay investors a coupon at the maturity of the Housa. The Housa is a retail investment product of fixed term between 2 and 10 years.

The returns (and potentially share in losses) for both Growth and Income Housas are also linked to the movement in the Halifax House Price Index. Foundation Housas are participating preference shares of Castle Trust PCC issued up to October 2015 where the capital amount investors subscribed to is guaranteed.

Housa liabilities are measured at fair value (on a recurring basis) because they are managed and their performance is evaluated on a fair value basis. The following table shows a reconciliation from the opening balances to the closing balances, including the losses for the period that are recognised in the statement of comprehensive income.

	Income Housa £'000	Growth Housa £'000	Foundation Housa £'000	Total £'000
Opening balance at 1 October 2018	1,259	5,240	3,151	9,650
Redemptions in the period	(1,030)	(2,933)	(2,438)	(6,401)
Net loss on financial liabilities at fair value through profit or loss	1	133	53	187
Closing balance at 30 September 2019	230	2,440	766	3,436

	Income Housa £'000	Growth Housa £'000	Foundation Housa £'000	Total £'000
Opening balance at 1 October 2017	1,629	5,960	2,996	10,585
Redemptions in the period	(418)	(955)	(1)	(1,374)
Net loss on financial liabilities at fair value through profit or loss	48	235	156	439
Closing balance at 30 September 2018	1,259	5,240	3,151	9,650

The total unrealised gains/losses as at year end was £187k (2018: £439k). For fair value hierarchy classifications and sensitivities disclosure refer to note 25. There were no transfers into Level 3 assets other than the completions in the period, and no transfers out other than redemptions.

The change in fair value attributable to change in credit risk for financial liabilities designated at fair value through profit or loss is a profit of £41k (2018: profit of £20k). The difference between fair value and the amount contractually due at maturity is cumulatively £893k (2018: £471k).

The changes in fair value attributable to changes in credit risk for financial liabilities designated at fair value through profit or loss have been calculated by determining the changes in credit spread implicit in the fair value of financial instruments issued by entities with similar credit characteristics.

23.2 Fair value of derivative liabilities

Derivative financial liabilities included within financial liabilities at fair value through profit or loss comprised a portfolio of over-the-counter call options sold to CTC Holdings (Cayman) Ltd, the Company's ultimate parent entity to mitigate Castle Trust's exposure to house price risk. Whilst economically Castle Trust considered that these derivatives were part of the business's effective risk management, these derivatives were not included as derivatives held for risk management as they are not designated in any hedging relationships. As such they were classified as held for trading. The portfolio included options with an original term between 3 and 7 years. The total premium paid for the options was £15,000,000. The table below shows the fair values of derivative liabilities together with the notional amounts. The notional amounts indicate the principal against which the derivative payoff is calculated. All of the options either expired or were terminated in the current year.

Group and Company	2019 Notional amount £'000	2019 Fair value £'000	2018 Notional amount £'000	2018 Fair value £'000
HPI index contract - call options	-	-	200,000	15,339
Total derivative liabilities	-	-	200,000	15,339

The changes in fair value attributable to changes in credit risk for financial liabilities designated at fair value through profit or loss have been calculated by determining the changes in credit spread implicit in the fair value of financial instruments issued by entities with similar credit characteristics.

For fair value hierarchy classifications, modelling and sensitivities disclosure refer to note 25.

24 Amounts due to related parties under inter-company swap arrangements

Amounts due to related parties under inter-company swap arrangements, designated at fair value through profit or loss, are measured at fair value because they are managed and their performance is evaluated on a fair value basis. These liabilities are measured at fair value on a recurring basis and their valuation is categorised at Level 3. For fair value hierarchy classifications, modelling and sensitivities disclosures refer to note 25.

The following tables show a reconciliation from the opening balances to the closing balances, including the total gains for the year that are recognised in the statement of comprehensive income within 'Unrealised / realised gain on financial instruments at fair value through profit or loss'.

Company	Swap with CTIH	Swap with the PC: Growth Housas	Swap with the PC: Foundation Housas	Total
	£'000	£'000	£'000	£'000
Opening balance as at 1 October 2018	1,259	5,240	3,151	9,650
Redemptions in the period	(1,030)	(2,933)	(2,438)	(6,401)
Net loss on financial liabilities at fair value through profit or loss	1	133	53	187
Closing balance as at 30 September 2019	**230**	**2,440**	**766**	**3,436**

Company	Swap with CTIH	Swap with the PC: Growth Housas	Swap with the PC: Foundation Housas	Total
	£'000	£'000	£'000	£'000
Opening balance as at 1 October 2017	1,629	5,960	2,996	10,585
Redemptions in the period	(418)	(955)	(1)	(1,374)
Net loss on financial liabilities at fair value through profit or loss	48	235	156	439
Closing balance as at 30 September 2018	1,259	5,240	3,151	9,650

The total unrealised gains/losses as at year end was £187k (2018: £439k).

There were no transfers into Level 3 assets other than the completions in the period, and no transfers out other than redemptions.

25 Fair value modelling, sensitivities and fair value hierarchy

25.1 Fair value modelling & sensitivities

Castle Trust has developed a model to value its financial assets, liabilities and derivatives at fair value. The model uses stochastic techniques to calculate the net present value of expected future cash flows. The cash flows are based on assumptions about the range of possible future events and information concerning the terms of the financial instruments. It is run on a monthly basis for internal management information and board reporting purposes. It is run by a specialist team within Castle Trust within a control framework. Model assumptions are reviewed by the Board.

The models make use of certain significant model inputs. The inputs could be market quoted levels or unobservable inputs which are calibrated using a set of methodologies developed in conjunction with the valuation models. The most significant inputs are set out in the table below.

There is significant correlation between model parameters where movements in a parameter would likely result in opposing movement in other parameters creating offsetting valuation impacts.

The fair value sensitivity to changes in the model inputs have been assessed using reasonable upward and downwards shifts to the model inputs while keeping all remaining inputs constant. The following tables set out the relevant sensitivities.

Sensitivity analysis has been provided below where a reasonable change in each input has a material impact on the reported figures. In determining this, a sensitivity range is defined for each parameter, such as the standard error of the estimated parameter value. In certain circumstances management's judgement is used where this is not always possible (such as where there is not sufficient data for each parameter). A threshold is defined and where the valuation sensitivity is greater than the threshold the parameter is included in the sensitivity disclosure below. The threshold applied is 1% of total mortgage assets.

Mortgage fair value measurement

The model was applied to mortgage product lending. As disclosed in note 12 and note 13, there are 2 mortgages designated at fair value retained in the group as at 30 September 2019. Because the strike date of the embedded

House Price Option has passed for both of these loans, their fair value is no longer sensitive to any changes in inputs into the model and their fair value has been estimated as the amounts recoverable. They have been classified as Level 2 as the inputs to the fair value assessment are considered observable, being current bank base rates and market prices for assets similar to the collateral held.

The model incorporated various inputs, of which the most significant were as follows:

Input	Description	Range 2018 Min	Range 2018 Max	Sensitivity Range	Sensitivity 2018 Min £'000	Sensitivity 2018 Max £'000
Castle Trust's LTV	Castle Trust's loan relative to property value	1.7%	76.3%			
Senior LTV	Primary mortgage relative to property value	0.0%	80.4%			
House price movement	Percentage movement since origination to indexed value	(6.7%)	46.4%	+-10%	(12,961)	14,439
Expected house price growth	Assumed annual rate of future HPI growth	2.6%	2.6%	+-1%	(3,252)	3,419
Volatility of the movement in HPI	Assumed annualised volatility of the future HPI returns	11.5%	11.5%			
House price volatility	There is also an allowance for index volatility and volatility above the index	3.4%	47.9%			
Expected repayment rates	Dependent on elapsed term of mortgage. There are adjustments for seasonality and market conditions	0.0%	16.9%			
Discount rates:	Derived to be consistent with future house price growth.					
	Partnership mortgages	8.4%	13.6%			
	BTL: fixed income component and house price derivative					
	Risk free discount rates	0.6%	1.7%	+-1%	(1,931)	2,048
	Credit premium discount rate	1.0%	8.4%	+-1%	(1,931)	2,048
	BTL: house price derivative					
	House price risk premium	9.5%	9.5%	+-5%	(2,244)	3,612
	IPS: fixed income component and house price derivative					
	Risk free discount rates	0.6%	1.7%	+-1%	(147)	150
	Credit premium discount rate	1.0%	8.4%	+-1%	(147)	150
	IPS: house price derivative					
	House price risk premium	14.6%	14.6%	+-5%	(570)	543

Housa liabilities fair value measurement

The model, as applied to Housa liabilities, incorporates various inputs, of which the most significant are as follows:

Input	Description	Range 2019 Min	Range 2019 Max	Range 2018 Min	Range 2018 Max	Sensitivity Range	Sensitivity 2019 Min £'000	Sensitivity 2019 Max £'000	Sensitivity Range	Sensitivity 2018 Min £'000	Sensitivity 2018 Max £'000
Movement in HPI	Percentage movement since origination to indexed value	15.0%	48.0%	11.8%	44.7%	+-10%	(328)	320	+-10%	(929)	915
Expected house price growth	Assumed annual rate of future HPI growth	2.6%	2.6%	2.6%	2.6%						
Volatility of the movement in HPI	Assumed annualised volatility of the future HPI returns	11.3%	11.3%	11.5%	11.5%						
Discount rates :	Derived to be consistent with future house price growth.										
	Risk free discount rates	0.6%	0.8%	0.8%	2.0%						
	Credit premium discount rate	1.5%	3.4%	1.2%	1.8%						
	House price risk premium	10.3%	42.3%	10.2%	42.5%	+-10%	(164)	238	+-10%	(274)	379

Derivative liabilities fair value measurement

Derivative liabilities consisted of the call options sold to CTC Holdings (Cayman) Ltd. The model, as applied to derivative liabilities, incorporated various inputs, of which the most significant were as follows:

Input	Description	Range 2018 Min	Range 2018 Max	Sensitivity Range	Sensitivity 2018 Min £'000	Sensitivity 2018 Max £'000
Movement in HPI	Percentage movement since origination to indexed value	8.6%	8.6%	+-10%	(15,056)	9,310
Expected house price growth	Assumed annual rate of future HPI growth	2.6%	2.6%	+-1%	(2,545)	2,260
Volatility of the movement in HPI	Assumed annualised volatility of the future HPI returns	11.5%	11.5%			
Discount rates :	Derived to be consistent with future house price growth.					
	Risk free discount rates	0.7%	2.0%			
	Credit premium discount rate	1.2%	1.8%			
	House price risk premium	3.2%	6.8%	+-5%	(2,113)	1,808

Derivatives held for risk management fair value measurement

Derivatives held for risk management consisted of Interest Rate Swaps. The model, as applied to derivatives held for risk management, incorporated various inputs, of which the most significant were as follows:

Company

Input	Description	Range 2018 Min	Range 2018 Max	Sensitivity Range	Sensitivity 2018 Min £'000	Sensitivity 2018 Max £'000
Interest rates	Fixed leg interest rates	0	0	+-1%	0	0
	Floating leg interest rates	0	0	+-1%	0	0
		LIBOR	LIBOR	-		
Discount rates :	Discounted using OIS (overnight indexed swap) curve	0	0	+-1%	0	0

Group

Input	Description	Range 2018 Min	Range 2018 Max	Sensitivity Range	Sensitivity 2018 Min £'000	Sensitivity 2018 Max £'000
Interest rates	Fixed leg interest rates	1.01%	1.63%	+-1%	(1,223)	1,285
	Floating leg interest rates	6M	6M	+-1%	1,223	(1,285)
		LIBOR	LIBOR			
Discount rates :	Discounted using OIS (overnight indexed swap) curve	0.70%	1.26%	+-1%	(11)	3

The assumption for house price growth is currently 2.6% which has been based on external forecasts and market consensus of the expected growth in house prices. This is a long term average growth rate and as such a short term drop in house price growth rates as a result of Brexit will have a lesser impact on this long term average. However, it is expected that uncertainty will be higher in the near term as a result of Brexit, and in addition, there is the risk of further interest rate hikes following the August 2018 increase. These uncertainties are offset by 1) the shortage of houses for sale and high, 2) currently rising employment (which is supportive for the housing market) and 3) mortgage interest rates at historically low levels. A sudden drop in house prices of up to 10% is considered a reasonably possible impact as a result of Brexit and this is reflected in the note under the sensitivity for movement in HPI.

25.2 Fair values and fair value hierarchy analysis

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. The tables below show the determination of fair value according to a three-level valuation hierarchy. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole.

For loans and receivables and financial liabilities held at amortised cost fair values are determined according to the most recent and where possible published interest rates, adjusted for the time value of money and credit spread risk, using a discounted cash flow model. The hierarchy position is considered to be Level 3, as the lowest level input, being the discount rate, is unobservable.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.
For financial instruments where the receipt of the related cash is not more than three months from the date of the recognition of the asset/liability and which are not subject to significant credit risk, carrying value approximates fair value, and they are consequently not included in the fair value analysis below.

As at 30 September 2019

Group Assets	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000	Carrying value £'000
Loans to customers					
At amortised cost	-	-	630,266	630,266	611,033
Designated at fair value through profit or loss		5,328	-	5,328	5,328
Total	-	5,328	630,266	635,594	616,361
Liabilities					
Amounts due to customers for Fortress Bonds	-	-	714,957	714,957	711,128
Financial liabilities at fair value through profit or loss	-	-	3,436	3,436	3,436
Total	-	-	718,393	718,393	714,564

As at 30 September 2018

Group Assets	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000	Carrying value £'000
Loans to customers					
At amortised cost	-	-	642,563	642,563	629,742
Designated at fair value through profit or loss	-	-	69,780	69,780	69,780
Fair value hedge asset		229	-	229	229
Derivative financial instruments					
House price option	-	-	9,150	9,150	9,150
Derivatives held for risk management	-	176	-	176	176
Total	-	405	721,493	721,898	709,077
Liabilities					
Debt securities in issue	-	-	9,642	9,642	9,642
Financial liabilities at amortised cost	-	-	734,682	734,682	727,770
Financial liabilities at fair value through profit or loss	-	-	24,989	24,989	24,989
Total	-	-	769,313	769,313	762,401

As at 30 September 2019

Company Assets	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000	Carrying value £'000
Loans to customers					
At amortised cost	-	-	498,245	498,245	481,353
Designated at fair value through profit or loss	-	5,328	-	5,328	5,328
Amounts due from group companies for BLA / MILA	-	-	126,247	126,247	126,930
Total	-	5,328	624,492	629,820	613,611
Liabilities					
Amounts due to group companies for MILA	-	-	719,376	719,376	720,089
Amounts due to related parties under inter-company swap arrangements	-	-	3,436	3,436	3,436
Total	-	-	722,812	722,812	723,525

As at 30 September 2018

Company Assets	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000	Carrying value £'000
Loans to customers					
At amortised cost	-	-	417,208	322,465	403,831
Designated at fair value through profit or loss	-	-	9,733	10,273	9,733
Derivative financial instruments					
House price option	-	-	26,669	26,669	26,669
Total	-	-	453,610	359,407	440,233
Liabilities					
Financial liabilities at amortised cost	-	-	404,636	404,636	402,825
Financial liabilities at fair value through profit or loss	-	-	15,339	15,339	15,339
Amounts due to related parties under inter-company swap arrangements	-	-	9,650	9,650	9,650
Total	-	-	429,625	429,625	427,814

26 Risk management

The Group's activities expose it to various types of financial risk that are associated with the financial instruments and markets in which it participates. The main risk to which the Group is exposed is credit risk. The Group is also exposed to liquidity risk and market risk as these risks are inherent in the business. The Board is responsible for setting the risk appetite for each of these risks. The Group measures its exposure to the risks on a regular basis and reviews the exposure every quarter. Castle Trust assesses all these risks and its capital adequacy as part of its Intemal Capital

Adequacy Assessment Process ("ICAAP") which is conducted on an annual basis. The section below provides further details on financial risks only.

26.1 Credit risk

Credit risk is the risk that a counterparty will fail to meet its obligations in accordance with agreed terms. In general, it arises from the counterparty being either unwilling or unable to settle its obligations. This risk is managed in the loan origination and servicing processes. In addition, mortgage credit risk is monitored via performance monitoring, including past due, maturity and concentration risk assessment. RDF loans are individually reviewed and monitored by the credit committee or the main Risk Committee if larger in size.

Consumer point of sale lending and wholesale lending is managed by monitoring of non-performing loans, monitoring of actual bad debt rates against predicted bad debt rates and write off levels. The Group has modelled the scenarios which might lead to a change in these risks and these are measured and monitored on a quarterly basis by the Risk Committee.

The Group manages its credit risk in accordance with policies set by the Board to ensure that the credit risk assumed *is commensurate with the return required. The Group is exposed to credit risk from its loans to customers, derivative* financial instruments, cash and cash equivalents and its loans and advances to credit institutions. The Group's maximum exposure to credit risk is set out in the table below.

Group As at 30 September 2019	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	ECL £'000	Total £'000
Financial assets					
Cash and cash equivalents	140,349	-	-	-	140,349
Trade and other receivables	4,766	-	-	(2,892)	1,875
Loans to customers					
At amortised cost					
- Consumer loans	97,219	6,623	18,988	(17,849)	104,981
- Wholesale loans	24,699	-	-	-	24,699
- Property loans	377,733	80,366	32,698	(9,444)	481,353
Designated at fair value through profit or loss	-	-	5,328	-	5,328
	644,766	86,989	57,014	(30,185)	758,585

Group As at 30 September 2018	Neither past due nor impaired Performing £'000	Forborne	Past due but not impaired Not forborne £'000	Forborne	Individually impaired Not forborne £'000		Collective and specific £'000	Total £'000	Forborne %
Financial assets									
Cash and cash equivalents	118,514		-		-		-	118,514	
Trade and other receivables	3,415		-		-		(489)	2,926	
Loans and advances to credit institutions			-		-		-	-	
Loans to customers								-	
At amortised cost						-		-	
- Consumer loans	116,407	553	18,057	2,582			(12,677)	124,922	2.28%
- Wholesale loans	51,092		1,558	25			(980)	51,695	0.05%
- Property loans	390,655		36,434	18,408	13,375		(5,747)	453,125	4.01%
Designated at fair value through profit or loss	68,725	-	517	28	-	510	-	69,780	
Derivative financial instruments								-	
House price option	8,938	-	212	-	-	-	-	9,150	
Derivatives held for risk management	176		-		-		-	176	
	757,922	553	56,778	21,043	13,375	510	(19,893)	830,288	

The Group's exposure to credit risk arising from cash and cash equivalents and loans and advances to credit institutions is managed by the treasury function. Moody's credit rating for HSBC Bank is Aa2 and the HSBC Global Sterling Liquidity Fund is rated Aaa by Moody and AAA by S&P. These exposures are not considered to result in significant credit risk.

At 30 September 2019 the Group was exposed to credit risk in terms of its holdings in fixed deposit funds in Aldermore Bank of £14,926k. At 30 September 2018, there was no such holdings. Aldermore Bank was not rated but the Group performed its own credit analysis and considered the counterparty to be creditworthy for short term deposits.

The following table shows the maturity profile of the Group's past due or impaired financial assets.

Group As at 30 September 2019	Total £'000	ECL £'000	<30 days £'000	30-60 days £'000	61-90 days £'000	91-120 days £'000	>120 days £'000
Financial assets							
Cash and cash equivalents	140,349	-	140,349	-	-	-	-
Loans and advances to credit institutions	14,926	-	14,926	-	-	-	-
Trade and other receivables	1,875	(2,892)	4,767	-	-	-	-
Loans to customers							
At amortised cost							
- Consumer loans	104,981	(17,849)	104,153	932	737	641	16,367
- Wholesale loans	24,699	-	24,699	-	-	-	-
- Property loans	481,353	(9,444)	448,897	-	4,807	11,709	25,384
Designated at fair value through profit or loss	5,328	-	-	-			5,328
	773,511	(30,185)	737,791	932	5,544	12,350	47,079

Group As at 30 September 2018	Total £'000	Specific and collective £'000	Neither past due nor £'000	30-60 days £'000	61-90 days £'000	91-120 days £'000	>120 days £'000
Financial assets							
Cash and cash equivalents	118,514	-	118,514	-	-	-	-
Loans and advances to credit institutions	-	-	-	-	-	-	-
Trade and other receivables	2,926	(489)	3,415	-	-	-	-
Loans to customers							
At amortised cost							
- Consumer loans	124,922	(12,677)	116,961	1,937	1,633	1,458	12,118
- Wholesale loans	51,695	(980)	51,092	292	190	205	455
- Property loans	453,125	(5,747)	390,655	6,829	3,729	10,267	27,110
Designated at fair value through profit or loss	69,663	-	68,725	18	137	60	723
Derivative financial instruments							
House price option	9,150	-	8,938	10	46	-	156
Derivatives held for risk management	176	-	176	-	-	-	-
	830,171	(19,893)	758,476	9,086	5,735	11,990	40,562

Credit risk associated with Serviced and Interest Roll Up mortgages, RDF loans and other loans designated at fair value through profit or loss is mitigated by the collateral that the Group holds a charge over. This totalled £1.70 billion (2018: £1.87 billion), which represents the indexed value of properties at the reporting dates. In many cases Castle Trust's charge over this collateral is subordinated by another lender's charge. The following table shows combined first and second charge loan to value analysis for all loans by band held at the end of the period:

LTV band %	2019 £'000	2019 %	2018 £'000	2018 %
0 - 21	9,398	2%	9,592	2%
21 - 50	89,894	18%	117,935	22%
51 - 70	258,126	53%	294,976	55%
71 - 85	115,185	23%	113,455	21%
86 - 90	1,389	0%	1,759	0%
91+	22,134	4%	86	0%
Carrying value before impairment provision	496,126	100%	537,803	100%
Wholesale and Consumer Loans	147,529		190,275	
Total Lending before impairment provision	643,655		728,078	

The LTV used in the table above for RDF is based on the Gross Development Value (the estimated value at completion). Total exposure to Development finance is £83m (2018: £69m) with an average LTV of 65% (2018: 39.2%).

Significant increase in credit risk ('SICR') (movement to stage 2)

The Group's transfer criteria determine what constitutes a significant increase in credit risk, which results in an exposure being moved from stage 1 to stage 2.

At the point of recognition, a loan is assigned a lifetime PD estimate. For each monthly reporting date thereafter an updated lifetime PD estimate is computed for the life of the loan. The Group's transfer criteria analyse relative changes in lifetime PD versus the origination lifetime PD, where if prescribed thresholds are met, an account will be transferred from stage 1 to stage 2.

The Group constantly monitors the ongoing appropriateness of the transfer criteria, where any proposed amendments will be reviewed and approved by the Group's Management Committees and the Risk and Audit Committees at least semi-annually or more frequently if required.

IFRS 9 includes a rebuttable presumption that if an account is more than 30 days past due it has experienced a significant increase in credit risk. The Group considers more than 30 days past due to be an appropriate back stop measure and therefore has not rebutted this presumption.

For mortgages and residential development finance, other credit related criteria are considered in assessing whether a significant increase in credit risk has occurred. This includes changes to a customer's credit profile through reference to external credit agencies, significant changes to the current product terms offered to the customer, payment holidays and extension of term.

Within consumer loans, customers who have no outstanding arrears but who have fallen more than 30 days in arrears within the last 12 months, continue to be classified as having a significantly increased credit risk and will remain within stage 2.

A borrower will move back into stage 1 where the SICR definition is no longer satisfied and no payments have been in arrears for a period of 12 consecutive months.

Definition of default (movement to stage 3)
The Group uses a number of quantitative and qualitative criteria to determine whether an account meets the definition of default and therefore moves to stage 3.

The rebuttable assumption is that more than 90 days past due (for property - on either primary or secondary mortgage) is an indicator of default. The Group has not rebutted this assumption and therefore deems that more than 90 days past due is an indicator of default. This acts as an appropriate back stop measure.

For mortgages and residential development finance, additional criteria are considered in the assessment as to whether a loan meets the definition of default. This includes increased likeness of repossession, defaulted arrangements on other properties the customer may hold, significant fall in the valuation of a property, reduced or frozen interest charges and other criteria assessed by management which indicate an increased likelihood of default.

For consumer loans, any loan where a fraud allegation has been raised is immediately classified as stage 3.

A borrower will move out of stage 3 when their credit risk improves such that they roll back to zero days past due and remain there for an internally approved period. The borrower will move to stage 1 or stage 2 dependent on whether the SICR applies.

Forbearance

Castle Trust sometimes makes concessions to borrowers with respect to the original terms of mortgages as a response to a borrower's financial difficulties. All forborne loans will be classified as either stage 2 or stage 3.

Within property, forbearance may take the form of a change of contractual terms (e.g. transfer to interest only, extension of term, payment holiday or further advance) made as a concession to a borrower who is unable to meet the original contractual terms of the mortgage. In addition, other activities are also considered to be indicative of forbearance such as paying costs to support a voluntary sale of the property, waiving of Early Redemption Charges and providing a reduced concessionary interest rate that would not normally have been done had the borrower not been in financial difficulties. Forbearance offered by the primary mortgage provider does not necessarily result in Castle Trust's mortgage being forborne.

Forbearance provided by Castle Trust is considered to be an indicator of impairment. Forbearance provided by other lenders to Castle Trust's borrowers is not automatically considered to be an indicator of impairment of Castle Trust's mortgage but is considered on a case by case basis if further information is available.

For consumer loans, forbearance may involve to the original terms of loans as a response to a customer's financial difficulties. Indicators of financial difficulties considered by Castle Trust that trigger consideration of forbearance are the aggregate arrears status, which takes into account both the number of missed payments and the months elapsed since the date of the contractual maturity. Forbearance may involve extending the payment arrangements and the agreement of new loan conditions, such as freezing interest, a reduced payment arrangement or debt management plan arrangement.

Once the terms have been amended on a consumer loan, any impairment is measured using a collectively modelled provision. The specific provision is modelled on a collective basis as each loan advanced by Castle Trust is individually not significant.

The forbearance classification on both property and consumer loans is discontinued when all the following conditions are met:

- the contract is considered as performing, including if it has been reclassified from the non-performing category after an analysis of the financial condition of the debtor showed it no longer met the conditions to be considered as nonperforming.
- a minimum 2-year probation period has passed from the date the forborne exposure was considered as performing.
- regular payments of more than an insignificant aggregate amount of principal or interest have been made during at least half of the probation period.
- none of the exposures to the debtor is more than 30 days past-due at the end of the probation period.

The following tables show the loans in forbearance at the year end.

Group	Stage 1		Stage 2		Stage 3		ECL	Total	Forborne %
	Performing	Forborne	Not forborne	Forborne	Not forborne	Forborne			
As at 30 September 2019	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Financial assets									
Loans to customers									
At amortised cost									
- Consumer loans	97,219	-	5,829	794	15,957	3,031	(17,849)	104,981	3.11%
- Wholesale loans	24,699	-	-	-	-	-	-	24,699	0.00%
- Property loans	377,733	-	64,730	15,636	29,932	2,766	(9,444)	481,353	3.75%
Designated at fair value through profit or loss	-	-	-	-	5,328	-	-	5,328	
	499,651	-	70,559	16,430	51,217	5,797	(27,293)	616,361	

Group	Neither past due nor impaired		Past due but not impaired		Individually impaired		Collective and specific	Total	Forborne %
As at 30 September 2018	Performing	Forborne	Not forborne	Forborne	Not forborne				
	£'000		£'000		£'000		£'000	£'000	
Financial assets									
Loans to customers								-	
At amortised cost								-	
- Consumer loans	116,407	553	18,057	2,582			(12,677)	124,922	2.28%
- Wholesale loans	51,092		1,558	25			(980)	51,695	0.05%
- Property loans	390,655		36,434	18,408	13,375		(5,747)	453,125	4.01%
Designated at fair value through profit or loss	68,725	-	517	28	-	510	-	69,780	
Derivative financial instruments								-	
House price option	8,938	-	212	-	-	-	-	9,150	
	635,817	553	56,778	21,043	13,375	510	(19,404)	708,672	

Credit concentration

Credit concentration risk arises when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. The Group manages its exposure to credit concentration risk by monitoring the level of concentration on each of its portfolios through several dimensions and in some cases limiting the exposure.

Within Property, the Group limits its maximum exposure to individual obligors and certain product types (1st line mortgages versus 2nd line mortgages for example). Geographical concentration and other concentration risks are also monitored by the Group Credit Risk Committee.

Consumer loan concentration risk focusses principally on individual retailers with specific limits in place set by the Board or Group Credit Risk Committee. The Group's exposure to specific industry sectors is also closely monitored.

Mortgage assets have a maximum loan exposure which limits concentration risk. The maximum single counterparty exposure is to HSBC.

Forward looking macroeconomic scenarios

IFRS 9 requires firms to consider the risk of default and impairment loss taking into account expectations of economic changes that are reasonable.

The Group uses a bespoke macroeconomic model to determine the most significant factors which may influence the likelihood of an exposure defaulting in the future. At present, the most significant macroeconomic factors relate to the house price index ('HPI'), unemployment and the Bank of England Base Rate.

The Group has derived an approach for factoring probability weighted macroeconomic forecasts into ECL calculations, adjusting PD and LGD estimates. An account's lifetime PD is impacted by the probability weighted macroeconomic scenario and therefore impacts whether an account meets the Group's SICR transfer criteria moving the exposure between stage 1 and stage 2. The macroeconomic scenarios feed directly into the ECL calculation, as the adjusted PD, lifetime PD and LGD estimates are used within the individual account ECL allowance calculations.

The Group currently does not have an in-house economics function and therefore sources economic forecasts from an appropriately qualified third party. The Group will consider a minimum of three probability weighted scenarios, including base, upside and downside scenarios. However, the Group will constantly monitor the ongoing appropriateness of its approach referencing industry best practise.

The base case is also utilised within the Group's impairment forecasting process which in turn feeds the wider business planning processes. This economic forecast is also used within analysis to set the Group's credit risk appetite thresholds and limits.

Analysis of inputs to the ECL model under multiple economic scenarios

An overview of the approach to estimating ECL's is set out in Note 2.4.4. To ensure completeness and accuracy, the Group obtains the data used from third party sources and the Credit Risk group verifies the accuracy of inputs to the Group's ECL models including determining the weights attributable to the multiple scenarios. The following tables set out the key drivers of expected credit loss and the assumptions used for the Group's base case estimate, ECLs based on the base case, plus the use of multiple economic scenarios as at 1 October 2018 and 30 September 2019.

The tables show the value of the key forward looking economic variables/ assumptions used in each of the economic scenarios for the ECL calculations.

As at 30 September 2019

Key Drivers	ECL Scenario	Assigned Probabilities %	2020 %	2021 %	2022 %	2023 %	2024 %	Subsequent years %
GDP growth %								
	Upside	20%	3.68%	3.63%	3.54%	3.51%	3.40%	2.97%
	Base Case	60%	1.66%	1.99%	2.11%	2.11%	2.08%	1.95%
	Downside	20%	-0.24%	-0.27%	-0.30%	-0.30%	-0.30%	0.47%
Unemployment rates %								
	Upside	20%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
	Base Case	60%	4.10%	3.90%	3.80%	3.80%	3.86%	4.07%
	Downside	20%	7.54%	7.98%	8.00%	8.00%	8.00%	8.00%
Central Bank base rates %								
	Upside	20%	1.71%	1.83%	1.97%	2.08%	2.25%	2.76%
	Base Case	60%	1.64%	1.78%	1.92%	2.04%	2.21%	2.72%
	Downside	20%	1.58%	1.71%	1.84%	1.96%	2.13%	2.67%
House Price Index %								
	Upside	20%	7.87%	7.89%	7.43%	7.36%	7.08%	6.70%
	Base Case	60%	3.45%	4.29%	4.29%	4.29%	4.19%	4.47%
	Downside	20%	-0.64%	-0.58%	-0.90%	-0.90%	-0.94%	1.26%

As at 1 October 2018

Key Drivers	ECL Scenario	Assigned Probabilities %	2019 %	2020 %	2021 %	2022 %	2023 %	Subsequent years %
GDP growth %								
	Upside	20%	3.69%	3.64%	3.51%	3.46%	3.33%	3.23%
	Base Case	60%	1.67%	1.67%	1.71%	1.71%	1.71%	1.72%
	Downside	20%	-0.22%	-0.25%	-0.31%	-0.33%	-0.35%	-0.34%
Unemployment rates %								
	Upside	20%	3.14%	3.00%	3.00%	3.00%	3.00%	3.00%
	Base Case	60%	4.10%	4.10%	4.10%	4.20%	4.21%	4.21%
	Downside	20%	7.76%	8.00%	8.00%	8.00%	8.00%	8.00%
Central Bank base rates %								
	Upside	20%	1.89%	2.04%	2.16%	2.26%	2.38%	2.48%
	Base Case	60%	1.86%	2.00%	2.13%	2.23%	2.35%	2.46%
	Downside	20%	1.83%	1.97%	2.10%	2.20%	2.32%	2.42%
House Price Index %								
	Upside	20%	8.47%	8.29%	7.87%	7.71%	7.71%	6.86%
	Base Case	60%	3.31%	3.30%	3.29%	3.27%	3.60%	3.40%
	Downside	20%	-1.38%	-1.48%	-1.72%	-1.79%	-1.55%	-1.26%

In addition to the scenarios and assumptions above, the Group applied an overlay to capture an additional scenario which is aligned to capital planning stress assumptions using the Bank of England ACS stress scenario. The Group applied a 10% weighting to this scenario within the ECL calculations which resulted in an additional ECL of £130,000.

26.2 Liquidity risk

Liquidity risk is the risk that a firm is unable to meet its liabilities as they fall due, without incurring unacceptably large losses. In general, the risk arises from mismatches between the maturity profile of assets and liabilities and the ability of the firm to liquidate its holding in certain assets.

The Group is exposed to liquidity risk due to nature of its business actives. The exposure is monitored regularly and formally reviewed by the Board on an annual basis. The Group regularly conducts stress testing assessments of the balance sheet to measure its exposure. The exposure is controlled by active management of the amount, type and maturity profile of its assets and liabilities. In addition, the Group maintains a liquidity buffer to ensure it has adequate liquidity to meet its liabilities as they fall due.

Please refer to note 27 for details of the maturity profile of assets and liabilities.

26.3 Market risk

Market risk is the risk that the fair value of future cash flows from financial instruments will fluctuate as a result of changes in market variables. Interest rate risk is a type of market risk where variability arises from interest rates. Similarly, house price risk is a type of market risk where the variability arises from changes in house prices.

The Group is exposed to market risk in the form of interest rate risk and house price risk. This exposure is monitored regularly and formally reviewed by the Board, as part of its ICAAP, on an annual basis. The Group is exposed to interest rate risk due to the mismatch between the fixed interest rates it receives on its loans to customers and the fixed interest rate it pays to customers. The Group manages its exposure to interest rate risk using interest rate swaps. The Group's exposure to interest rate risk at the reporting date, measured as the impact of a 1% parallel shift in interest rates, was £441k (2018: £511k). Similarly, the Group is exposed to house price risk due to the nature of its house price linked mortgage contracts and its Housas.

Following the sale of the house price derivatives relating to PM, BTL and IPS mortgages the Group's exposure to house price risk is immaterial. The Group's exposure to house price risk as at the reporting date, measured as a 10% fall in house prices, was estimated to be £(328k) (2018: £(2,736k)). The Group manages its exposure to interest rate risk using swaps to convert the interest rates on its financial instruments, such as mortgages and Fortress Bonds, from fixed to LIBOR-linked floating rates.

27. Maturity profile of all financial assets and liabilities

Investments, trade and other receivables, cash and cash equivalents, trade and other payables are all carried at historic cost for maturity analysis purposes. As they are all short term items that will crystallise within one month or less, this is a close if not exact cash equivalent value.

Interest rate swap payments relating to interest are settled on a net basis and are hence presented net in the table below.

Financial assets at fair value (mortgages) are discounted for up to 30 years, therefore the undiscounted cash values as at 30 September 2019 are significantly higher than the fair value. The timing of the cash flows also reflects Castle Trust's expectations in terms of early repayments based on expected customer behaviour, alongside contractual maturity dates.

The analysis is based on the remaining period to the contractual maturity date based on undiscounted cashflows. The tables below indicate the maturity profile of the Group and Company's financial assets and liabilities as at 30 September 2019:

Group As at 30 September 2019	Within 1 year	1 - 3 years	3 - 5 years	5-10 years	Over 10 years	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Financial assets						
Cash and cash equivalents	140,349	-	-	-	-	140,349
Loans and advances to credit institutions	14,926	-	-	-	-	14,926
Trade and other receivables	1,203	-	-	-	-	1,203
Loans to customers						
At amortised cost	347,603	205,535	48,167	24,261	2,829	628,395
Designated at fair value through profit or loss	5,328	-	-	-	-	5,328
	509,409	205,535	48,167	24,261	2,829	790,201
Financial liabilities						
Trade and other payables	5,148	-	-	-	-	5,148
Amounts due to customers for Fortress Bonds	398,734	317,606	20,921	-	-	737,261
Financial liabilities at fair value through profit or loss - Housas	1,136	661	2,256	276	-	4,329
	405,018	318,267	23,177	276	-	746,738
Loan commitments	62,212	-	-	-	-	62,212

Group As at 30 September 2018	Within 1 year	1 - 3 years	3 - 5 years	5-10 years	Over 10 years	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Financial assets						
Cash and cash equivalents	118,514	-	-	-	-	118,514
Loans and advances to credit institutions	-	-	-	-	-	-
Trade and other receivables	2,926	-	-	-	-	2,926
Loans to customers						-
At amortised cost	329,943	298,286	38,306	1,898	2,154	670,587
Designated at fair value through profit or loss	15,912	18,084	11,773	45,197	3,460	94,426
Derivative financial instruments						
House price option	1,537	8,656	362	40	-	10,595
Derivatives held for risk management	(35)	69	100	50		184
	468,797	325,095	50,541	47,185	5,614	897,232
Financial liabilities						
Trade and other payables	7,566	-	-	-	-	7,566
Debt securities in issue	-	-	9,642	-	-	9,642
Derivatives held for risk management	-	-	-	-	-	-
Amounts due to customers for Fortress Bonds	442,307	273,595	45,534	-	-	761,436
Financial liabilities through profit or loss - Housas	6,456	1,622	707	1,336	-	10,121
Financial liabilities through profit and loss - derivative liabilities	5,601	5,784	8,328	-		19,713
	461,930	281,001	64,211	1,336	-	808,478
Loan commitments	21,919	-	-	-		21,919

Company As at 30 September 2019	Within 1 year £'000	1 - 3 years £'000	3 - 5 years £'000	5-10 years £'000	Over 10 years £'000	Total £'000
Financial assets						
Cash and cash equivalents	131,434	-	-	-	-	131,434
Trade and other receivables	1,153	-	-	-	-	1,153
Loans and advances to credit institutions	14,926	-	-	-	-	14,926
Loans to customers						
At amortised cost	264,905	151,563	40,709	18,174	2,829	478,180
Designated at fair value through profit or loss	5,328	-	-	-	-	5,328
Amounts due from group companies for MILA	77,691	39,882	10,836	5,870	-	134,279
	495,437	191,445	51,545	24,044	2,829	765,300
Financial liabilities						
Trade and other payables	-	-	-	-	-	-
Amounts due to group companies for BLA	417,189	317,606	20,921	-	-	755,715
Amounts due under Housa inter-company swaps	1,136	661	2,256	276	-	4,329
	418,325	318,267	23,177	276	-	760,044
Loan commitments	54,566	-	-	-	-	54,566

Company As at 30 September 2018	Within 1 year £'000	1 - 3 years £'000	3 - 5 years £'000	5-10 years £'000	Over 10 years £'000	Total £'000
Financial assets						
Cash and cash equivalents	40,556	-	-	-	-	40,556
Trade and other receivables	713	-	-	-	-	713
Loans and advances to credit institutions	-	-	-	-	-	-
Loans to customers	-	-	-	-	-	-
At amortised cost	206,233	189,917	29,310	1,763	2,154	429,377
Designated at fair value through profit or loss	1,492	2,584	1,678	5,822	3,460	15,036
Derivative financial instruments	-	-	-	-	-	-
House price option	5,500	13,760	4,440	16,513	-	40,213
	254,494	206,261	35,428	24,098	5,614	525,895
Financial liabilities						
Trade and other payables	6,504	-	-	-	-	6,504
Amounts due to group companies for BLA/MILA	175,171	224,596	29,605	-	-	429,372
Amounts due to the PC under Housa inter-company swaps	6,456	1,622	707	1,336	-	10,121
Financial liabilities through profit and loss - derivative liabilities	5,601	5,784	8,328	-	-	19,713
	193,732	232,002	38,640	1,336	-	465,710
Loan commitments	11,463	-	-	-	-	11,463

28. Share capital

The following table sets out the movement in share capital during the year.

Group and company	2019 £'000	2018 £'000
Issued and fully paid:		
At beginning of the year	12,992	9,526
Issued during the year	220	3,466
At end of year 132,120,061 (2018: 129,920,335) ordinary shares of £0.10 each	13,212	12,992

On 2 October 2017, the Company allotted an additional 1,000,000 ordinary shares of £0.10 each to its immediate parent company, Castle Trust Holdings (Jersey) Limited. On 29 March 2018, a further 15,000,000 ordinary shares of £0.10 were allotted to Castle Trust Holdings (Jersey) Limited. On 6 June 2018, a further 9,000,000 ordinary shares of £0.10 were allotted to Castle Trust Holdings (Jersey) Limited. On 14 August 2018, a further 4,725,000 ordinary shares of £0.10 were allotted to Castle Trust Holdings (Jersey) Limited. On 28 September 2018, a further 4,936,690 ordinary shares of £0.10 were allotted to Castle Trust Holdings (Jersey) Limited. On 5 October 2018, a further 63,309 ordinary shares of £0.10 were allotted to Castle Trust Holdings (Jersey) Limited. On 31 August 2019, a further 2,136,962 ordinary shares of £0.10 were allotted to Castle Trust Holdings (Jersey) Limited. In all cases, the total amount paid was £1 per share with the difference accounted for as share premium.

29. Reconciliation of financing liabilities

This section sets out an analysis of net debt and the movements in net debt for each of the years presented.

Group

	At 1 Oct 2018	Cash flows	Non cash changes Interest accretion	Fair value changes	At 30 Sept 2019
	£'000	£'000	£'000	£'000	£'000
Debt securities in issue	9,642	(10,763)	1,121	-	-
Amounts due to customers for Fortress bonds	727,770	(47,560)	30,918	-	711,128
Financial liabilities at fair value through profit or loss	24,989	(23,738)	-	2,185	3,436
	762,401	(82,061)	32,039	2,185	714,564

Group

	At 1 Oct 2017	Cash flows	Non cash changes Interest accretion	Fair value changes	At 30 Sept 2018
	£'000	£'000	£'000	£'000	£'000
Debt securities in issue	-	9,709	(67)	-	9,642
Amounts due to customers for Fortress bonds	606,007	103,637	19,126	-	727,770
Financial liabilities at fair value through profit or loss	27,614	(1,517)		(1,108)	24,989
	633,621	111,829	19,059	(1,108)	762,401

Company

	At 1 Oct 2018	Cash flows	Non cash changes Interest accretion	Fair value changes	Other non cash movements	At 30 Sept 2019
	£'000	£'000	£'000	£'000	£'000	£'000
Amounts due to related parties under inter-company swap arrangements	9,650	(6,675)	-	461	-	3,436
Amounts due to group companies for MILA	402,825	75,283	25,055	-	(484,738)	18,425
	412,475	68,608	25,055	461	(484,738)	21,861

Company

	At 1 Oct 2017	Cash flows	Non cash changes Interest accretion	Fair value changes	At 30 Sept 2018
	£'000	£'000	£'000	£'000	£'000
Amounts due to related parties under inter-company swap arrangements	10,585	(1,517)	-	582	9,650
Financial liabilities at fair value through profit or loss	17,029	-	-	(1,690)	15,339
Amounts due to group companies for MILA	305,241	83,047	14,537	-	402,825
	332,855	81,530	14,537	(1,108)	427,814

30. Commitments

The Group and the Company has future aggregate minimum lease payments under non-cancellable operating leases that fall due as follows:

	2019 £'000	2018 £'000
Within one year	364	417
Between one and five years	806	229
	1,169	646

31. Ultimate controlling party

Castle Trust's immediate parent undertaking is Castle Trust Holdings (Jersey) Limited which is incorporated in Jersey. Castle Trust's ultimate parent company is CTC Holdings (Cayman) Limited which is incorporated in the Cayman Islands. The ultimate controlling party of the Group is considered to be Mr James Christopher Flowers.

32. Related party transactions

Key management personnel

Key management personnel are those individuals who have the authority and responsibility for planning and exercising power to directly or indirectly control the activities of the Group and its employees. The Group considers the members of the Board of Directors and the Executive Committee to be key management personnel for the purposes of IAS 24 Related Party Disclosures. Please refer to note 6 for details of transactions with them.

House price transaction

In order to remove house price risk from the Group relating to mortgages held at fair value, the beneficial ownership in the majority of the House Price Options ("HPO's"), were sold to a non-group entity controlled by a related party, J.C. Flowers, ("CTC Holdings (Cayman) Limited") on the 30 September 2019, and the contractual rights to receive the cash flows of those HPO's were transferred at the same date. The transaction price was their full fair value of £28.9 million. Cash consideration of £18.7 million was provided to the Group by the purchaser and the remainder of the consideration (£10.8 million), along with a further capital injection of £2.1 million, was provided by the exercise and extinguishment of the portfolio of over-the-counter call options belonging to CTC Holdings (Cayman) Ltd (£12.3 million) (note 23). The remaining fixed income components of these mortgages, totalling £86 million, which are still held within the Group, were deemed to have been substantially modified and hence were derecognised and then re-recognised as "Loans at amortised cost".

On the same date, CTF sold back its interest in the fixed interest and principal strips of the IPS and BTL loans to CTC at fair value of £86 million on the transfer date. Additionally, the Partnership Mortgages held in CTC were deemed to have been substantially modified by the sale of their embedded HPO to the entity controlled by J.C. Flowers, as described previously, and hence were derecognised and then re-recognised as "Loans at amortised cost" at a value of £5.7 million.

Please also refer to note 11.

The following outstanding balances arose from the ordinary course of business. The interest rates charged to, and by, related parties are at normal commercial rates. Outstanding balances at the year-end are unsecured. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 30 September 2019, the Company has not made any provision for doubtful debts relating to amounts owed by related parties (2018: Nil).

Transactions between the Company and its subsidiaries meet the definition of related party transactions. However, as all of these transactions are eliminated on consolidation, they are not disclosed as related party transactions with respect to the consolidated position of the Group.

Company	Nature	Amount of transactions		Amount outstanding at year end	
		2019 £'000	2018 £'000	**2019 £'000**	2018 £'000
Transactions with:					
Subsidiary	Amounts receivable by CTC from CTCM in relation to ISA debtors and funding due on demand	-	-	**195**	-
	Interest and amounts due in relation to intercompany funding to Omni	-	-	**387**	-
	Interest paid (but due from CTIH) by CTC to Housa investors reflected through the intercompany swap between CTC and CTIH	**(1)**	(197)	**(297)**	(1,259)
	Fair value movements and funding in relation to the Housa intercompany swap agreement with PC	**(186)**	(484)	**(3,205)**	(8,391)
	Cash received (due to CTF) by CTC relating to mortgages held by CTF	-	-	-	(2,822)
	Interest and amounts due under the MILA with CTT	**(20,990)**	(16,647)	**(3,451)**	(402,825)
	Interest and amounts due under the MILA with CTCM		-	**(7,511)**	-
	Interest and amounts due under the MILA with CTF		-	**(7,461)**	-
	Interest and amounts due under the MILA with Omni		-	**126,258**	-
	Amounts payable to CTD in respect of the BLA		-	**(701,664)**	-

33. Capital management

The primary objectives of Castle Trust's capital management policy are to ensure that Castle Trust complies with externally imposed capital requirements and maintains an appropriate capital position, relative to its risk, in order to support its business.

Castle Trust Capital plc and Castle Trust Capital Management Limited are subject to FCA regulation and, as investment firms, are additionally subject to the requirements of the Capital Requirements Regulation (EU 575/2013) which governs capital levels. Regulatory capital requirements of 8% of Risk-Weighted Assets (RWAs) are monitored as part of the overall management of capital, with Key Risk Indicators assigned and monitored for regulatory capital ratios. Castle Trust targets a capital ratio of no less than 8% as a regulatory minimum. During the current and prior period Castle Trust complied with all external regulatory capital requirements.

Castle Trust manages its capital structure to reflect changes in the prevailing economic conditions and the risk characteristics of its activities. Castle Trust may adjust the quantum, tenor or riskiness of its activities and hedging strategies in order to reduce the risk that it runs, including exposures to house price, credit, interest rate, and operational risk. Castle Trust may also seek to issue additional capital instruments. Castle Trust's Board regularly reviews its capital position and has instituted objectives, policies and procedures for the sound management of its capital position.

Regulatory capital consists of CET 1 capital, which comprises share capital, share premium, retained earnings.

As at 30 September 2019, the Group's total equity was £58.8m (2018: £64.8m).

In 2012 £12.8m of share premium was cancelled and transferred into distributable reserves within retained earnings.

34. Contingent liabilities

Castle Trust operates in a legal and regulated environment that exposes it to litigation and regulatory risks. As a result Castle Trust receives complaints, is subject to threatened or actual legal proceedings and manages regulatory enquiries and investigations. Where it is concluded that it is more likely than not that a payment will be made a provision is raised based on management's best estimate of the amount payable All material matters, if any, are subject to periodic review to determine if they can be reasonably estimated. Castle Trust does not expect the ultimate resolution of any matters to have a materially adverse impact on its financial statements.

Specifically, as explained in note 21 Omni is exposed to risk under Section 75 CCA. Whilst Omni has not yet seen an unusually high level of complaints with respect to any specific products or segments, management is aware of the potential risk, as an industry wide issue, of mis-selling in relation to solar panels, which Omni has financed. As such there is a possibility that future claims may result in additional compensation and remediation costs. However, management consider the current provision level is appropriate to cover those costs where they are probable.

35. Events after the reporting date

Subsequent to the reporting period the Group has begun the process of winding down CTF and CTT with the aim of liquidating these companies in 2020.