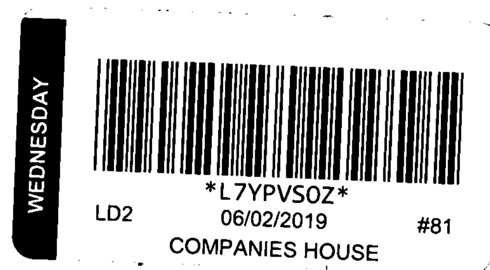
Castle Trust Treasury Limited

Strategic report, directors' report and financial statements for the year ended 30 September 2018



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Strategic report, directors' report and financial statements

for the year ended 30 September 2018

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Corporate information

Registered No: 10452649

Directors
Mr Sean Oldfield (resigned 20 July 2018)
Mr Richard Alexander McGregor Ramsay
Mr Matthew Peter Vincent Wyles (resigned 25 March 2018)
Mr Martin Paul Bischoff (appointed 30 May 2018)

Secretary
Mr Andrew Macdonald

Auditors
Ernst & Young LLP
25 Churchill Place
London
E14 5EY
United Kingdom

Bankers
HSBC Bank PLC
First Floor
60 Queen Victoria Street
London
EC4N 4TR
United Kingdom

Registered office
10 Norwich Street
London
EC4A 1BD

Principal place of business
Tower 42
25 Old Broad Street
London
EC2N 1HQ

Strategic report

The directors present their strategic report and the financial statements of Castle Trust Treasury Limited (the "Company" or "CTT") for the year ended 30 September 2018. The Company was incorporated on 31 October 2016.

Business overview

The Company is a member of Castle Trust Capital plc's ("CTC") group which consists of CTC and consolidated entities (the "Group" or "Castle Trust").

Castle Trust is a leading specialty finance provider in the UK supported by a stable retail funding base. 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 our 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.

The Company acts as a central treasury entity for the Group. This centralises the funding needs of the Group and improves the effectiveness of liquidity and interest rate risk management. An additional benefit of this introduction has been the implementation of a new central treasury system which has helped automate the funds transfer pricing mechanism used by the Group to lend funds to Group members.

Investors subscribe to Fortress Bonds issued by Castle Trust Direct plc ("CTD"), a fellow Group company. These funds are received by the Company and, as they are due to CTD, are accounted for by way of a Borrower Loan Agreement ("BLA") between the Company and CTD. The Company then lends these funds to other Group companies, in order for them to lend to borrowers, by way of a Master Intragroup Lending Agreement ("MILA").

On the 3 April 2018 the Group announced that Castle Trust would benefit from conversion to a bank. Accordingly, Castle Trust is in dialogue with the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA) in order to pursue a banking licence.

This represents the start of an exciting new phase of growth for Castle Trust and the board of directors believes that operating as a bank will enable the Group to serve all of its customers, both savers and borrowers, better.

Business review

The Company made a loss after tax of £603k (period ended 30 Sept 2017: loss of £421k). During the previous period the Company was integrated into the Group's operations. The Company has significant cash surpluses which it has been deploying throughout the Group, via the MILA, in order to make a return. As the Company continues to lend its surplus cash to Group entities it is expected to become profitable.

The following Key Performance Indicators ("KPIs") are used by management to track how the business is progressing against the Group's overall strategic priorities set out in Castle Trust's financial statements.

		2018	2017
Key performance indicator	**Description**	**£'000**	£
Liquid assets	Total cash plus assets readily convertible to cash	**63,692**	86,147

The Company has held sufficient liquidity to meet its 5 month Liquidity Coverage Ratio over the year. The amount of liquid assets held contributed to the losses the Company made in the current year as the returns earned on liquid assets is lower than the income the Company receives from fellow group companies with respect to the Company's treasury activities for the group.

A further £50,000 ordinary share capital and £450,000 share premium was issued on 29 March 2018 to support the continued activities of the Company.

Strategic report (continued)

Principal risks and uncertainties

The Company is subject to financial risks, such as credit risk, market risk and liquidity risk, as well as non-financial risks, such as 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 15 for further details on how these risks are managed.

a) Credit risk

Credit risk is the risk that a counterparty will fail to meet its obligations in accordance with agreed terms. The Company is exposed to credit risk in relation to its intercompany loans due from members of the Group and cash and cash equivalents. The Company manages its credit risk in accordance with policies set by the Board and during monthly credit risk committee meetings and as part of its capital planning process.

b) 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 Company is exposed to liquidity risk due to nature of its business activities. The exposure is monitored regularly and formally reviewed by the Board on an annual basis.

c) 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 the key market risk the Company is exposed to as a result of variability arising from interest rates. Interest rate risk is managed by the Group at a consolidated level with the use of interest rate swaps and the Company's asset and liability profile is managed to reduce this risk.

d) Operational risk

Castle Trust is exposed to the risk that process errors, omissions and other incidents could result in operational losses. Castle Trust has implemented a new treasury system in the current year to improve the effectiveness of liquidity risk and interest rate risk management. The Company has also enabled Castle Trust to automate the funds transfer pricing mechanism used by the Company to lend funds to Group members.

e) Other matters

There remain two areas of uncertainty of particular interest impacting the Group and consequently the Company; 1) the UK's withdrawal from the European Union ("EU") and 2) Tax changes impacting Buy-To-Let ("BTL") landlords. It may take several years before the impact of these on Castle Trust's business becomes clear. However, the Board has considered the potential impact of these as part of setting the risk appetite for the business and will continue to monitor them.

It is not clear what the direct impact will be on the Company as a result of the UK's withdrawal from the EU on 29 March 2019. However, there is a risk that if there is no deal, or the deal is detrimental to the UK, this could impact GDP growth, inflation (including house price growth) and interest rates. This could have an adverse impact on liquidity available for the Group and potentially reduce the Group's profitability.

By order of the Board

Andrew Macdonald
Company Secretary
25 January 2019

Directors' report

The directors present their report for the Company for the year ended 30 September 2018. The information on page 1 forms part of this report. The Company was incorporated in the UK on 31 October 2016.

Directors

The directors of the company are shown on page 1.

Results and dividends

The results of the Company for the year are set out in the statement of comprehensive income. The Company has made a total comprehensive loss in the current financial year of £603k (2017 loss: £421k). The directors do not recommend the payment of a dividend.

Financial risk management and exposure to risk

The Company measures and monitors risk on a regular basis and formally reviews its risk position at the Risk Committee every quarter. The Company is exposed to credit risk, market risk and liquidity risk. Each of these risks are regularly measured and monitored, and appropriately managed.

The Company has entered into interest rate swaps in order to improve interest rate risk management. Refer to note 9 for further details of the Company's hedging arrangements. Hedge accounting has not been applied.

Future developments

The Company is expected to continue in its current capacity for the foreseeable future.

Castle Trust is in dialogue with the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA) in order to pursue a banking licence application.

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 Company's business will be discontinued as part of a wider rationalisation of entities within the Group. However, whilst it is possible that this will occur in the next twelve months, the future legal entity structure of the Group is currently under review and the Company's directors have assessed that the Company will be able to meet its liabilities for the foreseeable future as described below. In the event of the Company's activities being discontinued, the directors anticipate an orderly wind down on the basis that the Group restructure will be managed by the parent company to ensure a solvent liquidation of all relevant entities in the Group.

Going concern assessment

The financial statements of the Company have been prepared on a going concern basis. In assessing whether the going concern assumption remains appropriate, the directors have focussed in particular on the liquidity and funding position of the Company, which is dependent upon the funding provided of £722.2 million and transactions with other entities in the Group. The viability of the Company is dependent upon the funding model of the entire of the Group. The Company has received a letter of support from the parent Company (CTC) and accordingly the directors considered the going concern of the Group as a whole.

- The Group is strongly capitalised with total equity of £64.8 million, with total assets of £835.2 million including surplus cash of £118.5 million and secured lending assets of £554.8 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.

- The Group continues to raise funding and in addition to having sourced alternative funding lines, a further net £122.8 million was raised in the year through new issuances and with existing customers less maturing bonds. Existing customers elected to reinvest on average 75% of the proceeds of their matured bonds since inception, with the reinvestment rate being 72% in the last financial year and remaining at similar levels subsequent to year end.
- The directors considered the reinvestment rate of existing bondholders 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.

Directors' report (continued)

- The ability of the Group to attract new bond customers was assessed by the directors, 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.

- The directors considered the availability of alternative sources of funding, including the £65.0 million unutilised capacity available in the securitisation vehicle Castle Trust Belfry Limited.

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.

- The uncertainty of the timing and outcome of the Group's application for a banking licence, as a result of the change in business strategy as outlined in the Strategic report, and the impact this would have on the Group's funding model such as the ability to transition bonds to deposits and to obtain sufficient levels of ongoing deposit funding in the future. Investors in the Group have committed to providing financial support of up to £32.0 million to ensure that the Group has adequate regulatory capital for meeting growth targets relating to the banking licence application. The directors have also considered the risk that the PRA may not grant the Group a banking licence; in the event this happens Castle Trust will have to investigate an alternative business strategy.

The directors are satisfied that the Group has the 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' and officers' liability insurance

The Company maintains a directors' and officers' liability insurance policy. In accordance with the Company's Articles of Association, the Board may also indemnify a director from the assets of the Company 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 the Company 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 Company's auditor, each director has taken all the steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

Mr Andrew Macdonald
Company Secretary
25 January 2019

Statement of directors' responsibilities

The directors are responsible for preparing the strategic report, the directors' report, and the financial statements in accordance with applicable law and regulations. Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the 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 financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that year.

In preparing these financial statements, the directors are required to:

- present fairly the financial positions, financial performance and cash flows of the Company;
- 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 of IFRS as adopted by the EU is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance;
- state whether the Company'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 Company 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 Company together with a description of the principal risks and uncertainties faced by the Company.

The directors are responsible for ensuring that the Company keeps proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company, in accordance with the Companies Act 2006. The directors have general responsibility for safeguarding the assets of the Company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditor's report to the members of Castle Trust Treasury Limited

Opinion

We have audited the financial statements of Castle Trust Treasury Limited for the period ended 30 September 2018 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows and the related notes 1 to 19, 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.

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 30 September 2018 and of its loss for the period then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 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 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.

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 period 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 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 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 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the 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
25 January 2019

Statement of comprehensive income

for the year ended 30 September 2018

	Notes	Year ended 30 Sept 2018 £'000	11 months ended 30 Sept 2017 £'000
Interest and similar income	3	29,226	5,744
Interest and similar expense	4	(30,005)	(6,165)
Net interest expense		(779)	(421)
Realised/unrealised gain on financial instruments at fair value through profit or loss	5	176	-
Total operating loss		(603)	(421)
Loss before tax		(603)	(421)
Taxation	6	-	-
Total comprehensive loss for the year		(603)	(421)

The results for all periods presented comprises continuing operations.

Notes on pages 13 to 25 are an integral part of these financial statements.

Statement of financial position

Registered number: 10452649

at 30 September 2018

Assets	Notes	2018 £'000	2017 £'000
Cash and cash equivalents	7	**63,692**	86,147
Loans and advances to credit institutions	8	**-**	14,900
Other receivables		**9**	31
Derivatives held for risk management	9	**176**	-
Amounts due from group companies	10	**659,467**	501,370
Total assets		**723,344**	602,448
Liabilities			
Amounts due to group companies	11	**722,184**	601,369
Trade and other payables	12	**184**	-
Total liabilities		**722,368**	601,369
Equity			
Share capital	13	**200**	150
Share premium		**1,800**	1,350
Retained earnings		**(1,024)**	(421)
Total equity		**976**	1,079
Total equity and liabilities		**723,344**	602,448

Notes on pages 13 to 25 are an integral part of these financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 22 January 2019 and were signed on its behalf by:

Martin Bischoff
Chief Executive Officer
25 January 2019

Statement of changes in equity

For the year ended 30 September 2018

	Share capital	Share premium	Retained earnings	Total
	£'000	£'000	£'000	£'000
Opening balance at 1 October 2017	150	1,350	(421)	1,079
Issue of share capital	50	450	-	500
Total comprehensive loss for the year	-	-	(603)	(603)
At 30 September 2018	**200**	**1,800**	**(1,024)**	**976**

For the period ended 30 September 2017

	Share capital	Share premium	Retained earnings	Total
	£'000	£'000	£'000	£'000
Opening balance 31 October 2016 (incorporation)	-	-	-	-
Issue of share capital	150	1,350	-	1,500
Total comprehensive loss for the period	-	-	(421)	(421)
At 30 September 2017	150	1,350	(421)	1,079

Notes on pages 13 to 25 are an integral part of these financial statements.

Statement of cash flows

for the year ended 30 September 2018

	Year ended 30 Sept 2018 £'000	11 months ended 30 Sept 2017 £'000
Cash flows from operating activities		
Interest received from group companies	5,659	-
Interest paid to group companies	(44)	-
Payments to group companies	(375,758)	(28,168)
Receipts from group companies	423,536	143,698
Proceeds from issue of financial liabilities at amortised cost / Borrower Loan Agreement with related parties	33,653	-
Distributions of principal for maturities of financial liabilities at amortised cost	(111,888)	(15,983)
Interest paid for financial liabilities at amortised cost	(13,429)	-
Bank interest received	190	-
Net cash from operating activities	**(38,081)**	99,547
Cash flows from investing activities		
Proceeds from sale of / (payments to purchase) term deposits	14,976	(14,900)
Net receipts/(payments) from derivative activities	150	-
Net cash from investing activities	**15,126**	(14,900)
Cash flows from financing activities		
Proceeds from issue of share capital	500	1,500
Net cash from financing activities	**500**	1,500
Net increase in cash and cash equivalents	**(22,455)**	86,147
Cash and cash equivalents at beginning of the year / period	86,147	-
Cash and cash equivalents at end of the year / period	**63,692**	86,147

Notes on pages 13 to 25 are an integral part of these financial statements.

1. Corporate information

The Company is incorporated and domiciled in the UK. These financial statements for the year ended 30 September 2018 were authorised for issue in accordance with a resolution of directors on 22 January 2019.

2. Accounting policies

a. Basis of preparation

The Company's statutory financial statements for the year ended 30 September 2018 have been prepared under IFRS as adopted by the EU.

These financial statements have been prepared on a historical cost basis. The financial statements are presented in sterling and all values are rounded to the nearest one thousand pounds (£'000) except where otherwise indicated.

The Company's directors have made an assessment of 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 uncertalnties that may cast significant doubt upon the Company's ability to continue as a going concern.

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

b. Significant accounting judgements, estimates and assumptions

The preparation of the Company's 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 Company'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 Company based its assumptions and estimates on parameters available when the financial statements were prepared. There are no items considered to be significant accounting judgements, estimates and assumptions relevant to the Company.

c. Significant accounting policies

(i) 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.

(ii) Financial assets and liabilities

The particular accounting policies adopted for financial assets and liabilities are set out below.

Loans and receivables

Initial recognition and subsequent measurement

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Company classifies the following financial assets as loans and receivables:

- Loans and advances to credit institutions – this comprises term deposits
- Amounts due from group companies - these comprise the MILA (due from CTC, CTF, Omni Capital Retail Finance Limited ("Omni") and Castle Trust Capital Management Limited ("CTCM"))
- Other receivables

Loans and receivables are initially recognised on the date that the Company becomes a party to the contractual provisions of the instrument Company. Loans and receivables are measured initially at their fair value plus transaction costs.

After initial measurement, loans and receivables are subsequently measured at amortised cost using the Effective Interest Rate ("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 in the statement of comprehensive income.

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

Derecognition

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 asset have expired; or
- the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:
- the Company has transferred substantially all the risks and rewards of the asset; or
- the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. In that case, the Company also recognises an associated liability.

If the terms of a financial asset, that would otherwise be past due or impaired, have been renegotiated, and the renegotiated terms are substantially different (a substantial modification) the financial asset is de-recognised. If there is not a substantive modification then interest income continues to accrue using the original EIR on the net carrying amount of the financial asset.

Financial assets and liabilities at fair value through profit or loss

Initial recognition and subsequent measurements

Financial assets and liabilities classified in this category include assets/liabilities held for trading. The Company classifies the following financial assets/liabilities at fair value through profit or loss:

- Held for trading
    - o Derivative financial instruments – interest rate swaps not in an effective hedging relationship

Assets/liabilities classified as held for trading are initially recognised on the date that the Company becomes a party to the contractual provisions of the instrument. All financial assets/liabilities in this category are initially measured at their fair value and transaction costs are expensed.

Financial assets/liabilities at fair value through profit or loss are carried in the statement of financial position at fair value with changes in fair value recognised in the statement of comprehensive income. The fair value of financial assets/liabilities at fair value through profit or loss is determined by using appropriate modelling techniques referred to in note 14.

Interest rate swaps not in an effective hedging relationship are carried in the balance sheet as assets when their fair value is positive and as liabilities when their fair value is negative.

Derecognition

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 asset have expired; or
- the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:
- the Company has transferred substantially all the risks and rewards of the asset; or
- the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. In that case, the Company also recognises an associated liability.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Financial liabilities at amortised cost

Initial recognition and subsequent measurements

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

- Amounts due to group companies

  This comprises the BLA with CTD

- Trade and other payables

Financial liabilities at amortised cost are initially recognised on the date that the Company becomes a party to the contractual provisions of the instrument. Financial liabilities at amortised cost are measured initially at their fair value less transaction costs.

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 acquisition and fees and costs that are an integral part of the EIR. The EIR amortisation is included in interest and similar expense in the statement of comprehensive income.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or 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.

(iii) Impairment of financial assets

The Company assesses at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred loss event) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include: indications that the borrower or a group of borrowers is experiencing significant financial difficulty; the probability that they will enter bankruptcy or other financial reorganisation; default or delinquency in interest or principal payments; and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate.

(iv) Expenses

Expenses are accounted for on an accruals basis.

(v) Provisions

Provisions are recognised when the Company 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 income statement net of any reimbursement.

(vi) Taxation

Current tax

Current tax assets and liabilities for the current year is 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 6 for further description of the current status of deferred tax assets.

d. 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 Company's financial statements are disclosed below. The Company does not intend to early adopt these standards, so they will be adopted in the relevant year of mandatory adoption. Standards not early adopted but applicable to the Company include:

- IFRS 9 Financial Instruments, effective from 1 January 2018, replaces IAS 39 Financial Instruments: Recognition 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 will be classified in their entirety rather than being subject to complex bifurcation requirements.

  IFRS 9 will replace the existing incurred loss impairment approach with an expected credit loss approach. Under this approach at initial recognition of a loan, an allowance is required for expected credit losses ("ECL") resulting from default events that are possible within the next 12 months. In the event of a significant increase in credit risk, an allowance is required for ECL resulting from all possible default events over the expected life of the financial instrument. The assessment of whether credit risk has increased significantly since initial recognition is performed for each reporting period by considering the change in the risk of default occurring over the remaining life of the financial instrument, rather than by considering an increase in ECL.

  The assessment of credit risk and the estimation of ECL must be unbiased and probability-weighted, and should incorporate all available information which is relevant to the assessment including information about past events, current conditions and reasonable and supportable forecasts of economic conditions at the reporting date.

  IFRS 9 is expected to have a significant impact on the risk and finance functions of the Group. The summary below sets outs the impact on the Company:

  - There is no change to classification and measurement.
    - The Company's business model for financial assets currently held at amortised cost is simply to hold and collect contractual cash flows. The main risk that affects the performance of the business model is insufficient liquidity within the Group to settle intercompany debt.
    - This risk is managed as part of the Group's liquidity management and as such does not contradict the prerequisites of a business model of holding to collect contractual cash flows.
    - The contractual terms of all financial assets that are currently measured at amortised cost represent solely payments of principal and interest.
    - Derivatives held for risk management will continued to be accounted for at fair value through profit or loss and should the Company apply hedge accounting in the future, the Company intends to comply with IAS 39.

  - A significant proportion of the Company's assets are intercompany in nature or high quality investment grade (particularly for cash and cash equivalents) so calculated ECL's are immaterial. As the requirements under IFRS 9 require different scenarios, theoretically one of those scenarios will result in a loss, no matter how small. For cash and cash equivalents and term deposits the Company will apply the low credit risk operational simplification within IFRS 9.

- IFRS 15 Revenue from Contracts with Customers, effective from 1 January 2018, replaces IAS 11 Construction Contracts, IAS 18 Revenue and several related interpretations. It introduces a single framework for revenue recognition based on new concepts and principles. There is no impact from this change because all revenue is effective interest.

3. Interest and similar income

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

	Year ended 30 Sept 2018 £'000	11 months ended 30 Sept 2017 £'000
Interest receivable on intercompany loans under MILA	28,852	5,684
Other interest income	374	60
Total interest receivable and similar income	29,226	5,744

The above balance represents interest on the Master Intragroup Lending Agreement calculated under the EIR method.

4. Interest and similar expense

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

	Year ended 30 Sept 2018 £'000	11 months ended 30 Sept 2017 £'000
Interest expense payable under BLA	29,848	6,165
Other interest expense	157	-
Total interest and similar expense	30,005	6,165

The above balance represent interest on the Borrower Loan Agreement liabilities calculated under the EIR method.

5. Realised/unrealised gain on financial instruments at fair value through profit or loss

The following table shows the breakdown of fair value movement through profit or loss for all interest rate swaps held by the Company:

	2018 £'000	2017 £'000
Unrealised gain on interest rate swaps	176	-

6. Taxation

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 year.

	2018 £'000	2017 £'000
Tax charge	-	-
Total tax	-	-

Reconciliation of total tax charge:		
Accounting result before tax	(603)	(421)
UK corporation tax at 19% (2017: 19.45% effective rate)	(115)	(82)
Deferred tax not recognised	115	82
Total tax charge	-	-

There are no disallowable items.

The standard tax rate is calculated as the average rate for the year under view, 19% (2017: 19.45%). The Company is subject to a tax rate of 19% (2017: 20% for the 6 months to 31 March 2017 and 19% for the 6 months to 30 September 2017) during its statutory accounting period.

As at 30 September 2018, the company has not recognised deferred tax (2017: £0) in respect of the total trading losses of £1,024,026 (2017: £420,795).

The Finance Act (No. 2) 2015, substantively enacted on 26 October 2015 and enacted on 18 November 2015, included a decrease in corporation tax rates to 19% from 1 April 2017. Additionally, the Finance Act 2016, enacted on 15 September 2016, included a decrease in corporation tax rates to 17% from 1 April 2020. Further, the Finance (No. 2) Bill 2017, substantively enacted on 31 October 2017, included a provision to restrict the offset of brought forward losses to 50% of profits arising on or after 1 April 2017, and enable carried forward losses incurred on or after 1 April 2017 to be offset against profits of any description.

7. Cash and cash equivalents

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

	2018 £'000	2017 £'000
Cash at bank	13,290	21,922
Treasury Bills	39,987	-
Short term deposits and other liquid assets	10,415	64,225
Total cash and cash equivalents	**63,692**	86,147

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

8. Loans and advances to credit institutions

	2018 £'000	2017 £'000
Amounts held on medium term deposit	-	14,900

Amounts held on medium term deposit consisted of a deposit with Aldermore Bank, which is no longer held at year end.

9. Derivatives held for risk management

The Company holds Interest Rate Swaps to hedge the Group's net exposure to interest rate risk in relation to increases/decreases in interest rates relating to loans and advances to customers and liabilities at amortised cost.

The following table shows a breakdown of the derivatives held at the reporting date and 30 September 2017.

	2018 Contract or underlying principal amount £'000	2018 Fair value £'000	2017 Contract or underlying principal amount £'000	2017 Fair value £'000
Interest rate swaps (not in hedging relationships)	91,500	176	-	-

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

For fair value hierarchy classifications disclosure refer to note 14.

10. Amounts due from group companies

The following table sets out the components of amounts due from group companies:

		2018 £'000	2017 £'000
Amounts due under MILA			
	- owed by CTC	**402,825**	305,241
	- owed by CTCM	**1,002**	10,081
	- owed by CTF	**139,833**	118,129
	- owed by Omni	**115,593**	64,395
Amounts due from Castle Trust Capital plc		-	944
Amounts due from Castle Trust Management Ltd		**214**	2,580
Total		**659,467**	501,370

Accrued interest calculated under the EIR method is included in the carrying value of amounts due from group companies.

MILA funding is fixed rate intercompany funding. The terms of the MILA are up to 5 years. Interest is compounded daily based on the funds transfer pricing rate determined by the Company, based on underlying market conditions, which ranges from approximately 4% to 9% (2017: 3% to 9%). Interest is paid at maturity with the principal amount of the MILA. Refer to note 14.2 for details on the maturity profile of the MILA.

11. Amounts due to group companies

Amounts due to group companies of £722,183,121(2017: £601,368,763) represent amounts due to CTD under the BLA of £721,287,551(2017: £600,119,983) and an amount due to CTD as a facility/arrangement fee of £894,570 (2017: £1,248,780). Accrued interest calculated under the EIR method is included in the carrying value of amounts due to group companies. A facility/arrangement fee charged by CTD to CTT is capitalised against the amounts due to group companies and amortised on an EIR basis.

Amounts due to group companies	2018 £'000	2017 £'000
Amounts owed to customers on issue	**735,019**	615,560
Unamortised transaction costs	**(13,731)**	(15,440)
Financial liabilities at amortised cost	**721,288**	600,120
Amounts owed to CTC		-
Arrangement fee owed to CTD	**896**	1,249
Total amounts due to group companies	**722,184**	601,369

BLA funding is a fixed rate intercompany funding matching the underlying Fortress Bonds in CTD. The terms of the BLA are between 1 and 5 years. Interest is paid based on the applicable Annual Equivalent Rate ("AER") of the underlying Fortress Bonds prevailing at the date of issuance which range from approximately 2% to 4% (2017: 2% to 3%). Depending on the Fortress Bond subscribed for, and therefore the related BLA, interest is either paid quarterly or at maturity with the principal amount of the BLA. Refer to note 15 for details on the maturity profile of the BLA.

12. Trade and other payables

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

	2018 £'000	2017 £'000
Deposits from banks	**150**	-
Accruals	**34**	-
Total Trade and other payables	**184**	-

Deposits from banks include £150,000 (2017: nil) of collateral placed by HSBC into the Company bank account in respect of a derivative liability.

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.

13. Share capital

The following table sets out the movement in share capital at the end of the year.

	2018 £'000	2017 £'000
Issued and fully paid:		
At the beginning of the year / period	150	0
Issued during the year / period	50	150
At end of year / period - 200,001 ordinary shares of £0.10 each	200	150

14. Fair value modelling and hierarchy

14.1 Fair value modelling

The Company has developed a model to value its financial assets, liabilities and derivatives. The model uses either stochastic or discounted cash flow 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 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.

Derivatives fair value measurement

Interest rate swaps are valued using a valuation technique with market-observable inputs. The most frequently applied valuation techniques include swap models, using present value calculations. The models incorporate various inputs including forward rates and interest rate curves.

The model, as applied to interest rate swaps, incorporates various inputs, of which the most significant are as follows:

Input	Description	2018 Min	2018 Max	2017 Min	2017 Max	Sensitivity Range	2018 +1%	2018 -1%	2017 +1%	2017 -1%
							£'000	£'000	£'000	£'000
Interest	Fixed leg interest rates	1.01%	1.63%	-	-	1%	(1,223)	1,285	-	-
	Floating leg interest rates	6M LIBOR	6M LIBOR			1%	1,223	(1,285)	-	-
Discount rates	Discounted using OIS (overnight indexed swap) curve	0.70%	1.26%	-	-	1%	(11)	3	-	-

Amounts due to group companies fair value measurement

For amounts due from group companies, being amounts due under the MILA and amounts due to group companies under the BLA, the Company also considers the fair value of the items, and consequently, their position in the fair value hierarchy.

The fair value of the BLA and MILA are determined based on the published AER of Fortress Bonds adjusted for product specific characteristics 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.

14.2 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 amounts due to group companies these are determined according to 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.

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.

The following table summarises the carrying amounts and fair values of those financial assets and liabilities not presented in the statement of financial position at fair value, grouped into Levels 1 to 3.

Financial assets and liabilities as at 30 September 2018

	Level 1 Fair value £'000	Level 2 Fair value £'000	Level 3 Fair value £'000	Total £'000	Carrying value £'000
Financial assets					
Derivatives held for risk management	-	176	-	176	176
Amounts due from group companies under the MILA	-	-	665,537	665,537	659,467
Financial liabilities					
Amounts due to group companies under the BLA	-	-	721,373	721,373	721,288

Financial assets and liabilities as at 30 September 2017

	Level 1 Fair value £'000	Level 2 Fair value £'000	Level 3 Fair value £'000	Total £'000	Carrying value £'000
Financial assets					
Derivatives held for risk management	-	-	-	-	-
Amounts due from group companies under the MILA	-	-	499,475	499,475	497,847
Financial liabilities					
Amounts due to group companies under the BLA	-	-	591,324	591,324	600,120

15. Risk management

The Company is subject to financial risks, such as credit risk, market risk and liquidity risk, as well as non-financial risks, such as operational risk. The section below provides further details on financial risks only. The Board is responsible for setting the risk appetite for each of these risks and reviewing these risks on a regular basis.

15.1 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.

The Company's objective is to minimise credit risk and it manages its credit risk in accordance with policies set by the Board. The Company is exposed to credit risk in relation to amounts due under the MILA in terms of the ability of its parent company and its fellow subsidiaries to repay the amount due and their coupons on maturity. The maximum credit risk to the Company can be measured as the loss of the amounts due from group companies, being £659,253,000 (2017: £497,846,886) under the MILA and £214,130 (2017: £3,523,154) under another intercompany as at the reporting date. The risk is mitigated through the policies of the Board to maintain the viability, solvency and liquidity of the Group.

15.2 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.

The Company is exposed to interest rate risk due to the fixed coupons payable at the maturity date to CTD in relation to Fortress Bonds holders. The Company's exposure to interest rate risk is limited through the Master Intragroup Lending Agreement with other Group entities.

The Company is exposed to interest rate risk which is managed through the use of interest rate swaps. The Company's exposure to interest rate risk at the reporting date, measured as the impact of a 1% parallel shift in interest rates, is shown in note 14 above.

15.3 Liquidity risk

Liquidity risk is the risk that the Company 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 Company to liquidate its holding in certain assets.

The Company 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, on behalf of the Company, 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 Company maintains a liquidity buffer to ensure it has adequate liquidity to meet its liabilities as they fall due.

The following table shows the maturity profile of assets and liabilities. The analysis is based on the remaining period to the contractual maturity date based on undiscounted cashflows.

As at 30 September 2018

	Within 1 year £'000	**1-3 years £'000**	**3-5 years £'000**	**Over 5 years £'000**	**Total £'000**
Assets					
Cash and cash equivalents	**63,692**	**-**	**-**	**-**	**63,692**
Amounts due from group companies	**263,658**	**366,668**	**50,039**	**34,915**	**715,280**
Other receivables	**9**	**-**	**-**	**-**	**9**
Derivatives held for risk management	**(35)**	**69**	**100**	**50**	**184**
	327,324	**366,737**	**50,139**	**34,965**	**779,165**
Liabilities					
Amounts due to group companies	**442,307**	**273,595**	**45,534**	**-**	**761,436**
Trade and other payables	**184**	**-**	**-**	**-**	**184**
	442,491	**273,595**	**45,534**	**-**	**761,620**

As at 30 September 2017

	Within 1 year £'000	1-3 years £'000	3-5 years £'000	Over 5 years £'000	Total £'000
Assets					
Cash and cash equivalents	86,147	-	-	-	86,147
Loans and advances to credit institutions	14,900	-	-	-	14,900
Other receivables	31	-	-	-	31
Amounts due from group companies	190,097	252,169	77,574	32,883	552,723
Derivatives held for risk management	-	-	-	-	-
	291,145	252,169	77,574	32,883	653,801
Liabilities					
Amounts due under the Borrower Loan Agreement	302,411	264,712	74,494	1,536	643,153
Derivatives held for risk management	-	-	-	-	-
	302,411	264,712	74,494	1,536	643,153

16. Capital management

The Company's equity is comprised of £100,000 ordinary share capital and £900,000 share premium issued by the Company on 28 April 2017, £50,000 ordinary share capital and £450,000 share premium issued by the Company on 29 September 2017, £50,000 ordinary share capital and £450,000 share premium issued by the Company on 29 March 2018 together with the accumulated losses at 30 September 2018 of (£1,024,022) (2017: (£420,761)).

The Company is not a regulated entity and, therefore, is not subject to capital adequacy requirements.

The objectives of the Company in managing its capital are to:

- maintain financial strength and liquidity in order for the Company to meet its obligations as they fall due
- match the profile of its assets and liabilities, taking account of the risks inherent in the business

The Company's direct operating expenses including ongoing expenses are borne by CTC.

Directors' fees are borne by Castle Trust Capital plc on behalf of all Group entities, including Castle Trust Treasury Limited. These are set out in note 17.

17. Related party transactions

Transactions between the Company and Group members meet the definition of related party transactions.

The following outstanding balances between related parties 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 2018, the Company has not made any provision for doubtful debts relating to amounts owed by related parties (2017: none).

	Nature	Amount of transactions		Amount outstanding at year / period end	
		2018 £'000	2017 £'000	2018 £'000	2017 £'000
Transactions with:					
Parent company	Interest and amounts due under the MILA with CTC	16,647	3,432	402,825	305,241
	Proceeds of Fortress Bond Issues	-	-	214	944
Fellow subsidiary	Interest due and related BLA to CTD	(29,848)	(6,165)	(721,288)	(600,120)
	Facility fee relating to the BLA due to CTD	(10,162)	(6,137)	(896)	(1,249)
	Interest and amounts due under the MILA with CTF	6,946	1,418	139,833	118,129
	Interest and amounts due under the MILA with Omni	5,123	753	115,593	64,395
	Interest and amounts due under the MILA with CTCM	133	81	1,002	10,081
	Proceeds of Fortress Bond Issues	-	-	-	2,580

Directors' remuneration

The directors of the Company are also directors of other group undertakings. The directors received their total remuneration from the Group and have disclosed their estimate of the apportionment of this to the Company. The following table summarises the directors' remuneration.

	2018 £'000	2017 £'000
Aggregate remuneration in respect of qualifying services	53	60
The highest paid director's remuneration	21	27

Included within directors' remuneration are amounts paid of £20,460 (2017: £24,268) as consultancy fees to entities controlled or jointly controlled by directors.

Key management compensation

The Company considers that members of the executive committee of the Group meet the definition of key management. The following table sets out compensation for key management personnel. This does not include directors as they are presented above.

	2018 £'000	2017 £'000
Compensation of key management personnel:		
Short-term employee benefits	132	83
Post-employment benefits	2	-
Total	134	83

	2018 £'000	2017 £'000
Close members of the family of key management personnel	7	-

The Company's audit fee of £20,000 (2017: £40,000) was borne by a fellow group company.

18. Ultimate controlling party

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

The largest and smallest group in which these accounts are consolidated is the Castle Trust Capital plc Group. Castle Trust Capital plc is incorporated in the United Kingdom. The address from which those financial statements may be obtained is 10 Norwich Street, London, EC4A 1BD, United Kingdom.

19. Events after the reporting date

There are no adjusting or non-adjusting events after the reporting date.