Company Number: 02492014

Crocus Home Loans Limited

Financial Statements

For the year ended 31 December 2019

Company information

Chairman	**Mr N J Treble**
Registered Office	**Saffron House** **1A Market Street** **Saffron Walden** **Essex** **CB10 1HX**
Statutory Auditor	**BDO LLP** **150 Aldersgate Street** **London** **EC1A 4AB**
Bankers	**Barclays Bank plc** **Market Place** **Saffron Walden** **Essex** **CB10 1UL**

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Strategic Report

Principal activity and business review
The Company is a wholly owned subsidiary of Saffron Building Society. Its principal activity is mortgage lending and administration of purchased loan books. The Directors have no plans to develop this activity. The Directors consider the state of the Company's affairs to be satisfactory.

Business model and strategy
The Company's business is to maintain loans that are secured on residential property, with the mortgage portfolios having been acquired, and funded principally by an intercompany loan from its parent undertaking.

Economic Environment
The Company's business is exposed to risks from the UK's general economy. The UK's exit from the EU dominated both the political and economic landscape throughout 2019 with demand in the housing market being subdued amid concerns over the economic situation relating to the outcome of Brexit, while the uncertainty as to whether Brexit will happen has been resolved in early 2020, the outcome of any trade relationship with Europe will have further implications on consumer confidence and market performance. Momentum in consumption by households was greater than previously expected, supported by the strong labour market and resilient household confidence; whereas business investment has been more subdued as "Brexit" uncertainty intensified. The labour market has been strong with the employment rate and vacancies at record highs and unemployment at its lowest since the mid-1970's with growth in regular pay rising to over 3%.With UK GDP growth modest by historical standards and forecast to remain so for a number of years. Lower than usual oil and gas prices have fed through to CPI inflation which has remained below Bank of England's target of 2% throughout the year. This is expected to recover to around 2% in the medium term.

With the ongoing uncertainty in the marketplace and inflation below the 2% target. The Bank of England maintained the bank base rate at 0.75% throughout 2019. The Bank of England's Monetary Policy Report, published January 2020, comments that Brexit uncertainty reduced spending, however following the recent general election results, the uncertainty has fallen as clarity over the outcome was delivered, with the Bank forecasting an improvement in growth in the UK Economy. An interest rate cut may be considered if this is not observed.

House Price Inflation has slowed in general, falling in the mid-year but recovering towards the year end, though more noticeably within the London and South East markets which have been disproportionately affected by regulatory and tax changes around the Buy to Let market.

Developments regarding the UK's withdrawal from the EU – and in particular the reaction of households, businesses and asset prices to them – remain the most significant influence on and source of uncertainty about the economic outlook. A downward shift in economic conditions might increase the number of borrowers that default on their loans or adversely affect the Company's funding structure, in turn increasing costs. A prolonged period of low interest rates also impacts on asset valuations and may continue to place further pressure on the Company's margins.

Key performance indicators
The Board manages the Company and oversees delivery of the agreed strategy using an extensive range of performance and control reports, including use of key performance indicators (KPIs).

	2019	2018 (restated)
Profit/ (loss) after tax (£000s)	(172)	(1,778)
Loans and advances to customers (£000s)	40,911	42,121

Performance of the business
The Company prepares its results under Financial Reporting Standard 102 (FRS102), "the Financial Reporting Standard applicable in the UK and Republic of Ireland" and elects to apply the measurement and recognition principles of IAS39, "Financial instruments: Recognition and measurement (as adopted for use in the EU)".

The profitability of the business relies on:

- careful management of loan accounts to increase retention and maintain the current low levels of delinquency;
- delivery of effective customer service;
- appropriate funding sources to sustain the business; and
- maintaining control of operating and investment costs.

Loss after tax of £172,354 for the year ended 31 December 2019 compares with a restated loss after tax of £1,778,218 for the year ended 31 December 2018. The improvement in the financial performance was driven by a significant improvement to the observable market data for the financial services industry which is one of the elements considered in determining a discount rate to feed into the Black –Scholes basis of valuing the equity release mortgage book to determine the carrying value of the equity release mortgage book which is carried at fair value through profit and loss.

Strategic Report (Continued)

Performance of the business (continued)
During the period it was identified that there was an error in the profiling of the prepayment assumptions which are used to calculate the Effective Interest Rate (EIR) asset for mortgages which have a rate which reverts to a known reversion rate. This has resulted in the unwind of the prior year asset totalling £100,597. Further information can be seen in Note 1 to the financial statements.

- **Income**
  The Company's income is derived from interest, fees and similar charges arising from its investments in loans secured on residential property. During the period, it was identified that there was an error in the Effective Interest Rate (EIR) method of accounting for its loans, resulting in a prior period restatement to adjust the EIR asset and the previous and current periods income. This is explained in more detail in Note 1b.

- **Net interest income**
  Net interest income is the difference between the interest receivable on the Company's mortgage portfolio and the interest payable to the parent Company on the intercompany loan. Net interest income is the principal source of the Company's income and will vary according to both the volume of assets and liabilities and rates of interest that apply. Despite a reduction in the level of loans and advances to customers, a similar reduction in the amount owed to the Company's parent undertaking resulted in the Company earning net interest income of £600,505 (2018 Restated: £578,948).

- **Net fair value movements**
  This income category comprises entirely from fair value movements on the Company's portfolio of fixed-rate equity release mortgages and an intercompany recharge in respect of a derivative financial instrument held by the Company's parent undertaking to manage interest rate exposure. Although the derivative is held entirely for risk management purposes, the equity release mortgage portfolio and derivative are not in a qualifying hedge relationship. The net expense of £726,544 (2018: expense of £2,281,996) mainly arises from the continuing adoption of the Black-Scholes method of measuring the fair value of the equity release mortgage book.

- **Charges for impairment and provisions**
  The Company is proud of the arrears performance of its residential mortgage assets, reflecting individual underwriting, clear lending policies and robust credit risk management practices.

  The Company's charge for impairment totalled £5,438 compared with £25,323 in the previous year.

  Overall growth in house prices coupled with a reduction in mortgage assets contributed to a lower collective provision requirement.

  The Receiver of Rents portfolio is actively managed and an independent reassessment of the value of the portfolio has resulted in a requirement to increase individual impairment charges. It remains the Board's intention to seek orderly disposal of these properties over the next few years.

- **Generation of assets**
  All assets have been generated through the acquisition of mortgage portfolios. Included within Loans fully secured on residential property are £32,845,301 (2018 Restated: £32,171,583) of equity release mortgages. The Company has no plans to expand this activity.

- **Mortgages**
  The Company's total portfolio of loans and advances mostly comprise equity release mortgages advances and owner-occupied and buy-to-let mortgages. Equity release mortgages are included in the financial statements at fair value. At 31 December 2019, total loans and advances to customers stood at £40,911,350 (31 December 2018 restated: £42,121,490).

- **Funding the business**
  The Company's sole source of funding is an intercompany loan from its parent company. In 2019, funding levels reduced by £1,371,724 (2018: Reduction of £3,185,713).

- **Results and dividends**
  The loss on ordinary activities of the Company before dividends and tax amounted to £188,467 (2018 restated: £1,760,367). After adding total dividends of £nil (2018: Deducted £100,000) and taxation, an amount of £172,354 has been deducted from reserves (2018 restated: £1,778,218 deducted from reserves).

  No interim dividend was declared at the year-end (2018 £100 per ordinary share was declared and fully paid up). The Directors propose a final dividend of £nil per share (2018: £nil per share).

Strategic Report (Continued)

Libor transition
In April 2017, the regulatory body reviewing LIBOR; the Risk Free Rate Working Group recommended that LIBOR should no longer be used as a market reference rate.

Historically, a number of the acquired mortgages have their interest rates linked to LIBOR. It has been announced that by 2021 LIBOR will cease to exist. This is an industry wide effect and in response the parent company has formed a LIBOR Transition Committee which has been working to move the Group away from using LIBOR. At the end of December 2019, the company has 18 LIBOR linked mortgages with an outstanding balance of £1.34m which will contractually be on LIBOR after the end of 2021. The Groups LIBOR Transition Committee is working with the company to offer affected customers an alternative product to transition away from LIBOR.

Financial risk management objectives and policies

Risk management framework
The primary goal of Risk Management is to ensure that the outcome of risk-taking activity is consistent with the Company's strategies and risk appetite and appropriate for the level and type of risks that it takes paying regard to regulatory guidance. It ensures that there is an appropriate balance between risk and reward in order to optimise returns and when issues arise, these are managed for the best outcome of the Company. The parent company's Enterprise-wide Risk Management Framework (ERMF) provides the foundation for achieving these goals through:

- Articulating risk management practices and procedures;
- Documenting a consistent framework for risk management across the Group;
- Establishing minimum standards around key risk management framework issues;
- Articulating the risk strategy and enterprise wide risk appetite; and
- Directing the approach to risk governance.

The ERMF sets out the method of managing risk via:

- Defining its Risk Appetite, which is the level of risk that the Group is prepared to accept whilst pursuing its business strategy, recognising a range of possible outcomes as the business plan is implemented;
- Detailing the 3 Lines of Defence (3LoD) model and its operation within the Risk Management Framework;
- Determining the roles and responsibilities of the committees in place to govern risk;
- Identifying those rules responsible for the key risks and how the oversight operates together with the reporting structure to ensure independent oversight of risk decisions;
- Documenting the main risk management processes under its approach of Identify; Evaluate; Mitigate; Report; Manage and Challenge;
- Describing the key risks facing the Company and how they are managed; and
- Listing and explaining where the policies sit in the Group hierarchy and how they operate.

The ERMF is supported by policies and procedures to embed the principles into the business.

Risk governance
The oversight and direction of the Board is central to the Company's risk management framework. The Board exercises governance over risk through a series of Board Committees and management structures. Each of the Board committees includes at least two Non-Executive Directors (one of which chairs), with other committee members drawn from the Executive and appropriate members of senior management.

The Board Committees forming part of the Risk Management Framework comprise: Risk Committee (RC), Audit Committee (AC); and Board Credit Committee (BCC). In addition there are three Management committees: the Assets and Liabilities Committee (ALCO); the Executive Risk Committee; and the Credit Committee. Executive committees meet monthly and are reported to the next Board meeting.

Stress testing
Stress testing is a risk management tool used by the Group to understand the impact of severe but plausible scenarios on its business model. The Group uses a prescribed Internal Capital Adequacy Assessment Process (ICAAP) and Internal Liquidity Adequacy Assessment Process (ILAAP) to identify and quantify the capital and liquidity risks it faces. Stress testing is undertaken as part of these processes with the combined output used to inform the Board's risk appetite, certain policies, together with management actions and contingency plans.

Principal risks and uncertainties
There are a number of potential risks and uncertainties which could have a material impact on the Company's performance and could cause actual results to differ materially from expected and historical results and also have the ability to threaten its business model, solvency or liquidity. In order to ensure that the interests of all customers are adequately protected at all times, the Company takes advantage of the established governance structure and enterprise wide risk management framework of its parent undertaking, Saffron Building Society, described above.

Strategic Report (Continued)

The principal risks that arise from the Company's operations, and which are managed under the risk management framework, are described below:

Credit risk

Credit risk is the risk that a customer is unwilling or unable to honour its obligations to the Company as they fall due, resulting in an actual or potential loss exposure for the Company. Adverse changes in the credit quality of the Company's borrowers, a general deterioration in UK economic conditions or adverse changes arising from systemic risks in UK and global financial systems could reduce the recoverability and value of the Company's assets.

The Company operates within a credit risk appetite which directs mortgage activities to lower risk / lower return sectors of the mortgage market, both in terms of property location and borrower characteristics and this is monitored carefully and benchmarked against external loss and risk data.

Market risk

Market risk is the risk of any impact on the Company's financial position due to adverse movements in market rates, such as interest rates, house price indices, equity prices, currency or commodity prices. The Company's principal exposure to market risk is interest rate risk and prepayment risk within the Company's portfolio of equity release mortgages recorded at fair value.

The Company manages market risk through on-balance sheet matching of assets and liabilities or derivative financial instruments held through arrangements with the parent undertaking. Following the adoption of FRS102 movements in interest rates and other indices have a direct impact on the value of certain balance sheet items which, in turn, creates volatility in the reported earnings of the Company that cannot be eliminated entirely.

Liquidity risk

Liquidity risk is the risk that the Company is unable the make available sufficient resources to meet its current or future financial obligations as they fall due, or is only able to do so at a premium cost.

The Company policy is to maintain sufficient liquid funds to ensure liabilities can be met as they fall due. This is achieved by an intercompany loan from the parent company. The Board reviews this policy annually.

Operational risk

Operational risk is the risk of incurring losses resulting from inadequate or failed internal processes, people or systems, or from external events. This definition includes legal risk and environmental risk together with events or circumstances where disaster recovery planning does not work.

The activities of the Company expose it to any operational risks relating to its ability to implement and maintain effective systems to process its transactions with Members and customers. A significant breakdown in IT systems of the Group might adversely impact the ability of the Company to operate its business effectively.

To address these risks, the Head of Operational Risk (employed by Saffron Building Society) has put in place risk and control self-assessments (RCSA) covering the operations of the Group. RCSAs are reviewed and tested on a regular basis and the results reported to the Executive and RC. Any incidents and near misses are assessed in terms of potential cost and the causes identified to improve controls. Additionally the Group's internal audit function (provided externally by PwC) carries out targeted reviews of critical systems and processes to ensure that they are properly designed and operating effectively. The Group has a Business Continuity Plan which is kept under regular review and is designed to ensure that any breakdown in systems would not cause significant disruption to the business.

Future outlook

The outlook for 2020 remains uncertain on a number of fronts with the full impact of the UK's exit from the EU still unknown, particularly as the terms of exit remain unclear. The Bank of England held rates in the year at 0.75%, interest rates remain historically low with any future increases in base rate expected to be at a gradual pace and to a limited extent. UK House prices have declined during 2019 as the uncertainty over Brexit caused nervousness in the market, however this began to recover towards the end of the year. The outlook remains subdued and, in the near term, both house price inflation and housing activity are projected to remain below average.

As a subsidiary undertaking of a long-established Building Society, the Company's business model is heavily reliant on the UK housing market and a worsening of the UK housing market combined with steep or rapid increases in interest rates could impact on mortgage affordability and, in turn, adversely impact future financial performance.

Margins from mortgage lending came under pressure in 2019 due to increased competition in the mortgage market which could result in margin degradation in the retention strategy of the Company which will impact the bottom line profit. There remain considerable risks to the overall outlook related to the process of EU withdrawal with negative impacts in the markets having a detrimental effect on the fair value of the balance sheet assets. Throughout these uncertain times, the Company will maintain its approach as a responsible lender and continue to take decisions in the best long-term interests of the Company.

By order of the Board

Mr C H Field
Director
29th May 2020

Directors' Report

The Directors submit their report together with the audited financial statements for the year ended 31 December 2019.

The Directors' report has been prepared in accordance with the provisions applicable to companies entitled to the small companies' exemption.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report including 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

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

(a) Select suitable accounting policies and then apply them consistently;
(b) Make judgements and accounting estimates that are reasonable and prudent;
(c) State whether applicable UK Accounting Standards have been followed; and
(d) Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Directors

Directors who served during the year and up to the date of signing the financial statements:

Mr G R Dunn (resigned 30 April 2020)
Mr C H Field
Mr T G Barr
Mr N J Holden
Mr N J Treble
Mrs E Kelly (resigned 30 April 2020)
Mrs J A Ashmore*
Mr D L Garner (resigned 28 November 2019)
Mr D R Rendell (appointed 1 May 2020)

* Married name Zaremba

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

(1) So far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
(2) The Director has taken all the steps that he/she ought to have taken as a Director in order to make himself / herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

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

Going concern

The Directors are satisfied that having considered the current uncertain economic conditions, the Company, by virtue of its continued funding by its parent, has adequate resources to continue in business for the foreseeable future. A letter of support has also been received from Saffron Building Society confirming that any shortfall of external costs will be covered by the parent and that intercompany funding will not be withdrawn in the 12 months following the signing of these financial statements. For these reasons, the accounts continue to be prepared on the going concern basis.

The Directors consider (amongst other things) the economic backdrop to the Company's activities, prospects for the mortgage market, the future path of interest rates, the Company's profitability and available liquid and capital resources. Scenarios are also prepared under stressed but plausible operating conditions in order to consider the effect on the Company's business, financial position, capital and liquidity. After making the necessary enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in business for the foreseeable future.

Directors' Report (Continued)

The use of financial instruments

The financial risk management objectives and policies of the Company are set out in the Strategic report, along with the key risks the Company is exposed to.

Auditor

BDO were appointed auditors during the year and have indicated that they are willing to be reappointed at the forthcoming Annual General Meeting.

Events since the year end

Since the balance sheet date of the 31st December 2019, the world has been affected by the COVID-19 pandemic, the highest and most serious classification by the World Health Organisation (WHO). The unparalleled spread of the virus resulted in Governments across the world introducing unprecedented measures to slow the spread of the virus, which has impacted on the global economy and people's daily lives.

As a result of the outbreak, the management team have performed a series of stress tests, assessments and forecasts to understand the many scenarios that may play out over the coming months, in order to gain assurance that Crocus Home Loans Limited remain a going concern for the minimum of 12 months from the signing of the financial statements, with parental support from the Society.

Management have considered profitability, liquidity and capital. Specifically the possible impacts from a downward movement in the fair value of the equity release book and the Government announcement of the mortgage payment holidays.

The Directors remain satisfied that Crocus Home Loans Ltd has adequate resources to continue in business for the foreseeable future. A letter of support is in place covering the ongoing support of the ultimate parent, Saffron Building Society. Accordingly, the accounts continue to be prepared on a going concern basis and there is no material uncertainty.

By order of the Board

Mr C H Field
Director
29th May 2020

Independent auditor's report to the members of Crocus Home Loans Limited

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Crocus Home Loans Limited ("the Company") for the year ended 31 December 2019 which comprise The Income Statement, The Statement of Financial Position and The Statement of Changes in Equity, and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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. 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 Directors are responsible for the other information. The other information comprises the information included in the Strategic Report, Directors' Report and Financial Statements, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in 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 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 Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report and 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, 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 Statement of Directors' responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, 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.

Ariel Grosberg (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London, UK
29th May 2020

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Income statement

For the year ended 31 December 2019

	Notes	2019 £	2018 Restated £
Interest receivable	2	1,729,307	1,827,625
Interest payable	3	(1,128,802)	(1,248,677)
Net interest income		600,505	578,948
Other operating income		2,752	28,184
Net fair value movement	4	(726,544)	(2,281,996)
Total net income		(123,287)	(1,674,864)
Administrative expenses	5	(59,742)	(60,180)
Other operating charges		-	-
Operating (loss)/profit before impairment losses and provisions		(183,029)	(1,735,044)
Impairment losses on loans and advances	6	(5,438)	(25,323)
(Loss)/profit before tax		(188,467)	(1,760,367)
Tax (charge)/credit	7	16,113	(17,851)
(Loss)/profit for the financial year and total comprehensive income for the period		(172,354)	(1,778,218)

Loss for the financial year arises from continuing operations. There were no other gains and losses in the year and therefore no separate Statement of total comprehensive income is presented.

The Notes on pages 14 to 25 form an integral part of these financial statements.

Statement of financial position

As at 31 December 2019

	Notes	**31 December 2019 £**	**Restated 31 December 2018 £**	**Restated 1 January 2018 £**
Assets				
Cash at bank		1,166	369,562	575,780
Loans and advances to customers	8	40,911,350	42,121,490	46,845,559
Other assets	9	45,581	29,468	121,511
		40,958,097	42,520,520	47,542,850
Creditors				
Amounts falling due within one year	10	(41,237,953)	(42,628,022)	(45,772,134)
		(279,856)	(107,502)	1,770,716
Capital and reserves				
Called up share capital	11	1,000	1,000	1,000
Profit and loss account		(280,856)	(108,502)	1,769,716
Equity shareholder's funds		(279,856)	(107,502)	1,770,716

The Notes on pages 14 to 25 form an integral part of these financial statements.

The financial statements of Crocus Home Loans Limited (registered number 02492014) were approved by the Board of Directors and authorised for issue on 29th May 2020. They were signed on its behalf by:

Mr C H Field
Director

Statement of changes in equity

	Profit and loss account	Share capital	Total
2019	**£**	**£**	**£**
Balance as at 1 January 2019	(7,905)	1,000	(6,905)
Prior year restatement	(100,597)	-	(100,597)
Adjusted balance at 1 January 2019	(108,502)	1,000	(107,502)
Profit and total comprehensive income for the financial year	(172,354)	-	(172,354)
Balance as at 31 December 2019	(280,856)	1,000	(279,856)

	Profit and loss account	Share capital	Total
2018	**£**	**£**	**£**
Balance as at 1 January 2018	1,768,517	1,000	1,769,517
Prior year restatement	1,199	-	1,199
Adjusted balance as at 1 January 2018	1,769,716	1,000	1,770,716
Profit and total comprehensive income for the financial year	(1,778,218)	-	(1,778,218)
Dividends paid	(100,000)	-	(100,000)
Balance as at 31 December 2018	(108,502)	1,000	(107,502)

Notes to the Financial Statements

For the year ended 31 December 2019

1. Accounting policies

The significant accounting policies adopted in preparation of these financial statements are set out below.

a) General information and basis of preparation:

Crocus Home Loans Limited is a private limited company and is limited by shares.

The accounts have been prepared and approved by the Directors in accordance with Financial Reporting Standard 102: The Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS102).

The accounts have been prepared under the historical cost convention as modified by financial instruments at fair value. In applying FRS102, the Company has elected to apply the recognition and measurement provisions of IAS39 Financial Instruments: Recognition and measurement (as adopted for use in the EU).

As reflected in the Directors Report, the Directors are satisfied that the Company has adequate resources to continue in business for the foreseeable future. For this reason, the accounts continue to be prepared on a going concern basis.

The functional currency of Crocus Home Loans Limited is considered to be pounds sterling because that is the currency of the primary economic environment in which the Company operates. The financial statements are also presented in pounds sterling.

b) Prior year re-statement:

During the audit of the current year financial statements, there was an area identified which required restating in prior periods, details of this adjustment is as follows:

Effective Interest Rate accounting
During the year, it was identified that the curve profiling model, which is used to determine the length which a loan is expected to remain with the Society for Effective Interest Rate (EIR) modelling was utilising past performance of loans over the past 12 years and was including a number of loans which were not subject to EIR calculations. It was not appropriate to include these loans as this would assume a longer loan life and therefore a larger asset. This adjustment now accurately reflects the asset position at 1 January 2018 with the necessary adjustment made to the income statement in respect of the EIR mortgage interest income and the knock on effect to tax.

1. Accounting policies (continued)

Statement of financial position extract

	2017 as *restated in 2018*	**Correction *of prior* period error**	**2017 *restated***
	£	**£**	**£**
Loans and advances to customers	46,844,360	1,199	46,845,559
Total assets	47,541,651	1,199	47,542,850
General reserves	1,768,517	1,199	1,769,716
Total reserves and liabilities	47,541,651	1,199	47,542,850

Statement of financial position extract

	2018 as *published*	**Correction *of prior* period error**	**2018 *restated***
	£	**£**	**£**
Loans and advances to customers	42,222,087	(100,597)	42,121,490
Total assets	42,621,117	(100,597)	42,520,520
General reserves	(7,905)	(100,597)	(108,502)
Total reserves and liabilities	42,621,117	(100,597)	42,520,520

Restatement of financial statements for the comparative year income statement

	2018 as published	**Correction of prior period error**	**2018 restated**
	£	**£**	**£**
Interest receivable and similar income	1,929,421	(101,796)	1,827,625
Net interest income	680,744	(101,796)	578,948
Profit for the financial year	(1,676,422)	(101,796)	(1,778,218)

c) Interest income and expense:

Interest income and interest expense for all interest bearing financial instruments is recognised in "Interest receivable" and "Interest payable", respectively, using the effective interest rates of the financial assets or financial liabilities to which it relates except for the Company's portfolio of equity release mortgages which are recognised at fair value.

The effective interest rate is the rate that discounts the expected future cash flows, over the expected life of the financial instruments, to the net carrying amount. Interest on impaired financial assets is recognised at the effective interest rate, applied to the carrying *amount as reduced by any allowance for impairment.*

d) Other operating income:

Other income includes Fees and Commission and is recognised when the Company has fulfilled all contractual obligations.

e) Cash flow statement:

The Company has taken advantage of the disclosure exemption in FRS102 1.12(b) not to present a statement of cash flows because the Company is a wholly owned subsidiary of Saffron Building Society, within whose consolidated cash flow statement the cash flows of the Company are included.

1. Accounting policies (continued)

f) Financial assets:

The Company classifies non-derivative financial assets as loans and receivables or fair value through profit and loss. No financial assets are classified as held-to-maturity.

i) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinate payments that are not quoted in an active market. The Company's loans and advances to customers (except for a portfolio of equity release mortgages) are classified as loans and receivables, measured at amortised cost. Initial cost may include certain upfront costs and fees such as procurement fees or application fees, which are recognised over the expected life of the mortgage assets. Mortgage discounts are also recognised over the expected life of the mortgage assets as part of the effective interest rate. The expected life of the mortgage assets is reviewed at each Statement of financial position date with any changes recognised in Interest receivable and reflected in the carrying value of the mortgage assets.

ii) Fair value through profit and loss
All other non-financial derivative assets are measured at fair value with subsequent changes in fair value recognised in the Income statement. The Company's portfolio of equity release mortgages is classified as at fair value with management taking the fair value option available under IAS39 on the basis that it prevents an accounting measurement mismatch.

g) Financial liabilities:

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

The Company's parent undertaking holds a derivative financial instrument to manage interest rate exposure associated with the portfolio of fixed rate equity release mortgages. Fair value movements in the swap are reflected in the valuation of the amount owed to the parent undertaking and adjusted through the intercompany recharge.

h) Impairment of financial assets not measured at fair value through profit and loss:

Loans and receivables
Throughout the year and at each Statement of financial position date individual assessments are made of all loans and advances against properties which are in possession or in arrears by more than three months of the outstanding loan balance. Individual impairment provision is made against these loans where, in the opinion of the Directors, it is considered there is evidence of impairment. Such evidence includes significant financial difficulty of the borrower, deterioration in payment status or any other information discovered that suggests a likely loss.

If there is such evidence, the amount of loss is calculated as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the effective interest rate. In estimating future cash flows, account is taken of expected movements in house prices, any discounts to reflect a forced sale and any anticipated sales costs. For all other loans and advances, collective assessment is also made as to whether there is evidence to suggest the portfolio is likely to be impaired. Collective assessment requires each category of financial asset to be separated into groups of assets with similar credit characteristics and impairment loss calculated by applying expected loss factors based on the Company's experience of default and the effect of movements in house prices less any adjustment for a forced sale value.

Any resultant impairment loss is recognised immediately in the Income statement with a corresponding reduction in the value of the financial asset recognised as a provision.

i) Taxation:

Taxation comprises amounts for current and deferred tax and is recognised in the Income statement to match with the related item(s) and is determined using the rates of taxation substantively enacted at the Statement of financial position date. Current tax represents the expected tax payable on profit adjusted for tax purposes. Deferred tax reflects temporary timing differences between the amounts determined for accounting purposes and amounts determined for taxation purposes.

1. *Accounting policies (continued)*

j) Accounting estimates and judgments:

In applying the Company's accounting policies, the Company is required to make estimates and apply judgments that can have a material effect on the carrying amounts of assets and liabilities. Such estimates and judgments are continually evaluated and are based on historical experience and expectations of future events believed to be reasonable under current circumstances. The key sources of estimation uncertainty are described below:

i) Effective interest rate - Expected mortgage life
The calculation of an effective interest rate requires judgements regarding the expected life of mortgage assets. The expected life of mortgage assets is derived using a combination of historical data and management judgement and is reviewed periodically throughout the year and reassessed against actual performance. Any changes to the expected life would result in an adjustment to the carrying value of the mortgages, calculated as the present value of the revised cash flows discounted at the original effective interest rate, recognised immediately in the income statement.

ii) Impairment losses on loans and advances to customers

Specific provisions
Specific provisions are calculated by determining the expected cash flows from the loan, including those from the realisation of collateral. Significant judgement is required to determine the timing and amounts of cash flows as well as in determining whether indicators of impairment exist for a particular loan.

Collective provisions
Collective provisions are calculated using credit modelling techniques. This involves estimation of probabilities of default as well as recoverability and values of collateral leading to significant estimation uncertainty. Probabilities of default are determined using a combination of credit metrics and amounts of arrears and recoverability is based on historical experience. Collateral values are estimated by applying regional HPI indexes to the most recent formal valuation.

iii) Financial assets at fair value through profit and loss – Equity release mortgages
Loans and advances to customers includes a portfolio of equity release mortgages. All such loans were purchased before 2011 and such mortgages are no longer purchased. Under the product terms, interest is capitalised within the loan balance and becomes repayable on redemption of the loan through the sale of the property. Borrowers are not required to make monthly repayments. The mortgage contract for these loans contains a No Negative Equity Guarantee ("NNEG") clause where the company cannot pursue a borrower in the event that the proceeds from the sale of the property is less than the contractual loan balance. The NNEG exposes the company to the risk that the company may not fully recover the expected redemption balances. Estimation uncertainty surrounds the measurement of NNEG liability since redemptions may not occur for many years in the future.

The fair value of the portfolio of equity release mortgages, which is calculated by using an internal variant of the Black-Scholes option pricing model, takes into account an explicit provision in respect of the NNEG. The principal assumptions underlying the valuation include mortality or entry into long-term care.

2. Interest receivable

	2019	2018
	£	£
On assets held at amortised cost		
Loans fully secured on residential property	270,775	313,460
On assets held at fair value through profit and loss		
Loans fully secured on residential property	1,458,532	1,514,165
	1,729,307	1,827,625

3. Interest payable	2019	2018
	£	£
On loan from parent undertaking	(1,128,802)	(1,248,677)

4. Net fair value movement	2019	2018
	£	£
Fair value movement on equity release mortgage portfolio (Note 1 f-ii)	(1,893,747)	1,007,234
Intercompany recharge	1,167,203	(3,289,230)
Net fair value movement	(726,544)	(2,281,996)

Profit before tax has been derived after charging the following amounts:

The intercompany recharge amount reflects charges made by the parent undertaking to match the fair value movement of a derivative financial instrument held by the parent undertaking for the purposes of managing the risk in the equity release portfolio of the Company. The charge is made by the parent undertaking to reflect changes in the fair value of the derivative financial instruments it holds as a hedge against the equity release mortgage assets held by the Company.

5. Administrative expenses	2019	2018
	£	£
Other administrative expenses	59,742	60,180

In the current year, the fee for the audit of the Company's statutory accounts of £24,000 (2018: £5,000) was paid by the Company's parent undertaking.

None of the Directors received any emoluments from the Company in respect of their services as Director during the year. All Directors receive remuneration from the Company's parent undertaking. It is impracticable to allocate the Directors' remuneration between the Company and the parent undertaking.

The directors received total remuneration of £699,000 (2018: £888,000) from Saffron Building Society during the year. In addition, Mr C H Field is accruing benefits under the group defined contribution pension scheme, in respect of his services to the Group.

The Company had no employees in either the current or prior year.

6. Impairment losses on loans and advances

	Individual	Collective	Total
	£	£	£
At 1 January 2019	95,597	7,063	102,660
Charge / (credit) for the year	9,792	(4,354)	5,438
Provision releases	(105,389)	-	(105,389)
At 31 December 2019	-	2,709	2,709

7. Taxation on profit on ordinary activities	2019	2018
The tax charge comprises:	£	£
Current tax on profit/(loss)		
Corporation tax	-	315,128
	-	315,128
Impact of rate change	-	(27,882)
Adjustments in respect of prior periods	17,851	(305,097)
Current tax on (loss)/profit	17,851	(17,851)
Deferred tax:		
Origination and reversal of timing differences	(1,510)	-
Adjustments in respect of prior periods	(228)	-
Total deferred tax	(1,738)	-
Total current and deferred tax credit/(charge)	16,113	(17,851)

The differences between the total tax charge shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax are as follows:

	2019	2018
	£	£
Profit/(Loss) before tax	(188,467)	(1,760,367)
Tax on profit/(loss) on ordinary activities at standard UK corporation tax rate of 19% (2018: 19%)	(35,809)	(334,470)
Effects of:		
Impact of rate change	941	27,882
Adjustments to tax charge in respect of previous periods	(17,623)	255,190
Other	36,378	69,249
Total tax charge/(credit) for the period recognised in the Income statement	(16,113)	17,851

8. Loans and advances to customers	2019	2018
	£	£
Loans fully secured on residential property (Note 14)		
Held at amortised cost	8,068,758	10,052,567
Provision for impairment losses on loans and advances (Note 6)	(2,709)	(102,660)
	8,066,049	9,949,907
Held at fair value through profit and loss	32,845,301	32,171,583
Total loans and advances	40,911,350	42,121,490

9. Other assets	2019	2018
	£	£
Deferred Tax	7,730	9,468
Corporation tax	37,851	20,000
	45,581	29,468

Deferred tax further analysed:	2019
	£
At 1 January 2019	9,468
Deferred tax movement for the year	(1,738)
At 31 December 2019	7,730

The deferred tax asset is derived from short term timing differences from the tax treatment for impairment loss provisions. The Company considers this asset to be recoverable in the foreseeable future under the normal course of business.

The Company has not recognised a deferred tax asset totalling £264,041 (2018: £254,530) relating to losses carried forward against future profits. The Company has not recognised this asset in the financial statements due to the uncertainty over the future profits of the Company to allow these to be relived.

10. Creditors	2019	2018
	£	£
Amounts owed to parent undertaking (Note 14)	41,214,697	42,586,421
Corporation tax	-	17,851
Other creditors	23,256	23,750
	41,237,953	42,628,022

Interest is charged by the parent undertaking on a monthly basis at a rate of 3 month Libor plus 0.50% on balances outstanding. The loan is repayable on demand and is subject to three months' notice.

11. Called up share capital

	2019	2018
	£	£
1,000 ordinary shares issued, called up and fully paid of £1 each	1,000	1,000

12. Ultimate parent undertaking

The Company is incorporated in the United Kingdom and is a wholly owned subsidiary of Saffron Building Society. The registered address for the parent is Saffron House, 1A Market Street, Saffron Walden, Essex, CB10 1HX. The Directors consider Saffron Building Society to be the controlling party of the Company.

This is the largest and smallest Group for which Group accounts are drawn up. Group accounts are available from their website at www.saffronbs.co.uk/about-us/report-and-accounts.

13. Related party transactions

Transactions with other Group companies have not been disclosed, in accordance with exemptions contained within FRS102, since consolidated Group accounts are available (see Note 13).

14. Financial instruments

A financial instrument is a contract which gives rise to a financial asset of one entity and a financial liability of another entity. The Company is a retailer of financial instruments in the form of mortgage products.

The Company has a formal structure for managing risk, including establishing risk appetite, risk limits, reporting lines, mandates, policies and other control procedures. This structure is reviewed regularly by the ALCO, which is charged with the responsibility for managing and controlling the Statement of financial position and the use of financial instruments for risk management purposes. Further oversight of risk management is provided by the RC.

The table below provides a summary of the terms and conditions of the Company's financial instruments and description of respective accounting policies.

Financial instrument	Terms and conditions	Accounting policy
Loans and advances to customers	Secured on residential property or land Standard contractual term of 25 years Fixed or variable rate interest	Loans and receivables at amortised cost* Accounted for at settlement date

* Excluding portfolio of equity release mortgages accounted for at fair value.

Note 1: 'Accounting Policies' describes how the classes of financial instruments are measured and how income and expenses, including fair value gains and losses, are recognised. Financial assets and liabilities are measured on an on-going basis either at fair value or at amortised cost. The tables below analyse the Company's assets and liabilities by financial classification:

	Held at amortised cost		**Held at fair value**	**Non-financial assets and liabilities**	
Carrying values as at 31 December 2019	Loans and receivables	Financial assets and liabilities at amortised cost	Financial assets and liabilities		Total
	£	£	£	£	£
Financial assets					
Cash in hand	-	1,166	-	-	1,166
Loans and advances to customers	8,066,049	-	32,845,301	-	40,911,350
Other assets	-	-	-	45,581	45,581
	8,066,049	1,166	32,845,301	45,581	40,958,097
Financial liabilities					
Amounts owed to parent undertaking	-	26,804,756	14,409,941	-	41,214,697
Other liabilities	-	-	-	23,256	23,256
	-	26,804,756	14,409,941	23,256	41,237,953

	Held at amortised cost		**Held at fair value**	**Non-financial assets and liabilities**	
Carrying values as at 31 December 2018	Loans and receivables	Financial assets and liabilities at amortised cost	Financial assets and liabilities		Total
	£	£	£	£	£
Financial assets					
Cash in hand	-	369,562	-	-	369,562
Loans and advances to customers	9,949,907	-	32,171,583	-	42,121,490
Other assets	-	-	-	29,468	29,468
	9,949,907	369,562	32,171,583	29,468	42,520,520
Financial liabilities					
Amounts owed to parent undertaking	-	29,975,380	12,511,041	100,000	42,586,421
Other liabilities	-	-	-	41,601	41,601
	-	29,975,380	12,511,041	141,601	42,628,022

Loans and advances to customers comprise: residential and buy-to-let mortgage assets, held at amortised cost; and the Company's portfolio of equity release mortgages, held at fair value. There have been no reclassifications during the year.

14. Financial instruments (continued)

Fair value hierarchy classification

Valuation techniques
The following is a description of the determination of fair value for financial instruments which are accounted for at fair value using valuation techniques. The fair value hierarchy set out in FRS102 splits the source of input when deriving fair values into three levels, as follows:

•Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities
•Level 2 – inputs other than quoted prices included within level 1 that are observable for the asset or liability either directly or indirectly
•Level 3 – inputs for the asset or liability that are not based on observable market data

The main valuation techniques employed by the Company to establish fair value of the financial instruments disclosed above are set out below:

Level 3: Loans fully secured on residential property – included within Loans and advances to customers is the Company's portfolio of equity release mortgages which are accounted for at fair value using the 'present value' method. Expected future principal (redemption) cash flows are derived by making appropriate assumptions regarding mortality rates and voluntary early redemptions together with assumptions on future house price inflation and sale discount.

The expected future cash flows are then discounted using a rate determined using a long-term interest rate, derived from quoted interest rates using generally observable market data in similar time bandings to match the expected timings of the cash flows of the mortgages, together with adjustments to reflect the cost of funding, capital, illiquidity and hedging risks.

At 31 December 2019 Level 3 financial instruments, being loans fully secured on residential property, were £32,845,301 (2018: £32,171,583).

Level 3: Amounts owed to parent undertaking – the Company's parent undertaking holds a derivative financial instrument to manage interest rate exposure associated with the portfolio of fixed rate equity release mortgages. A counterparty valuation is used for the financial instrument derived from their internal modelling techniques. The Company corroborates the counterparty valuations provided through its own internal calculations. Fair value movements in the swap are reflected in the valuation of the amount owed to the parent undertaking and adjusted through the intercompany recharge.

Credit Risk
Credit risk refers to the potential risk that arises from customers (or counterparties) failing to meet their obligations as they fall due. Credit risk arises from loans to our retail customers.

The Company's maximum credit risk exposure is shown below:

	2019	2018
	£	£
Cash in hand	1,166	369,562
Loans and advances to customers	40,911,350	42,121,490
	40,912,516	42,491,052

The table below shows information on the Company's loans and advances to customers by payment due status:

	2019	2018
Not impaired	£	£
Neither past due nor impaired	39,633,038	39,377,479
Up to three months overdue but not impaired	795,261	1,436,861
Over three months overdue but not impaired	483,051	927,949
Possessions / Receiver of rents	-	84,247
Impaired		
Possessions / Receiver of rents	-	294,954
	40,911,350	42,121,490
Value of collateral held: Indexed	£	£
Neither past due nor impaired	56,271,874	60,577,983
Either past due or impaired	3,883,449	7,033,593
	60,155,323	67,611,576

14. Financial instruments (continued)

Forbearance

Forbearance is where the Company enters into an arrangement with a borrower(s) when they have financial or other difficulties in meeting their obligations under the terms of their mortgage.

Where appropriate for customers' needs, the Company applies a policy of forbearance and may grant a concession to borrowers. This may be applied where actual or apparent financial stress of the customer is deemed short term with a potential to be recovered.

The Company will always try to work with borrowers to achieve the best outcome for both parties in these circumstances and to this end its policy on forbearance has three basic principles:

- the borrower's best interests and establishing a payment plan with the borrower which is practical in terms of the borrower's circumstances and their ability to pay but which meets the needs of both parties;

- that the Company will continue to work with the borrower to bring the mortgage back onto sustainable terms within a time frame appropriate to their circumstances; and

- the Company will only initiate repossession proceedings when all other reasonable attempts to resolve the problem have failed.

The principal forbearance tools used are interest-only concessions and arrangements to repay arrears over a period which is practical in terms of the circumstances of the borrower. The majority of borrowers who require assistance are aided by one or other of these methods. The table below gives details of the loans subject to interest-only concessions and arrangements at 31 December 2019:

	Interest only		Arrangements	
	Account balances (£000)	Number of accounts	Account balances (£000)	Number of accounts
2019	-	-	630	4
2018	42	1	671	5

During the year ended 31 December 2019, no properties were taken into possession (2018: none).

Liquidity Risk

The Company's liquidity policy is to maintain sufficient assets in liquid form at all times to ensure that it can meet all its liabilities as they fall due. This is achieved by an intercompany loan from the parent company.

The Company is, therefore, reliant on the liquidity risk management practices of its parent company who manage this risk on a continuous basis through ALCO and by ensuring compliance with the Liquidity and Financial Risk Management Policies approved by the Board. In practice this results in the Group holding a significant amount of highly liquid assets, mainly UK gilts, Treasury bills, multilateral development bank securities and deposits with the Bank of England, which are eligible to meet its required liquidity buffer set by the regulator. The Society also holds a separate pool of such assets for use as collateral with derivative counterparties.

In addition the Group maintains deposits placed on call or overnight with the Bank of England and major banks to meet its operational needs without drawing on its buffer requirements.

The table below analyses the Company's assets and liabilities into relevant maturity groupings, based on the remaining period to contractual maturity at the Statement of financial position date. This is not representative of the Company's management of liquidity. Loans and advances to customers rarely run their full course. The actual repayment profile is likely to be significantly different from that shown in the analysis. For example most mortgages have a contractual maturity of around 25 years but are generally repaid much sooner.

14. Financial instruments (continued)

The table below demonstrates the *contractual* maturity profile of financial assets and liabilities:

	On demand	Not more than three months	More than three months but not more than one year	More than one year but not more than five years	More than five years	Total
Residual maturity as at 31 December 2019	£	£	£	£	£	£
Financial Assets						
Cash in hand	1,166	-	-	-	-	1,166
Loans and advances to customers	-	223,852	669,739	1,738,206	38,279,553	40,911,350
Other assets	-	45,581	-	-	-	45,581
	1,166	269,433	669,739	1,738,206	38,279,553	40,958,097
Financial liabilities and reserves						
Amounts owed to parent undertaking	-	223,852	40,990,845	-	-	41,214,697
Other liabilities	-	23,256	-	-	-	23,256
Reserves	-	-	-	-	(279,856)	(279,856)
	-	247,108	40,990,845	-	(279,856)	40,958,097
Net liquidity gap	1,166	22,325	(40,321,106)	1,738,206	38,559,409	-

	On demand	Not more than three months	More than three months but not more than one year	More than one year but not more than five years	More than five years	Total
Residual maturity as at 31 December 2018	£	£	£	£	£	£
Financial Assets						
Cash in hand	369,562	-	-	-	-	369,562
Loans and advances to customers	-	165,556	439,550	3,178,142	38,338,242	42,121,490
Other assets	-	29,468	-	-	-	29,468
	369,562	195,024	439,550	3,178,142	38,338,242	42,520,520
Financial liabilities and reserves						
Amounts owed to parent undertaking	-	265,556	42,320,865	-	-	42,586,421
Other liabilities	-	41,601	-	-	-	41,601
Reserves	-	-	-	-	(107,502)	(107,502)
	-	307,157	42,320,865	-	(107,502)	42,520,520
Net liquidity gap	369,562	(112,133)	(41,881,315)	3,178,142	38,445,744	-

The net liquidity gap in the table above in the 'More than three months but not more than one year' time bucket is because the loan from the parent undertaking is contractually repayable on 3 months' notice. However, the loan repayments are expected to be in line with the mortgage book repayments. The maturity analysis below has been prepared on the expected loan repayment profile.

14. Financial instruments (continued)

The table below demonstrates the expected maturity profile of financial assets and liabilities:

	On demand	Not more than three months	More than three months but not more than one year	More than one year but not more than five years	More than five years	Total
Residual maturity as at 31 December 2019	£	£	£	£	£	£
Financial Assets						
Cash in hand	1,166	-	-	-	-	1,166
Loans and advances to customers	-	223,852	669,739	1,738,206	38,279,553	40,911,350
Other assets	-	45,581	-	-	-	45,581
	1,166	269,433	669,739	1,738,206	38,279,553	40,958,097
Financial liabilities and reserves						
Amounts owed to parent undertaking	-	223,852	669,739	1,738,206	38,582,900	41,214,697
Other liabilities	-	23,256	-	-	-	23,256
Reserves	-	-	-	-	(279,856)	(279,856)
	-	247,108	669,739	1,738,206	38,303,044	40,958,097
Net liquidity gap	1,166	22,325	-	-	(23,491)	-

	On demand	Not more than three months	More than three months but not more than one year	More than one year but not more than five years	More than five years	Total
Residual maturity as at 31 December 2018	£	£	£	£	£	£
Financial Assets						
Cash in hand	369,562	-	-	-	-	369,562
Loans and advances to customers	-	165,556	439,550	3,178,142	38,338,242	42,121,490
Other assets	-	29,468	-	-	-	29,468
	369,562	195,024	439,550	3,178,142	38,338,242	42,520,520
Financial liabilities and reserves						
Amounts owed to parent undertaking	-	265,556	439,550	3,178,142	38,703,173	42,586,421
Other liabilities	-	41,601	-	-	-	41,601
Reserves	-	-	-	-	(107,502)	(107,502)
	-	307,157	439,550	3,178,142	38,595,671	42,520,520
Net liquidity gap	369,562	(112,133)	-	-	(257,429)	-

Market risk

Market risk is the risk of changes to the Company's financial condition caused by market interest rates or early redemption of assets. The Company has no exposure to market risk as exposures arising from the Company's portfolio of fixed rate mortgages are matched by the Company's loan from its parent undertaking.

15. Capital

The Company's capital is managed as part of the Saffron Building Society Group, of which the Company is a part. The Group's capital requirements are set and monitored by the Prudential Regulatory Authority (PRA) in the form of Internal Capital Guidance (ICG). A formal Internal Capital Adequacy Assessment Process (ICAAP) is followed to determine and demonstrate how these requirements are met. The ICAAP also sets out the framework for internal governance and oversight of risk and capital management policies and is used to assist with the management of capital and risk exposures. Actual and forecasted capital positions are reviewed against a risk appetite that requires capital to be maintained at a specific minimum level above the agreed ICG. There were no reported breaches of capital requirements during the year. There have been no material changes to the management of capital in the year.

16. Post Balance Sheet Event

Since the balance sheet date of the 31st December 2019, the world has been affected by the COVID-19 pandemic, the highest and most serious classification by the World Health Organisation (WHO). The unparalleled spread of the virus resulted in Governments across the world introducing unprecedented measures to slow the spread of the virus, which has impacted on the global economy and people's daily lives.

To mitigate the associated risks the Board has implemented a series of stress tests, reviews and re-forecasting which is used to ensure the adequacy of resources available to the Company to meet its business objectives, with support of the parent. This process covers (amongst other things) the economic backdrop to the Company's activities, prospects for the mortgage market, the future path of interest rates, the profitability and available liquid and capital resources. The stress testing is designed to push a number of factors to their limit to help management understand how much these factors need to change before the Company are unable to meet its regulatory requirements and liabilities.

In light of the COVID-19 outbreak, the Directors have reviewed again the current position of the Saffron Group and remain satisfied that Crocus Home Loans Ltd has adequate resources to continue in business for the foreseeable future. A letter of support is in place covering the ongoing support of the ultimate parent, Saffron Building Society. Accordingly, the accounts continue to be prepared on a going concern basis.