Castle Trust

Castle Trust Capital Nominees Limited

Directors' report and unaudited financial statements for the year ended 31 October 2018

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Directors' report and financial statements
for the year ended 31 October 2018

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Corporate information

Registered number: 7801931

Directors

Mr Andrew Spencer Doman
Mr Richard Alexander McGregor Ramsay
Mr Timothy John Hanford
The Rt Hon the Lord Deben
Mr Patrick Nigel Christopher Gale
Mr Sean Oldfield (resigned 20 July 2018)
Mr Matthew Peter Vincent Wyles (resigned 25 March 2018)
Mr Jonathan James Cox
Mr Martin Paul Bischoff (appointed 12 June 2018)

Secretary
Andrew Macdonald

Registered office
10 Norwich Street
London
EC4A 1BD
United Kingdom

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

Directors' report

The directors present their report and the unaudited financial statements of Castle Trust Capital Nominees Limited ("the Company" or "CTCN"), company registration number 7801931, for the year ended 31 October 2018. CTCN is a company with limited liability incorporated in England and Wales which was incorporated on 7 October 2011.

The Company is established as a nominee company pursuant to the Companies Act 2006.

Structure

The ultimate parent of the Company is Castle Trust Capital plc ("CTC"). The Company is owned 100% by Castle Trust Capital Management Limited ("CTCM"). The Company owns 1 ordinary share of its fellow subsidiary undertaking, Castle Trust Income Housa plc ("CTIH"), which issued Loan Notes ("Notes") on the Channel Islands Stock Exchange (from March 2017 known as The International Stock Exchange) with 3 term durations (3, 5 and 10 years) until 31 July 2014. CTIH no longer issues Loan Notes and its business is in run-off. The assets, liabilities and results of the Company are included in the consolidated group financial statements of CTC, therefore it does not prepare its own consolidated financial statements.

Business review

The Company is not engaged in trading activities and has been dormant as defined in section 1169 of the Companies Act 2006 throughout the year. The directors do not recommend the payment of a dividend for the period (2017: £nil).

The principal source of funding for the Castle Trust Group, for the purposes of lending, is derived from the offer of Fortress Bonds by Castle Trust Direct plc ("CTD"). In previous periods, the Growth and Foundation Housas were issued which were preference shares issued by Castle Trust PCC for retail investors. Additionally, the Income Housas were also issued which were loan notes issued by CTIH. Income Housas were not available since 31 July 2014 and Growth and Foundation Housas were not available since October 2015.

In respect of the Bonds, these were issued to the Company as nominee for CTC as the registered holder under a Trust Deed. CTC borrowed the subscription amount from CTD, leaving such amount outstanding on the intercompany account. CTC sold such Bonds to investors and used the proceeds to discharge the intercompany debt.

In respect of the Shares, these were issued nil-paid to the Company as nominee for CTC and CTC sold such shares to investors and used the proceeds to pay up such shares. Shares are no longer available for new investment.

In respect of the Notes, these were issued to the Company as nominee for CTC as the registered noteholder under a deed of covenant which constitutes the Notes (the "Deed of Covenant") and CTC borrowed the subscription amount from CTIH, leaving such amount outstanding on the intercompany account. CTC sold such Notes to investors and used the proceeds to discharge the intercompany debt. Notes are no longer available for new investment.

As at 31 October 2018 the Company held 186,635,517 Bonds and nil Shares (2017: 514,479,548 Bonds and nil Shares) in Castle Trust Capital plc's name.

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 application.

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.

Future developments

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

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. In the event of the Company's activities being discontinued, the directors anticipate an orderly wind down on the basis that the maturity profile of the Company's financial assets and liabilities is matched. However, the Company's directors do not anticipate this will occur in the next twelve months and have assessed that the Company will be able to meet its liabilities and therefore continue in business for the foreseeable future as described below.

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 and transactions with other entities in the Group. The viability of the Company is dependent upon the funding model of the entire Group. The Company receives 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.

- 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 and the financial support of £32.0 million committed by the parent to assist the Group in meeting its liabilities as and when they fall due in the next 12 months and also to ensure the Group has adequate regulatory capital for meeting growth targets. The directors were satisfied with the ability of the Group's parent to provide this capital injection.

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. 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.

Strategic report exemption

The Company has taken advantage of the exemption for small companies under Section 414B of the Companies Act 2006 from preparing a strategic report for the period ended 31 October 2018.

Principal risks and uncertainties

As the Company is dormant, the directors believe that it currently faces no risks or uncertainties.

Directors

The directors of the company are shown on page 2.

Audit exemption

For the period since inception the company was entitled to exemption from audit under section 480 of the Companies Act 2006 relating to dormant companies.

Signed on behalf of the Board by:

Andrew Macdonald
Company Secretary

3 April 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 period.

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 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.

Statement of financial position

as at 31 October 2018

Registered No.7801931

Assets	Notes	2018 £	2017 £
Investment in subsidiaries	4	1	1
Receivables: amounts due from parent	4	1	1
Total assets		**2**	2
Equity			
Ordinary share capital	3	1	1
Total equity		**1**	1
Liabilities			
Payables: amounts due to subsidiary undertakings	4	1	1
Total liabilities		**1**	1
Total equity and liabilities		**2**	2

For the year ended 31 October 2018 the Company was entitled to exemption under section 480 of the Companies Act 2006 ("the Act") relating to dormant companies.

The members have not required the Company to obtain an audit of its accounts for the year in question in accordance with section 476 of the Act.

The directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of accounts.

The financial statements of Castle Trust Capital Nominees Limited (registered number 7801931) were approved and authorised for issue by the directors on 21 March 2019 and signed on behalf of the Board by:

Martin Bischoff
Chief Executive Officer

3 April 2019

The accompanying notes on pages 9 to 11 form an integral part of these financial statements.

Statement of changes in equity

for the year ended 31 October 2018

	Ordinary share capital £
Balance as at 31 October 2017 and 2018	1

The accompanying notes on pages 9 to 11 form an integral part of these financial statements.

1. Corporate information

Castle Trust Capital Nominees Limited (the "Company") is incorporated and domiciled in the United Kingdom. These financial statements for the year ended 31 October 2018 were authorised for issue in accordance with a resolution of the directors on 21 March 2019.

2. Accounting policies

Basis of presentation

The Company's statutory financial statements for the year ended 31 October 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 uncertainties 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.

Cash flow statement

The Company does not have a bank account and therefore no cash or cash equivalents balances are recorded. As a result the company is not required to prepare a cash flow statement.

Statement of comprehensive income

There was no movement in the statement of comprehensive income in the current period and therefore a statement of comprehensive income has not been included.

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.

The only financial assets within the Company are intercompany in nature and there are unlikely to be any material expected losses arising. As the requirements under IFRS 9 require different scenarios, theoretically one of those scenarios will result in a loss, no matter how small. However, based on materiality no impairment charge is expected to be recorded.

Critical accounting estimates and judgements

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. There are no areas which involve a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements.

Consolidated financial statements

The assets and liabilities of the Company are included in the consolidated group financial statements prepared by its parent undertaking Castle Trust Capital plc, a public limited company incorporated in England and Wales, as at 30 September each year, therefore the Company has taken advantage of the exemption under section 400 of the Companies Act 2006 to not prepare consolidated accounts of its own.

Investments in subsidiaries

Investments in subsidiaries are measured at cost on initial recognition and are reviewed for impairment on an annual basis where there are indicators of impairment.

Impairment of non-financial assets

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

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

3. Share capital

	2018	2017
	£	£
Ordinary share capital		
1 ordinary share of £1	**1**	1

4. Related party transactions

The Company did not have any transactions with other group companies or other related parties during the period other than the amount of £1 due from its parent company, Castle Trust Capital Management Limited. The Company owns £1 ordinary share in Castle Trust Income Housa plc.

5. Directors' remuneration

The directors are employed by another Group (Castle Trust Capital plc and consolidated entities) company. The directors received no remuneration in respect of their services to the Company.

6. Financial instruments

The Company is non-trading and the credit risk regarding the receivable is not considered significant. The amortised cost of each is £1 and this approximates their fair value and is due on demand. The Company has no investing activities and does not have any significant financial instruments and is therefore not exposed to any types of risk that are usually associated with financial instruments and markets.

7. Ultimate controlling party

The Company's immediate parent undertaking is Castle Trust Capital Management Limited which is incorporated in England and Wales. 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 CTC Group. The address from which those financial statements may be obtained is 10 Norwich Street, London, EC4A 1BD, United Kingdom.