CPB Residential Finance Limited
Financial statements for the year ended 30 September 2019 together with Directors' Report and Independent Auditor's Report

Registered Number: 08516609

CPB Residential Finance Limited

Company information for the year ended 30 September 2019

Company registration number:	08516609
Registered office:	3rd Floor 9 Berkeley Street London W1J 8DW
Directors:	Iorweth Antcliff Sally Margaret Doyle-Linden Sigvard Oscar Henrik von Reis Andrew John Blenkinsop (alternate to Iorweth Antcliff) William Nicholson (alternate to Sigvard Oscar von Reis)
Bankers:	Royal Bank of Scotland Drummond House 1 Redheughs Avenue Edinburgh EH12 9JN
Auditors:	Grant Thornton UK LLP 30 Finsbury Square London EC2A 1AG

CPB Residential Finance Limited

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Strategic Report for the year ended 30 September 2019

Principal activity
The principal activity of CPB Residential Finance Limited (the 'company') during the year was undertaking the issuing of fixed rate loan finance to borrowers within the property development industry. The loans are funded by the issue of unsubordinated unsecured variable rate limited recourse loan notes, which are listed on the International Stock Exchange. The company's profits are derived from the difference in interest rates paid on loan notes and interest rates received on loans (the 'spread). The spread is the same for each loan but the interest rates may differ based on the risk profile of the borrower.

The company is the principal in issuing the loans; however, the company does not actively manage the financial instruments. Management of the loans is undertaken by CPBM Finance Limited, and CPBM Finance Limited bears the credit risk for any bad debts.

Post year end the company collected final payment of all outstanding loans. The company is therefore no longer currently trading. The directors have yet to formally determine plans for the company going forwards.

The company was incorporated in the United Kingdom on 3 May 2013 as a wholly owned indirect subsidiary of CPBM Finance Limited.

Business review and key performance indicators
As at 30 September 2019 total outstanding net loans to developers were approximately £4m before impairment (2018: £41m). Loan volumes for the year were broadly in line with the company's business plan.

The company's key performance indicators for the year are as follows:

	2019 £'000	2018 £'000
Turnover	2,277	15,737
Total comprehensive income	10	20
Total comprehensive income as a percentage of turnover (%)	0.44	0.13
Net loan balance outstanding after impairment (see note 5)	924	39,908

The company carried out an impairment review of the residential loans at 30 September 2019. The directors assessed the recoverability of loans and made an impairment provision of £2.1m (2018: £0.9m) against outstanding residential loans. The impairment is included within the residential loan balance above.

The credit risk of unpaid residential loans is borne by the immediate parent company.

Principal risks and uncertainties

Financial risk management objectives and policies

'Brexit' risk
The current uncertainty surrounding Britain's future relationship with the EU means that there is a greater chance of sudden or unexpected changes in some of the company's risk factors, particularly loan volumes and interest rates. The company is closely monitoring political developments.

Principal risks and uncertainties (continued)

Financial risk management objectives and policies (continued)

'Covid-19' risk
The directors do not consider than Covid-19 will materially impact the company given that there are no outstanding loan receivables at the date of signing the financial statements, and the company has positive net assets.

Interest rate risk
A material rise in UK market interest rates could have a negative impact on the value of UK real estate and may reduce the appetite of real estate developers to take on debt financing for projects. If this led to a reduction in loan volumes then the company's income would be adversely affected. The company closely monitors market expectations of future interest rates. The company does not plan to issue new loans in the future and therefore this risk is reduced.

Foreign exchange risk
The company's loans and funding are denominated in sterling therefore the company does not bear any direct foreign exchange risk.

Liquidity risk
The company is financed by its immediate parent company. To the extent that the immediate parent becomes unable to provide finance the activities of the company could be adversely affected.

Credit risk
The nature of the company's funding is such that the credit risk is not borne by the company but by its immediate parent.

Loan volume risk
The company's income is based on the volume of loans outstanding over time. If the volume of loans were to fall significantly then the company's income would be adversely affected.

Future developments

The company does not intend to issue any new loans in the future. The directors are in the process of formally determining future plans for the entity.

This report was approved by the Board and signed on its behalf.

Iorweth Antcliff
Director

Date: 4 MAY 2020

CPB Residential Finance Limited

Directors' Report

The directors present their annual report on the affairs of the company, together with the financial statements and Auditor's report, for the year ended 30 September 2019 (the 'year').

Results
The profit attributable to shareholders was £10,155 (2018: £19,614). No dividends have been proposed or paid in respect of the year under review (2018: £nil).

Directors
The directors of the company who served during the year and through to the date of this report are:

Iorweth Antcliff
Sally Margaret Doyle-Linden
Sigvard Oscar Henrik von Reis
Andrew John Blenkinsop (alternate to Iorweth Antcliff)
William Nicholson (alternate to Sigvard Oscar von Reis)

Directors' Responsibilities Statement
The directors are responsible for preparing the Strategic Report and 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law, including FRS 102 – 'The Financial Reporting Standard applicable in the United Kingdom 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 and profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, 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 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' Report (continued)

Disclosure of information to the Auditor
The Directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the company's Auditor is unaware; and
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Financial risk management
Information regarding financial risk management has been included within the Strategic Report, and includes financial risk management objectives and policies including interest rate risk, foreign exchange risk, liquidity risk and credit risk.

Going concern
The directors have reviewed and given consideration to the terms and recoverability of the loans receivable along with the terms of the loan notes payable. The directors have reviewed cash flow forecasts and the annual business plan and taken into consideration the current underlying and forecast market conditions in the UK property market.

The directors have assessed the impact associated with Covid-19 and have concluded that this does not represent a material additional risk to the company given that all outstanding loans have been collected, and the positive net assets that will enable settlement of all outstanding liabilities.

The company has made a profit in the current year of £10,155 (2018: £19,614) and is currently in a net asset position. After making enquiries, the directors have a reasonable expectation that the company has adequate resources, by way of support from its parent companies, to continue in operational existence for at least twelve months from the approval of the financial statements. Accordingly, they have adopted the going concern basis in preparing the financial statements.

Share Capital
The company was incorporated with £1 ordinary share capital on 3 May 2013. The company's sole shareholder is CPBM Midco 2 (Jersey) Limited.

Auditors
The auditor, Grant Thornton UK LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

The directors requested that Philip Westerman be permitted to serve for a 6th year as audit partner to maintain the quality of the audit engagement as there will be/has been a substantial change in the nature and structure of our business and operations in May 2020, including that the final loan has been repaid and the trading of the entity has been wound down. This request has been agreed by Grant Thornton UK LLP as a permitted reason under the FRC Ethical Standard

On behalf of the Board

Iorweth Antcliff
Director

Date: 4 MAY 2020

CPB Residential Finance Limited

Independent Auditor's Report to the members of CPB Residential Finance Limited

Opinion

Our opinion on the financial statements is unmodified

We have audited the financial statements of CPB Residential Finance Limited (the 'company') for the year ended 30 September 2019, which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and 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 30 September 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 as applied to listed entities, 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.

The impact of macro-economic uncertainties on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the directors and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance. Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company associated with these particular events.

Independent Auditor's Report to the members of CPB Residential Finance Limited (continued)

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.

In our evaluation of the directors' conclusions, we considered the risks associated with the company's business, including effects arising from macro-economic uncertainties such as Covid-19 and Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.
However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

GrantThornton

Overview of our audit approach

- Overall materiality: £110,086, which represents 2% of the company's total assets at the planning stage of the audit;
- The key audit matter was identified as the recoverability of residential loans;
- We performed a full scope audit on the financial statements of the company.

Independent Auditor's Report to the members of CPB Residential Finance Limited (continued)

Key audit matters
Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those that had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How the matter was addressed in the audit
Recoverability of bridging loans	
The company provides loans to property developers and determining the recoverability of these residential loans requires significant judgement. We therefore identified the recoverability of residential loans as a significant risk, which was the most significant assessed risk of material misstatement.	Our audit work included, but was not restricted to: • Recalculating the loan to value ratio, with reference to valuations obtained on inception of the loan, to ensure that the limits per the loan agreements had not been breached • Agreeing post year end cash receipts to bank statements; and confirming that these had been received in line with forecasted repayments • Obtaining management's assessment of the recoverability of loans and agreeing management's calculation of any specific *impairment provisions to supporting* evidence. The company's accounting policy on the impairment of residential loans is shown in note 1d to the financial statements and related disclosures are included in note 5. . **Key observations** Based on our audit work we found no inconsistencies between the calculation of the estimated impairment and the supporting documents, and no material misstatements were identified, as disclosed in note 5. We have not identified any other matters in relation to the recovery of residential loan balances.

Independent Auditor's Report to the members of CPB Residential Finance Limited (continued)

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality in determining the nature, timing and extent of our work and in evaluating the results of that work.
We determined materiality for the audit of the financial statements as a whole to be £110,000, which is 2% of the company's total assets, at the planning stage of the audit. This benchmark is considered the most appropriate because the purpose of the entity is to secure and issue loans. Materiality for the current year is lower than the level that we determined for the year ended 30 September 2018 to reflect the reduced value of total assets held on the balance sheet.
We use a different level of materiality, performance materiality, to drive the extent of our testing and this was set at 75% of financial statement materiality.
We determined the threshold at which we will communicate misstatements to the directors and management to be £5,500. In addition we will communicate misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

An overview of the scope of our audit

Our audit approach was a risk-based approach founded on a thorough understanding of the company's business, its environment and risk profile and in particular included:

- confirming our understanding of the activity of the company as relating to the issue of loan finance to borrowers within the property development industry; and
- undertaking substantive testing on significant transactions, balances and disclosures, the extent of which was based on various factors such as our overall assessment of the control environment and the management of specific risks.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, 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 of 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.

CPB Residential Finance Limited

Independent Auditor's Report to the members of CPB Residential Finance Limited (continued)

Our opinion on other matters prescribed by the Companies Act 2006 is unmodified
In our opinion, based on the work undertaken in the course of the audit:

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

Matter on which we are required to report under the Companies Act 2006

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

Matters on which we are required to report by exception

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 for the financial statements

As explained more fully in the directors' responsibilities statement 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: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Independent Auditor's Report to the members of CPB Residential Finance Limited (continued)

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.

Grant Thornton UK LLP

Phillip Westerman
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London
4 May 2020

CPB Residential Finance Limited

Statement of Comprehensive Income for the year ended 30 September 2019

	Note	2019 £'000	2018 £'000
Turnover	1(b)	2,277	15,737
Other income	1(d) / 5	2,142	904
Administrative expenses		(95)	(400)
Loan note interest payable	1(e)	(1,761)	(12,206)
Loan note arrangement fees	1(f)	(408)	(3,107)
Residential loan impairment expense	1(d) / 5	(2,142)	(904)
Operating profit		**13**	**24**
Profit on ordinary activities before taxation	3	**13**	**24**
Tax on profit on ordinary activities	4	(3)	(4)
Profit for the financial year		**10**	**20**
Other comprehensive income		-	-
Total comprehensive income		**10**	**20**
Profit for the financial year attributable to:			
Owners of the company		10	20
		10	20
Total comprehensive income for the financial year attributable to:			
Owners of the company		10	20
		10	20

All of the company's operations are classified as continuing.

There were no gains and losses for the year other than that disclosed in the above Statement of Comprehensive Income.

The notes included on pages 15 – 23 are an integral part of these financial statements.

CPB Residential Finance Limited

Statement of Financial Position as at 30 September 2019

	Note	2019 £'000	2018 £'000
Current assets			
Debtors	5	4,597	43,954
Cash at bank and in hand		907	1,598
Total assets		5,504	45,552
Creditors: amounts falling due within one year	6	(5,428)	(3,088)
Net current assets		76	42,464
Total assets less current liabilities		76	42,464
Creditors: amounts falling due after more than one year	7	-	(42,398)
Net assets		**76**	**66**
Capital and reserves			
Called up share capital	8	-	-
Profit and loss account	9	76	66
Shareholders' funds		**76**	**66**

The financial statements were approved by the Board of Directors on 30 April 2020.

Signed on behalf of the Board of Directors.

Iorweth Antcliff
Director

Date: 4 MAY 2020

The notes included on pages 15 – 23 are an integral part of these financial statements.

Company Number 08516609

CPB Residential Finance Limited

Statement of Changes in Equity for the year ended 30 September 2019

	Called-Up Share Capital £'000	Profit and loss account £'000	Total £'000
At 1 October 2017	-	46	46
Total comprehensive income for the financial year	-	20	20
At 30 September 2018	**-**	**66**	**66**
At 1 October 2018	-	66	66
Total comprehensive income for the financial year	-	10	10
At 30 September 2019	**-**	**76**	**76**

The notes included on pages 15 – 23 are an integral part of these financial statements.

CPB Residential Finance Limited

Statement of Cash Flows
for the year ended 30 September 2019

	Note	2019 £'000	2018 £'000
Net cash flows from operating activities	10	**40,638**	**121,959**
Cash flows from financing activities			
Loan notes received		2,255	25,592
Loan notes repaid		(39,835)	(157,233)
Loan note interest repaid		(3,749)	(24,756)
Net cash flows from financing activities		**(41,329)**	**(156,397)**
Net decrease in cash and cash equivalents		**(691)**	**(34,438)**
Cash and cash equivalents at beginning of year		**1,598**	**36,036**
Cash and cash equivalents at end of year		**907**	**1,598**
Reconciliation to cash at bank and in hand:			
Cash at bank and in hand		**907**	**1,598**
Cash and cash equivalents		**907**	**1,598**

The notes included on pages 15 – 23 are an integral part of these financial statements.

CPB Residential Finance Limited

Notes to the financial statements
Year ended 30 September 2019

1 Accounting policies

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

(a) Basis of preparation

The address of the registered office is 3rd Floor, 9 Berkeley Street, London, W1J 8DW.

CPB Residential Finance Limited is a private company limited by shares and was incorporated in the United Kingdom on 3 May 2013.

These financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 – 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ('FRS 102'), and with the Companies Act 2006. The financial statements have been prepared on the historical cost basis.

The financial statements are presented in Sterling (£).

The financial statements have been prepared on the going concern basis as set out in the going concern section in the Directors' Report.

(b) Turnover

Residential loan interest

Interest income from residential loans is recognised within comprehensive income on an accruals basis using the effective interest rate until the loans are repaid. Forecast interest payments over the life of the loan are used in calculating the effective interest rate. Where a loan is repaid earlier than forecast and the minimum interest payable exceeds that recognised at the point of repayment, the additional gain is recognised at the point of repayment.

Interest income from residential loans is calculated daily on the outstanding amount of the loans and compounded monthly.

Arrangement fees

Arrangement fees are charged on certain loans. These fees are capitalised and the arrangement fee income is recognised within comprehensive income over the terms of the relevant loans.

(c) Expenses

All expenses are recognised on an accruals basis and recognised within comprehensive income.

(d) Residential loans

Residential development loans are classified as due in less than one year in debtors as the loans are repayable on demand. Loans are stated at cost less provision for any impairment in value. Impairment reviews are carried out on a quarterly basis taking into consideration security value, level and timing of future development costs, financial position of borrower and any other information considered relevant to the carrying value of the loans. Impairments are recognised within comprehensive income.

1 Accounting policies (continued)

(d) Residential loans (continued)
Arrangement fees are capitalised within bridging loan principal. The arrangement fee income is recognised within comprehensive income over the terms of the relevant loans.

(e) Interest payable on loan notes
Interest payable on loan notes is calculated on the principal amount of the notes (and on compounded accrued and unpaid interest). Interest expense is recognised within comprehensive income on an accruals basis until the notes are repaid.

(f) Arrangement fee expense
Arrangement fees are charged on certain loan notes. These fees are capitalised and the arrangement fee expense is recognised within comprehensive income over the terms of the relevant underlying loans.

(g) Debtors
Short term debtors are measured at transaction price, less any impairment.

(h) Creditors
Short term trade creditors are measured at the transaction price. Other financial liabilities, including parent company loans, are measured initially at fair value, net of transaction costs and are measured subsequently at amortised cost using the effective interest method.

(i) Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

(i) Financial assets and liabilities

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a finance transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the Statement of Financial Position when, and only when there exists a legally enforceable right to set off the recognised amounts and the Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Debt instruments which meet the following conditions are subsequently measured at amortised cost using the effective interest method:

1 Accounting policies (continued)

(i) Financial instruments (continued)

(i) Financial assets and liabilities (continued)

(a) Returns to the holder are (i) a fixed amount; or (ii) a fixed rate of return over the life of the instrument; or (iii) a variable return that, throughout the life of the instrument, is equal to a single referenced quoted or observable interest rate; or (iv) some combination of such fixed rate and variable rates, providing that both rates are positive.
(b) There is no contractual provision that could, by its terms, result in the holder losing the principal amount or any interest attributable to the current period or prior periods.
(c) Contractual provisions that permit the issuer to prepay a debt instrument or permit the holder to put it back to the issuer before maturity are not contingent on future events, other than to protect the holder against the credit deterioration of the issuer or a change in control of the issuer, or to protect the holder or issuer against changes in relevant taxation or law.
(d) There are no conditional returns or repayment provisions except for the variable rate return described in (a) and prepayment provisions described in (c).

Debt instruments that are classified as payable or receivable within one year and which meet the above conditions are measured at the undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

Other debt instruments not meeting these conditions are measured at fair value through profit or loss.

Commitments to make and receive loans which meet the conditions mentioned above are measured at cost (which may be nil) less impairment.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Company, despite having retained some significant risks and rewards of ownership, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

(ii) Equity instruments

Equity instruments issued by the Company are recorded at the fair value of cash or other resources received or receivable, net of direct issue costs.

2 Critical accounting judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, which are described in note 1, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The following are the critical judgements that the Directors have made in the process of applying the company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Residential loans

As described in note 1, residential loans are stated at cost less provision for any impairment in value and interest income from residential loans is recognised within comprehensive income on an accruals basis using the effective interest rate until the loans are repaid. Impairment reviews are carried out on a quarterly basis, but as impairments are based on estimates, the actual recoverable amount of any loan may differ from the estimate, and the difference could be significant.

3 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:

	2019 £'000	2018 £'000
Services provided by the company's auditor:		
- fees payable for the audit	17	20
- taxation compliance services	8	6
	25	26

No Director received remuneration in the year. The company has no employees.

4 Taxation

CPB Residential Finance Limited is subject to tax in the United Kingdom on its profits.

(a) Tax on profit on ordinary activities

	2019 £'000	2018 £'000
Income tax charge:		
- current taxation	3	4
	3	4

4 Taxation (continued)

(b) Factors affecting the tax for the year

The difference between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

	2019 £'000	2018 £'000
Profit on ordinary activities before tax	13	24
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19% (2018: 19%)	3	4
Tax charge for year	3	4

5 Debtors

	2019 £'000	2018 £'000
Residential loans	924	39,908
Residential loan interest receivable	59	2,130
Prepayments	2	8
Amounts due from Group undertakings	3,612	1,908
	4,597	43,954

The company carried out an impairment review of the residential loans at 30 September 2019. The directors assessed the recoverability of loans and made an impairment provision of £2.1m (2018: £0.9m) against outstanding residential loan principal. The impairment is included within the residential loan balance above.

Included within amounts due from Group undertakings is a provision for impaired residential loans totalling £3.0m (2018: £0.9m). The credit risk of unpaid residential loans is borne by the immediate parent company.

6 Creditors: amounts falling due within one year

	2019 £'000	2018 £'000
Trade creditors	8	4
Accruals	25	31
Corporation tax	2	11
Interest free loan from CPBM Finance limited	1,025	1,025
Loan note interest repayments payable to CPBM Midco 2 (Jersey) Limited	432	2,006
Short term loan payable to CPBM Midco 2 (Jersey) Limited	11	11
Loan notes payable to CPBM Midco 2 (Jersey) Limited	3,868	-
Interest payable on loan notes – to CPBM Midco 2 (Jersey) Limited	57	-
	5,428	3,088

The interest free loan received from CPBM Finance Limited is intended to be short term and repayable on demand.

At 30 September 2019 the company had £4m (2018: £40m) unsecured fixed rate limited recourse loan notes due in May 2020 in issue, listed on The International Stock Exchange. As at 30 September 2019, the average rate on the loan notes in issue was 16% (2018: 12%).

7 Creditors: amounts falling due after more than one year

	2019 £'000	2018 £'000
Loan notes payable to CPBM Midco 2 (Jersey) Limited	-	40,353
Interest payable on loan notes – to CPBM Midco 2 (Jersey) Limited	-	2,045
	-	42,398

8 Called-up share capital

	2019 £	2018 £
Issued		
1 ordinary share of £1 each	1	1
	1	1

The company was incorporated with issued share capital of 1 ordinary share of £1.

9 Reserves

Called-up share capital – represents the nominal value of shares that have been issued.

Profit and loss account – includes all current and prior period retained profits and losses.

10 Cash flow statement

Reconciliation of profit before taxation to cash generated by operations:	2019 £'000	2018 £'000
Profit before taxation	13	24
Adjustment for:		
Interest paid on loan notes	1,761	12,206
Bad debt provision on loan notes	(2,142)	(904)
Operating cash flow before movement in working capital	(368)	11,326
Decrease in debtors	41,020	111,105
Decrease in creditors	(2)	(467)
Cash generated by operations	40,650	121,964
Income taxes paid	(12)	(5)
Net cash flows from operating activities	**40,638**	**121,959**

11 Financial instruments

The Company's financial instruments may be analysed as follows:

	2019 £'000	2018 £'000
Financial assets		
Financial assets measured at fair value through profit or loss	-	-
Financial assets measured at amortised cost	5,504	45,552
Financial assets that are equity instruments measured at cost less impairment	-	-
	5,504	**45,552**

11 Financial instruments (continued)

	2019 £'000	2018 £'000
Financial liabilities		
Financial liabilities measured at fair value through profit or loss	-	-
Financial liabilities measured at amortised cost	5,403	45,521
Loan commitments measured at cost less impairment	-	-
	5,403	45,521

12 Parent company

The sole shareholder of CPB Residential Finance Limited is CPBM Midco 2 (Jersey) Limited which is wholly owned by CPBM Midco 1 (Jersey) Limited. The immediate parent company of CPBM Midco 1 (Jersey) Limited is CPBM Finance Limited, a company incorporated in Jersey.

13 Ultimate controlling party

The undertaking that is considered to be the controlling party of the company is Blackstone Tactical Opportunities Management Associates (Cayman) LP, a limited partnership registered in the Cayman Islands.

The largest and smallest group to prepare consolidated financial statements including this company is that headed by CPBM Finance Limited.

14 Related Party Transactions

The company has availed itself of the exemption under section 33.1A of Financial Reporting Standard 102 to remove the need to disclose transactions between wholly owned group members.

15 Post balance sheet events

All outstanding loan debtors and the matching loan note liabilities were repaid after the year end and before the financial statements were signed. The directors do not consider than Covid-19 has had a material impact on the company given that there are no outstanding loan receivables at the date of signing the financial statements, and the company has positive net assets.

16 Contingent liabilities

There were no contingent liabilities at 30 September 2019 or at 30 September 2018.

17 Risk review

Credit risk

Credit risk is not borne by the Company. All residential loans are secured on the underlying property. In addition the company has the benefit of a letter of support from its parent company. The support means the company will be protected in case of any unexpected credit risk.

Market risk

There is no foreign exchange risk as all residential loans are denominated in GBP. Interest rates are fixed for the duration of the loan terms and are therefore not subject to change as a result of market movements. A sensitivity analysis would not lead to a material change in the results as the interest rates are fixed. The company earns a fixed interest rate spread on each loan, as explained in the Strategic Report.

Liquidity risk

The majority of residential loans are repayable within one year. The repayment terms of residential loans and loan notes are matched so that loan notes will not fall due for repayment before the associated residential loan has been repaid.

Capital risk

The company's capital is provided solely by its parent company, CPBM Midco 2 (Jersey) Limited.

Policies for managing risk

The repayment terms of residential loans and loan notes are matched so that loan notes will not fall due for repayment before the associated residential loan has been repaid. All residential loans are secured against underlying property and there is support in place to ensure that the company does not bear any credit risk.