Towd Point Mortgage Funding 2017 – Auburn 11 plc

Annual Report and Financial Statements

Year Ended 31 December 2018

CONTENTS

DIRECTORS AND OTHER INFORMATION

Directors

D J Wynne
Wilmington Trust SP Services (London) Limited

Company Secretary and Registered Office

Wilmington Trust SP Services (London) Limited
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London
EC2R 7AF

Registered Number: 10539679

Bankers

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Financial Markets Team
Level 28
One Churchill Place
London
E14 5HP

Elavon Financial Services D.A.C., UK Branch
125 Old Broad Street
London
EC2N 1AR

Statutory Auditor

KPMG LLP
1 St Peter's Square
Manchester
M2 3AE

Solicitor

Linklaters LLP
One Silk Street
London
EC2Y 8HQ

STRATEGIC REPORT - continued

The Directors present their annual report and audited financial statements for the year ended 31 December 2018.

Principal activities, business review, results and future developments
The Company was established in 2016 as a special purpose entity to effect the securitisation of a tranche of mortgage assets from a related entity, Cerberus European Residential Holdings B.V. ("CERH"). The securitisation transaction occurred on 21 February 2017 and as part of the transaction, the Company purchased the beneficial interest in a mortgage portfolio originated by Capital Home Loans Limited ("CHL") secured by first charge over properties in the United Kingdom. The purchase of the mortgage portfolio from CERH was financed by the issuance of mortgage backed floating rate loan notes. These loan notes have a final maturity date in May 2045 and are listed on the Irish Stock Exchange. The loan notes have a step up date on 20 February 2020, at which point the interest payable will increase in line with the terms of the sale of the loan notes. There has been no significant change in this activity during the period. The Company had no employees during the current period.

In accordance with IFRS 9, where transfer of a financial asset does not qualify for derecognition, the transferee does not recognise this transferred asset as its asset. The transferee recognises the cash or other consideration paid and recognises a receivable from the transferor. In relation to the mortgage portfolios transferred to the Company, recognition is considered to be inappropriate as the seller has retained significant risks and rewards of ownership of that financial asset. The Company's Financial Statements are therefore prepared on the basis that the acquisitions of beneficial interests in mortgage portfolios are recognised as a collateralised loan to CERH.

During the year, the deemed loan asset and the liabilities under the notes decreased in line with the underlying mortgage portfolio they reflect.

The company has restated its prior year's balances in its Statement of Comprehensive Income, Statement of Financial Position and Statement of Cash flow. This was in relation to the opening value of the deemed loan from Seller asset and the Non-recourse funding liability, which was previously valued at nominal value (overstated) and has been restated at fair value. More information can be seen in the Note 1.

CHL continues in its role as legal title holder to the underlying mortgage assets and continues in its role as the mortgage loan servicer and cash manager on the securitisation transaction.

Details of the results for the period are set out in the statement of comprehensive income on page 13 and in the related notes.

Key performance indicators
Given the nature of the business, the Company's directors are of the opinion that an analysis using KPI's is not necessary for an understanding of the development, performance and position of the business.

Principal risks and uncertainties
In common with all businesses, the Company faces certain risks and uncertainties. As the Company operates in the financial services industry the majority of its key risks and uncertainties arise from its financial instruments and principally relate to mortgage arrears and associated liquidity and interest rate profile – these risks are discussed in more detail in note 16.

Credit risk reflects the risk that the underlying borrowers which collateralise the deemed loan will not able to meet their obligations on the loans as they fall due and will cause a financial loss by failing to discharge an obligation.

Interest rate risk exists when assets and liabilities attract interest rates set according to different bases or which are reset at different times. The Company assumes interest rate risk principally from its dealings with deemed loan. The Company minimises its exposure to interest rate risk by ensuring that the interest rate characteristics of its assets and liabilities are similar.

Operational risk is the potential for financial or reputational loss if key internal controls of the mortgage servicer were to fail. It includes loss from theft, error and systems breakdown. The mortgage servicer's compliance department and its key management are tasked with the monitoring and control of such risk on behalf of the

STRATEGIC REPORT - continued

Principal risks and uncertainties – continued

Company. A self-assessment process of risk mapping is conducted formally each year by management, and testing of key areas of these controls is performed periodically.

Liquidity risk is the risk that the Company will be unable to meet financial commitments arising from the cash flows generated by its business activities. This risk can arise from mismatches in the timing of cash flows relating to assets and liabilities, however the Company's principal liabilities, its loan notes, are structured specifically so as to mature broadly at the same time as the securitised assets are repaid.

Capital management

In accordance with the Company's special purpose nature, the Company's principal funding comes through its non-recourse debt, which is intended to be repaid fully from the mortgage assets on hand. Capital is considered by management to comprise share capital on hand and retained earnings, is considered to be sufficient for the particular nature of the Company's activities and is in line with the Company's governing documentation. There have been no changes to the Company's approach to capital management during the period.

Brexit

On 23 June 2016, the UK voted to exit the European Union ("EU"). The UK is scheduled to leave the EU on or before 31 October 2019, however with no exit deal currently reached; it is difficult to determine the financial impact on the Company at this stage. There is a risk of financial instability, for example a detrimental effect on the UK economy may ultimately impact the underlying borrowers' ability to repay the underlying mortgage loans. However, in the worst case scenario the Notes are a limited recourse obligation of the Company, therefore payment of them is dependent upon redemptions on the underlying mortgages loans.

Going concern

The Company has reported a profit before taxation for the current year and is in a net asset position as at 31 December 2018.

A call option exists over the loan notes which may be exercised at the sole discretion of the Issuer (with the approval of the Trustee) on any Interest Payment Date on or after the Call Option date of February 2020.

As at 31 December 2018, the Company holds £887,684k of deemed loan to originator, £12,229k of cash and £897,814k of loan notes payable. The directors are confident that the Company will continue to meet its liabilities as they fall due, however the notes are due to hit their first optional redemption date in February 2020, and at the date of signing these financial statements the directors believe it to be more likely than not that the Issuer will exercise its option such that the structure will be called and its assets will be refinanced to realise funds to repay the notes.

When the refinancing occurs, the notes will be paid off using the proceeds of the refinance and the Company will cease trading. As a result, the financial statements have been prepared on a basis other than going concern but no adjustment was required to the statement of financial position or statement of comprehensive income.

By order of the Board on 30 September 2019 and signed on behalf by

Ioannis Kyriakopoulos
Authorised Signatory

Ioannis Kyriakopoulos for and behalf of Wilmington Trust SP Services (London) Limited
Director

DIRECTORS' REPORT

The Directors present their annual report on the affairs of the Company, together with the financial statements and auditors' report, for the year ended 31 December 2018.

Dividends
No dividends have been paid or proposed for either of the 2018 or previous period.

Directors and secretary
The following Directors and Secretaries who held office during the period and up to the date of signing of these financial statements, except as stated below, were as follows:

Wilmington Trust SP Services (London) Limited	Director
D. J. Wynne	Director
Wilmington Trust SP Services (London) Limited	Company Secretary

Corporate governance statement
The Directors are responsible for establishing and maintaining adequate internal control and risk management systems of the Company in relation to the financial reporting process. Such systems are designed to manage rather than eliminate the risk of failure to achieve the Company's financial reporting objectives and can only provide reasonable and not absolute assurance against material misstatement or loss. The Board has established processes regarding internal control and risk management systems to ensure its effective oversight of the financial reporting process. These include appointing CHL, to maintain proper books and records of the Company, to prepare for review and approval by the Board the annual report including financial statements intended to give a true and fair view, to operate effective internal controls in relation to the financial reporting process and to report to the Board.

For further details, refer to the notes to the financial statements particularly note 16 on financial risk management.

Due to the nature of the securities which have been issued on the Irish Stock Exchange, the Directors are satisfied that there is no requirement to publish a corporate governance statement and that the Company is largely exempt from the requirements of the Irish Corporate Governance Annex and the provision of the UK Corporate Governance Code.

Political and charitable contributions
The Company made no political or charitable contributions during the year or previous period.

Employees
The Company does not have any employees. Primary and Special Servicing of the mortgage loan portfolio is carried out by CHL.

Disclosure of information to auditor
The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves 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 Section 418(2) of the Companies Act 2006.

Events occurring after balance sheet date
There have not been any reportable subsequent events between the balance sheet date and the date of signing this report that would meet the criteria to be disclosed or adjusted in the financial statements as at 31 December 2018 and for the year then ended.

DIRECTORS' REPORT - continued

Auditor
KPMG LLP has been reappointed as auditor of the Company and will continue in office in accordance with the UK Companies Act 2006.

Approval of financial statements
The board of Directors approved these financial statements on 30 September 2019.

On behalf of the board

Ioannis Kyriakopoulos
Authorised Signatory

Ioannis Kyriakopoulos for and on behalf of Wilmington Trust SP Services (London) Limited
Director
30 September 2019

DIRECTORS' RESPONSIBILITIES STATEMENT IN RESPECT OF THE STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

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 period. Under that law the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU as applied in accordance with the provisions of the Companies Act 2006.

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 the Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable IFRSs have been followed, subject to any material departures disclosed and explained in the financial statements; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so (as explained in policy note, the directors do not believe it is appropriate to prepare these financial statements on a going concern basis).

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMEBERS OF TOWD POINT MORTGAGE FUNDING 2017 – AUBURN 11 PLC

1 Our opinion is unmodified

We have audited the financial statements of Towd Point Mortgage Funding 2017 – Auburn 11 Plc ("the Company") for the year ended 31 December 2018 which comprise the statement of comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows, and the related notes, including the accounting policies.

In our opinion the financial statements:
- give a true and fair view of the state of Company's affairs as at 31 December 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to those charged with governance.

We were first appointed as auditor by the directors on 16 February 2017. The period of total uninterrupted engagement is for the two financial years ended 31 December 2018. We have fulfilled our ethical responsibilities under, and we remain independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

2 Other key audit matters: including our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the other key audit matters in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

Key audit matter	The risk	Our response
The impact of uncertainties due to the UK exiting the European Union on our audit	**Unprecedented levels of uncertainty** All audits assess and challenge the reasonableness of estimates, in particular as described in loan impairment below, and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements (see above). All of these depend on assessments of the future	We developed a standardised firm-wide approach to the consideration of the uncertainties arising from Brexit in planning and performing our audits. Our procedures included: - **Our Brexit knowledge:** We considered the directors' assessment of Brexit-related sources of risk for the Company's business and financial resources, compared with our own understanding of the risks. We considered the directors' plans to take action to mitigate the risks. - **Sensitivity analysis:** When addressing loan impairment and other areas that depend on

INDEPENDENT AUDITOR'S REPORT TO THE MEMEBERS OF TOWD POINT MORTGAGE FUNDING 2017 – AUBURN 11 PLC

	economic environment and the Company's future prospects and performance. Brexit is one of the most significant economic events for the UK and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown.	forecasts, we compared the directors' analysis to our assessment of the full range of reasonably possible scenarios resulting from Brexit uncertainty and, where forecast cash flows are required to be discounted, considered adjustments to discount rates for the level of remaining uncertainty. - **Assessing transparency:** As well as assessing individual disclosures as part of our procedures on loan impairment we considered all the Brexit related disclosures together, including those in the strategic report, comparing the overall picture against our understanding of the risks. **Our results** As reported under loan impairment, we found the resulting estimates and related disclosures of sensitivity and disclosures in relation to going concern to be acceptable. However, no audit should be expected to predict the unknown factors or all possible future implications for a Company and this is particularly the case in relation to Brexit.

INDEPENDENT AUDITOR'S REPORT TO THE MEMEBERS OF TOWD POINT MORTGAGE FUNDING 2017 – AUBURN 11 PLC

Loan impairment Impairment provision balance £2.44m (2017: £4.66m) Refer to page 22 (accounting policy) and note 4 (financial disclosures)	Subjective estimate The Company holds a deemed loan receivable from CERH ('the Seller') which is backed by a portfolio of unsecured loan assets to which the Company has acquired a beneficial interest. The deemed loan is collateralised on a portfolio of loans. The deemed loan is measured at amortised cost which is established by reference to the underlying portfolio of loans. The year-end carrying value of the deemed loan requires judgement in respect of the cash flows expected to be generated from the loan portfolio held by the Seller. A provision for impairment is made which represents the Company's best estimate of losses incurred and expected within the portfolio of loans at the balance sheet date, The impairment provision incorporates subjective judgements. In particular, judgement is required on the key assumptions of probability of default and loss given default. There is a risk that the provision is not reflective of the expected losses at the end of the period due to these subjective estimates. The effect of these matters is that, as part of our risk assessment, we determined that loan impairment provision has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole. The financial statements page 20 disclose the sensitivity estimated by the Company.	Our procedures included: **Methodology implementation:** We have assessed the methodology behind the calculation to ensure that it is compliant with IFRS 9 requirements. **Sensitivity:** We assessed the impairment model for its sensitivity to changes in the key assumptions of probability of default and loss given default by performing stress testing. **Test of detail:** We assessed the mathematical accuracy of the calculations contained within the impairment model, including the recalculation of formulas and agreement of underlying inputs and assumptions to source data. **Our results** We found the resulting estimate of the loan portfolio impairment provision to be acceptable (2017: acceptable)

INDEPENDENT AUDITOR'S REPORT TO THE MEMEBERS OF TOWD POINT MORTGAGE FUNDING 2017 – AUBURN 11 PLC

The structure and the contractual terms of the asset backed notes present a high risk to the accounting of interest income, interest expense, deemed loan and borrowings Interest income £27.9m (2017: £21.8m) Interest expense £24.4m (2017: 18.1m) Deemed loan from seller £887.7m (2017: £927.1m) Non-recourse funding £897.8 (2017: £937.6m)	**Securitisation structure** The company was set up by CERH with the sole purpose being to issue asset-backed notes as part of the securitisation of a pool of loans. As part of the securitisation structure the Company issues investment certificates collateralised by receivables from the charged assets to CERH. The complex structure can lead to a lack of understanding of transactions and the contractual terms of the various financial instruments, hence there is risk that interest income and principal balances receivable from loans (referred to as 'Deemed loan from seller'), interest expense and principal balances of asset backed notes payable to investors (referred to as 'Non-recourse funding') are not appropriately accounted and reported.	Our procedures included: **Inspection of documents:** We compared the underlying transaction flows and accounting against key legal and contractual documents and reports. These included: • The base prospectus and final terms of the Deemed loan from seller and Non-recourse funding which govern the operation of the Company and its transaction flows to understand the securitisation structure and accounting impact of the securitisation transaction. • All trustee reports and the minutes of board of directors meetings for the year to identify and investigate any unusual trends or incidents that would indicate a misstatement in the balances of the Deemed loan from seller, Non-recourse funding and associated interest income and interest expense. **Test of details:** We have recalculated interest income and interest expense arising from the Deemed loan from seller and Non-recourse funding respectively. **Our results:** We found the accounting and reporting of the Deemed Loan from seller, Non-recourse funding, interest income and interest expense to be acceptable (2017: please refer to prior year adjustments in note 1)

INDEPENDENT AUDITOR'S REPORT TO THE MEMEBERS OF TOWD POINT MORTGAGE FUNDING 2017 – AUBURN 11 PLC - continued

3 Our application of materiality and an overview of the scope of our audit

Materiality for the Company financial statements as a whole was set at £9 million (2017: £9.7 million), determined with reference to a benchmark of total assets, of which it represents 1% (2017: 1% of total assets).

We agreed to report to those charged with governance any corrected or uncorrected identified misstatements exceeding £0.45 million (2017: £0.49 million), in addition to other identified misstatements that warranted reporting on qualitative grounds.

4 Emphasis of matter – non-going concern basis of preparation

We draw attention to the disclosure made in policy note to the financial statements which explains that the financial statements are now not prepared on the going concern basis for the reason set out in that note. Our opinion is not modified in respect of this matter.

5 We have nothing to report on the other information in the Annual Report

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work, we have not identified material misstatements in the other information.

Strategic report and directors' report

Based solely on our work on the other information:
- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

6 We have nothing to report on the other matters on which we are required to report by exception

Under the Companies Act 2006, we are required 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.

We have nothing to report in these respects.

INDEPENDENT AUDITOR'S REPORT TO THE MEMEBERS OF TOWD POINT MORTGAGE FUNDING 2017 – AUBURN 11 PLC - continued

7 Respective responsibilities

Directors' responsibilities
As explained more fully in their statement set out on page 7 of the annual accounts, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities
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 other irregularities (see below), or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud, other irregularities or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

Irregularities – ability to detect
We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, and through discussion with the directors (as required by auditing standards), and from inspection of the Company's regulatory correspondence and discussed with the directors the policies and procedures regarding compliance with laws and regulations. We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company are subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: money laundering, sanctions list and financial crime and various requirements governing securitisation transactions, recognising the nature of the company's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. These limited procedures did not identify actual or suspected non-compliance.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery,

INDEPENDENT AUDITOR'S REPORT TO THE MEMEBERS OF TOWD POINT MORTGAGE FUNDING 2017 – AUBURN 11 PLC - continued

intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

8 The purpose of our audit work and to whom we owe our responsibilities
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.

A. Simpson

Alexander Simpson (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 St. Peters Square
Manchester
United Kingdom
M2 3AE

30 September 2019

STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2018

	Notes	2018 £'000	23 December 2016 to 31 December 2017 Restated (note 1) £'000
Interest income	2	27,866	21,839
Interest expense	3	(24,417)	(18,120)
Net interest income		**3,449**	**3,719**
Other operating expenses		(1,962)	(1,793)
Impairment (loss) on deemed loan	4	(2,117)	(4,714)
Loss before income tax	5	**(630)**	**(2,788)**
Income tax charge	6	-	(4)
Total comprehensive Loss for the period		**(630)**	**(2,792)**
Loss attributable to the owners of the Company		**(630)**	**(2,792)**

All amounts relate to continuing operations.

There were no other recognised items of income or expenditure during the current year and previous period and so a separate statement of other comprehensive income has not been presented.

The notes on pages on 26 to 41 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
As at 31 December 2018

	Notes	2018 £'000	2017 Restated (note 1) £'000
Assets			
Cash at bank	7	12,229	10,585
Deemed loan from seller	4	887,684	927,101
Other debtors	8	13	13
Prepayments and accrued income	9	22	9
Total assets		**899,948**	**937,708**
Liabilities			
Non-recourse funding	10	897,814	937,550
Current tax liability	11	-	4
Accruals and deferred income	12	2,113	1,787
Other creditors	13	1,084	1,146
Total liabilities		**901,011**	**940,487**
Equity			
Share capital	14	13	13
Retained earnings		(1,076)	(2,792)
Total equity attributable to equity holders of the Company		(1,063)	(2,779)
Total liabilities and equity		**899,948**	**937,708**

The financial statements on pages 15 to 41 were approved by the Board of Directors on 30 September 2019 and were signed on its behalf by:

Ioannis Kyriakopoulos
Authorised Signatory

Ioannis Kyriakopoulos for and behalf of Wilmington Trust SP Services (London) Limited
Director

Registered Company Number: 10539679

STATEMENT OF CHANGES IN EQUITY
Year Ended 31 December 2018

31 December 2018

	Share capital £'000	Retained earnings £'000	Total equity £'000
Balance at 31 December 2017 (restated) (note 1)	13	(2,792)	(2,779)
Adjustment on initial application of IFRS 9, net of tax	-	2,346	2,346
Total comprehensive loss for the year	-	(630)	(630)
Balance at 31 December 2018	13	(1,076)	(1,063)

31 December 2017 Restated (note 1)

	Share Capital £'000	Retained Earnings £'000	Total Equity £'000
Balance at the date of incorporation	-	-	-
Issuance of share capital	13	-	13
Total comprehensive loss for the period (restated) (note 1)	-	(2,792)	(2,792)
Balance at 31 December 2017	13	(2,792)	(2,779)

STATEMENT OF CASHFLOWS
Year Ended 31 December 2018

	2018	23 December 2016 to 31 December 2017 Restated
	£'000	£'000
Cash flows from operating activities		
Loss before taxation for period	(630)	(2,788)
Adjustments for		
Accretion of discounted loan notes	11,103	8,892
Amortisation of fair value on deemed loan	(10,369)	(9,521)
(Increase)/decrease in assets		
Cash received on deemed loan from seller	52,134	(935,993)
Other debtors	-	(13)
Prepayments and accrued income	(13)	(9)
Increase/(decrease) in liabilities		
Accruals and deferred income	324	1,789
Net corporation tax paid	(4)	-
Other creditors	(62)	1,146
Net cash flows arising from operating activities	52,483	(936,498)
Cash flows from financing activities		
Issuance of share capital	-	13
Issuance of loan notes	-	968,562
Repayment of loan notes	(50,839)	(21,492)
Net cash flows arising from financing activities	(50,839)	947,083
Net movement in cash and cash equivalents	1,644	10,585
Cash and cash equivalents at 31 December 2017	10,585	-
Cash and cash equivalents at 31 December 2018	12,229	10,585

ACCOUNTING POLICIES - continued

Statement of compliance

The statutory financial statements set out herein have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU. The standards adopted by the Company are those that are effective and adopted by the European Union as of the date of the Company's statement of financial position.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Basis of preparation

The Company was incorporated in the United Kingdom. Its principal activities are outlined in the Strategic Report.

The financial statements have been prepared on a basis other than going concern, under the historical cost convention as modified by the financial assets and liabilities measured at fair value through profit or loss, and in accordance with the Companies Act 2006. The accounting policies that the Company has applied in the preparation of the financial statements for the year ended 31 December 2018 have been set out below.

The preparation of financial statements in conformity with IFRS as adopted by the EU requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances and are reflected in the judgements made about the carrying amounts of assets and liabilities. Actual results may differ from the estimates made. The estimates and assumptions are reviewed on an ongoing basis and where necessary are revised to reflect current conditions. The principal estimates and assumptions made by management relate to loans and advances impairment provisions including security valuations and interest rate assumptions. Judgements made by management that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 16.

Going concern

A call option exists over the loan notes which may be exercised at the sole discretion of the Issuer (with the approval of the Trustee) on any Interest Payment Date on or after the Call Option date of February 2020. The threshold has not been satisfied.

As at 31 December 2018, the Company holds £887,684k of deemed loan to originator, £12,229k of cash and £897,814k of loan notes payable. The directors are confident that the Company will continue to meet its liabilities as they fall due, however the notes are due to hit their first optional redemption date in February 2020, and at the date of signing these financial statements the directors believe it to be more likely than not that the Issuer will exercise its option such that the structure will be called and its assets will be refinanced to realise funds to repay the notes.

When the refinancing occurs, the notes will be paid off using the proceeds of the refinance and the Company will cease trading. As a result, the financial statements have been prepared on a basis other than going concern but no adjustment was required to the statement of financial position or statement of comprehensive income.

ACCOUNTING POLICIES - continued

Financial Instruments
Financial assets and financial liabilities are recognised in the statement of financial position when the Company becomes a party to the contractual provisions of the instrument and are de-recognised on the date it ceases to be party, or it transfers the rights to receive the contractual cash flows from the financial asset in a transaction such that substantially all the risks and rewards of ownership of the financial asset are transferred.

The Company's financial instruments comprise Deemed Loan from seller, Non-Recourse Funding, cash and liquid resources and various receivables and payables.

These financial instruments are classified as described below:

1. Deemed Loan from seller

The Seller failed the derecognition criteria of IFRS 9 or IAS 39 in previous years when it sold the legal ownership of the Loans to the Company as the significant risks and rewards of the loans were not transferred to the Company. Therefore, these loans remain on the Statement of financial position of the Seller. As such, the beneficial interest in the underlying portfolio is shown as a deemed loan in the financial statements. It is initially recognised at fair value and subsequently measured at amortised cost.

Purchases and sales of the deemed loan are recognised on trade date - the date on which the Company commits to purchase or sell the assets. They are initially recognised at cost and subsequently measured at amortised cost. They are derecognised when the right to recover cash flows from the investments have expired or the Company has transferred substantially all the risks and rewards of ownership.

The Company recognises principal and Interest cash flows from the underlying pool of Loans only to the extent that it is entitled to retain such cash flows. Cash flows attributable to the Seller are not recognised by the Company. The deemed loan to the Seller is regularly assessed for impairment, based primarily on the performance of the underlying receivables.

2. Loan Notes

All Notes are initially recognised at the fair value of the consideration received less directly attributable costs. After initial recognition, loans and borrowings are measured at amortised cost using the effective interest method.

3. Cash and cash equivalents

Cash and cash equivalents comprise of cash in hand and on demand deposits.

4. Impairment of financial assets

Financial assets – Policy applicable after 1 January 2018
At initial recognition, allowance is made for expected credit losses resulting from default events that are possible within the next 12 months (12 - month expected credit losses). In the event of a significant increase in credit risk since origination, allowance (or provision) is made for expected credit losses resulting from all possible default events over the expected life of the financial instrument (lifetime expected losses).

Financial assets where 12-month expected credit losses are recognised are considered to be Stage 1; financial assets which are considered to have experienced a significant increase in credit risk since initial recognition are in Stage 2; and financial assets which have defaulted or are otherwise considered to be credit impaired are allocated to Stage 3.

All securitisation programmes incorporate credit enhancement in the form of excess spread and various reserve funds for use in the event the excess spread for a particular payment period is insufficient.

The key assumption input in the Company's impairment calculation are loss given default (LGD) percentage. If the LGD percentage was to change by 10% either way, these would increase/decrease impairment provision by £0.5m/(£0.5m).

ACCOUNTING POLICIES - continued

Financial Instruments - continued

1. Impairment of financial assets

Financial assets – Policy applicable before 1 January 2018
The loan is impaired only if there is objective evidence that the result of one or more events that have occurred after the initial recognition of the asset have had an impact on the estimated future cash flows of the underlying mortgage loan. The impairment is calculated by comparing the present value of the cash flows discounted at the effective interest rate applicable to the asset (after taking into account security held) with the carrying value in the statement of financial position.

Write-offs are charged against previously established provisions for impairment or directly to the statement of comprehensive income.

Determination of fair value of financial instruments
The Company measures financial instruments, at fair value on initial recognition.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability which is accessible to the Company.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy based on the lowest level input that is significant to the fair value measurement as a whole described as follows:

Level 1 – Quoted market prices in active markets for identical assets or liabilities

Level 2 – Valuation techniques such as discounted cash flow method, comparison which similar instruments for which market observable prices exist, options pricing models, credit models and other relevant valuation models for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting year. The Company recognises transfers between levels of the fair value hierarchy as of the end of the reporting year during which the change has occurred.

An analysis of the fair values of financial instruments and further details as to how they are measured are provided in note 15.

Segment reporting
A segment is a distinguishable component of the Company which is segregated based on data that the chief operating decision makers receive and use to make key decisions and which is subject to risks and rewards that are different from those of other segments.

ACCOUNTING POLICIES - continued

Foreign currencies

The financial statements are presented in Pounds Sterling, which is the Company's functional currency. Except where otherwise indicated financial information presented in pounds sterling has been rounded to the nearest thousand ('000').

Foreign currency transactions are translated into Pounds Sterling at the exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currency are translated to pounds sterling at the exchange rates prevailing at the balance sheet date. Exchange movements on these are recognised in the statement of comprehensive income.

Income tax expense

Income tax expense comprises both current and deferred tax. Income tax is recognised in the statement of comprehensive income except to the extent it relates to an item which is recognised directly in equity, in which case it is recognised directly in equity. As explained in note 5, income tax expense is calculated by reference to the profit of the Company which is retained in accordance with the priority of payments as defined in the terms and conditions of the loan notes. Current tax payable is provided on taxable profits at current taxation rates enacted or substantively enacted at the period end. Deferred tax is provided using the balance sheet liability method on all temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes, without discounting. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets are recognised when it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax liabilities and assets are offset only where there is both the legal right and the intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Dividends

Final dividends on ordinary shares are recognised in the period in which they are approved by the Company's shareholder. Interim dividends are recognised in the period in which they are paid.

Financial liabilities

Financial liabilities include debt securities issued and bank loans and overdrafts. Financial liabilities are initially recorded at fair value and then subsequently measured at amortised cost calculated on an effective interest basis.

Interest income and expense

Interest income and expenses are recognised in the statement of comprehensive income using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. The calculation of the effective interest rate includes all fees and points paid or received, transaction costs and discounts or premiums that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition or issuance of a financial asset or liability.

Deferred consideration

Under the terms of an agreement between the Company and a related undertaking, the Company has a liability for future deferred consideration which is contingent on the occurrence of certain future events, principally the realisation of excess income by the Company. This instrument is treated as a financial liability initially recognized at fair value and subsequently carried at amortised cost.

ACCOUNTING POLICIES - continued

New reporting standards not yet adopted
This note explains the impact of the adoption of IFRS 9 Financial Instruments on the Company's financial statements.

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities derecognition of financial instruments, impairment of financial assets and hedge accounting.

Classification and measurement
IFRS 9 requires financial assets to be classified into one of three measurement categories, fair value through profit or loss, fair value through other comprehensive income or amortised cost.

Financial assets will be measured at amortised cost if they are held within a business model the objective of which is to hold financial assets in order to collect contractual cash flows, and their contractual cash flows represent solely payments of principal and interest. Financial assets will be measured at fair value through other comprehensive income if they are held within a business model the objective of which is achieved by both collecting contractual cash flows and selling financial assets and their contractual cash flows represent solely payments of principal and interest. Financial assets not meeting either of these two business models; and all equity instruments (unless designated at inception to fair value through other comprehensive income); and all derivatives are measured at fair value through profit or loss.

An entity may, at initial recognition, designate a financial asset as measured at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch.

Impairment
IFRS 9 replaces the existing 'incurred loss' impairment approach with an expected credit loss ('ECL') model resulting in earlier recognition of credit losses compared with IAS 39. The ECL model has three stages. Entities are required to recognise a 12 month expected loss allowance on initial recognition (stage 1) and a lifetime expected loss allowance when there has been a significant increase in credit risk since initial recognition (stage 2). Stage 3 requires objective evidence that an asset is credit-impaired, which is similar to the guidance on incurred losses in IAS 39.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

IFRS 9 Financial Instruments - Transition

IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement. It introduces significant changes for the classification and measurement of financial instruments, including a new impairment approach. IFRS 9 also amends other standards dealing with financial instruments, including IFRS 7 Financial Instruments: Disclosures. Also, the Company early adopted Prepayment Features with Negative Compensation (Amendments to IFRS 9), issued in October 2017. The effect of its adoption is not significant.

The Company used the exemption not to restate comparative periods. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 have be recognised in retained earnings and reserves as at 1 January 2018. Accounting policies and judgements related to IFRS 9 are included in the deemed loan accounting policy.

ACCOUNTING POLICIES - continued

IFRS 9 Financial Instruments – Transition - continued

Impact of initial adoption

The table below summarises the impact of transition to IFRS 9 on the opening position of the Company's deemed loan and other creditors.

Movement in retained earnings on adoption of IFRS 9 at 1 January 2018	**(£000's)**
Decrease of impairment losses on deemed loan	2,346
Total	2,346

Classification and measurement

The standard introduces new requirements to determine the measurement basis of financial assets and liabilities.

IFRS 9 classification is generally based on the business model in which a financial asset is managed and its contractual cash flows. The standard eliminates the previous IAS 39 categories of held-to-maturity, loans and receivables and available-for-sale.

The Company has not designated any financial liabilities as at FVTPL and the adoption of IFRS 9 has no impact regarding the classification of the Company's financial liabilities.

The table below shows the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Company's financial assets as at 1 January 2018. The accompanying notes to the table explain how the application of the new classification requirements under IFRS 9 has led to changes in classification of certain financial assets.

	IAS 39 classification	**IFRS 9 classification**	**Carrying amount under IAS 39 (£000's)**	**Carrying amount under IFRS 9 (£000's)**
Cash at bank – restricted	Loans and receivables	Amortised cost	10,585	10,585
Deemed loan	Loans and receivables	Amortised cost	927,101	929,447
Total			937,686	940,032

The Company's accounting policies on the classification of financial instruments under IFRS 9 are set out previously in the accounting policies. The application of these policies resulted in no reclassification as per the table above.

Under IFRS9 an ECL has to be calculated on all financial assets held at amortised cost, including cash at bank. We have assessed the impact of ECL on cash at bank and have elected not to include this into the accounts as the value of ECL on cash at bank is not significant.

Hedge accounting

The hedge accounting requirements of IFRS 9 are designed to create a stronger link with financial risk management. The Company has no exposure to hedging instruments. Accordingly, its adoption does not have an impact on the results or financial position.

Other New reporting standards not yet adopted

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede the current lease guidance including IAS 17 Leases and the related interpretations when it becomes effective. IFRS 16, 'Leases' will require lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. Under IAS 17, lessees are required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet).

ACCOUNTING POLICIES - continued

Other New *reporting standards not yet adopted - continued*

The right to use an asset is initially measured at cost and subsequently measured at costs (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. Furthermore, the classification of cash flows that will be adjusted as operating lease payments under IAS 17 are presented as operating cash flows; under the IFRS 16 model, the lease payments will be split into a principal and an interest portion which will be presented as financing and operating cash flows respectively.

The standard is effective for annual periods beginning on or after 1 January 2019. Its adoption will not have an impact on the Company.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

NOTES TO THE FINANCIAL STATEMENTS

1 Prior year adjustments

The company has restated its prior year's balances in its Statement of Comprehensive Income and Statement of Financial Position. The below tables show the adjustments which have been to prior year:

Statement of Comprehensive Income	2017 Previously reported £'000	Adj 1 £'000	Adj 2 £'000	Adj 3 £'000	2017 Restated £'000
Interest income	12,947	-	8,892	-	21,839
Interest expense	(6,419)	-	527	(12,228)	(18,120)
Net interest income	**6,528**	**-**	**9,419**	**(12,228)**	**3,719**
Other operating expenses	(1,793)	-	-	-	(1,793)
Impairment losses on deemed loan	(4,714)	-	-	-	(4,714)
Profit before income tax	**21**	**-**	**9,419**	**(12,228)**	**(2,788)**
Income tax charge	(4)	-	-	-	(4)
Total comprehensive income/(Loss) for the year	**17**	**-**	**9,419**	**(12,228)**	**(2,792)**
Profit attributable to the owners of the Company	**17**	**-**	**9,419**	**(12,228)**	**(2,792)**

Statement of Financial Position	2017 Previously Reported £'000	Adj 1 £'000	Adj 2 £'000	Adj 3 £'000	2017 Restated £'000
Assets					
Cash at bank - restricted	10,585	-	-	-	10,585
Deemed loan from seller	949,288	(31,078)	8,891	-	927,101
Other debtors	13	-	-	-	13
Prepayments and accrued income	9	-	-	-	9
Total asset	959,895	(31,078)	8,891	-	937,708
Liabilities					
Non-recourse funding	938,864	(1,841)	527	-	937,550
Current tax liability	4	-	-	-	4
Accruals and deferred income	1,788	-	(1)		1,787
Other creditors	19,209	(29,237)	(1,054)	12,228	1,146
Total liabilities	959,865	(31,078)	(528)	12,228	940,487
Equity					
Share capital	13	-	-	-	13
Retained earnings	17	-	9,419	(12,228)	(2,792)
Total equity attributable to equity holders of the Company	30	-	9,419	(12,228)	(2,779)
Total liabilities and equity	959,895	(31,078)	9,419	-	937,708

NOTES TO THE FINANCIAL STATEMENTS

1 Prior year adjustments - continued

Prior year adjustments:

1. During the year the Company identified that the fair value of the Deemed loan from seller, Non-Recourse Funding and Deferred consideration were overstated on initial recognition by £31m, £2m and £29m respectively.
2. As a result of the above adjustment to the fair value of the Deemed Loan from seller and Non-Recourse Funding obligations a consequential adjustment was also required in respect of the interest receivable and payable based on revised effective interest rate calculations, the Company has spread this over its initial expected life, which is its first optional redemption date, February 2020. No EIR has been recognised on deferred consideration during the year ended 2017.
3. In addition to the above, previously, the Company has treated losses in the vehicle as a decrease to other creditors which was due to the seller, with a credit to interest expense instead of as a loss for the period. The Company has subsequently treated this as a loss in the Statement of Comprehensive Income and reversed the creditor from the Seller.

NOTES TO THE FINANCIAL STATEMENTS - continued

2 Interest income

	2018	23 December 2016 to 31 December 2017 Restated
	£'000	£'000
Deemed loan interest receivable	27,732	21,744
Other income	134	95
	27,866	21,839

All of the Company's revenues arose in the United Kingdom.

3 Interest expense

	2018	23 December 2016 to 31 December 2017 Restated
	£'000	£'000
On loan notes	13,377	9,653
Deferred consideration note interest	(63)	(1,054)
Accretion of discounted loan notes	11,103	9,521
	24,417	18,120

4 Deemed loan from seller

	2018	2017 Restated
	£'000	£'000
Deemed loan from seller	890,122	931,756
Less: impairment provisions - see below	(2,438)	(4,655)
Deemed loan measured at amortised cost	887,684	927,101

In February 2017, the Company purchased the rights to certain cash flows from £1,000 million of mortgage assets from CERH. These assets are a portfolio of United Kingdom residential mortgages, wholly secured on properties in the United Kingdom. In order to fund the purchase of these mortgage assets, the Company issued a series of floating rate notes.

Under the terms of this arrangement, the rights of the providers of the finance for this transaction are limited to the assets purchased and any related income generated by the portfolio, and have no recourse to CERH, the mortgage seller.

CERH is not obliged to support any losses which may arise in respect of the related assets. During the term of this transaction, any amounts realised from the mortgage portfolio in excess of that due to the providers of the funding, less any related administrative costs, will be ultimately payable to CERH in the form of deferred consideration, via the certificates, subject to all loan notes being repaid on the first optional redemption date.

NOTES TO THE FINANCIAL STATEMENTS - continued

4 *Deemed loan from seller – continued*

Impairment losses on deemed loan from seller	2018 £'000	2017 £'000
Balance at beginning of year	4,655	-
IFRS 9 Opening Adjustment	(2,346)	-
Charged to statement of comprehensive income	2,117	4,714
Amounts written off	(1,988)	(59)
Balance at end of year/period	2,438	4,655

The entire deemed loan from seller has been pledged as collateral for the Company's non-recourse loan notes received.

5 Profit before income tax

	2018 £'000	23 December 2016 to 31 December 2017 £'000
Included within profit before tax are the following:		
Auditor remuneration		
- audit fee	75	15

The Directors received no remuneration from the Company for their services as Directors in the current financial period. The Company has no employees and services required are contracted from related parties (see note 18).

6 Income tax charge

	2018 £'000	23 December 2016 to 31 December 2017 £'000
Total income tax charge at 19% (2017: 19.14%)	-	4

The Company is taxed under the "Permanent Regime" for securitisation companies (SI 2006/3296 The Taxation of Securitisation Companies Regulations 2006). Corporation tax is therefore calculated by reference to the profit of the securitisation company retained in accordance with the priority of payments as defined in the terms and conditions of the loan notes.

NOTES TO THE FINANCIAL STATEMENTS - continued

7 Cash at bank

Cash balances held to the value of £12.2m (2017: £10.6m), which is held at Barclays Bank Plc.

8 *Other debtors*

	2018 £'000	2017 £'000
Other debtors	13	13

All amounts fall due within one year.

9 Prepayments and accrued income

	2018 £'000	2017 £'000
Prepayments	22	9

10 Non-recourse funding

	2018 £'000	2017 Restated £'000
Loan notes	897,814	937,550

On 21 February 2017, the Company issued approximately £1,000m (nominal value) in loan notes in order to fund the purchase the loan assets.

The mortgage backed loan notes are listed on the Irish Stock Exchange, with a final maturity date in May 2045. Interest on the notes is payable, quarterly in arrears, at the following rates:

Loan notes	Balance outstanding at end of year £'000	Interest rate up to February 2020	Interest rate after February 2020
Class A1 (£732.5m)	642,968	3m LIBOR + 0.850%	3m LIBOR + 1.500%
Class A2 (£50m)	50,000	3m LIBOR + 0.950%	3m LIBOR + 1.750%
Class B (£52.5m)	52,500	3m LIBOR + 1.000%	3m LIBOR + 2.500%
Class C (£37.5m)	37,500	3m LIBOR + 1.100%	3m LIBOR + 3.250%
Class D (£37.5m)	37,500	3m LIBOR + 1.300%	3m LIBOR + 4.500%
Class E (£22.5m)	22,500	3m LIBOR + 0.500%	3m LIBOR + 4.000%
Class Z (£67.5m)	67,500	Nil	Nil

The class A1 notes ("the senior notes") rank pari passu in point of payment and security without preference or priority amongst themselves but ahead of the remaining notes. The senior notes rank in priority to the A2, B, C, D, E and Z notes and SDC, DC1 and DC2 certificates in point of payment and security.

The loan notes of Class C, D, E and Z as well as the SDC, DC1 and DC2 certificates were subscribed for by CERH to satisfy the Capital Requirement Regulations ("CRR") to hold at least 5% of the loan notes issuance.

NOTES TO THE FINANCIAL STATEMENTS - continued

10 Non-recourse funding - continued

The Company may, at its first optional redemption date ("FORD"), redeem all (but not some only) of the notes at their principal amounts outstanding:

(a) in the event of certain tax changes affecting the notes or the mortgages comprising the mortgage pool at any time;

(b) on the interest payment date falling in February 2020 or any interest payment date falling thereafter;

(c) on any interest payment date on which the aggregate principal amount outstanding of the notes is equal to or less than 10% of the aggregate principal amount outstanding of the notes at the issue date.

11 Current tax liability

	2018 £'000	2017 £'000
Payable within one year	-	4

12 Accruals and deferred income

	2018 £'000	2017 £'000
Payable within one year	2,113	1,787

13 Other creditors

	2018 £'000	2017 Restated £'000
Deferred consideration payable	1,084	1,146

14 Called up share capital

	2018 £'000	2017 £'000
Allotted, called up and fully paid		
1 Ordinary share of £1	-	-
Allotted, called up and partly paid		
49,999 Ordinary shares of £1 each of which £0.25 has been paid up	13	13
	13	13

NOTES TO THE FINANCIAL STATEMENTS - continued

15 Fair values of financial instruments

	At amortised cost		At fair value through statement of comprehensive income	
	Carrying amount £'000	Fair value £'000	Carrying amount £'000	Fair value £'000
As at 31 December 2018				
Assets				
Cash at bank - restricted	12,229	12,229	-	-
Deemed loan from seller	887,684	833,353	-	-
	899,913	845,582	-	-
Liabilities				
Non recourse funding	897,814	834,983	-	-
Deferred consideration	1,084	1,084	-	-
	898,898	836,067	-	-
As at 31 December 2017 (Restated)				
Assets				
Cash at bank - restricted	10,585	10,585	-	-
Deemed loan from seller	927,101	909,355	-	-
	937,686	919,940	-	-
Liabilities				
Non recourse funding	937,550	909,355	-	-
Deferred consideration	1,146	1,146	-	-
	938,696	910,501	-	-

The following table sets out the fair values of financial instruments that the Company holds at 31 December 2018 and 2017. It categorises these securities into the relevant level on fair value hierarchy.

The fair values of financial instruments are measured according to the following fair value hierarchy:

Level 1 – financial assets and liabilities measured using quoted market prices (unadjusted).
Level 2 – financial assets and liabilities measured using valuation techniques which use observable market data.
Level 3 – financial assets and liabilities measured using valuation techniques which use unobservable market data.

NOTES TO THE FINANCIAL STATEMENTS - *continued*

15 Fair values of financial instruments – continued

	Carrying amount £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000	Fair Value £'000
As at 31 December 2018					
Assets					
Cash at bank - restricted	12,229	12,229	-	-	12,229
Deemed loan from seller	887,684	-	-	833,353	833,353
	899,913	12,229	-	833,353	845,582
Liabilities					
Non recourse funding	897,814	-	-	834,983	834,983
Deferred consideration	1,084	-	-	1,084	1,084
	898,898	-	-	836,067	836,067

	Carrying amount £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000	Fair Value £'000
As at 31 December 2017 (Restated)					
Assets					
Cash at bank - restricted	10,585	10,585	-	-	10,585
Deemed loan from seller	927,101	-	-	909,355	909,355
	937,686	10,585	-	909,355	919,940
Liabilities					
Non recourse funding	937,550	-	-	909,355	909,355
Deferred consideration	1,146	-	-	1,146	1,146
	938,696	-	-	910,501	910,501

NOTES TO THE FINANCIAL STATEMENTS - continued

15 Fair values of financial instruments - continued

The fair values of each of the above financial instruments have been derived by discounting expected future cash flows at prevailing interest rates. For deemed loan from seller and non-recourse funding the fair value had been derived using an alternative approach. The principal underlying assumptions related to these cash flows are as follows;

- The fair value of deemed loan from seller, for the purpose of this disclosure, were derived by estimating the discounted expected future cash flows using market interest rates. Expected future cash flows take account of estimated future losses. Market interest rates are based on current lending activity in the mortgage market and adjusting for the appropriate credit spread differential and discounting the relevant projected cash flows to fair value. Where external evidence of fair value is available, this is used.
- The fair value of non-recourse funding and warehouse borrowing has been arrived at by adjusting the carrying value of the debt by a similar proportion to the adjustment made in arriving at the fair value of securitised deemed loan from seller to customers on the basis that the funding has recourse only to these assets.

16 Financial risk management

(a) Introduction and overview

The Company's financial instruments comprise amounts due from the mortgage seller, (which are backed by equivalent assets held by that entity), borrowings, comprising non-recourse funding raised from external investors as part of the securitisation transaction, cash and liquid resources and other sundry instruments such as debtors and creditors arising directly from the Company's operations. The main risks arising from the Company's financial instruments held are credit risk, interest rate risk, operational risk, market risk and liquidity risk. The Company's administrator reviews and agrees policies for managing each of these risks and they are, broadly, as follows:

Credit risk

Credit risk is the risk that counterparties engaging in transactions with the Company will not be able to meet their obligations as they fall due and arises principally from the Company's loans and advances to customers. For risk management reporting purposes the Company considers and consolidates all elements of credit risk exposure (such as obligor default risk and sector or geographic risk). The Company via CHL as mortgage servicer has established high level credit policies which are used to control the quality of lending and the management of any amounts in arrears. Additionally, the Company provides for loan losses which are known to have been incurred within its asset portfolio, based on both a specific review and a statistical analysis of its historical loan loss write-offs. This process of credit monitoring takes account of external or economic factors and may result in the adjustment of credit policies to suit product or sectoral needs. Due to the nature of the portfolio, significant new credit exposures to particular sectors or individuals do not typically arise. Credit risk is accordingly monitored largely through the management of arrears on these loans. A summary credit risk analysis has been included below.

Interest rate risk

Interest rate risk exists when assets and liabilities attract interest rates set according to different bases or which are reset at different times. The Company assumes interest rate risk principally from its dealings with its portfolio of residential mortgage loans. The Company minimises its exposure to interest rate risk by ensuring that the interest rate characteristics of its assets and liabilities are similar. Sensitivity to interest rate movements is set out below, and this provides some detail on the period-end re-pricing profile for the Company's financial assets and liabilities. A liability (or negative) gap exists when liabilities re-price more quickly or in greater proportion than assets during a given period. This tends to benefit net interest income when rates are falling. An asset (or positive) gap exists when assets re-price more quickly or in greater proportion than liabilities during a given period. This tends to benefit net interest income when rates are rising. Interest rate sensitivity may vary during re-pricing periods.

NOTES TO THE FINANCIAL STATEMENTS - continued

16 Financial risk management - continued

(a) Introduction and overview - continued

Operational risk
This is the potential for financial or reputational loss if key internal controls of the mortgage servicer were to fail. It includes loss from theft, error and systems breakdown. The administrator's compliance department and its key management are tasked with the monitoring and control of such risk on behalf of the Company. A self-assessment process of risk mapping is conducted formally each year by management, and testing of key areas of these controls is performed periodically.

Market risk
This is the risk of financial loss from changes in market prices of financial instruments, typically from the movements in interest rates and foreign exchange rates. The Company has limited exposure to foreign exchange rate fluctuations. Interest rate risk management policies are separately documented above.

Liquidity risk
Liquidity risk is the risk that the Company will be unable to meet financial commitments arising from the cash flows generated by its business activities. This risk can arise from mismatches in the timing of cash flows relating to assets and liabilities, however the Company's principal liabilities, its loan notes, are structured specifically so as to mature broadly at the same time as the securitised assets are repaid. Additionally there are other liquidity facilities available to the Company in the event that mortgages do not yield funds. Regular reports on liquidity are submitted where appropriate, to the independent trustee of the Company's loan notes and to the relevant regulatory authorities.

The Company is also bound by certain financial and liquidity terms attaching to its non-recourse funding which effectively restricts certain of its cash balances on hand. Details of these have been provided below and further detail related to the Company's current liquidity position is set out in the basis of preparation note.

Capital management
Because of its special purpose nature, the Company's principal funding comes through its non-recourse debt, which is intended to be repaid fully from the mortgage assets on hand. Capital is considered by management to comprise share capital on hand, retained earnings and any subordinated loans received from time to time, is considered to be sufficient for the particular nature of the Company's activities and is in line with the Company's governing documentation. There have been no changes to the Company's approach to capital management during the year.

NOTES TO THE FINANCIAL STATEMENTS - continued

16 Financial risk management - continued

(b) Credit risk

	Carrying amount £'000	Maximum exposure £'000
As at 31 December 2018		
Assets		
Cash at bank - restricted	12,229	12,229
Deemed loan from seller	887,684	890,122
	899,913	902,351

	Carrying amount £'000	Maximum exposure £'000
As at 31 December 2017 (Restated)		
Assets		
Cash at bank - restricted	10.585	10.585
Deemed loan from seller	927,101	931,756
	937,686	942,341

(ii) Restricted cash on hand

At the year end all of the restricted cash on hand was held with two financial institution counterparties in the UK and US which are rated by Moodys, S&P and Fitch. These ratings conform to the condition as set out by the governing securitisation documentation and are shown below (short term ratings):

	Moodys	S&P	Fitch
Barclays Bank plc	P-1	A-1	F1
Elavon Financial Services D.A.C., UK Branch	P-1	A-1+	F1+

NOTES TO THE FINANCIAL STATEMENTS - continued

16 Financial risk management - continued

(c) Liquidity risk

The tables below analyse the gross cash flows arising on the Company's assets and liabilities by remaining contractual maturity at 31 December 2018 and 2017:

At 31 December 2018	Carrying amount £'000	Gross contractual cash flow £'000	Up to 1 month £'000	1 to 3 months £'000	3 to 12 months £'000	1 to 5 years £'000	Over 5 years £'000
Assets							
Cash – restricted	12,229	12,229	12,229	-	-	-	-
Deemed loan from seller	887,684	1,116,887	5,108	10,216	45,972	202,310	853,281
Other debtors	13	13	-	-	-	-	13
Prepayments and accrued income	22	22	22	-	-	-	-
Total assets	899,948	1,129,151	17,359	10,216	45,972	202,310	853,294
Liabilities							
Non-recourse funding	897,814	1,093,572	6,216	11,132	44,248	192,151	839,825
Current tax liability	-	-	-	-	-	-	-
Accruals and deferred income	2,113	2,113	-	2,113	-	-	-
Other creditors	1,084	1,084	-	-	-	-	1,084
Total liabilities	901,011	1,096,769	6,216	13,245	44,248	192,151	840,909
Net cash flows		32,382	11,144	(3,029)	1,724	10,159	12,385

NOTES TO THE FINANCIAL STATEMENTS - continued

16 Financial risk management - continued

(c) Liquidity risk - continued

At 31 December 2017 (Restated)	Carrying amount	Gross contractual cash flow	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Assets							
Cash – restricted	10,585	10,585	10,585	-	-	-	-
Deemed loan from seller	927,101	1,133,569	4,869	9,739	43,824	192,483	882,654
Other debtors	13	13	-	-	-	-	13
Prepayments and accrued income	9	9	9	-	-	-	-
Total assets	937,708	1,144,176	15,463	9,739	43,824	192,483	882,667
Liabilities							
Non-recourse funding	937,550	1,097,993	5,673	10,275	41,402	177,640	863,003
Current tax liability	4	4	-	-	4	-	-
Accruals and deferred income	1,787	1,787	-	1,787	-	-	-
Other creditors	1,146	1,146					1,146
Total liabilities	940,487	1,100,930	5,673	12,062	41,406	177,640	864,149
Net cash flows		43,246	9,790	(2,324)	2,418	14,843	18,505

NOTES TO THE FINANCIAL STATEMENTS - continued

16 Financial risk management - continued

(d) Interest rate risk

The tables below summarises the interest rate re-pricing profiles of the Company's interest bearing financial assets and liabilities:

As at 31 December 2018	Up to 1 month £'000	1 to 3 months £'000	3 to 12 months £'000	1 to 2 years £'000	2 to 3 years £'000	3 to 4 years £'000	4 to 5 years £'000	Over 5 years £'000	Total £'000
Cash at bank - restricted	12,229	-	-	-	-	-	-	-	12,229
Deemed loan from seller	887,684	-	-	-	-	-	-	-	887,684
Total financial assets	899,913	-	-	-	-	-	-	-	899,913
Non-recourse funding	-	(897,814)	-	-	-	-	-	-	(897,814)
Total financial liabilities	-	(897,814)	-	-	-	-	-	-	(897,814)
Net interest repricing gap	899,913	(897,814)	-	-	-	-	-	-	2,099
Cumulative repricing gap	899,913	2,099	2,099	2,099	2,099	2,099	2,099	2,099	2,099

As at 31 December 2017 (Restated)	Up to 1 month £'000	1 to 3 months £'000	3 to 12 months £'000	1 to 2 years £'000	2 to 3 years £'000	3 to 4 years £'000	4 to 5 years £'000	Over 5 years £'000	Total £'000
Cash at bank - restricted	10,585	-	-	-	-	-	-	-	10,585
Deemed loan from seller	927,101	-	-	-	-	-	-	-	927,101
Total financial assets	937,686	-	-	-	-	-	-	-	937,686
Non-recourse funding	-	(937,550)	-	-	-	-	-	-	(937,550)
Total financial liabilities	-	(937,550)	-	-	-	-	-	-	(937,550)
Net interest repricing gap	937,686	(937,550)	-	-	-	-	-	-	136
Cumulative repricing gap	937,686	136	136	136	136	136	136	136	136

NOTES TO THE FINANCIAL STATEMENTS - continued

16 Financial risk management - continued

(e) Currency risk
The Company is not exposed to any significant currency risk as all of its financial assets and liabilities are denominated in sterling.

(f) Sensitivity analysis
The Company minimises its exposure to interest rate risk by ensuring that the interest rate characteristics of its assets and liabilities are similar. Additionally, as noted elsewhere in these accounts the Company is not exposed to currency risk.

17 Immediate and ultimate parent undertaking

The Company was established by contracts as part of an individual mortgage securitisation.

The immediate parent company is Towd Point Mortgage Funding 2017 - Auburn 11 Holdings Limited, a company incorporated in the UK and registered in England and Wales. The entire issued share capital of Towd Point Mortgage Funding 2017- Auburn 11 Holdings Limited is held on a discretionary trust basis under a share trust deed by Wilmington Trust SP Services (London) Limited, a company incorporated in the UK and registered in England and Wales.

18 Related party transactions

The Company has related party relationships with CERH, with Wilmington Trust SP Services (London) Limited, with Capital Home Loans Limited ("CHL") (an affiliate of CERH) and with its other Directors. The Directors undertook no transactions directly with the Company during the year.

The Company undertook the following transactions with CERH in the year:

	During the year ended 31 December 2018 £'000	As at 31 December 2018 £'000	During the year ended 31 December 2017 Restated £'000	As at 31 December 2017 Restated £'000
Deemed loan	(37,639)	887,684	927,101	927,101
Other creditors	(62)	1,084	1,146	1,146
Non-recourse funding	-	149,300	-	149,300

The Company undertook the following transactions with CHL in the period:

	During the year ended 31 December 2018 £'000	As at 31 December 2018 £'000	During the year ended 31 December 2017 £'000	As at 31 December 2017 £'000
Servicing and cash manager fees	1,515	256	1,461	273

The Company incurred corporate service fee costs payable to Wilmington Trust SP Services (London) Limited of £11k during the year.

NOTES TO THE FINANCIAL STATEMENTS - continued

19 *Significant judgements/estimates made by management*

Significant judgements and estimates made by the Company which have a significant impact on the financial statements include:

Significant estimate	**Key details**
Loan loss provisioning	Management reviewed the portfolios of deemed loan from seller on a monthly basis to assess for loan loss provisioning. The definition of impaired assets and calculation of impairments details are set out in the deemed loan from seller accounting policy note above. In determining the loan loss provisioning amounts, management applied a set of assumptions to arrive at its best estimates of losses in the portfolios of loans and advances to customers at the statement of financial position date. Loan loss provisioning is calculated on expected loss basis under IFRS 9. Further details set out in notes 4 and 16 (b).