Annual report and financial statements

Eagle Place Covered Bonds LLP

For the year ended 30 September 2021

Registered number: OC412988

Eagle Place Covered Bonds LLP

Annual report and financial statements
For the year ended 30 September 2021

Contents

Members and professional advisers

Designated members	Clydesdale Bank PLC Eagle Place Covered Bonds Finance Limited
Liquidation member	Eagle Place Covered Bonds Finance Limited
Management committee	Representatives of Clydesdale Bank PLC Representatives of Eagle Place Covered Bonds Finance Limited
Registered office	Jubilee House Gosforth Newcastle upon Tyne NE3 4PL
Independent auditors	Ernst & Young LLP 144 Morrison Street Edinburgh EH3 8EX

Members' report

On behalf of the Members, the Management Committee present the Members' report and audited financial statements of Eagle Place Covered Bonds LLP (the "LLP") for the year ended 30 September 2021.

Principal activities and business structure

The LLP is a Special Purpose Vehicle which forms part of the Clydesdale Bank PLC (formerly Virgin Money PLC) Global Covered Bond Programme (the "Programme"). The Programme was established primarily for the purpose of raising wholesale funding for the Programme Originator ("Originator"), Clydesdale Bank PLC ("CB PLC").

The LLP is incorporated under the Limited Liability Partnership Act 2000 and registered in England and Wales as a Limited Liability Partnership. The ultimate controlling entity is Virgin Money UK PLC ("VMUK PLC"). VMUK PLC and its subsidiary undertakings, which include CB PLC, comprise the Virgin Money UK PLC Group ("Group"). Further detail of the group structure is disclosed in note 1.1.

The principal activity of the LLP is to hold an interest in a deemed loan with an underlying pool of mortgage loans, as security for covered bonds issued by CB PLC, pursuant to the terms of the Mortgage Sale Agreement. The LLP has received an intercompany loan from CB PLC to fund the acquisition of the mortgage loans. The Programme has been established as a means of raising finance for CB PLC and no business activities will be undertaken by the LLP beyond those set out in the Programme documentation which defines certain prescribed roles and terms and should be read in conjunction with these financial statements. The Programme documentation can be found at: https://www.virginmoneyukplc.com/investor-relations/debt-investors/global-covered-bonds/global-covered-bonds-programme.

With effect from 21 July 2020, the financial year end of the LLP was changed from 31 December to 30 September to align with the year end of the ultimate controlling entity, VMUK PLC. Accordingly, the prior period comparative figures for any statement of comprehensive income activity (and the associated notes) are prepared for 9 months from 1 January 2020 to 30 September 2020.

Financial analysis

There have been no issuances of covered bonds or associated loans during the year ended 30 September 2021.

The LLP receives income on the deemed loan via the underlying mortgage loans. Deemed loan is described in note 1.4 to the financial statements. Under the terms of the Programme, the LLP is entitled to retain a pre-determined profit balance (before the net effect of fair value gains and losses). For the year ended 30 September 2021, this equated to £3,600 (period 2020: £2,000). Income in excess of the required amount accrues to CB PLC as deferred consideration of £50,463,000 (period 2020: £37,429,000). Deferred consideration is described in note 1.4 to the financial statements.

The combined performance of the deemed loan and payments made to the intercompany loan has been in line with expectations.

Profits and appropriations

The statement of comprehensive income for the year is set out on page 7.

Key performance indicators ("KPIs")

The Programme performance is monitored monthly for financial and non-financial indicators including covenants and tests for managing risk which are published within the monthly investor report. The tests include, but are not limited to, regulatory tests, the Asset Coverage Test ("ACT") and an amortisation test.

The level of over-collateralisation is central to the contractual terms and to credit ratings agency oversight. The ACT serves to ensure that the over-collateralisation in the programme is sufficient to meet contractual and regulatory obligations.

For the year ended 30 September 2021 over-collateralisation was an additional 250% (2020: 204%) of the liability value.

Future developments

The LLP was established to hold an interest in a deemed loan as a security for the issuance of covered bonds under the Programme. The LLP will continue to operate until all the covered bonds have been fully redeemed. No changes in future activities are envisaged.

Whilst constructive macroeconomic trends such as increased consumer spending, gross domestic product growth and a house price index increase contributed to an improving economic picture for 2021, there is still uncertainty surrounding the removal of government support measures for customers such as the furlough scheme which may lead to adverse economic conditions in the short term.

There continues to be an appetite for a Scottish independence referendum, with the Scottish Government recently announcing that a new referendum could take place by 2023. The LLP will continue to closely monitor developments.

Principal risks and uncertainties

The LLP is exposed to changes in market variables such as floating rate interest on loans within the mortgage pool, floating rate interest obligations arising from pounds sterling ("GBP") and exchange rate movements on euro ("EUR") interest-bearing loans. These risks are mitigated as the LLP entered into a basis swap arrangement and by the use of cross currency swaps. The main features of the LLP's internal control and risk management systems are set out in note 4.3.

The risks and challenges identified in the financial statements do not represent an exhaustive list of the risks and issues associated with the LLP. Other risks and issues not specifically referenced may adversely impact the future financial position and performance of the LLP. Accordingly, no assurances or guarantees of future performance, profitability or returns on capital are given by the LLP.

Members' report (continued)

Financial risk management

The LLP's principal financial assets are loans due from LLP Members and the risks associated include the underlying performance of the loans in the mortgage pool contained within this balance versus the fixed and floating rate interest on the intercompany loans, due to CB PLC. The financial risk management policies are discussed further in note 4.3 to the financial statements.

Employees

The LLP does not have any employees.

Political donations

No political donations were made during the year (period 2020: £Nil).

Research and development costs

The LLP does not undertake formal research and development activities.

Related parties

Details of related party transactions are set out in note 4.2 of the financial statements.

Going concern

The Members have made an assessment of the LLP's ability to continue as a going concern and are satisfied that the LLP has the resources to continue in business for 12 months from the approval of the financial statements.

The LLP's use of the going concern basis for preparation of the accounts is discussed in note 1.3.

Events after the balance sheet date

On 22 October 2021, following a successful consent solicitation process, the Series 2012-2 Covered Bonds transferred from the Clydesdale Bank PLC Global Covered Bond Programme to the Clydesdale Bank PLC (formerly Virgin Money PLC) Global Covered Bond Programme. As a result, Intercompany Loans increased by £745m, swap liabilities increased by £44m, and capital in kind reduced by £701m.

There have been no other significant events between 30 September 2021 and the date of approval of the annual report and financial statements which would require a change to or additional disclosure in the financial statements.

Auditors and disclosure of information to the auditors

The Members at the time of signing the report are listed on page 1. Having made enquiries of fellow Members and of the LLP's auditors, each of these Members confirms that:

- to the best of each Member's knowledge and belief, there is no information relevant to the preparation of their report of which the LLP's auditors are unaware; and
- each Member has taken all the steps a Member might reasonably be expected to have taken to be aware of relevant audit information and to establish that the LLP's auditors are aware of that information.

The auditor, Ernst & Young LLP ("EY LLP"), has expressed their willingness to continue in office and a resolution concerning their reappointment will be proposed at the Annual Members' Meeting.

This report was approved by the Management Committee on 27 January 2022 and was signed on its behalf by:

Helena Whitaker
For and on behalf of Intertrust Directors 1 Limited
As director of Eagle Place Covered Bonds Finance Limited
Member of the LLP
27 January 2022

Statement of Members' responsibilities

The Members are responsible for preparing the Members' report and financial statements in accordance with applicable law and regulations.

UK company law as applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2016 ("the Regulations") requires the Members to prepare financial statements for each financial year. Under that law, they are required to prepare the partnership financial statements in accordance with International Accounting Standards ("IAS") in conformity with the requirements of the Companies Act 2006 as applied to limited liability partnerships. Under Company law, as applied to limited liability partnerships, the Members 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 LLP, and of the profit or loss for that period. In preparing these financial statements the Members are required to:

- select suitable accounting policies in accordance with IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in International Financial Reporting Standards ("IFRS") is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the financial performance;
- state that the LLP has complied with IAS in conformity with the requirements of the Companies Act 2006 as applied to limited liability partnerships, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable; and
- make an assessment of the LLP's ability to continue as a going concern and prepare the financial statements on the going concern basis unless it is appropriate to presume that the LLP will not continue in business.

The Members are responsible for keeping adequate accounting records which are sufficient to show and explain the LLP's transactions and disclose with reasonable accuracy at any time the financial position of the LLP and enable them to ensure that the financial statements comply with the Regulations made under the LLP Act 2000. They are also responsible for safeguarding the assets of the LLP and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Under UK company law and regulations, the Members are also responsible for preparing a Members' report that complies with that law and those regulations.

This statement was approved by the management committee on 27 January 2022 and was signed on its behalf by:

Helena Whitaker
For and on behalf of Intertrust Directors 1 Limited
As director of Eagle Place Covered Bonds Finance Limited
Member of the LLP
27 January 2022

Independent auditor's report to the Members of Eagle Place Covered Bonds LLP

Opinion

We have audited the financial statements of Eagle Place Covered Bonds LLP for the year ended 30 September 2021 which comprise the Statement of comprehensive income, Balance sheet, Statement of changes in Members' interests, Statement of cash flows and the related notes 1.1 to 4.4, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Accounting Standards in conformity with the requirements of the Companies Act 2006 as applied to limited liability partnerships.

In our opinion the financial statements:

- give a true and fair view of the state of the limited liability partnership's affairs as at 30 September 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 as applied to limited liability partnerships; and
- have been prepared in accordance with the requirements of the Companies Act 2006 as applied to limited liability partnerships.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the limited liability partnership in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Members' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the limited liability partnership's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Members with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the limited liability partnership's ability to continue as a going concern.

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The Members are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, we do not express any form of assurance conclusion thereon.

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 course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

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 as applied to limited liability partnerships 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
- we have not received all the information and explanations we require for our audit.

Independent auditor's report to the Members of Eagle Place Covered Bonds LLP (continued)

Responsibilities of members

As explained more fully in the Statement of Members' responsibilities set out on page 4, the Members 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 Members 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 Members are responsible for assessing the partnership'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 Members either intend to liquidate the partnership 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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the limited liability partnership and determined that the most significant are Companies Act 2006, Limited Liability Partnership Act 2000, Market Abuse Regulations, Transparency Regulations.
- We understood how Eagle Place Covered Bonds LLP is complying with those frameworks by inquiring of management and identifying the controls in place in order to comply.
- We assessed the susceptibility of Eagle Place Covered Bonds LLP financial statements to material misstatement, including how fraud might occur by considering the controls that has established to address risks identified by the entity or that otherwise seek to prevent, deter or detect fraud.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved inquiries of legal counsel, executive management and focused testing.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 as applied to Limited Liability Partnerships. Our audit work has been undertaken so that we might state to the 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 limited liability partnership and the limited liability partnership's members as a body, for our audit work, for this report, or for the opinions we have formed.

Ernst & Young LLP

Blake Adlem (Senior statutory auditor)
For and on behalf of Ernst & Young LLP
Statutory Auditor
Edinburgh
28 January 2022

Statement of comprehensive income for the period

	Note	12 months to 30 Sep 2021 £'000	9 months to 30 Sep 2020 £'000
Interest income	2.2	**12,903**	11,270
Interest expense	2.3	**(9,884)**	(9,092)
Net interest income		**3,019**	2,178
Operating expenses	2.4	**(3,015)**	(2,176)
Profit before fair value adjustments		**4**	2
Ineffectiveness arising from fair value hedges	3.6	**(456)**	-
Total comprehensive (loss)/income for the period attributable to the LLP members		**(452)**	2

The notes on pages 11 to 29 form part of these financial statements.

Balance sheet
as at 30 September

	Note	2021 £'000	2020 £'000
Assets			
Loans due from LLP members	3.1	**974,519**	989,880
Derivative financial assets	3.6	**-**	5,307
Reserve funds	3.2	**12,886**	8,329
Other assets	3.3	**12**	16
Cash and cash equivalents	3.4	**224,546**	168,811
Total assets		**1,211,963**	1,172,343
Liabilities			
Loans due to LLP members	3.5	**1,101,511**	1,138,350
Derivative financial liabilities	3.6	**31,981**	-
Due to other banks	3.7	**78,593**	33,722
Other liabilities	3.8	**321**	262
Total liabilities		**1,212,406**	1,172,334
Members' other interests			
General reserve		**(443)**	9
Total Members' other interests		**(443)**	9
Total liabilities and Members' other interests		**1,211,963**	1,172,343
Total Members' interests			
General reserve		**(443)**	9
Loans due from LLP members		**(974,519)**	(989,880)
Loans due to LLP members		**1,101,511**	1,138,350
Total Members' interests		**126,549**	148,479

The notes on pages 11 to 29 form part of these financial statements.

The financial statements were approved by the Members on 27 January 2022 and were signed on its behalf by:

Helena Whitaker
For and on behalf of Intertrust Directors 1 Limited
As director of Eagle Place Covered Bonds Finance Limited
Member of the LLP
27 January 2022
Registered number: OC412988

Statement of changes in Members' interests

	General reserve £'000	Loans due from LLP members £'000	Loans due to LLP members £'000	Other debts due to LLP members £'000	Total £'000
Balance at 31 December 2019	7	(1,053,933)	1,090,859	6,199	43,132
Total comprehensive income for the period	2	-	-	-	2
Movement in loans and other debts with LLP members	-	64,053	47,491	(6,199)	105,345
Balance at 30 September 2020	9	(989,880)	1,138,350	-	148,479
Total comprehensive loss for the year	(452)	-	-	-	(452)
Movement in loans and other debts with LLP members	-	15,361	(36,839)	-	(21,478)
Balance at 30 September 2021	**(443)**	**(974,519)**	**1,101,511**	**-**	**126,549**

The notes on pages 11 to 29 form part of these financial statements.

Statement of cash flows for the period

	Note	12 months to 30 Sep 2021	9 months to 30 Sep 2020
		£'000	£'000
Operating activities			
Loss/(profit) attributable to the LLP members		**(452)**	2
Adjustments for non-cash movements included in (loss)/profit attributable to the members:			
Interest income	2.2	**(12,903)**	(11,270)
Interest expense	2.3	**9,884**	9,092
Net gains and losses	2.5	**456**	-
Adjustments to working capital:			
Changes in operating assets	4.1	**4**	(13)
Changes in operating liabilities	4.1	**59**	80
Changes in amounts due to other banks		**44,871**	25,250
Interest paid to other banks		**-**	(6)
Net cash flows provided by operating activities		**41,919**	23,135
Investing activities			
Principal payments received on the deemed loan		**1,630,755**	1,097,122
Capital distributions to LLP members [(1)]		**(1,616,568)**	(1,047,932)
Increase in investment in reserve funds		**(4,557)**	(2,898)
Interest received on the deemed loan		**14,076**	26,003
Interest received on cash and cash equivalents		**-**	131
Net cash flows provided by investing activities		**23,706**	72,426
Financing activities			
Repayment of other debts due to LLP members	4.1	**-**	(6,199)
Interest paid on loans due to LLP members		**(4,557)**	(4,429)
Interest paid on cross currency swaps		**(5,333)**	(4,860)
Net cash flows used in financing activities		**(9,890)**	(15,488)
Net increase in cash and cash equivalents		**55,735**	80,073
Cash and cash equivalents at beginning of the period		**168,811**	88,738
Cash and cash equivalents at end of the period	3.4	**224,546**	168,811

[(1)] Capital distributions to LLP members are a payment of principal receipts to CB PLC to reduce the capital in kind balance which forms part of the deemed loan. Refer to the loans due from LLP members accounting policy on page 13 for further detail.

The notes on pages 11 to 29 form part of these financial statements.

Notes to the financial statements
Section 1: Basis of preparation and accounting policies

1.1 General information

The LLP is incorporated under the Limited Liability Partnership Act 2000 and registered in England and Wales as a Limited Liability Partnership.

CB PLC, a company incorporated under the Companies Act 2006 and registered in Scotland, is the Originator of the Programme. The smallest group in which the results of the LLP are consolidated is that headed by CB PLC. The ultimate controlling entity is VMUK PLC, a company incorporated under the Companies Act 2006 and registered in England and Wales. VMUK PLC and its subsidiary undertakings, which include CB PLC, comprise the Virgin Money UK PLC Group. The Virgin Money UK PLC Group is the largest group in which the results of the LLP are consolidated. The financial statements of VMUK PLC may be obtained from the registered office at Jubilee House, Gosforth, Newcastle upon Tyne, NE3 4PL.

1.2 Basis of accounting

The LLP's financial statements, which should be read in conjunction with the Members' report, have been prepared in accordance with IAS in conformity with the requirements of the Companies Act 2006[1] as applied to limited liability partnerships. The financial information has been prepared under the historical cost convention, as modified by the application of fair value movements.

With effect from 21 July 2020, the financial year end of the LLP was changed from 31 December to 30 September to align with the year end of the ultimate controlling entity, VMUK PLC. Accordingly, the prior period comparative figures for any statement of comprehensive income activity (and the associated notes) are prepared for 9 months from 1 January 2020 to 30 September 2020.

1.3 Going concern

The LLP's business activities, together with the factors likely to affect its future development, performance and position are set out in the Members' report. In addition, note 4.3 to the financial statements includes the LLP's risk management objectives.

The LLP has access to financial resources through its interest in the deemed loan. It is the intention of the Members of the LLP to continue operations while the Programme supports the funding and liquidity needs of the Group. Negative retained earnings are solely related to the fair value movements of the economic hedging swap, which are expected to unwind over the life of the swap and should have no direct impact on the LLP's ability to perform as a going concern. Due to the limited recourse nature of the Notes the ultimate risk is borne by the Noteholders, therefore any shortfall in the proceeds from the deemed loan will be a risk to the Noteholders rather than the LLP.

The Members believe the LLP is well placed to manage its business risks successfully in line with the Programme documentation. Accordingly, the financial statements have been prepared on a going concern basis.

1.4 Accounting policies

(a) Functional and presentation currency

Items included in the financial statements of the LLP are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The financial statements are presented in GBP, which is also the LLP's presentation currency, rounded to the nearest thousand pounds ("£'000") unless otherwise stated.

(b) Foreign currency – transactions and balances

Initially, at the date of a foreign currency transaction, the LLP records an asset, liability, expense or revenue arising from a transaction using the end of day spot exchange rate between the functional and foreign currency on the transaction date.

Subsequently, at each reporting date, the LLP translates foreign currency monetary items at the closing rate. Foreign exchange ("FX") differences arising on translation or settlement of monetary items are recognised in the statement of comprehensive income during the period in which the gains or losses arise. Foreign currency non-monetary items measured at historical cost are translated at the date of the transaction. Foreign currency non-monetary items measured at fair value will be translated at the date when the fair value is determined. Foreign exchange differences are recognised directly in equity for non-monetary items where any component of associated gains or losses is recognised directly in equity.

(c) Interest income and interest expense

Interest income is reflected in the statement of comprehensive income using the effective interest rate ("EIR") method which discounts the estimated future cash payments or receipts over the expected life of the financial instrument to the gross carrying amount of the non-credit impaired financial asset. Interest expense is reflected in the statement of comprehensive income using the same EIR method on the amortised cost of the financial liability.

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[1] As the LLP's accounting year straddles 31 December 2020, the date the UK ceased to be subject to EU law, the 2021 published financial reports are required to follow EU adopted IFRS. From 1 October 2021, the LLP will follow and refer only to UK adopted IAS, with the UK Endorsement Board being the body responsible for providing authorisation for the use of new International Accounting Standards Board ("IASB") standards, amendments or interpretations in the UK from 1 January 2021. As at 30 September 2021, there were no material endorsement disparities between the UK and EU.

Notes to the financial statements (continued)
Section 1: Basis of preparation and accounting policies (continued)

1.4 Accounting policies (continued)

(c) Interest income and interest expense (continued)

When calculating the EIR, cash flows are estimated considering all contractual terms of the financial instrument (e.g. prepayment, call and similar options) excluding future Expected Credit Losses (“ECL”). The calculation includes all amounts paid or received that are an integral part of the EIR such as transaction costs and all other premiums or discounts. Where it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments) are used.

Interest income and expense on hedged assets and liabilities are also recognised as part of net interest income.

(d) Net gains and losses

Net gains and losses contain the fair value movement of the derivatives designated as fair value hedges and FX and fair value adjustments attributable to the hedged risk on hedged items. The net of these amounts represents hedge ineffectiveness for the year.

(e) Income tax

Income tax on all partnership profits is solely the liability of the Members. Consequently, neither current tax nor any related deferred tax is accounted for in these financial statements.

(f) Drawings

The Members are entitled to the sum of £3,600 annually in aggregate as their profit for their interests as members in the LLP. The liquidation member is entitled to £1 of this balance per annum. The balances due to Members are held within the general reserve.

(g) Financial instruments

Recognition and derecognition

A financial asset or a financial liability is recognised on the balance sheet when the LLP becomes party to the contractual provisions of the instrument.

The LLP derecognises a financial asset when the contractual cash flows from the asset expire or it transfers the right to receive contractual cash flows on the financial asset in a transaction in which substantially all the risk and rewards of ownership are transferred. Financial liabilities are derecognised from the balance sheet when the LLP has discharged its obligation to the contract, or the contract is cancelled or expires.

Classification and measurement

The LLP measures a financial asset or liability on initial recognition at its fair value, plus or minus transaction costs that are directly attributable to the acquisition or issue of the financial asset or the financial liability (with the exception of financial assets or liabilities at fair value through profit or loss, where transaction costs are recognised directly in the statement of comprehensive income as they are incurred).

Financial assets

Subsequent accounting for a financial asset is determined by the classification of the asset depending on the underlying business model and contractual cash flow characteristics. This results in classification within one of the following categories: i) amortised cost, ii) fair value through other comprehensive income (“FVOCI”), or iii) fair value through profit or loss (“FVTPL”). The LLP has no financial assets classified as FVOCI.

A financial asset is measured at amortised cost when (1) the asset is held within a business model whose objective is achieved by collecting contractual cash flows; and (2) the contractual terms give rise to cash flows on specified dates which are solely payments of principal and interest on the principal amount outstanding. Financial assets held at amortised cost are assessed for impairment using the ECL methodology. Further detail is provided in note 1.5.

A financial asset is measured at FVTPL if it (1) does not fall into the business models for amortised cost or FVOCI; (2) is specifically designated as FVTPL on initial recognition in order to eliminate or significantly reduce a measurement mismatch; or (3) is classified as held for trading.

The LLP’s cash and cash equivalents, reserve funds and loans due from LLP members are classified as financial assets at amortised cost. This classification is determined by the business model under which the LLP uses the assets (‘held to collect’ business model) and the nature of the assets’ cash flows. The cash flows have been determined to be solely payments of principal and interest, reflecting the basic lending arrangement. The derivative financial assets which are designated in hedge relationships are classified as FVTPL.

Financial liabilities

All of the LLP’s financial liabilities are classified as financial liabilities at amortised cost, with the exception of derivative financial liabilities which are designated in hedge relationships and classified as FVTPL.

Notes to the financial statements (continued)
Section 1: Basis of preparation and accounting policies (continued)

1.4 Accounting policies (continued)

(g) Financial instruments (continued)

Fair value measurement

Fair value is defined as 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.

When available, the LLP measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Where no such active market exists for the particular asset or liability, the LLP uses a valuation technique to arrive at the fair value, including the use of transaction prices obtained in recent arm's length transactions where possible, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants. In doing so, fair value is estimated using a valuation technique that makes maximum possible use of market inputs and that places minimal possible reliance upon entity-specific inputs.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price (i.e. the fair value of the consideration given or received) unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets. When such evidence exists, the LLP recognises profits or losses on the transaction date.

The carrying value of financial instruments at FVTPL reflects the credit risk attributable to the counterparty. Changes in the credit profile of the counterparty are reflected in the fair value of the instrument and recognised in the statement of comprehensive income.

(h) Loans due from LLP members

Deemed loan

Loans due from LLP members materially represents a pool of mortgages obtained from CB PLC. When a transferor retains substantially all the risks and rewards associated with the transferred assets, the transaction is accounted for as a financing transaction, notwithstanding that it is a sale transaction from a legal perspective. The LLP has concluded that CB PLC has retained substantially all the risks and rewards of the pool of mortgage loans held by the LLP. As a consequence, the LLP has concluded that the LLP should not recognise the beneficial interest in the mortgage loans on its balance sheet but rather a deemed loan at amortised cost due from CB PLC.

Initial recognition of the deemed loan corresponds to the initial consideration paid by the LLP for interest in the mortgage loans. The LLP recognises principal and interest cash flows from the underlying pool of mortgage loans.

Deferred consideration

Deferred consideration arises when there is surplus income of the underlying mortgage loans, to the extent that it exceeds the costs of the LLP. Deferred consideration is payable to CB PLC as the Originator of the Programme. As the LLP does not recognise income to which it is not beneficially entitled, deferred consideration payable is accounted for as a deduction against the deemed loan and the associated expense is recognised in the statement of comprehensive income as a deduction against deemed loan interest income.

Capital contribution in kind

Under the terms of the Mortgage Sale Agreement, CB PLC is legally treated as having made a capital contribution in kind to the LLP as full consideration was not paid for the mortgage assets. Given that the transfer of the mortgage loans did not satisfy the derecognition test, the capital contribution in kind has not been separately recognised on the balance sheet, but as a component of the deemed loan.

Initial recognition of the component is equal to the difference between the balance of the mortgage loans sold at transfer date and the cash payment made by the LLP for those loans and relevant security on the transfer date. The balance will subsequently be reduced by capital distributions of principal receipts in accordance with the LLP deed, where sufficient principal receipts are available after higher priority payments have been made. Principal receipts include the proceeds from the mortgage loans and the issuance of intercompany debt.

Basis swaps

The LLP uses derivative financial instruments to manage exposure to interest rate risk, which arises when there is a mismatch between fixed interest rates and floating interest rates, and different repricing characteristics between assets and liabilities.

Given that the transfer of the mortgage loans did not satisfy the derecognition test, the basis swap derivatives have not been separately recognised on the balance sheet, but the effect of the derivatives has been recognised as a component of the deemed loan.

(i) Reserve funds

Reserve funds are held in line with the Programme documentation, which places restrictions on the timing and use of the funds. The reserve funds are held as cash at bank, which are measured at amortised cost.

Notes to the financial statements (continued)
Section 1: Basis of preparation and accounting policies (continued)

1.4 Accounting policies (continued)

(j) Other assets

Other assets include intercompany receivables and pre-paid expenses, which are recognised initially at fair value and subsequently measured at amortised cost.

(k) Cash and cash equivalents

Cash and cash equivalents are measured at amortised cost and are derecognised when the rights to receive cash flows have expired or the LLP has transferred substantially all the risks and rewards of ownership. For the purposes of the statement of cash flows, cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition.

(l) Loans due to LLP members

Loans due to LLP members are intercompany loans with CB PLC, which are initially recorded on the balance sheet at the fair value of proceeds received net of any transaction costs. On subsequent reporting dates, the loans are measured at amortised cost plus any applicable hedge adjustment.

(m) Derivative financial instruments and hedge accounting

The LLP uses derivative financial instruments to manage exposure to interest rate and foreign currency risk. Interest rate risk arises when there is a mismatch between fixed interest rate and floating interest rates, and different repricing characteristics between assets and liabilities. Currency risk arises when assets and liabilities are not denominated in the functional currency of the entity. Derivatives are recognised on the balance sheet at fair value on trade date and are remeasured at fair value throughout the life of the contract. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. The notional amount of a derivative contract is not recorded on the balance sheet but is disclosed in note 3.6.

Hedge accounting

Fair value hedges are designated as the hedging strategy of the LLP on foreign currency denominated fixed rate debt issuances. The carrying value of the hedged item on initial designation is adjusted for the fair value attributable to the hedged risk. Subsequently, changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged liability that are attributable to the hedged risk. This movement in the fair value of the hedged item is made as an adjustment to the carrying value of the hedged liability.

Hedge ineffectiveness

Hedge ineffectiveness can arise from:

- Differences in timing of cash flows of hedged items and hedging instruments;
- Changes in expected timings and amounts of forecast future cash flows;
- Different interest rate curves applied to discount the hedged items and hedging instruments; and
- Derivatives used as hedging instruments having a non-zero fair value at the time of designation.

Other risks such as credit risk and liquidity risk are managed by the LLP but are not included in the hedge accounting relationship. Changes in the designated risk component usually account for the largest portion of the overall change in fair value of the hedged item.

(n) Other debts due to LLP members

Cash capital contribution

If requested by the Management Committee, the Members may from time to time make cash contributions to the LLP which will constitute cash capital contributions. These contributions may be deemed by the LLP as revenue or principal as determined by the purpose of the funds. The liquidation member, Eagle Place Covered Bonds Finance Limited, will not make any capital contributions to the LLP. No interest is paid on the LLP members' capital balances. Capital distributions may only be made in accordance with the LLP deed where sufficient principal or revenue receipts are available as appropriate and higher priority payments have been made. Cash capital contributions are recognised and subsequently measured at amortised cost.

(o) Due to other banks

Balances within due to other banks represent cash collateral placed with the LLP by derivative counterparties, pursuant to the provisions of the associated swap agreements. Collateral is recognised initially at fair value and subsequently measured at amortised cost.

(p) Other liabilities

Other liabilities include non-interest earning intercompany payables and accrued expenses, which are recognised initially at fair value and subsequently measured at amortised cost.

Notes to the financial statements (continued)
Section 1: Basis of preparation and accounting policies (continued)

1.4 Accounting policies (continued)

(q) Financial guarantees

The LLP has provided a guarantee in the course of its business with CB PLC to the Bond Trustee, as to payments of interest and principal under the covered bonds, where amounts would otherwise be unpaid by CB PLC. The LLP recognises the financial guarantee contract initially at fair value, and subsequently the higher of the unamortised portion of fees received on the guarantee and best estimate of the value of the obligation under the guarantee. Fair value is presumed to be equal to premium unless there is evidence to the contrary. This is nil at inception and at subsequent recognition remains nil.

(r) Capital management overview

The LLP is not subject to externally imposed capital requirements outside the scope of Programme documentation. The LLP considers its capital to reflect Members' interest which can be found in the balance sheet on page 8.

1.5 Critical accounting estimates and judgements

The preparation of financial statements in conformity with IAS requires the Members to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses reported in these financial statements. Assumptions made at each balance sheet date are based on best estimates at that date and are reviewed by the Members at each reporting date. Although the LLP has internal control systems in place to ensure that estimates can be reliably measured, actual amounts may differ from those estimates. The most significant use of estimates and judgements relate to the following:

Fair value of financial instruments

Where the fair values of financial assets and liabilities recorded on the balance sheet cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but where observable market data is not available, judgement is required to establish fair values. The most significant inputs in relation to the LLP's derivative financial instruments, impacting the carrying value, are future expectations of interest rates. These are derived from observable market data. The valuation of these financial instruments is described in more detail in note 3.10.

Impairment of financial assets

At initial recognition, allowance is made for ECL's resulting from default events that are forecast within the next 12 months (12-month ECL). In the event of a significant increase in credit risk since origination, allowance (or provision) is made for ECL's resulting from all possible default events over the expected life of the financial instrument (lifetime ECL). In assessing a significant increase in credit risk, the LLP monitors the level of credit enhancement within the programme as detailed in the monthly reporting, as well as considers the presence of any trigger events as per the Programme documentation.

Financial assets, where 12-month ECL 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.

Unlike other financial instruments, the deemed loan is, by its construction, an instrument that incorporates credit enhancement. The interest due on the deemed loan is only due to the extent it matches the obligations of the entity. All covered bond programmes incorporate credit enhancement in the form of excess spread and various reserve funds for use in the event the cash flow for a particular payment period is insufficient. ECL for the deemed loan would only therefore be recognised where the ECL on the underlying assets were large enough that no credit enhancement remained, which is not currently the case. As at 30 September 2021, management judges ECLs based on the available supportable information to be immaterial and as a result no ECL disclosures are presented.

Notes to the financial statements (continued)
Section 1: Basis of preparation and accounting policies (continued)

1.6 New accounting standards and interpretations

(a) New accounting standards and interpretations adopted during the year

The Group has adopted the following IASB pronouncements in the current financial year:

Early adoption - Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

Following completion of the second part of the IASB’s two-phased project, amendments were issued in August 2020 (adopted for use in both the UK and EU in January 2021) and effective for financial years beginning on or after 1 January 2021. The Group has early adopted these Phase 2 amendments this year, applied from 1 October 2020.

The Phase 2 amendments address issues that might affect financial reporting as a result of the reform of an interest rate benchmark, including the effects of changes to contractual cash flows or hedging relationships arising from the replacement of an interest rate benchmark with an alternative benchmark rate.

There was no impact on amounts reported in current or prior years as a result of early adoption of the Phase 2 amendments as the LLP has never held items which referenced IBOR.

Those IASB pronouncements that are effective for financial years beginning on or after 1 January 2020, and would have been applicable for entities with an accounting date commencing on 1 October 2020, have already been adopted by the LLP in the shortened prior period that commenced on 1 January 2020.

(b) New accounting standards and interpretations not yet adopted

The IASB has issued a number of minor amendments to IFRSs that are not mandatory for the current financial year and have not been early adopted by the LLP. These amendments are not expected to have a material impact for the LLP and have therefore not been listed.

Notes to the financial statements (continued)
Section 2: Results for the period

2.1 Employee costs

The LLP does not have any employees thus there are no associated costs included within these financial statements (period 2020: £Nil). The administrative duties of the LLP have been outsourced to an external services provider, Intertrust Management Limited.

2.2 Interest income

	12 months to 30 Sep 2021	9 months to 30 Sep 2020
	£'000	£'000
Interest income on the deemed loan	**12,903**	11,139
Interest income on cash and cash equivalents	**-**	131
	12,903	11,270

Interest income on the deemed loan represents the income on the underlying mortgage loans, reduced by the net expense on the basis swap and deferred consideration expense of £50,463,000 (period 2020: £37,429,000).

2.3 Interest expense

	12 months to 30 Sep 2021	9 months to 30 Sep 2020
	£'000	£'000
Interest expense on the Intercompany Loan	**4,551**	4,303
Interest expense on hedging swaps	**5,333**	4,786
Interest expense on amounts due to other banks	**-**	3
	9,884	9,092

2.4 Operating expenses

	12 months to 30 Sep 2021	9 months to 30 Sep 2020
	£'000	£'000
Servicing fees	**2,920**	2,126
Cash management fee	**6**	4
Other operating expenses	**89**	46
	3,015	2,176

During the year, the LLP expensed £13,000 (period 2020: £13,000) of audit fees which are included in other operating expenses.

Notes to the financial statements (continued)
Section 3: Assets and liabilities

3.1 Loans due from LLP members

	2021	2020
	£'000	£'000
Deemed loan due from LLP members	980,786	988,185
Accrued interest (payable)/receivable	(6,267)	1,695
	974,519	989,880

The deemed loan represents the beneficial interest in the underlying mortgages of £3,959,730,000 (2020: £3,446,465,000) reduced by the associated capital in kind of £2,976,513,000 (2020: £2,443,654,000) and deferred consideration payable of £10,553,000 (2020: £10,636,000). The accrued interest includes the accrual on both the underlying mortgages and the basis rate swap. The mortgage loans are all denominated in GBP and are at various variable or fixed rates of interest.

3.2 Reserve funds

The LLP maintains a reserve fund, the balance of which is held as cash at bank. The Programme documentation specifies the terms under which the reserve fund can be utilised.

	2021	2020
	£'000	£'000
Reserve fund	12,886	8,329

3.3 Other assets

	2021	2020
	£'000	£'000
Other receivables	12	16

3.4 Cash and cash equivalents

	2021	2020
	£'000	£'000
Cash and cash equivalents	224,546	168,811

The LLP holds accounts with HSBC Bank and Clydesdale Bank. The accounts have been established in the LLP's name for the following purposes:

- to hold the LLP's available principal and revenue receipts until each distribution date;
- to apply proceeds to pay various creditors and hold reserve funds in accordance with the relevant priority of payments;
- to hold collateral placed with the LLP by derivative counterparties; and
- to retain the remaining balance as the LLP's profits.

Notes to the financial statements (continued)
Section 3: Assets and liabilities (continued)

3.5 Loans due to LLP members

	2021	2020
	£'000	£'000
Principal balance	**1,114,949**	1,144,841
Fair value hedge adjustment [1]	**(13,147)**	(6,126)
Unamortised discount	**(400)**	(480)
Accrued interest payable	**109**	115
	1,101,511	1,138,350

[1] The fair value hedging adjustment contains the life to date adjustments related to the forward FX component of the hedge relationship, with the spot translation component included in the principal balance. The tables below include further disclosure of the movements in the spot FX component in the period.

The amount owed to the Members is due to CB PLC and represents an intercompany loan equivalent to the amounts raised by CB PLC under the Programme.

The details of the terms and conditions of the notes issued by CB PLC to parties outside of the Group, and the corresponding intercompany loan, were as follows:

Series and class of loans	Credit rating	Currency	Initial consideration '000	Interest	Margin	Final maturity
2019-1	AAA rated	GBP	600,000	Compounded Daily SONIA	0.700%	22/03/2024
2019-2	AAA rated	EUR	600,000	FIXED	0.010%	22/09/2026

The covered bonds are direct, unsecured and unconditional obligations of CB PLC. Under the terms of the Programme documentation, the LLP has also provided a guarantee as to payments of interest and principal under the covered bonds, where amounts would otherwise be unpaid by CB PLC. The obligations of the LLP under its guarantee constitute direct obligations of the LLP secured against the assets from time to time of the LLP and recourse against the LLP is limited to such assets. The principal asset is the mortgage pool acquired from CB PLC as a component of the deemed loan.

Movement in the period

12 months to 30 Sep 2021 Tranche of loans	**Principal balance brought forward**	**Intercompany loans issued**	**FX movement [1]**	**Principal balance carried forward**
	£'000	**£'000**	**£'000**	**£'000**
2019-1	600,000	-	-	**600,000**
2019-2	544,841	-	(29,892)	**514,949**
	1,144,841	-	(29,892)	**1,114,949**

9 months to 30 Sep 2020 Tranche of loans	Principal balance brought forward	Intercompany loans issued	FX movement [1]	Principal balance carried forward
	£'000	£'000	£'000	£'000
2019-1	600,000	-	-	600,000
2019-2	508,527	-	36,314	544,841
	1,108,527	-	36,314	1,144,841

[1] The foreign exchange movement includes unrealised movements on loans held at the end of the period.

Notes to the financial statements (continued)
Section 3: Assets and liabilities (continued)

3.6 Derivative financial instruments

Use of derivatives

The LLP enters into certain derivative instruments to hedge foreign currency and interest rate risk on the principal and the interest of the intercompany loans. The derivatives form part of a designated fair value hedge relationship.

	2021	2020
	£'000	£'000
Fair value of derivative financial instruments		
Designated as hedging instruments	**(31,981)**	5,307

Cash collateral received on derivatives, both on and off balance sheet, totalled £78,593,000 (2020: £33,722,000) and is included within due to other banks (note 3.7). In addition to cash collateral, the LLP may hold securities collateral in respect of derivative transactions, the current balance of which is £Nil (2020: £Nil). Securities collateral is not recognised on the balance sheet as the securities are held in a custody account and do not meet recognition requirements under IFRS 9.

The derivative financial instruments held by the LLP are further analysed below. The notional contract amount is the amount from which the cash flows are derived and does not represent the principal amounts at risk relating to these contracts.

	2021			2020		
	Notional contract amount	**Fair value of assets**	**Fair value of liabilities**	Notional contract amount	Fair value of assets	Fair value of liabilities
	£'000	**£'000**	**£'000**	£'000	£'000	£'000
FAIR VALUE HEDGES						
Cross currency interest rate swap	**532,800**	**-**	**(31,981)**	532,800	5,307	-

Summary of hedging instruments in designated hedge relationships

In the below table, the LLP sets out the accumulated adjustments arising from the corresponding continuing hedge relationships, irrespective of whether there has been a change in hedge designation during the period.

	2021				2020 restated			
		Carrying amount of hedging instruments		**Change in fair value of hedging instrument in the year used for ineffectiveness**		Carrying amount of hedging instruments		Change in fair value of hedging instrument in the period used for ineffectiveness
	Notional contract amount	**Assets**	**Liabilities**	**measurement**	Notional contract amount	Assets	Liabilities	measurement [1]
	£'000	**£'000**	**£'000**	**£'000**	£'000	£'000	£'000	£'000
FAIR VALUE HEDGES								
Foreign exchange and interest rate risk								
Cross currency swaps	**532,800**	**-**	**(31,981)**	**(37,288)**	532,800	5,307	-	47,616

[1] The prior year value has been amended from £11,303,000 which incorrectly excluded the IAS 21 spot FX translation component of the hedge, to £47,616,000 which is now inclusive of this component. This correction is reflected in both the hedging instrument and the hedged item and therefore the net impact to ineffectiveness, profit and loss and the other primary financial statements is nil.

Notes to the financial statements (continued)
Section 3: Assets and liabilities (continued)

3.6 Derivative financial instruments (continued)

Summary of hedged items in designated hedge relationships

In the below table, the LLP sets out the accumulated adjustments arising from the corresponding continuing hedge relationships, irrespective of whether there has been a change in hedge designation during the period.

	2021				2020 restated			
	Carrying amount of hedged items		**Accumulated amount of fair value adjustments on the hedged item**	**Change in fair value of hedged item in the year used for ineffectiveness measurement**	Carrying amount of hedged items		Accumulated amount of fair value adjustments on the hedged item [(1)]	Change in fair value of hedged item in the period used for ineffectiveness measurement [(2)]
	Assets	**Liabilities**			Assets	Liabilities		
	£'000	**£'000**	**£'000**	**£'000**	£'000	£'000	£'000	£'000
FAIR VALUE HEDGES								
Foreign exchange and interest rate risk								
Fixed rate currency issuances	**-**	**(501,401)**	**30,998**	**36,832**	-	(538,237)	(5,915)	(47,616)

[(1)] The prior year value has been amended from £6,126,000 which incorrectly excluded the life to date IAS 21 spot FX translation component of the hedge, to (£5,915,000) which is now inclusive of this balance. The component was already included in the value disclosed on the balance sheet and therefore no correction to this statement or any other primary financial statement was required.

[(2)] The prior year value has been amended from (£11,303,000) which incorrectly excluded the IAS 21 spot FX translation component of the hedge, to (£47,616,000) which is now inclusive of this component. This correction is reflected in both the hedging instrument and the hedged item and therefore the net impact to ineffectiveness, profit and loss and the other primary financial statements is nil.

Gains and losses from hedge accounting

	2021		2020	
	Hedge ineffectiveness recognised in income statement	**Effective portion recognised in other comprehensive income**	Hedge ineffectiveness recognised in income statement	Effective portion recognised in other comprehensive income
	£'000	**£'000**	£'000	£'000
FAIR VALUE HEDGES				
Foreign exchange and interest rate risk				
Fixed rate currency issuances	**(456)**	**-**	-	-

Interest rate benchmark reform

As at 30 September 2021, the LLP has no items which are subject to the interest rate benchmark reform. The LLP has never held items which referenced IBOR.

3.7 Due to other banks

	2021	2020
	£'000	£'000
Collateral pledged by derivative counterparties	**78,593**	33,722

3.8 Other liabilities

	2021	2020
	£'000	£'000
Other payables	**321**	262

Notes to the financial statements (continued)
Section 3: Assets and liabilities (continued)

3.9 Drawings

The liquidation member, Eagle Place Covered Bonds Finance Limited, is entitled to receive a minimum of £1 of profit per year which has not been removed from the LLP. The cumulative balance of £4 (2020: £3) is held in the general reserve.

3.10 Fair value of financial instruments

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 valuation date.

Analysis of the fair value disclosures uses a hierarchy that reflects the significance of inputs used in measuring the fair value. The level in the fair value hierarchy within which a fair value measurement is categorised is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. The fair value hierarchy is as follows:

- Level 1 fair value measurements - quoted prices (unadjusted) in active markets for an identical financial asset or liability;
- Level 2 fair value measurements - inputs other than quoted prices within level 1 that are observable for the financial asset or liability, either directly (as prices) or indirectly (derived from prices); and
- Level 3 fair value measurements - inputs for the financial asset or liability that are not based on observable market data (unobservable inputs).

Fair value of financial instruments held at amortised cost

There are various limitations inherent in this fair value disclosure particularly where prices are derived from unobservable inputs due to some financial instruments not being traded in an active market. The methodologies and assumptions used in the fair value estimates are therefore described in the notes to the tables. The difference between carrying value and fair value is relevant in a trading environment but is not relevant to assets such as the loans due from LLP members.

The tables below show a comparison of the carrying amounts, as reported on the balance sheet, and fair values of those financial assets and liabilities measured at the amortised cost where the carrying value amounts of the financial assets and financial liabilities recorded at amortised cost in the balance sheet are not approximately equal to their fair value.

	2021					2020				
			Fair value measure using:					Fair value measure using:		
	Carrying value	**Fair value**	**Level 1**	**Level 2**	**Level 3**	Carrying value	Fair value	Level 1	Level 2	Level 3
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	£'000	£'000	£'000	£'000	£'000
Financial assets held at amortised cost										
Loans due from LLP members	**974,519**	**980,832**	-	980,832	-	989,880	986,619	-	-	986,619
Financial liabilities held at amortised cost										
Loans due to LLP members	**1,101,511**	**1,114,371**	-	1,114,371	-	1,138,350	1,138,459	-	-	1,138,459

The LLP's fair values disclosed for financial instruments at amortised cost are based on the following methodologies and assumptions:

Loans due from LLP members – The fair value of the loan is predominantly based on the fair value of the underlying mortgage loans that is determined from a discounted cash flow model using current market rates for instruments of similar terms and maturity and incorporates behavioural adjustment where appropriate.

Loans due to LLP members – The fair value is based on the fair value of the associated covered bonds which is determined from a discounted cash flow model using current market rates for instruments of similar terms and maturity.

Transfers between levels during the year were as a result of a change in the underlying methodology.

Notes to the financial statements (continued)
Section 3: Assets and liabilities (continued)

3.10 Fair value of financial instruments (continued)

Fair value measurements recognised on the balance sheet

The following tables provide an analysis of financial instruments that are measured at fair value subsequent to initial recognition, using the fair value hierarchy described above.

	2021					2020				
			Fair value measure using:					Fair value measure using:		
	Carrying value	**Fair value**	**Level 1**	**Level 2**	**Level 3**	Carrying value	Fair value	Level 1	Level 2	Level 3
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	£'000	£'000	£'000	£'000	£'000
Financial assets held at fair value										
Derivative financial assets	**-**	**-**	-	-	-	5,307	5,307	-	5,307	-
Financial liabilities held at fair value										
Derivative financial liabilities	**31,981**	**31,981**	-	31,981	-	-	-	-	-	-

The LLP's fair values disclosed for financial instruments at fair value are based on the following methodologies and assumptions:

Derivative instruments – The fair value of derivatives, are obtained from discounted cash flow models or option pricing models as appropriate.

There were no transfers between levels during the year.

Notes to the financial statements (continued)
Section 4: Other notes

4.1 Notes to the statement of cash flows

	12 months to 30 Sep 2021	9 months to 30 Sep 2020
	£'000	£'000
Changes in operating assets		
Net decrease/(increase) in other receivables	**4**	(13)
Changes in operating liabilities		
Net increase in other payables	**59**	80

Liabilities arising from financing activities

	Loans due to LLP members	**Other debts due to LLP members**	**Total**
	£'000	**£'000**	**£'000**
At 31 December 2019	1,090,859	6,199	1,097,058
Cash flows:			
Repayments	-	(6,199)	(6,199)
Non-cash flows:			
Movement in accrued interest	(104)	-	(104)
FX movement (1)	36,314	-	36,314
Other movement (2)	11,281	-	11,281
At 30 September 2020	1,138,350	-	1,138,350
Non-cash flows:			
Movement in accrued interest	(6)	-	(6)
FX movement (1)	(29,892)	-	(29,892)
Other movement (2)	(6,941)	-	(6,941)
At 30 September 2021	**1,101,511**	**-**	**1,101,511**

(1) FX movement on the principal balance of loans due to LLP members represents £29,892,000 favourable movement on the remaining loans based on closing FX rate (period 2020: £36,314,000 unfavourable).

(2) Other movement relates to fair value hedge adjustments and the capitalisation and amortisation of the discount on the loans.

Notes to the financial statements (continued)
Section 4: Other notes (continued)

4.2 Related party transactions

The LLP had intercompany transactions with the Originator of the Programme CB PLC and Intertrust Management Limited, who perform the management committee tasks on behalf of Eagle Place Covered Bonds Finance Limited. The related party transactions are disclosed below.

Transactions during the period	**12 months to 30 Sep 2021**	9 months to 30 Sep 2020
	£'000	£'000
CB PLC		
Principal movement of the deemed loan	**(7,399)**	(64,556)
Interest received on the deemed loan	**12,903**	11,139
Interest paid on loans due to LLP members	**4,551**	4,303
Repayment of other debt due to LLP members	**-**	6,199
Bank interest received	**-**	123
Movement in collateral balances held	**44,871**	25,250
Interest paid on collateral	**-**	3
Servicing fee paid	**2,920**	2,126
Cash management fee paid	**6**	4
Audit fee recharged from CB PLC	**13**	13

Balances at end of the period	**2021**	2020
	£'000	£'000
CB PLC		
Loans due from LLP members	**974,519**	989,880
Balances in current accounts	**148,060**	133,983
Loans due to LLP members	**(1,101,511)**	(1,138,350)
Collateral balances held	**(78,593)**	(33,722)
Other payables to CB PLC	**(271)**	(236)
	(57,796)	(48,445)

The LLP also has a debt payable of £4 (2020: £3) to member Eagle Place Covered Bonds Finance Limited, which is held within the general reserve.

None of the representatives of the Management Committee were directly remunerated by the LLP in respect of their duties for the LLP. However, during the year, a fee in the amount of £29,000 (period 2020: £19,000) was expensed to Intertrust Management Limited for the provision of corporate administration services including the services to the Management Committee. In relation to the remaining representatives of the Management Committee, their service to the LLP was performed as part of their employment with CB PLC and no remuneration was earned in respect of qualifying services provided to the LLP. CB PLC has not recharged the LLP for the cost of this service.

Notes to the financial statements (continued)
Section 4: Other notes (continued)

4.3 Management of risk

Introduction and overview

The principal activity of the LLP is to hold an interest in a pool of mortgage loans within the deemed loan, as a security for covered bonds issued by CB PLC under the Programme. The LLP received a capital contribution and intercompany loans from CB PLC to fund the acquisition of the mortgage pool. Therefore, the role of financial assets and financial liabilities is central to the activities of the LLP; the financial liabilities provide the funding used to invest in the deemed loan, which represents the LLP's principal financial asset. Financial assets and liabilities provide the majority of the assets and liabilities of the LLP.

In addition to the investment in the deemed loan, and the intercompany loans, the LLP has also entered into a basis rate swap and a cross currency swap. The basis swap economically hedges the interest rate risk associated with the mismatch between the interest generated by the underlying mortgage loans and the interest paid on the intercompany loans. The currency swap hedges the currency risk and the interest rate risk associated with both the mismatch between the floating GBP interest generated by the underlying mortgage loans and the EUR fixed rate interest paid on one of the intercompany loans.

The strategies used by the LLP in achieving its objectives regarding the use of financial instruments were set at the issuance date, aligning the cash flow profiles of the intercompany loans with the combined receivables from the underlying mortgage loans and the basis rate and currency swaps. The LLP has attempted to match the properties of its financial liabilities to its assets to avoid significant elements of risk generated by mismatches of maturity and interest rate risk.

Risk management framework

The Management Committee has overall responsibility for the establishment and oversight of the LLP's risk management framework which is in line with the Programme documentation.

This note presents information about the LLP's exposure to risk, the LLP's objectives, policies and processes for measuring and managing risk. Further quantitative disclosures are provided below.

Credit risk

Credit risk is the risk of financial loss to the LLP if the counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the loans due from LLP members.

The LLP limits its exposure to credit risk by investing only with counterparties that have a suitable credit rating as defined in the Programme documentation. Credit risk is reduced in respect of the intercompany loans by establishing a reserve fund to meet shortfalls.

Derivatives

At any one time, the amount subject to credit risk is limited to the current fair value of instruments that are favourable to the LLP (i.e. assets where their fair value is positive) which, in relation to derivatives, may only be a small fraction of the contract, or notional values used to express the volume of instruments outstanding.

The LLP further restricts its exposure to credit losses by entering into master netting arrangements with counterparties with whom it undertakes derivative transactions. Master netting arrangements do not generally result in an offset of balance sheet assets and liabilities. However, credit risk associated with the favourable contracts is reduced by a master netting arrangement to the extent that, if any counterparty failed to meet its obligations in accordance with the agreed terms, all amounts with the counterparty are terminated and settled on a net basis. Derivative financial instrument contracts are typically subject to the International Swaps and Derivatives Association ("ISDA") master netting agreements, as well as Credit Support Annexes, where relevant, around collateral arrangements attached to those ISDA agreements.

Maximum exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

	2021	2020
	£'000	£'000
Loans due from LLP members	**974,519**	989,880
Derivative financial assets	**-**	5,307
Reserve funds	**12,886**	8,329
Other assets	**12**	16
Cash and cash equivalents	**224,546**	168,811
	1,211,963	1,172,343

Notes to the financial statements (continued)
Section 4: Other notes (continued)

4.3 Management of risk (continued)

Maturity analysis of assets and liabilities

The following tables represent a breakdown of the LLP's balance sheet according to the contractual maturity of the assets and liabilities. Maturity analysis of the loans due from LLP members has been based upon the profile of the underlying mortgage loans.

	2021						
	Call	**3 months or less**	**3 months to 12 months**	**1 to 5 years**	**Over 5 years**	**No specified maturity**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Assets							
Loans due from LLP members	**-**	**43**	**1,133**	**33,374**	**939,969**	**-**	**974,519**
Reserve funds	**-**	**-**	**-**	**-**	**-**	**12,886**	**12,886**
Other assets	**-**	**12**	**-**	**-**	**-**	**-**	**12**
Cash and cash equivalents	**224,546**	**-**	**-**	**-**	**-**	**-**	**224,546**
	224,546	**55**	**1,133**	**33,374**	**939,969**	**12,886**	**1,211,963**
Liabilities							
Loans due to LLP members	**-**	**108**	**1**	**1,101,402**	**-**	**-**	**1,101,511**
Derivative financial liabilities	**-**	**132**	**-**	**31,849**	**-**	**-**	**31,981**
Due to other banks	**-**	**-**	**-**	**-**	**-**	**78,593**	**78,593**
Other liabilities	**-**	**321**	**-**	**-**	**-**	**-**	**321**
	-	**561**	**1**	**1,133,251**	**-**	**78,593**	**1,212,406**

	2020						
	Call	3 months or less	3 months to 12 months	1 to 5 years	Over 5 years	No specified maturity	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Assets							
Loans due from LLP members	-	465	831	23,674	964,910	-	989,880
Derivative financial assets	-	(132)	-	-	5,439	-	5,307
Reserve funds	-	-	-	-	-	8,329	8,329
Other assets	-	16	-	-	-	-	16
Cash and cash equivalents	168,811	-	-	-	-	-	168,811
	168,811	349	831	23,674	970,349	8,329	1,172,343
Liabilities							
Loans due to LLP members	-	113	1	599,748	538,488	-	1,138,350
Due to other banks	-	-	-	-	-	33,722	33,722
Other liabilities	-	262	-	-	-	-	262
	-	375	1	599,748	538,488	33,722	1,172,334

Notes to the financial statements (continued)
Section 4: Other notes (continued)

4.3 Management of risk (continued)

Liquidity and funding risk

Liquidity risk is the risk that the LLP is unable to meet its current and future financial obligations as they fall due at acceptable cost.

Cash flows on the loans due from LLP members are dependent on the underlying mortgage loans. The underlying mortgage loans in general have a maximum contractual term of 35 years, but the actual rate at which the mortgage loans are repaid may be in advance of the legal maturity date. Any principal receipts from the LLP's beneficial interest in the mortgage pool will be utilised by the LLP to repay the capital contribution in kind from CB PLC.

The Members do not believe there is a significant exposure to liquidity risk due to the related party nature of funding and liability exposures with fellow Group companies.

Cash flows payable under financial liabilities by contractual maturity

The following are the gross undiscounted contractual cash flows of the financial liabilities.

	2021						
	Call	**3 months or less**	**3 months to 12 months**	**1 to 5 years**	**Over 5 years**	**No specified maturity**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Loans due to LLP members	**-**	**1,163**	**4,830**	**1,128,016**	**-**	**-**	**1,134,009**
Derivative financial liabilities	**-**	**1,962**	**6,040**	**58,169**	**-**	**-**	**66,171**
Due to other banks	**-**	**-**	**-**	**-**	**-**	**78,593**	**78,593**
Other liabilities	**-**	**321**	**-**	**-**	**-**	**-**	**321**
	-	**3,446**	**10,870**	**1,186,185**	**-**	**78,593**	**1,279,094**

	2020						
	Call	3 months or less	3 months to 12 months	1 to 5 years	Over 5 years	No specified maturity	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Loans due to LLP members	-	1,126	3,132	609,579	544,897	-	1,158,734
Due to other banks	-	-	-	-	-	33,722	33,722
Other liabilities	-	262	-	-	-	-	262
	-	1,388	3,132	609,579	544,897	33,722	1,192,718

The balances in the cash flow tables above do not agree directly to the balances in the balance sheet as the table incorporates all future cash flows, on an undiscounted basis, related to both principal and interest.

The LLP's exposure to liquidity risk is mitigated by matching the repayment profile of the loans due from LLP members with the repayment profiles of the loans due to LLP members.

Notes to the financial statements (continued)
Section 4: Other notes (continued)

4.3 Management of risk (continued)

Interest rate risk

Interest rate risk comprises the sensitivity of the LLP's current and future net interest income to movements in market interest rates. The LLP is exposed to the risk of interest rate fluctuations, to the extent that there is a difference between the fixed and floating rates of the intercompany loans and interest income originated from its beneficial interest in a pool of mortgages at various fixed and floating rates. To mitigate this the company has entered into basis swaps.

At the reporting date, the LLP’s interest-bearing financial instruments were as follows:

	2021	2020
	£’000	£’000
Loans due from LLP members	**980,786**	988,185
Loans due to LLP members	**(1,114,949)**	(1,144,841)
	(134,163)	(156,656)

Sensitivity analysis

The LLP has mitigated the interest rate risk associated with the intercompany loans by entering into basis swap agreements whereby the swap counterparty pays the LLP amounts based on a rate equal to the interest payable on the intercompany loans in return for the interest earned by the LLP on its deemed loan. Any remaining difference in rate is due to currency rates and is subject to currency risk mitigated by the use of cross currency swaps. Therefore, any change in interest rates would not affect the statement of comprehensive income of the LLP.

Currency risk

The LLP is exposed to movements in exchange rates between its functional currency (GBP) and EUR denominated financial instruments.

At the reporting date, the LLP had the following exposure to foreign currency risk:

	2021	2020
	£’000	£’000
Currency denominated monetary liabilities		
EUR denominated loans due to LLP members	**514,949**	544,841

The LLP's policy is to fully mitigate any exchange rate exposures by using cross currency swaps.

Sensitivity analysis

The impact of any movements in the exchange rates on any EUR denominated loans are offset by FX movements on the related cross currency swaps. Therefore, any change in FX rates would not affect the statement of comprehensive income of the LLP.

Prepayment risk

Prepayment risk is the risk that the deemed loan may be realised earlier than it is possible to redeem the liabilities. This may arise due to redemptions of mortgage loans in the underlying pool. In the event that mortgage loans are redeemed sooner, the prepayment proceeds are distributed in accordance with the Programme documentation and additional mortgage loans are assigned to the pool as required.

Operational risk

Operational risk is the risk of loss resulting from inadequate or failed processes, people, systems or from external events. All administration functions have been outsourced by the LLP to reputable organisations with strong operational risk controls.

4.4 Events after the balance sheet date

On 22 October 2021, following a successful consent solicitation process, the Series 2012-2 Covered Bonds transferred from the Clydesdale Bank PLC Global Covered Bond Programme to the Clydesdale Bank PLC (formerly Virgin Money PLC) Global Covered Bond Programme. As a result, Intercompany Loans increased by £745m, swap liabilities increased by £44m, and capital in kind reduced by £701m.

There have been no other significant events between 30 September 2021 and the date of approval of the annual report and financial statements which would require a change to or additional disclosure in the financial statements.