UK Mortgages Limited

Interim Management Report and Unaudited Condensed Consolidated Financial Statements

For period from 1 July 2018 to 31 December 2018

CONTENTS

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Richard Burrows
Paul Le Page
Helen Green

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SUMMARY INFORMATION

The Company

UK Mortgages Limited ("UKML") was incorporated with limited liability in Guernsey, as a closed-ended investment company on 10 June 2015. UKML's shares were admitted to trading on the Specialist Fund Segment of the London Stock Exchange on 7 July 2015.

UKML and the affiliate structure has been designed by the Board of Directors, the Portfolio Manager, the Corporate Broker and legal advisors to ensure the most efficient structure for regulatory and tax purposes.

UKML established a Dublin domiciled Acquiring Entity, UK Mortgages Corporate Funding Designated Activity Company ("DAC") for the purpose of acquiring and securitising mortgages via Special Purpose Vehicles ("SPVs"). UKML, the Acquiring Entity, the Issuer SPV and the Warehouse SPVs (collectively, the "Company") are treated on a consolidated basis for the purpose of the Unaudited Condensed Consolidated Interim Financial Statements.

Investment Objective

The Company's investment objective is to provide Shareholders with access to stable income returns through the application of relatively conservative levels of leverage to portfolios of UK mortgages. In accordance with the Listing Rules, the Company can only make a material change to its investment policy with the approval of its Shareholders by Ordinary Resolution.

The Company expects that income will constitute, in the long term, the vast majority of the return to Shareholders and that the return to Shareholders will have relatively low volatility and demonstrate a low level of correlation with broader markets.

Shareholders' Information

Maitland Institutional Services Limited ("Maitland") is responsible for calculating the NAV per share of the Company. Maitland has delegated this responsibility to Northern Trust International Fund Administration Services (Guernsey) Limited (the "Administrator") however Maitland still performs an oversight function. The unaudited NAV per Ordinary Share is calculated as at the last business day of every month by the Administrator and is announced through a Regulatory Information Service approximately 2 weeks after the last business day of the following month.

Financial Highlights

	For the period from 01.07.2018 to 31.12.2018	For the year ended 30.06.2018	For the period from 01.07.2017 to 31.12.2017
Total Net Assets at period/year end	£228,430,207	£233,990,428	£218,489,263
Net Asset Value per ordinary share at period/year end	83.65p	85.69p	87.39p
Share price at period/year end	82.83p	87.25p	90.10p
(Discount)/premium to Net Asset Value at period/year end	(0.98%)	1.82%	3.09%
Net Asset Value Total Return	0.15%	(0.81%)	(2.11%)
Dividends declared and paid in the period/year	3.00p	6.00p	3.00p
Ongoing Charges			
- UKML	0.95%	0.93%	0.92%
- DAC and subsidiaries	1.94%	1.65%	1.24%
Total ongoing charges for the Company	2.89%	2.58%	2.16%

CHAIRMAN'S STATEMENT

for the period from 1 July 2018 to 31 December 2018

I am pleased to report the results of the Company for the half year from 1 July 2018 to 31 December 2018, a period of solid progress as the origination of mortgages at Keystone gathers pace and the credit performance of the Company's other portfolios continues to exceed expectations.

A detailed breakdown of the Company's five investment pools is given below in the Portfolio Manager's Report, but this resilient performance comes against an increasingly turbulent macroeconomic background. Trade tensions, the pace of US monetary tightening and volatile stock markets were the dominant themes of the fourth quarter of 2018, while here in the UK investors were also consumed by Brexit.

It seems incredible that at the time of writing, within days of the UK's scheduled exit from the EU, we still do not know what Brexit will mean in practice. We do not know if a deal with the EU can be agreed that will win parliamentary approval, or if the UK might leave with no deal, or if the whole process is to be paused or reversed.

Whatever the eventual outcome, this long period of uncertainty has eroded business confidence, deferred capital spending and led to downgrades in forecasts of UK economic growth. It has also seen the Bank of England seemingly abandon its previous plans for gradual interest rate rises.

It is impossible to know exactly what effect the Brexit process has had on the UK housing market, but is seems reasonable to assume that it hasn't been positive. Whilst stagnation in house prices is not a major problem for the Company, we do have concerns and potential economic exposure if a "hard" Brexit, or worse a "no deal" Brexit leads to the Bank of England reintroducing the Term Funding Scheme (TFS), or something very like it, to provide cheap money to UK banks. Funding from the TFS contributed to aggressive price competition in the mortgage market during the early life of the Company and has certainly reduced mortgage investment returns. If we see a return of such cheap funding, it may have an impact on the availability of and yield from future portfolio purchases, and unless financing rates also fall in proportion, it may impact the returns from future securitisations. Despite coming to an end in the early part of 2018, the effects of TFS are still being felt to a certain extent, as financing costs are broadly unchanged, while asset yields continue to be compressed and competition in a thinner mortgage market remains fierce, with pricing as the primary tool for originators striving for market share.

Outlook

2019 promises to be an important year for the Company. Our first securitisation, Malt Hill No. 1, becomes callable in the first half of the year and also in the same period, the TML loans in the Cornhill No. 2 warehouse will move towards their first securitisation. As I emphasised in the last annual report, these milestones have the potential to release capital and, importantly, will allow the Portfolio Manager to update our projections, giving greater detail on the probable progress of the NAV and more clarity on the vital issue of when the dividend is likely to be covered. This remains the primary concern of the Board.

Meanwhile, the origination of mortgages will continue at TML and Keystone, and, as noted in the Portfolio Manager's report, progress at Keystone has been particularly encouraging. The warehouse facility used to finance the Keystone portfolio is designed to be drawn down in stages as mortgages are written, minimising cash drag and generating accretive returns. This refinement of terms from those in the original TML warehouse facility is a good example of the focussed approach of the Portfolio Manager, to be as efficient as possible in the deployment of capital, and with the Company's capital now invested, a similar refinement will also be negotiated for the next TML facility. This flexibility and efficiency will be improved further with the addition of a revolving credit facility, which we hope to finalise shortly. While we hope to grow the Company significantly over the next few years, the cost of new equity capital is currently high and using a credit facility is a better option.

In the face of the challenges noted, the Board are confident that all appropriate steps are being taken while we are still concentrating on increasing the dividend cover.

Thank you for your continuing support.

Christopher Waldron
Chairman

22 March 2019

PORTFOLIO MANAGER'S REPORT
for the period from 1 July 2018 to 31 December 2018

Market Commentary
The second half of 2018 was a generally weak, volatile and uncertain one for all markets. News flow was dominated by geopolitical uncertainty with South Korean sanctions, emerging markets currency volatility, Italian budget concerns and a possible US-China trade war amongst the major headlines. The year closed with the US Government shutdown and of course Brexit at the forefront of investors' minds, with the uncertainty and potential for further resignations on all sides likely to continue right up the deadline date, or even beyond if there were to be an extension.

As usual, President Trump was never far from the headlines, but despite this the path of US interest rates broadly followed expectations with two rate increases in the second half of the year making four in total for 2018, albeit the tone for future rises has softened somewhat with the final increase in December seen as a "dovish hike".

In the UK, the base rate increase in August was also widely predicted, but again like the US, expectations for the future path of rates have flattened significantly albeit with Brexit uncertainty the main driver, and were there to be a soft Brexit then the curve would be expected to steepen again as most economic indicators have positive momentum.

In Europe, the process has only just begun with the cessation of new asset purchases but reinvestments still ongoing for the foreseeable future, and the ECB's recent announcement of a new TLTRO and extended forward guidance on interest rates suggesting no rate rises in 2019 means the process will most likely be a long one.

This uncertainty fed through into all markets, with significant falls in global equity markets through the last quarter and high levels of volatility in fixed income credit markets. Despite a gradual but relatively insignificant drift wider through the summer, ABS markets mostly held firm throughout this wider turmoil, but as all markets worsened through November and December ABS was forced to follow suit and play catch-up, ending the year at the widest levels seen since the early part of 2016.

This widening was also driven by a heavy primary calendar towards the end of the year, with a broad range of deals across multiple asset classes including a number of UK RMBS deals. Much of this was prompted by the upcoming introduction of new regulations for European ABS markets, applicable from the start of 2019, but as a number of technical points were not expected to be resolved until at least Q2 so several lenders chose to pre-fund their early 2019 requirements before the new year began.

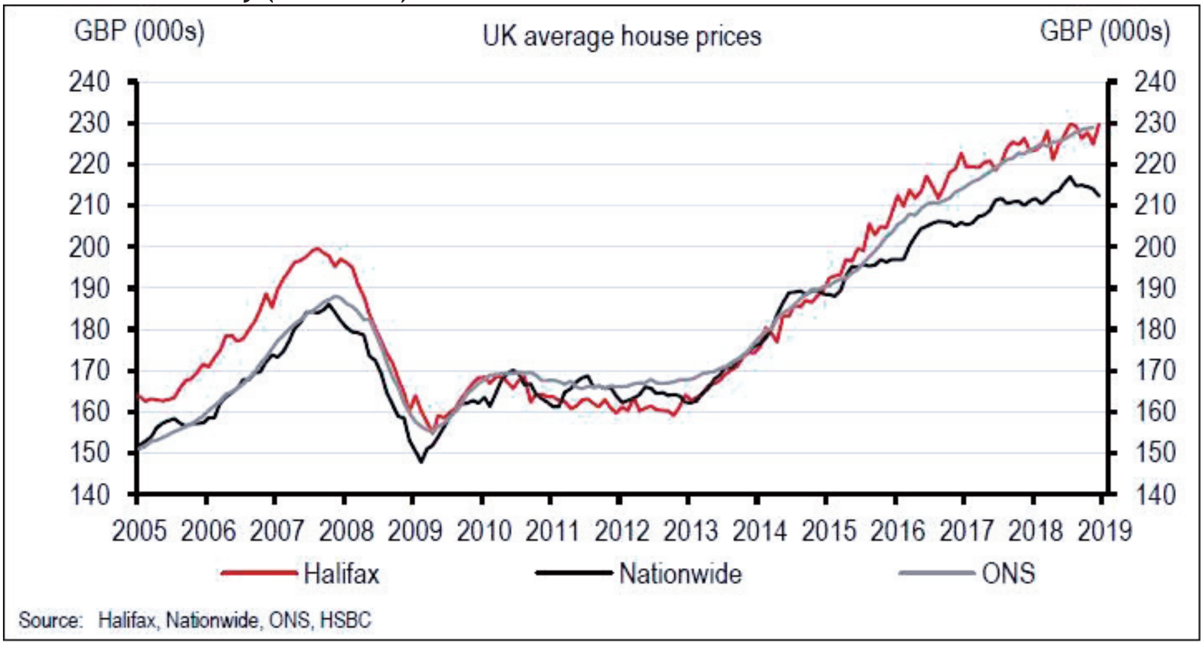
As was widely predicted, the primary market essentially came to a halt in early 2019, and with the exception of one UK bank deal from Clydesdale Bank, who chose to issue outside the new "Simple, Transparent and Standardised" ("STS") regulatory standard in order to meet their timely funding needs and the expectation for the occasional specialist deal, the market is not expected to fully re-open until the final technical guidance is clarified, most likely in Q2. As a result, after a slow start whilst some secondary auctions were absorbed, spreads have begun to recover, albeit initially more noticeably in the mezzanine areas than senior.

Meanwhile, housing markets have essentially stagnated through the second half of 2018, with sluggish house prices characterised by weakness in London and the South offset by ongoing but slower growth in most other regions. Data variance between the various indices is common on a month by month basis but the medium term trend across them all is generally the same, and the broader trend points to a further slowdown in growth.

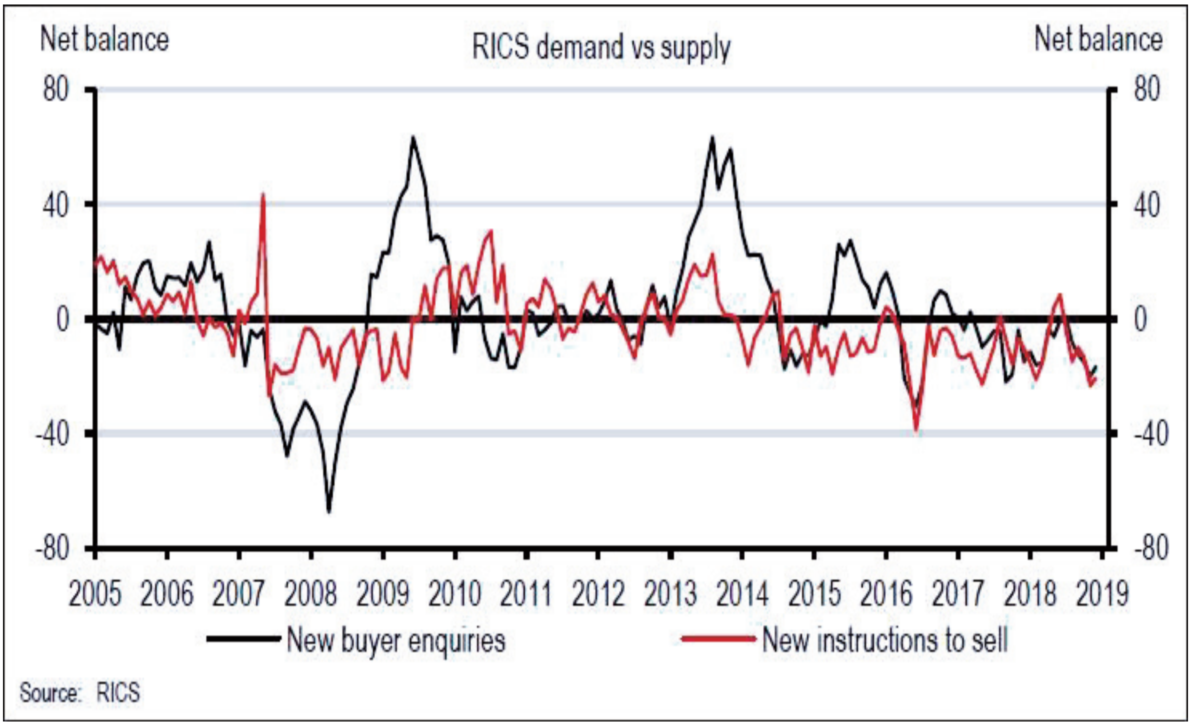
PORTFOLIO MANAGER'S REPORT Continued

for the period from 1 July 2018 to 31 December 2018

Market Commentary (continued)



Furthermore, both the demand and supply sides of the market remain negative with the lack of new buyer enquiries offset by a fall in new instructions to sell – a factor broadly attributed to uncertainty whilst Brexit remains unresolved. Mortgage approvals remain broadly flat, albeit the weak supply and demand dynamic meant that 2018 was a record year for re-mortgages according to UK Finance. However, high employment and wage growth coupled with mortgage rates only just ticking up from historical lows may help to restart sale and purchase activity once the outcome of Brexit is known.



PORTFOLIO MANAGER'S REPORT Continued

for the period from 1 July 2018 to 31 December 2018

Portfolio Review

Having completed the second Coventry Building Society portfolio purchase and its securitisation as Malt Hill No.2 at the end of June 2018, along with the additional £20m capital raising, work began immediately and continued through the summer to structure and complete the Keystone Property Finance ("Keystone") transaction, the Company's fifth investment (Cornhill Mortgages No. 4 Limited), to allow them to begin lending for UKML into the autumn market. National Australia Bank (rated Aa3/AA-/AA-) was appointed as warehouse provider, arranger and swap counterparty whilst Pepper UK, one of the most experienced third party mortgage servicers was employed to manage collections and servicing. Existing relationships with the various administrative roles required in such arrangements (e.g. cash manager, account bank, trustee and other similar roles) were renewed with existing providers to ensure continuity. Lending activity for Cornhill Mortgages No. 4 Limited began in early September and saw strong application flow immediately, reflecting Keystone's position as a well-known existing originator in the portfolio landlord Buy-to-Let mortgage marketplace. By period-end a total of 387 applications had been received representing a total mortgage amount of over £85m, of which 104, worth approximately £26m, had been rejected. The first completions took place in early December reflecting a typical 3-month period from application to completion with 18 loans worth slightly over £4m completed by year-end and a further 80 applications at the binding offer stage, worth around £15m. After a brief pause during the seasonal break, origination volumes have continued at a pace, even moving slightly ahead of initial expectations which is highly encouraging.

Similarly, origination from The Mortgage Lender, UKML's other forward-flow investment is now seeing encouraging growth after a period of sluggish origination, particularly during the time that the Bank of England was providing the banking sector with extraordinary funding via its Term Funding Scheme, and following a re-branding and some simplifying modifications to their product range, The Mortgage Lender has recently been experiencing record applications and completions.

The Company's other investments continue to perform well within expectations. Having adopted IFRS 9 from 1 July 2018, (as described in note 2 to the Condensed Consolidated Interim Financial Statements) Expected Loss Provisions have not proved to be significantly different from our original expectations in early 2018. However, variations in arrears from month to month, most particularly in the Oat Hill No.1 portfolio which includes the most seasoned loans in our portfolios and therefore the greatest likelihood of arrears volatility, mean that the provisions in this report are higher than the estimate indicated in the June 2018 accounts.

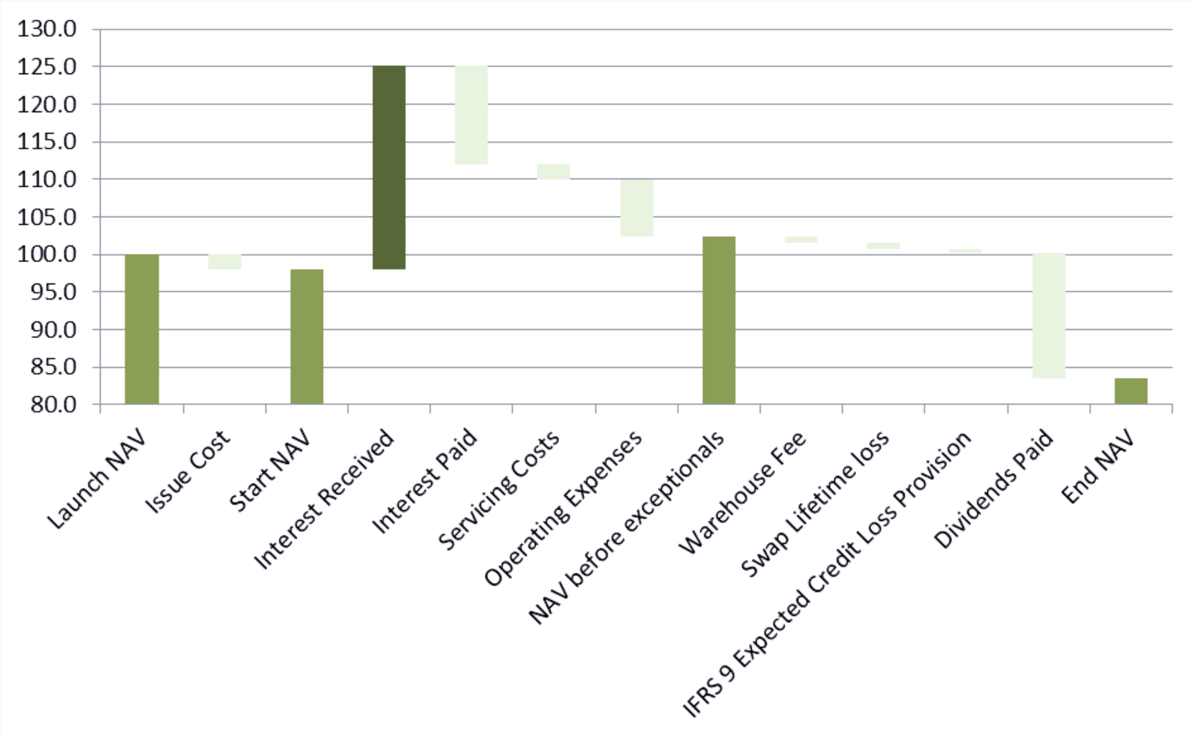
The key attributes and performance indicators for all investments can be seen in the table below.

Portfolio Summary as at 31st December 2018		Malt Hill 1	Oat Hill 1	Malt Hill 2	Cornhill 4	Cornhill 2
Type		Buy-to Let				Owner Occupied
Status		Securitised	Securitised	Securitised	Forward-Flow Warehouse	Forward-Flow Warehouse
Portfolio Size						
	Completed	£206.3m (1,201 loans)	£528.0m (4,456)	£348.2m (2,066)	£4.1m (18)	£197.8m (1,128)
	Pipeline	-	-	-	£59.1m (265)	£60.1m (306)
Senior Notes Outstanding		£169.1m	£429.3m	£315.7m	-	-
Leverage (as at 31st Oct 2018)		4.1	11	7.1	2.8*	-
Yield (IRR)		5.81%	10.14%	6.41%	8.31%	7.23%
First Optional Redemption Date		May-19	May-20	May-21	-	-
Arrears						
31-60	*Count*	1	23	-	-	1
	Loan Balance	£24,765	£3,549,735	-	-	£280,445
	Arrears	£1,581	£10,675	-	-	£2,553
61-90	*Count*		10	-	-	
	Loan Balance		£864,316	-	-	
	Arrears		£4,983	-	-	
90+	*Count*	1	34	-	-	3
	Loan Balance	£127,925	£4,313,130	-	-	£509,502
	Arrears	£1,937	£87,988	-	-	£16,400
IFRS 9 Expected Credit Loss Provision		£17,607	£990,755	£13,301	£884	£250,696

PORTFOLIO MANAGER'S REPORT Continued

for the period from 1 July 2018 to 31 December 2018

Portfolio Review (continued)



The above chart illustrates how the NAV of the Company has evolved since launch. After issue costs, the NAV started at a base of 98 pence per share in July 2015. The table below shows the major contributors to the performance of the NAV since that time. The longer time taken for the portfolio to become fully invested and the ongoing payment of the dividend of 6p per annum have been the major drivers of NAV performance, although the drag has reduced following the acquisition and securitisation of the Malt Hill No.2 transaction and will continue to do so following the securitisation of the TML portfolio, and following the refinancing of the Malt Hill No.1 transaction and as the Keystone portfolio and second TML portfolio grow.

The -0.9p fair value movement in the swap valuation reflects a change from -1.1p in June 2018. The change is primarily due to the new hedge on Malt Hill No. 2 not qualifying for hedge accounting at the year end, due to the timing of the implementation of the hedge being mis-matched with the changeover from IAS 39 to IFRS 9, but qualifying for the period beginning July 2018 on a prospective basis.

NAV to end December 2018	
Start NAV	**98.0**
Net Interest	14.0
Dividend	-16.5
Costs (Servicing, Operating, Warehouse)	-10.5
Swap MTM	-0.9
Expected Credit Losses	-0.5
Fund NAV	**83.6**

PORTFOLIO MANAGER'S REPORT Continued

for the period from 1 July 2018 to 31 December 2018

Market and Investment Outlook

Following the volatility at the end of 2018, the tone in broader markets has become more supportive in the New Year, but there remain numerous unpredictable events that could alter sentiment. Here in the UK, the Brexit saga continues with deal/no-deal, postponements, resignations and various parliamentary voting threats, including a second referendum and even a general election all within the realm of possibilities. The outcome remains extremely uncertain; with a lot depending on what concessions Prime Minister May can garner from her EU counterparts.

It was encouraging to see some confidence return to European ABS in the New Year, with some fresh impetus in the secondary market supported by broader credit markets. As expected, the primary market was left in limbo and therefore virtually closed whilst waiting for clarity from the regulators, although we do expect to see a few non-bank RMBS and consumer deals emerge later in Q1, and possibly some bank issuers will take a pragmatic approach to funding as it is required, as opposed to seeing it as a necessity to get deals placed with an STS label. There appears to be strong investor demand for bonds at wider spreads, which should provide a decent technical backdrop for the market in the near term.

The expectation is that the TML portfolio will have achieved a suitable size for securitisation by late Q1/early Q2 and work is in progress with the aim of achieving this, subject of course to market conditions when the structuring of the transaction has been completed and is ready to be marketed. The securitisation of the current assets will also require the arrangement of a new warehouse facility for a second follow-up portfolio. Furthermore, the first optional call date of the Malt Hill No.1 portfolio is due in late May, and given that a significant number of the loans in this portfolio are due to undergo a reset during the summer of 2019, it's likely that refinancing them into warehouse will be the optimal solution, before arranging a further term financing once the majority of resets have occurred. These projects are expected to occupy the bulk of the Portfolio Manager's attention in the foreseeable future, along with ongoing work on the previously announced intention to seek a revolving credit facility in order to more efficiently aid the capital management of the Company. Alongside this, further investment opportunities continue to be analysed and assessed as appropriate, and should suitable investments be identified, these will also be progressed, along with any potential capital raising as may be required.

BOARD OF DIRECTORS MEMBERS

Biographical details of the Directors are as follows:

Christopher Waldron (Chairman) - Independent Non-Executive Director – Guernsey resident
Mr Waldron is the Chairman of Crystal Amber Fund Limited and a director of JZ Capital Partners Limited as well as a number of unlisted companies. He has over 30 years' experience as an investment manager, specialising in fixed income, hedging strategies and alternative investment mandates and until 2013 was Chief Executive of the Edmond de Rothschild Group in the Channel Islands. Prior to joining the Edmond de Rothschild Group in 1999, Mr Waldron held investment management positions with Bank of Bermuda, the Jardine Matheson Group and Fortis. Mr Waldron is also a member of the States of Guernsey’s Policy and Resources Investment and Bond Sub-Committee and a Fellow of the Chartered Institute of Securities and Investment. Mr Waldron was appointed to the Board on 10 June 2015.

Richard Burrows - Senior Independent Non-Executive Director – UK resident
Mr Burrows works as Treasurer of British Arab Commercial Bank plc in London. He has previously held senior Treasury related roles at Bank of China, London Branch (2015 – 2018), Co-operative Bank (2012 – 2015), Northern Rock (2009 – 2010) and Citi Alternative Investments (1994 – 2008). From 2010 to 2012, Mr Burrows worked in the Prudential Risk Division of the Financial Services Authority as the UK regulator rolled out its post-crisis requirements with specific focus on the liquidity regime. Mr Burrows was appointed to the Board on 12 June 2015.

Paul Le Page (Audit Committee Chairman) - Independent Non-Executive Director – Guernsey resident
Mr Le Page is a director of Man Fund Management Guernsey Limited, Man Group Japan Limited and FRM Investment Management Limited which are subsidiaries of Man Group Plc. He is responsible for managing hedge fund portfolios. Mr Le Page is currently the Audit Committee Chairman for Bluefield Solar Income Fund Limited and was formerly the Audit Committee Chairman for Cazenove Absolute Equity Limited and Thames River Multi Hedge PCC Limited. He has extensive knowledge of, and experience in, the fund management and the hedge fund industry. Prior to joining FRM, he was an Associate Director at Collins Stewart Asset Management from January 1999 to July 2005, where he was responsible for managing the firm’s hedge fund portfolios and reviewing fund managers. He joined Collins Stewart in January 1999 where he completed his MBA in July 1999. Mr Le Page was appointed to the Board of Directors on 10 June 2015.

Helen Green - Independent Non-Executive Director - Guernsey resident
Mrs Green is a chartered accountant and has been employed by Saffery Champness, a top 20 firm of chartered accountants, since 1984. She qualified as a chartered accountant in 1987 and became a partner in the London office in 1998. Since 2000 she has been based in the Guernsey office where she is client liaison director responsible for trust and company administration. Mrs Green serves as a Non-Executive Director on the boards of a number of companies in various jurisdictions, including Aberdeen Emerging Markets Investment Company Limited, Landore Resources Limited, CQS Natural Resources Growth and Income plc and Acorn Income Fund Limited, of which she is Chairman. Mrs Green was appointed to the Board of Directors on 16 June 2016.

STATEMENT OF PRINCIPAL RISKS AND UNCERTAINTIES

Principal Risks and Uncertainties
In respect to the Company's system of Internal Controls and reviewing its effectiveness, the Directors:

- are satisfied that they have carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity; and

- have reviewed the effectiveness of the risk management and Internal Control systems including material financial, operational and compliance controls (including those relating to the financial reporting process) and no significant failings or weaknesses were identified.

When considering the total return of the Company, the Board of Directors takes account of the risk which has been taken in order to achieve that return. The Board of Directors considers the following principal risks to be relevant for the next six months:

- The risk of the Company being unable to pay target dividends to investors due to a shortfall in income received on the portfolio. The risk is monitored by the Board of Directors receiving quarterly reports from the Portfolio Manager, in conjunction with the Company's Administrator, which monitor the Company's current and projected cash flow and income position, as well as the macro economic environment, paying particular attention to movements in the house price index, unemployment levels and interest rates as well as loan level and portfolio attributes such as prepayment rates and the possibility and timing of defaults, all of which could reduce cash flow to the Company. The Company does pay dividends from capital with Board of Directors agreement, to the extent that Board is comfortable that future income flows will be sufficient to restore any distributed capital.

- The risk of the Company being unable to invest or reinvest capital repaid from mortgage loans to purchase additional mortgage portfolios in a timely manner. The risk is mitigated by the Board of Directors monitoring the portfolio pipeline in regular communication with the Portfolio Manager, and in quarterly and ad hoc Board of Directors' meetings.

- The risk of investor dissatisfaction leading to a weaker share price, causing the Company to trade at a discount to its underlying asset value and a potential lack of market liquidity. The risk is mitigated by regular updates to Shareholders from the Portfolio Manager, and regular shareholder engagement both directly and via the company's brokers.

- The risk of failing to securitise purchased mortgage portfolios. If there is any significant delay in the ability to securitise a portfolio, the interest rates payable through warehouse funding arrangements are likely to increase over time which will impact the yield of the Company. In addition, the underlying portfolios will need to be re-financed periodically in order to maintain optimal levels of leverage. Failure to re-securitise at a suitable rate and/or reinvest the proceeds of subsequent securitisations may also adversely impact the yield of the Company. The risk has been mitigated by the Portfolio Manager hiring additional team members with extensive securitisation experience and by being engaged with the UK RMBS market and service providers. The Company may also use short term financing where needed to enable it to optimise the timing of its securitisation transactions.

- The risks associated with the UK's withdrawal from the European Union. Whilst they remain unclear, there is an increased likelihood of a period of macroeconomic uncertainty. The Company's mortgage portfolios are solely focused within the United Kingdom and as such will be impacted by any risks emerging from changes in the macroeconomic environment. In particular, any reintroduction of short term funding facilities by the Bank of England to support the UK banking system may depress the returns available from mortgage portfolios.

STATEMENT OF PRINCIPAL RISKS AND UNCERTAINTIES Continued

Going Concern

Under the 2016 UK Corporate Governance Code (the “Code”) and applicable regulations, the Directors are required to satisfy themselves that it is reasonable to assume that the Company is a going concern and to identify any material uncertainties to the Company’s ability to continue as a going concern for at least 12 months from the date of approving the financial statements. The Company has voluntarily elected to comply with the Code.

Having reviewed the Company’s current portfolio and pipeline of investment transactions the Board of Directors believe that it is appropriate to adopt a going concern basis in preparing the Unaudited Condensed Consolidated Interim Financial Statements given the Company’s holdings of cash and cash equivalents and the income deriving from those investments, meaning the Company has adequate financial resources to meet its liabilities as they fall due for at least 12 months from the date of approval of these Unaudited Condensed Consolidated Interim Financial Statements.

Related Parties

Other than fees payable in the ordinary course of business, there have been no material transactions with related parties which have affected the financial position or performance of the Company in the financial period. Please refer to note 12 for further details.

RESPONSIBILITY STATEMENT

The Directors confirm that to the best of their knowledge:

- these reviewed but Unaudited Condensed Consolidated Interim Financial Statements have been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting" and give a true and fair view of the assets, liabilities, financial position and profit or loss of UKML and its subsidiaries included in the consolidation taken as a whole, as required by the UK Listing Authority's Disclosure and Transparency Rule ("DTR") 4.2.4R.

- the interim management report includes a fair review of the information required by:

  (a) DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the period from 1 July 2018 to 31 December 2018 and their impact on the Unaudited Condensed Consolidated Interim Financial Statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and

  (b) DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place during the period from 1 July 2018 to 31 December 2018 and that have materially affected the financial position or performance of the Company during that period as included in note 12.

By order of the Board of Directors

Christopher Waldron
Chairman

Paul Le Page
Director

22 March 2019

Independent review report to UK Mortgages Limited

Our conclusion

We have reviewed the accompanying condensed consolidated interim financial information of UK Mortgages Limited and its subsidiaries (together the "Company") as of 31 December 2018. Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim Financial Reporting', and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

What we have reviewed

The accompanying condensed consolidated interim financial information comprises:

- the condensed consolidated statement of financial position as of 31 December 2018;
- the condensed consolidated statement of comprehensive income for the six-month period then ended;
- the condensed consolidated statement of changes in equity for the six-month period then ended;
- the condensed consolidated statement of cash flows for the six-month period then ended; and
- the notes, comprising a summary of significant accounting policies and other explanatory information.

The condensed consolidated interim financial information has been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

Our responsibilities and those of the directors

The Directors are responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review. This report, including the conclusion, has been prepared for and only for the Company for the purpose of complying with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, 'Review of interim financial information performed by the independent auditor of the entity' issued by the International Auditing and Assurance Standards Board. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

Independent review report to UK Mortgages Limited Continued

Scope of review (continued)

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We have read the other information contained in the Interim Management Report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed consolidated interim financial statements.

PricewaterhouseCoopers CI LLP
Chartered Accountants
Guernsey, Channel Islands
22 March 2019

(a) The maintenance and integrity of the Company's website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the Interim Management Report and Unaudited Condensed Consolidated Interim Financial Statements since they were initially presented on the website.

(b) Legislation in Guernsey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the period from 1 July 2018 to 31 December 2018

	Note	For the period from 01.07.2018 to 31.12.2018 Unaudited £	For the period from 01.07.2017 to 31.12.2017 Unaudited £
Income			
Interest income on mortgage loans		19,712,544	12,498,485
Interest income on cash and cash equivalents		-	2,433
Net gain from derivative financial instruments	7	434,896	123,814
Total income		20,147,440	12,624,732
Interest expense on loan notes	11	7,348,625	4,185,782
Mortgage loans servicing fees		1,473,694	1,019,194
Loan note issue fees and borrowing costs amortised	10 & 11	1,367,279	831,735
Net interest expense on financial liabilities at fair value through profit and loss		1,299,710	1,281,012
Amortisation of discount on loan notes	11	1,279,788	-
Interest expense on borrowings	10	1,253,677	313,546
Mortgage loan write offs and provision	2 & 5	735,070	333,121
Portfolio management fees	12	692,806	663,464
General expenses		425,563	243,352
Legal and professional fees		333,633	466,610
Swap costs amortised		234,419	-
Audit fees	13	189,114	177,267
Administration and secretarial fees	13	104,574	87,111
Directors' fees	12	67,500	67,500
Borrowings facility fees	10	52,502	230,770
AIFM fees	13	49,763	48,243
Depositary fees	13	34,700	38,841
Corporate broker fees		24,015	24,053
Custody fees	13	11,095	12,006
Total expenses		16,977,527	10,023,607
Total comprehensive gain for the period		3,169,913	2,601,125
Earnings per ordinary share - basic & diluted	3	0.012	0.010

All items in the above statement derive from continuing operations.

The notes on pages 20 to 46 form an integral part of these Unaudited Condensed Consolidated Interim Financial Statements.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2018

		31.12.2018 Unaudited	30.06.2018 Audited
Assets	**Note**	**£**	**£**
Non-current assets			
Mortgage loans	5	1,228,481,285	1,205,151,843
Reserve fund	6	18,061,100	17,761,100
Total non-current assets		1,246,542,385	1,222,912,943
Current assets			
Mortgage loans	5	11,610,401	10,652,022
Trade and other receivables	8	4,653,301	3,722,809
Cash and cash equivalents		40,096,828	43,784,286
Total current assets		56,360,530	58,159,117
Total assets		1,302,902,915	1,281,072,060
Liabilities			
Non-current liabilities			
Borrowings	10	3,068,229	104,445,310
Loan notes	11	910,994,891	937,924,240
Total non-current liabilities		914,063,120	1,042,369,550
Current liabilities			
Borrowings	10	155,164,572	-
Financial liabilities at fair value through profit and loss	7	1,380,642	1,371,362
Trade and other payables	9	3,864,374	3,340,720
Total current liabilities		160,409,588	4,712,082
Total liabilities		1,074,472,708	1,047,081,632
Net assets		228,430,207	233,990,428
Equity			
Share capital account		264,749,999	264,749,999
Other reserves		(36,319,792)	(30,759,571)
Total equity		228,430,207	233,990,428
Ordinary shares in issue		273,065,390	273,065,390
Net Asset Value per ordinary share	4	0.8365	0.8569

The Unaudited Condensed Consolidated Interim Financial Statements on pages 16 to 46 were approved and authorised for issue by the Board of Directors on 22 March 2019 and signed on its behalf by:

Christopher Waldron
Chairman

Paul Le Page
Director

The notes on pages 20 to 46 form an integral part of these Unaudited Condensed Consolidated Interim Financial Statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the period from 1 July 2018 to 31 December 2018

	Share capital account Unaudited	Other reserves Unaudited	Total equity Unaudited
	£	£	£
Balance at 30 June 2018	264,749,999	(30,759,571)	233,990,428
Effect of adoption of IFRS 9 (note 2)	-	(538,172)	(538,172)
Balance at 1 July 2018	264,749,999	(31,297,743)	233,452,256
Dividends paid	-	(8,191,962)	(8,191,962)
Total comprehensive gain for the period	-	3,169,913	3,169,913
Balance at 31 December 2018	264,749,999	(36,319,792)	228,430,207

	Share capital account Unaudited	Other reserves Unaudited	Total equity Unaudited
	£	£	£
Balance at 1 July 2017	245,000,000	(21,611,862)	223,388,138
Dividends paid	-	(7,500,000)	(7,500,000)
Total comprehensive gain for the period	-	2,601,125	2,601,125
Balance at 31 December 2017	245,000,000	(26,510,737)	218,489,263

The notes on pages 20 to 46 form an integral part of these Unaudited Condensed Consolidated Interim Financial Statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
for the period from 1 July 2018 to 31 December 2018

	Note	For the period from 01.07.2018 to 31.12.2018 Unaudited £	For the period from 01.07.2017 to 31.12.2017 Unaudited £
Cash flows from operating activities			
Total comprehensive gain for the period		3,169,913	2,601,125
Adjustments for:			
Mortgage acquisition fees capitalised	5	(10,621)	-
Amortised mortgage acquisition fees released	5	64,969	98,420
Mortgage loans written off and provision	5	735,070	333,121
Net gain from derivative financial instruments	7	(434,896)	(123,814)
Amortisation adjustment under effective interest rate method	5	(3,234,627)	(3,000,425)
Borrowing charges amortised	10	373,002	-
Loan note issue fees amortised	11	994,277	573,999
Amortisation of discount on loan notes	11	1,279,788	-
Purchase of mortgage loans	5	(56,910,650)	(61,812,863)
Mortgage loans repaid	5	34,974,042	61,796,447
Increase in reserve fund	6	(300,000)	-
Increase/(decrease) in trade and other payables		523,654	(1,084,773)
(Increase)/decrease in trade and other receivables		(930,492)	674,213
Net cash (outflow)/inflow from operating activities		(19,706,571)	55,450
Cash flows from financing activities			
Proceeds from borrowings	10	54,500,000	66,000,000
Increase in borrowing fees capitalised	10	(1,085,511)	-
Increase in loan note issue fees capitalised	11	(269,539)	(44,202)
Repayments of loan notes	11	(28,933,875)	(67,612,589)
Dividends paid	17	(8,191,962)	(7,500,000)
Net cash inflow/(outflow) from financing activities		16,019,113	(9,156,791)
Decrease in cash and cash equivalents		(3,687,458)	(9,101,341)
Cash and cash equivalents at beginning of period		43,784,286	86,022,869
Cash and cash equivalents at end of period		40,096,828	76,921,528

The notes on pages 20 to 46 form an integral part of these Unaudited Condensed Consolidated Interim Financial Statements.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

for the period from 1 July 2018 to 31 December 2018

1. General Information

UKML was incorporated with limited liability in Guernsey, as a closed-ended investment company on 10 June 2015. UKML's Shares were listed with the UK Listing Authority and admitted to trading on the Specialist Fund Segment of the London Stock Exchange on 7 July 2015.

The Unaudited Condensed Consolidated Interim Financial Statements comprise the financial statements of UK Mortgages Limited, UK Mortgages Corporate Funding Designated Activity Company, Malt Hill No.1 Plc, Malt Hill No. 2 Plc, Oat Hill No.1 Plc, and the Warehouse SPVs; Cornhill Mortgages No.2 Limited, Cornhill Mortgages No.3 Limited (until placed into liquidation on 9 February 2018) and Cornhill Mortgages No. 4 Limited (incorporated 7 August 2018) as at 31 December 2018, together referred to as the "Company". The Warehousing SPVs are placed into liquidation on the transfer of the mortgage loans to the Issuer SPVs.

Cornhill Mortgages No.3 Limited was fully dissolved on 15 August 2018. The Company had previously included the financial statements for Cornhill Mortgages No.1 Limited in its Unaudited Condensed Consolidated Interim Financial Statements. Cornhill Mortgages No.1 Limited was fully dissolved 19 January 2018.

The Company's investment objective is to provide Shareholders with access to stable income returns through the application of relatively conservative levels of leverage to portfolios of UK mortgages.

The Company expects that income will constitute the vast majority of the return to Shareholders and that the return to Shareholders will have relatively low volatility and demonstrate a low level of correlation with broader markets.

The Portfolio Manager to the Company and Portfolio Adviser to the UK Mortgages Corporate Funding Designated Activity Company is TwentyFour Asset Management LLP.

2. Accounting Policies

a) Statement of compliance

The Unaudited Condensed Consolidated Interim Financial Statements for the period from 1 July 2018 to 31 December 2018 have been prepared on a going concern basis in accordance with IAS 34 "Interim Financial Reporting", the Listing Rules of the London Stock Exchange and applicable legal and regulatory requirements.

The Unaudited Condensed Consolidated Interim Financial Statements should be read in conjunction with the Annual Consolidated Financial Statements for the year ended 30 June 2018 which were prepared in accordance with International Financial Reporting Standards ("IFRS") and which received an unqualified audit report.

b) Changes in accounting policy

In the current financial period, there have been no other changes to the accounting policies from those applied in the most recent audited annual financial statements aside for those listed below.

IFRS 9 Financial Instruments

IFRS 9 'Financial Instruments', brings together the classification and measurement, impairment and hedge accounting phases of the IASB project to replace IAS 39, and is effective for annual periods beginning on or after 1 January 2018. IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, impairment of financial assets and hedge accounting.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS Continued

for the period from 1 July 2018 to 31 December 2018

2. Accounting Policies (continued)

b) Changes in accounting policy (continued)

IFRS 9 Financial Instruments (continued)

The key elements of IFRS 9 are as follows:

Classification and measurement

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. IFRS 9 introduces a principal based approach and applies one classification approach for all types of financial assets. Two criteria are used to determine how financial assets should be classified and measured: (a) the entity's business model (i.e. how an entity manages its financial assets in order to generate cash flows by collecting contractual cash flows, selling financial assets or both); and (b) the contractual cash flow characteristics of the financial asset (i.e. whether the contractual cash flows are solely payments of principal and interest).

IFRS 9 includes three principal classification categories for financial assets which must be designated at initial recognition. Financial assets are measured at fair value through profit or loss ("FVTPL"), fair value through other comprehensive income ("FVOCI") or amortised cost based on the nature of the cash flows of the assets and an entity's business model. These categories replace the existing IAS 39 classifications of fair value through profit and loss, available for sale ("AFS"), loans and receivables, and held-to-maturity.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL: (a) it is held within a business model whose objective is to hold assets to collect contractual cash flows; and (b) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

(a) it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and (b) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Equity instruments are measured at FVTPL, unless they are not held for trading purposes, in which case an irrevocable election can be made on initial recognition to measure them at FVOCI with no subsequent reclassification to profit or loss. This election is made on an investment by investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. In addition, on initial recognition the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

For financial liabilities, most of the pre-existing requirements for classification and measurement previously included in IAS 39 were carried forward unchanged into IFRS 9.

Business model assessment

The Company has made an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to the Portfolio Manager.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS Continued

for the period from 1 July 2018 to 31 December 2018

2. Accounting Policies (continued)
b) Changes in accounting policy (continued)
IFRS 9 Financial Instruments (continued)
Business model assessment (continued)
The information that was considered included:

- The stated policies and objectives for the portfolio and the operation of those policies in practice, including whether the strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of assets;

- How the performance of the portfolio is evaluated and reported to the Portfolio Manager; and

- The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed.

Assessments whether contractual cash flows are solely payments of principal and interest
For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a reasonable profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the contractual terms of the instrument will be considered. This will include assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment the following features will be considered:

- Contingent events that would change the amount and timing of cash flows;

- Leverage features;

- Prepayment and extension terms;

- Terms that limit the Company's claim to cash flows from specified assets e.g. non-recourse asset arrangements; and

- Features that modify consideration for the time value of money, e.g. periodic reset of interest rates.

Impairment
The "incurred loss model" under IAS 39 is replaced with a new forward looking "expected loss model". Impairment provisions are driven by changes in credit risk of instruments, with a provision for lifetime expected credit losses recognised where the risk of default of an instrument has increased significantly since initial recognition. Risk of default and expected credit losses must incorporate forward-looking and macroeconomic information.

Under IFRS 9, no impairment loss is recognised on equity investments. IFRS 9 requires a loss allowance to be recognised at an amount equal to either 12 month expected credit loss ("ECL"), or lifetime ECL.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS Continued
for the period from 1 July 2018 to 31 December 2018

2. Accounting Policies (continued)

b) Changes in accounting policy (continued)

IFRS 9 Financial Instruments (continued)

Impairment (continued)

Credit loss allowances will be measured on each reporting date according to a three-stage expected credit loss impairment model:

- Stage 1 – from initial recognition of a financial asset to the date on which the asset has experienced a significant increase in credit risk relative to its initial recognition, a loss allowance is recognised equal to the 12 month ECL.

- Stage 2 – Following a significant increase in credit risk relative to the initial recognition of the financial asset, a loss allowance is recognised equal to the Lifetime ECL.

- Stage 3 – When a financial asset is considered to be credit-impaired, a loss allowance equal to full lifetime ECLs will be recognised. Interest revenue is calculated based on the carrying amount of the asset, net of the loss allowance, rather than on its gross carrying amount.

Stage 1 and Stage 2 effectively replace the collectively-assessed allowance for loans not yet identified as impaired recorded under IAS 39, while Stage 3 effectively replaces the individually and collectively assessed allowances for impaired loans. Under IFRS 9, the population of financial assets and corresponding allowances disclosed as Stage 3 will not necessarily correspond to the amounts of financial assets currently disclosed as impaired in accordance with IAS 39. Consistent with IAS 39, loans are written off when there is no realistic probability of recovery.

Given all financial assets within the scope of the IFRS 9 impairment model will be assessed for at least 12-months of ECLs, and the population of financial assets to which full lifetime ECL applies is larger than the population of impaired loans for which there is objective evidence of impairment in accordance with IAS 39, loss allowances will be higher under IFRS 9 relative to IAS 39.

Changes in the required credit loss allowance, including the impact of movements between Stage 1 and Stage 2, will be recorded in profit or loss. The impact of moving between 12 month and lifetime ECLs and the application of forward looking information, means provisions are expected to be more volatile under IFRS 9 than IAS 39.

The measurement of expected credit losses will primarily be based on the product of the instrument's probability of default ("PD"), loss given default ("LGD"), and exposure at default ("EAD"), discounted to the reporting date. The main difference between Stage 1 and Stage 2 is the respective PD horizon. Stage 1 estimates will use a maximum of a 12- month PD while Stage 2 estimates will use a lifetime PD. Stage 3 estimates will continue to leverage existing processes for estimating losses on impaired loans, however, these processes will be updated to reflect the requirements of IFRS 9, including the requirement to consider multiple forward-looking scenarios.

Movements between Stage 1 and Stage 2 are based on whether an instrument's credit risk as at the reporting date has increased significantly relative to the date it was initially recognised. Movements between Stage 2 and Stage 3 are based on whether financial assets are credit-impaired as at the reporting date. The determination of credit-impairment under IFRS 9 will be similar to the individual assessment of financial assets for objective evidence of impairment under IAS 39. Assets can move in both directions through the stages of the impairment model.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS Continued

for the period from 1 July 2018 to 31 December 2018

2. Accounting Policies (continued)

b) Changes in accounting policy (continued)

IFRS 9 Financial Instruments (continued)

Impairment (continued)

In assessing whether a borrower is credit impaired the following indicators will be considered:

- Qualitative; e.g. breaches of covenant;
- Quantitative; e.g. overdue status; and
- Based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significant may vary over time to reflect changes in circumstances.

Under IFRS 9, when determining whether the credit risk (i.e. the risk of default) on a financial instrument has increased significantly since initial recognition, reasonable and supportable information that is relevant and available without undue cost or effort, including both quantitative and qualitative information is used to complete an analysis based on historical experience, credit assessment and forward looking information.

The criteria for determining whether credit risk has increased significantly will vary by portfolio and will include a backstop based on delinquency.

The measurement of ECLs for each stage and the assessment of significant increases in credit risk must consider information about past events and current conditions as well as reasonable and supportable forward looking information. A 'base case' view of the future direction of relevant economic variables and a representative range of other possible forecast scenarios. The process will involve developing two or more additional economic scenarios and considering the relative probabilities of each outcome.

The base case will represent a most likely outcome and be aligned with information used for other purposes, such as strategic planning and budgeting. The other scenarios will represent more optimistic and more pessimistic outcomes.

The estimation and application of forward-looking information requires significant judgement. PD, LGD and EAD inputs used to estimate Stage 1 and Stage 2 credit loss allowances are modelled based on the macroeconomic variables (or changes in macroeconomic variables) that are most closely correlated with credit losses in the relevant portfolio. The Bank of England macroeconomic scenarios as well as baseline upside and downside economic scenarios have been used in the expected credit loss calculation by the Company.

Hedge accounting

The Company has adopted hedge accounting from 1 July 2017 to reduce volatility in the Consolidated Statement of Comprehensive Income. The hedge accounting requirements of IFRS 9 have been simplified and are more closely aligned to an entity's risk management strategy. Under IFRS 9 all existing hedging relationships will qualify as continuing hedging relationships.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS Continued

for the period from 1 July 2018 to 31 December 2018

2. Accounting Policies (continued)

b) Changes in accounting policy (continued)

IFRS 9 Financial Instruments (continued)

Transition

To manage the transition to IFRS 9, the Portfolio Manager implemented a comprehensive program that focused on the key areas of impact, including financial reporting, data, systems and processes. Throughout the project the Audit Committee has been provided with updates, to ensure escalation of key issues and risks. As part of the implementation of IFRS 9 the Portfolio Manager has:

- reviewed the classification and measurement of financial instruments under the requirements of IFRS 9;
- developed and validated a set of IFRS 9 models for calculating expected credit losses on the Company's mortgage portfolios; and
- implement internal governance processes which are appropriate for IFRS 9.

Impact of adoption

The adoption of IFRS 9 from 1 July 2018 resulted in changes in accounting policies and adjustments to the amounts in these Unaudited Condensed Consolidated Interim Financial Statements. The new accounting policies are set out within this note. In accordance with the transitional provisions of IFRS 9 (7.2.15) and (7.2.26), comparative figures have not been restated.

Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 were recognised in other reserves in the Condensed Consolidated Statement of Changes in Equity as at 1 July 2018.

I. Classification

Loans and advances that were categorised as loans and receivables and measured at amortised cost under IAS 39 are now categorised as financial assets measured at amortised cost under IFRS 9. A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL: (a) it is held within a business model whose objective is to hold assets to collect contractual cash flows; and (b) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

II. Hedge accounting

On 1 July 2017, the Directors designated the Malt Hill No.1 Plc and Cornhill No.2 Limited derivatives as fair value hedges and began hedge accounting from that date. Hedge accounting in relation to Malt Hill No.2 Plc derivative commenced on 1 July 2018. At 30 June 2018, Malt Hill No.2 and Cornhill No.2 did not qualify for hedge accounting due to the retrospective testing being ineffective. As such the movement in Cornhill No.2's fair value swap since December 2017, which was the date previously tested and proved to be effective, and all of the movement in Malt Hill No.2's fair values had been charged directly to the Statement of Comprehensive Income for the year ended 30 June 2018. Prospective testing has shown all of swaps to which the Company is a counterparty as effective, therefore they qualify for hedge accounting under IFRS 9 from the 1 July 2018 and there is no impact of adopting IFRS 9.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS Continued

for the period from 1 July 2018 to 31 December 2018

2. Accounting Policies (continued)

b) Changes in accounting policy (continued)

IFRS 9 Financial Instruments (continued)

III. Expected credit losses

The key impact of adoption of IFRS 9 for the Company is the requirement to record impairment charges at the inception of a mortgage loan based on the future losses that are expected to be incurred and this could result in a negative movement on the mortgage portfolio at the commencement of a mortgage loan relationship. Implementation of IFRS 9 results in changes in the recognition of impairment, as a consequence, the accounting value of the Company's mortgage loan portfolio has changed. The impact of adopting the new accounting standard on 1 July 2018 has been charged to equity in accordance with the transition rules of IFRS 9. The ongoing impact on profit varies according to the stage of development of the mortgage loan portfolio, the LTVs and credit quality of the portfolios.

The implementation resulted in a reduction to retained earnings of £538,172 (0.20 per cent of NAV as at 30 June 2018). The impact of 0.20% is relatively minimal in the context of the entire portfolio and reflects the high credit quality of the loans as demonstrated by the low LTVs and prudent lending criteria on the underlying mortgages. The expected credit losses provision as at 31 December 2018 is £1,273,243, a movement of £735,070 in the period to 31 December 2018, and is included in the Condensed Consolidated Statement of Comprehensive Income.

	£
Closing other reserves 30 June 2018 – IAS 39	(30,759,571)
Effect of adopting IFRS 9 on expected credit loss provision on mortgage loans on 1 July 2018	(538,172)
Effect of adopting IFRS 9 on hedge accounting on 1 July 2018	-
Opening other reserves 1 July 2018 – IFRS 9	(31,297,743)

The Company has assessed the impact of adopting IFRS 9 on its other financial assets held at amortised cost, and has confirmed no impact on adoption.

IFRS 15 'Revenue from Contracts with Customers'

IFRS 15 'Revenue from Contracts with Customers' was published in May 2016 and specifies how and when to recognise revenue as well as requiring entities to provide users of financial statements with more informative, relevant disclosures. IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers. IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018. There is no material impact on the Company's financial statements as a result of this new standard.

c) Critical judgements and estimates

In the current financial period, aside for the impact of adopting IFRS 9 and recognition of the expected credit loss provision, there have been no changes to the significant critical accounting judgements, estimates and assumptions from those applied in the most recent audited annual financial statements.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS Continued

for the period from 1 July 2018 to 31 December 2018

2. Accounting Policies (continued)

d) Standards, amendments and interpretations issued but not yet effective

The standards endorsed by the EU that are not yet required to be applied but can be early adopted are set out below. These standards have not been applied in the current period. The Directors are currently assessing whether these standards will have a material impact on the financial statements of the Company.

- Amendments to IFRS 9: Prepayment features with negative compensation – *Effective date 1 January 2019*
- IFRIC 23: Uncertainty over income tax treatments – *Effective date 1 January 2019*
- IFRS 16: Leases – *Effective date 1 January 2019*

3. Earnings per Ordinary Share - basic & diluted

The gains per Ordinary Share of £0.012 (31 December 2017: £0.010) - basic and diluted are equivalent and have been calculated based on the weighted average number of Ordinary Shares of 273,065,390 (31 December 2017: 250,000,000) and a net gain of £3,169,913 (31 December 2017: £2,601,125).

4. Net Asset Value per Ordinary Share

The Net Asset Value of each share of £0.84 (30 June 2018: £0.86) is determined by dividing the net assets of the Company £228,430,207 (30 June 2018: £233,990,428) by the number of shares in issue at 31 December 2018 of 273,065,390 (30 June 2018: 273,065,390).

5. Mortgage loans

	For the period from 01.07.2018 to 31.12.2018 Unaudited £	For the year from 01.07.2017 to 30.06.2018 Audited £
Mortgage loans at start of the period*/year	1,215,265,693	841,876,173
Mortgage loans purchased	56,910,650	465,950,403
Effective interest rate adjustment	3,234,627	5,845,006
Mortgage loans repaid	(34,974,042)	(96,390,819)
Mortgage acquisition fees capitalised	10,621	-
Amortised mortgage acquisition fees released	(64,969)	(159,658)
Fair value adjustment for hedged risk**	444,176	(1,292,873)
Mortgage loans written off	-	(24,367)
Expected credit loss provision	(735,070)	-
Mortgage loans at end of the period/year	1,240,091,686	1,215,803,865
Amounts falling due after more than one year	1,228,481,285	1,205,151,843
Amounts falling due within one year	11,610,401	10,652,022
	1,240,091,686	1,215,803,865

* Please refer to note 2 which explains the difference in the mortgage loans closing balance at 30 June 2018 and the mortgage loans opening balance at 1 July 2018.

** Please refer to note 7 which explains how the fair value adjustment is calculated and note 14 sets out the liquidity and credit risk profile of the mortgage loans.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS Continued

for the period from 1 July 2018 to 31 December 2018

5. Mortgage loans (continued)

Mortgage loans at 31 December 2018 comprise of three securitised mortgage portfolios legally held in Malt Hill No.1 Plc, Malt Hill No.2 Plc and Oat Hill No.1 Plc and two mortgage portfolios held with Cornhill Mortgages No.2 Limited and Cornhill Mortgages No.4 Limited. Please refer to the Portfolio of Investments for breakdown of portfolios, contained within the Portfolio Manager's Report. The Company does not experience any seasonality or cyclicality in its investment activities.

6. Reserve fund

The reserve fund is held with Citibank N.A. London Branch. The Company is required to maintain this reserve for both the securitised entities, for which these funds may only be used in accordance with the Issue and Programme Documentation, and for the unsecuritised entities, as a contractual requirement for the senior debt facility. These funds are therefore not readily available to the Company.

7. Financial liabilities held at fair value through profit and loss

Derivative instruments – Malt Hill No.1 Plc

On 3 November 2015, the Company entered into an Interest Rate Swap (under an ISDA agreement) at the point of the initial mortgage loan portfolio purchase to convert the fixed rate loan exposure into 3 Month Libor. The notional value of the swap is balance guaranteed in order to track the principal balance of the mortgage loan portfolio and changes thereto quarterly in line with the movement in the mortgage loan portfolio.

Derivative instruments – Cornhill Mortgages No.2 Limited

On 7 July 2016, the Company entered into an Interest Rate Swap (under an ISDA agreement) to hedge the fixed rate loan exposure of the mortgages in the portfolio into 1 Month Libor. The notional value of the swap is balance guaranteed in order to track the new originations and the amortisation of the mortgage loan portfolio and changes on a monthly basis to reflect the principal balance of the portfolio.

Derivative instruments – Malt Hill No.2 Plc

On 29 June 2018, the Company entered into an Interest Rate Swap (under an ISDA agreement) at the point of the initial mortgage loan portfolio purchase to convert the fixed rate loan exposure back into 3 Month Libor. The notional value of the swap is balance guaranteed in order to track the principal balance of the mortgage loan portfolio and changes thereto quarterly in line with the movement in the mortgage loan portfolio.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS Continued

for the period from 1 July 2018 to 31 December 2018

7. Financial liabilities held at fair value through profit and loss (continued)

Notional and fair value balances:

	Malt Hill No. 1 Plc	Cornhill No. 2 Limited	Malt Hill No. 2 Plc	31.12.2018 Total
	Unaudited	Unaudited	Unaudited	Unaudited
	£	£	£	£
Notional amount of Interest Rate Swap	182.0m	160.8m	350.4m	693.2m
Fair value of Interest Rate Swap	(193,006)	(425,517)	(762,119)	(1,380,642)

	Malt Hill No. 1 Plc	Cornhill No. 2 Limited	Malt Hill No. 2 Plc	30.06.2018 Total
	Audited	Audited	Audited	Audited
	£	£	£	£
Notional amount of Interest Rate Swap	182.1m	116.7m	351.1m	649.9m
Fair value of Interest Rate Swap	(415,880)	(225,982)	(729,500)	(1,371,362)

On 1 July 2017, the Directors designated the Malt Hill No.1 Plc and Cornhill No.2 Limited derivatives as fair value hedges and began hedge accounting from that date. Hedge accounting in relation to Malt Hill No.2 Plc derivative commenced on 1 July 2018. The Company entered into a swap relating to Cornhill Mortgages No. 4 Limited in January 2019.

Net gain from derivative financial instruments:

	Malt Hill No. 1 Plc	Cornhill No. 2 Limited	Malt Hill No. 2 Plc	31.12.2018 Total
	Unaudited	Unaudited	Unaudited	Unaudited
	£	£	£	£
Movement on derivatives in designated fair value hedge relationships	222,874	(199,535)	(32,619)	(9,280)
Adjustment to mortgage loans in fair value hedge relationship	221,580	204,400	18,196	444,176
Net ineffectiveness	444,454	4,865	(14,423)	434,896

	Malt Hill No. 1 Plc	Cornhill No. 2 Limited	Malt Hill No. 2 Plc	31.12.2017 Total
	Unaudited	Unaudited	Unaudited	Unaudited
	£	£	£	£
Movement on derivatives in designated fair value hedge relationships	655,522	(64,667)	-	590,855
Adjustment to mortgage loans in fair value hedge relationship	(537,527)	70,486	-	(467,041)
Net ineffectiveness	117,995	5,819	-	123,814

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS Continued

for the period from 1 July 2018 to 31 December 2018

7. Financial liabilities held at fair value through profit and loss (continued)

Net gain from derivative financial instruments: (continued)

The net gain from derivative financial instruments represents the net fair value movement on derivative instruments that are matching risk exposure on an economic basis. Some accounting volatility arises on these items due to accounting ineffectiveness on designated hedges.

The net ineffectiveness is primarily due to timing differences in income recognition between derivative instruments and the hedged assets. This gain or loss will trend to zero over time and this is taken into account by the Board when considering the Company's underlying performance.

8. Trade and other receivables

	As at 31.12.2018 Unaudited £	As at 30.06.2018 Audited £
Other receivables and prepayments	2,851,315	1,448,181
Interest receivable on mortgage loans	1,606,877	1,627,428
Capitalised formation expenses	195,109	647,200
	4,653,301	3,722,809

Capitalised expenses are the swaps costs, which are being amortised until the call date in May 2019.

9. Trade and other payables

	As at 31.12.2018 Unaudited £	As at 30.06.2018 Audited £
Interest due on loan notes	1,475,482	848,058
Loan note issue fees payable	880,653	1,303,113
Mortgage loans servicing fees payable	532,426	301,552
Portfolio management fees payable	344,184	329,854
Audit fees payable	216,719	252,446
Legal and professional fees payable	124,632	109,818
General expenses payable	116,800	120,939
Administration and secretarial fees payable	91,638	2,714
Directors' fees payable	33,750	33,750
AIFM fees payable	24,824	23,469
Depositary fees payable	17,269	11,223
Custody fees payable	5,997	3,784
	3,864,374	3,340,720

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS Continued

for the period from 1 July 2018 to 31 December 2018

10. Borrowings

Cornhill Mortgages No.2 Limited was paying a commitment fee for £150m until 1 June 2017. The facility was restructured in June 2017, in order to improve the cost efficiency of the structure, with changes involving reduction of commitment fees and drawn margins on the facility. Any increase to the commitment amount is subject to NatWest Markets approval and the total facility size remains at £250m. This facility has a repayment date of March 2019 and is classified as a current liability.

Cornhill Mortgages No.4 Limited has agreed a borrowing facility of £200m from September 2018, with National Australia Bank Limited. Cornhill Mortgages No. 4 Limited is only required to pay a commitment fee if the drawn amount is less than 75% of the total facility amount. National Australia Bank Limited has permitted Cornhill Mortgages No.4 Limited to dynamically change the facility amount, which has resulted in no commitment fees being incurred to date on the facility. This facility has a repayment date of October 2022 and is classified as a non-current liability.

At the period end, the Company had a liability of £158,232,801 consisting of £159,500,000 of the utilised borrowing facilities and £1,267,199 of borrowing costs (30 June 2018: a liability of £104,445,310 consisting of £105,000,000 of the utilised borrowing facility and £554,690 of borrowing costs) which are being amortised over the life of the borrowing facility. Borrowing costs amortised during the current period amount to £373,002 (31 December 2017: £248,931). At the period end, the Company had utilised £155,500,000 of the borrowing facility (30 June 2018: £105,000,000) from NatWest Markets, and £4,000,000 of the borrowing facility from National Australia Bank Limited (30 June 2018: £nil).

The interest expense charged on borrowings of £1,253,677 was expensed in the period (31 December 2017: £313,546), and facility fees of £52,502 were expensed in the period (31 December 2017: £230,770).

11. Loan notes

The Malt Hill No.1 Plc and Oat Hill No.1 Plc mortgage portfolio acquisitions are partially financed by the issue of notes. The notes are repaid as the underlying mortgage loans repay. The terms and conditions of the notes provide that the note holders will receive interest and principal only to the extent that sufficient funds are generated from the underlying mortgage loans. The priority and amount of claims on the portfolio proceeds are determined in accordance with strict priority of payments. Note holders have no recourse to the Company in any form.

Malt Hill No.1 Plc completed the public sale of £263.3m of AAA-rated bonds on 26 May 2016. The AAA notes were issued with a coupon of 3 month LIBOR plus 1.35% which is payable quarterly and are listed on the Irish Stock Exchange. The issue fees on loan notes will be amortised over the expected life of the loan notes, which is 3 years, being the call date. These loan notes have been classified as non-current based on their contractual obligations.

Oat Hill No.1 Plc completed the public sale of £477.1m of AAA-rated bonds on 26 June 2017. The AAA notes were issued with a coupon of 3 month LIBOR plus 0.65% and a step up margin of 1.30% which is payable quarterly and are listed on the Irish Stock Exchange. The issue fees on loan notes will be amortised over the expected life of the loan notes, which is 3 years, being the call date. These loans notes have been classified as non-current based on their contractual obligations.

Malt Hill No. 2 Plc completed the public sale of £317.5m of AAA-rated bonds on 27 June 2018. The AAA notes were issued with a coupon of 3 month LIBOR plus 0.75% which is payable quarterly and are listed on the Irish Stock Exchange. The issue fees on loan notes will be amortised over the expected life of the loan notes, which is 3 years, being the call date. These loans notes have been classified as non-current based on their contractual obligations.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS Continued

for the period from 1 July 2018 to 31 December 2018

11. Loan notes (continued)

Interest expense on loan notes for the period amounted to £7,348,625 (31 December 2017: £4,185,782). The balance of the discount to be amortised on loan notes is £1,159,594 at 31 December 2018 (30 June 2018: £2,439,382). The balance of loan note issue fees to be amortised is £1,990,187 at 31 December 2018 (30 June 2018: £2,714,925).

	As at 31.12.2018 Unaudited £	As at 30.06.2018 Audited £
Loan notes at start of the period/year	937,924,240	715,734,468
Loan notes issued	-	317,500,000
Loan notes repaid	(28,933,875)	(95,431,974)
Loan note issue fees capitalised during the period/year	(269,539)	(1,028,869)
Amortisation of discount on loan notes	1,279,788	-
Loan note issue fees amortised	994,277	1,150,615
Loan notes at end of the period/year	910,994,891	937,924,240

12. Related Parties

a) Directors' Remuneration & Expenses

The Directors of the Company are remunerated for their services at such a rate as the Directors determine. The aggregate fees of the Directors will not exceed £200,000.

The annual Directors' fees comprise £40,000 (30 June 2018: £40,000) payable to Mr Waldron, the Chairman, £35,000 (30 June 2018: £35,000) to Mr Le Page as Chairman of the Audit Committee, and £30,000 (30 June 2018: £30,000) each to Mrs Green and Mr Burrows. During the period ended 31 December 2018, Directors' fees of £67,500 (31 December 2017: £67,500) were charged to the Company, of which £33,750 remained payable at the end of the period (30 June 2018: £33,750).

b) Shares held by related parties

As at 31 December 2018, Directors of the Company held the following shares in the Company beneficially:-

	Number of Shares 31.12.2018 Unaudited	Number of Shares 30.06.2018 Audited
Christopher Waldron	20,000	20,000
Richard Burrows	5,000	5,000
Paul Le Page	20,000	20,000
Helen Green	10,000	10,000

As at 31 December 2018, the Portfolio Manager held Nil shares (30 June 2018: Nil) and partners and employees of the Portfolio Manager held 6,805,799 shares (30 June 2018: 7,048,299), which is 2.492% of the issued share capital (30 June 2018: 2.581%).

c) Portfolio Manager

With effect from 1 July 2017, the portfolio management fee is payable to the Portfolio Manager quarterly on the last business day of the quarter at a rate of 0.60% per annum of the lower of NAV, which is calculated monthly on each valuation day, or market capitalisation of each class of shares. Prior to this date the portfolio management fee per annum was 0.75%.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS Continued

for the period from 1 July 2018 to 31 December 2018

12. Related Parties (continued)

c) Portfolio Manager (continued)

The Company has also agreed to pay a marketing fee equal to 12.5% of the Placing commission calculated and payable to Numis Securities Limited ("Numis") in respect of the issue and each Placing whether under the Placing Programme or otherwise, to the Portfolio Manager in respect of its marketing activities.

Total portfolio management fees for the period amounted to £692,806 (31 December 2017: £663,464) of which £344,184 (30 June 2018: £329,854) remained payable at the period end.

The Portfolio Management Agreement dated 23 June 2015 remains in force until determined by the Company or the Portfolio Manager giving the other party not less than twelve months' notice in writing. Under certain circumstances, the Company or the Portfolio Manager are entitled to immediately terminate the agreement in writing. No placings occurred in the period and no fees were paid under this agreement.

13. Material Agreements

a) Alternative Investment Fund Manager

The Company's Alternative Investment Fund Manager (the "AIFM") is Maitland Institutional Services Limited. In consideration for the services provided by the AIFM under the AIFM Agreement the AIFM is entitled to receive from the Company a minimum fee of £20,000 per annum and fees payable quarterly in arrears at a rate of 0.07% of the NAV of the Company below £50 million, 0.05% on Net Assets between £50 million and £100 million and 0.03% on Net Assets in excess of £100 million. During the period ended 31 December 2018, AIFM fees of £49,763 (31 December 2017: £48,243) were charged to the Company, of which £24,824 (30 June 2018: £23,469) remained payable at the end of the period.

b) Administrator and Secretary

Administration fees are payable to Northern Trust International Fund Administration Services (Guernsey) Limited monthly in arrears at a rate of 0.06% of the NAV of the Company below £100 million, 0.05% on net assets between £100 million and £200 million and 0.04% on net assets in excess of £200 million as at the last business day of the month subject to a minimum £75,000 per annum. These NAV based fees commenced from 19 November 2015 being the date the Company acquired its initial investment.

In addition, an annual fee of £60,500 (31 December 2017: £45,000) will be charged for corporate governance and company secretarial services and accounting services. Total administration and secretarial fees for the period amounted to £104,574 (31 December 2017: £87,111) of which £91,638 (30 June 2018: £2,714) remained payable at the period end.

c) Depositary and Custodian

Depositary fees are payable to Northern Trust (Guernsey) Limited, monthly in arrears, at a rate of 0.03% of the NAV of the Company as at the last business day of the month subject to a minimum £40,000 per annum. Total depositary fees and charges for the period amounted to £34,700 (31 December 2017: £38,841) of which £17,269 (30 June 2018: £11,223) remained payable at the period end.

The Depositary will charge an additional fee of £20,000 for performing due diligence on each service provider/administrator employed.

The Depositary is also entitled to a custody fee at a rate of 0.01% of the NAV of the Company as at the last business day of the month subject to a minimum of £8,500 per annum. These NAV based fees commenced on 19 November 2015 being the date the Company acquired its initial investment. Total custody fees for the period amounted to £11,095 (31 December 2017: £12,006) of which £5,997 (30 June 2018: £3,784) remained payable at the period end.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS Continued

for the period from 1 July 2018 to 31 December 2018

13. Material Agreements (continued)

d) Auditor

Audit fees paid to PwC CI LLP and other PwC member firms includes amounts charged for the current period of £189,114 (31 December 2017: £94,372) and the under accruals for previous periods of £Nil (31 December 2017: £82,895). Non audit fees of £12,000 pertaining to accounting advice are included under legal and professional fees.

14. Financial Risk Management

The Company's objective in managing risk is the creation and protection of shareholder value. Risk is inherent in the Company's activities, but it is managed through an ongoing process of identification, measurement and monitoring.

The Company's financial instruments include financial assets or liabilities at fair value through profit and loss, loans and receivables, and cash and cash equivalents. The main risks arising from the Company's financial instruments are market risk, liquidity risk, and credit risk. The techniques and instruments utilised for the purposes of portfolio management are those which are reasonably believed by the Board of Directors to be economically appropriate to the efficient management of the Company.

Market risk

Market risk embodies the potential for both losses and gains and includes interest rate risk, price risk and currency risk. The Company's strategy on the management of market risk is driven by the Company's investment objective. The Company's investment objective is to provide investors with access to stable income returns through the application of relatively conservative levels of leverage to portfolios of UK mortgage loans.

1.1 Interest rate risk: Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. The current underlying mortgage portfolios are payable on fixed rates, meaning the current exposure to interest rate fluctuations on the portfolios are limited. However, floating rate interest is payable on loan notes. In order to hedge this differential, interest rate swaps were transacted by the Warehouse SPVs with a market counterparty to pay the fixed rate and receive the floating rate payments.

On 1 July 2017, the Directors designated derivatives as fair value hedges and began hedge accounting from that date therefore hedging the interest risk exposure on the fixed rate mortgage loans shown in the following tables.

The retrospective testing completed at 30 June 2018 identified that both the Cornhill Mortgages No.2 Limited and Malt Hill No.2 Plc hedges were ineffective. The hedge on Malt Hill No. 2 Plc was not effective as at the 30 June 2018 due to the write down of the initial premium paid on the balance guaranteed swap, however it is effective at 31 December 2018. The hedge on Cornhill Mortgages No. 2 Limited and Malt Hill No. 1 Plc are also effective at 31 December 2018. Please refer to note 7 for further details.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS Continued

for the period from 1 July 2018 to 31 December 2018

14. Financial Risk Management (continued)
Market risk (continued)
1.1 Interest rate risk (continued):
The following tables show exposure to interest rate risk if the portfolio was unhedged.

	Floating rate £ Unaudited	Fixed rate £ Unaudited	Non interest bearing £ Unaudited	Total as at 31.12.2018 £ Unaudited
Assets				
Mortgage loans (note 5)	582,074,350	701,129,776	(43,112,440)	1,240,091,686
Reserve fund (note 6)	18,061,100	-	-	18,061,100
Trade and other receivables (note 8)	-	-	4,653,301	4,653,301
Cash and cash equivalents	40,096,828	-	-	40,096,828
Total assets	640,232,278	701,129,776	(38,459,139)	1,302,902,915
Liabilities				
Financial liabilities at fair value through profit and loss (note 7)	(1,380,642)	-	-	(1,380,642)
Trade and other payables (note 9)	-	-	(3,864,374)	(3,864,374)
Borrowings (note 10)	(159,500,000)	-	1,267,199	(158,232,801)
Loan notes (note 11)	(914,144,671)	-	3,149,780	(910,994,891)
Total liabilities	(1,075,025,313)	-	552,605	(1,074,472,708)
Total interest sensitivity gap	(434,793,035)	701,129,776	(37,906,534)	228,430,207

	Floating rate £ Audited	Fixed rate £ Audited	Non interest bearing £ Audited	Total as at 30.06.2018 £ Audited
Assets				
Mortgage loans (note 5)	604,295,653	656,990,009	(45,481,797)	1,215,803,865
Reserve fund (note 6)	17,761,100	-	-	17,761,100
Trade and other receivables (note 8)	-	-	3,722,809	3,722,809
Cash and cash equivalents	43,784,286	-	-	43,784,286
Total assets	665,841,039	656,990,009	(41,758,988)	1,281,072,060
Liabilities				
Financial liabilities at fair value through profit and loss (note 7)	(1,371,362)	-	-	(1,371,362)
Trade and other payables (note 9)	-	-	(3,340,720)	(3,340,720)
Borrowings (note 10)	(105,000,000)	-	554,690	(104,445,310)
Loan notes (note 11)	(942,489,058)	-	4,564,818	(937,924,240)
Total liabilities	(1,048,860,420)	-	1,778,788	(1,047,081,632)
Total interest sensitivity gap	(383,019,381)	656,990,009	(39,980,200)	233,990,428

The Company is protected against interest rate risk by virtue of the fact that there is balance guarantee swaps in place to limit the exposure on the fixed rate interest rates.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS Continued
for the period from 1 July 2018 to 31 December 2018

14. Financial Risk Management (continued)
Market risk (continued)
1.1 Interest rate risk (continued):
With the adoption of hedge accounting, the Company has reduced its exposure to interest rate risk as changes in the fair value of the interest rate swaps are offset by adjustments to the fair value of the mortgage loans. Consequently there is no material movement in net assets of the Company arising from interest rate fluctuations.

1.2 Price risk: An active market does not exist in the underlying instruments based on the illiquidity of the mortgage loans, and for this reason the mortgage portfolios are accounted for on an amortised cost basis by an independent third party valuation provider. Any such valuation may therefore differ from the actual realisable market value of the relevant mortgage portfolio.

The interest rate swap hedge trade is valued on a fair value mark-to-market basis by the swap counterparty, using the observable information on swap rates. The difference in fair value of the interest rate swap and amortised cost valuation of the mortgage loans could lead to volatility in the Company's NAV, had hedge accounting not been adopted.

1.3 Currency risk: As at 31 December 2018, the Company had no material exposure to foreign exchange fluctuations or changes in foreign currency interest rates. Consequently there is no material movement in assets and liabilities arising from foreign exchange fluctuations.

Liquidity Risk
Liquidity risk is the risk that the Company will not have sufficient resources available to meet its liabilities as and when they fall due. The Company makes its investments by purchasing Profit Participating Notes issued by the Acquiring Entity. The Acquiring Entity is bound by EU securities law and will be unable to fully liquidate, sell, hedge or otherwise mitigate its credit risk under or associated with the Retention Notes issued by the Warehouse SPV or Issuer SPV until such time as the securities of the relevant Issuer SPV have been redeemed in full (whether at final maturity or early redemption). This places limitations on the Company's ability to redeem the Profit Participating Notes issued by the Acquiring Entity. It is not expected that any party will make a secondary market in relation to the Retention Notes, and that there will usually be a limited market for the Retention Notes. Any partial sales of Retention notes would need to be negotiated on a private counterparty to counterparty basis and could result in a liquidity discount being applied. There may be additional restrictions on divestment in the terms and conditions of the underlying investments. The illiquidity of the Retention Notes may therefore adversely affect the value of the Profit Participating Notes in the event of a forced sale which would, in turn, adversely affect the Company's business, business prospects, financial condition, returns to Shareholders including dividends, NAV and/or the market price of the shares.

During the warehousing phase the Company's mortgage loans advanced are illiquid and may be difficult or impossible to realise for cash at short notice. At the period end, Cornhill Mortgages No. 2 Limited and Cornhill Mortgages No. 4 Limited portfolios were in the warehousing phase.

The Company manages its liquidity risk through short term and long term cash flow forecasts to ensure it is able to meet its obligations. In addition, the Company is permitted to borrow up to 10% of NAV for short term liquidity purposes, including financing share repurchases or redemptions, making investments or satisfying working capital requirements. This can be either through a loan facility or other types of collateralised borrowing instruments including stock lending or repurchase transactions.

The following liquidity analysis is based on contractual payment terms and maturity dates (consistent with the disclosure in the Unaudited Condensed Consolidated Statement of Financial Position). Expected cash flows are expected to be different to these contractual cash flows.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS Continued

for the period from 1 July 2018 to 31 December 2018

14. Financial Risk Management (continued)
Liquidity Risk (continued)

	Less than one year £	More than one year £	Total as at 31.12.2018 £
Assets	**Unaudited**	**Unaudited**	**Unaudited**
Mortgage loans	11,610,401	1,228,481,285	1,240,091,686
Reserve fund	-	18,061,100	18,061,100
Trade and other receivables	4,653,301	-	4,653,301
Cash and cash equivalents	40,096,828	-	40,096,828
Total assets	56,360,530	1,246,542,385	1,302,902,915
Liabilities			
Financial liabilities at fair value through profit and loss	1,380,642	-	1,380,642
Trade and other payables	3,864,374	-	3,864,374
Borrowings	155,164,572	3,068,229	158,232,801
Loan notes	-	910,994,891	910,994,891
Total liabilities	160,409,588	914,063,120	1,074,472,708

	Less than one year £	More than one year £	Total as at 30.06.2018 £
Assets	**Audited**	**Audited**	**Audited**
Mortgage loans	10,652,022	1,205,151,843	1,215,803,865
Reserve fund	-	17,761,100	17,761,100
Trade and other receivables	3,722,809	-	3,722,809
Cash and cash equivalents	43,784,286	-	43,784,286
Total assets	58,159,117	1,222,912,943	1,281,072,060
Liabilities			
Financial liabilities at fair value through profit and loss	1,371,362	-	1,371,362
Trade and other payables	3,340,720	-	3,340,720
Borrowings	-	104,445,310	104,445,310
Loan notes	-	937,924,240	937,924,240
Total liabilities	4,712,082	1,042,369,550	1,047,081,632

Credit risk
Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Company.

The Company's primary fundamental credit risk exposure is to borrowers of the underlying mortgages, with the risk of borrowers defaulting on interest and principal payments. The Portfolio Manager manages the reduction of borrower credit risk with extensive due diligence on portfolios conducted by internal and external analysts and stress testing.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS Continued

for the period from 1 July 2018 to 31 December 2018

14. Financial Risk Management (continued)

Credit risk (continued)

The Company also has credit risk to the counterparty with which the Warehouse or Issuer SPV transacts the derivative trades for hedging purposes, or to gain, increase or decrease exposure to mortgages. Default by any hedging counterparty in the performance of its obligations could subject the investments to unwanted credit risks. The Portfolio Manager manages the reduction of credit risk exposure to the derivative counterparty through ongoing credit analysis of the counterparty in addition to implementing clauses into derivative transactions whereby collateral is required to be posted upon a downgrade of the counterparty's credit rating. The current credit rating of the counterparty is A (per Standards and Poor).

The Company's exposure to the credit risk of cash and deposit holders defaulting is managed through the use of investments into money market funds, to diversify cash holdings away from single custodians. Money market fund vehicles are chosen after extensive due diligence focusing on manager performance, controls and track record. Currently the cash is held with Northern Trust London (credit rating A+ per Standards and Poor). The reserve fund is held with Citibank N.A. London Branch (credit rating A+ per Standards and Poor).

Mortgage loans written off during the period amounted to £215,090 (30 June 2018: £24,367). An expected loss provision exists in the amount of £1,273,242 (30 June 2018: £nil). The current indexed loan to value ratio in order to give an indication of credit quality is as follows:

	As at 31.12.2018 Unaudited	As at 30.06.2018 Audited
Loan to value	£	£
0-49%	191,070,251	185,723,429
50-75%	772,730,866	753,485,955
75-100%+	276,290,569	276,594,481
	1,240,091,686	1,215,803,865

The value of the loans past due but not yet impaired and their respective collateral value at the period/year end are shown in the table below.

	Book value		Collateral value	
	As at 31.12.2018 £ Unaudited	As at 30.06.2018 £ Audited	As at 31.12.2018 £ Unaudited	As at 30.06.2018 £ Audited
>1 month but <2 months	4,975,836	8,552,587	4,975,836	8,548,958
>2 months but <3 months	2,160,925	1,118,202	2,160,925	1,118,202
>3 months but <6 months	2,887,691	853,657	859,180	853,657
>6 months	2,062,865	1,018,857	1,811,653	799,089
	12,087,317	11,543,303	9,807,594	11,319,906

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS Continued

for the period from 1 July 2018 to 31 December 2018

15. Analysis of Financial Assets and Liabilities by Measurement Basis

31 December 2018	Financial Assets at fair value through profit and loss	Financial Assets at amortised cost	Total
	£	£	£
Financial Assets as per Unaudited Condensed Consolidated Statement of Financial Position	**Unaudited**	**Unaudited**	**Unaudited**
Mortgage loans	-	1,240,091,686	1,240,091,686
Reserve fund	-	18,061,100	18,061,100
Cash and cash equivalents	-	40,096,828	40,096,828
Trade and other receivables	-	4,653,301	4,653,301
	-	1,302,902,915	1,302,902,915

	Financial Liabilities at fair value through profit and loss	Financial Liabilities at amortised cost	Total
Financial Liabilities as per Unaudited Condensed Consolidated Statement of Financial Position	£	£	£
	Unaudited	**Unaudited**	**Unaudited**
Financial liabilities at fair value through profit and loss	1,380,642	-	1,380,642
Trade and other payables	-	3,864,374	3,864,374
Borrowings	-	158,232,801	158,232,801
Loan notes	-	910,994,891	910,994,891
	1,380,642	1,073,092,066	1,074,472,708

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS Continued

for the period from 1 July 2018 to 31 December 2018

15. Analysis of Financial Assets and Liabilities by Measurement Basis (continued)

30 June 2018	Financial Assets at fair value through profit and loss	Financial Assets at amortised cost	Total
	£	£	£
Financial Assets as per Audited Consolidated Statement of Financial Position	**Audited**	**Audited**	**Audited**
Mortgage loans	-	1,215,803,865	1,215,803,865
Reserve fund	-	17,761,100	17,761,100
Cash and cash equivalents	-	43,784,286	43,784,286
Trade and other receivables	-	3,722,809	3,722,809
	-	1,281,072,060	1,281,072,060

	Financial Liabilities at fair value through profit and loss	Financial Liabilities at amortised cost	Total
Financial Liabilities as per	£	£	£
Audited Consolidated Statement of Financial Position	**Audited**	**Audited**	**Audited**
Financial liabilities at fair value through profit and loss	1,371,362	-	1,371,362
Trade and other payables	-	3,340,720	3,340,720
Borrowings		104,445,310	104,445,310
Loan notes	-	937,924,240	937,924,240
	1,371,362	1,045,710,270	1,047,081,632

16. Fair Value Measurement

IFRS 13 requires the Company to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

(i) Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).

(ii) Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices including interest rates, yield curves, volatilities, prepayment speeds, credit risks and default rates) or other market corroborated inputs (level 2).

(iii) Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following tables analyse within the fair value hierarchy the Company's financial assets and liabilities (by class) measured at fair value for the period ended 31 December 2018 and the year ended 30 June 2018.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS Continued
for the period from 1 July 2018 to 31 December 2018

16. Fair Value Measurement (continued)

	Level 1 £ Unaudited	Level 2 £ Unaudited	Level 3 £ Unaudited	Total £ Unaudited
Liabilities				
Financial liabilities at fair value through profit and loss (note 7)	-	-	(1,380,642)	(1,380,642)
Total liabilities as at 31 December 2018	-	-	(1,380,642)	(1,380,642)

	Level 1 £ Audited	Level 2 £ Audited	Level 3 £ Audited	Total £ Audited
Liabilities				
Financial liabilities at fair value through profit and loss (note 7)	-		(1,371,362)	(1,371,362)
Total liabilities as at 30 June 2018	-	-	(1,371,362)	(1,371,362)

Due to the balance guarantee nature of the swaps, they have been classified as Level 3. Please refer to note 7 for a reconciliation of the movement for the period on the interest rate swaps.

The following table analyses within the fair value hierarchy the Company's assets and liabilities not measured at fair value at 31 December 2018 but for which fair value is disclosed.

	Level 1 31.12.2018 £ Unaudited	Level 2 31.12.2018 £ Unaudited	Level 3 31.12.2018 £ Unaudited	Total 31.12.2018 £ Unaudited
Assets				
Mortgage loans	-	-	1,268,232,833	1,268,232,833
Reserve fund	-	18,061,100	-	18,061,100
Cash and cash equivalents	-	40,096,828	-	40,096,828
Trade and other receivables	-	4,653,301	-	4,653,301
Total	-	62,811,229	1,268,232,833	1,331,044,062
Liabilities				
Trade and other payables	-	3,864,374	-	3,864,374
Borrowings	-	158,232,801	-	158,232,801
Loan notes	-	910,994,891	-	910,994,891
Total	-	1,073,092,066	-	1,073,092,066

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS Continued

for the period from 1 July 2018 to 31 December 2018

16. Fair Value Measurement (continued)

	Level 1 30.06.2018 £ Audited	Level 2 30.06.2018 £ Audited	Level 3 30.06.2018 £ Audited	Total 30.06.2018 £ Audited
Assets				
Mortgage loans	-	-	1,274,227,755	1,274,227,755
Reserve fund	-	17,761,100	-	17,761,100
Cash and cash equivalents	-	43,784,286	-	43,784,286
Trade and other receivables	-	3,722,809	-	3,722,809
Total	-	65,268,195	1,274,227,755	1,339,495,950
Liabilities				
Trade and other payables	-	3,340,720	-	3,340,720
Borrowings	-	104,445,310	-	104,445,310
Loan notes	-	937,924,240	-	937,924,240
Total	-	1,045,710,270	-	1,045,710,270

The fair value of the mortgage loans is calculated through a shadow securitisation structure based on existing deals with current and transparent pricing.

Reserve fund includes cash held as part of the securitisation structure and so can only be used in accordance with the Issue and Programme Documentation.

Cash and cash equivalents include cash in hand and short-term deposits with original maturities of three months or less.

Trade and other receivables includes collateral due and interest receivable due within three months.

The other assets and liabilities included in the above table are carried at amortised cost; their carrying values are a reasonable approximation of fair value. Loan notes and borrowings approximate fair value as the underlying interest rates are linked to the market rates. During the period there were no transfers between the levels.

Trade and other payables represent the contractual amounts and obligations due by the Company for settlement of trades and expenses.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS Continued

for the period from 1 July 2018 to 31 December 2018

17. Dividend Policy

The Company has declared the following interim dividends in relation to the period to 31 December 2018:

Period to	Dividend rate per Share (pence)	Net dividend payable (£)	Record date	Ex-dividend date	Pay date
30 September 2018	1.5	4,095,981	19 October 2018	18 October 2018	31 October 2018
31 December 2018	1.5	4,095,981	18 January 2019	17 January 2019	31 January 2019

In each subsequent financial year, it is intended that dividends on the Ordinary Shares will be payable quarterly, all in the form of interim dividends (the Company does not intend to pay any final dividends). It is intended that the first three interim dividends of each financial year will be paid at a minimum of 1.5p per Ordinary Share with the fourth interim dividend of each financial year including an additional amount such that a significant majority of the Company's net income for that financial year is distributed to Shareholders.

The Board of Directors reserves the right to retain within a revenue reserve a proportion of the Company's net income in any financial year, such reserve then being available at the Board of Directors absolute discretion for subsequent distribution to Shareholders. The Company may offer Shareholders the opportunity to elect to receive dividends in the form of further Ordinary Shares.

Under Guernsey law, companies can pay dividends in excess of accounting profit provided they satisfy the solvency test prescribed by The Companies (Guernsey) Law, 2008. The solvency test considers whether a company is able to pay its debts when they fall due, and whether the value of a company's assets is greater than its liabilities. The Board of Directors confirms that the Company passed the solvency test for each dividend paid.

18. Segment reporting

Operating segments are reported in a manner consistent with the internal reporting used by the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Portfolio Manager. The Portfolio Manager makes the strategic resource allocations on behalf of the Company. The Company has determined the operating segments based on the reports reviewed by the Portfolio Manager that are used to make strategic decisions. The reports are measured in a manner consistent with IFRS for all operating segments.

The Portfolio Manager considers the business as two segments which are categorised as Buy-to-Let and Owner Occupied. These are further sub-divided into Forward Flow and Purchased with each being managed by separate specialist teams at the Portfolio Manager. The Purchased Buy to Let contains Malt Hill No.1, Malt Hill No.2 and Oat Hill No.1. Flow Forward Buy to Let contains Cornhill Mortgages No. 4 Limited. Owner Occupied Forward Flow contains Cornhill Mortgages No.2 Limited. This is a change from the previously reported segmental reporting as it was considered by the Portfolio Manager and the Audit Committee that with the addition of the second Coventry portfolio and likely future growth of the Company's portfolio that it would be better to analyse the Company's portfolio under two broad headings : (1) Owner Occupied vs Buy to Let as the repayment profiles and contractual cash flows are very different; (2) Purchased vs Forward Flow portfolios as Forward Flow portfolios are subject to origination completion across multiple lenders.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS Continued

for the period from 1 July 2018 to 31 December 2018

18. Segment reporting (continued)

The segmental comparatives for the period ended 31 December 2017 have been reclassified from their previous segments which related to their individual portfolios, which were managed by separate specialist teams at the Portfolio Manager. These portfolios comprised of UK mortgages and consisted of a loan portfolio bought at a premium (Malt Hill No.1 Plc), a loan portfolio bought at a discount (Oat Hill No.1 Plc) and a commitment to originate loans up to a limit (Cornhill Mortgages No. 2 Limited). Malt Hill No.1 Plc and Oat Hill No.1 Plc are now reclassified as Buy to Let / Purchased, with Cornhill Mortgages No. 2 Limited reclassified to Owner Occupied / Forward Flow.

There are no differences from the last annual financial statements in the basis of segmentation or in the basis of measurement of segment profit or loss.

The reportable operating segments derive their income by seeking investments to achieve targeted returns consummate with an acceptable level of risk within each portfolio. These returns consist of interest and the release of the discount/premium.

The segment information provided to the Portfolio Manager for the reportable segments is as follows:

	Buy-to-Let		Owner Occupied		Total as at
	Forward Flow	Purchased	Forward Flow	Purchased	31.12.2018
	£	£	£	£	£
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
Interest income on mortgage loans	51,834	16,534,418	3,126,292	-	19,712,544
Net interest expense on financial liabilities at fair value through profit and loss	-	(1,102,693)	(197,017)	-	(1,299,710)
Net gain from derivative financial instruments	-	430,031	4,865	-	434,896
Interest expense on borrowings	(3,676)	-	(1,250,001)	-	(1,253,677)
Interest expense on loan notes	-	(7,348,625)	-	-	(7,348,625)
Servicer fees	(7,636)	(1,135,939)	(330,119)	-	(1,473,694)
Other expenses	(203,412)	(3,238,871)	(548,652)	-	(3,990,935)
Total net segment income	(162,890)	4,138,321	805,368	-	4,780,799

	Buy-to-Let		Owner Occupied		Total as at
	Forward Flow	Purchased	Forward Flow	Purchased	31.12.2017
	£	£	£	£	£
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
Interest income on mortgage loans	-	10,987,532	1,510,953	-	12,498,485
Net interest expense on financial liabilities at fair value through profit and loss	-	(1,180,378)	(100,634)	-	(1,281,012)
Net gain from derivative financial instruments	-	117,995	5,819	-	123,814
Interest expense on borrowings	-	-	(313,546)	-	(313,546)
Interest expense on loan notes	-	(4,185,782)	-	-	(4,185,782)
Servicer fees	-	(891,024)	(128,170)	-	(1,019,194)
Other expenses	-	(1,108,617)	(606,345)	-	(1,714,962)
Total net segment income	-	3,739,726	368,077	-	4,107,803

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS Continued

for the period from 1 July 2018 to 31 December 2018

18. Segment reporting (continued)

A reconciliation of total net segmental income to total comprehensive gain is provided as follows.

	31.12.2018	31.12.2017
	£	£
	Unaudited	Unaudited
Total net segment income	4,780,799	4,107,803
Other fees and expenses	(1,610,886)	(1,506,678)
	3,169,913	2,601,125

There are no transactions between the reportable segments.

Total segment assets include:

	Buy-to-Let		Owner Occupied		Total as at
	Forward Flow	Purchased	Forward Flow	Purchased	31.12.2018
	£	£	£	£	£
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
Mortgage loans	4,289,933	1,036,473,190	199,328,563	-	1,240,091,686
Reserve fund	-	16,261,100	1,800,000	-	18,061,100
Other	177,447	15,720,065	10,744,983	-	26,642,495
	4,467,380	1,068,454,355	211,873,546	-	1,284,795,281

	Buy-to-Let		Owner Occupied		Total as at
	Forward Flow	Purchased	Forward Flow	Purchased	30.06.2018
	£	£	£	£	£
	Audited	Audited	Audited	Audited	Audited
Mortgage loans	-	1,061,021,766	154,782,099	-	1,215,803,865
Reserve fund	-	16,261,100	1,500,000	-	17,761,100
Other	-	17,131,723	3,148,927	-	20,280,650
	-	1,094,414,589	159,431,026	-	1,253,845,615

	31.12.2018	30.06.2018
	£	£
	Unaudited	Audited
Segment assets for reportable segments	1,284,795,281	1,253,845,615
Other	18,107,634	27,226,445
Total assets	1,302,902,915	1,281,072,060

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS Continued

for the period from 1 July 2018 to 31 December 2018

18. Segment reporting (continued)

Total segment liabilities:

	Buy-to-Let		Owner Occupied		Total as at
	Forward Flow	Purchased	Forward Flow	Purchased	31.12.2018
	£ Unaudited	£ Unaudited	£ Unaudited	£ Unaudited	£ Unaudited
Borrowings	3,068,229	-	155,164,572	-	158,232,801
Loan notes	-	910,994,891	-	-	910,994,891
Financial liabilities at fair value through profit and loss	-	955,124	425,518	-	1,380,642
Other	312,322	2,807,636	139,906	-	3,259,864
	3,380,551	914,757,651	155,729,996	-	1,073,868,198

	Buy-to-Let		Owner Occupied		Total as at
	Forward Flow	Purchased	Forward Flow	Purchased	30.06.2018
	£ Audited	£ Audited	£ Audited	£ Audited	£ Audited
Borrowings	-	-	104,445,310	-	104,445,310
Loan notes	-	937,924,240	-	-	937,924,240
Financial liabilities at fair value through profit and loss	-	1,145,380	225,982	-	1,371,362
Other	-	2,598,009	71,128	-	2,669,137
	-	941,667,629	104,742,420	-	1,046,410,049

	31.12.2018	30.06.2018
	£ Unaudited	£ Audited
Segment liabilities for reportable segments	1,073,868,198	1,046,410,049
Trade and other payables	604,510	671,583
Total liabilities	1,074,472,708	1,047,081,632

19. Ultimate Controlling Party

In the opinion of the Directors on the basis of shareholdings advised to them, the Company has no ultimate controlling party.

20. Subsequent Events

The second interim dividend for period ending 31 December 2018 of 1.5p per Ordinary Share was declared on 10 January 2019 and paid on 31 January 2019.

These Unaudited Condensed Consolidated Interim Financial Statements were approved for issuance by the Board of Directors on 22 March 2019. There were no subsequent events, apart from those mentioned above until this date.

GLOSSARY OF TERMS

ABS	Asset-backed security whose income payments and hence value are derived from and collateralised (or "backed") by a specified pool of underlying assets
Acquiring Entity	means UK Mortgages Corporate Funding Designated Activity Company, a designated activity company incorporated in Ireland qualifying within the meaning of section 110 of the Taxes Consolidation Act 1997 to acquire mortgage portfolios for on-selling to Warehouse SPVs and issuing PPNs
Administrator	Northern Trust International Fund Administration Services (Guernsey) Limited (a non-cellular company limited by shares incorporated in the Island of Guernsey with registered number 15532)
AIC	Association of Investment Companies
AIC Code	the AIC Code of Corporate Governance for companies incorporated in Guernsey
AIC Guide	the AIC Guide to Corporate Governance
AIFM or Maitland	Maitland Institutional Services Limited, the Company's alternative investment fund manager for the purposes of regulation 4 of the AIFM Regulations
Amortised Cost Accounting	The process by which mortgages in the Company's portfolio are valued at cost less capital repayments and any provisions required for impairment.
Audit Committee	an operating committee of the Board of Directors charged with oversight of financial reporting and disclosure
Audited Consolidated Financial Statements	Audited Consolidated Financial Statements of the Company
BofA Securities	BofA Securities, previously Bank of America Merrill Lynch (BAML)
BTL	Buy-to-let
BoE	Bank of England
Board of Directors or Board or Directors	the Directors of the Company
CHL	Capital Home Loans. Registered in England & Wales No 2174236.
Class A Notes	means the Class A Mortgage Backed Floating Rate Notes issued by the Issuer and admitted to trading on the Irish Stock Exchange
Company	means UKML, Acquiring Entity, Issuer SPV and Warehouse SPVs
Company's Articles or Articles	the articles of incorporation of the Company
Continuation Vote	An ordinary resolution that gives shareholders the ability to instruct the Board of Directors to prepare a proposal to restructure or wind up a company by means of a simple majority vote.
Corporate Broker	Numis Securities Limited
CRS	The Common Reporting Standard, a global standard for the automatic exchange of financial account information developed by OECD
Custodian and Depositary	Northern Trust (Guernsey) Limited (a non-cellular company limited by shares incorporated in the Island of Guernsey with registered number 2651)
Derivative Instruments	means instruments used to gain leveraged exposure to mortgage portfolios, including but not limited to Credit Linked Notes and Credit Default Swaps

GLOSSARY OF TERMS Continued

DAC	UK Mortgages Corporate Funding Designated Activity Company an independently managed, Dublin based, section 110 designated activity company that is responsible for the warehousing and securitisation of mortgage portfolios under the supervision of TFAM the investment adviser. DAC is wholly financed by the Company via Profit Participating Notes and distributes substantially all of its profits to the Company thereby qualifying for a reduced rate of taxation, commonly known as a Eurobond exemption. From a financial reporting perspective DAC is consolidated with the Company as it provides its services exclusively to the Company
DSCR	Debt Service Coverage Ratio
FFI	Foreign Financial Institution
FLS	Funding for Lending Scheme
Forward Flow transaction	Forward flow transactions involve the appointment of a third party to originate mortgages that meet criteria defined by the investment manager with the intention of securitising these mortgages at a future date. These transactions have the advantage that they can be customised with a view to meeting desired levels of risk and return. The disadvantage of this type of transaction is that the timing of loan origination is a function of the market demand for the mortgages and the size and quality of the originator's sales infrastructure.
FRC	the Financial Reporting Council
GFSC Code	Code of Corporate Governance issued by the Guernsey Financial Services Commission

GLOSSARY OF TERMS Continued

Government and Public Securities	means per the FCA definition, the investment, specified in article 78 of the Regulated Activities Order (Government and public securities), which is in summary: a loan stock, bond government and public security FCA PRA or other instrument creating or acknowledging indebtedness, issued by or on behalf of: (a) the government of the United Kingdom; or (b) the Scottish Administration; or (c) the Executive Committee of the Northern Ireland Assembly; or (d) the National Assembly of Wales; or (e) the government of any country or territory outside the United Kingdom; or (f) a local authority in the United Kingdom or elsewhere; or (g) a body the members of which comprise: (i) States including the United Kingdom or another EEA State; or (ii) bodies whose members comprise States including the United Kingdom or another EEA State; but excluding: (A) the instruments specified in article 77(2)(a) to (d) of the Regulated Activities Order; (B) any instrument creating or acknowledging indebtedness in respect of: (I) money received by the Director of Savings as deposits or otherwise in connection with the business of the National Savings Bank; or (II) money raised under the National Loans Act 1968 under the auspices of the Director of Savings or treated as so raised under section 11(3)
Hedge Accounting	This is the process by which the change in fair value of a hedging instrument is offset by a proportionate change in the fair value of the company's portfolio to neutralise the volatility of the company's net asset value. It requires initial proof and ongoing monitoring of the hedge effectiveness.
IASB	International Accounting Standards Board
IFRS	International Financial Reporting Standards
Investment Company	a company whose main business is holding securities for investment purposes
Internal Control	a process for assuring achievement of an organisation's objectives in operational effectiveness and efficiency, reliable financial reporting, and compliance with laws, regulations and policies
IPO, Initial Public Offering	means the initial public offering of shares in the Company on the specialist fund segment of the London Stock Exchange
IPD	Interest Payment Date
IRR	internal rate of return
IRS	the US Internal Revenue Service

GLOSSARY OF TERMS Continued

Issue	means together the Placing and the Offer (or as the context requires both of them
Issuer SPVs	means special purpose vehicles established for the specific purpose of securitisation and issuing Retention Notes for purchase by the Acquiring Entity
Junior Note	These notes have the lowest priority claim on capital and income from the securitisation SPV and offer the highest potential returns in exchange for bearing the first loss experienced by the SPV.
Keystone	Keystone Property Finance Limited is a subsidiary of The Property Business Group Limited. Registered in England & Wales No 06262873.
Loan Financing Facility	means a facility in terms of which ongoing finance is provided by BofA Securities, previously Bank of America Merrill Lynch (BAML) for a period of up to two-years, or National Australia Bank Limited for a period up to four-years
LSE	London Stock Exchange plc. Registered in England & Wales No 2075721
LTV	means Loan to Value
Mortgage Pool/ Mortgage Portfolio	The underlying mortgage loans that produce the income for the securitised portfolios.
NAV	means net asset value
OECD	the Organisation for Economic Co-operation and Development
Offer	means the offer for subscription of Ordinary Shares at 1 pence each to the public in the United Kingdom on the terms and conditions set out in Part 12 of the Prospectus and the Application Form
Official List	in reference to DAC and Issuer SPV refers to the official list of the Irish Stock Exchange p.l.c In reference to the Company refers to the official list of the London Stock Exchange
Ordinary Shares	ordinary shares of 100p each in the capital of the Company
Placing	means the conditional placing by the Corporate Broker, as agent for the Company, of up to 250 million ordinary shares at 1 pence each on the terms and conditions set out or referred to in the placing documents, being the Prospectus, the Presentation, the P Proof, the flyer, the press announcements, the contract note, any other document prepared in connection with the pre-marketing of the issue or the placing programme
Portfolio Manager	TwentyFour Asset Management LLP (a limited liability partnership incorporated in England and Wales with registered number OC335015)
Profit Participating Notes/PPN	these are Eurobond notes issued by DAC to the Company. The capital paid by the Company to DAC to buy the notes is invested in mortgage pools and DAC in turn pays income to the Company via coupon payments on the notes
QE	Quantitative easing (QE), also known as Large Scale Assets Purchases, is an expansionary monetary policy whereby a central bank buys predetermined amounts of government bonds or other financial assets in order to stimulate the economy.

GLOSSARY OF TERMS Continued

Rating Agency	companies that assess the creditworthiness of both debt securities and their issuers, for these purposes Standard and Poor's, Moody's and Fitch
Retention Notes	means a Subordinated tranche of securities which as part of the securitisation issuance structure are issued for purchase by the Acquiring Entity
RMBS	Residential Mortgage-Backed Security
RNS	Regulatory News Service
Section 110	Section 110 of the Irish Taxes Consolidation Act 1997 (as amended). A Section 110 company is an Irish resident special purpose vehicle ("SPV") which holds and/or manages "qualifying assets" and usually distributes substantially all of its income net of a fixed annual tax payment.
Seasoning	The weighted average age of a mortgage portfolio.
Securitisation Vehicle	special purpose vehicle incorporated in the UK established for the purpose of issuing notes collateralised by underlying mortgage pool
Senior Note	Senior note holders receive first priority with respect to income and capital distributions and effectively provide long term leverage finance to the Junior note holders.
Servicer	Means the entity that maintains the relationship with the underlying mortgage borrower to answer questions, collect payments and refinance existing loans if required.
Share Buyback	the Company purchases shares in the market
Shareholders	holders of Shares
Specialist Fund Segment	the Specialist Fund Segment of the London Stock Exchange
SPV	means a special purpose vehicle
SVR	Standard variable rate
TFS	Term Funding Scheme
TML	The Mortgage Lender Limited. Registered in England & Wales No 9280057.
UK Code	The UK Corporate Governance Code 2016
UKML	UK Mortgages Limited
Valuation Agent	Kinson Advisors LLP
WA LTV	Weighted average loan-to-value
Warehousing	the process by which mortgages are acquired in a portfolio prior to securitisation. The portfolio is typically leveraged by borrowing from a warehouse credit facility. Four warehouse SPVs; Cornhill Mortgages No. 1 Limited (liquidated), Cornhill Mortgages No. 2 Limited, Cornhill Mortgages No. 3 Limited (liquidated) and Cornhill Mortgages No. 4 Limited, have been established for the purpose of warehousing the transactions of the company.
Warehouse SPV	a special purpose vehicle, incorporated in the UK, established for the purpose of warehousing the mortgage portfolio

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