UK Mortgages Limited

INTERIM REPORT AND UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the period from 10 June 2015 (incorporation date) to 31 December 2015

CONTENTS

CORPORATE INFORMATION

Directors
Christopher Waldron - Chairman (appointed 10/6/15)
Richard Burrows (appointed 12/6/15)
Paul Le Page (appointed 10/6/15)

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Les Banques
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Alternative Investment Fund Manager
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Portfolio Manager
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UK Legal Advisers to the Company
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London, EC2V 7WS

Guernsey Legal Advisers to the Company
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Guernsey, GY1 4BZ

Custodian, Principal Banker and Depositary
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Secretary and Administrator
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Corporate Broker
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Independent Auditor
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Receiving Agent
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Registrar
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Tudor House
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Guernsey, GY1 1DB

SUMMARY INFORMATION

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

The Company and 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. A dedicated acquisition company ("UK Mortgages Corporate Funding Designated Activity Company" or "Acquiring Entity") has been established and incorporated in Ireland. The Company has invested in Profit Participating Notes ("PPNs") issued by the Acquiring Entity. A Special Purpose Vehicle ("Warehouse SPV"), Cornhill Mortgages No. 1 Limited, has been established for the purpose of warehousing the first mortgage portfolio purchase, the junior note issuance of which is owned by the Acquiring Entity. The Company, the Acquiring Entity and the Warehouse SPV (collectively, "the Group") will be treated on a consolidated basis for the purpose of the financial statements.

Investment Objective and Investment Policy
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.

Investment Policy
The Company intends to pursue its investment objective by investing in PPN issued by the Acquiring Entity which will acquire one or more leveraged mortgage portfolios. The mortgage portfolios will initially be held by Special Purpose Vehicles ("SPVs") established for the purpose of warehousing ("Warehouse SPVs"). The SPVs established for the purpose of securitisation ("Issuer SPVs") would then issue a subordinated tranche of securities ("Retention Notes") as part of the securitisation issuance structure, for purchase by the Acquiring Entity. The Acquiring Entity's holding of the Retention Notes would provide ongoing leveraged exposure to the mortgage portfolios.

The Company may also, or alternatively: (i) utilise certain derivative instruments such as credit linked notes and credit default swaps to gain leveraged exposure to mortgage portfolios; and/or (ii) invest in Retention Notes or similar subordinated instruments issued by SPVs where the portfolio of mortgages which back the relevant notes is not one that the Acquiring Entity has at any time owned.

Mortgage portfolios will be selected with a view to achieving appropriate diversification across the UK housing market in terms of geographical location of the mortgaged property, as well as being diversified by Borrower (given the typically small size of loans relative to the size of mortgage portfolios being purchased), mortgage rate type and level, and property type.

Mortgage portfolios are expected to be acquired in large primary and secondary market transactions from building societies, banks and other holders of mortgage portfolios. The first transaction, in November 2015, was a pool of £310m high quality buy-to-let mortgages, purchased from the Coventry Building Society.

A typical leverage multiple on shareholders' funds is expected to be 4 to 7 times, with an intention not to use leverage to the extent that this would result in Residential Mortgage-Backed Security ("RMBS") senior notes issued by an Issuer SPV being rated less than AAA at issue.

SUMMARY INFORMATION Continued

Investment Policy (continued)
The Company does not intend to invest in listed closed-ended investment funds (other than money market funds as cash equivalents) or in any other investment fund and in any event shall not invest any more than 15% of its total assets in such assets (other than money market funds as cash equivalents).

Uninvested cash or surplus capital or assets may be invested on a temporary basis in:
- Cash or short-term deposits, namely money market funds or short term money market funds (as defined in the 'Guidelines on a Common Definition of European Money Market Funds' published by the Committee of European Securities Regulators ("CESR") and adopted by the European Securities and Markets Authority ("ESMA")) and other money market instruments (including certificates of deposit, floating rate notes and fixed rate commercial paper of banks or other counterparties having a "single A" or higher credit rating as determined by any internationally recognised rating agency selected by the Board); and
- Any UK "government and public securities" as defined for the purposes of the FCA Rules.

In accordance with the Company's investment objective, mortgage portfolios will be acquired by the Acquiring Entity, Warehouse SPVs established for the purpose of warehousing mortgage portfolios and/or SPVs established for the purpose of securitising mortgage portfolios using leverage.

Shareholder Information
Northern Trust International Fund Administration Services (Guernsey) Limited (the "Administrator") is responsible for calculating the Net Asset Value ("NAV") per share of the Company. The unaudited NAV per ordinary share will be calculated as at the last business day of every month by the Administrator and is announced through a Regulatory Information Service on, or within 2 weeks following, the last business day of the following month.

Financial Highlights

	31.12.15
Total Net Assets	£244,545,062
Net Asset Value per share	97.82p
Share price at 31 December 2015	101.00p
Premium to Net Asset Value	3.25%

CHAIRMAN'S STATEMENT

for the period from 10 June 2015 to 31 December 2015

I am pleased to present my report for the Group for the period from 10 June 2015, when the Company was incorporated, to 31 December 2015.

The Company began trading on the Specialist Fund Market of the London Stock Exchange on 7 July 2015 following its Initial Public Offering ("IPO"), which raised £250m. The IPO was oversubscribed by £75m and investor allocations were scaled back to ensure the launch capital was in line with the optimum size for timely investment of assets.

The success of the IPO confirmed the attraction of UK residential mortgages as an asset class and was a vote of confidence in TwentyFour Asset Management LLP as the Portfolio Manager. This was particularly heartening for the Board, as at the time of the IPO there could be no guarantee that the Group would be able to gain exposure to mortgage portfolios quickly. Indeed, following the IPO and until the purchase of the first mortgage pool, the Company's portfolio consisted only of cash held with the Custodian and an investment into a BlackRock-managed institutional money-market fund.

Consequently, the Company's initial focus has been on sourcing suitable investments for the IPO proceeds and the Board has worked extensively with the Portfolio Manager, the corporate broker and its legal advisers to ensure the most efficient structure for regulatory and tax purposes. This included establishing a dedicated acquisition company, the Acquiring Entity, incorporated in Ireland.

The Board was therefore pleased to announce in early November that the Portfolio Manager had completed the first purchase of a £310m pool of high quality buy-to-let mortgages from the Coventry Building Society, after an extensive due diligence process. The pool comprised 1,722 non-member mortgages with an average balance of £178,822, with the Coventry Building Society remaining in place as the servicer of the mortgages. The portfolio consisted of a combination of recently originated mortgage loans which have a fixed interest rate for 2 or 5 years depending on the terms of each mortgage loan.

To supplement the Group's funding for this transaction, and for ongoing financing purposes, the Acquiring Entity established a loan financing facility with Bank of America Merrill Lynch International Limited, available for up to 2 years, providing flexibility on the timing of subsequent securitisation of the first pool. It is expected that the long-run capital usage from this first deal will be around £51m upon securitisation, so releasing approximately 80% of the Group's net assets for deployment into new assets. In line with the Company's investment objectives, a balance guaranteed interest rate swap was entered into with BNP Paribas, for the purpose of exchanging the fixed rate interest coupons on the mortgage loans to a floating rate linked to Libor, in order to fund the interest payments on the floating rate borrowing facility.

Outlook

Concerns around global growth and the timing for tightening of monetary policy in the US have suppressed performance in all markets, but the fundamental performance of the asset pool purchased is largely uncorrelated and is expected to continue to perform well.

There are also a number of portfolio opportunities currently under consideration for the Group, at varying stages of completion. The typical period to execution is three to four months and during these periods operating costs continue to be incurred by the Group before the income stream from the mortgage portfolio commences. The effect of this timing mismatch on the Group's NAV was more pronounced prior to the first transaction given the lack of income being generated and is evident in this report, where income flows from the first mortgage pool began only in November. However, this will be offset to a degree on future transactions as existing revenue streams from completed transactions offset such ongoing operating costs.

CHAIRMAN'S STATEMENT Continued
for the period from 10 June 2015 to 31 December 2015

Outlook (continued)
While the first transaction is expected to provide a yield at the lower end of the Group's target, further transactions under consideration will help provide a blended yield within the range targeted prior to the IPO and we hope to be able to provide details of these in the near future.

Thank you for your support.

Christopher Waldron
Chairman
23 March 2016

PORTFOLIO MANAGER'S REPORT

for the period from 10 June 2015 to 31 December 2015

Market Commentary

On the whole, fundamental data was supportive for the period across employment, housing and mortgage statistics - the key drivers for mortgage performance. In its Q4 2015 Quarterly Bulletin, the Bank of England ("BoE") qualified its view on labour market since the recovery when commenting that slack has eroded, with job demand, participation rates and average hours worked outweighing the negative impact of people retiring later and part-time workers seeking full-time opportunities. As a result the labour market is moving closer to its long-run balanced level on the current course.

The BoE has persisted in regarding wage inflation as a key factor in their Monetary Policy Committee's rate decision and whilst wage inflation is on a positive footing, the market has been underwhelmed with weekly wage data, currently running at 2.4%, down from a May 2015 high of 3.3%. The Office for National Statistics ("ONS") also estimated real disposable income to have increased by 0.5% between Q2 and Q3, though we would likely attribute this to the commodity based windfalls that the UK consumer is currently benefitting from.

The BoE again reduced its expectations of the potential negative impact a rate hike in the UK could cause for consumers. This study looked at the impact of a 2% increase in interest rates, with no offsetting change in wages, and showed that the household balance sheets are stronger than a year ago, as is the propensity to consume. This has been supported by a market update from the Council of Mortgage Lenders ("CML") who were upbeat about rate rise resilience, as well as mortgage performance in 2015-17. CML sees 2016 continuing on a benign course with mortgage arrears and possessions remaining low (currently the lowest since 2004), and boosts to household spending power, increased remortgaging activity and a delayed cycle of rate increases adding confidence to those considering housing transactions.

Whilst the UK Chancellor's changes to stamp duty for Buy-to-Let ("BTL") properties will likely serve to slow and stabilise property growth in that sector in the medium term, it's a transaction tax and therefore unlikely to have a noticeable effect on performance of BTL securitisations, which we continue to see as an attractive, possibly undervalued asset class, and indications are that serious BTL landlords are converting to corporate entities in order to better manage the tax relief changes.

December was another positive month for house prices, the Nationwide House Price Indices saw a rise of +0.8% month-on-month whilst the Halifax House Price Index equivalent stood at +1.7% following a perceived supply squeeze (the respective Year-on-Year numbers are 4.5% and 9.5%). Meanwhile the BoE reported mortgage approvals increasing slightly in December to 70,410 from 69,687 continuing on a moderately improving trend, the peak in 2006 being 130,000.

In markets, December had been built up to be the most important month of the year with key decisions expected from both the European Central Bank and the Federal Reserve, in addition to elections in Spain. As it turned out the month was one of the most dramatic and also most difficult for investors to navigate. The Asset Backed Security ("ABS") market however was buoyant, led principally by the reinvestment of the redemption proceeds from the former Northern Rock securitisation programmes Granite and Whinstone, as well as the recognition from investors that large parts of the market, especially in Sterling, were very attractively priced. Spreads ended the year tracing tighter; the Portfolio Manager notes AAA and investment grade spreads ended the year on firmer ground but remain cautious over the timing of supply into 2016.

PORTFOLIO MANAGER'S REPORT Continued

for the period from 10 June 2015 to 31 December 2015

Market Outlook

November saw the inaugural UK Mortgages Limited investment, with the purchase of a £310m BTL portfolio from the Coventry Building Society, with an estimated annualised return over its life of 7.35% gross. As all loans were recently originated, performance to date is largely unblemished with the exception of a single loan (which was out of arrears by January 2016). The Portfolio Manager expects performance to remain robust owing to the conservative underwriting and strong credit profile of the borrower base.

The market for portfolio sales has started 2016 brightly with several opportunities of varying degrees of appeal presenting themselves. The team are fully engaged on a number of additional investments for the Group, both owner occupied and BTL and from differing sources. At least one of these opportunities is now at an advanced stage and investors will be updated with further transaction completions as they happen.

The cost of funding in the RMBS market dropped as year-end approached, driven by investors buying bonds more aggressively as they spent proceeds from the recent redemption of the £9bn Granite securitisation. Citigroup took advantage of securitisation investors that had been lined up to participate in the Northern Rock Granite refinancing of unprecedented scale by bringing a £1.5bn RMBS deal to market during the last week of December. However, tempering any outright bullishness the poor start to 2016 for broader markets may offset this technical support in funding markets.

Primary markets have begun to restart relatively well in 2016, and in the UK this will drive performance as the volume of supply could be relatively lumpy as a number of new deals, postponed during the autumn weakness, will likely reappear early in the year to test demand.

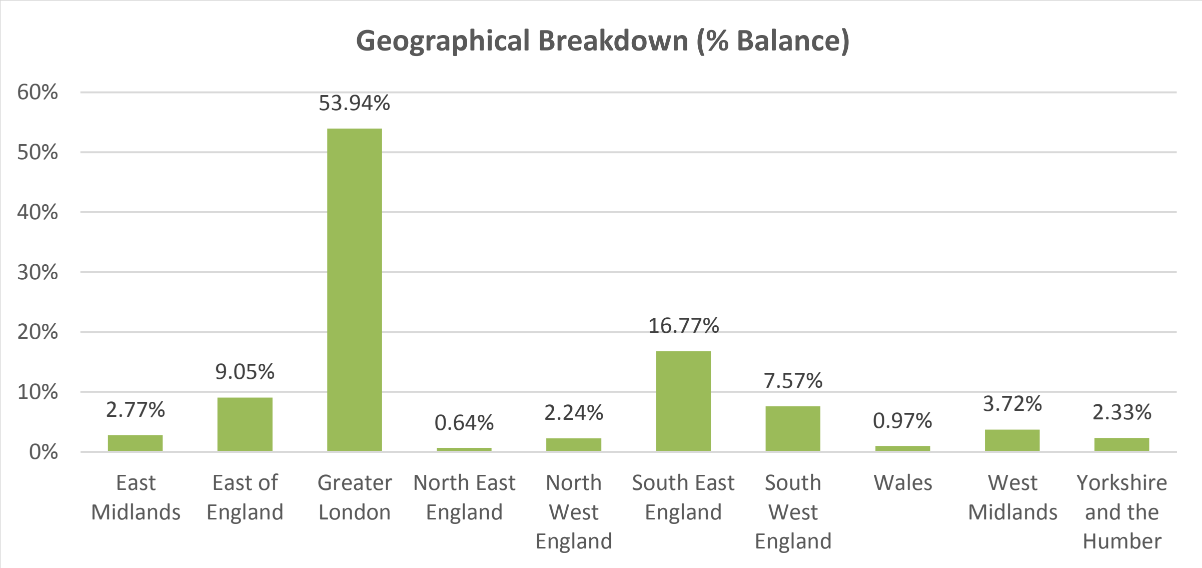
Market participants have recently focussed on the risk or volatility that could be experienced as a result of a vote for Britain to leave the EU following the upcoming referendum. The portfolio managers think it unlikely that in such a scenario the macro economic impact would have a material effect on employment and house prices to the extent that it would reduce the profitability and valuation of the Company in the long term. In the short term the uncertainty caused could increase the cost of term funding mortgage portfolios through the RMBS market, which has been taken into consideration by funding the current portfolio through a longer-term bank facility.

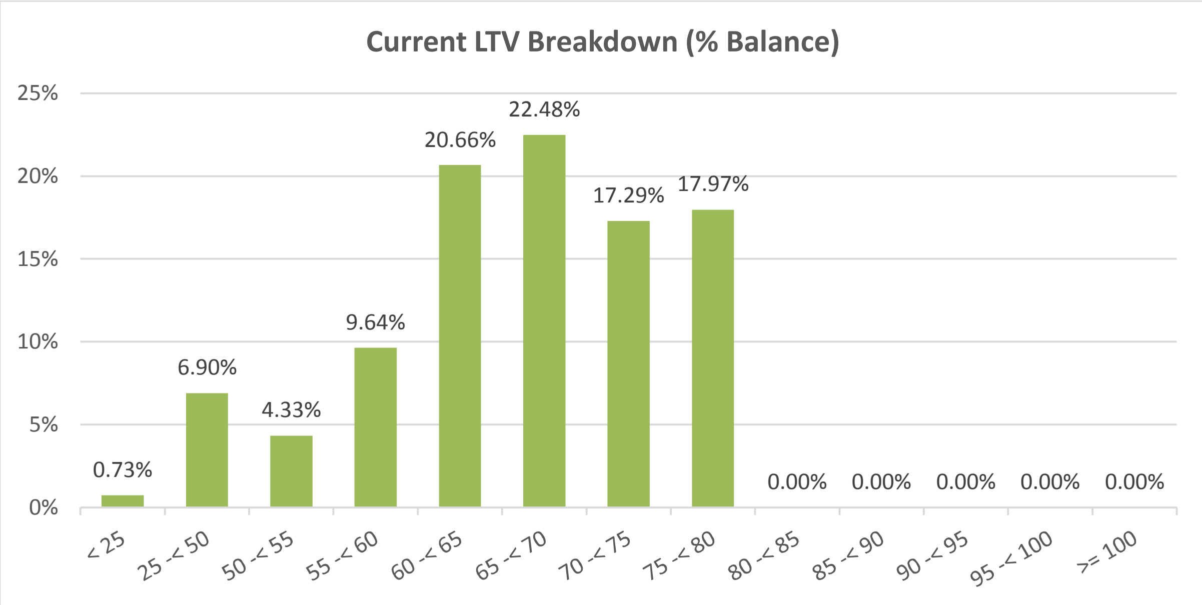
Portfolio Metrics

Portfolio Summary as at 31 December 2015	
Number of Mortgage Pools	1
Number of Loans in the Portfolio	1,722
Average Mortgage Size	£178,822
Average Current LTV*	64.93%
Average Interest Rate*	3.36%
Average Remaining Term (months)*	243.13
Average Seasoning (months)*	6.45
**Weighted Average*	

PORTFOLIO MANAGER'S REPORT Continued
for the period from 10 June 2015 to 31 December 2015

Portfolio Metrics (continued)





TwentyFour Asset Management LLP
23 March 2016

PORTFOLIO OF INVESTMENTS
As at 31 December 2015

	Value at amortised cost
	£
Cornhill Mortgages No.1 Limited	314,099,759
	314,099,759

BOARD MEMBERS

Biographical details of the Directors are as follows:

Christopher Waldron (Chairman) - Independent Non-Executive Director – Guernsey resident
Mr Waldron is the Chairman of Ranger Direct Lending Fund Plc and a director of a number of listed companies, including DW Catalyst Fund Limited, Crystal Amber Fund Limited and JZ Capital Partners Limited. He has more than 25 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. He remains a consultant to the Edmond de Rothschild Group and is also a member of the States of Guernsey's Treasury and Resources Investment Sub-Committee and its Bond Management Sub-Committee. 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. He is a Fellow of the Chartered Institute of Securities and Investment.

Richard Burrows - Independent Non-Executive Director – UK resident
Mr Burrows works as Senior Regulatory Policy Adviser to Bank of China UK Ltd. He previously worked as a Capital and Liquidity Risk Consultant at Grant Thornton and before that at the Co-operative Bank plc, taking the role of Chief of Staff to the CEO appointed to lead the process of recapitalisation. Before Co-operative Bank plc Mr Burrows worked in the Technical Specialist Prudential Risk Division – Liquidity and ALM of the Financial Services Authority and led the on-site review of BIPRU firms' Supervisory Liquidity Review Process and subsequent panel submission to agree Individual Liquidity Guidance. In 2009 – 2010, before joining the Financial Services Authority Mr Burrows worked at Northern Rock plc as Assistant Director, Marketing and Liquidity Risk as the firm prepared for and completed its formal split of the balance sheet into core banking and non-core assets. From 1994 to 2008 Mr Burrows was Director, Head of Funding at Citi Alternative Investments and was responsible for efficient funding via debt issuance from Euro and US domestic programmes and hedging of all market risk via derivatives.

Paul Le Page (Audit Committee Chairman) - Independent Non-Executive Director - Guernsey resident
Mr Le Page is a director of Man Fund Management Guernsey Limited and FRM Investment Management Limited which are subsidiaries of Man Group Plc. He is responsible for managing hedge fund portfolios, and is a director of a number of FRM and GLG funds. 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. He originally qualified as a Chartered Electrical Engineer after a 12-year career in industrial research and development, latterly as the Research and Development Director for Dynex Technologies (Guernsey) Limited, having graduated from University College London in Electrical and Electronic Engineering in 1987.

The Board intends to appoint a fourth director in the second quarter of 2016.

INTERIM MANAGEMENT REPORT

The Company is listed on the Specialist Fund Market of the London Stock Exchange. Whilst it is not required to comply with the 2014 UK Corporate Governance Code ("the Code"), the Company has voluntarily adopted the Code and as such makes the following disclosures in its interim report.

Principal Risks and Uncertainties
When considering the total return of the Group, the Board of Directors ("the Board") takes account of the risk which has been taken in order to achieve that return. The Board looks at numerous risk factors, an overview of which is set out below:

1. The risk of the Issuer SPV failing to securitise purchased mortgage portfolios. If there is any significant delay in the ability to securitise a portfolio, the interest rates payable by the Warehouse SPV to third party providers of loan finance are likely to increase over time leading to falls in the value and/or yield of the instruments held by the Acquiring Entity, the value of which will impact the yield of the Group. The risk is mitigated by the Portfolio Manager hiring additional team members with extensive securitisation experience and by being engaged with the UK Residential Mortgage Backed Securities market and service providers.

2. The risk of the counterparty with which the Cornhill Mortgages No. 1 Limited (or other 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 and market risks. The risk is mitigated by the Portfolio Manager employing due diligence in its choice of swap counterparty and engaging with robust and financially sound counterparties, with continuous monitoring of the counterparty over the lifetime of the trade.

3. The risk of the Company being unable to pay dividends to investors due to a shortfall in income on the portfolio received. The risk is mitigated with the Portfolio Manager monitoring the Group's cashflow and income position, in conjunction with the Group's Administrator, and reporting to the Board on a quarterly basis.

4. The risk of the Group being unable to invest proceeds by purchasing mortgage portfolios in a timely manner. The risk is mitigated by the Board monitoring the portfolio pipeline in regular communication with the Portfolio Manager, and in quarterly and ad hoc board meetings.

Going Concern
Under the Code (effective for periods beginning on or after 1 October 2014) and applicable regulations, the Directors are required to satisfy themselves that it is reasonable to assume that the Group is a going concern and to identify any material uncertainties to the Group's ability to continue as a going concern for at least 12 months from the date of approving the financial statements.

Having reviewed the Group's pipeline of investment transactions the Board of Directors believe that it is appropriate to adopt a going concern basis in preparing Unaudited Condensed Consolidated Interim Financial Statements given the Group's holdings of cash and cash equivalents, the liquidity of investments and the income deriving from those investments, meaning the Group has adequate financial resources to meet its liabilities as they fall due.

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 Group in the financial period. Please refer to note 15 for further details.

INTERIM MANAGEMENT REPORT Continued

Responsibility Statement
We confirm that to the best of our knowledge:

- these 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 the Group as required by the UK Listing Authority's Disclosure and Transparency Rule ("DTR") 4.2.4.
- the interim management report includes a fair review of the information required by:

  (a) DTR 4.2.7R, being an indication of important events that have occurred during the period from 10 June 2015 to 31 December 2015 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, being related party transactions that have taken place during the period from 10 June 2015 to 31 December 2015 and that have materially affected the financial position or performance of the Company during that period as included in note 15.

By order of the Board,

Christopher Waldron
Chairman
23 March 2016

Paul Le Page
Director

INDEPENDENT INTERIM REVIEW REPORT

To UK Mortgages Limited

Introduction

We have been engaged by the Group to review the Unaudited Condensed Consolidated Interim Financial Statements in the Interim Report for the period ended 31 December 2015, which comprises the Unaudited Condensed Consolidated Statement of Comprehensive Income, the Unaudited Condensed Consolidated Statement of Financial Position, the Unaudited Condensed Consolidated Statement of Changes in Equity, the Unaudited Condensed Consolidated Statement of Cash Flows and related notes. We have read the other information contained in the Interim Report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the Unaudited Condensed Consolidated Interim Financial Statements.

Directors' responsibilities

The Interim Report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the Interim Report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 2, the annual financial statements of the Group are prepared in accordance with International Financial Reporting Standards. The Unaudited Condensed Consolidated Interim Financial Statements included in this Interim Report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting".

Our responsibility

Our responsibility is to express to the Group a conclusion on the Unaudited Condensed Consolidated Interim Financial Statements in the Interim Report based on our review. This report, including the conclusion, has been prepared for and only for the Group for the purpose of the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority and for no other purpose. We do not, in producing this report, 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 enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. 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.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the Unaudited Condensed Consolidated Interim Financial Statements in the Interim Report for the period ended 31 December 2015 are not prepared, in all material respects, in accordance with International Accounting Standard 34, "Interim Financial Reporting" and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

PricewaterhouseCoopers CI LLP
Chartered Accountants
Guernsey, Channel Islands
23 March 2016

Publication of Interim Financial Report

(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 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.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the period from 10 June 2015 to 31 December 2015

	Note	For the period from 10.06.15 to 31.12.15 £
Income		
Interest income on mortgage loans		1,576,557
Interest income on cash and cash equivalents		219,234
Unrealised loss on financial liabilities at fair value through profit and loss	8	(689,335)
Total income		1,106,456
Portfolio management fees	15	897,278
Interest expense on borrowings		196,497
Mortgage loans servicing fees		103,317
Legal & professional fees		90,809
AIFM fees	16	50,474
Administration and secretarial fees	16	42,664
Directors' fees	15	40,063
Depositary fees	16	37,200
General expenses		34,489
Audit fees	16	32,865
Retainer fees	16	24,054
Custody fees	16	11,684
Total expenses		1,561,394
Total comprehensive loss for the period		(454,938)
Loss per ordinary share - basic & diluted	4	(0.002)

All items in the above statement derive from continuing operations.

The notes on pages 19 to 38 form an integral part of these Unaudited Condensed Consolidated Interim Financial Statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2015

		31.12.2015
Assets	**Note**	**£**
Non-current assets		
Mortgage loans	7	302,441,530
Margin account	9	3,000,000
Total non-current assets		305,441,530
Current assets		
Mortgage loans	7	11,658,229
Trade and other receivables	10	891,968
Cash and cash equivalents	11	23,707,978
Total current assets		36,258,175
Total assets		341,699,705
Liabilities		
Non-current liabilities		
Borrowings	13	94,776,471
Total non-current liabilities		94,776,471
Current liabilities		
Financial liabilities at fair value through profit and loss	8	689,335
Trade and other payables	12	1,688,837
Total current liabilities		2,378,172
Total liabilities		97,154,643
Net assets		244,545,062
Equity		
Share capital account	14	245,000,000
Retained earnings		(454,938)
Total equity		244,545,062
Ordinary shares in issue	14	250,000,000
Net Asset Value per ordinary share	5	0.9782

The Unaudited Condensed Consolidated Interim Financial Statements on pages 15 to 38 were approved and authorised for issue by the Board of Directors on 23 March 2016 and signed on its behalf by:

Christopher Waldron
Chairman

Paul Le Page
Director

The notes on pages 19 to 38 form an integral part of these Unaudited Condensed Consolidated Interim Financial Statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the period from 10 June 2015 to 31 December 2015

	Share Capital Account	Retained Earnings	Total Equity
	£	£	£
Balances at 10 June 2015	-	-	-
Issue of shares	250,000,000	-	250,000,000
Share issue costs	(5,000,000)	-	(5,000,000)
Total comprehensive loss for the period	-	(454,938)	(454,938)
Balance at 31 December 2015	245,000,000	(454,938)	244,545,062

The notes on pages 19 to 38 form an integral part of these Unaudited Condensed Consolidated Interim Financial Statements.

UK Mortgages Limited

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the period from 10 June 2015 to 31 December 2015

		For the period from 10.06.15 to 31.12.15 £
Cash flows from operating activities		
Total comprehensive loss for the period		(454,938)
Adjustments for:		
Interest income on mortgage loans received	7	885,103
Interest income on mortgage loans		(1,576,557)
Increase in receivables		(14,000)
Unrealised loss on financial liabilities at fair value through profit and loss		689,335
Borrowings charges amortised		13,971
Increase in margin account		(3,000,000)
Increase in payables		1,634,219
Net cash outflow from operating activities		(1,822,867)
Cash flows used in investing activities		
Purchase of investments		(316,395,593)
Mortgage loans repaid		2,109,320
Net cash outflow from investing activities		(314,286,273)
Cash flows used in financing activities		
Proceeds from issue of ordinary shares		246,153,156
Share issue costs		(1,098,538)
Proceeds from borrowings		94,762,500
Net cash inflow from financing activities		339,817,118
Increase in cash and cash equivalents		23,707,978
Cash and cash equivalents at beginning of period		-
Cash and cash equivalents at end of period		23,707,978

The notes on pages 19 to 38 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 10 June 2015 to 31 December 2015

1. General Information

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

The Unaudited Condensed Consolidated Interim Financial Statements comprise the financial statements of the Company, the Acquiring Entity and Cornhill Mortgages No.1 Limited (UK based company) as at 31 December 2015 together referred to as the Group.

The Group'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 Group 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 of the Company is TwentyFour Asset Management LLP.

2. Accounting Policies

Statement of compliance

The Unaudited Condensed Consolidated Interim Financial Statements have been prepared in accordance with the Disclosure and Transparency Rules of the FCA and with International Accounting Standards ("IAS") 34 - 'Interim Financial Reporting'. The Annual Financial Report will be prepared in accordance with International Financial Reporting Standards ("IFRS") which comprise standards and interpretations approved by the International Accounting Standards Board ("IASB"), and interpretations issued by the International Financial Reporting Standards Interpretations Committee ("IFRIC") as approved by the International Accounting Standards Committee ("IASC") which remain in effect.

The Unaudited Condensed Consolidated Interim Financial Statements have been prepared under a going concern basis. The Directors are satisfied that, at the time of approving the Unaudited Condensed Consolidated Interim Financial Statements, it is appropriate to adopt the going concern basis in preparing the Unaudited Condensed Consolidated Interim Financial Statements.

The impact of seasonality or cyclicality on operations is not regarded as significant to the Unaudited Condensed Consolidated Interim Financial Statements.

The Company has not been deemed an Investment Entity under the definitions of IFRS 10 Consolidated Financial Statements and these Unaudited Condensed Consolidated Interim Financial Statements are therefore prepared on a consolidated basis.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS Continued

for the period from 10 June 2015 to 31 December 2015

2. Accounting Policies (continued)

Statement of compliance (continued)

New standards, amendments and interpretations to existing standards that become effective in the future accounting periods and have not been adopted by the Group;

International Financial Reporting Standards (IFRS)	Effective for periods beginning on or after
• IFRS 9 Financial Instruments – Classifications and Measurement	1 January 2018
• IFRS 15 – Revenue from Contracts with Customers	1 January 2018
• Amendments to IFRS 7 - Financial Instruments: Disclosures - amendments resulting from September 2014 Annual Improvements to IFRSs	1 January 2016
• Amendments to IAS 1 - Presentation of Financial Statements - amendments resulting from the disclosure initiative	1 January 2016

The Directors are currently assessing the impact these new standards will have on the Group.

Consolidation

Subsidiaries are all entities (including structured entities) over which the Company has control. The Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are derecognised from the date that control ceases.

The Company applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Company. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Company recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Subsidiaries	Date of Control	Ownership	Country of Incorporation	Principle Place of Business
UK Mortgages Corporate Funding Designated Activity Company	19/11/2015	100%	Ireland	Ireland
Cornhill Mortgages No.1 Limited	19/11/2015	100%	UK	UK

Acquisition-related costs are expensed as incurred.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Company's accounting policies.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS Continued

for the period from 10 June 2015 to 31 December 2015

2. Accounting Policies (continued)

Financial Assets

Financial assets are classified into two categories: financial assets at fair value through profit or loss and loans and receivables.

Derivative instruments are classified as financial assets or liabilities at fair value through profit or loss.

Mortgage loans are classified as loans and receivables.

Loans and receivables are non-derivative financial assets with fixed or determinable repayments that are not quoted in an active market and include mortgage loans. Loans and receivables are initially recognised at fair value and subsequently carried at amortised cost using the effective interest rate method. Amortised cost is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any write-down for incurred impairment losses. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. Accrued interest includes amortisation of transaction costs deferred at initial recognition and any premium or discount to maturity amount using the effective interest method.

Mortgage loans Impairment provisions

All mortgage loans are secured on residential property, and the Group places strong emphasis on the market value of the properties and the borrower's ability to service the loan.

Impairment provisions are recorded on mortgage loans where a loss event has occurred and is based on the difference between the carrying amount of the mortgage loan and the present value of the estimated future cash flows.

Provisions made during the period are charged to the Unaudited Condensed Consolidated Statement of Comprehensive Income.

Mortgages are written off after all the necessary collections procedures have been completed, the property repossessed and sold and the shortfall charged to Unaudited Condensed Consolidated Statement of Comprehensive Income.

Recognition and de-recognition of financial assets

Financial assets are recognised on the Unaudited Condensed Consolidated Statement of Financial Position when, and only when, the entity becomes a party to the contractual provisions of the instrument.

Financial assets are derecognised only when either the contractual rights to cash flows from the financial assets expire or the transfer otherwise qualifies for de-recognition in accordance with IAS39 “Financial Instruments: Recognition and Measurement”.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS Continued

for the period from 10 June 2015 to 31 December 2015

2. Accounting Policies (continued)

Financial assets or liabilities held at fair value through the profit or loss

Interest rate swaps

Financial assets or liabilities held at fair value through profit or loss include interest rate swaps, these are utilised by the Group to reduce exposures to fluctuations in interest rates, and to exchange fixed rate income payments on mortgage portfolios for floating rates required to access borrowings. These interest rate swaps are recognised at their fair value, with movements in fair value taken to the Unaudited Condensed Consolidated Statement of Comprehensive Income. The fair values of interest rate swaps are based on external valuations. The valuation of the interest rate swaps' fair value means fluctuations in interest rates will be reflected in the unrealised gains or losses on financial assets or liabilities held at fair value through profit or loss.

Derivatives are carried in the Unaudited Condensed Consolidated Statement of Financial Position as financial assets when their fair value is positive and as financial liabilities when their fair value is negative.

Loan notes

Loan notes are recognised in the Unaudited Condensed Consolidated Statement of Financial Position as the proceeds received net of any direct issue costs. Loan notes are subsequently measured at amortised cost.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the Unaudited Condensed Consolidated Statement of Financial Position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

Interest income and interest expense

Interest income on financial assets that are classified as mortgage loans and interest expense on borrowings are recorded using the effective interest method. Interest income also includes income from cash and cash equivalents.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, short-term deposits held at call with banks and other short-term investments in an active market with original maturities of three months or less and bank overdrafts. Bank overdrafts are shown in current liabilities in Unaudited Condensed Consolidated Statement of Financial Position.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the Unaudited Condensed Consolidated Statement of Comprehensive Income over the period of the borrowing facility using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the date of the Unaudited Condensed Consolidated Statement of Financial Position.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS Continued

for the period from 10 June 2015 to 31 December 2015

2. Accounting Policies (continued)

Share capital
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction, net of tax, from the proceeds.

Foreign currency translation
a) Functional and presentation currency
Items included in the financial statements are measured using Pounds sterling the currency of the primary economic environment in which the entity operates, ('the functional currency'). The financial statements are presented in Pounds sterling, which is the Group's presentation currency.

b) Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign currency assets and liabilities are translated into the functional currency using the exchange rate prevailing at the statement of financial position date.

Foreign exchange gains and losses relating to the financial assets and liabilities carried at fair value through profit or loss are presented in the Unaudited Condensed Consolidated Statement of Comprehensive Income within 'other net changes in fair value on financial assets and financial liabilities at fair value through profit or loss'.

Transactions costs
Transaction costs on financial assets or liabilities at fair value through profit or loss, include fees and commissions paid to agents, advisers, brokers and dealers. Transaction costs, when incurred, are immediately recognised in the Unaudited Condensed Consolidated Statement of Comprehensive Income.

Segment reporting
Operating segments are reported in a manner consistent with the internal reporting provided to 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 Board of Directors. The Directors are of the opinion that the Group is engaged in a single segment of business, being investments in a diversified portfolio of loans secured against UK residential property. The Directors manage the business in this way.

Expenses
All other expenses are included in the Unaudited Condensed Consolidated Statement of Comprehensive Income on an accruals basis.

Taxation
The Company is a tax-exempt Guernsey limited company.

Trade and other receivables
Trade and other receivables are amounts due in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets. Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS Continued

for the period from 10 June 2015 to 31 December 2015

2. Accounting Policies (continued)

Trade and other payables

Trade and other payables are obligations to pay for services that have been acquired in the ordinary course of business. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Dividend distributions

Dividend distributions to the Company's shareholders are recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Board.

3. Critical accounting judgements and estimates

The preparation of financial statements in conformity with IFRS requires the use of estimates and judgements that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Although these estimates are based on management's knowledge of the amount, actual results may differ from these estimates. If actual results differ from the estimates, the impact will be recorded in future periods.

The most significant of these are as follows:

Impairment provisions

Impairment provisions are recorded on loans in arrears where the value of the loan in arrears is in excess of the estimated forced sale value of the underlying property held as security based on the probability of the loan going to repossession. Estimates are required of the likely forced sale discount on the property and likelihood of the loan going to repossession based on the limited historical loss experience of the Group.

Fair value

Fair values are used in these financial statements for recognition and disclosure purposes. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable and willing parties in an arm's length transaction. The existence of published price quotation in an active market is the best evidence of fair value and when they are available they are used. If the market for a financial instrument is not active, fair value is established using a valuation technique. Fair value represents point- in-time estimates that may change in subsequent reporting periods due to market conditions or other factors.

The only financial instruments included in the Group's Unaudited Condensed Consolidated Statement of Financial Position that are measured at fair value are derivative instruments. As the fair value of such derivatives is calculated based on counterparty valuations and the inputs are unobservable, these instruments fall within level 3 of the hierarchy. All gains and losses in relation to the level 3 instruments have been recognised in the Unaudited Condensed Consolidated Statement of Comprehensive Income for the period.

4. (Loss)/earnings per ordinary share - basic & diluted

The loss per ordinary share of £0.002 - basic and diluted has been calculated based on the weighted average number of ordinary shares of 217,073,171 and a net loss of £454,938.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS Continued
for the period from 10 June 2015 to 31 December 2015

5. Net Asset Value per ordinary share

The Net Asset Value of each share of £0.9782 is determined by dividing the net assets of the Company £244,545,062 by the number of shares in issue at 31 December 2015 of 250,000,000.

6. Taxation

The Company has been granted Exempt Status under the terms of The Income Tax (Exempt Bodies) (Guernsey) Ordinance, 1989 to income tax in Guernsey. Its liability for Guernsey taxation is limited to an annual fee of £1,200.

UK Mortgages Corporate Funding Designated Activity Company should qualify as a qualifying company within the meaning of Section 110 of the Irish Taxes Consolidation Act, 1997 ("S.110"). As such, the profits are chargeable to corporation tax under Case III of Schedule D of S.110, at the rate of 25%, but are computed in accordance with the provisions applicable to schedule D case I subject to one important distinction, that being interest payments made by that company on its PPN should be tax deductible thereby leaving it with nominal profits of £1,000 per annum.

Cornhill Mortgages No.1 Limited should be treated as being a warehouse company for the purposes of the United Kingdom's Taxation of Securitisation Companies Regulations 2006 and should only be liable for UK corporation tax on amounts that form part of its retained profits (of £6,000 per annum) for the purposes of those regulations.

7. Mortgage loans

	For the period from 10.06.15 to 31.12.15 £
Mortgage loans at start of the period	-
Mortgage loans purchased	316,395,593
Interest income on mortgage loans	1,576,557
Interest income on mortgage loans received/accrued	(1,763,071)
Mortgage loans repaid	(2,109,320)
Mortgage loans at end of the period	314,099,759

The Group does not experience seasonality or cyclicality in its investing activities. Note 17 sets out the liquidity profile of the mortgage loans.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS Continued

for the period from 10 June 2015 to 31 December 2015

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

Derivative instruments

On 3 November 2015 the Group entered into an Interest Rate Swap (under an ISDA agreement) at the point of the initial portfolio purchase to convert the fixed rate loan exposure back into GBP 3 Month Libor. The notional of the swap is balance guaranteed in order to track the principal balance of the portfolio and changes quarterly in line with the movement in the portfolio. In addition, upon portfolio securitisation, the swap can be novated (transferred from Cornhill Mortgages No. 1 Limited to the potential Issuer SPV), minimising risk of an interest rate exposure at that time.

The maximum notional amount of the swap per agreement is £360m. The notional amount as at 31 December 2015 is £310,349,991.

Collateral of £3m is held with BNP Paribas in relation to the interest rate swap.

9. Margin account

The margin account represents a margin deposit of collateral held by BNP Paribas in relation to the interest rate swap.

	As at 31.12.15 £
Margin account	3,000,000
	3,000,000

10. Trade and other receivables

	As at 31.12.15 £
Interest receivable on mortgage loans	877,968
Interest receivable on cash and cash equivalents	5,706
Prepaid expenses	8,294
	891,968

11. Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise the following balances with original maturity of less than 90 days.

The short-term deposits are an investment into a BlackRock-managed institutional money-market fund – “Institutional Cash Series Plc - Institutional Sterling Liquidity Fund”.

	As at 31.12.15 £
Cash at bank	8,494,569
Short-term deposits	15,213,409
	23,707,978

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS Continued

for the period from 10 June 2015 to 31 December 2015

12. Trade and other payables

	As at 31.12.15 £
Management fees payable	897,278
Legal & professional fees payable	263,183
Interest payable on borrowings	178,526
Mortgage loans servicing fees payable	103,317
Issue fees payable	54,618
AIFM fees payable	50,474
Administration & secretarial fees payable	36,993
Audit fees payable	32,865
Depositary fees payable	29,347
Directors' fees payable	21,292
General expenses payable	13,496
Custody fees payable	7,448
	1,688,837

13. Borrowings

The Group has a loan from Bank of America Merrill Lynch International Limited of £95,000,000. The loan commenced on 19 November 2015 and is repayable on 19 November 2017. The facility fees of £237,500 are amortised over a period of 2 years.

The interest rate on the loan is calculated with step up margins over 3m LIBOR as per the below table.

Margin over 3m LIBOR

First 6 months	1.05%
6-12 months	1.33%
12-18 months	1.70%
18-24 months	2.40%

The carrying value of the borrowing approximates the fair value.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS Continued

for the period from 10 June 2015 to 31 December 2015

14. Share Capital

Authorised Share Capital

Unlimited number of ordinary shares or C shares of no par value or with par value as the Directors see fit.

Issued Share Capital

	As at 31.12.15
Ordinary shares	**£**
Share capital at the beginning of the period	-
Issued share capital	250,000,000
Share issue costs	(5,000,000)
Total share capital at the end of the period	245,000,000

	As at 31.12.15
Ordinary shares	**shares**
Shares at the beginning of the period	-
Issue of shares	250,000,000
Total shares in issue at the end of the period	250,000,000

The share capital of the Company consists of an unlimited number of shares with or without par value which, upon issue, the Directors may designate ordinary shares or C shares or such other classes of shares as the Board shall determine, in each case of such classes and denominated in such currencies as the Directors may determine.

As at 31 December 2015, one share class has been issued, being the ordinary shares of the Company.

The ordinary shares carry the following rights:

a) are entitled to participate in dividends which the Company declares from time to time proportionate to the amounts paid or credited as paid on such Ordinary Shares.
b) all ordinary shares are entitled to a distribution of capital in the same proportions as capital is attributable to them (including on winding up).
c) every shareholder shall have one vote for each ordinary share held by it.

15. 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 £30,000 payable to Mr Waldron, the Chairman, £27,500 to Mr Le Page as Chairman of the Audit Committee and £25,000 to Mr Burrows. During the period ended 31 December 2015, Directors fees of £40,063 were charged to the Company, of which £21,292 remained payable at the end of the period.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS Continued

for the period from 10 June 2015 to 31 December 2015

15. Related Parties (continued)

b) Shares held by related parties

As at 31 December 2015, Directors of the Company held the following shares beneficially:-

	Number of Shares
	31.12.15
Chris Waldron	5,000
Paul Le Page	20,000
Richard Burrows	5,000

As at 31 December 2015, the Portfolio Manager held nil shares and partners and employees of the Portfolio Manager held 8,180,563 shares, which is 3.272% of the issued share capital.

c) Portfolio Manager

The portfolio management fee is payable to the Portfolio Manager quarterly on the last business day of the quarter at a rate of 0.75% per annum of the lower of Net Asset Value, which is calculated monthly on each valuation day, or market capitalisation of each class of shares. For the period beginning six months after admission and ending when at least 75% of the net proceeds have been contractually exposed to mortgage portfolios the amount of the net proceeds which have not been contractually exposed to mortgage portfolios will be deducted from the NAV and the market capitalisation for the purposes of calculating the fee payable to the Portfolio Manager.

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.
The marketing fee amounted to £511,032 of which nil remained payable at the period end. This fee is included in the issue costs which are taken against equity.

Total investment management fees for the period amounted to £897,278 of which £897,278 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.

16. Material Agreements

a) Alternative Investment Fund Manager

The Company's Alternative Investment Fund Manager (the "AIFM") is Phoenix Fund Services (UK) 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 2015, AIFM fees of £50,474 were charged to the Company, of which £50,474 remained payable at the end of the period.

16. Material Agreements (continued)

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 commence from 19 November 2015 being the date Company acquired its initial investment.

In addition, an annual fee of £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 £42,664 of which £36,993 remained payable at the period end.

c) Depositary

Depositary fees are payable to Northern Trust (Guernsey) Limited, monthly in arrears, at a rate of 0.03% of the Net Asset Value 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 £37,200 of which £29,347 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 0.03% of the Net Asset Value 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 commence from 19 November 2015 being the date Company acquired its initial investment. Total custody fees for the period amounted to £11,684 of which £7,448 remained payable at the period end.

d) Registrar

Computershare Investor Services (Guernsey) Limited has been appointed as registrar and Computershare Investor Services plc as receiving agent to the Company.

Under the Registrar's Agreement the fees payable to the Registrar are based on an initial set up fee of £1,500, and a fee based on the number of transactions plus properly incurred expenses, subject to a minimum annual fee of £10,000. Under the Receiving Agent's Agreement the fees payable to the receiving agent are based on the number of applications received and are subject to a minimum fee.

e) IPO Sponsor's and Placing Agreement

In connection with the Company's IPO, the Company engaged the services of Numis to act as co-ordinators, placement agents, arrangers and sponsors in connection with the issue of the ordinary shares ("the Issue") and the application for Admission.

The Company agreed to pay Numis:

- a corporate finance fee of £200,000, and
- a placing commission equal to 2% of the gross proceeds of the Issue less (i) an amount equal to reasonably and properly incurred costs payable by the Company in respect of the Issue, Placing Programme and the Trading Applications and agreed in advance with Numis and (ii) an amount equal to the marketing fee payable to the Portfolio Manager.

Total Issue fees amounted to £5,000,000 of which £54,618 is due and payable at the period end. The Sponsor and Placing Agreement is governed by the laws of England.

The Company also agreed to pay Numis the annual retainer fee of £50,000 of which nil remained payable at the period end. The charge for the period for the period was £24,054.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS Continued

for the period from 10 June 2015 to 31 December 2015

17. Financial Risk Management

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

The Group's financial instruments include investments designated at amortised cost or fair value through profit or loss, loans and receivables and cash and cash equivalents. The main risks arising from the Group'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 to be economically appropriate to the efficient management of the Group.

Market risk

Market risk embodies the potential for both losses and gains and includes interest rate risk and price risk. The Group's strategy on the management of market risk is driven by the Group's investment objective. The Group'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.

The Group is at risk that volatility and illiquidity in the securitisation market would impact the ability for the Issuer SPV to securitise mortgage portfolios. If there is any significant delay in the ability to securitise a portfolio, the interest rates payable by the Warehouse SPV to third party providers of loan finance are likely to increase over time leading to falls in the value and/or yield of the instruments held by the Acquiring Entity, the value of which will impact the yield of the Group. The Portfolio Manager recognises this and is addressing through more focus from additional team members with extensive securitisation experience and by being engaged with the UK RMBS market and service providers.

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 portfolio is payable on fixed rates, meaning the current exposure to interest rate fluctuations on the portfolio is limited. However, funding is payable on a floating interest rate (namely GBP Libor). In order to hedge this differential, an interest rate swap is transacted by the Warehouse SPV with a market counterparty to pay the fixed rate and receive the floating rate payments. The interest rate swap has the capacity to be novated to the Issuer SPV for the purposes of securitisation.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS Continued
for the period from 10 June 2015 to 31 December 2015

17. Financial Risk Management (continued)
Market risk (continued)
The below table shows exposure to interest rate risk.

	Floating rate £	Fixed rate £	Total as at 31.12.15 £
Assets			
Mortgage loans	-	314,099,759	314,099,759
Margin account	3,000,000	-	3,000,000
Trade and other receivables	-	891,968	891,968
Cash and cash equivalents	23,707,978	-	23,707,978
Total assets	26,707,978	314,991,727	341,699,705
Liabilities			
Borrowings	(94,776,471)	-	(94,776,471)
Financial liabilities at fair value through profit and loss	(689,335)	-	(689,335)
Trade and other payables	-	(1,688,837)	(1,688,837)
Total liabilities	(95,465,806)	(1,688,837)	(97,154,643)
Total interest sensitivity gap	(68,757,828)	313,302,890	244,545,062

If interest rates were to change by 50 basis points, with all other variables remaining constant, the effect on the net profit and equity would have been as shown on the table below. The movement has been calculated on the notional amount of the swap of £310,349,991 which is not shown in the table above. These percentages have been determined based on potential volatility and are deemed reasonable by the Directors.

	31.12.15 £
Increase of 50 basis points	1,211,407
Decrease of 50 basis points	(1,211,407)

1.2 Price risk: An active market does not exist in the underlying instruments based on the mortgage loans, and for this reason the mortgage portfolios are valued 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 and amortised cost valuation could lead to volatility in the Group's NAV.

17. Financial Risk Management (continued)

Liquidity Risk

Liquidity risk is the risk that the Group will not have sufficient resources available to meet its liabilities as they fall due. The Acquiring Entity will be unable to fully liquidate, sell, hedge or otherwise mitigate its credit risk under or associated with the notes issued by the Warehouse SPV or Issuer SPV ("Retention Notes") 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 Group's ability to redeem the profit participating notes issued by the Acquiring Entity, and that there will usually be a limited market for the Retention Notes. It is not expected that any party will make a secondary market in relation to the Retention Notes, and there can be no assurance that a secondary market will develop or, if a secondary market does develop, that it will provide the holders of the Retention Notes with liquidity of investment or that it will continue for the life of such investments. As a result, the Acquiring Entity may have to hold the Retention Notes until their early redemption date (if any) or maturity date of the Retention Notes or the mortgage portfolios. Where a market does exist, to the extent that an investor wants to sell the Retention Notes, the price may, or may not, be at a discount to the outstanding principal amount. 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 which would, in turn, adversely affect the Group'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 Group's mortgage loans advanced are illiquid and may be difficult or impossible to realise for cash at short notice.

The Group 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 Group 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.

	Less than one year £	More than one year £	Total as at 31.12.15 £
Assets			
Mortgage loans	11,658,229	302,441,530	314,099,759
Margin account	-	3,000,000	3,000,000
Trade and other receivables	891,968	-	891,968
Cash and cash equivalents	23,707,978	-	23,707,978
Total assets	36,258,175	305,441,530	341,699,705
Liabilities			
Borrowings	-	94,776,471	94,776,471
Financial liabilities at fair value through profit and loss	689,335	-	689,335
Trade and other payables	1,688,837	-	1,688,837
Total liabilities	2,378,172	94,776,471	97,154,643

17. Financial Risk Management (continued)

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 Group.

The Group's main single credit risk exposure is 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 Group also has credit risk to borrowers on 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.

The Group'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.

18. Capital risk management

The Group manages its capital to ensure that it is able to continue as a going concern while following the Group's stated investment policy. The capital structure of the Group consists of shareholders' equity, which comprises share capital and other reserves. To maintain or adjust the capital structure, the Group may return capital to shareholders or issue new shares. There are no regulatory requirements to return capital to shareholders.

(i) Share buybacks

Under the articles of incorporation, the Company may purchase shares in the market at prices which represent a discount to the prevailing NAV per share of that class so as to enhance the NAV per share for the remaining holders of shares of the same class. Subject to satisfying a statutory solvency test, the Company is authorised to make market purchases of up to 14.99% of the aggregate number of issued shares immediately following admission.

The Directors will consider whether the Company should purchase shares where such shares are quoted in the market at a discount in excess of 5% to NAV per share of that class. The making and timing of any share buybacks is at the absolute discretion of the Directors and is expressly subject to the Directors determining that the company has sufficient surplus cash resources available (excluding borrowed monies). The listing rules published by the UK Listing Authority prohibit the Company from conducting any share buybacks during close periods immediately preceding the publication of annual and interim results.

18. Capital risk management (continued)

(ii) Continuation Vote

Shareholders will have the opportunity to vote on the continuation of the Company at the fifth Annual General Meeting ("AGM") following admission of the ordinary shares issued pursuant to the Issue, or every fifth AGM thereafter, and otherwise if: (i) 75% of the net issue proceeds have not been contractually exposed to mortgage portfolios within 12 months of the date of such admission; or (ii) a dividend trigger event (where the total dividend per ordinary share in respect of any financial year, commencing on or after 1 July 2016, being less than 6 pence) occurs, the articles of incorporation provide that if any of those events occur a general meeting will be convened at which the Directors will propose an ordinary resolution that the Company should continue as an investment company.

19. Analysis of Financial Assets and Liabilities by Measurement Basis

	Financial Assets at fair value through profit and loss	Financial Assets at amortised cost	Total
	£	£	£
31 December 2015			
Financial Assets as per Unaudited Condensed Consolidated Statement of Financial Position			
Mortgage loans	-	314,099,759	314,099,759
Margin account	-	3,000,000	3,000,000
Cash and cash equivalents	-	23,707,978	23,707,978
Trade and other receivables	-	891,968	891,968
	-	341,699,705	341,699,705

	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	£	£	£
Financial liabilities at fair value through profit and loss	689,335	-	689,335
Trade and other payables	-	1,688,837	1,688,837
Borrowings	-	94,776,471	94,776,471
	689,335	96,465,308	97,154,643

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS Continued

for the period from 10 June 2015 to 31 December 2015

20. Fair Value Measurement

IFRS 13 requires the Group 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 Group's financial assets and liabilities (by class) measured at fair value for the period ended December 2015.

	Level 1	Level 2	Level 3	Total
	£	£	£	£
Liabilities				
Financial liabilities at fair value through profit and loss	-	(689,335)	-	(689,335)
Total liabilities as at 31 December 2015	-	(689,335)	-	(689,335)

The following table analyse within the fair value hierarchy the Group's assets and liabilities not measured at fair value at 31 December 2015 but for which fair value is disclosed.

	Level 1	Level 2	Level 3	Total
	31.12.2015	31.12.2015	31.12.2015	31.12.2015
	£	£	£	£
Assets				
Mortgage loans	-	-	311,541,130	311,541,130
Margin account	-	3,000,000	-	3,000,000
Cash and cash equivalents	-	23,707,978	-	23,707,978
Trade and other receivables	-	891,968	-	891,968
Total	-	27,599,946	311,541,130	339,141,076
Liabilities				
Borrowings	-	94,776,471	-	94,776,471
Trade and other payables	-	1,688,837	-	1,688,837
Total	-	96,465,308	-	96,465,308

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS Continued

for the period from 10 June 2015 to 31 December 2015

20. Fair Value Measurement (continued)

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

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

Other receivables include prepaid expenses and other obligations due to the Group.

Amounts due to brokers and other payables represent the contractual amounts and obligations due by the Group for settlement of trades and expenses.

21. Dividend Policy

The Company will target dividend payments of 3.00p per ordinary share in respect of period ending 30 June 2016. Subject to market conditions and the level of the Company's net income, it is intended that a first interim dividend will be paid in April 2016 and that a second interim dividend will be paid following the end of the financial year. 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 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's 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.

Dividends will only be paid subject to the Company satisfying the solvency test prescribed by the Guernsey Law.

The Company declared no dividends during the period from 10 June 2015 to 31 December 2015.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS Continued

for the period from 10 June 2015 to 31 December 2015

22. Auditors Remuneration

Auditors' remuneration for work carried out for the Group in respect of the period is as follows:

	£
Audit of Company by PwC CI LLP	12,192
Audit of Company's subsidiaries by PwC network firms	20,673
Non-audit	
Interim Review performed by PwC CI LLP	25,000
Reporting Accountant services on IPO of Company charged by PwC CI LLP*	86,650
Due diligence services charged by PwC LLP**	47,374

*Reporting Accountant services are included in issue costs

**Due diligence services are amortised over 7.5 years

23. Ultimate Controlling Party

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

24. Subsequent Events

These Unaudited Condensed Consolidated Interim Financial Statements were approved for issuance by the Board on 23 March 2016. There were no subsequent events until this date.