UK Mortgages Limited

INTERIM REPORT AND UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the period from 1 July 2016 to 31 December 2016

UK Mortgages Limited

CONTENTS

CORPORATE INFORMATION

Directors
Christopher Waldron - Chairman
Richard Burrows
Paul Le Page
Helen Green

Custodian, Principal Banker and Depositary
Northern Trust (Guernsey) Limited
PO Box 71
Trafalgar Court
Les Banques
St Peter Port
Guernsey, GY1 3DA

Registered Office
PO Box 255
Trafalgar Court
Les Banques
St Peter Port
Guernsey, GY1 3QL

Secretary and Administrator
Northern Trust International Fund Administration Services (Guernsey) Limited
PO Box 255
Trafalgar Court
Les Banques
St Peter Port
Guernsey, GY1 3QL

Alternative Investment Fund Manager
Maitland Institutional Services Limited
Springfield Lodge
Colchester Road
Chelmsford, CM2 5PW

Corporate Broker
Numis Securities Limited
The London Stock Exchange Building
10 Paternoster Square
London, EC4M 7LT

Portfolio Manager
TwentyFour Asset Management LLP
8th Floor
The Monument Building
11 Monument Street
London, EC3R 8AF

Independent Auditors
PricewaterhouseCoopers CI LLP
PO Box 321
Royal Bank Place
1 Glategny Esplanade
St Peter Port
Guernsey, GY1 4ND

UK Legal Advisers to the Company
Eversheds LLP
One Wood Street
London, EC2V 7WS

Receiving Agent
Computershare Investor Services plc
The Pavilions
Bridgwater Road
Bristol, BS13 8AE

Guernsey Legal Advisers to the Company
Carey Olsen
Carey House
Les Banques
St Peter Port
Guernsey, GY1 4BZ

Registrar
Computershare Investor Services (Guernsey) Limited
1st Floor
Tudor House
Le Bordage
St Peter Port
Guernsey, GY1 1DB

SUMMARY INFORMATION

The Company

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 Segment 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.

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

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.

Shareholders' 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 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 on, or within 2 weeks following, the last business day of the following month.

Financial Highlights

	31.12.2016	30.06.2016	31.12.2015
Total Net Assets	£229,246,078	£237,363,265	£244,545,062
Net Asset Value per ordinary share	91.70p	94.95p	97.82p
Share price	95.25p	96.75p	101.00p
Premium to Net Asset Value	3.87%	1.90%	3.25%
Total dividends paid during the period	3.00p	1.50p	0.00p
Total dividends declared in relation to the period	3.00p	3.00p	0.00p
Ongoing total expense ratio	1.06%	1.20%	0.95%

CHAIRMAN'S STATEMENT

for the period from 1 July 2016 to 31 December 2016

Review

I am pleased to present my report for the Company for the period from 1 July 2016 to 31 December 2016, a period of significant activity during which UKML progressed towards full deployment of the capital raised at its IPO.

Following the successful launch of its inaugural securitisation, Malt Hill No.1 Plc, in May, work continued on the Company's second transaction, which was announced in July. This work had in fact been ongoing for over six months, but had been substantially delayed by the late withdrawal from the transaction of the proposed loan financing counterparty, and their subsequent replacement by the Royal Bank of Scotland. The transaction consists of an arrangement with The Mortgage Lender ("TML") to purchase up to £250m of newly-originated owner-occupied mortgages, thereby offering natural diversification to the first transaction (which comprised Buy-to-Let loans), over an expected 12 to 14-month period, having agreed a product set and borrower credit profile with TML.

TML launched its product offering through the mortgage broker market immediately following the announcement and has since been receiving and processing loan applications, making offers where applications meet the agreed criteria and subsequently proceeding to completion as required. With some seasonal variation, the pace of applications, offers and completions are proceeding generally in line with expectations, and, as of the end of the period, the portfolio contained fifty-two completed loans with a further pipeline of £37.5m. The transaction is expected to utilise approx. £72m of the Company's capital, with an initially estimated IRR over the life of the pool of 9.49%, based on the Portfolio Manager's assessment of the expected cash flows and available financing rates having allowed for low revenue generation initially as the loans are originated. The deal also offers the potential for the Company to utilise further capital and acquire up to £1bn of mortgages over a five-year period, which provides a significant incentive for TML to deliver a mortgage pool in line with the first-year target. With securitisation spreads having contracted since the deal was announced it is also possible that the eventual yield may be higher than the initial estimate.

In November 2016, the Portfolio Manager undertook an extensive investor roadshow, which included a webinar and both group and individual investor meetings. The roadshow was designed to update investors on the Company's investment progress and asset performance ahead of the Continuation Vote at the Company's AGM in December, as the Company was yet to achieve its target of fully committing its capital to mortgage portfolios. Following this update, the vote was passed with no votes against.

Along with the result of the AGM, the Board announced that negotiations regarding the purchase and financing of an existing pool of mortgages that would deploy the Company's remaining available capital were at an advanced stage. Terms for this, the Company's third transaction, were subsequently agreed and signed just prior to the end of December 2016. Following this, the finalisation of various pre-acquisition diligence, documentation and financing arrangements allowed the transaction to be completed in mid-February 2017. The transaction comprises the purchase of approximately £590.5m UK predominantly Buy-to-Let Mortgages ("BTL"), originated primarily between 2004 and 2008 by Capital Home Loans ("CHL"), then the UK specialist BTL mortgage lending arm of Permanent TSB. CHL will continue to service the mortgages, resulting in a seamless transaction for the mortgage borrowers. The pool comprises 4,896 loans with an average balance of £120,610, and a weighted average indexed loan-to-value of 69.65%. Given the age of the loans, which on a weighted average basis have almost 10 years of payment history encompassing the financial crisis, performance is very strong with just 0.92% of the loans more than one month in arrears. The transaction has deployed the Company's remaining investable capital.

As a result of the completion of this transaction, the second Continuation Vote announced in November 2016, that was due to be triggered should substantially all of the cash held at that time not have been deployed within six months of the AGM, will no longer be required.

CHAIRMAN'S STATEMENT Continued

for the period from 1 July 2016 to 31 December 2016

Review (continued)

While the pace of investment has been slower than anticipated, it is again worth reiterating the point made in previous reports; that the nature and structure of the mortgage market meant that there could be no guarantee that the Company would be able to gain exposure to appropriate mortgage portfolios as quickly as desired. Buying mortgage portfolios can be a lengthy process, requiring extensive and detailed work on the part of the Portfolio Manager to complete due diligence and arrive at an appropriate structure. In addition, specific factors have slowed progress in 2016, including poor market conditions at the start of the year and uncertainty around the Brexit vote, which directly contributed to the withdrawal of the initial financing counterparty to the TML transaction. In addition, much time and effort has been expended on reviewing potential transactions that were eventually rejected as unsuitable. However, the attraction of deriving returns from such a historically stable and uncorrelated asset class as UK residential mortgages remains clear. The challenge continues to be delivering those returns through a conventional investment company structure.

Dividend Distributions

When the Company was launched in July 2015, the Board anticipated paying at least a 1.5p quarterly dividend from April 2016. This remains our policy, although the slow pace of investment has meant that the dividend remains uncovered to a greater extent than originally envisaged. This is partially due to the timeframe required for the TML portfolio to become fully originated and also because until the completion of the third transaction in February 2017 approximately half of the Company's capital was yet to be invested. Paying an uncovered dividend is not a decision that the Board takes lightly, but it is based on regular appraisals of the Portfolio Manager's cash flow models, which continue to indicate that the high IRRs relative to the dividend target that the mortgage pools offer should enable excess income to be produced over and above the dividend in future financial years. Furthermore, any subsequent investments that the Company makes are likely to be funded as new capital is raised, which will minimise any future cash drag.

Outlook

Ongoing political uncertainty, whether in the UK with the imminent triggering of Article 50 followed by up to two years of negotiations over the UK's exit terms from the EU, the multiple radical measures likely to be proposed in the US following President Trump's election, or the upcoming elections in Europe, particularly in France and the Netherlands, where shock results in favour of populist candidates are a distinct possibility, means that despite a generally positive economic undertone markets remain vulnerable to shocks. However, we believe the fundamental performance of the Company's portfolio of mortgages will be largely uncorrelated to these events and will continue to perform in line with expectations.

The Portfolio Manager is expected to complete its second securitisation, to refinance the CHL portfolio later in 2017, with exact timing dependent on market conditions. Similarly, a securitisation of the TML transaction is also anticipated once the portfolio is fully originated. Meanwhile, now that the initial transactions have been completed, the Portfolio Manager is seeing more potential deal flow and we will further advise investors should these opportunities become likely to proceed to future transactions.

Finally, I'd like to conclude by thanking the portfolio management team for their hard work during this period and our shareholders for their continued support.

Christopher Waldron
Chairman
21 March 2017

PORTFOLIO MANAGER'S REPORT
for the period from 1 July 2016 to 31 December 2016

Market Commentary
The summer and autumn of 2016 saw dramatic changes across the entire financial and political landscape in the UK, Europe and the US. The UK's EU referendum result in late June set the tone for a second half of surprises, initiating a period of tension and political sparring between the re-formed and reshuffled UK government under Theresa May. The government appeared determined not to show its cards too early, and various UK Remain supporters and political opposition, plus a host of European politicians were equally determined to stand firm against any potential UK proposals for favourable exit treatment. Populist movements gained ground, with Mario Renzi effectively being ousted in Italy in what became a highly personal vote of no confidence for his policy implementation referendum, plus the shock election of Donald Trump as the new US President in November.

The UK's situation in particular, led initially to concerns about the economic damage Brexit might herald and in August the Bank of England reacted with a raft of economic policy easing measures including an expected 25bp base rate cut, but coupled with further QE measures including the reintroduction of a QE bond buying programme and the inclusion of corporate bond purchases for the first time. The programme also included a newly initiated four-year Term Funding Scheme ("TFS") providing secured funds at the new base rate, designed to help banks to pass on the rate cut to borrowers. This certainly seemed to be the case as mortgage and other consumer borrowing rates were tightened but it also led to something of a repeat of the effect seen in 2012 following the introduction of the Funding for Lending Scheme, when banks substantially withdrew from issuance in wholesale funding markets in favour of cheap central bank subsidies.

The short and medium term effects of this were to tighten issuance spreads across all wholesale funding markets as the expectation of reduced issuance from the banking sector was borne out. In RMBS markets however, some of the slack was taken up by independent non-bank issuers, but the cost of funding continued to tighten nonetheless and this trend extended into 2017, with spreads now trading at record post-crisis tight levels. This may prompt some of the bank issuers back to the market.

In broader mortgage and housing markets, signals have been very mixed, with conflicting data from source to source and from month to month but, for the main part, the market has continued to show growth over the period. Whilst regional data is available less frequently, subjective evidence from wider sources suggests that even though much of the London market has been suffering something of a slowdown in response to Brexit uncertainty, other parts of the country that had lagged behind are beginning to catch up.

In early 2017, the political focus has shifted away from the UK somewhat towards the imminent elections in Europe, with real concerns about further shock populist victories. In the US, President Trump continues to push forward with his many signalled radical policies, which continue to attract news headlines and prompt potential volatility. However, the UK will come sharply back into focus once the government finally triggers Article 50 as promised before the end of March.

PORTFOLIO MANAGER'S REPORT Continued

for the period from 1 July 2016 to 31 December 2016

Portfolio Review

Having closed the Company's inaugural securitisation, Malt Hill No.1 plc, in May, securing the senior funding for the next three years, the Company was able to announce its second transaction with a new market entrant, The Mortgage Lender ("TML"), in early July. As described in more detail in previous reports, this transaction had been in the making for about six months but had taken longer to complete than would normally be the case, due to the newness of TML as an originator and a delay caused by a late change in the warehouse provider.

TML opened their doors for business immediately and began to take applications. These were followed shortly afterwards with the first offers being made (as well as the first declinations) and, as would be expected with a lag of about 2-3 months, the first completions. Applications, offers and completions have continued to grow broadly in line with initial expectations, and at the time of writing the pipeline totalled approximately £85m. We expect to move into the first securitisation phase for these loans towards the end of 2017.

Work continued throughout the summer to secure a third transaction, and a number of portfolios and opportunities were considered but rejected for either quality or incompatibility reasons. Two opportunities stood out however and both of these were pursued. With broader markets evolving quickly following the Brexit vote, it was difficult to gauge which might come first and the opportunities swapped places as frontrunner several times. This was particularly difficult to manage, especially in the light of the impending continuation vote at the Company's upcoming AGM. The Portfolio Manager engaged with investors prior to this via a webinar and a roadshow of investor meetings, but was unable to announce a transaction prior to the vote, which was passed with no votes against. Shortly afterwards, we were able to announce that commercial terms had been agreed and following extensive work throughout December a term-sheet was signed at the end of the year for a portfolio of existing loans which would deploy the remainder of the Company's investable capital. In February, the transaction was completed, after the finalisation of various pre-acquisition diligence, documentation and financing arrangements.

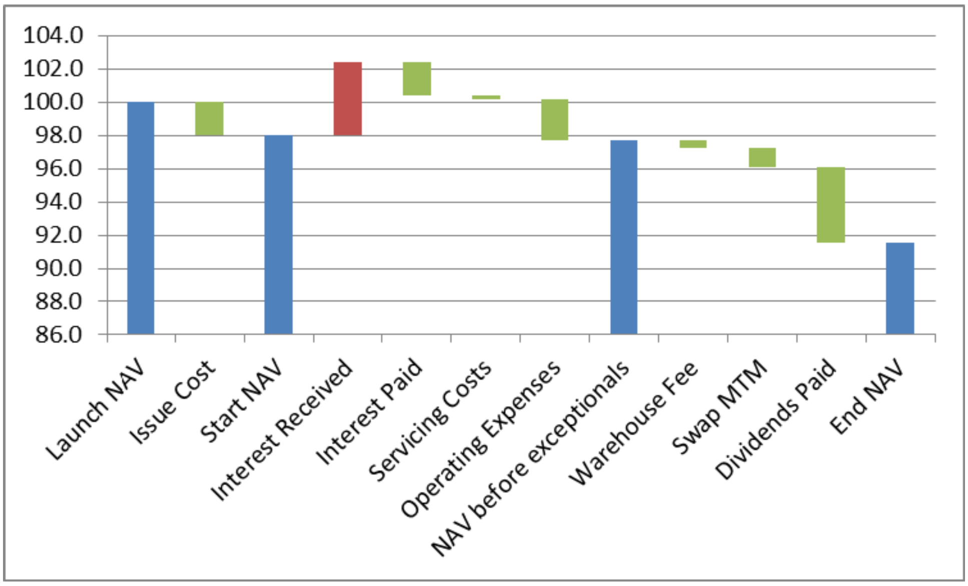
The pool comprises 4,896 loans with a value of approx. £590m predominantly Buy-to-Let Mortgages ("BTL"), an average balance of £120,610, and a weighted average indexed loan-to-value of 69.65%. The loans were originated primarily between 2004 and 2008 by Capital Home Loans ("CHL"), then the UK specialist BTL mortgage lending arm of Permanent TSB. CHL was sold to an affiliate of Cerberus Capital Management, L.P. ("Cerberus") in July 2015. The pool was purchased from another Cerberus affiliate. Following the transaction CHL will continue to service the mortgages, resulting in a seamless transaction for the mortgage borrowers. Given the age of the loans, which on a weighted average basis have almost 10 years of payment history encompassing the financial crisis, performance is very strong with just 0.92% of the loans more than one month in arrears.

The purchase has been financed with aid of a funding facility from Bank of America Merrill Lynch for up to 18 months, although work began immediately on the intended securitisation to provide longer term financing.

PORTFOLIO MANAGER'S REPORT Continued

for the period from 1 July 2016 to 31 December 2016

Portfolio Performance Review



The above chart illustrates how the NAV of the Company has moved since launch. 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. In particular, the longer time taken for the portfolio to become fully invested and the increase in the dividend to 6p per annum in the second year of operation have been the major drivers of NAV performance, along with the 1.1p mark-to-market movement in swap valuation.

NAV to end Dec-2016	
Start NAV	**98.0**
Net Interest	2.4
Dividend	-4.5
Costs (Servicing, Operating, Warehouse)	-3.2
Swap MTM	-1.1
Fund NAV	**91.6**

As highlighted in previous reports, the first portfolio consists of mostly fixed rate mortgages, of which a majority should revert to floating rate loans after two years and is financed by Senior AAA rated Notes that pay a floating rate coupon. To deal with this short term mismatch between the coupon rate of the assets and liabilities, an interest rate swap is in place that converts the underlying fixed rate income into floating rate income. This swap valuation is the present value of the expected receipts and payments to maturity and the profit or loss from this valuation feeds directly into the NAV calculation. The mortgage portfolio is valued in accordance with industry standard at amortised cost less any impairment provisions as required. In practice, whilst the value of the mortgage pool is very stable as there have been no impairments to date, the value of the swap is subject to mark to market volatility and will vary due to changes in the absolute level and relative shape of the UK government yield curve. This volatile component of the NAV is expected to diminish over time as the payment profile of the fixed rate mortgages revert to floating rate.

PORTFOLIO MANAGER'S REPORT Continued

for the period from 1 July 2016 to 31 December 2016

Coventry Portfolio Outlook (Malt Hill No. 1 Plc)

The portfolio continues to exhibit strong performance, in line with expectations at the time of purchase. At the time of writing, just one of the loans is currently marked as in arrears, being on a payment holiday, all other loans have been paid on time and there are no arrears, bearing out the strong credit quality of the borrowers in the pool and the conservative lending guidelines on the loans. There has been a minor pick-up in prepayments, however, as expected with this type of loan, overall prepayments remain relatively low during the initial fixed rate period. The first resets from this are expected to begin in the spring of 2017 and given the regulatory changes to interest coverage ratios and stress rates for BTL loans introduced at the beginning of 2017, the number of loans which refinance out of the pool may be lower than originally expected, as this portfolio was originated before the rule changes were announced, which would be positive for maintaining leverage within pool.

TML Portfolio Outlook (Cornhill No 2 Limited)

Mortgage applications and completions received so far are broadly in line with initial expectations. This portfolio is expected to be securitised after reaching the initial commitment of £250m of origination, subject to market conditions.

CHL Portfolio Outlook

The portfolio acquisition was agreed just before the 31 December period end and it is not shown in these financial statements as the transaction settled on 21 February 2017. It is expected to be securitised as soon as practically possible subject to market conditions.

Market Outlook

Following the CHL acquisition, the remaining investable capital for the Company has now been deployed. The immediate challenge will be to complete the securitisation and then to build upon this with potential further transactions, with the initial aim of paying dividends from income and capital gain and over the medium term rebuilding the capital previously used to pay dividends.

The market backdrop and technicals remain strong over the short term with the mortgage lending market resilient and robust primary funding markets. We remain positive but cautious on the outlook and we continue to discuss further opportunities, including both secondary portfolios and primary origination flow opportunities and have a varied pipeline of potential investments for 2017.

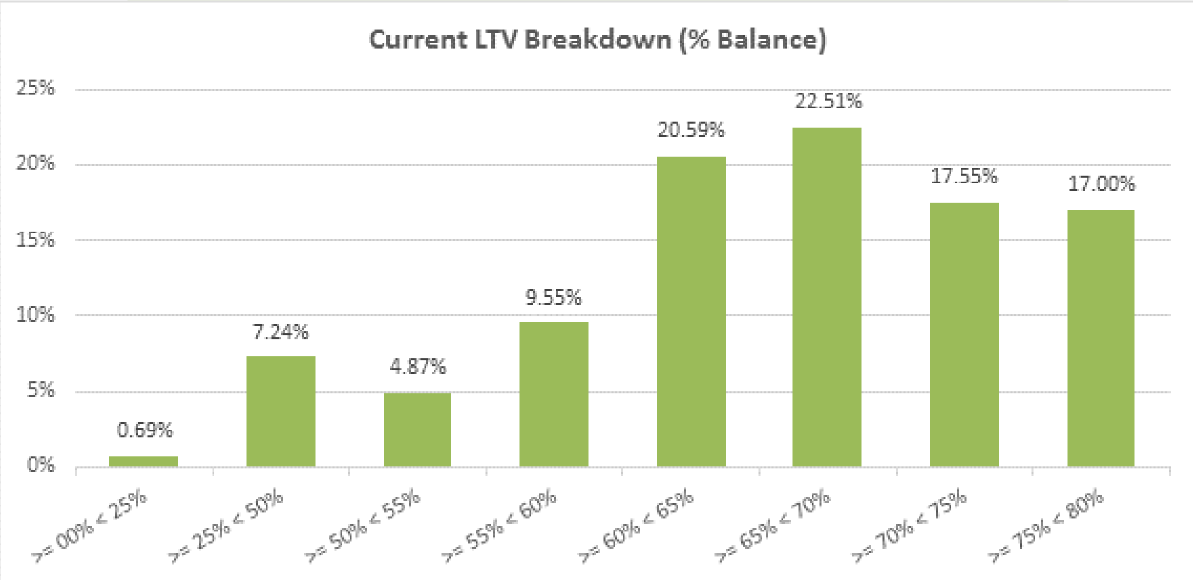
TwentyFour Asset Management LLP
21 March 2017

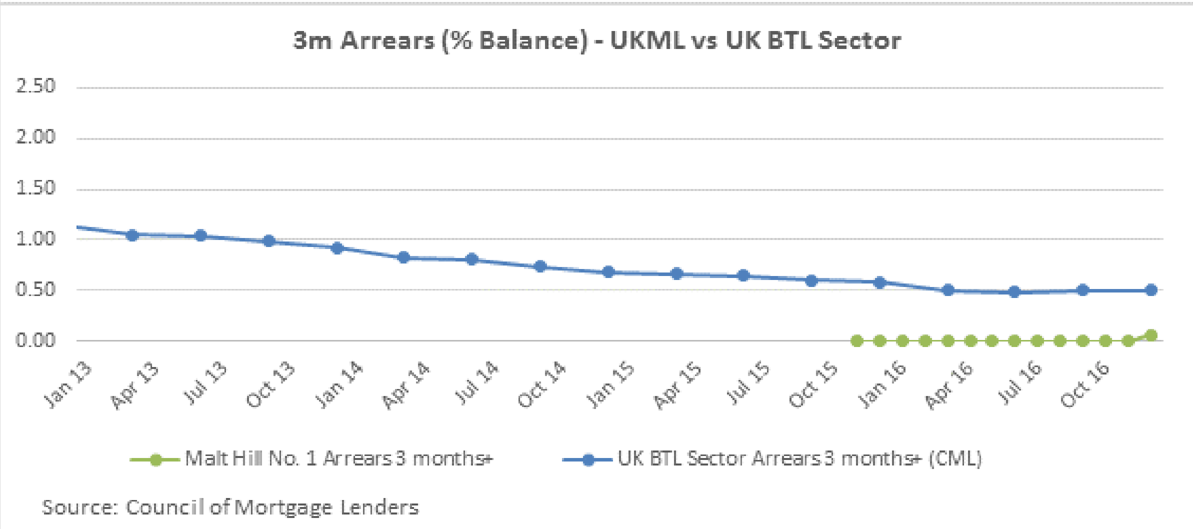
UK Mortgages Limited

PORTFOLIO OF INVESTMENTS
As at 31 December 2016

	Value at amortised cost	
	31.12.2016	**30.06.2016**
	£	**£**
Cornhill Mortgages No. 2 Limited	11,560,981	-
Malt Hill No.1 Plc	296,150,665	303,585,700
	307,711,646	303,585,700

Portfolio Summary as at 31 December 2016	
Outstanding Balance of the Mortgage Portfolio	290,959,909
Number of Mortgage Accounts	1,643
Average Mortgage Size	177,091
Weighted Average Current LTV	64.66%
Weighted Average Interest Rate	3.36%
Weighted Average Remaining Term (months)	231.64
Weighted Average Seasoning (months)	17.49





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 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.

Richard Burrows - Senior Independent Non-Executive Director - UK resident
Mr Burrows works as Head of Treasury for Bank of China, London Branch following a role 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, Man Group Japan 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.

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 1997. 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, John Laing Infrastructure Fund Limited, City Natural Resources High Yield Trust plc and Acorn Income Fund Limited, of which she is Chairman.

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 reviewed 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 Group, the Board takes account of the risk which has been taken in order to achieve that return. The Board considers the following principal risks to be relevant for the next six month period ending June 30 2017:

1. 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 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. 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 Group. The risk has been mitigated by the Portfolio being engaged with the UK RMBS market and service providers. This enables the Company to optimise the timing of its securitisation transactions.

2. The risk of the default of the counterparty with which the Warehouse or Issuer SPVs 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 through credit analysis and ratings monitoring over the lifetime of the trade.

3. 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 mitigated by the Portfolio Manager monitoring the Group's cash flow and income position, in conjunction with the Company's Administrator, and reporting to the Board on a quarterly basis. The Company can also pay dividends from capital if necessary.

4. The risk of the Group being unable to invest or reinvest proceeds of capital repaid from mortgage loans to purchase additional 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.

5. The risk of investor dissatisfaction leading to a weaker share price, causing the Company to trade at a discount to its underlying asset value.

STATEMENT OF PRINCIPAL RISKS AND UNCERTAINTIES Continued

Going Concern
Under the 2014 UK Corporate Governance Code (effective for periods beginning on or after 1 October 2014), 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 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 Group's holdings of cash and cash equivalents and the income deriving from those investments, meaning the Group has adequate financial resources to meet its liabilities as they fall due for the foreseeable future being no less than 12 months from the statement of financial position date.

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 10 for further details.

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") 4.2.4R.
- the interim report meets the requirements of an interim management report and 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 2016 to 31 December 2016 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 2016 to 31 December 2016 and that have materially affected the financial position or performance of the Company during that period.

By order of the Board,
Signed on behalf of the Board of Directors on 21 March 2017 by:

Christopher Waldron	Paul Le Page
Chairman	Director

Independent review report to UK Mortgages Limited

Our conclusion

We have reviewed the accompanying unaudited condensed consolidated interim financial information of UK Mortgages Limited and its subsidiaries (the 'Group') as at 31 December 2016. Based on our review, nothing has come to our attention that causes us to believe that the accompanying unaudited 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 unaudited condensed consolidated interim financial information comprises:

- the Unaudited Condensed Consolidated Statement of Financial Position as at 31 December 2016;
- the Unaudited Condensed Consolidated Statement of Comprehensive Income for the six-month period then ended;
- the Unaudited Condensed Consolidated Statement of Changes in Equity for the six-month period then ended;
- the Unaudited Condensed Consolidated Statement of Cash Flows for the six-month period then ended; and
- the Notes to the Unaudited Condensed Consolidated Interim Financial Statements, comprising a summary of significant accounting policies and other explanatory information.

The unaudited 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 unaudited 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 unaudited condensed consolidated interim financial information based on our review. This report, including the conclusion, has been prepared for and only for the Group 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.

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 Report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the unaudited condensed consolidated interim financial statements.

PricewaterhouseCoopers CI LLP
Chartered Accountants
Guernsey, Channel Islands
21 March 2017

(a) The maintenance and integrity of the Group'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 1 July 2016 to 31 December 2016

	Note	For the period from 01.07.2016 to 31.12.2016 (Unaudited) £	For the period from 10.06.2015 to 31.12.2015 (Unaudited) £
Income			
Interest income on mortgage loans		4,602,222	1,576,557
Interest income on cash and cash equivalents		10,009	219,234
Net interest expense on financial liabilities at fair value through profit and loss		(1,149,012)	-
Unrealised gain/(loss) on financial liabilities at fair value through profit and loss		1,249,700	(689,335)
Total income		4,712,919	1,106,456
Interest expense on loan notes	15	2,384,147	-
Portfolio management fees	10	881,648	897,278
Commitment facility fees	11	654,658	-
Amortisation of loan note issue costs		487,117	-
Mortgage loans servicing fees		385,253	103,317
General expenses	11	97,918	34,489
Administration & secretarial fees	11	89,241	42,664
Audit fees		78,126	32,865
Legal & professional fees		72,603	90,809
Directors' fees	10	53,750	40,063
AIFM fees	11	48,582	50,474
Depositary fees	11	40,858	37,200
Custody fees	11	31,058	11,684
Corporate broker fees	11	25,147	24,054
Interest expense on borrowings		-	196,497
Total expenses		5,330,106	1,561,394
Total comprehensive loss for the period		(617,187)	(454,938)
Loss per ordinary share - basic & diluted	3	(0.002)	(0.002)

All items in the above statement derive from continuing operations.

The notes on pages 21 to 36 form an integral part of these Unaudited Condensed Consolidated Interim Financial Statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2016

		31.12.2016 (Unaudited)	30.06.2016 (Audited)
Assets	**Note**	**£**	**£**
Non-current assets			
Mortgage loans	5	306,061,483	302,251,423
Reserve fund	6	4,739,400	4,739,400
Total non-current assets		310,800,883	306,990,823
Current assets			
Mortgage loans	5	1,650,163	1,334,277
Trade and other receivables	7	2,486,605	4,792,524
Cash and cash equivalents	8	171,863,352	194,218,249
Total current assets		176,000,120	200,345,050
Total assets		486,801,003	507,335,873
Liabilities			
Non-current liabilities			
Loan notes	15	252,702,008	261,784,493
Total non-current liabilities		252,702,008	261,784,493
Current liabilities			
Financial liabilities at fair value through profit and loss		2,828,275	4,077,975
Trade and other payables	9	2,024,642	4,110,140
Total current liabilities		4,852,917	8,188,115
Total liabilities		257,554,925	269,972,608
Net assets		229,246,078	237,363,265
Equity			
Share capital account		245,000,000	245,000,000
Other reserves		(15,753,922)	(7,636,735)
Total equity		229,246,078	237,363,265
Ordinary shares in issue		250,000,000	250,000,000
Net Asset Value per ordinary share	4	0.9170	0.9495

The Unaudited Condensed Consolidated Interim Financial Statements on pages 17 to 36 were approved and authorised for issue by the Board of Directors on 21 March 2017 and signed on its behalf by:

Christopher Waldron
Chairman

Paul Le Page
Director

The notes on pages 21 to 36 form an integral part of these Unaudited Condensed Consolidated Interim Financial Statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the period from 1 July 2016 to 31 December 2016

	Share capital account (Unaudited)	Other reserves (Unaudited)	Total equity (Unaudited)
	£	£	£
Balance at 1 July 2016	245,000,000	(7,636,735)	237,363,265
Dividend paid	-	(7,500,000)	(7,500,000)
Total comprehensive loss for the period	-	(617,187)	(617,187)
Balance at 31 December 2016	245,000,000	(15,753,922)	229,246,078

	Share capital account (Unaudited)	Other reserves (Unaudited)	Total equity (Unaudited)
	£	£	£
Balance 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 21 to 36 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 1 July 2016 to 31 December 2016

	Note	For the period from 01.07.2016 to 31.12.2016 (Unaudited) £	For the period from 10.06.2015 to 31.12.2015 (Unaudited) £
Cash flows from operating activities			
Total comprehensive loss for the period		(617,187)	(454,938)
Adjustments for:			
Amortisation adjustment under effective interest rate method	5	436,019	186,514
Decrease/(increase) in trade and other receivables		2,305,919	(891,968)
Unrealised (gain)/loss on financial liabilities at fair value through profit and loss		(1,249,700)	689,335
Increase in margin account		-	(3,000,000)
(Decrease)/increase in trade and other payables		(2,085,498)	1,634,219
Amortised borrowing charges released	5	19,825	13,971
Purchase of mortgage loans	5	(11,563,225)	(316,395,593)
Mortgage loans repaid	5	6,981,435	2,109,320
Net cash outflow from operating activities		(5,772,412)	(316,109,140)
Cash flows from financing activities			
Proceeds from issue of ordinary shares		-	246,153,156
Share issue costs		-	(1,098,538)
Proceeds from borrowings		-	94,762,500
Increase in issue fees amortised		326,825	-
Repayments of loan notes		(9,409,310)	-
Dividend paid		(7,500,000)	-
Net cash (outflow)/inflow from financing activities		(16,582,485)	339,817,118
(Decrease)/increase in cash and cash equivalents		(22,354,897)	23,707,978
Cash and cash equivalents at beginning of period		194,218,249	-
Cash and cash equivalents at end of period		171,863,352	23,707,978

The notes on pages 21 to 36 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 2016 to 31 December 2016

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 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 (UK based company), and Cornhill Mortgages No.1 Limited (UK based company currently in liquidation) and Cornhill Mortgages No.2 Limited (UK based company) as at 31 December 2016, 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 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 2016 to 31 December 2016 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 period ended 30 June 2016 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 changes to the accounting policies from those applied in the most recent audited annual financial statements.

c) Critical judgements and estimates

In the current financial period, 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.

3. Loss per Ordinary Share - basic & diluted

The loss per Ordinary Share of £0.002 (31 December 2015: £0.002) - basic and diluted has been calculated based on the weighted average number of Ordinary Shares of 250,000,000 (31 December 2015: 217,073,171) and a net loss of £617,187 (31 December 2015: £454,938).

4. Net Asset Value per Ordinary Share

The Net Asset Value of each share of £0.9170 (30 June 2016: £0.9495) is determined by dividing the net assets of the Company £229,246,078 (30 June 2016: £237,363,265) by the number of shares in issue at 31 December 2016 of 250,000,000 (30 June 2016: 250,000,000).

5. Mortgage loans

	For the period from 01.07.2016 to 31.12.2016 (Unaudited)	For the period from 10.06.2015 to 30.06.2016 (Audited)
	£	£
Mortgage loans at start of the period	303,585,700	-
Mortgage loans purchased	11,563,225	316,395,593
Amortisation adjustment under effective interest rate method	(436,019)	(669,501)
Mortgage loans repaid	(6,981,435)	(12,411,333)
Borrowings charges amortised	-	297,374
Amortised borrowing charges released	(19,825)	(26,433)
Mortgage loans at end of the period	307,711,646	303,585,700
Amounts falling due after more than one year	306,061,483	302,251,423
Amounts falling due within one year	1,650,163	1,334,277
	307,711,646	303,585,700

Mortgage loans at 31 December 2016 comprise of one securitised mortgage portfolio legally held in Malt Hill No.1 Plc and one mortgage portfolio held with Cornhill Mortgages No.2 Limited. Please refer to the Portfolio of Investments for breakdown of both portfolios.

Note 12 sets out the liquidity and credit risk profile of the mortgage loans.

6. Reserve fund

	As at 31.12.2016 (Unaudited)	As at 30.06.2016 (Audited)
	£	£
Reserve fund	4,739,400	4,739,400
	4,739,400	4,739,400

The reserve fund is held with Citibank N.A. London Branch within the securitisation structure. The Group is required to maintain this reserve and it is not readily available to the Group and may only be used in accordance with the Issue and Programme Documentation.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS Continued

for the period from 1 July 2016 to 31 December 2016

7. Trade and other receivables

	As at 31.12.2016 (Unaudited)	As at 30.06.2016 (Audited)
	£	£
Collateral due from BNP Paribas	-	3,000,000
Interest receivable on mortgage loans	821,469	834,356
Capitalised expenses	1,319,489	621,517
Other receivables and prepayments	345,180	332,123
Interest receivable on cash and cash equivalents	467	4,528
	2,486,605	4,792,524

Capitalised expenses are the set up costs of Cornhill Mortgages No. 2 Limited, which are being amortised over 3 years.

8. 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.

	As at 31.12.2016 (Unaudited)	As at 30.06.2016 (Audited)
	£	£
Cash at bank	169,938,915	182,970,882
Short-term deposits	1,924,437	11,247,367
	171,863,352	194,218,249

The short-term deposits are investments into a BlackRock-managed institutional money-market fund – "Institutional Cash Series Plc - Institutional Sterling Liquidity Fund".

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS Continued

for the period from 1 July 2016 to 31 December 2016

9. Trade and other payables

	As at 31.12.2016 (Unaudited) £	As at 30.06.2016 (Audited) £
Portfolio management fees payable	881,648	1,348,312
Interest expense on loan notes payable	429,012	390,507
Loan notes issue costs payable	280,914	1,975,461
Audit fees payable	133,126	85,000
Mortgage loans servicing fees payable	70,942	55,441
Legal & professional fees payable	53,112	74,508
General expenses payable	52,744	29,304
Administration & secretarial fees payable	42,427	27,389
Directors' fees payable	26,875	20,568
AIFM fees payable	24,914	25,804
Commitment facility fees payable	13,564	-
Depositary fees payable	11,514	51,362
Custody fees payable	3,850	26,484
	2,024,642	4,110,140

10. 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 each to Mrs Green and Mr Burrows. During the period ended 31 December 2016, Directors’ fees of £53,750 (31 December 2015: £40,063) were charged to the Company, of which £26,875 remained payable at the end of the period (30 June 2016: £20,568).

b) Shares held by related parties

As at 31 December 2016, Directors of the Company held the following shares in the Company beneficially:-

Directors' and Other Interests

	Number of Shares 31.12.2016
Christopher Waldron	5,000
Richard Burrows	5,000
Paul Le Page	20,000
Helen Green	-

As at 31 December 2016, the Portfolio Manager held Nil shares (30 June 2016: Nil) and partners and employees of the Portfolio Manager held 8,040,076 shares (30 June 2016: 8,040,076), which is 3.22% of the issued share capital (30 June 2016: 3.22%).

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS Continued

for the period from 1 July 2016 to 31 December 2016

10. Related Parties (continued)

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 NAV, 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.

Total portfolio management fees for the period amounted to £881,648 (31 December 2015: £897,278) of which £881,648 (30 June 2016: £1,348,312) 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.

11. 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 2016, AIFM fees of £48,582 (31 December 2015: £50,474) were charged to the Company, of which £24,914 (30 June 2016: £25,804) 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 £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 £89,241 (31 December 2015: £42,664) of which £42,427 (30 June 2016: £27,389) remained payable at the period end.

11. Material Agreements (continued)

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 £40,858 (31 December 2015: £37,200) of which £11,514 (30 June 2016: £51,362) 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 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 Company acquired its initial investment. Total custody fees for the period amounted to £31,058 (31 December 2015: £11,684) of which £3,850 (30 June 2016: £26,484) remained payable at the period end.

d) Commitment facility fee

The commitment facility fee is an undrawn fee on the loan facility between Cornhill No 2 Limited and the Royal Bank of Scotland plc. This is charged at 90bps on the initial warehouse size of £150m. The drawn costs are 180bps over 1 month LIBOR initially, changing to 280bps over 1 month LIBOR from 1 January 2017.

e) IPO Sponsor's and Placing Agreement

In connection with the Company's IPO, the Company engaged the services of Numis to act as corporate broker, 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 £Nil (30 June 2016: £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 an annual retainer fee of £50,000 of which nil remained payable at the period end. The charge for the period was £25,147 (30 June 2016: £48,907).

12. 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 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 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.

On 8 July 2016, the Group agreed an arrangement with The Mortgage Lender to purchase up to £250m of newly-originated owner-occupied mortgages over an expected 12 to 14 month period. The Company has the option to purchase up to £1bn of mortgages over a 5 year period.

12. Financial Risk Management (continued)

Market risk

Market risk embodies the potential for both losses and gains and includes interest rate risk, price risk and currency 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.

In July 2016, the Group agreed upon a second transaction, which was with The Mortgage Lender, to purchase up to £250m of newly-originated mortgages over an expected 12 to 14 month period. Once purchased by the Warehouse SPV, the Group intends to securitise this second mortgage portfolio.

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 2 June 2016, the interest rate swap transacted by Cornhill No. 1 plc was novated to the Issuer SPV on securitisation of the mortgage portfolio.

The below tables show exposure to interest rate risk:

	Floating rate	Fixed rate	Non interest bearing	Total as at 31.12.2016
	£	£	£	£
Assets	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Mortgage loans	-	307,711,646	-	307,711,646
Reserve fund	4,739,400	-	-	4,739,400
Trade and other receivables	821,936	-	1,664,669	2,486,605
Cash and cash equivalents	171,863,352	-	-	171,863,352
Total assets	177,424,688	307,711,646	1,664,669	486,801,003
Liabilities				
Financial liabilities at fair value through profit and loss	(2,828,275)	-	-	(2,828,275)
Trade and other payables	-	-	(2,024,642)	(2,024,642)
Loan notes	(252,702,008)	-	-	(252,702,008)
Total liabilities	(255,530,283)	-	(2,024,642)	(257,554,925)
Total interest sensitivity gap	(78,105,595)	307,711,646	(359,973)	229,246,078

12. Financial Risk Management (continued)
Market risk (continued)

	Floating rate	Fixed rate	Non interest bearing	Total as at 30.06.2016
	£	£	£	£
Assets	**(Audited)**	**(Audited)**	**(Audited)**	**(Audited)**
Mortgage loans	-	303,585,700	-	303,585,700
Reserve fund	4,739,400	-	-	4,739,400
Trade and other receivables	838,884	-	3,953,640	4,792,524
Cash and cash equivalents	194,218,249	-	-	194,218,249
Total assets	199,796,533	303,585,700	3,953,640	507,335,873
Liabilities				
Financial liabilities at fair value through profit and loss	(4,077,975)	-	-	(4,077,975)
Trade and other payables	-	-	(4,110,140)	(4,110,140)
Loan notes	(261,784,493)	-	-	(261,784,493)
Total liabilities	(265,862,468)	-	(4,110,140)	(269,972,608)
Total interest sensitivity gap	(66,065,935)	303,585,700	(156,500)	237,363,265

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 in the table below. The movement has been calculated on the notional amount of the swaps of £301,920,272 which is not shown in the table above. These percentages have been determined based on potential volatility and are deemed reasonable by the Directors.

	31.12.2016
	£
Increase of 50 basis points	1,119,073
Decrease of 50 basis points	(1,119,073)

	30.06.2016
	£
Increase of 50 basis points	1,175,104
Decrease of 50 basis points	(1,175,104)

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 Group’s NAV.

12. Financial Risk Management (continued)
Market risk (continued)
1.3 Currency risk: As at 31 December 2016, the Group 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 Group 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 Group'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 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. At the period end, the TML mortgage portfolio was in the warehousing phase.

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 31.12.2016
	£	£	£
Assets	(Unaudited)	(Unaudited)	(Unaudited)
Mortgage loans	1,650,163	306,061,483	307,711,646
Reserve fund	-	4,739,400	4,739,400
Trade and other receivables	2,486,605	-	2,486,605
Cash and cash equivalents	171,863,352	-	171,863,352
Total assets	176,000,120	310,800,883	486,801,003
Liabilities			
Financial liabilities at fair value through profit and loss	2,828,275	-	2,828,275
Trade and other payables	2,024,642	-	2,024,642
Loan notes	-	252,702,008	252,702,008
Total liabilities	4,852,917	252,702,008	257,554,925

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

	Less than one year £ (Audited)	More than one year £ (Audited)	Total as at 30.06.2016 £ (Audited)
Assets			
Mortgage loans	1,334,277	302,251,423	303,585,700
Reserve fund	-	4,739,400	4,739,400
Trade and other receivables	4,792,524	-	4,792,524
Cash and cash equivalents	194,218,249	-	194,218,249
Total assets	200,345,050	306,990,823	507,335,873
Liabilities			
Financial liabilities at fair value through profit and loss	4,077,975	-	4,077,975
Trade and other payables	4,110,140	-	4,110,140
Loan notes	-	261,784,493	261,784,493
Total liabilities	8,188,115	261,784,493	269,972,608

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 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.

The Group 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+.

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. Currently the cash is held with Northern Trust London (credit rating A+ per Standards and Poor). The money market fund is held in a BlackRock-managed institutional money-market fund – "Institutional Cash Series Plc - Institutional Sterling Liquidity Fund" and their current rating is AAAm from Standards and Poor. The reserve fund is held with Citibank N.A. London Branch (credit rating A+ per Standards and Poor).

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS Continued

for the period from 1 July 2016 to 31 December 2016

12. Financial Risk Management (continued)

Credit risk (continued)

There are no past due or impaired loans. The current indexed loan to value ratio in order to give an indication of credit quality is as follows:

Loan to value	As at 31.12.2016 £	As at 30.06.2016 £
0-49%	24,451,295	23,144,367
50-75%	222,694,021	224,149,399
75-100%	55,197,663	49,944,688
Premium on purchase less EIR adjustment	5,368,667	6,347,246
	307,711,646	303,585,700

13. Analysis of Financial Assets and Liabilities by Measurement Basis

31 December 2016	Financial Assets at fair value through profit and loss £ (Unaudited)	Financial Assets at amortised cost £ (Unaudited)	Total £ (Unaudited)
Financial Assets as per Unaudited Condensed Consolidated Statement of Financial Position			
Mortgage loans	-	307,711,646	307,711,646
Reserve fund	-	4,739,400	4,739,400
Cash and cash equivalents	-	171,863,352	171,863,352
Trade and other receivables	-	2,486,605	2,486,605
	-	486,801,003	486,801,003

	Financial Liabilities at fair value through profit and loss £ (Unaudited)	Financial Liabilities at amortised cost £ (Unaudited)	Total £ (Unaudited)
Financial Liabilities as per Unaudited Condensed Consolidated Statement of Financial Position			
Financial liabilities at fair value through profit and loss	2,828,275	-	2,828,275
Trade and other payables	-	2,024,642	2,024,642
Loan notes	-	252,702,008	252,702,008
	2,828,275	254,726,650	257,554,925

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS Continued

for the period from 1 July 2016 to 31 December 2016

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

30 June 2016	Financial Assets at fair value through profit and loss £ (Audited)	Financial Assets at amortised cost £ (Audited)	Total £ (Audited)
Financial Assets as per Audited Consolidated Statement of Financial Position			
Mortgage loans	-	303,585,700	303,585,700
Reserve fund	-	4,739,400	4,739,400
Cash and cash equivalents	-	194,218,249	194,218,249
Trade and other receivables	-	4,792,524	4,792,524
	-	507,335,873	507,335,873

	Financial Liabilities at fair value through profit and loss £ (Audited)	Financial Liabilities at amortised cost £ (Audited)	Total £ (Audited)
Financial Liabilities as per Audited Consolidated Statement of Financial Position			
Financial liabilities at fair value through profit and loss	4,077,975	-	4,077,975
Trade and other payables	-	4,110,140	4,110,140
Loan notes	-	261,784,493	261,784,493
	4,077,975	265,894,633	269,972,608

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS Continued

for the period from 1 July 2016 to 31 December 2016

14. 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).

(i) 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 31 December 2016 and the period ended 30 June 2016.

	Level 1	Level 2	Level 3	Total
	£	£	£	£
Liabilities	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**
Financial liabilities at fair value through profit and loss	-	(2,828,275)	-	(2,828,275)
Total liabilities as at 31 December 2016	-	(2,828,275)	-	(2,828,275)

	Level 1	Level 2	Level 3	Total
	£	£	£	£
Liabilities	**(Audited)**	**(Audited)**	**(Audited)**	**(Audited)**
Financial liabilities at fair value through profit and loss	-	(4,077,975)	-	(4,077,975)
Total liabilities as at 30 June 2016	-	(4,077,975)	-	(4,077,975)

14. Fair Value Measurement (continued)

The following table analyses within the fair value hierarchy the Group's assets and liabilities not measured at fair value at 31 December 2016 but for which fair value is disclosed.

	Level 1 31.12.2016 £ (Unaudited)	Level 2 31.12.2016 £ (Unaudited)	Level 3 31.12.2016 £ (Unaudited)	Total 31.12.2016 £ (Unaudited)
Assets				
Mortgage loans	-	-	303,830,413	303,830,413
Reserve fund	-	4,739,400	-	4,739,400
Cash and cash equivalents	-	171,863,352	-	171,863,352
Trade and other receivables	-	2,486,605	-	2,486,605
Total	-	179,089,357	303,830,413	482,919,769
Liabilities				
Trade and other payables	-	2,024,642	-	2,024,642
Loan notes	-	252,702,008	-	252,702,008
Total	-	254,726,650	-	254,726,650

	Level 1 30.06.2016 £ (Audited)	Level 2 30.06.2016 £ (Audited)	Level 3 30.06.2016 £ (Audited)	Total 30.06.2016 £ (Audited)
Assets				
Mortgage loans	-	-	303,314,760	303,314,760
Reserve fund	-	4,739,400	-	4,739,400
Cash and cash equivalents	-	194,218,249	-	194,218,249
Trade and other receivables	-	4,792,524	-	4,792,524
Total	-	203,750,173	303,314,760	507,064,933
Liabilities				
Trade and other payables	-	4,110,140	-	4,110,140
Loan notes	-	261,784,493	-	261,784,493
Total	-	265,894,633	-	265,894,633

The value of the mortgage loans 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.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS Continued

for the period from 1 July 2016 to 31 December 2016

15. Loan notes

The Malt Hill No.1 Plc mortgage portfolio acquisition is 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.

The 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.

	As at 31.12.2016 (Unaudited) £	As at 30.06.2016 (Audited) £
Loan notes due 27 Aug 2053	253,890,690	263,300,000
Issue fees amortised	(1,188,682)	(1,515,507)
	252,702,008	261,784,493

Interest expense on loan notes for the period amounted to £2,384,147.

16. Dividend Policy

The Company has declared the following interim dividends in relation to the period to 31 December 2016:

Period to	Dividend rate per Share (pence)	Net dividend payable (£)	Record date	Ex-dividend date	Pay date
30 September 2016	1.5	3,750,000	21 October 2016	20 October 2016	31 October 2016
31 December 2016	1.5	3,750,000	20 January 2017	19 January 2017	31 January 2017

For the 2017 financial year and onwards, 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.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS Continued

for the period from 1 July 2016 to 31 December 2016

16. Dividend Policy (continued)

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 confirms that the Company passed the solvency test for each dividend paid.

17. Ultimate Controlling Party

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

18. Subsequent Events

The second interim dividend for year ending 30 June 2017 of 1.5p per Ordinary Share was declared on 11 January 2017 and paid from the capital of the Company on 31 January 2017.

Cornhill Mortgage No.1 Limited is currently in liquidation as the mortgage portfolio held has been securitised. At the date of approval of the Unaudited Condensed Consolidated Interim Financial Statements, this entity has not yet been fully liquidated.

On 21 Feb 2017 the Company purchased a pool of approximately £590.5m UK predominantly Buy-to-Let Mortgages.

These Unaudited Condensed Consolidated Interim Financial Statements were approved for issuance by the Board on 21 March 2017. There were no subsequent events, apart from those mentioned above until this date.

GLOSSARY OF TERMS

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 Group
BoAML	the Bank of America Merrill Lynch
Board of Directors or Board or Directors	the Directors of the Company
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	UK Mortgages Limited
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 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
FFI	Foreign Financial Institution
FRC	the Financial Reporting Council
GFSC Code	Code of Corporate Governance issued by the Guernsey Financial Services Commission
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) o
Group	means the Company, Acquiring Entity, Issuer SPV and Warehouse SPVs
IFRS	International Financial Reporting Standards
Investment Company	a company whose main business is holding securities for investment purposes

GLOSSARY OF TERMS Continued

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: the annualised return generated by the expected interest and principal cash-flows over the life of the investment
IRS	the US Internal Revenue Service
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.
Loan Financing Facility	means a facility in terms of which ongoing finance is provided by Bank of America Merrill Lynch International Limited for a period of up to 2 years
LSE	London Stock Exchange plc (a company registered in England and Wales with registered number 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

GLOSSARY OF TERMS Continued

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
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
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.
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 it's own 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
TML	The Mortgage Lender Limited. The firm originates mortgages which are currently being warehoused by Cornhill No 2 Limited. TML is authorised and regulated by the Financial Conduct Authority (Financial Services Firm Reference Number 707058).
UK Code	The UK Corporate Governance Code (July 2016)

GLOSSARY OF TERMS Continued

Valuation Agent	Kinson Advisors LLP
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. Two warehouse SPVs; Cornhill Mortgages No. 1 Limited and Cornhill Mortgages No. 2 Limited, have been established for the purpose of warehousing the first and second transactions of the company respectively. Cornhill No 1 Limited was closed when the company completed its first securitisation.
Warehouse SPV	a special purpose vehicle, incorporated in the UK, established for the purpose of warehousing the first mortgage portfolio