UK Mortgages Limited

Annual Report and Audited Consolidated Financial Statements

For the year from 1 July 2020 to 30 June 2021

CONTENTS

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SUMMARY INFORMATION

The Company
UK Mortgages Limited ("UKML", 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 ("LSE") on 7 July 2015. UKML and the affiliate structure have been designed to ensure the most efficient structure for regulatory and tax purposes. UKML established a Dublin domiciled Acquiring Entity, UK Mortgages Corporate Funding Designated Activity Company ("DAC") for the purpose of acquiring and securitising mortgages via Special Purpose Vehicles ("SPVs"). The company, the Acquiring Entity, the subsidiary warehouses and securitisations established and controlled by the Company to hold its mortgage investments (listed in note 2) (collectively, the "Company") are treated on a consolidated basis for as long as control is held for the purpose of the Audited Consolidated 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 risk adjusted levels of leverage to portfolios of UK mortgages. In accordance with Chapter 15 of the LSE Listing Rules, the Company can only make a material change to its investment policy with the approval of its Shareholders by Ordinary Resolution. At an EGM held on 16 August 2019, the Company's investment policy was revised to allow investment into third party "triple A" (Standard and Poor's AAA/Moody's Aaa) rated RMBS for cash management purposes and to allow additional leverage in the Company's securitisations via the issuance of mezzanine notes. Following an EGM in December 2020 the company's mandate was further modified to enhance shareholder liquidity by requiring the Company to dispose of a securitisation portfolio if the Company's share price is not trading at a discount of less than 5% to NAV when the securitisation is due to be re-financed. Shareholders also voted to require the Company to enter a managed wind down consultation if the Company's shares are not trading at or above the Company's NAV on the second anniversary of the EGM in December 2022. In the event that a managed wind down is implemented the investment objective of the company will be modified following a further shareholder consultation during the next financial year beginning July 2022.

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

SUMMARY INFORMATION Continued

Financial Highlights

	For the year ended 30.06.2021	For the year ended 30.06.2020
Total Net Assets at year end	£139,091,962	£220,076,963
Net Asset Value per ordinary share at year end	77.79p	80.59p
Share price at year end	72.40p	49.30p
Discount to Net Asset Value at year end	(6.93%)	(38.83%)
Net Asset Value Total Return *	3.03%	2.78%
Dividends declared and paid in the year **	5.25p	3.75p
Total dividends declared in relation to the year	4.50p	4.50p
(Loss)/earnings per share	(0.50p)	2.30p
Ongoing Charges ***		
- UKML	0.94%	0.81%
- DAC and subsidiaries	2.20%	2.34%
Total ongoing charges for the Company	3.14%	3.15%

*Net Asset Value Total return is an Alternative Performance Measure ("APM") which aggregates the percentage movement in the Company's Net Asset Value with dividends paid during the period. The definition and calculation of the Company's APMs is shown on page 104.
**The below is the breakdown of the dividends declared and paid in the year.
***Ongoing charges are an Alternative Performance Measure calculated in accordance with the AIC methodology.

Payment Date	Amount (p)
31 July 2020	0.375
30 October 2020	2.625
5 January 2021	1.125
7 May 2021	1.125
	5.25

CHAIRMAN'S STATEMENT
for the year ended 30 June 2021

I am pleased to report the results of the Company for the year to the end of June 2021. The year has been eventful, but ultimately one of significant progress, leaving the Company very well placed to capitalise on what remains a very favourable macro environment for mortgage related assets.

As the financial year began, markets were beginning to normalise after the hiatus caused by the COVID-19 pandemic and it was becoming clear that our worst fears over the effects of mortgage holidays and other forbearance measures on our portfolio were not likely to be realised.

The most significant consequence of the temporary cessation of issuance in the primary securitisation market in the second quarter of 2020 was that we were unable to refinance Oat Hill No. 1 as initially expected in May 2020. However, by July 2020 we were able to re-securitise this portfolio successfully and as a Board we were considering the timing of the reinstatement of the regular quarterly 1.125p dividend, which had been temporarily reduced in response to the uncertainty caused by COVID-19.

Later the same month, the Company received an indicative bid approach from M&G Specialty Finance Fund ("M&G") proposing a potential offer at 67p per share. This approach was rejected by the Board as a material undervaluation of the Company. M&G returned in early August 2020 with a further indicative bid of 70p, which was again rejected, following which M&G withdrew on 13 August 2020. The details of this potential bid were covered in greater detail in previous reports, but it is worth reflecting on why we believe the approach was made and how the Company responded.

Importantly, the underlying premise of the Company was not called into question. The attraction of a corporate vehicle that would deliver consistent income from mortgage portfolios was clearly recognised. However, the dislocation of markets in March and April last year had left the Company trading at an unusually wide discount and once it became clear that forbearance measures would be temporary, the appeal of buying such an attractive income stream substantially below net asset value was entirely understandable.

During the Company's extensive consultations with shareholders throughout the bid period, the attraction of the Company was also widely acknowledged. Instead, the principal issues raised were around liquidity, the discount to net assets and dividend cover. Addressing these was central to the Strategic Review that was conducted by the Company and its advisers after the end of the bid period, which culminated in the EGM in early December 2020, when over 80% of shareholders approved specific revisions to the Company's strategy and the addition of enhanced discount control measures which have been modelled in our Viability and Going Concern analysis.

In the first half of 2021, these revisions have resulted in important changes to the Company's portfolio, in particular the sales of the two mortgage pools originated by the Coventry Building Society ("Coventry") and the continuation of our financing of Keystone Property Finance ("Keystone"). The Coventry assets always exhibited outstanding credit quality, with practically no arrears, but were relatively low yielding pools. Selling these and using the proceeds to repurchase shares allowed the Company to offer liquidity and narrow the discount to net asset value, thereby responding to shareholders' concerns. More significantly, these sales also provided capital to enable the financing of the second Keystone portfolio, replacing low-yielding assets from a very conventional originator with much higher-yielding ones from a specialist lender but without compromising meaningfully on credit quality.

In the same period, the first Keystone portfolio was securitised as Hops Hill No. 1 and excellent progress was made on the second Keystone pool. The Portfolio Manager's report below goes into greater detail on our work with Keystone as well as The Mortgage Lender ("TML") and Capital Home Loans ("CHL") pools, but the net effect of the disposal of the Coventry portfolios and the expansion of the Keystone assets has significantly increased the overall yield of the Company portfolio.

CHAIRMAN'S STATEMENT Continued

As a result, the quarterly 1.125p dividend is now fully covered by our current level of income. Our NAV per share movements and Earnings Per Share in these statements do not show this as they reflect the historic impact of the Coventry portfolio sales which we signalled in our Strategic Review presentations. Our portfolio manager has provided a helpful chart to summarise how these sales have impacted our NAV. The trajectory of monthly cash flows, which are projected to exceed our dividend funding requirement should lead to a gradual increase in our net asset value or provide funding for additional shareholder distributions. The discount to NAV, which stood at over 38% at the beginning of the financial year had narrowed to 7% at the financial year end and has widened slightly to approximately 9% at the time of writing. As this year's changes to the portfolio translate into consistently increased returns, it would be reasonable to expect the discount to fall below 5%, to a level that will allow the refinancing of the TML portfolio in the first quarter of 2022, which in turn will be accretive to income.

Given the extensive work that went into responding to the M&G approach and the subsequent Strategic Review, it is particularly pleasing to see how successfully the approved portfolio changes have been implemented and the Board would like to thank the Portfolio Manager for its hard work in the period.

Thank you also for your continuing support.

Christopher Waldron
Chairman
28 October 2021

PORTFOLIO OF INVESTMENTS
as at 30 June 2021

Portfolio Summary	Buy-to-Let			Owner Occupied	
	Purchased	Forward Flow Originated			
	Oat Hill 2	Hops Hill 1	Cornhill 7	Barley Hill 1	Cornhill 5
Originator	Capital Home Loans	Keystone Property Finance		The Mortgage Lender	
Outstanding Balance	£456m	£395m	£116m	£113m	£224m
Number Accounts	3,571	1,781	400	715	1,170
Average Mortgage Size	£128k	£222k	£290k	£158k	£191k
WA Indexed LTV	60.66%	71.85%	72.16%	60.38%	66.30%
WA Interest Rate	1.37%	3.46%	3.44%	4.46%	3.90%
WA Remaining Term (mth)	106	261	282	268	300
WA Seasoning (mth)	173	14	1	35	18
3mth + Arrears (% balance)	1.38%	0.00%	0.00%	4.91%	0.85%

STRATEGIC REPORT

The Board has prepared this report on a voluntary basis as the Directors have elected to comply with Premium Listing reporting and governance standards. There is no requirement to comply with the UK regulations governing the Directors' duty to prepare a strategic report.

Investment Objective and Business Model
The Company's investment objective as detailed on page 3 is to provide Shareholders with access to stable income returns through the application of relatively conservative risk adjusted levels of leverage to portfolios of UK mortgages. The Company is designed to purchase or originate mortgages which are then held to produce income. Whilst the Company has sold two of its lower-yielding mortgage portfolios following a Strategic Review consultation with its Shareholders and may be required to sell further portfolios if it is trading at a discount to NAV of more than 5% when the portfolios require re-financing, the Company regards its core business model to be holding mortgage portfolios to maximise income rather than buying and originating mortgages for re-sale.

Investment Policy at Launch
The Company intends to pursue its investment objective by investing in Profit Participating Notes issued by the Acquiring Entity which will acquire one or more leveraged Mortgage Portfolios, which will subsequently be securitised so that ongoing leveraged exposure to the Mortgage Portfolios will be provided by holdings of Retention Notes, being the subordinated tranche of securities issued on securitisation.

The Company may also, or alternatively (i) use 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 Issuer SPVs where the portfolio of Mortgages which back the relevant notes is not one that the Acquiring Entity has at any time owned.

Mortgages 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 Mortgages relative to the size of Mortgage Portfolios being purchased), mortgage rate type and level, and property type.

Mortgage Portfolios are initially expected to be acquired in large secondary market transactions from building societies, banks and other holders of Mortgage Portfolios. The Portfolio Manager is currently reviewing a number of Mortgage Portfolios that are available for sale, but there are no specific assets identified for acquisition by the Acquiring Entity. In due course a primary origination mechanism may be put in place under which the Acquiring Entity would make complementary purchases of newly originated UK Mortgages from an existing lender or lenders with a quality track record and robust underwriting procedures.

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 more than 15 per cent 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 cash equivalents, 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 Issuer SPVs established for the purpose of securitising Mortgage Portfolios using leverage. 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 RMBS Senior Notes issued by an Issuer SPV being rated less than AAA at issue.

STRATEGIC REPORT Continued

Investment Policy Revisions
At an EGM held on 16 August 2019, the Company's investment policy was revised to allow investment into third party 'triple A' rated RMBS for cash management purposes and to allow additional leverage in the Company's securitisations via the issuance of mezzanine notes.

The Company's investment policy was further revised at an EGM held on 4 December 2020 to enhance shareholder liquidity by requiring the Company to dispose of a securitisation if the Company's share price is not trading at a discount of less than 5% to NAV at the time when the securitisation is due to be re-financed.

Key Performance Indicators ("KPIs")
At each Board meeting, the Directors consider a number of performance measures to assess the Company's success in achieving its objectives. Below are the main KPIs which have been identified by the Board for determining the progress of the Company:

- Net Asset Value ("NAV")

The Company's NAV has declined from 80.59p per share at the start of the year to 77.79p at the year end. This decline in NAV is largely attributable to the costs associated with the sale of the Coventry portfolios. The Directors and Portfolio Manager believe that the current strategy incorporating the recent changes to the investment policy will help to restore the capital value in the long term and the liquidity of the Company.

- Discount/Premium

The Company was trading at a discount of under 7% to NAV at year end (June 2020: over 38%, December 2020: over 19%) helped by the programme of share repurchases in the year.

- Ongoing Charges

The Company's ongoing charges ratio has slightly decreased to 3.14% from 3.15% as the Company now has a smaller portfolio of securitisations with higher operating costs associated with issuing higher margin loans. The Company reports a consolidated view of the charges incurred at all levels of its structure and effectively shows all of the underlying investment portfolio costs in addition to its own costs and those of the Acquiring Entity. The costs of the parent company ("UK Mortgages Limited") have increased from 0.81% to 0.94% of NAV, although this increase was alleviated by the Portfolio Manager's fee of 0.51% being based on the Company's market capitalisation, which was less than its net asset value during the year. The costs of servicing the underlying mortgage portfolios have increased from 2.18% to 2.02% which is in line with the fact that the some of the portfolios were sold during the year. The Portfolio Manager incorporates servicing costs into their portfolio models and projections and the Directors expect that these costs will rise in an approximately linear manner with the size of the underlying mortgage portfolios.

- Quarterly Dividends

The Company declared four interim dividends of 1.125p in relation to the year in accordance with the dividend payment policy of 4.5p per annum. In September 2020 dividends declared included a 1.5p catch up fifth interim dividend in relation to the year to 30 June 2020. The Company's dividends are reported as being substantially uncovered in the past year due to the impact of the Coventry portfolio sales. The Directors expect future dividends to be fully covered by net income received.

- Investment Level

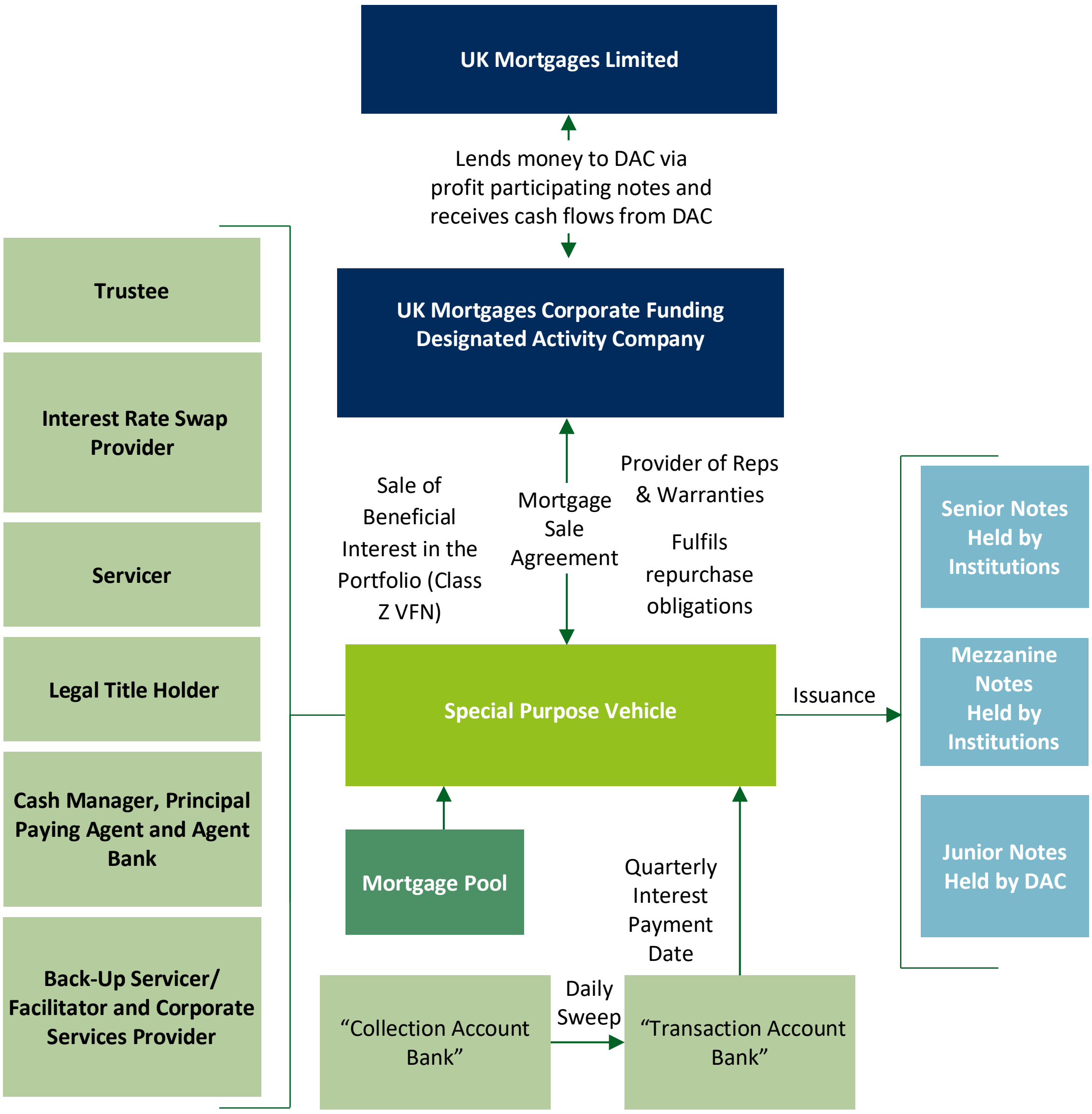
At 30 June 2021, the Company had approximately £66m of cash and near cash working capital compared with £38m at 30 June 2020. As the Company has a leveraged exposure to mortgage investments, the Directors monitor uncommitted cash levels and intend to keep average working capital balances to a minimum over the life of the Company.

STRATEGIC REPORT Continued

Company Structure

The Company pursues its investment objective via UK Mortgages Corporate Funding Designated Activity Company ("DAC"). DAC is an SPV, incorporated in Ireland under the Section 110 regime, which was established prior to the Company acquiring the first mortgage portfolio from the Coventry Building Society. DAC is responsible for acquiring and leveraging mortgage portfolios in Warehouse SPVs. These portfolios are subsequently securitised by selling each warehoused portfolio to an Issuer SPV. The Issuer SPV issues securitisations, the junior tranches of which are then retained by DAC to provide it with leveraged exposure to the underlying mortgages. DAC is currently required under European law to retain a minimum of 5% of each securitisation that it originates. Whilst this retention limit enables DAC to attain leverage by a factor of up to twenty times, the directors of DAC have historically limited the size of any senior financing in order to meet the requirements for a AAA rating on issuance. Following the shareholder vote in August 2019 the Company's investment policy was amended to allow DAC to issue additional tranches with a rating of BBB or higher with a view to increasing returns to shareholders by increasing leverage.

The structure of a typical securitisation issued by the Company is shown below.



STRATEGIC REPORT Continued

Company Structure (continued)
This corporate structure comprises a Guernsey domiciled company listed on the Specialist Fund Segment with a portfolio of UK mortgage securitisation structures underneath and the addition of DAC based in the EU. DAC owns the junior class notes from each Issuer SPV and collects cash flows for the Company. These cash flows are paid to the Company in the form of coupons on Eurobonds, called Profit Participating Notes that DAC sells to the Company. DAC qualifies for Irish tax relief on the income that it distributes which ensures that Company's investors are only taxed on their dividend income once, upon payment by the Company.

A number of relevant additional explanation points are set out below for the Malt Hill No. 2 Plc, Oat Hill No. 2 Plc, Barley Hill No.1 Plc and Hops Hill No.1 Limited transactions:

- The Servicer, typically the originator of the underlying mortgages, is responsible for servicing the loans i.e. managing the underlying borrowers and collecting the mortgage payments. It is also common practice for third party servicers to be employed if the originator is incapable of servicing the loans that they have originated. A back up servicer is retained by the Issuer SPV to ensure continuity of cash flows in the event of failure of the main servicer.
- The Trustee provides monthly reports on the mortgage pool and ensures that the Issuer SPV complies with its investment policy.
- The Issuer SPV is a public Securitisation Vehicle modelled on Intex (ticker: MLTH1, MLTH2, OATH1, OATH2, BARLH1, HOPSHL1), ABSNet (ticker: MALTH, MALTH2, OATH, No ticker on ABSnet for Barley Hill No.1 Plc) and Bloomberg (ticker: MALTH 1 Mtge, MALTH 2 Mtge, OATH 1 Mtge, OATH 2 Mtge, BARLH 1 Mtge, HOPSH 1 Mtge).
- Loan level data for the public securitisations is published on EuroABS on a monthly basis.
- The Administrator is responsible for the administration and financial reporting of the securitisation.
- The Class A notes are the most senior part of the Issuer SPV securitisation structure and receive regular floating rate distributions and priority in the repayment of loan principal.
- The Class Z notes receive any residual income and capital distributions after payments have been made to the Class A note holders and after the operating fees of Issuer SPV have been met.

Investment Process
Detailed "bottom-up" credit analysis is carried out on each mortgage portfolio before it is considered as an investment. This analysis includes a comprehensive review of the underlying mortgages in the transaction, including, but not limited to, a review of the original loan application documents and approval decisions, understanding the origination criteria of the lender and the credit approval process, reviewing the product suite within the mortgage pool and expected ongoing drivers of performance.

In the case of a forward flow portfolio purchase arrangement such as TML, the Portfolio Manager will initially, and in conjunction with the third party lender and originator, agree and if necessary design the product, lending and underwriting criteria for the pool to be originated. During the origination period, any modifications to such criteria that may be required due to changes in the market (e.g. interest rates) will be monitored and agreed in a similar tripartite manner.

Each mortgage portfolio is also analysed through a Rating Agency model to assess portfolio risks and create an initial funding structure. A bespoke cash flow model is then developed to create base case and stress test portfolio yield scenarios. The Portfolio Manager will also work with the mortgage servicers to establish the servicing standards appropriate for each mortgage portfolio and monitor performance against these on an ongoing basis.

The funding process for each transaction is an integral part of the Company's investment proposition. The Portfolio Manager may establish a committed funding line with a third-party lender to allow for the purchase of each mortgage portfolio. The funding is expected to be a short/medium term facility utilised by the relevant Warehouse SPV which will ultimately be replaced by notes issued to securitisation investors via the relevant Issuer SPV. As appointed by the Portfolio Manager, a lead investment bank will then arrange the structuring, ratings and marketing of the notes of the relevant Issuer SPV to provide long-term funding of the mortgage portfolio.

STRATEGIC REPORT Continued

Investment Process (continued)
To facilitate efficient portfolio management the Company may also borrow up to 20% of its net asset value in addition to any leverage within the Company's securitisations and warehouse facilities. The borrowing powers of the Company were increased from 10% of NAV to 20% of NAV following an EGM in August 2019.

The Portfolio Manager will monitor performance of the mortgage portfolios. Individual investment performance will be compared to the initial investment hypothesis, and models will be updated to reflect differences in predicted and actual performance. Differences will be analysed and discussed with the relevant Servicers. The Portfolio Manager will continue to monitor the UK residential mortgage market and the UK securitisation market for comparative performance and to validate the ongoing investment thesis. The Portfolio Manager provides regular updates to the Directors of the Company in relation to the performance of the Company's investments.

Key Service Providers
The Company does not have any employees and as such the Board delegates responsibility for its day to day operations to a number of key service providers. The activities of each service provider are closely monitored by the Board and they are required to report to the Board at each quarterly meeting. In addition, a formal review of the performance of each service provider is carried out once a year by the Management Engagement Committee.

Corporate Governance Considerations
The following notes the key corporate governance considerations of the Board in relation to its main stakeholders.

Stakeholder group	Methods of engagement	Benefits of engagements
Shareholders The major investors in the Company's shares are set out on page 38. A stable and contented Shareholder base is vital to the Company's long-term growth objectives, and therefore, in line with its objectives, the Company seeks to maintain shareholder satisfaction through: • Progression to a fully covered dividend. • Enhancing Liquidity in the Company's shares by targeting a discount to NAV of 5% or less. • Clearly communicating the status of the Company's portfolio and its investment strategy.	The Company engages with its shareholders through the issue of regular portfolio updates in the form of RNS announcements and monthly factsheets. A series of Ad-hoc announcements on the impact of COVID-19 on the Company's portfolio were issued to the market via the RNS. The Company provides in-depth commentary on the investment portfolio, corporate governance and corporate outlook in its interim management report and unaudited condensed consolidated interim financial statements. The Company's Portfolio Manager conducts webinars on behalf of the Company to inform and educate its shareholders. In addition, the Company, through its brokers and Portfolio Manager undertook an extensive programme of shareholder consultation when considering a prospective unsolicited offer for the Company.	The Company was able to secure the backing of its shareholders for a significant change in its investment policy required to generate a covered Dividend. The Company was able to secure the backing of its shareholders to reject the proposed offer and to instead conduct a Strategic Review to release value to its Shareholders, the recommendations of which were approved at the EGM held in November 2020.

STRATEGIC REPORT Continued

Corporate Governance Considerations (continued)

Service providers The Company does not have any direct employees; however, it works closely with a number of service providers (the Portfolio Manager, Administrators, secretaries, third party valuation agent, brokers and other professional advisers). The independence, quality and timeliness of their service provision is critical to the success of the Company.	The Company has identified its key service providers and on an annual basis undertakes a review of performance based on a questionnaire through which it also seeks feedback. Two additional layers of service provider oversight are provided by the Company's AIFM and the Depositary and the Board receives quarterly reports from them.	The Feedback given by the service providers is used to review the Company's policies and procedures to ensure open lines of communication, and operational efficiency. The Board is able to identify and resolve problems with service provider relationships via this process.
Community & Environment The Company does not have any direct employees.	The Company aims to minimise its environmental footprint by minimising air travel and by making maximum use of video conferencing for Company related matters. The Company aims to protect its service providers by applying safe COVID-19 working practices. The Portfolio Manager's Environmental, Social and Governance (ESG) considerations can be found at www.twentyfouram.com/about/our-responsible-investment-policy/ and www.twentyfouram.com/about/our-corporate-and-social-responsibility-statement/	Company meetings and Shareholder meetings were conducted exclusively via telephone and video conference during the final quarter of the financial year. This has minimised the use of air travel and the risk of transmission of COVID-19. The Company is actively exploring the future issue of "Green RMBS".

Portfolio Manager

The Portfolio Manager provides a comprehensive range of portfolio management, securitisation and investment monitoring services as detailed above. In exchange for these services since 1 July 2017 a fee is payable quarterly in arrears at a rate of 0.60% per annum of the lower of NAV, which is calculated monthly on the last business day of each month, or market capitalisation. Prior to this date, the portfolio management fee per annum was 0.75%. For additional information, refer to note 17.

The Board considers that the interests of Shareholders, as a whole, are best served by the ongoing appointment of the Portfolio Manager to achieve the Company's investment objectives.

Alternative Investment Fund Manager ("AIFM")

Alternative investment fund management services are provided by Maitland Institutional Services Limited ("Maitland"). 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. For additional information, refer to note 17.

STRATEGIC REPORT Continued

Custodian and Depositary
Custodian and Depositary services are provided by Northern Trust (Guernsey) Limited. The terms of the Depositary agreement allow Northern Trust (Guernsey) Limited to receive depositary fees 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 payable monthly in arrears. The Depositary will charge an additional fee of £20,000 for performing due diligence on each service provider/administrator employed. The Depositary is also entitled to a custody fee at a rate of 0.01% of the NAV of the Company as at the last business day of the month subject to a minimum of £8,500 per annum. For additional information, refer to note 17.

Principal risks and Uncertainties
When considering the total return of the Company, the Board takes account of the risk which has been taken in order to achieve that return. The Board has carried out a robust assessment of the principal risks facing the Company and has looked at numerous risk factors, an overview of which is set out on pages 33 and 34.

Directors
The Directors of the Company during the year and at the date of this report are set out on page 2.

Directors' and Other Interests
As at 30 June 2021, Directors of the Company held the following Ordinary Shares beneficially:

	Number of Shares 30.06.2021	Number of Shares 30.06.2020
Christopher Waldron	80,000	80,000
Richard Burrows	5,000	5,000
Paul Le Page	67,800	112,800
Helen Green	21,250	21,250

Signed on behalf of the Board of Directors on 28 October 2021 by:

Christopher Waldron
Director

Paul Le Page
Director

PORTFOLIO MANAGER'S REPORT
for the year ended 30 June 2021

Commentary
As the events of the first half of the financial year have been extensively covered in the half year report and previous commentaries, as well as in the Chairman's Statement, this report focuses mainly on the Company's developments in the second half of the period.

That said, the progress made in 2021 was driven by the positive outcome of the shareholder vote held at the EGM in December 2020, which itself followed a Strategic Review and detailed consultations with shareholders. The Company then set about implementing the multiple objectives detailed under the proposal dubbed "UKML 2.0".

In brief these objectives comprised:
- The securitisation of the first Keystone portfolio
- The establishment of a new warehouse to build a second Keystone portfolio
- The sale of the two Coventry portfolios in order to release capital
    - To complete the capitalisation of that second Keystone portfolio
    - And to enable a share tender (or two tenders as it turned out) to repurchase £40m of shares

Encouragingly, in the first half of 2021, the Company has essentially accomplished all those objectives, thereby putting in place a platform for steady, stable income flows going forward with growing dividend cover and the potential for further growth into the future.

Keystone Securitisation (Hops Hill No.1)
Looking firstly in more detail at the Keystone securitisation, the deal was an outstanding success. The vast majority of the structuring and preparation work had actually already been completed in the fourth quarter of 2020, but market conditions were a little indeterminate as the calendar year-end approached with macro-economic uncertainty driven by events such as the unresolved US presidential election at that time prompting a number of investors to take a more defensive view and sit on the side-lines.

As a result, and with the view that more conventional asset allocation would resume after the winter break, the decision was taken to hold off from announcing and marketing the deal until the New Year, when we could not only take advantage of improving market conditions, but also build a larger asset portfolio, thereby allowing a bigger deal to be issued when the time came; saving money on fixed costs and importantly locking in the better return for the company on the increased deal size.

This proved to be a very wise decision. The deal was the first to be announced in the New Year, grabbing the entirety of investors' attention, and, after a marketing period involving both individual and group investor meetings, the transaction was a resounding success. The deal, Hops Hill No.1, was more than 3 times oversubscribed at the senior level, and 6 times to 8 times on the mezzanine notes, with participation from 27 different investors, the broadest number seen in any of the Company's RMBS deals to date. Moreover, by geography, the deal saw investors from the UK, several European jurisdictions, the US and Australia, and investor types included banks, asset managers, hedge funds and even a central bank. This demand helped the deal to improve pricing by 15bps from initial indications at the senior end, and by 25bps or more on the mezzanine and more junior classes. The demand also ensured that we were able to include a pre-funding feature, increasing the deal size from the £337m of loans that had been originated by the end of December 2020, to include further loans still in the pipeline but not yet completed, up to a deal total of £400m. This further enhanced the return for the Company by diluting the fixed costs such as legal and rating agency fees, which are relatively significant, extending the term of the deal by around 4 months thereby spreading the costs over a longer period and thereby locking in the higher than expected net income on the larger deal size. We estimate that the yield now delivered on this transaction for the approximately 3.25 years of its life will be in the region of 16% - a very healthy return, in excess of the initial expectations of low-mid teens.

PORTFOLIO MANAGER'S REPORT Continued

for the year ended 30 June 2021

Second Keystone Portfolio (Cornhill No.7)

That success meant we could move straight on with arranging a new warehouse for a second Keystone portfolio, Cornhill No.7. After seeking competing quotes from a number of banks, Santander Corporate and Investment Banking ("Santander"), who had also been Joint-Arranger and Joint-Lead Manager for the Hops Hill No.1 transaction and Sole-Arranger and Joint-Lead-Manager of the Oat Hill No.2 deal in 2020, was chosen to arrange the facility and also to be the swap provider.

The documentation was completed during the pre-funding period for Hops Hill No.1, which coincided with an outstanding period of origination from Keystone, meaning that the pre-funding for Hops Hill No.1 was virtually completed by the end of March – two months ahead of schedule. Therefore, all origination from early April was essentially for the benefit of the second portfolio, albeit the loans weren't officially transferred into the new vehicle until the end of the Hops Hill No.1 pre-funding period on the Interest Payment Date ("IPD") in May, maximising the size (and therefore leverage and returns) of the Hops Hill pool on its first IPD as any prepayments could be replaced with new loans.

In fact, Keystone's origination levels have continued to outperform modelled expectations and therefore origination for the new portfolio has also been ahead of expectations. By the end of August 2021 the portfolio had reached slightly more than £150m of completions – equivalent to around £30m a month including the two quieter summer months of July and August. In the first three months, origination levels had been running at well over £35m a month, compared with initial expectations of around £25m-£30m a month. This has been partially driven by a strong housing market thanks somewhat to the extension of the Stamp Duty Relief period initially to the end of June 2021 and then at a tapered level until the end of September. As a result, June was a bumper month with over £38.5m of loans completed, and despite the slower summer months, Keystone already has a strong pipeline for the rest of the year. From September we expect a return to the higher volumes seen prior to the summer and for the portfolio to reach around £275m by the end of 2021, and then go on to be ready to be turned into a second public securitisation of a similar size to the first one in Q2 of 2022. If strong RMBS market conditions continue to prevail, supported by ongoing technical support from central bank funding schemes as well as a healthy housing market, we would expect to once again lock in returns at a similar level to that achieved on Hops Hill No.1.

Coventry Portfolio Sales

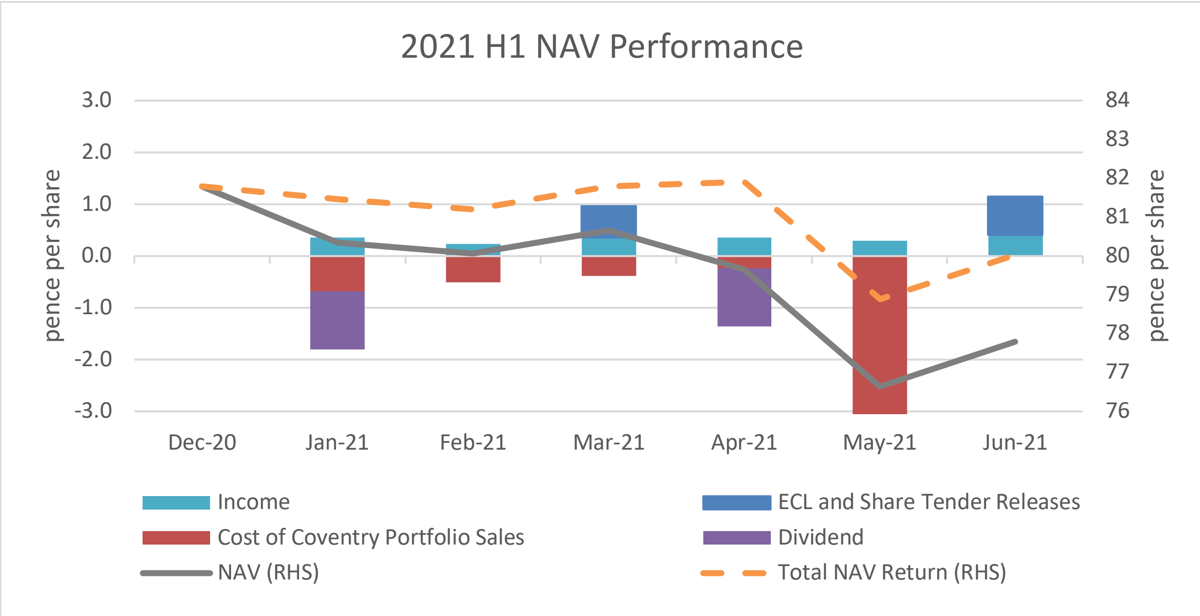
At the same time as the Hops Hill No.1 securitisation and the initial work on the second Keystone warehouse, attention was also given to the commitment made to dispose of the two lower-yielding portfolios originated by Godiva, the Buy-to-Let ("BTL") lending subsidiary of Coventry Building Society ("Coventry"). These comprised Malt Hill No.2, the outstanding securitisation of the second portfolio purchase from Coventry completed in 2018 and Cornhill No.6, the residual pool of loans from the initial transaction in 2015 that was sitting in a warehouse with Lloyds Bank at that time, awaiting the refinancing date of the Malt Hill No.2 deal in May 2021 in the expectation that the two pools could be combined. These had served us well from a credit point of view with only one or two loans ever in arrears at any one time, good performance with regard to Payment Holidays, no repossessions during the life of either pool and therefore no losses of any kind. However, compressed mortgage rates meant that even the leveraged returns were marginal versus the Company's target returns and as a result it was agreed that the best course of action was to dispose of the portfolios and use the proceeds both to complete the origination of the second Keystone pool and also to provide liquidity to investors by buying back shares in the Company by way of tender.

We examined a number of potential sale options, either via investment banks or other intermediaries, and of course spoke directly to Coventry. Whilst the various initial indications were not significantly different, it was clear that a sale of the pools back to Godiva (Coventry's buy to let lending subsidiary), would be far more efficient and cheaper, particularly from a documentation and process point of view, given their familiarity with the pools as ongoing servicer, and therefore lead to a compressed due diligence and pricing process. Furthermore, whilst we had initially expected that the sales of both portfolios would need to be timed to coincide with the first possible refinancing date of the Malt Hill No.2 portfolio in May 2021, it became clear that with Godiva as the buyer the sale of the Cornhill No.6 portfolio could be accelerated to the IPD in February, thereby releasing capital and enabling a first share tender sooner.

PORTFOLIO MANAGER'S REPORT Continued
for the year ended 30 June 2021

Coventry Portfolio Sales (continued)
Therefore, in early February, we were able to announce that the sale of both these portfolios had been agreed, with the Cornhill No.6 pool to be completed at the end of February and the Malt Hill No.2 pool to follow in May and on better terms than had initially been indicated to investors at the EGM at the end of 2020.

There was however a cost to these sales, which flowed through to the NAV throughout the first 6 months of 2021, adding a degree of volatility. In particular, these comprised the mark-to-market on the two portfolios themselves (although offset by the residual monthly income on the pools), and the costs of unwinding the swap hedges which was particularly significant in the May 2021 NAV when the swap on the Malt Hill No.2 pool was unwound, given this pool - the bigger of the two - had the longest duration loans and therefore the largest swap exposure. These downsides were however offset at various points by the uplift from the resultant share tenders at a discount to NAV and the release of the IFRS 9 Expected Credit Loss ("ECL") provisions held against the two pools. The chart below shows the various major components of the two sales along with the Company's income and dividend payments plus the actual and total return NAV movements from December 2020 when the intention to sell the portfolios was agreed until the end of the financial year.



As of the June NAV, all the final elements of the portfolio sales have now been accounted for and so looking forward the Company will begin to see the benefit of the higher income from the resulting higher yielding assets in each monthly NAV, and a significant reduction of the NAV volatility seen through 2021 to date (other than the regular payments of dividends).

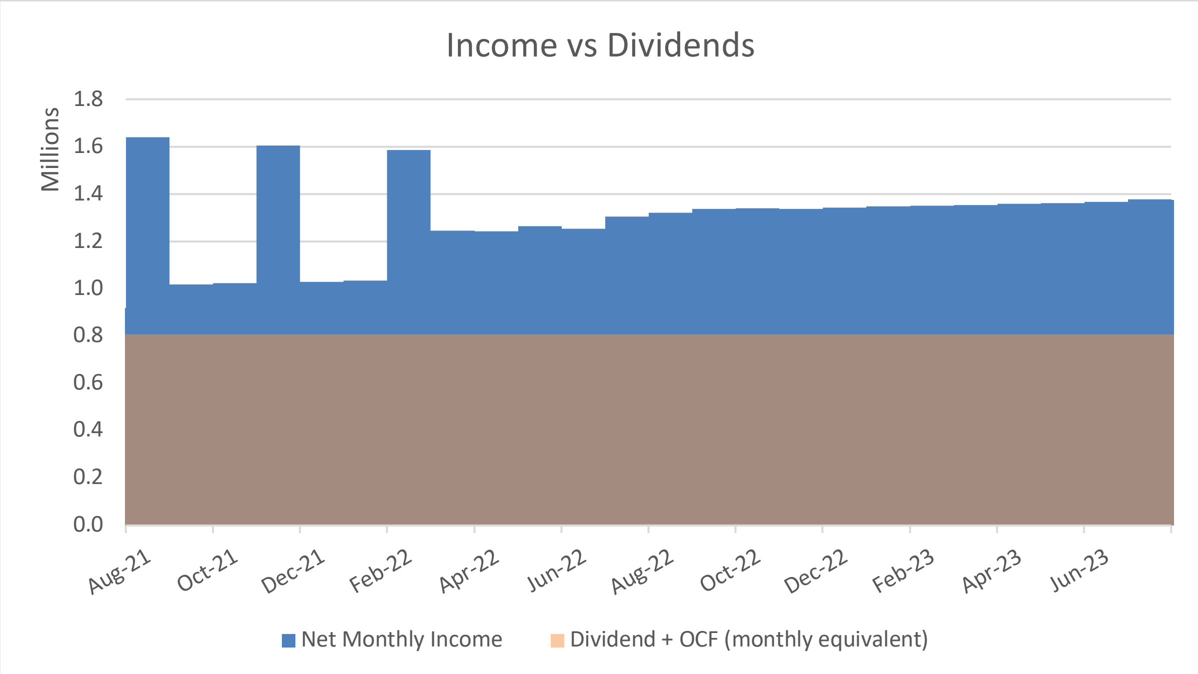
Share Tenders
Whilst the original expectation had been for a single sale of the two combined portfolios in May leading to a consequent share tender with a value of approximately £40m, the acceleration of the sale of the first, Cornhill No.6, portfolio meant that two share tenders of £20m each could take place, rather than one, with first one being earlier to match the earlier sale. This meant shareholders wishing to take part in the tenders would receive funds earlier, and the Company's dividend funding requirement would also be reduced sooner, thereby improving the dividend cover level earlier.

The two tenders took place in March and June following the respective sales of the two portfolios on their IPDs in February and May. Both tenders were at a price of 75 pence per share – a discount to the prevailing NAVs at the time but at a premium to the prevalent share prices - which when completed meant a total of 53.333m shares were repurchased. Both tenders were oversubscribed, as in addition to those investors who took the opportunity to take advantage of the liquidity on offer to reduce their holdings, a number of other investors were understandably constrained by the size of their holding percentage in the Company and therefore were compelled to tender their holdings, thereby inflating the number of shares tendered.

PORTFOLIO MANAGER'S REPORT Continued
for the year ended 30 June 2021

Dividend Funding Requirement
Nevertheless, the 53.333m shares repurchased reduced the annual dividend funding requirement by £2.4m, which in combination with the growing, higher yielding portfolios means that by the end of the financial year, the Company's expected monthly income will now comfortably cover the Company's equivalent monthly dividend funding requirement. For example, the monthly income from the Keystone pools is already at a significant multiple of that earned previously on the Coventry pools with further income to come as the second Keystone portfolio continues to grow. For the foreseeable future at least, these Keystone portfolios will form the foundation of the Company's income flows.

The chart below shows the dividend funding requirement converted to a monthly equivalent to match the expected monthly income flows, albeit the 3 spikes shown in the near future of the income bars represent the quarterly income on the Barley Hill deal – the last remaining quarterly transaction the Company has outstanding, as with the transition from Libor to Sonia the RMBS market has now largely moved to monthly deals.



The expected growth in income is clear and this is driven primarily by the expected growth in the second Keystone portfolio, which is expected to reach securitisable size in the late spring/early summer of 2022. The above graph also projects the growth of a third pool at a similar rate, which would be expected to begin following the securitisation of the second pool. Whilst Keystone have encouragingly been running ahead of target, this projection simply models the expected monthly addition at the base target of between £25m and £30m of new mortgages in the Keystone pool. The first Keystone portfolio was completed with a Net Interest Margin ("NIM") of slightly over 1% for the transaction (i.e. not including the OCF for the Company). We would expect the second portfolio to achieve roughly the same. Therefore a NIM of 1% on origination of £25m to £30m a month simply translates into approximately £20,000 to £25,000 of additional net revenue growth every month. Furthermore, using the same 1% NIM assumption, the £150m already originated in the second Keystone pool is already earning the Company about £125,000 a month.

Future Milestones
Whilst the rest of 2021 should exhibit little other than steady income and portfolio growth, which should also continue into next year, the Company will be busy in this period preparing for an active first quarter. In February we expect to refinance the TML pools, re-leveraging the prepayments that have de-levered the Barley Hill No.1 pool in combination with the loans from the Cornhill No.5 pool and thereby locking in further returns. In order to remove any hurdles to this combined refinancing, and whilst completing the numerous objectives described above, in the last month we have also concluded some amendments with HSBC to the Cornhill No.5 facility which was due to increase in cost.

PORTFOLIO MANAGER'S REPORT Continued
for the year ended 30 June 2021

Future Milestones (continued)
We have negotiated the removal of that increase, saving the Company from the increased outgoings, and simultaneously we have realigned the maturity of the facility with the refinancing of Barley Hill No.1. Furthermore, we also amended the prevailing Libor-based swap agreement to a Sonia-based formula given that the facility will now extend beyond the Libor cessation date at the end of 2021.

Following that the second Keystone pool will likely be ready to securitise, locking in those returns and we would then hope to start a third pool; adding more income, and then looking to more refinances and securitisations as they come up in the future.

This expected growth in revenue, and therefore in dividend coverage, with no further expectation of any notable NAV volatility now the portfolio sales have all been accounted for, will also, once an even greater level of cover is reached, allow the consideration of possible adjustments to dividend policy in the future.

IFRS 9 ECL Provisioning
In compliance with IFRS 9 accounting standards, the Company recalculates its Expected Credit Losses (ECL) provisioning semi-annually. The calculation for June 2021 resulted in a release of provisioning totalling approximately £980,000, compared to previous provision in December 2020. Approximately £180,000 of this came from the release of the existing provision held against the two Coventry portfolios, which have since been sold. The remainder was driven following the recalibration of the modelled scenarios and weightings to reflect the improving economic conditions.

Overall the company's remaining provisions remain conservative in our opinion, reflecting the continued uncertainty as to how a further recovery might evolve as the various government support mechanisms from the COVID-19 pandemic are unwound. The revised provision represents approximately 14bps of the Company's assets at June 2021, compared to approximately 17bps in December 2020 and 18.5bps a year ago, at the height of the pandemic.

Building on the previous two financial reports, we made a number of significant enhancements to our ECL modelling to give us a far more granular loan level view of our potential losses with a new model linked to annual forecasts of unemployment and house prices into the future, taking into account the expected prepayment profiles of the portfolios. The stressed and severe stressed scenarios reflect projections of unemployment as high as 9%, versus the 4.7% level at the time of writing, and a severe housing market downturn of 25% over the next 2 years with no subsequent recovery plus a further stressed haircut of between 30% and 35% to reflect the potential of distressed asset sales.

Portfolio Review
At the end of June 2021 the overall portfolio comprised around £1.3bn of mortgages. This represents a fall of approximately £360m since June 2020, despite the sales of the two Coventry portfolios which totalled £475m at their respective sale dates plus paydowns of £151m across the various portfolios. Much of this has been replaced by approximately £275m of newly purchased loans, mostly originated by Keystone, who by the time of writing had also added a further £44m to the portfolio.

The mortgage payment deferral scheme has now come to an end and the vast majority of those borrowers who utilised it have now returned to paying, in most cases a revised monthly payment to reflect the deferred payments. Just 97 of the 7917 loans across all portfolios at the end of June are in arrears having taken a payment holiday, and 44 of these are actually making payments. Furthermore, it should be noted that, for those loans paying an initial fixed rate, the entire value of any deferred payments will be fully repaid if a borrower refinances at the end of their initial fixed rate period, as most borrowers are expected to do given their reversion rate will likely be much higher than the initial rate. This will therefore fully return the value of those deferrals to the Company much quicker than might have been expected – further enhancing returns.

PORTFOLIO MANAGER'S REPORT Continued

for the year ended 30 June 2021

Portfolio Review (continued)

As previously highlighted, we do expect that some borrowers will fall into arrears and furthermore that some of these may possibly lead to foreclosures. Arrears experience so far has been seen predominantly in the TML pools with a small increase in the CHL pool, but levels are well within expectations. Other than in the CHL pool which was purchased with a small number of loans already in repossession, we are yet to see any foreclosures elsewhere. However, in our ECL modelling we automatically assume that all loans 3 months or more in arrears will be foreclosed, which is very unlikely to happen, plus we make further foreclosure assumptions to varying degrees for all of the remaining loans in the pools. Therefore, we take great comfort that our conservative assumptions and the respective provisions will be more than enough to cover any actual losses incurred.

Owner Occupied

Unsurprisingly, given the cohort of borrowers and the high and immediate uptake of payment holidays, the TML portfolios have seen the highest levels of arrears, which began growing in the fourth quarter of 2020 as some of those initial payment holidays came to an end, but these now appear to have peaked and have begun to diminish somewhat over the last two or three months. The older loans in the Barley Hill No.1 pool have seen higher arrears than the younger loans in the Cornhill No.5 pool, possibly due to the slightly more conservative lending criteria applied to the second portfolio.

At the end of June, the Barley Hill No.1 pool had 4.91% by value of loans 3 months or more in arrears, although this represents just 25 loans from a pool of 715 (3.5%). This was a sharp fall from the previous month's figure of 5.66% driven by the completed sale of one large but low (40%) LTV loan of almost £1m, which had fallen into arrears due to a relationship breakdown between the borrowers and an elongated sale process driven by ongoing differences between the couple. The Cornhill No.5 pool had just 0.85% of loans in arrears in June. Both pools combined had just 23 loans 6 months or more in arrears by mid-August. In 7 of these, litigation proceeds have begun, and of those 2 hearing dates have been set. Litigation does not always lead to foreclosure and is often the catalyst for borrowers to finally take positive action to resume payments or as we have already seen in a number cases, for the property to be sold.

As expected, prepayments have increased in the Barley Hill No.1 pool more recently as more loans reach their refinancing dates, but also as a number of loans that reverted to a floating rate either late last year or earlier this year likely found it more difficult to refinance in the immediate aftermath of the pandemic, but are now able to do so. The earliest originated loans in the Cornhill No.5 pool are also starting to reach their first refinancing dates so we expect a pick-up in prepayment there as the next year progresses.

Purchased Buy-to-Let

The CHL portfolio saw a modest uptick in arrears, beginning in March this year when the granting of new payment holidays ended, but this has begun to reverse over the last couple of months. Prepayments have remained relatively stable in the 5% to 6% range although have gradually been ticking-up, which is a trend we expect to continue as a number of loans in the pool are now beginning to getting closer to their maturity dates. The pool is now almost 14.5 years old on average with an average remaining term of just 8.8 years.

The Hops Hill No.1 pool was originated as a forward flow pool but as this is now completed it will be considered as a purchased portfolio under our segmental reporting model. Performance has been exemplary with no loans in arrears. Furthermore, of the 29 loans granted a payment holiday (the lowest in the industry), 18 have already completely repaid their deferred amount whilst the other 11 are all fully up to date with their repayment schedules – an outstanding performance.

Forward Flow Buy-to-Let

The second Keystone portfolio is also performing exemplarily, and also has no loans in arrears. None of these loans took payment deferrals, as they were all originated after the scheme had come to an end.

PORTFOLIO MANAGER'S REPORT Continued

for the year ended 30 June 2021

Forward Flow Buy-to-Let (continued)

For this second portfolio, Keystone have introduced two new elements to their product range, the first is a green mortgage product, offering a discounted lending rate to properties with higher Energy Performance Certificate ("EPC") ratings, thereby incentivising landlords to upgrade their properties in order to benefit. Whilst the expected contribution of these loans to the final pool will be relatively small initially as a large number of regular loans were already in the pipeline prior to the product being launched, this will be a growing component and with an ever increased focus from RMBS investors on ESG factors, they will play an increasingly important role in attracting RMBS investment going forward and as the currently nascent Green RMBS market develops will be instrumental in helping to drive better pricing.

Secondly they have launched a customer retention product. This is designed to incentivise borrowers whose loans are reaching their reversion date to switch to a new Keystone product with a lower arrangement fee and without the complication of having to undergo another full mortgage application process with its associated surveys and searches, subject of course to the borrower meeting certain credit criteria, in particular having delivered a perfect payment history on their existing loan.

RMBS and Housing Markets

House prices have risen sharply over the last year with the property market catalysed by the government's reduction in Stamp Duty and then spurred on by demand created by the desire for lifestyle change in the wake of the pandemic. Double-digit house price growth, record transaction levels and mortgage demand characterise the various data reports, and whilst there has been something of a slowdown over the summer which also coincides with the tapering of the Stamp Duty Relief scheme, there are no signs of a sharp house price reversal with estate agent and surveyor enquiries still at strong levels.

RMBS markets have also seen strong performance. The second half of 2020 saw a gradual recovery following the sharp spike wider at the onset of the first lockdowns last year, and that trend has accelerated somewhat in 2021 with spreads in the non-bank RMBS sector now approaching the tightest levels seen for a number of years, albeit still far from spread levels prior to the Global Financial Crisis.

Furthermore, a number of non-bank lenders have recently been acquired by larger institutions – a trend which might well continue as banks and other larger financial institutions look to boost their returns by adding businesses with established higher yielding product ranges rather than attempting to grow these organically. Fleet Mortgages, Foundation Home Loans/Paratus AMC, TML and Venn have all been acquired in recent months by much larger, typically well-capitalised institutions with access to far broader funding sources than just RMBS, with the probable outcome being that they will be less active in RMBS markets going forward thereby helping to constrain supply and so supporting spreads.

Outlook

As highlighted above, the outlook for RMBS markets looks set to remain positive supported by a strong underlying technical with banks comfortably funded by cheap central bank term facilities and a likely diminishing number of non-bank competitors utilising capital markets. This is coupled with ongoing strong demand for an asset class that still offers a significant return pick-up versus comparably rated corporates and, in a potentially inflationary environment, is the only large scale, high quality floating rate market in the fixed income arena, and so should continue to attract ongoing investment capital for the foreseeable future.

Some uncertainty over the effects of the removal of the government's employment and housing market support schemes leaves an element of doubt as to the subsequent consequences for both the workforce and for housing demand and prices. Increased unemployment could lead to a rise in arrears and potentially foreclosures, and a fall in house prices could increase loss severities where loan defaults occur. This could also reverse the current positive trend in RMBS markets.

PORTFOLIO MANAGER'S REPORT Continued
for the year ended 30 June 2021

Outlook (continued)
However, the tapering policies already in place for the Stamp Duty Relief scheme and the furlough scheme are expected to obviate any cliff effect for house prices following the end date in October and similarly ease the level of potential job losses. Job losses could also be mitigated by the widely reported number of vacancies, particularly in the hospitality and transport industries due to both Brexit and the pandemic. Clearly a period of re-training may be required for many roles which could result in a short term hiccup but economists' forecasts are broadly benign about the possibility of anything more severe. Furthermore, the potential for strong wage inflation driven by the vacancy rate could even support further house price growth in contrast to the potential for a fall as the various support schemes are unwound.

For the Company itself, with a period of stable income and portfolio growth expected, the outlook for investor returns is positive. The share price has made some good gains but still trades at a discount to the NAV, offering a yield of 6.4% at the time of writing, and 5.7% to the June NAV, which arguably offers very attractive value for a growing portfolio of high quality underlying assets in the current low yielding environment.

TwentyFour Asset Management LLP
28 October 2021

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 Crystal Amber Fund Limited and a director of a number of unlisted companies. He has over 35 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. From 2014 until 2020, Mr Waldron was a non-political member of the States of Guernsey's Investment and Bond Sub-Committee. He is a Fellow of the Chartered Institute of Securities and Investment. Mr Waldron was appointed to the Board on 10 June 2015.

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

Paul Le Page (Audit Committee Chairman) - Independent Non-Executive Director – Guernsey resident
Paul Le Page was formerly an Executive Director and Senior Portfolio Manager of FRM Investment Management Limited, a subsidiary of Man Group. In this capacity he managed alternative investment portfolios for institutional clients and was a director of a number of group funds and structures. Prior to joining FRM, he was employed by Collins Stewart Asset Management, a firm which was subsequently acquired by Canaccord Genuity where he was responsible for managing the firm's hedge fund portfolios and reviewing both traditional and alternative fund managers in his capacity as Head of Fund Research following completion of his MBA. He originally qualified as Chartered Electrical Engineer following a successful career in industrial R&D where he led the development of robotic immunoassay diagnostic equipment and software as R&D Director for Dynex Technologies Guernsey. In addition to his private directorship roles, Mr Le Page has chaired Audit and Risk Committees for a number of London Stock Exchange-listed Investment Companies since January 2004. Mr Le Page was appointed to the Board on 10 June 2015.

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

The Directors named above were the directors of the Company, and held this office during the year and up to the date of signing the financial statements.

DISCLOSURE OF DIRECTORSHIPS IN PUBLIC COMPANIES LISTED ON RECOGNISED STOCK EXCHANGES

The following summarises the Directors' directorships in other public listed companies

Company Name	Stock Exchange
Christopher Waldron (Chairman)	
Crystal Amber Fund Limited	AIM
Richard Burrows	
None	
Paul Le Page	
Bluefield Solar Income Fund Limited	London
Highbridge Tactical Credit Fund Limited	London
RTW Venture Fund Limited	London
Helen Green	
Aberdeen Emerging Markets Investment Company Limited	London
CQS Natural Resources Growth and Income Plc	London
JPMorgan Global Core Real Assets Limited	London
Landore Resources Limited	AIM

DIRECTORS' REPORT

The Directors present their Annual Report and Audited Consolidated Financial Statements for the year ended 30 June 2021.

Business Review

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 on 7 July 2015. On 27 June 2018, the Company completed an additional capital raise. On 16 August 2019, the Company resolved through an Extraordinary General Meeting ("EGM"), to amend the Articles of the Company;

(i) to enable the Company to implement the reduction in the annual dividend target from 6p to 4.5p;
(ii) to provide that the Continuation Resolution due to take place at the Annual General Meeting ("AGM") in 2020 will now take place at the date of the AGM in 2024 and every fifth AGM thereafter; and
(iii) the limit on borrowings be increased from 10 per cent. to 20 per cent. of the NAV of the Company as at the time of drawdown.

The Company's Share Buyback Policy was also amended to enhance shareholder liquidity at an EGM held on 4 December 2020. The Board does not intend to reinvest further capital other than in the re-financing of the existing portfolios, whilst the Company is trading at a discount in excess of 5 per cent. to NAV per Ordinary Share. At this level of discount, subject to the Board determining that the Company has sufficient surplus cash resources available for the ongoing funding of the existing investments, repayment of any existing credit facilities and any other foreseeable commitments, the Company intends to buy back Ordinary Shares.

Discount/Premium Management Policy
The Board of Directors monitors and has a policy to manage the level of the share price discount/premium to NAV. See information set out in note 19.

Shareholders' Information
Shareholders' information is set out in the Summary Information on page 3.

Going Concern
As a Specialist Fund Segment entity, the Company has voluntarily chosen to comply with the disclosure requirements of Premium Listing rules and as such applies the Association of Investment Companies Code ("AIC Code") and applicable regulations. Under this code, the Directors are required to satisfy themselves that it is reasonable to assume that the Company is a going concern and to identify any material uncertainties to the Company's ability to continue as a going concern for at least 12 months from the date of approving these Consolidated Financial Statements.

The Company implemented an additional shareholder protection at an EGM held on 4 December 2020 that requires the directors to implement a managed wind down consultation with its shareholders if the Company share price is not trading at or above the most recently published NAV in the 20 business days prior to the second anniversary of the EGM on 4 December 2022. Whilst the date of any potential managed wind down is more than 12 months away and the form of any wind down plan has not been agreed with shareholders, the directors have modelled the Company's portfolio in a managed wind down stress scenario that simulates the impact of surging levels of arrears and elevated financing costs to assess the Viability of the Company's business model. Even if a wind down was to be triggered, the viability cash flow model demonstrates that the Company could continue to finance its operations whilst winding down over a period to May 2024. The Board have concluded that the Company will continue in operation for at least the next 12 months based on the Viability cash-flow model and the following additional evidence:

- The Company has reduced its dividend financing requirement and improved its dividend cover by repurchasing 1/3 of its issued share capital and refocusing its portfolio to lend to high net interest margin professional landlords. This should release further capital for re-investment, increased dividends or share repurchases to reduce the discount to NAV following the renewal of the Company's authority at the AGM.

DIRECTORS' REPORT Continued

Going Concern (continued)

- The Company's Strategic review conducted in the final quarter of 2020 has been well received, evidenced by a reduction in the Company's share price discount to NAV to 6.93% as at 30 June 2021. Although this has since closed to approximately 9%, it is below the 10.4% level in June 2019 prior to the COVID-19 pandemic.

- The Company's Hops Hill No.1 securitisation in January 2021 was heavily oversubscribed emphasising the attractiveness of the Company's portfolio to both income investors and trade buyers.

- Securitisation spreads have tightened further during the year giving the Board confidence that demand for the Company's assets has increased.

- The Company's administrator, portfolio manager and service providers have demonstrated robust COVID-19 remote working protocols and are capable of sustaining operations in the event of future lock-downs.

- The trigger date for the start of a managed wind down discussion with shareholders would be first business day following the second anniversary of the Company's EGM on Monday 5 December 2022. This date is more than one year away. Even if a wind down was to be implemented, our viability cash flow model demonstrates that the Company could continue to finance its operations whilst winding down over a three-year period.

The directors also believe, based on the above evidence that the Company should be able to re-finance or sell its mortgage portfolios as necessary including its Cornhill 5 warehouse facility which is due for repayment by the end of the first quarter of 2022 and is classified as a current liability.

Going Concern Conclusion

At the December 2020 EGM it was noted that if the Company's shares are trading at a discount to NAV at the two year anniversary of the EGM, the directors intend to place the Company into a wind down, a process which would require further shareholder consultation and take at least three years, given the nature of the Company's investments. Whilst the directors are encouraged by recent improvements to returns generated from the sales of the Coventry portfolios and the successful Keystone originations, there is uncertainty over whether the shares will trade at a discount in December 2022. In line with accounting standards, the Directors are obliged to disclose that this uncertainty exists. These circumstances constitute a material uncertainty that may cast significant doubt over the Company's ability to continue as a going concern and the Company may be required to prepare future accounts on a basis other than going concern. This uncertainty does not compromise the ability of the Company to discharge its obligations over an extended period. Also, the directors consider that there is a reasonable prospect that the Company will continue to operate and therefore are content to prepare these accounts on a going concern basis.

Results

The results for the year are set out in the Consolidated Statement of Comprehensive Income on page 60. The Company declared dividends of £13,027,973 (of which £3,481,993 is the catch up fifth interim dividend in relation to 30 June 2020 and £9,545,980 relates to the year ended 30 June 2021) a breakdown of which can be found in note 22. Distributions declared and paid during the year amount to £12,040,474 as recognised in the Consolidated Statement of Changes in Equity.

Dividends paid with respect to any period comprise a significant majority of net income for the Company. The Board expects that dividends will constitute the principal element of the return to holders of Ordinary Shares. The dividends for the year have, as anticipated, been partially paid out of the capital of the Company, before considering the sales of the Coventry portfolios. The impact on capital is reflected in the negative EPS for the year.

Signed on behalf of the Board of Directors on 28 October 2021 by:

Christopher Waldron	**Paul Le Page**
Director	**Director**

CORPORATE GOVERNANCE REPORT

The Board is committed to high standards of corporate governance and has implemented a framework for corporate governance which it considers to be appropriate for an investment company in order to comply with the principles of The UK Corporate Governance Code July 2018 ("UK Code") issued by the Financial Reporting Council (the "FRC"). The Company is also required to comply with the Guernsey Financial Services Commission's Code of Corporate Governance ("GFSC Code").

The UK Listing Authority requires all UK Premium listing companies to disclose how they have complied with the provisions of the UK Code. As a company with a Specialist Fund Segment listing, the Company has voluntarily chosen to report against the UK Code. There is no information that is required to be disclosed under LR 9.8.4. This Corporate Governance Statement, together with the Going Concern Statement, Viability Statement and the Statement of Directors' Responsibilities, indicate how the Company has complied with the principles of good governance of the UK Code and its requirements on Internal Control.

The Company is a member of the AIC ("Association of Investment Companies") and by complying with the 2019 AIC Code is deemed to comply with both the UK Code and the GFSC Code.

The Board has considered the principles and recommendations of the AIC Code and consider that reporting against these will provide appropriate information to Shareholders. To ensure ongoing compliance with these principles the Board reviews a report from the Corporate Secretary at each quarterly meeting, identifying how the Company is in compliance and identifying any changes that might be necessary.

The AIC updated its Code on 5 February 2019 to reflect revised Principles and Provisions included in the UK Corporate Governance Code which was revised in 2018. These changes apply to financial years beginning on or after 1 January 2019 and the Directors are reporting on the Company's compliance with the changes in this Annual Report for the year ended 30 June 2021.

The AIC Code is available on the AIC's website, www.theaic.co.uk. The UK Code is available on the FRC's website, www.frc.org.uk.

Throughout the year ended 30 June 2021, the Company has complied with the recommendations of the 2019 AIC Code and thus the relevant provisions of the UK Code, except as set out below.

The UK Code includes provisions relating to:

- the role of the Chief Executive;
- Executive Directors' remuneration;
- annually assessing the need for an internal audit function;
- Remuneration Committee; and
- Nomination Committee.

For the reasons explained in the UK Code, the Board considers these provisions are not relevant to the position of the Company as it is an externally managed investment company. The Company has therefore not reported further in respect of these provisions. The Directors are all non-executive and the Company delegates its day-to-day operations and does not have employees, hence no Chief Executive, Executive Directors' remuneration or internal audit function is required for the Company. The Board is satisfied that any relevant issues can be properly considered by the Board. The Board, as a whole, fulfills the function of a Nomination and Remuneration Committee as detailed in the Directors' Remuneration Report.

Given the relatively small size of the Board, it has been decided that it is unnecessary to have a separate Nomination Committee and relevant matters are considered by the whole Board.

Details of compliance with the AIC Code are noted below and in the succeeding pages. There have been no other instances of non-compliance, other than those noted above.

CORPORATE GOVERNANCE REPORT Continued

The Company has adopted a policy that the composition of the Board of Directors, which is required by the Company's Articles to comprise of at least two persons; that at all times a majority of the Directors are independent of the Portfolio Manager and any company in the same group as the Portfolio Manager; the Chairman of the Board of Directors is free from any conflicts of interest and is independent of the Portfolio Manager and of any company in the same group as the Portfolio Manager; and that no more than one director, partner, employee or professional adviser to the Portfolio Manager or any company in the same group as the Portfolio Manager may be a director of the Company at any one time.

The Company's risk exposure and the effectiveness of its risk management and Internal Control systems are reviewed by the Audit Committee and Risk Committee at its meetings and annually by the Board. The Board believes that the Company has adequate and effective systems in place to identify, mitigate and manage the risks to which it is exposed.

Role, Composition and Independence of the Board
The Board is the Company's governing body and has overall responsibility for maximising the Company's success by directing and supervising the affairs of the business and meeting the appropriate interests of Shareholders and relevant stakeholders, while enhancing the value of the Company and also ensuring protection of investors' interests. A summary of the Board's responsibilities is as follows:

- statutory obligations and public disclosure;
- strategic matters and financial reporting;
- risk assessment and management including reporting compliance, governance, monitoring and control; and
- other matters having a material effect on the Company.

The Board's responsibilities for the Annual Report and Audited Consolidated Financial Statements are set out in the Statement of Directors' Responsibilities on pages 39 and 40.

The Board currently consists of four non-executive Directors, all of whom are considered to be independent of the Portfolio Manager and as prescribed by the Listing Rules.

Chairman
The Chairman is Mr Christopher Waldron. The UK Code requires the Chairman of the Board be independent. Mr Waldron is considered independent because he:

- has no current or historical employment with the Portfolio Manager; and
- has no current directorships in any other investment funds managed by the Portfolio Manager.

Senior Independent Director
Mr Richard Burrows is the Senior Independent Director of the Company. Mr Burrows has extensive knowledge of the UK banking sector and mortgage lending and co-ordinates the annual reviews of key service providers in his capacity as Chairman of the Management Engagement Committee.

Chairman of the Audit Committee
Mr Paul Le Page is the Chairman of the Audit Committee. Mr Le Page was selected for this role as he has over seventeen years' experience in this capacity with a detailed knowledge of financial risk management and alternative asset classes.

Chairman of the Risk Committee
Mr Richard Burrows is the Chairman of the Risk Committee. Mr Burrows was selected for this role as he has extensive knowledge of securitisations.

Biographies for all the Directors can be found on page 23.

CORPORATE GOVERNANCE REPORT Continued

Role, Composition and Independence of the Board (continued)
Composition of the Board
The Board considers that it has the appropriate balance of diverse skills and experience, independence and knowledge of the Company and the wider sector, to enable it to discharge its duties and responsibilities effectively and that no individual or group of individuals dominates decision making. The Chairman is responsible for leadership of the Board and ensuring its effectiveness.

Financial Reporting
The Board needs to ensure that the Annual Report and Audited Consolidated Financial Statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy. In seeking to achieve this, the Directors have set out the Company's investment objective and policy and have explained how the Board and its delegated committees operate and how the Directors review the risk environment within which the Company operates and set appropriate risk controls.

Furthermore, throughout the Annual Report and Audited Consolidated Financial Statements the Board has sought to provide further information to enable Shareholders to have a fair, balanced and understandable view.

The Financial Statements of the Company and its subsidiaries are subject to internal review by their respective administrator, a further review by the Portfolio Manager, and also their respective Directors. The final review is conducted by the Company's administrator which includes the subsidiaries' Financial Statements. The administrator has a robust control environment in place, and in addition each company is subject to an annual external audit. Oat Hill No.1 Plc, Malt Hill No. 2 Plc, Cornhill Mortgages No. 4 Limited and Cornhill Mortgages No. 6 Limited were not subject to an annual audit at 30 June 2021 but their results are included in the Company's consolidated results which are audited by the independent auditor.

The Board has contractually delegated responsibility for the management of its investment portfolio, the arrangement of custodial and depositary services and the provision of accounting and company secretarial services.

The Board is responsible for the appointment and monitoring of all service providers to the Company.

The Board recognises the importance of diversity, including gender, and has given careful consideration to the recommendations of both of the Davies and the Hampton-Alexander reviews. The Board operates a policy that aims to promote diversity in its composition. Under this policy, director appointments are evaluated against the existing balance of skills, knowledge and experience on the Board, with directors asked to be mindful of diversity and inclusiveness considerations when examining nominations to the Board. During its annual evaluation, the Board considered diversity as part of the review of its performance and effectiveness.

The Board has 25% female representation which is slightly in excess of the 23% level achieved by FTSE 350 companies in the Hampton-Alexander review when it was published in 2016. Our female representation is however below the increased 33% target set for calendar year 2020. Whilst the Board is fully aware of this revised target, the structure of the Board is determined by the need to achieve an appropriate balance of skills and experience whilst minimising operational costs in what is a relatively small company.

CORPORATE GOVERNANCE REPORT Continued

Directors' Attendance at Meetings

The Board holds quarterly Board meetings to discuss performance, asset allocation, risk management, corporate governance, compliance, gearing, structure, finance, marketing and general management.

The quarterly Board meetings are the principal source of regular information for the Board enabling it to determine policy and to monitor performance, compliance and controls but these meetings are supplemented by communication and discussions throughout the year.

A representative of the Portfolio Manager, AIFM, Administrator, Custodian and Depositary and Corporate Broker attends each Board meeting either in person or by telephone thus enabling the Board to fully discuss and review the Company's operation and performance. Each Director has direct access to the Portfolio Manager and Company Secretary and may, at the expense of the Company, seek independent professional advice on any matter.

The Audit Committee meets at least twice a year, the Management Engagement Committee meets at least once a year and dividend meetings are held quarterly. In addition, ad hoc meetings of the Board to review specific items between the regular scheduled quarterly meetings can be arranged. Between formal meetings there is regular contact with the Portfolio Manager, AIFM, Administrator, Custodian and Depositary and the Corporate Broker.

Attendance at the Board and committee meetings during the year was as follows:

	Board Meetings		Audit Committee Meetings		Risk Committee Meetings	
	Held	Attended	Held	Attended	Held	Attended
Christopher Waldron	4	4	5	5	2	2
Richard Burrows	4	4	5	5	2	2
Paul Le Page	4	4	5	5	2	2
Helen Green	4	4	5	5	2	2

	Management Engagement Committee Meetings		Committee Meetings		Ad hoc Committee Meetings	
	Held	Attended	Held	Attended	Held	Attended
Christopher Waldron	1	1	4	4	5	5
Richard Burrows	1	1	4	4	5	5
Paul Le Page	1	1	4	4	5	5
Helen Green	1	1	4	4	5	5

At the Board meetings, the Directors review the management of the Company's assets and liabilities and all other significant matters so as to ensure that the Directors maintain overall control and supervision of the Company's affairs.

The Board has a breadth of experience relevant to the Company and the Directors believe that any changes to the Board's composition can be managed without undue disruption. With any new director appointment to the Board, consideration will be given as to whether an induction process is appropriate.

CORPORATE GOVERNANCE REPORT Continued

Board Performance and Training
The Directors consider how the Board functions as a whole taking balance of skills, experience and length of service into consideration and also reviews the individual performance of its members on an annual basis.

To enable this evaluation to take place, the Company Secretary will circulate a detailed questionnaire plus a separate questionnaire for the evaluation of the Chairman. The questionnaires, once completed, are returned to the Company Secretary who collates responses, prepares a summary and discusses the Board evaluation with the Chairman prior to circulation to the remaining Board members. The performance of the Chairman is evaluated by the other Directors. The Board also conducts a 360 degree approach to their performance evaluation and requests that service providers each complete board performance questionnaires which are reviewed to understand whether there are any aspects such as communication which require improvement. On occasions, the Board may seek to employ an independent third party to conduct a review of the Board.

These evaluations consider the balance of skills, experience, independence and knowledge of the Board, its diversity and how the Board works together as a unit as well as other factors relevant to its effectiveness.

Training is an on-going matter as is discussion on the overall strategy of the Company and the Board has met with the Portfolio Manager by video conference during the year to discuss these matters. Such meetings will be an on-going occurrence.

Retirement by Rotation
Under the terms of their appointment, each Director is required to retire by rotation as detailed in the Director's Remuneration Report on pages 41 to 42.

UK Criminal Finances Act 2017
In respect of the UK Criminal Finances Act 2017 which introduced a new Corporate Criminal Offence of "failing to take reasonable steps to prevent the facilitation of tax evasion", the Board confirms that it is committed to zero tolerance towards the criminal facilitation of tax evasion.

The Board also keeps under review developments involving other social and environmental issues, such as the General Data Protection Regulation ("GDPR"), which came into effect on 25 May 2018, and Modern Slavery, and will report on those to the extent they are considered relevant to the Company's operations.

Board Committees and their Activities
Terms of Reference
All Terms of Reference of the Board's Committees are available from the Administrator upon request.

Management Engagement Committee
The Board has established a Management Engagement Committee with formal duties and responsibilities. The Management Engagement Committee commits to meeting at least once a year and comprises the entire Board with Richard Burrows appointed as Chairman. These duties and responsibilities include the regular review of the performance of and contractual arrangements with the Portfolio Manager and other service providers and the preparation of the Committee's annual opinion as to the Portfolio Manager's services.

At its meeting held on 16 March 2021, the Management Engagement Committee carried out its review of the performance and capabilities of the Portfolio Manager and other service providers and the Committee recommended that the continued appointment of TwentyFour Asset Management LLP as Portfolio Manager was in the best interests of Shareholders. The Committee also recommended that the appointment of all of the Company's current service providers should continue.

CORPORATE GOVERNANCE REPORT Continued

Audit Committee
An Audit Committee has been established consisting of all Directors with Paul Le Page appointed as Chairman. Given the relatively small size of the Board, it has been decided that the Audit Committee comprises the whole Board, under Paul Le Page's chairmanship. The terms of reference of the Audit Committee provide that the committee shall be responsible, amongst other things, for reviewing the Consolidated Interim and Consolidated Annual Financial Statements, considering the appointment and independence of the external auditor, discussing with the external auditor the scope of the audit and reviewing the Company's compliance with the AIC Code. The Board is satisfied with the performance of the Audit Committee and is satisfied that they have fulfilled their duties.

Further details on the Audit Committee can be found in the Audit Committee Report on page 43.

Risk Committee
The Board has established a Risk Committee with formal duties and responsibilities. The Risk Committee commits to meeting at least twice a year and comprises the entire Board with Richard Burrows appointed as Chairman. These duties and responsibilities include the review of the effectiveness of the Company's internal control policies and systems and to report to the Audit Committee. The process of risk management also includes procedures to identify, manage and mitigate emerging risks faced by the Company.

Nomination Committee
There is no separate Nomination Committee. The Board as a whole fulfils the function of a Nomination Committee. Whilst the Directors take the lead in the appointment of new Directors, any proposal for a new Director will be discussed and approved by all members of the Board.

Remuneration Committee
In view of its non-executive and independent nature, the Board considers that it is not appropriate for there to be a separate Remuneration Committee as anticipated by the AIC Code. The Board as a whole fulfils the functions of the Remuneration Committee, although the Board has included a separate Directors' Remuneration Report on pages 41 and 42.

International Tax Reporting
For purposes of the US Foreign Account Tax Compliance Act, the Company registered with the US Internal Revenue Service ("IRS") as a Guernsey reporting FFI, received a Global Intermediary Identification Number (IV8HG9.99999.SL.831), and can be found on the IRS FFI list.

The Common Reporting Standard ("CRS") is a global standard for the automatic exchange of financial account information developed by the Organisation for Economic Co-operation and Development ("OECD"), which has been adopted in Guernsey and which came into effect on 1 January 2016. The CRS has replaced the inter-governmental agreement between the UK and Guernsey to improve international tax compliance that had previously applied in respect of 2014 and 2015.

The Board has taken the necessary actions to ensure that the Company is compliant with Guernsey regulations and guidance in this regard.

Internal Controls
The Board is ultimately responsible for establishing and maintaining the Company's system of internal financial and operating control and for maintaining and reviewing its effectiveness. The Company's risk matrix is the basis of the Company's risk management process in establishing the Company's system of internal financial and reporting control.

The risk matrix is prepared and maintained by the Board and identifies the risks facing the Company and then collectively assesses the likelihood of each risk, the impact of those risks and the strength of the controls operating over each risk. The Board uses the product of risk and impact scores to determine key areas requiring their attention. The system of internal financial and operating control is designed to manage rather than to eliminate the risk of failure to achieve business objectives and by their nature can only provide reasonable and not absolute assurance against misstatement and loss.

CORPORATE GOVERNANCE REPORT Continued

Internal Controls (continued)
These controls aim to ensure that assets of the Company are safeguarded, proper accounting records are maintained and the financial information for publication is reliable. The Board confirms that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the Company.

This process has been in place for the year under review and up to the date of approval of this Annual Report and Audited Consolidated Financial Statements and is reviewed by the Board and is in accordance with the AIC Code.

The AIC Code requires Directors to conduct at least annually a review of the Company's system of internal financial and operating control, covering all controls, including financial, operational, compliance and risk management. The Board has evaluated the systems of Internal Controls of the Company. In particular, it has prepared a process for identifying and evaluating the significant risks affecting the Company and the policies by which these risks are managed.

The Board has delegated the day to day responsibilities for the management of the Company's investment portfolio, the provision of depositary services and administration, registrar and corporate secretarial functions including the independent calculation of the Company's NAV and the production of the Annual Report and Audited Consolidated Financial Statements which are independently audited.

Formal contractual agreements have been put in place between the Company and providers of these services. Even though the Board has delegated responsibility for these functions, it retains accountability for these functions and is responsible for the systems of Internal Control. At each quarterly Board meeting, compliance reports are provided by the Administrator, Company Secretary, Portfolio Manager, AIFM and Depositary. The Board also receives confirmation from the Administrator of its accreditation under its Service Organisation Controls 1 report.

The Company's risk exposure and the effectiveness of its risk management and Internal Control systems are reviewed by the Audit Committee and the Risk Committee at meetings and annually by the Board. The Board believes that the Company has adequate and effective systems in place to identify, mitigate and manage the risks to which it is exposed. Principal Risks and Uncertainties are set out hereafter.

Principal Risks and Uncertainties
In respect to the Company's system of Internal Controls and reviewing its effectiveness, the Directors:
- are satisfied that they have carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity; and
- have reviewed the effectiveness of the risk management and Internal Control systems including material financial, operational and compliance controls (including those relating to the financial reporting process) and no significant failings or weaknesses were identified.

CORPORATE GOVERNANCE REPORT Continued

Principal Risks and Uncertainties (continued)
When considering the total return of the Company, the Board takes account of the risk which has been taken in order to achieve that return. The Board considers the following principal risks and uncertainties, an overview of which is set out below. Green status risks require monitoring but no action; amber status risks should be reviewed and discussed at each meeting; and red status risks require an action plan and detailed monitoring until the plan is implemented.

Red status risks:

- The risk of investor dissatisfaction leading to a weaker share price, causing the Company to trade at a discount to its underlying asset value and a potential wind down of the Company. The risk is managed by regular updates to Shareholders from the Portfolio Manager, and regular shareholder engagement both directly and via the Company's broker. The Board has formalised a Share Buyback Policy and has successfully implemented the results of a Strategic Review consultation with its shareholders by using the proceeds from selling less profitable portfolios to fund two substantial share tenders. These actions have helped to substantially improve shareholder sentiment and to reduce the discount to NAV at which the Company's shares trade.

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

Amber status risks:

- The risk of the Company being unable to pay target dividends to investors due to a shortfall in income received leading to an expansion of the Company's discount, which could in turn trigger the wind down of the Company. The risk is monitored by the Board receiving quarterly reports from the Portfolio Manager, in conjunction with the Company's Administrator, which monitor the Company's current and projected cash flow and income position, as well as the macro economic environment, paying particular attention to movements in the house price index, unemployment levels and interest rates as well as loan level and portfolio attributes such as prepayment rates, mortgage holidays, forbearance requests and the possibility and timing of defaults, all of which could reduce cash flow to the Company. The Company has paid dividends from capital with Board agreement, to the extent that the Board has assessed the factors indicating that future income flows will be sufficient to restore any distributed capital. In August 2019, a change to the Company's investment policy was approved by a majority of the Company's shareholders with a view to expediting progress to a fully covered dividend despite falling net interest rate margins. The portfolio changes implemented as a result of the strategic review in December 2020 also improve the risk-adjusted returns of the Company and will improve dividend cover thereby reducing this risk.

Green status risks:

- The risk of the Company being unable to invest or reinvest capital repaid from mortgage loans to purchase additional mortgage assets 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. The risk has been further mitigated by the forward flow loan origination programme established with Keystone and has reduced during the year as loan issuance volumes are running ahead of schedule.

CORPORATE GOVERNANCE REPORT Continued

Emerging Risks and Uncertainties
In order to recognise any emerging risks that may impact the Company and to ensure that appropriate controls are in place to manage those risks, the Audit Committee undertakes regular reviews of the Company's Risk Matrix. An overview of emerging risks is set out below:

Red status risks:

- Adjustments to the overall level and precise application of tax increases will likely reduce disposable income levels that could affect the first time buyer mortgage market disproportionately. Furthermore, monetary policy measures taken internationally affect the absolute level of interest rates and therefore the spread that can be achieved between financial assets and liabilities.

- The risk on broader market conditions from Central Bank monetary initiatives. Generic large injections of term liquidity injection could distort the demand and supply of funds to support mortgage lending. Furthermore, the risks associated with UK Base Rates moving to a negative rate. The likelihood of UK Base Rates moving to a negative rate (from the current 0.10%) still exists noting the Bank of England had recently asked some UK banks to report on the operational implications of implementing a negative or zero policy rate. The direct impact on the Company is assessed as minimal as whilst some of the Company's underlying assets do directly reference the base rate, particularly the majority of the CHL and Keystone portfolio, this risk is offset by the Company's funding arrangements which are linked to SONIA which is closely correlated to the base rate. Negative interest rates for some GBP Sterling denominated products already exist as some Gilts trade at effective negative interest rates in the secondary market. Longer term interest rates relating to mortgage assets and securitisation liabilities may adjust downwards but the risk for the Company remains the spread between the funding and the lending. This risk is already factored into the ongoing assessment of the Company.

Other risks and uncertainties
The Board has identified the following other risks and uncertainties along with the steps taken to mitigate them:

Red status risks:

Cyber security risks
The Company is exposed to risk arising from a successful cyber-attack through its service providers. The Company requests of its service providers that they have appropriate safeguards in place to mitigate the risk of cyber-attacks (including minimising the adverse consequences arising from any such attack), that they provide regular updates to the Board on cyber security, and conduct ongoing monitoring of industry developments in this area. The Board is satisfied that the Company's service providers have the relevant controls in place to mitigate this risk.

COVID-19
The risks associated with the COVID-19 global pandemic. The UK government in common with the governments of most developed countries has implemented unprecedented measures to restrict the possibility of transmission of the COVID-19 virus by limiting personal contact and international travel. In 2021 the UK Government has lifted many restrictions, however, the potential requirement for future measures is plausible. If imposed they could have a severe economic impact on the UK Economy, which the government and the Bank of England would be likely to offset with both traditional and unconventional fiscal and monetary policy measures. The Company's mortgage portfolios are solely focused within the United Kingdom and as such the payment profiles of the underlying loans will be impacted by any risks emerging from changes in the macroeconomic environment. The likely removal of direct support measures, particularly the financial support given to firms to furlough staff, will most likely lead to an increase in unemployment, a key metric in determining mortgage arrears data.

CORPORATE GOVERNANCE REPORT Continued

Other risks and uncertainties (continued)
Green status risks:

Operational risks
The Company is exposed to the risk arising from any failures of systems and controls in the operations of the Portfolio Manager, Administrator, AIFM, Custodian and the Depositary amongst others. The Board and its Audit Committee regularly review reports from the Portfolio Manager, AIFM, the Administrator, Custodian and Depositary on their internal controls. The Administrator, Custodian and Depositary will report to the Portfolio Manager any operational issues which will be brought to the Board for final approval as required.

Accounting, legal and regulatory risks
The Company is exposed to the risk that it may fail to maintain accurate accounting records or fail to comply with requirements of its Admission document and fail to meet listing obligations. The accounting records prepared by the Administrator are reviewed by the Portfolio Manager. The Portfolio Manager, Administrator, AIFM, Custodian, Depositary and Corporate Broker provide regular updates to the Board on compliance with the Admission document and changes in regulation. Changes in the legal or the regulatory environment can have a major impact on some classes of debt. The Portfolio Manager monitors this and takes appropriate action.

Income recognition risk
The Board considers income recognition to be a principal risk and uncertainty of the Company as the Portfolio Manager estimates the pre-payment rates for the underlying mortgage portfolios, which has an impact on the effective interest rate of the Asset Backed Securities which in turn impacts the calculation of interest income. The Board asked the Audit Committee to consider this risk with work undertaken by the Audit Committee as discussed on pages 43 to 46. As a result of the work undertaken by the Audit Committee, the Board is satisfied that income is appropriately stated in all material respects in the Financial Statements.

Viability Statement
The UK Code requires the Board to explain how they have assessed the prospects of the Company, taking account of its current position, principal risks, the period of this assessment and why the period is considered appropriate. The Board has conducted a robust assessment of the principal risks faced by the Company and has conducted detailed reviews of the Company's underlying mortgage portfolio models for the period up to and including May 2024. The Board selected this period as it represents the shortest possible time period that would be required to wind down the Company's portfolio assuming that each portfolio is sold on its respective re-financing date.

The Strategic review has added a further level of complexity to the viability analysis as the Company is required to return capital to shareholders when mortgage portfolios are refinanced if the Company's share price is trading at a discount of more than 5% to NAV. In addition, the Company will be required to enter a managed wind down consultation with its shareholders should a share price discount to NAV be present over a 20 day averaging period ending on the 4th of December 2022.

The Company's discount to NAV has reduced from 39% to 7% during the financial year helped by the portfolio restructuring, the full utilization of the Company's buy-back authority and two fully subscribed tender offers. The directors intend to use similar discount control mechanisms in the current financial year but there can be no assurance that these mechanisms will reduce the Company's discount below the required 5% target level for portfolios to be refinanced or for the Company to avoid a managed wind down. In view of this the Company asked the portfolio manager to model three scenarios of increasing severity.

A base holding scenario in which the Company is unable to re-finance or sell its portfolios and is forced to pay step up margin on each of its financing lines.

A stressed version of the holding scenario where the Company's portfolios exhibit double-digit arrears in addition to paying step up margin.

CORPORATE GOVERNANCE REPORT Continued

Viability Statement (continued)
A managed wind down scenario where the Company sells each underlying portfolio on its respective refinancing date in an orderly market environment.

In each of these Viability cash-flow scenarios the Company was able to finance its operating costs allowing for inflation and ignoring the impact of any potential variable NAV related cost reductions.

Having considered the above, and with reference to the Company's current position and prospects, and with the five year continuation vote not now due until the AGM to be held in 2024, the Board is of the opinion that the Company is viable until at least May 2024 and in all scenarios, would be able to meet its liabilities as they fall due. The Board also continue to review the risks noted above in the context of the Company and reassess these risks regularly.

Shareholder Engagement
The Board welcomes Shareholders' views and places great importance on communication with its Shareholders. Shareholders wishing to meet the Chairman and other Board members should contact the Company's Administrator.

The Portfolio Manager and Corporate Broker maintain a regular dialogue with institutional Shareholders, the feedback from which is reported to the Board.

In addition, the Company maintains a website which contains comprehensive information, including links to regulatory announcements, share price information, financial reports, investment objective and investor contacts (www.ukmortgagesltd.com).

The Company's Annual General Meeting ("AGM") provides the Shareholders a forum to meet and discuss issues of the Company and as well as the opportunity to vote on the resolutions as specified in the Notice of AGM. The Notice of the AGM and the results are released to the London Stock Exchange in the form of an announcement. Board members will be available to respond to Shareholders' questions at the AGM.

CORPORATE GOVERNANCE REPORT Continued

Significant Shareholdings
As at 28 October 2021, the Company has been notified of the following interests in the share capital of the Company exceeding 3% of the issued share capital:

		28.10.2021		26.10.2020
	Number of shares	Percentage of issued share capital	Number of shares	Percentage of issued share capital
Twentyfour Asset Management*	41,071,258	22.97%	46,759,800	20.14%
Momentum Global Investment Management	15,377,141	8.60%	N/a	N/a
Investec Wealth & Investment	14,785,829	8.27%	20,165,401	8.69%
Premier Miton Investors	11,866,922	6.64%	26,083,951	11.24%
Julius Baer Private Banking	6,918,250	3.87%	N/a	N/a
Seven Investment Management	6,898,387	3.86%	21,307,155	9.18%
Transact (EO)	6,601,501	3.69%	N/a	N/a
Banque Degroof Petercam	5,775,000	3.23%	N/a	N/a
Connor Broadley	5,506,107	3.08%	15,567,023	6.71%
West Yorkshire PF	5,496,217	3.07%	9,374,583	4.04%
Seneca Investment Managers	N/a	N/a	17,685,156	7.62%
*Twentyfour Asset Management acting as investment manager of:				
St. James Place Strategic Income Unit Trust	32,370,609	18.10%	38,059,151	16.40%
MI TwentyFour Investment Funds - Asset Backed Income Fund	8,700,649	4.87%	8,700,649	3.75%

The percentage of Ordinary Shares shown above represents the ownership of voting rights at the year end.

It is the responsibility of the shareholders to notify the Company of any change to their shareholdings when it reaches 3% of shares in issue and any change which moves up or down through any whole percentage figures above 3%.

Independent Auditor
On 2 December 2019, Deloitte LLP was appointed as auditor to replace PricewaterhouseCoopers CI LLP (“PwC”). Deloitte LLP have indicated their willingness to continue in office and a resolution to re-appoint Deloitte LLP will be tabled at the forthcoming AGM.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report and the Audited Consolidated Financial Statements in accordance with International Financial Reporting Standards and applicable Guernsey law and regulations.

Guernsey Company Law requires the Directors to prepare Audited Consolidated Financial Statements for each financial year. Under that law, they have elected to prepare the Audited Consolidated Financial Statements in accordance with IFRS which comprise standards and interpretations approved by the International Accounting Standards Board, and interpretations issued by the International Financial Reporting Standards Interpretations Committee as approved by the International Accounting Standards Committee which remain in effect and are in compliance with the Companies (Guernsey) Law, 2008.

The Audited Consolidated Financial Statements are required to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these Audited Consolidated Financial Statements, IFRS requires that the Directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

The Directors confirm that they have complied with these requirements in preparing the Audited Consolidated Financial Statements.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies (Guernsey) Law, 2008. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in Guernsey and the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors confirm that to the best of their knowledge:

(a) The Annual Report and Audited Consolidated Financial Statements have been prepared in accordance with IFRS and give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and its subsidiaries included in the consolidation taken as a whole, as at and for the year ended 30 June 2021.

(b) The Annual Report which includes information detailed in the Summary Information, Chairman's Statement, Portfolio Manager's Report, Directors' Report, Strategic Report, Corporate Governance Report, Directors' Remuneration Report, Audit Committee Report, Alternative Investment Fund Manager's Report and Depositary Statement provides a fair review of the information required by:

   (i) DTR 4.1.8 and DTR 4.1.9 of the Disclosure and Transparency Rules, being a fair review of the development and performance of the Company business during the year and the position at year end and a description of the principal risks and uncertainties facing the Company; and

   (ii) DTR 4.1.11 of the Disclosure and Transparency Rules, being an indication of important events that have occurred since the end of the financial year and the likely future development of the Company.

STATEMENT OF DIRECTORS' RESPONSIBILITIES Continued

In the opinion of the Board, the Annual Report and Audited Consolidated Financial Statements taken as a whole, are fair, balanced and understandable and the Annual Report provides the information necessary to assess the Company's position and performance, business model and strategy.

Responsibility statement
We confirm that to the best of our knowledge the financial statements, prepared in accordance with International Financial Reporting Standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole.

Disclosure of Information to Auditor
The Directors who held office at the date of approval of these Audited Consolidated Financial Statements confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Signed on behalf of the Board of Directors on 28 October 2021 by:

Christopher Waldron
Director

Paul Le Page
Director

DIRECTORS' REMUNERATION REPORT

The Directors' remuneration report has been prepared by the Directors in accordance with the UK Code as issued by the UK Listing Authority. An ordinary resolution for the approval of the annual remuneration report will be put to the Shareholders at the AGM to be held on 9 December 2021.

Remuneration Policy
The Company's policy in regard to Directors' remuneration is to ensure that the Company maintains a competitive fee structure in order to recruit, retain and motivate non-executive Directors of excellent quality in the overall interests of Shareholders.

The Directors do not consider it necessary for the Company to establish a separate Remuneration Committee. All of the matters recommended by the UK Code that would be delegated to such a committee are considered by the Board as a whole.

It is the responsibility of the Board as a whole to determine and approve the Directors' remuneration, following a recommendation from the Chairman who will have given the matter proper consideration, having regard to the level of fees payable to non-executive Directors in the industry generally, the role that individual Directors fulfil in respect of Board and Committee responsibilities and the time committed to the Company's affairs. The Chairman's remuneration is decided separately and is approved by the Board as a whole.

No element of the Directors' remuneration is performance related, nor does any Director have any entitlement to pensions, share options or any long term incentive plans from the Company.

Remuneration
The Directors of the Company are remunerated for their services at such a rate as the Directors determine provided that the aggregate amount of such fees does not exceed £200,000 per annum.

Directors are remunerated in the form of fees, payable quarterly in arrears. No Directors have been paid additional remuneration by the Company outside their normal Director's fees and expenses. The Management Engagement Committee recommended that with effect from 1 January 2021, the base Director fee level should be £35,000 per annum with an additional £10,000 per annum for the Chairman and £5,000 per annum for the Chairman of the Audit Committee.

In the year ended 30 June 2021, the Directors earned the following remuneration in the form of Director's fees:

	30.06.2021	**30.06.2020**
	£	£
Christopher Waldron	42,500	40,000
Richard Burrows	32,500	30,000
Paul Le Page	37,500	35,000
Helen Green*	32,500	30,000
Total	145,000	135,000

*Fees are paid to Saffery Champness Management International Limited.

Directors' and Officers' liability insurance cover is maintained by the Company on behalf of the Directors.

The Directors were appointed as non-executive Directors by letters issued prior to their appointment. Each Director's appointment letter provides that, upon the termination of his/her appointment, he/she must resign in writing and all records remain the property of the Company. The Directors' appointments can be terminated in accordance with the Articles of Incorporation and without compensation.

There is no notice period specified in the articles for the removal of Directors. The articles provide that the office of Director shall be terminated by, among other things: (a) written resignation; (b) unauthorised absences from board meetings for six months or more; (c) unanimous written request of the other Directors; and (d) an ordinary resolution of the Company.

DIRECTORS' REMUNERATION REPORT Continued

Under the terms of their appointment, given its non-executive nature, the Board does not think it is appropriate for the Directors to be appointed for a specified term of no more than 3 years as recommended by the AIC Code. The Directors are also required to seek re-election if they have already served for more than nine years. The Company may terminate the appointment of a Director immediately on serving written notice and no compensation is payable upon termination of office as a Director of the Company becoming effective. All Directors have agreed to stand for re-election annually.

The amounts payable to Directors shown in note 16 are for services as non-executive Directors.

No Director has a service contract with the Company, nor are any such contracts proposed.

Signed on behalf of the Board of Directors on 28 October 2021 by:

Christopher Waldron	**Paul Le Page**
Director	**Director**

AUDIT COMMITTEE REPORT

On the following pages, we present the Audit Committee's Report, setting out the responsibilities of the Audit Committee and its key activities for the year ended 30 June 2021.

The Audit Committee has scrutinised the appropriateness of the Company's system of risk management and internal controls, the robustness and integrity of the Company's financial reporting, along with the external audit process. The Committee has devoted time to ensuring that controls and processes have been properly established, documented and implemented.

During the course of the year, the information that the Audit Committee has received has been timely and clear and has enabled the Committee to discharge its duties effectively.

The Audit Committee supports the aims of the UK Code and best practice recommendations of other corporate governance organisations such as the AIC, and believes that reporting against the AIC Code allows the Audit Committee to further strengthen its role as a key independent oversight Committee.

Role and Responsibilities
The primary function of the Audit Committee is to assist the Board in fulfilling its oversight responsibilities. This includes reviewing the financial reports and other financial information and any significant financial judgement contained therein, before publication.

In addition, the Audit Committee reviews the systems of internal financial and operating controls on a continuing basis that the Administrator, Portfolio Manager, AIFM, Custodian and Depositary and the Board have established with respect to finance, accounting, risk management, compliance, fraud and audit. The Audit Committee also reviews the accounting and financial reporting processes, along with reviewing the roles, independence and effectiveness of the external auditor. The AIC Code requires the Audit Committee to annually consider the need for an internal audit function.

The ultimate responsibility for reviewing and approving the Annual Report and Audited Consolidated Financial Statements remains with the Board.

The Audit Committee's full terms of reference can be obtained by contacting the Company's Administrator.

Risk Management and Internal Control
The Board, as a whole, considers the nature and extent of the Company's risk management framework and the risk profile that is acceptable in order to achieve the Company's strategic objectives. As a result, it is considered that the Board has fulfilled its obligations under the AIC Code.

The Audit Committee has delegated responsibility for reviewing the adequacy and effectiveness of the Company's on-going risk management systems and processes to a Risk Committee. The system of Internal Controls, along with its design and operating effectiveness, is subject to review by the Risk Committee through reports received from the Portfolio Manager, AIFM and Custodian and Depositary, along with those from the Administrator and external auditor.

Fraud, Bribery and Corruption
The Audit Committee has relied on the overarching requirement placed on the service providers under the relevant agreements to comply with applicable law, including anti-bribery laws. The Board receives confirmation from all service providers that they comply with the requirements of the UK Bribery Act. As the Company does not have any employees it does not have a "whistle blowing" policy in place, however the Board has reviewed the whistleblowing procedures of the Portfolio Manager and Administrator with no issues noted. The Company delegates its main administrative functions to third-party providers who report on their policies and procedures to the Board. A review of the service provider policies took place at the Management Engagement Committee Meeting on 16 March 2021.

AUDIT COMMITTEE REPORT Continued

Financial Reporting and Significant Financial Issues
The Audit Committee assesses whether suitable accounting policies have been adopted and whether the Portfolio Manager has made appropriate estimates and judgements. The Audit Committee reviews accounting papers prepared by the Portfolio Manager and Administrator which provides details on the main financial reporting judgements.

The Audit Committee also reviews reports by the external auditor which highlight any issues with respect to the work undertaken on the audit.

The significant issues considered during the year by the Audit Committee in relation to the Annual Report and Audited Consolidated Financial Statements and how they were addressed are detailed below:

(i) Valuation of investments:
The Company's investments in mortgage loans are carried at amortised cost, have a carrying value of £1,278,886,108 (fair value of £1,331,548,188) as at 30 June 2021 and represent a substantial portion of gross assets of the Group. As such this is the largest factor in relation to the consideration of the Audited Consolidated Financial Statements. These investments are valued in accordance with the Accounting Policies set out in note 2 with further details in notes 20 and 21 to the Audited Consolidated Financial Statements. The Audit Committee considered the valuation of the investments held by the Group as at 30 June 2021 to be reasonable from information provided by the Portfolio Manager, AIFM, Administrator, Custodian, Depositary and Valuation Agent on their processes for the valuation of these investments with regular reporting being provided during the year to the Board as a whole. The Audit Committee reviewed and challenged key inputs into the valuation with a particular focus on Expected Credit Loss provisions and Hedge Effectiveness which are covered below.

- Effective interest rate ("EIR") method

Management applies the EIR method to amortise any premium/discount over the portfolio life with further assumptions on these loans' future cash flows, in particular prepayments. The key judgement identified is in relation to the determination of the loan prepayment curves as these impact the expected life of the portfolio, and therefore the effective interest rate. The Company appointed an external expert to calculate the EIR on the underlying mortgage loan portfolio with the predetermined assumptions provided by the portfolio manager.

- Mortgage loan impairment provision

The Audit Committee reviewed the Company's expected credit loss provision as this has an impact on the amortised cost valuation of the Company's portfolio. The provision calculations had been enhanced to reflect additional economic scenarios and the increased risk of loss for loans subject to forbearance measures and loans with higher loan to value ratios. The calculation for June 2021 resulted in a release of provisioning totalling approximately £980,000, compared to previous provision in December 2020. Approximately £180,000 of this came from the release of the existing provision held against the two Coventry portfolios, which have since been sold. The remainder was driven following the recalibration of the modelled scenarios and weightings to reflect the improving economic conditions. Overall the company's remaining provisions remain conservative, reflecting the continued uncertainty as to how a further recovery might transpire as the various government support mechanisms from the COVID-19 pandemic are unwound. The revised provision represents approximately 14bps of the Company's assets at June 2021, compared to approximately 17bps in December 2020 and 18.5bps a year ago, at the height of the pandemic. The Audit Committee was satisfied that the mortgage loan impairment provision is appropriate in light of appropriate past trends and patterns and events since the onset of the COVID-19 pandemic.

- Hedge accounting

The Audit Committee reviewed the appropriateness of the designation of derivatives held by the Company as fair value hedges. The Audit Committee was satisfied that it is appropriate for the Company to apply hedge accounting to all of the hedges in these circumstances and was satisfied with the offsetting impact on the valuation of the Company's portfolio.

AUDIT COMMITTEE REPORT Continued

Financial Reporting and Significant Financial Issues (continued)

(ii) Income recognition:

The Audit Committee considered the calculation of income from investments recorded in the Audited Consolidated Financial Statements as at 30 June 2021. The Audit Committee reviewed the Portfolio Manager's processes for income recognition and found it to be reasonable based on the explanations provided and information obtained from the Portfolio Manager. The Audit Committee was therefore satisfied that income was appropriately stated in all material aspects in the Audited Consolidated Financial Statements.

(iii) Expense recognition:

The Audit Committee reviewed schedules provided by the Administrator to ensure that the costs associated with the Company's securitisations have been fully recognised and apportioned. The Audit Committee concluded that the apportionment and expense recognition policy had been followed correctly.

Following a review of the presentations and reports from the Portfolio Manager and Administrator and consulting where necessary with the external auditor, the Audit Committee is satisfied that the Audited Consolidated Financial Statements appropriately address the critical judgements and key estimates (both in respect to the amounts reported and the disclosures). The Audit Committee is also satisfied that the significant assumptions used for determining the value of assets and liabilities have been appropriately scrutinised, challenged and are sufficiently robust.

At the request of the Audit Committee, the Administrator and Portfolio Manager confirmed that they were not aware of any material misstatements including matters relating to Consolidated Annual Financial Statement presentation. At the Audit Committee meeting to review the Annual Report and Audited Consolidated Financial Statements, the Audit Committee received and reviewed a report on the audit from the external auditor. On the basis of its review of this report, the Audit Committee is satisfied that the external auditor has fulfilled their responsibilities with diligence and professional scepticism. The Audit Committee advised the Board that these Audited Consolidated Financial Statements, taken as a whole, are fair, balanced and understandable and provide information necessary for Shareholders to assess the Company's position.

The Audit Committee is satisfied that the judgements made by the Portfolio Manager and Administrator are reasonable, and that appropriate disclosures have been included in the Audited Consolidated Financial Statements.

Going Concern

The going concern consideration and disclosures can be found in the Directors' Report on pages 25 and 26.

External Auditor

The Audit Committee has responsibility for making a recommendation on the appointment, re-appointment and removal of the external auditor. Deloitte were appointed in the prior reporting year as the auditor of the Company. During the year, the Audit Committee received and reviewed audit plans and reports from the external auditor. It is standard practice for the external auditor to meet privately with the Audit Committee without the Portfolio Manager and other service providers being present at each Audit Committee meeting.

To assess the effectiveness of the external audit process, the auditor was asked to articulate the steps that they have taken to ensure objectivity and independence, including where the auditor provides non-audit services. The Audit Committee monitors the auditor's performance, behaviour and effectiveness during the exercise of their duties, which informs the decision to recommend reappointment on an annual basis.

The Company does not utilise the external auditor for internal audit purposes, secondments or valuation advice. The Audit Committee has adopted the revised FRC whitelist of permitted services and applies the 70% non-audit service fee cap at both the UKML level and for each entity controlled by the Company.

AUDIT COMMITTEE REPORT Continued

Summary of activity during the year
The Audit Committee conducted a review of the cost effectiveness of the Company's audit process by benchmarking the Company against its listed and unlisted peers and negotiated the audit fee for the Company accordingly.

Significant further enhancements were made to the Expected Credit Loss modelling by the portfolio manager to allow for the impact of pre-payments on exposure at default and to link future projections for house prices and unemployment levels to Loss at Default and Default Probabilities respectively. These changes were reviewed by the Committee.

The Committee also reviewed the accounting treatment of the Company's portfolio sales as the Company needed to ensure that the Company's net asset value fairly reflected the impact of the sales.

The following table summarises the remuneration paid to Deloitte LLP and to other Deloitte member firms for audit and non-audit services for the Company in respect of the year ended 30 June 2021.

	30.06.2021	**30.06.2020**
Deloitte LLP - Audit work	**£**	**£**
Annual audit of the Company	75,750	30,000
Annual audit of the Company's subsidiaries	214,625	245,000
Deloitte LLP - Non-audit work including interim review	99,475	85,000
Ratio of non-audit to audit work	34%	31%

The Company does not qualify as EU Public Interest Entities ("PIEs") and is therefore not subject to the restrictions on non-audit services provided by its auditor under this regime. The company is in compliance with the Crown Dependency rules and hence only services on the white list are permissible. The SPVs and the DAC however do qualify as EU PIEs, and accordingly the Board has considered the impact of this on the evaluation and approval of non-audit services performed to the Company.

The Audit Committee reviews and authorises any non-audit related services provided by Deloitte to the Company. Deloitte currently acts as auditor to the Company and the underlying Issuer SPVs while a Deloitte member firm act as auditor of the Acquiring Entity DAC.

Under EU PIE regulations audit partners are required to rotate every five years. June 2021 marked the completion of Deloitte's second year as auditor.

For any questions on the activities of the Audit Committee not addressed in the foregoing, a member of the Audit Committee will attend each AGM to respond to such questions.

The Audit Committee Report was approved by the Audit Committee on 28 October 2021 and signed on behalf by:

Paul Le Page
Chairman, Audit Committee

ALTERNATIVE INVESTMENT FUND MANAGER'S REPORT

Maitland Institutional Services Limited acts as the Alternative Investment Fund Manager ("AIFM") of UK Mortgages Limited (the "Company") providing portfolio management and risk management services to the Company.

The AIFM has delegated the following of its alternative investment fund management functions:

- It has delegated the portfolio management function for listed investments to TwentyFour Asset Management LLP.
- It has delegated the portfolio management function for unlisted investments to TwentyFour Asset Management LLP.

The AIFM is required by the Alternative Investment Fund Managers Directive 2011, 61/EU (the "AIFM Directive") and all applicable rules and regulations implementing the AIFM Directive in the UK (the "AIFM" Rules):

- to make the annual report available to investors and to ensure that the annual report is prepared in accordance with applicable accounting standards, the Company's articles of incorporation and the AIFM Rules and that the annual report is audited in accordance with (UK) International Standards on Auditing;
- be responsible for the proper valuation of the Company's assets, the calculation of the Company's net asset value and the publication of the Company's net asset value;
- to make available to the Company's shareholders, a description of all fees, charges and expenses and the amounts thereof, which have been directly or indirectly borne by them; and
- ensure that the Company's shareholders have the ability to redeem their share in the capital of the Company in a manner consistent with the principle of fair treatment of investors under the AIFM Rules and in accordance with the Company's redemption policy and its obligations.

The AIFM is required to ensure that the annual report contains a report that shall include a fair and balanced review of the activities and performance of the Company, containing also a description of the principal risks and investment or economic uncertainties that the Company might face.

AIFM Remuneration
The AIFM is subject to a staff remuneration policy which meets the requirements of the AIFMD. The policy is designed to ensure remuneration practices are consistent with, and promote, sound and effective risk management. It does not encourage risk-taking which is inconsistent with the risk profiles, rules or instrument of incorporation of the funds managed, and does not impair the AIFM's compliance with its duty to act in the best interests of the funds it manages.

The AIFM has reviewed the Remuneration Policy and its application in the last year which has resulted in no material changes to the policy or irregularities to process.

This disclosure does not include staff undertaking portfolio management activities as these are undertaken by TwentyFour Asset Management LLP. The investment manager is required to make separate public disclosure as part of their obligations under the Capital Requirements Directive.

The AIFM also acts as Authorised Corporate director (ACD) for non-AIFs. It is required to disclose the total remuneration it pays to its staff during the financial year of the fund, split into fixed and variable remuneration, with separate aggregate disclosure for staff whose actions may have a material impact to the risk profile of a fund or the AIFM itself. This includes executives, senior risk and compliance staff and certain senior managers.

ALTERNATIVE INVESTMENT FUND MANAGER'S REPORT Continued

The below data is unaudited information.

£	Number of Beneficiaries (unaudited)	Total Remuneration Paid (unaudited)	Fixed Remuneration (unaudited)	Variable Remuneration Paid (unaudited)
Total remuneration paid by the ACD during the year	90	5,841,738	5,841,738	
Total remuneration paid by the delegate(s) during the year	67	5,281,258	1,836,100	3,445,158
Remuneration paid to employees of the ACD who are material risk takers	4	940,207	940,207	
Remuneration paid to employees of the delegate(s) who are material risk takers	31	3,547,269	1,081,834	2,465,435

Further information is available in the AIFM's Remuneration Policy Statement which can be obtained from www.maitlandgroup.com or, on request free of charge, by writing to the registered office of the AIFM.

In so far as the AIFM is aware:

- there is no relevant audit information of which the Company's auditor or the Company's board of directors are unaware; and
- the AIFM has taken all steps that it ought to have taken to make itself aware of any relevant audit information and to establish that the auditors is aware of that information.

We hereby certify that this report is made on behalf of the AIFM, Maitland Institutional Services Ltd.

C O'Keeffe
Director
Maitland Institutional Services Limited
28 October 2021

DEPOSITARY STATEMENT
for the year ended 30 June 2021

Report of the Depositary to the Shareholders
Northern Trust (Guernsey) Limited has been appointed as Depositary to UK Mortgages Limited (the "Company") in accordance with the requirements of Article 36 and Articles 21(7), (8) and (9) of the Directive 2011/61/EU of the European Parliament and of the Council of 8 June 2011 on Alternative Investment Fund Managers and amending Directives 2003/41/EC and 2009/65/EC and Regulations (EC) No 1060/2009 and (EU) No 1095/2010 (the "AIFM Directive").

We have enquired into the conduct of Maitland Institutional Services Limited (the "AIFM") and the Company for the year ended 30 June 2021, in our capacity as Depositary to the Company.

This report including the review provided below has been prepared for and solely for the Shareholders. We do not, in giving this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown.

Our obligations as Depositary are stipulated in the relevant provisions of the AIFM Directive and the relevant sections of Commission Delegated Regulation (EU) No 231/2013 (collectively the "AIFMD legislation").

Amongst these obligations is the requirement to enquire into the conduct of the AIFM and the Company in each annual accounting period.

Our report shall state whether, in our view, the Company has been managed in that period in accordance with the AIFMD legislation. It is the overall responsibility of the AIFM and the Company to comply with these provisions. If the AIFM, the Company or their delegates have not so complied, we as the Depositary will state why this is the case and outline the steps which we have taken to rectify the situation.

The Depositary and its affiliates is or may be involved in other financial and professional activities which may on occasion cause a conflict of interest with its roles with respect to the Company. The Depositary will take reasonable care to ensure that the performance of its duties will not be impaired by any such involvement and that any conflicts which may arise will be resolved fairly and any transactions between the Depositary and its affiliates and the Company shall be carried out as if effected on normal commercial terms negotiated at arm's length and in the best interests of Shareholders.

Basis of Depositary Review
The Depositary conducts such reviews as it, in its reasonable discretion, considers necessary in order to comply with its obligations and to ensure that, in all material respects, the Company has been managed (i) in accordance with the limitations imposed on its investment and borrowing powers by the provisions of its constitutional documentation and the appropriate regulations and (ii) otherwise in accordance with the constitutional documentation and the appropriate regulations. Such reviews vary based on the type of Company, the assets in which a Company invests and the processes used, or experts required, in order to value such assets.

Review
In our view, the Company has been managed during the period, in all material respects:

(i) in accordance with the limitations imposed on the investment and borrowing powers of the Company by the constitutional document; and by the AIFMD legislation; and

(ii) otherwise in accordance with the provisions of the constitutional document; and the AIFMD legislation.

For and on behalf of
Northern Trust (Guernsey) Limited
28 October 2021

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF UK MORTGAGES LIMITED

Report on the audit of the financial statements

1. Opinion

In our opinion the financial statements of UK Mortgages Limited (the 'parent company') and its subsidiaries (the 'group'):

- give a true and fair view of the state of the group's affairs as at 30 June 2021 and of the group's loss for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB); and
- have been prepared in accordance with the requirements of the Companies (Guernsey) Law, 2008.

We have audited the financial statements which comprise:

- the consolidated statement of comprehensive income;
- the consolidated statement of financial position;
- the consolidated statement of changes in equity;
- the consolidated statement of cash flows; and
- the related notes 1 to 25.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as issued by the IASB.

2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that we have not provided any non-audit services prohibited by the FRC's Ethical Standard to the group.

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

3. Material uncertainty related to going concern

We draw attention to note 2 in the financial statements, which indicates that the directors will be required to implement a managed wind down consultation with the shareholders if the parent company share price is not trading at or above the most recently published NAV in the 20 business days prior to the second anniversary of the EGM on 4 December 2022.

As stated in note 2, these events or conditions along with the other matters as set forth in note 2 to the financial statements, indicate that a material uncertainty exists that may cast significant doubt on the group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF UK MORTGAGES LIMITED Continued

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

Our evaluation of the directors' assessment of the group's ability to continue to adopt the going concern basis of accounting included:

- Reviewed the shareholder protection mechanism agreed at the EGM on 4 December 2020 and discussed its implications with the directors and assessed these against the parent company's articles of association;
- Obtained the cash forecasts prepared by the portfolio manager; this covered the period from the reporting date up until May 2024 under several stress scenarios, including a managed wind down scenario;
- Challenged the group's ability to meet its obligations and pay quarterly dividends under each scenario by considering management's assumptions in the context of the information we obtained during the audit. We also assessed the forecasts for mathematical accuracy;
- Performed an independent stress test on the default assumption to evaluated whether the group will be able to meet its obligations, including the quarterly dividends to the shareholders, when they become due;
- Performed reverse stress test on the defaulted loan assumption to understand under what circumstances the business would not be viable; and
- Evaluated the appropriateness of the disclosures made in the financial statements.

In relation to the reporting on how the group has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to:

- the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting; and
- the directors' identification in the financial statements of the material uncertainty related to the group's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

4. Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: • Going concern (see material uncertainty related to going concern section) • Expected credit losses of mortgage loans; and • Revenue recognition.
Materiality	The materiality that we used for the group consolidated financial statements in the current year was £2.78 million which was determined on the basis of being 2% of net asset value (2020: £4.38 million).
Scoping	We performed a full scope audit for all components of the group. This was the second year of our appointment as auditor of the group.
Significant changes in our approach	Due to obtaining an understanding of the key judgements associated with valuation of the derivative financial instruments as well as the application of the hedge accounting, we have no longer identified derivative financial instruments and hedge accounting as a key audit matter. In contrast, we have identified going concern matter as a key audit matter in the current year due to the provided protection mechanism to shareholders.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF UK MORTGAGES LIMITED Continued

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the material uncertainty related to going concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

5.1. Expected credit losses of mortgage loans

Key audit matter description	The group's business is to acquire and securitise mortgage loans portfolios. As at 30 June 2021, the aggregate value of mortgage loans amounted to £1,279 million (2020: £1,639 million), representing 93% of total assets (2020: 96%). The group's mortgage loans are the key value driver for the group's Net Asset Value ("NAV") and interest income. As a result, judgements over the level of potential impairment of these loans, including the application of the expected credit loss ("ECL") model under IFRS 9, and recoverability of their returns have been identified as a key audit matter. The key area of judgement is the determination of the appropriate assumptions for calculating the expected credit loss allowance under IFRS 9. These include, but are not limited to: the probability of default, the loss given default, exposure at default, and the categorisation of loans into various credit stages. As noted in the portfolio manager report on page 19, following observations from our audit work in the prior year, management have made significant enhancements to the ECL model during the year. The refined model is complex, but whilst it relies on a number of judgements and sources of estimation uncertainty, the inherent risk associated with the ECL was significantly reduced compared to the prior year. However, due to the volume of inputs and assumptions in the refined model, and the significance of this matter in the allocation of resources in the audit, it is still considered a key audit matter. This matter is explained further in the Audit committee report on page 44. Note 2 f) set out the associated accounting policy. Note 7 sets out the composition of the mortgage loans balance and note 18 setting out details of the associated risk factors, including credit risk.
How the scope of our audit responded to the key audit matter	We have: - Obtained an understanding of the relevant controls over the mortgage loans ECL estimation process; - Assessed compliance of the group's accounting policy and the assumptions used in the ECL model with IFRS 9 requirements; - Performed sensitivity analysis on the key inputs used in the ECL model as part of the risk assessment procedures; - Tested, on a sample basis, the data inputs used in the ECL model for accuracy and completeness; - Tested the clerical accuracy of the ECL model based on the above inputs; - Challenged the judgments (including qualitative and quantitative criteria) taken by management related to the categorisation of loans into the various

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF UK MORTGAGES LIMITED Continued

	credit stages required under IFRS 9 by comparing them to comparable benchmarks in the market; - Evaluated the reasonableness of estimates applied to determine the probability of default (PD), loss given default (LGD) and exposure at default (EAD) for each stage within which loans are classified and their compliance with IFRS 9 requirements; - Worked with our Modelling and Analytics specialists to perform benchmarking analysis on the ECL by using comparable benchmarks with similar risk profiles; and - Evaluated the adequacy of disclosures made in the financial statements in light of the requirements of IFRS 7 and IFRS 9.
Key observations	Based on our audit work, we are satisfied that the key assumptions, judgements and estimates applied by the directors underlying the ECL analysis are appropriate and therefore, the ECL is appropriately stated. Whilst significant improvements have been made to the ECL model in the current year, some minor matters are yet to be addressed.

5.2. Revenue recognition

Key audit matter description	Interest income from mortgage loans totalled £51.3 million for the current year (2020: £47.6 million). Management applies the effective interest rate ('EIR') method to amortise any premium/discount over the portfolio life with further assumptions on these loans' future cash flows, in particular prepayments. The key judgement identified is in relation to the determination of the loan prepayment curves as these impact the expected life of the portfolio, and therefore the effective interest rate. The group appointed an external expert to calculate the EIR on the underlying mortgage loan portfolio with the predetermined assumptions provided by management. There is a risk that the assumptions made in calculating the EIR, in particular the loan prepayments are not appropriate, which could result in a material misstatement to revenue in the financial statements. Taking into account the significant impact of these assumptions as well as their judgemental nature, we considered this key audit matter to be a potential area for fraud. The key accounting policies related to this key audit matter can be found in note 2 j). The associated key source of estimation uncertainty disclosure can be found in note 3 and this matter is also described on page 44 of the Audit committee report.
How the scope of our audit responded to the key audit matter	We have: - Obtained an understanding of the relevant controls over the calculation of the EIR adjustments; - Challenged management's judgments in respect of the estimated contractual cash flows, in particular loans prepayment curve, by performing sensitivity and scenario analysis as well as performing benchmarking; - Reviewed the historical accuracy of management's estimate of the prepayment curve in previous periods, against actual prepayments; - Assessed the competence, capability and objectivity of the directors' external expert; and - Tested the clerical accuracy of the EIR models by reperforming the models' calculations independently, and also performed substantive analytical procedures on overall interest income.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF UK MORTGAGES LIMITED Continued

Key observations	Based on our audit work, we are satisfied that the key assumptions applied by the directors in the EIR application are appropriate and therefore the revenue is appropriately stated.

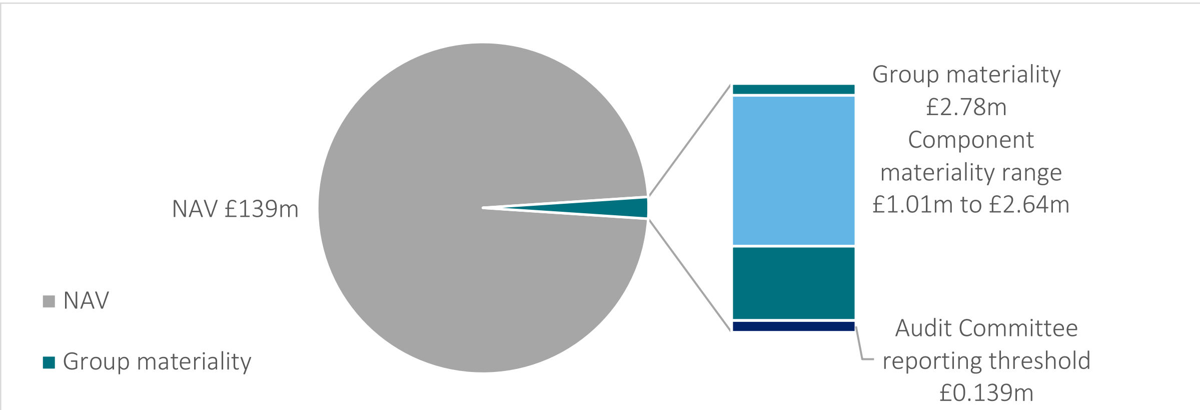
6. Our application of materiality

6.1. Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Group materiality	£2.78 million (2020: £4.38 million)
Basis for determining materiality	2% of net asset value (2020: 2% of the net asset value).
Rationale for the benchmark applied	We believe net asset value is the most appropriate benchmark as it is considered to be a principal consideration for shareholders of the group in assessing financial performance. The decrease in the group materiality between the current year and the prior year is due to the decrease in net asset value which was mainly due to share buyback transactions as well as dividends declarations.



6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF UK MORTGAGES LIMITED Continued

Group performance materiality was set at 70% of group materiality for the current year audit (30 June 2020: 70% of the group materiality). In determining performance materiality, we considered the following factors:

- Our risk assessment, including our assessment of the group's overall control environment and that we consider it appropriate to rely on controls on the loans origination business process; and
- Our past experience of the audit and developments in the control environment from prior year, which address the cause of misstatements identified in the prior period.

6.3. Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £139,000 (2020: £219,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

7.1. Identification and scoping

Our audit was scoped by obtaining an understanding of the group and its environment, including internal control, and assessing the risks of material misstatement for the parent company and its subsidiaries.

Audit work performed for the subsidiaries was executed by the group audit team at levels of materiality applicable to each subsidiary, which in all instances was lower than group materiality and ranged between £2.64 million and £1.01 million (30 June 2020: ranged between £4.16 million and £1.55 million). All subsidiaries in the group were subject to full scope audits.

7.2. Our consideration of the control environment

In assessing the control environment, we also considered the control environments of the key service providers, including the administrators and portfolio manager of the group, to whom the board have delegated certain functions for the parent company and its subsidiary entities. We took a control reliance approach on the loans origination business process by testing the operating effectiveness of the relevant controls performed by the service providers.

8. Other information

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

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

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF UK MORTGAGES LIMITED Continued

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

9. Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

10. Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

11. Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF UK MORTGAGES LIMITED Continued

11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the group's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management and the audit committee about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the group's documentation of their policies and procedures relating to:
    - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
    - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
    - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team and relevant internal specialists, including tax, modelling and analytics, valuations, hedging and industry specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following areas: Revenue recognition which is mentioned under section 5 of this report. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory frameworks that the group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the Listing Rules, Companies (Guernsey) Law, 2008 and relevant tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the group's ability to operate or to avoid a material penalty.

11.2. Audit response to risks identified

As a result of performing the above, we identified revenue recognition as key audit matters related to the potential risk of fraud. The key audit matters section of our report explains the matters in more detail and also describes the specific procedures we performed in response to those key audit matters.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF UK MORTGAGES LIMITED Continued

Our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management and the audit committee concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance and reviewing correspondence with regulators; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

12. Corporate Governance Statement

Given the directors voluntarily applied the requirements of the UK Corporate Governance Code, we are required to review the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the group’s compliance with the provisions of the Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- the directors’ statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 25;
- the directors’ explanation as to its assessment of the group’s prospects, the period this assessment covers and why the period is appropriate set out on page 36;
- the directors' statement on fair, balanced and understandable set out on page 29;
- the board’s confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 33;
- the section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 33; and
- the section describing the work of the audit committee set out on page 43.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF UK MORTGAGES LIMITED Continued

13. Matters on which we are required to report by exception

13.1. Adequacy of explanations received and accounting records

Under the Companies (Guernsey) Law, 2008 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- proper accounting records have not been kept by the parent company; or
- the financial statements are not in agreement with the accounting records.

We have nothing to report in respect of these matters.

14. Use of our report

This report is made solely to the company's members, as a body, in accordance with Section 262 of the Companies (Guernsey) Law, 2008. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

David Becker (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Recognised Auditor
St. Peter Port, Guernsey
28 October 2021

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 30 June 2021

	Notes	For the year from 01.07.2020 to 30.06.2021 £	For the year from 01.07.2019 to 30.06.2020 £
Income			
Interest income on mortgage loans	7	51,329,373	47,611,908
Interest income on cash and cash equivalents		-	224,439
Net (loss)/gain from derivative financial instruments	9	(5,341,255)	430,440
Total income		45,988,118	48,266,787
Interest expense on loan notes	13	10,491,141	13,799,827
Net interest expense on financial liabilities at fair value through profit and loss	9	9,475,248	4,078,557
Interest expense on borrowings	14	5,580,011	7,171,939
Loss on disposals		4,278,053	-
Loan note issue fees and borrowing costs amortised	13 & 14	3,759,451	3,326,446
Trail fees		3,862,870	2,624,259
Mortgage loans servicing fees	17	3,436,648	3,455,141
Amortisation of discount on loan notes	13	1,641,628	752,837
Legal and professional fees		1,315,070	904,437
Portfolio management fees	17	925,685	1,022,296
General expenses		893,692	847,187
Mortgage loan write offs	7	692,353	1,543,544
Audit fees		461,982	310,000
Financing costs	2	339,175	329,373
Administration and secretarial fees	17	241,122	259,050
Directors' fees	16	145,000	135,000
AIFM fees	17	86,758	95,845
Borrowings facility fees	14	63,240	93,519
Depositary fees	17	54,935	65,947
Custody fees	17	26,581	23,519
Expected credit loss (reversal)/provision	7	(650,224)	1,195,954
Total expenses		47,120,419	42,034,677
Total comprehensive (loss)/income for the year		(1,132,301)	6,232,110
(Loss) / income per ordinary share - basic & diluted	4	(0.005)	0.023

All items in the above statement derive from continuing operations. There is no other comprehensive income during the year.

The notes on pages 64 to 102 form an integral part of these Audited Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 30 June 2021

		30.06.2021	30.06.2020
Assets	**Notes**	**£**	**£**
Non-current assets			
Mortgage loans	7	1,259,714,892	1,619,485,743
Reserve fund	8	20,329,566	6,683,000
Total non-current assets		1,280,044,458	1,626,168,743
Current assets			
Mortgage loans	7	19,171,216	19,466,645
Reserve fund	8	2,500,000	13,521,519
Trade and other receivables	10	6,888,739	4,260,753
Cash and cash equivalents	11	65,650,168	37,905,366
Total current assets		94,210,123	75,154,283
Total assets		1,374,254,581	1,701,323,026
Liabilities			
Non-current liabilities			
Borrowings	14	125,278,599	604,296,701
Loan notes	13	890,356,122	848,876,889
Total non-current liabilities		1,015,634,721	1,453,173,590
Current liabilities			
Borrowings	14	208,495,772	-
Financial liabilities at fair value through profit and loss	9	2,673,560	21,477,899
Trade and other payables	12	8,358,566	6,594,574
Total current liabilities		219,527,898	28,072,473
Total liabilities		1,235,162,619	1,481,246,063
Net assets		139,091,962	220,076,963
Equity			
Share capital account		196,937,773	264,749,999
Other reserves		(57,845,811)	(44,673,036)
Total equity		139,091,962	220,076,963
Ordinary shares in issue		178,799,556	273,065,390
Net Asset Value per ordinary share	5	0.7779	0.8059

UK Mortgages Limited is a closed-ended investment company incorporated in Guernsey with registration number 60440.

The Audited Consolidated Financial Statements on pages 60 to 102 were approved and authorised for issue by the Board of Directors on 28 October 2021 and signed on its behalf by:

Christopher Waldron
Director

Paul Le Page
Director

The notes on pages 64 to 102 form an integral part of these Audited Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 30 June 2021

	Notes	Share capital account £	Other reserves £	Total equity £
Balance at 30 June 2020		264,749,999	(44,673,036)	220,076,963
Share buybacks	15	(67,812,226)	-	(67,812,226)
Dividends paid	22	-	(12,040,474)	(12,040,474)
Total comprehensive loss for the year		-	(1,132,301)	(1,132,301)
Balance at 30 June 2021		196,937,773	(57,845,811)	139,091,962

	Note	Share capital account £	Other reserves £	Total equity £
Balance at 30 June 2019		264,749,999	(40,665,194)	224,084,805
Dividends paid	22	-	(10,239,952)	(10,239,952)
Total comprehensive income for the year		-	6,232,110	6,232,110
Balance at 30 June 2020		264,749,999	(44,673,036)	220,076,963

The notes on pages 64 to 102 form an integral part of these Audited Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 30 June 2021

	Notes	For the year from 01.07.2020 to 30.06.2021 £	For the year from 01.07.2019 to 30.06.2020 £
Cash flows from operating activities			
Total comprehensive (loss)/income for the year		(1,132,301)	6,232,110
Adjustments for:			
Loss on disposal		4,278,053	-
Amortised mortgage acquisition fees released	7	181,517	130,580
Expected credit loss (reversal)/provision	7	(650,224)	1,195,954
Mortgage loan write offs	7	692,353	1,543,544
Net loss/(gain) from derivative financial instruments		5,341,255	(430,440)
Interest on derivative financial instruments	9	(423,623)	534,221
Amortisation adjustment under effective interest rate method		(7,488,472)	(5,227,777)
Loan note issue fees amortised	13	2,190,588	1,768,885
Borrowings issue fees amortised		1,568,863	1,437,561
Amortisation of discount on loan notes		1,641,628	752,836
Capitalised interest		(2,026,567)	-
Purchase of mortgage loans	7	(284,351,787)	(474,740,452)
Mortgage loans repaid	7	151,288,886	175,465,726
Sale of mortgage loans		480,940,662	-
Settlement on termination of derivative financial instruments		(5,568,000)	-
Increase in reserve fund	8	(2,625,047)	(2,500,000)
Increase in trade and other payables		1,763,992	1,943,005
(Increase)/ decrease in trade and other receivables		(3,580,098)	570,509
Net cash inflow/(outflow) from operating activities		342,041,678	(291,323,738)
Cash flows from financing activities			
Proceeds from borrowings		231,572,969	401,000,000
Repayment of borrowings		(502,778,738)	(24,926,647)
Paid issuance fees for borrowings		(885,424)	(1,498,018)
Paid issuance fees for loan notes		(4,700,847)	-
Proceeds from issue of loan notes		818,137,043	-
Repayments of loan notes	13	(775,789,179)	(86,627,803)
Share buybacks		(67,812,226)	-
Dividends paid	22	(12,040,474)	(10,239,952)
Net cash (outflow)/inflow from financing activities		(314,296,876)	277,707,580
Increase/ (decrease) in cash and cash equivalents		27,744,802	(13,616,158)
Cash and cash equivalents at beginning of year		37,905,366	51,521,524
Cash and cash equivalents at end of year		65,650,168	37,905,366

The notes on pages 64 to 102 form an integral part of these Audited Consolidated Financial Statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2021

1. General Information

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 listed with the UK Listing Authority and admitted to trading on the Specialist Fund Segment of the London Stock Exchange on 7 July 2015.

These Consolidated Financial Statements comprise the financial statements of UK Mortgages Limited, UK Mortgages Corporate Funding Designated Activity Company, Malt Hill No.1 Plc (dissolved on 27 May 2021), Malt Hill No. 2 Plc, Oat Hill No.1 Plc (dissolved 28 August 2020), Oat Hill No.2 Plc (incorporated 25 February 2020), Barley Hill No.1 Plc (incorporated 18 February 2019), Hops Hill No.1 Limited (incorporated 24 September 2020), and the Warehouse SPVs; Cornhill Mortgages No.2 Limited (dissolved on 27 February 2020), Cornhill Mortgages No. 4 Limited (incorporated 7 August 2018), Cornhill Mortgages No. 5 Limited (incorporated 24 May 2019), Cornhill Mortgages No. 6 Limited (dissolved 25 February 2021), Cornhill Mortgages No. 7 Limited (incorporated 24 March 2020) as at 30 June 2021, together referred to as the "Company". The Warehousing SPVs are placed into liquidation upon the transfer of the mortgage loans to the Issuer SPVs, and are treated on a consolidated basis for as long as control is held for the purpose of the Audited Consolidated Financial Statements.

The Company had previously included the financial statements for Cornhill Mortgages No.1 Limited, Cornhill Mortgages No.3 Limited, Cornhill Mortgages No. 2 Limited and Malt Hill No. 1 Plc in its Audited Consolidated Financial Statements. Cornhill Mortgages No.1 Limited was fully dissolved on 19 January 2018, Cornhill Mortgages No.3 Limited was fully dissolved on 15 August 2018, Cornhill Mortgages No. 2 Limited was fully dissolved on 27 February 2020 and Malt Hill No. 1 Plc was fully dissolved on 7 January 2020.

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

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

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

2. Accounting Policies

a) Statement of compliance

The Audited Consolidated Financial Statements have been prepared under the historic cost convention as modified by financial instruments recognised at fair value and in accordance with IFRS which comprise standards and interpretations approved by the International Accounting Standards Board, and interpretations issued by the International Financial Reporting Standards Interpretations Committee as approved by the International Accounting Standards Committee which remain in effect and are in compliance with the Companies (Guernsey) Law, 2008.

2. **Accounting Policies (continued)**

b) Going concern

The Company implemented an additional shareholder protection at an EGM held on 4 December 2020 that requires the directors to implement a managed wind down consultation with its shareholders if the Company share price is not trading at or above the most recently published NAV in the 20 business days prior to the second anniversary of the EGM on 4 December 2022. Whilst the date of any potential managed wind down is more than 12 months away and the form of any wind down plan has not been agreed with shareholders, the directors have modelled the Company's portfolio in a managed wind down stress scenario that simulates the impact of surging levels of arrears and elevated financing costs to assess the Viability of the Company's business model. Even if a wind down was to be triggered, the viability cash flow model demonstrates that the Company could continue to finance its operations whilst winding down over a period to May 2024. The Board have concluded that the Company will continue in operation for at least the next 12 months based on the Viability cash-flow model and the following additional evidence:

- The Company has reduced its dividend financing requirement and improved its dividend cover by repurchasing 1/3 of its issued share capital and refocusing its portfolio to lend to high net interest margin professional landlords. This should release further capital for re-investment, increased dividends or share repurchases to reduce the discount to NAV following the renewal of the Company's authority at the AGM.

- The Company's Strategic review conducted in the final quarter of 2020 has been well received, evidenced by a reduction in the Company's share price discount to NAV to 6.93% as at 30 June 2021. Although this has since closed to approximately 9%, it is below the 10.4% level in June 2019 prior to the COVID-19 pandemic.

- The Company's Hops Hill No.1 securitisation in January 2021 was heavily oversubscribed emphasising the attractiveness of the Company's portfolio to both income investors and trade buyers.

- Securitisation spreads have tightened further during the year giving the Board confidence that demand for the Company's assets has increased.

- The Company's administrator, portfolio manager and service providers have demonstrated robust COVID-19 remote working protocols and are capable of sustaining operations in the event of future lock-downs.

- The trigger date for the start of a managed wind down discussion with shareholders would be first business day following the second anniversary of the Company's EGM on Monday 5 December 2022. This date is more than one year away. Even if a wind down was to be implemented, our viability cash flow model demonstrates that the Company could continue to finance its operations whilst winding down over a three-year period.

The directors also believe, based on the above evidence that the Company should be able to re-finance or sell its mortgage portfolios as necessary including its Cornhill 5 warehouse facility which is due for repayment by the end of the first quarter of 2022 and is classified as a current liability.

2. Accounting Policies (continued)

b) Going concern

Going Concern Conclusion

At the December 2020 EGM it was noted that if the Company's shares are trading at a discount to NAV at the two year anniversary of the EGM, the directors intend to place the Company into a wind down, a process which would require further shareholder consultation and take at least three years, given the nature of the Company's investments. Whilst the directors are encouraged by recent improvements to returns generated from the sales of the Coventry portfolios and the successful Keystone originations, there is uncertainty over whether the shares will trade at a discount in December 2022. In line with accounting standards, the Directors are obliged to disclose that this uncertainty exists. These circumstances constitute a material uncertainty that may cast significant doubt over the Company's ability to continue as a going concern and the Company may be required to prepare future accounts on a basis other than going concern. This uncertainty does not compromise the ability of the Company to discharge its obligations over an extended period. Also, the directors consider that there is a reasonable prospect that the Company will continue to operate and therefore are content to prepare these accounts on a going concern basis.

c) Standards, amendments and interpretations effective during the year

At the reporting date of these Consolidated Financial Statements, the following standards, interpretations and amendments, were adopted for the year ended 30 June 2021:

LIBOR reform phase 1 (Effective 1 January 2020)

LIBOR reform phase 1 deals with the pre-replacement issues of replacing GBP LIBOR with the Sterling Overnight Index Average (SONIA). This has impacted the Company's application of hedge accounting. See note 9 for further details.

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

At the reporting date of these Consolidated Financial Statements, the following were standards, interpretations and amendments, which have not been applied in these Consolidated Financial Statements, which were in issue but not yet effective.

LIBOR reform phase 2 (Effective 1 January 2021)

LIBOR reform phase 2 finalises the response to the ongoing reform of inter-bank offered rates (IBOR) and other interest rate benchmarks. This will impact the Company's application of hedge accounting and the assets and liabilities and their related financial statement disclosures.

IFRS 17 Insurance Contracts (Effective 1 January 2023)

The Company expects that the adoption of IFRS 17 in the future period will not have an impact on the Company's Consolidated Financial Statements, as it does not hold any insurance contracts.

Definition of Accounting Estimates (Amendments to IAS 8) (Effective 1 January 2023)

The definition of a change in accounting estimates is replaced with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". A change in accounting estimate that results from new information or new developments is not the correction of an error. In addition, the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors. A change in an accounting estimate may affect only the current period's profit or loss, or the profit or loss of both the current period and future periods. The effect of the change relating to the current period is recognised as income or expense in the current period. The effect, if any, on future periods is recognised as income or expense in those future periods.

2. Accounting Policies (continued)

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

Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) (Effective 1 January 2023)
An entity is now required to disclose its material accounting policy information instead of its significant accounting policies. Explanation has been added regarding how an entity can identify material accounting policy information and to give examples of when accounting policy information is likely to be material. Accounting policy information may be material because of its nature, even if the related amounts are immaterial. Accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements. If an entity discloses immaterial accounting policy information, such information shall not obscure material accounting policy information.

The adoption of these new and amended standards did not impact the Company's financial statements with the exception of what we have noted above.

e) Consolidation
The Company has not been deemed an Investment Entity under the definitions of IFRS 10 'Consolidated Financial Statements' as the majority of the Company's investments are measured at amortised cost rather than fair value and these Consolidated Financial Statements are therefore prepared on a consolidated basis.

Subsidiaries are all entities (including structured entities) over which the Company has control. The Company controls an entity when the Company has power over the entity, 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 (for accounting purposes) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Continued
for the year ended 30 June 2021

2. Accounting Policies (continued)
e) Consolidation (continued)
The following table outlines the consolidated entities. All subsidiaries are 100% held.

Subsidiaries	Date of Control	Country of Incorporation	Principal Place of Business	Originator	Date of Dissolution
UK Mortgages Corporate Funding Designated Activity Company	19/11/2015	Ireland	Ireland		-
Cornhill Mortgages No.2 Limited	02/03/2016	UK	UK	The Mortgage Lender	27/02/2020
Malt Hill No.1 Plc	02/06/2016	UK	UK	Coventry Building Society	07/01/2020
Oat Hill No.1 Plc *	23/06/2017	UK	UK	Capital Home Loans	28/08/2020
Malt Hill No.2 Plc *	28/06/2018	UK	UK	Coventry Building Society	-
Cornhill Mortgages No.4 Limited *	07/08/2018	UK	UK	Keystone Property Finance	-
Barley Hill No.1 Plc	18/02/2019	UK	UK	The Mortgage Lender	-
Cornhill Mortgages No.5 Limited	24/05/2019	UK	UK	The Mortgage Lender	-
Cornhill Mortgages No.6 Limited *	18/03/2019	UK	UK	Coventry Building Society	25/02/2021
Oat Hill No.2 Plc	25/02/2020	UK	UK	Capital Home Loans	-
Cornhill Mortgages No.7 Limited	24/03/2020	UK	UK	Keystone Property Finance	-
Hops Hill No.1 Limited	24/09/2020	UK	UK	Keystone Property Finance	-

* Malt Hill No. 2 Plc, Cornhill Mortgages No. 4 Limited, Cornhill Mortgages No. 6 Limited and Oat Hill No. 1 Plc fully repaid their borrowings and hence ceased to be under the Company control at the date of the borrowings repayments.

Based on control, the results of the Acquiring Entity, the Issuer SPVs (Malt Hill No.1 Plc (dissolved on 27 May 2021), Malt Hill No. 2 Plc, Oat Hill No.1 Plc (dissolved 28 August 2020), Oat Hill No.2 Plc (incorporated 25 February 2020), Barley Hill No.1 Plc (incorporated 18 February 2019), Hops Hill No.1 Limited (incorporated 24 September 2020)) and the Warehouse SPVs Cornhill Mortgages No.2 Limited (dissolved on 27 February 2020), Cornhill Mortgages No. 4 Limited (incorporated 7 August 2018), Cornhill Mortgages No. 5 Limited (incorporated 24 May 2019), Cornhill Mortgages No. 6 Limited (dissolved 25 February 2021), Cornhill Mortgages No. 7 Limited (incorporated 24 March 2020) are consolidated into the Consolidated Financial Statements up to the point that the Company no longer has control.

Inter-company transactions, notes, balances and unrealised gains/losses on transactions between group companies are eliminated on consolidation. When necessary, amounts reported by subsidiaries have been adjusted to conform to the Company's accounting policies. During the year, no such adjustments have been made given all subsidiaries have uniform accounting policies.

f) Financial Assets
Classification and measurement
Two criteria are used to determine how financial assets should be classified and measured: (a) the entity's business model (i.e. how an entity manages its financial assets in order to generate cash flows by collecting contractual cash flows, selling financial assets or both); and (b) the contractual cash flow characteristics of the financial asset (i.e. whether the contractual cash flows are solely payments of principal and interest).

2. Accounting Policies (continued)

f) Financial Assets (continued)

Classification and measurement (continued)

There are three principal classification categories for financial assets which must be designated at initial recognition. Financial assets are measured at fair value through profit or loss ("FVTPL"), fair value through other comprehensive income ("FVOCI") or amortised cost based on the nature of the cash flows of the assets and an entity's business model.

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

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

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

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

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

Financial assets have been classified into two categories: financial assets at fair value through profit and loss, and financial assets at amortised cost.

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

Financial assets are included in current assets, except for maturities greater than 12 months after the end of the reporting period, which are classified as non-current assets. Accrued interest includes amortisation of transaction costs deferred at initial recognition and any premium or discount to maturity using the effective interest method.

Business model assessment

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

The Company intends to hold mortgage portfolios to maturity and therefore to generate income in accordance with the investment mandate.

2. Accounting Policies (continued)

f) Financial Assets (continued)

Business Model assessment (continued)

The information that was considered included:

- The stated policies and objectives for each portfolio and the operation of those policies in practice, including whether the strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of assets;
- How the performance of the portfolio is evaluated and reported to the Portfolio Manager; and
- The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed.

Assessments whether contractual cash flows are solely payments of principal and interest

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

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

- Contingent events that would change the amount and timing of cash flows;
- Leverage features;
- Prepayment and extension terms;
- Terms that limit the Company's claim to cash flows from specified assets e.g. non-recourse asset arrangements; and
- Features that modify consideration for the time value of money, e.g. periodic reset of interest rates.

Impairment

All mortgage loans are secured on residential property. Refer to note 18 for the value of the past due loans and their respective collateral value.

The measurement of expected credit losses will primarily be based on the product of the instrument's probability of default ("PD"), loss given default ("LGD"), and exposure at default ("EAD"), discounted to the reporting date.

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

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

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

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

2. Accounting Policies (continued)

f) Financial Assets (continued)

Impairment (continued)

The Company presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due.

For estimated credit loss provisioning, the Company considers that default has occurred when a financial asset is more than 3 months in arrears.

Write off policy

The Company writes off financial assets when it has exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery.

g) Recognition and de-recognition of financial assets and liabilities

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

Financial assets and liabilities are derecognised only when either the contractual rights to cash flows from the financial assets or liabilities expire or the transfer otherwise qualifies for de-recognition in accordance with IFRS 9.

Loan notes

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

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

Interest rate swaps

Financial assets or liabilities held at fair value through profit and loss include interest rate swaps, which are utilised by the Company 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 and hedge floating rate payments on issued loan notes.

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

The Directors designated the derivatives as a fair value hedge and applied hedge accounting from 1 July 2017.

Hedge accounting

The Company adopted hedge accounting from 1 July 2017 to reduce volatility in the Consolidated Statement of Comprehensive Income. All existing hedging relationships qualify as continuing hedging relationships.

The hedge accounting requirements of IFRS 9 are designed to create a stronger link with financial risk management. However, this does not cover macro hedge accounting. Pending development of the IASB's proposals for dynamic risk management covering this area, to be considered in a separate accounting standard, IFRS 9 allows the option to continue to apply the existing hedge accounting requirements of IAS 39. Accordingly, the Company continues to apply IAS 39 requirements for the hedge accounting.

2. Accounting Policies (continued)

h) Financial assets or liabilities held at fair value through the profit and loss (continued)

Hedge Accounting (continued)

The Company uses derivatives only for interest rate risk management purposes. It does not use derivatives for trading purposes. All derivatives entered into by the Company are to provide an economic hedge of the exposure to changes in fair value of a recognised asset or liability (such as fixed rate mortgages) and could affect profit or loss. All hedge relationships designated by the Company are therefore classified as fair value hedges.

To qualify for hedge accounting, the hedge relationship must be formally designated and documented. Additionally, there must be an expectation that the hedging instrument will be highly effective in offsetting the changes in the fair value of the hedged item. Effectiveness must then be assessed on an ongoing basis over the life of the hedge relationship. On each reporting date, both retrospective and prospective analyses are performed to assess the effectiveness of the hedging relationship.

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into, and are subsequently remeasured at their fair value. Fair values of derivative financial instruments are calculated by discounted cash flow models using yield curves and counterparty credit risk assumptions that are based on observable market data. All derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative. Changes in the fair value of derivatives are recognised immediately in the Consolidated Statement of Comprehensive Income.

If a hedging relationship is designated at a point where the fair value of the hedged item is not nil, an additional adjustment (known as a "pull to par" adjustment) is typically required to ensure that the fair value hedge adjustment fully reverses over the remaining life of the hedged item.

If the hedging derivative expires or is sold, terminated, or exercised, or the hedge no longer meets the criteria for fair value hedge accounting, or the hedge designation is revoked, hedge accounting is discontinued prospectively. If the underlying hedged asset is sold or repaid, the unamortised fair value adjustment is immediately recognised in the Consolidated Statement of Comprehensive Income. A summary of the effects of hedging and the associated fair value adjustments can be found in note 9.

i) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the 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.

j) Interest income and interest expense

Interest income on mortgage loans is recorded using the effective interest rate method. Interest income and expense on derivative financial instruments is based on the net settlement of the periodic interest using contracted notional principals and the relevant interest rates. Interest income also includes income from cash and cash equivalents. Interest expense on borrowings and loan notes are recorded using the effective interest rate method.

2. Accounting Policies (continued)

k) 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 the Consolidated Statement of Financial Position.

l) Reserve funds

Reserve funds includes all cash held with banks with maturities of over three months. This cash is held on reserve with depositories and is not readily available to the Company and may only be used in accordance with the Issue and Programme Documentation for related securitisations. This is the reason it is considered restricted cash in the Consolidated Statement of Cash Flows.

m) 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 Consolidated Statement of Comprehensive Income and amortised over the period of the borrowing facility using the effective interest method.

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

n) 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.

o) Other reserves

Other reserves consist of dividends paid and cumulative comprehensive gain or loss since establishment.

p) Transaction costs

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

Transaction costs on mortgage loans are amortised over the average life of the mortgage portfolio. Given they are considered transaction costs for the related borrowings and loan notes respectively issuer costs on the set up of the warehousing and issuer entities will be capitalised and amortised over the expected life of the warehousing phase or securitisation, as appropriate.

q) Expenses

All other expenses are included in the Consolidated Statement of Comprehensive Income on an accruals basis. As part of the Company's commercial agreements, the purchase price of the loans includes an upfront origination premium paid at the time of acquisition, which is part of the effective interest rate, and a performance related trail fee that is paid over the life of the mortgage.

r) Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses.

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 Portfolio Manager.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Continued
for the year ended 30 June 2021

2. Accounting Policies (continued)

r) Segment reporting (continued)

The Directors are of the opinion that the Company is engaged in two segments of business, being Buy to Let and Owner Occupied Mortgage portfolios, secured against UK residential property. This has been subdivided into Forward Flow and Purchased. The Directors manage the business in this way.

In order to determine the operating segments, the following factors have been considered by the Directors:

- The information sent to the Board of Directors; and
- Whether the level of the organisation viewed makes sense as operating segments in the context of the core principles/business activities.

The Directors will continue to monitor financial information for each segment and will ensure this financial information is considered when decisions of how to allocate the resources of the Company are being made.

s) Taxation

The Company is a tax-exempt Guernsey limited company. Please refer to note 6 for additional information.

t) 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 ECL using simplified approach.

u) Trade and other payables

Trade and other payables are obligations to pay for services that have been acquired in the ordinary course of business. Trade and other payables 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.

v) 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 declared by the Board.

3. Critical accounting judgements and estimates and assumptions

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 year. 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 years.

Estimates and judgements are regularly reviewed based on past experience, expectations of future events and other factors.

3. **Critical accounting judgements and estimates and assumptions (continued)**
The key areas where estimates are made are as follows:

Fair value of derivative financial instruments
Fair values are used in these financial statements for recognition and disclosure purposes and to assess impairment of the carrying value. 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 years due to market conditions or other factors. The only financial instruments included in the Company's Consolidated Statement of Financial Position that are measured at fair value are the interest rate swaps. Refer to note 18 for sensitivity analysis and note 21 for additional information.

Amortised cost and effective interest rate model assumptions
In determining the amortised cost of the mortgage portfolio loans using the effective interest rate method, the Portfolio Manager uses its judgement at the outset of the acquisition of the portfolio in estimating the remaining life of the underlying mortgages, based on the same judgements used in determining the acquisition value of the portfolio. In doing so the Portfolio Manager uses cash flow models which include comparable assumptions on the likely macroeconomic environment factors, including interest rates, loan level and portfolio level attributes to derive prepayment rates. The estimated life of the mortgage portfolio, impacts the effective interest rate of the mortgage portfolio which in turn impacts the interest income recognised during the accounting period.

At 30 June 2021, if the future prepayment rate vectors assumed for each portfolio had been increased by a linear 25% with all other variables held constant, the Amortised Cost Valuation for Company would have been £1,620,152.88 higher. In contrast, if the future prepayment rate vectors assumed for each portfolio had been decreased by a linear 25% with all other variables held constant, the Amortised Cost Valuation for Company would have been £1,413,548.76 lower.

3. **Critical accounting judgements and estimates and assumptions (continued)**

The key areas where judgements are made are as follows:

Sale of underlying assets
The Board considers that the primary business model of the Company is to originate and purchase mortgage portfolios to produce income as detailed in the Strategic Report. Whilst two portfolio sales occurred during the financial year the Board considers that the Company's primary business objective is to collect contractual cash flows of principal and interest and continues to apply an amortised cost valuation policy in accordance with IFRS 9.

The Coventry portfolios have been disposed of during the year despite the business model of the Company being to buy and hold assets. The directors regarded the sale of the portfolios as being unexpected transactions and accordingly these have not affected the business model of the Company. If an alternative judgement was taken by considering the sale of the portfolios being part of the normal business, the measurement basis of the mortgage assets would be changed to fair value rather than amortised cost. Refer to note 2(f) for further information on mortgage loans balance at amortised cost and the fair value of the mortgage loans.

4. **(Loss)/gain per Ordinary Share - basic and diluted**
The loss per Ordinary Share of £0.005 (30 June 2020: gain £0.023) - basic and diluted has been calculated based on the weighted average number of Ordinary Shares of 252,111,020 (30 June 2020: 273,065,390) and a net loss of £1,132,301 (30 June 2020: net gain £6,232,110).

5. **Net Asset Value per Ordinary Share**
The Net Asset Value of each share of £0.7779 (30 June 2020: £0.8059) is determined by dividing the net assets of the Company of £139,091,962 (30 June 2020: £220,076,963) by the number of shares in issue at 30 June 2021 of 178,799,556 (30 June 2020: 273,065,390).

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. The Acquiring Entity qualifies as a qualifying company within the meaning of Section 110 of the Irish Taxes Consolidation Act, 1997 ("TCA 1997") (as amended by subsequent Acts up to and including the Finance Act 2020).

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 of TCA 1997 subject to one important distinction, that being interest payments made by the Company on its PPN should be tax deductible.

UK based companies (Malt Hill No.1 Plc (until it was dissolved), Malt Hill No.2 Plc, Cornhill Mortgages No.1 Limited (until it was dissolved), Cornhill Mortgages No.2 Limited (until it was dissolved), Cornhill Mortgages No.3 Limited (until it was dissolved), Oat Hill No.1 Plc (until it was dissolved), Barley Hill No.1 Plc, Cornhill Mortgages No.4 Limited, Cornhill Mortgages No.5 Limited, Cornhill Mortgages No. 6 Limited, Oat Hill No.2 PLC, Hops Hill No.1 Limited and Cornhill Mortgages No. 7 Limited) should, in relation to any business they carried on in the year, be treated as being securitisation companies for the purposes of the United Kingdom's Taxation of Securitisation Companies Regulations 2006 '(SI2006/3296)'. Therefore these companies are not required to pay corporation tax on their accounting profit or loss and should only be liable for UK corporation tax on amounts that form part of their "retained profit" as specified in the transaction documentation. UK based companies Cornhill Mortgages No.1 Limited, Cornhill Mortgages No.2 Limited, Cornhill Mortgages No.3 Limited, Malt Hill No. 1 Plc and Oat Hill No. 1 Plc should not be liable for corporation tax in respect of the year as no business was carried on.

7. Mortgage loans

	For the year from 01.07.2020 to 30.06.2021 £	For the year from 01.07.2019 to 30.06.2020 £
Mortgage loans at start of the year	1,638,952,388	1,323,721,509
Mortgage loans purchased	284,351,787	474,740,452
Capitalised interest	2,026,567	-
Effective interest rate adjustment	(1,466,714)	5,227,777
Mortgage loans repaid	(151,288,886)	(175,465,726)
Sale of mortgage loans	(475,311,417)	-
Amortised mortgage acquisition fees released	(181,517)	(130,580)
Fair value adjustment for hedged risk*	(18,153,971)	13,598,454
Expected credit loss provision	650,224	(1,195,954)
Mortgage loan write offs	(692,353)	(1,543,544)
Mortgage loans at end of the year	1,278,886,108	1,638,952,388
Amounts falling due within one year	19,171,216	19,466,645
Amounts falling due after more than one year	1,259,714,892	1,619,485,743
	1,278,886,108	1,638,952,388

* Please refer to note 9 which explains how the fair value adjustment is calculated and note 18 sets out the liquidity and credit risk profile of the mortgage loans.

Mortgage loan write offs relates to mortgages that have been written off during the year while the expected credit loss provision relates to mortgages that are still outstanding.

	As at 30.06.2021 £	As at 30.06.2020 £
Non-current mortgage loans		
Mortgage loans	1,261,547,892	1,621,967,037
Impairment allowance	(1,833,000)	(2,481,294)
	1,259,714,892	1,619,485,743
Current mortgage loans		
Mortgage loans	19,199,112	19,496,471
Impairment allowance	(27,896)	(29,826)
	19,171,216	19,466,645

Mortgage loans at 30 June 2021 comprise of three securitised mortgage portfolios legally held in Hops Hill No. 1 Plc, Oat Hill No. 2 Plc and Barley Hill No. 1 Plc and two mortgage portfolios held with Cornhill Mortgages No. 5 Limited, Cornhill Mortgages No. 7 Limited. Please refer to the Portfolio of Investments for breakdown of portfolios on page 7.

During the year, the Company recognised £51,329,373 (2020: £47,611,908) of interest income on the mortgage loans.

8. Reserve funds

The reserve funds are held with Citibank N.A. London Branch. The Company is required to maintain this reserve for both the securitised entities, for which these funds may only be used in accordance with the Issue and Programme Documentation, and for the unsecuritised entities, as a contractual requirement for the senior debt facility. These funds are therefore not readily available to the Company. These are restricted and hence have not been included within cash and cash equivalent balance for the cash flow preparation purpose.

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

Derivative instruments

Malt Hill No.1 Plc / Cornhill Mortgages No. 6 Limited

On 3 November 2015, the Company entered into an Interest Rate Swap (under an ISDA agreement) at the point of the initial mortgage loan portfolio purchase to convert the fixed rate loan exposure back into 3 Month LIBOR. The notional value of the swap was balance guaranteed in order to track the principal balance of the mortgage loan portfolio and changes thereto quarterly in line with the movement in the mortgage loan portfolio. In May 2019, the Interest Rate Swap was novated to Cornhill Mortgages No. 6 Limited on the refinancing of Malt Hill No. 1 Plc. In February 2021, the portfolio was sold and then the related swap was terminated.

Cornhill Mortgages No.2 Limited / Barley Hill No. 1 Plc

On 7 July 2016, the Company entered into an Interest Rate Swap (under an ISDA agreement) to hedge the fixed rate loan exposure of the mortgages in the portfolio into 3 Month LIBOR. The notional value of the swap is balance guaranteed in order to track the new originations and the amortisation of the mortgage loan portfolio and changes on a monthly basis to reflect the principal balance of the portfolio. In April 2019, the Interest Rate Swap was novated to Barley Hill No. 1 Plc on the securitisation of the Cornhill Mortgages No. 2 Limited portfolio.

Malt Hill No.2 Plc

On 29 June 2018, the Company entered into an Interest Rate Swap (under an ISDA agreement) at the point of the initial mortgage loan portfolio purchase to convert the fixed rate loan exposure back into 3 Month LIBOR. The notional value of the swap was balance guaranteed in order to track the principal balance of the mortgage loan portfolio and changes thereto quarterly in line with the movement in the mortgage loan portfolio. In May 2021, the portfolio was sold and the related swap was terminated.

Cornhill Mortgages No. 4 Limited / Hops Hill No. 1 Plc

The Company has entered into a series of vanilla Interest Rate Swaps (under an ISDA agreement) to convert the fixed rate loan exposure into 3 Month LIBOR. Swaps are added on a regular basis, at varying maturities, in order to align with the fixed rate reset profile of new originations. After the period end, upon novation to Hops Hill No. 1 the reference rate on these swaps will be moved to SONIA. The Company has novated all the individual vanilla Interest Rate Swaps (under an ISDA agreement) from Cornhill No. 4 into a single amortising swap to convert the fixed rate loan exposure into Sonia. The amortising profile of the swaps are broadly aligned with the fixed rate reset profile of the underlying loan portfolio.

Cornhill Mortgages No. 5 Limited

The Company has entered into a series of vanilla Interest Rate Swaps (under an ISDA agreement) to convert the fixed rate loan exposure into 1 month LIBOR. Swaps are added on a regular basis, at varying maturities, in order to align with the fixed rate reset profile of new originations.

Cornhill Mortgages No. 7 Limited

The Company has entered into a series of vanilla Interest Rate Swaps (under an ISDA agreement) to convert the fixed rate loan exposure into Sonia. Swaps are added on a regular basis, at varying maturities, in order to align with the fixed rate reset profile of new originations.

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9. Financial liabilities held at fair value through profit and loss (continued)
Derivative instruments (continued)

The total net interest expense on financial liabilities at fair value through profit or loss settled during the year was £9,475,248 (30 June 2020: £4,078,557).

Notional and fair value balances:

	Cornhill Mortgages No. 6 Limited	Barley Hill No. 1 Plc	Malt Hill No. 2 Plc	Cornhill Mortgages No. 5 Limited	Cornhill Mortgages No. 7 Limited	Cornhill Mortgages No. 4 Limited / Hops Hill No.1 Limited	30.06.2021 Total
	£	£	£	£	£	£	£
Notional amount of Interest Rate Swap	-	58.5m	-	238.6m	106.8m	393.2m	797.1m
Fair value of Interest Rate Swap	-	(1,077,722)	-	(695,905)	(102,298)	(797,635)	(2,673,560)

	Cornhill Mortgages No. 6 Limited	Barley Hill No. 1 Plc	Malt Hill No. 2 Plc	Cornhill Mortgages No. 5 Limited	Cornhill Mortgages No. 7 Limited	Cornhill Mortgages No. 4 Limited	30.06.2020 Total
	£	£	£	£	£	£	£
Notional amount of Interest Rate Swap	152.3m	132.5m	339.9m	232.2m	-	248.3m	1,105.2m
Fair value of Interest Rate Swap	(1,561,269)	(2,386,002)	(9,144,159)	(2,706,838)	-	(5,679,631)	(21,477,899)

Net gain/(loss) from derivative financial instruments
On 1 July 2017, the Directors designated the Malt Hill No.1 Plc and Cornhill No.2 Limited derivatives as fair value hedges and applied hedge accounting from that date. The swaps on Malt Hill No. 1 and Cornhill No. 2 were subsequently novated into Cornhill No. 6 and Barley Hill No.1, respectively upon refinancing. Hedge accounting in relation to Malt Hill No.2 Plc derivative commenced on 1 July 2018. The vanilla swaps on Cornhill No. 4 (subsequently Hop Hill No. 1 Plc),Cornhill No. 5 Cornhill No. 7 were designated as fair value hedges since June 2019,June 2020 and June 2021, respectively. Additional vanilla swaps are added to each of the portfolios on an ongoing basis as the portfolios grow.

Interest income and expense on derivative financial instruments is based on the net settlement of the periodic interest using contracted notional principals and the relevant interest rates.

	Cornhill Mortgages No. 6 Limited	Barley Hill No. 1 Plc	Malt Hill No. 2 Plc	Cornhill Mortgages No. 5 Limited	Cornhill Mortgages No. 7 Limited	Cornhill Mortgages No. 4 Limited / Hops Hill No.1 Holdings Limited	30.06.2021 Total
	£	£	£	£	£	£	£
Movement on derivatives in designated fair value hedge relationships*	1,561,269	1,201,912	3,242,383	2,029,436	(95,221)	4,872,937	12,812,716
Adjustment to mortgage loans in fair value hedge relationship	(1,591,077)	(1,248,303)	(8,666,896)	(1,736,675)	187,915	(5,098,935)	(18,153,971)
Net ineffectiveness	(29,808)	(46,391)	(5,424,513)	292,761	92,694	(225,998)	(5,341,255)

	Cornhill Mortgages No. 6 Limited	Barley Hill No. 1 Plc	Malt Hill No. 2 Plc	Cornhill Mortgages No. 5 Limited	Cornhill Mortgages No. 7 Limited	Cornhill Mortgages No. 4 Limited	30.06.2020 Total
	£	£	£	£	£	£	£
Movement on derivatives in designated fair value hedge relationships	(941,224)	(445,455)	(4,020,255)	(2,706,837)	-	(5,054,243)	(13,168,014)
Adjustment to mortgage loans in fair value hedge relationship	2,416,507	256,072	4,345,241	2,106,768	-	4,473,866	13,598,454
Net ineffectiveness	1,475,283	(189,383)	324,986	(600,069)	-	(580,377)	430,440

*The movement on derivative financial instruments in designated fair value hedge relationships includes £110,595 of interest on derivative financial instruments.

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9. Financial liabilities held at fair value through profit and loss (continued)
Net gain/(loss) from derivative financial instruments (continued)

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

The net ineffectiveness is primarily due to timing differences in income recognition between derivative instruments and the hedged assets. The ineffectiveness on Malt Hill No.2 is due to the termination of hedging instrument and the portfolio. This gain or loss will trend to zero over time and this is taken into account by the Board when considering the Company's underlying performance.

10. Trade and other receivables

	As at 30.06.2021 £	As at 30.06.2020 £
Advanced payment on mortgage loans	4,731,754	-
Interest receivable on mortgage loans	1,762,172	3,563,076
Other receivables and prepayments	394,813	697,677
	6,888,739	4,260,753

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.

	As at 30.06.2021 £	As at 30.06.2020 £
Cash at bank	65,650,168	37,905,366
	65,650,168	37,905,366

12. Trade and other payables

	As at 30.06.2021 £	As at 30.06.2020 £
Interest due on loan notes and borrowings	5,751,760	3,940,655
Loan notes and borrowings issue fees payable	1,010,589	909,660
Portfolio management fees payable	678,307	444,763
Mortgage loans servicing fees payable	274,127	711,347
Legal and professional fees payable	244,752	219,668
Audit fees payable	163,438	115,357
General expenses payable	100,527	68,531
Administration and secretarial fees payable	99,751	105,507
AIFM fees payable	19,721	23,638
Depositary fees payable	11,462	16,263
Custody fees payable	4,132	5,435
Directors' fees payable	-	33,750
	8,358,566	6,594,574

13. Loan notes

The Barley Hill No. 1 Plc, Oat Hill No.2 Plc and Hops Hill No. 1 Plc (30 June 2020: Barley Hill No. 1 Plc, Oat Hill No.1 Plc, Malt Hill No. 2 Plc) mortgage portfolio acquisitions are partially financed by the issue of notes. The notes are repaid as the underlying mortgage loans repay. The terms and conditions of the notes provide that the note holders will receive interest and principal only to the extent that sufficient funds are generated from the underlying mortgage loans. The priority and amount of claims on the portfolio proceeds are determined in accordance with strict priority of payments. Note holders have no recourse to the Company in any form.

Oat Hill No.1 Plc completed the public sale of £477.1m of AAA-rated notes on 26 June 2017. The AAA notes were issued with a coupon of 3 month LIBOR plus 0.65% and a step up margin of 1.30% which was payable quarterly and was listed on the Irish Stock Exchange. In May 2020 the discount on the loan notes and issue costs were amortised. The step up margin costs were incurred for the period since 27 May 2020 until the transaction call date of 27 August 2020. The issue fees on loan notes will be amortised over the expected life of the loan notes, which is 3 years, being the period up to the call date. These loan notes were repaid as part of the re-securitisation of this portfolio in August 2020.

Oat Hill No. 2 Plc completed the public sale of £436m of publicly distributed notes across 4 rated classes on 10 July 2020. On a weighted average basis, the notes were issued with a coupon of SONIA plus 0.95%, which are payable monthly 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 period up to the call date. Loan notes have been classified as non-current based on their contractual obligations.

Malt Hill No. 2 Plc completed the public sale of £317.5m of AAA-rated notes on 27 June 2018. The AAA notes were issued with a coupon of 3 month LIBOR plus 0.75% which is payable quarterly and are listed on the Irish Stock Exchange. The issue fees on loan notes will be amortised over the expected life of the loan notes, which is 3 years, being the period up to the call date. These loan notes were fully repaid following the sale of the underlying portfolio.

13. Loan notes (continued)

Barley Hill No.1 PLC completed the public sale of £209.15m of senior notes on 8 April 2019. The securitisation is backed by a pool of owner-occupied mortgages originated by The Mortgage Lender ("TML") completed between October 2016 and 8 April 2019 and purchased on a forward flow basis. The transaction also contained a "Prefunding" feature which allowed for further purchases of future completions by TML up until the securitisation's first Interest Payment Date in August 2019. Due to the nature of the origination of the pool, which took place on a highly consistent basis over more than two years, the loans that were originated with a two-year fixed rate term are expected to pre-pay relatively quickly and therefore the notes were split into two tranches - £202.2m of Class A notes, rated Aaa/AAA by Moody's and DBRS, and £6.95m of Class B notes rated Aa1/AA (high) respectively. The Class A notes were issued with a coupon of 3m GBP LIBOR plus 1.10%, with a 2.24yr Weighted Average Life ("WAL") to the refinancing date in February 2022, and the Class B notes carry a coupon of 3m GBP LIBOR plus 1.60% with a 2.89yr WAL. Loan notes have been classified as non-current based on their contractual obligations.

Hops Hill No. 1 Plc completed the public sale of £388m of publicly distributed notes across four rated classes on 15 January 2021. On a weighted average basis, the notes were issued with a coupon of SONIA plus 108bps, which are payable monthly 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, being the period up to the first optional call date in May 2024. Loan notes have been classified as non-current based on their contractual obligations.

	For the year 30.06.2021	For the year 30.06.2020
	£	£
Loan notes at start of the year	848,876,889	932,982,970
Loan notes issued	824,000,000	-
Loan notes repaid	(775,789,179)	(86,627,803)
Discount on loan notes capitalised (non cash item)	(5,862,957)	-
Discount on loan notes to be amortised (non cash item)	1,641,628	752,837
Loan note issues fees incurred (cash item)	(4,700,847)	-
Loan note issue fees amortised (non cash item)	2,190,588	1,768,885
Loan notes at end of the year	890,356,122	848,876,889

Interest expense on loan notes for the year amounted to £10,491,141 (30 June 2020: £13,799,827). Any covenant breaches will be dealt with in line with the documentation for each facility. At 30 June 2021 and 2020, there were no breaches identified.

14. Borrowings

Cornhill Mortgages No.4 Limited agreed a borrowing facility of £200m from September 2018, with National Australia Bank Limited, with the facility size increased to £300m as part of amendments signed in March 2020. National Australia Bank Limited has permitted Cornhill Mortgages No.4 Limited to dynamically change the facility amount, which has resulted in no commitment fees being incurred to date on the facility. This facility had a repayment date of October 2022 but was repaid in full during the year on the refinancing of Hop Hill No.1 Plc.

Cornhill Mortgages No.5 Limited agreed a borrowing facility of £250m from August 2019, with Regency Assets Designated Activity Company, a bankruptcy remote asset backed commercial paper conduit sponsored by HSBC Bank plc. This facility is due for repayment by the end of the first quarter of 2022, and is classified as a current liability.

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14. Borrowings (continued)

Cornhill Mortgages No.6 Limited agreed a borrowing facility of £184m from May 2019, with Lloyds Bank Corporate Markets Plc. The total facility was utilised on day one. Cornhill Mortgages No.6 has fully repaid the total facility in February 2020 following the sale of the underlying mortgage asset portfolio.

Cornhill Mortgages No.7 Limited agreed a borrowing facility of £400m from April 2021 with Santander. This facility has a final maturity date of 25 March 2055 and is classified as a non-current liability.

The Company is subject to covenants, representations and warranties commonly associated with corporate bank debt and credit facilities. The Company was compliant with all covenants at the year end.

	For the year 30.06.2021	For the year 30.06.2020
	£	£
Borrowings at start of the year	604,296,701	228,283,804
Borrowings issued	231,572,969	401,000,000
Borrowings repaid	(502,778,738)	(24,926,646)
Borrowings issue fees incurred (cash item)	(885,424)	(1,618,018)
Borrowings issue fees amortised (non cash item)	1,568,863	1,557,561
Borrowings at end of the year	333,774,371	604,296,701

The facility fees of £63,240 (2020: £93,519) were expensed in the year. The interest expense charged on borrowings of £5,580,011 (2020: £7,171,939) were expensed in the year.

Any covenant breaches will be dealt with in line with the documentation for each facility. At 30 June 2021 and 2020, there were no breaches identified.

15. Share Capital

Authorised Share Capital

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 as 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 30 June 2021, 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 them.

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15. Share Capital (continued)
Issued Share Capital

	As at 30.06.2021	As at 30.06.2020
Ordinary shares	£	£
Share capital at the beginning of the year	264,749,999	264,749,999
Share buybacks	(67,812,226)	-
Total share capital at the end of the year	196,937,773	264,749,999

During September 2020, March 2021 June 2021, the Company purchased ordinary shares of £0.01 each in the capital of the company at prices per share as noted below in accordance with the company's share repurchase programme. These shares were cancelled upon settlement.

	Price per share	No. of shares
1 September 2020	£0.640	100,000
3 September 2020	£0.650	50,000
8 September 2020	£0.665	350,000
10 September 2020	£0.670	250,000
14 September 2020	£0.675	925,000
15 September 2020	£0.6775	1,600,000
16 September 2020	£0.680	4,390,000
17 September 2020	£0.680	2,311,920
18 September 2020	£0.680	1,735,000
21 September 2020	£0.680	18,123,000
22 September 2020	£0.680	11,097,582
26 March 2021	£0.750	26,666,666
24 June 2021	£0.750	26,666,666
		94,265,834

The total number of shares outstanding is shown in the table below.

	As at 30.06.2021	As at 30.06.2020
Ordinary shares	shares	shares
Shares at the beginning of the year	273,065,390	273,065,390
Shares redeemed	(94,265,834)	-
Total shares in issue at the end of the year	178,799,556	273,065,390

16. Related Parties

a) Directors' Remuneration and 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 per annum.

The annual Directors' fees, effective from 1 January 2021, comprise £45,000 (30 June 2020: £40,000) payable to Mr Waldron, the Chairman, £40,000 (30 June 2020: £35,000) to Mr Le Page as Chairman of the Audit Committee, and £35,000 (30 June 2020: £30,000) each to Mrs Green and Mr Burrows. During the year ended 30 June 2021, Directors' fees of £145,000 were charged to the Company (30 June 2020: £135,000), of which £nil remained payable at the end of the year (30 June 2020: £33,750).

b) Shares held by related parties

As at 30 June, Directors of the Company held the following shares in the Company beneficially:-

	Number of Shares 30.06.2021	Number of Shares 30.06.2020
Christopher Waldron	80,000	80,000
Richard Burrows	5,000	5,000
Paul Le Page	67,800	112,800
Helen Green	21,250	21,250

As at 30 June 2021, the Portfolio Manager held Nil shares (30 June 2020: Nil) and partners and employees of the Portfolio Manager held 6,913,067 shares (30 June 2020: 6,719,088), which is 3.87% of the issued share capital (30 June 2020: 2.461%).

c) Group entities

The Company's subsidiaries are as disclosed under note 2.

17. Material Agreements

a) Alternative Investment Fund Manager

The Company's Alternative Investment Fund Manager (the "AIFM") is Maitland Institutional Services Limited (formerly 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 year ended 30 June 2021, AIFM fees of £86,758 (30 June 2020: £95,845) were charged to the Company, of which £19,721 (30 June 2020: £23,638) remained payable at the end of the year.

b) Administrator and Secretary

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

In addition, an annual fee of £60,500 will be charged for corporate governance and company secretarial services and accounting services. Total administration and secretarial fees for the year amounted to £241,122 (30 June 2020: £259,050) of which £99,751 (30 June 2020: £105,507) remained payable at the year end.

c) Depositary and Custodian

Depositary fees are payable to Northern Trust (Guernsey) Limited, monthly in arrears, at a rate of 0.03% of the NAV of the Company as at the last business day of the month subject to a minimum £40,000 per annum. Total depositary fees and charges for the year amounted to £54,935 (30 June 2020: £65,947) of which £11,462 (30 June 2020: £16,263) remained payable at the year end.

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

The Depositary is also entitled to a custody fee at a rate of 0.01% of the NAV of the Company as at the last business day of the month subject to a minimum of £8,500 per annum. These NAV based fees commenced from 19 November 2015 being the date Company acquired its initial investment. Total custody fees for the year amounted to £26,581 (30 June 2020: £23,519) of which £4,132 (30 June 2020: £5,435) remained payable at the year end.

d) Portfolio Manager

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

Total portfolio management fees for the year amounted to £925,685 (30 June 2020: £1,022,296) of which £678,307 (30 June 2020: £444,763) remained payable at the year 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 is entitled to immediately terminate the agreement in writing.

17. Material Agreements (continued)

e) Servicers

Servicing fees are payable to the Servicer of the mortgage loan portfolios. Standard servicing fees are in the region of 0.20% of the outstanding balance of the loans in the pool plus an additional fee for loans in arrears. On a consolidated basis, total servicing fees payable during the year were £3,436,648 (30 June 2020: £3,455,141) of which £274,127 (30 June 2020: £711,347) remained payable at year end.

18. Financial Risk Management

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

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

Market risk

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

1.1 Interest rate risk: Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. The current underlying mortgage portfolios are payable on fixed and floating rates, meaning the current exposure to interest rate fluctuations on the portfolios are limited. However, floating rate interest is payable on the loan notes. Where the mortgage portfolios are payable on fixed rates, interest is hedged using swaps. Interest on all liabilities is payable on floating rates. 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 securitisation, these swaps were novated to the relevant Issuer SPV.

18. Financial Risk Management (continued)

Market risk (continued)

On 1 July 2017, the Directors designated the derivatives as a fair value hedge and began hedge accounting from that date therefore hedging the interest risk exposure on the fixed rate mortgages shown in the table below. Refer to note 9 for further details.

The below table shows exposure to interest rate risk if the portfolio was unhedged.

	Floating rate £	Fixed rate £	Non interest bearing £	Total as at 30.06.2021 £
Assets				
Mortgage loans	531,046,622	773,071,822	(25,232,336)	1,278,886,108
Reserve fund	22,829,566	-	-	22,829,566
Trade and other receivables	-	-	6,888,739	6,888,739
Cash and cash equivalents	65,650,168	-	-	65,650,168
Total assets	619,526,356	773,071,822	(18,343,597)	1,374,254,581
Liabilities				
Financial liabilities at fair value through profit and loss *	797,132,663	(797,132,663)	-	-
Trade and other payables	-	-	(8,358,566)	(8,358,566)
Borrowings (note 14)	(334,495,774)	-	721,403	(333,774,371)
Loan notes (note 13)	(898,862,902)	-	8,506,780	(890,356,122)
	(436,226,013)	(797,132,663)	869,617	(1,232,489,059)
Total interest sensitivity gap	183,300,343	(24,060,841)	(17,473,980)	141,765,522

	Floating rate Reclassed £	Fixed rate £	Non interest bearing £	Total as at 30.06.2020 £
Assets				
Mortgage loans	546,265,951	1,102,128,153	(9,441,716)	1,638,952,388
Reserve fund	20,204,519	-	-	20,204,519
Trade and other receivables	-	-	4,260,753	4,260,753
Cash and cash equivalents	37,905,366	-	-	37,905,366
Total assets	604,375,836	1,102,128,153	(5,180,963)	1,701,323,026
Liabilities				
Financial liabilities at fair value through profit and loss *	1,105,147,058	(1,105,147,058)	-	-
Trade and other payables	-	-	(6,594,574)	(6,594,574)
Borrowings	(605,701,543)	-	1,404,842	(604,296,701)
Loan notes (note 13)	(850,652,082)	-	1,775,193	(848,876,889)
	(351,206,567)	(1,105,147,058)	(3,414,539)	(1,459,768,164)
Total interest sensitivity gap	253,169,269	(3,018,905)	(8,595,502)	241,554,862

* Financial liabilities at fair value through profit and loss is shown as the notional amounts which represent the gross exposure to interest rate risk and not the fair value of £2,673,560 (2020: £21,477,899).

18. Financial Risk Management (continued)

Market risk (continued)

If interest rates had been 50 basis points higher and all other variables were held constant, the Company's total comprehensive gain for the year ended 30 June 2021 would have increased by approximately £916,502 (2020: £1,265,846) or 0.067% (2020: 0.074%) of total assets, due to an increase in the amount of interest receivable.

If interest rates had been 50 basis points lower and all other variables were held constant, the Company's total comprehensive gain for the year ended 30 June 2021 would have decreased by approximately £911,942 (2020: £1,259,549) or 0.066% (2020: 0.074%) of total assets, due to a decrease in the amount of interest receivable.

This 50 basis point is taken as it is the stresses rate change based on the recent movements of interest rates in the market.

The Company's exposure to interest rate risk on loans with fixed interest rates is protected by virtue of the fact that there are balance guarantee swaps and vanilla swaps in place to limit the exposure on the fixed rate interest rates. For the exposure in relation of floating interest rate risk, the Portfolio Manager is managing this by matching the asset exposures to the liabilities exposures using the interest rate swaps derivatives.

With the adoption of hedge accounting, the Company has reduced its exposure to interest rate risk as changes in the fair value of the interest rate swaps are offset by adjustments to the fair value of the mortgage loans. Consequently, there is no material movement in net assets of the Company arising from interest rate fluctuations.

1.2 Price risk: An active market does not exist in the underlying instruments based on the illiquidity of the mortgage loans, and for this reason the mortgage portfolios are 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 is valued on a fair value mark-to-market basis by the swap counterparty, using the observable information on swap rates. The difference in fair value of the interest rate swap and amortised cost valuation of the mortgage loans could lead to volatility in the Company's NAV, had hedge accounting not been adopted.

18. Financial Risk Management (continued)

Market risk (continued)

1.3 Currency risk: As at 30 June 2021 and 2020, the Company had no material exposure to foreign exchange fluctuations or changes in foreign currency interest rates. Consequently, there is no material movement in assets and liabilities arising from foreign exchange fluctuations.

Liquidity risk

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

During the warehousing phase, the Company's mortgage loans advanced are illiquid and may be difficult or impossible to realise for cash at short notice. At the year end, Cornhill Mortgages No. 5 Limited and Cornhill Mortgages No. 7 Limited portfolios were in the warehousing phase (June 2020: Cornhill Mortgages No. 4 Limited, Cornhill Mortgages No. 5 Limited and Cornhill Mortgages No. 6 Limited).

The Company manages its liquidity risk through short term and long term cash flow forecasts to ensure it is able to meet its obligations. In addition, the Company is permitted to borrow up to 20% of NAV for short term liquidity purposes, including financing share repurchases or redemptions, making investments or satisfying working capital requirements. This can be through a loan facility or other types of collateralised borrowing instruments including stock lending or repurchase transactions. The directors also believe, based on the above evidence that the Company should be able to re-finance or sell its mortgage portfolios as necessary including its Cornhill 5 warehouse facility which is due for repayment by the end of the first quarter of 2022 and is classified as a current liability.

The Company's funding providers are entitled to receive repayment of principal from principal funds generated by the mortgage loans, but their right to the repayment of principal is limited to the cash available in the relevant SPV. Similarly, payment of accrued interest to the funding providers is limited to cash generated within the relevant SPV. There is no requirement for any group company other than the issuing SPV to make principal or interest payments in respect of the loan notes or borrowings. This matching of the maturities of the assets and the related funding substantially reduces the Group's exposure to liquidity risk. Due to the contractual nature of the funding, the Directors do not consider there to be any difference between the Company's discounted and the undiscounted liquidity position in relation to the loan notes and borrowings.

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18. Financial Risk Management (continued)

Liquidity risk (continued)

The following liquidity analysis is based on contractual payment terms and maturity dates. Expected cash flows are expected to be different to these contractual cash flows.

	Less than one year £	More than one year £	More than five years £	Total as at 30.06.2021 £
Assets				
Mortgage loans	19,171,216	93,603,716	1,166,111,176	1,278,886,108
Reserve fund	2,500,000	-	20,329,566	22,829,566
Trade and other receivables	6,888,739	-	-	6,888,739
Cash and cash equivalents	65,650,168	-	-	65,650,168
Total assets	94,210,123	93,603,716	1,186,440,742	1,374,254,581
Liabilities				
Financial liabilities at fair value through profit and loss	2,673,560	-	-	2,673,560
Trade and other payables	8,358,566	-	-	8,358,566
Borrowings	208,495,772	-	125,278,599	333,774,371
Loan notes	-	-	890,356,122	890,356,122
Total liabilities	219,527,898	-	1,015,634,721	1,235,162,619

	Less than one year £	More than one year £	More than five years £	Total as at 30.06.2020 £
Assets				
Mortgage loans	19,466,645	104,896,456	1,514,589,287	1,638,952,388
Reserve fund	13,521,519	6,683,000	-	20,204,519
Trade and other receivables	4,260,753	-	-	4,260,753
Cash and cash equivalents	37,905,366	-	-	37,905,366
Total assets	75,154,283	111,579,456	1,514,589,287	1,701,323,026
Liabilities				
Financial liabilities at fair value through profit and loss	21,477,899	-	-	21,477,899
Trade and other payables	6,594,574	-	-	6,594,574
Borrowings	-	604,296,701	-	604,296,701
Loan notes	-	-	848,876,889	848,876,889
Total liabilities	28,072,473	604,296,701	848,876,889	1,481,246,063

18. 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 Company.

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

The Company also has credit risk to the counterparty with which the Warehouse or Issuer SPVs transact the derivative trades for hedging purposes, or to gain, increase or decrease exposure to mortgages. Default by any hedging counterparty in the performance of its obligations could subject the investments to unwanted credit risks. The Portfolio Manager manages the reduction of credit risk exposure to the derivative counterparty through ongoing credit analysis of the counterparty in addition to implementing clauses into derivative transactions whereby collateral is required to be posted upon a downgrade of the counterparty's credit rating. The current credit rating of the counterparty is A+ (per Standards and Poor). At year end, there is no such exposure in place as they are in a liability position.

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

The following table shows the maximum exposure to credit risk:

	As at 30.06.2021	**As at 30.06.2020**
	£	**£**
Mortgage loans	1,304,118,444	1,648,394,104
Reserve fund	22,829,566	20,204,519
Trade and other receivables	6,888,739	4,260,753
Cash and cash equivalents	65,650,168	37,905,366
	1,399,486,917	1,710,764,742

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18. Financial Risk Management (continued)

Credit risk (continued)

Mortgage loans written off during the year amounted to £692,353 (2020: £1,543,544), with an expected reversal of the credit loss provision of £650,224 (June 2020: additions to the credit loss provision of£1,195,954). In order to give an indication of credit quality the below table, shown as book value, is the current indexed loan to value ratio:

	As at 30.06.2021	As at 30.06.2020
Loan to value	£	£
0-49%	163,560,746	211,966,217
50-75%	690,857,506	954,101,240
75-100%+	449,700,192	482,326,647
	1,304,118,444	1,648,394,104

The value of the loans past due but not yet impaired and their respective collateral value at the year-end are shown in the table below. In accordance with the Company's policy, the credit impaired loans amounted £13,798,095 as at 30 June 2021 (2020: £7,445,962) with underlying collateral value of £23,016,591 (2020: £14,093,217).

	Book value		Collateral value	
	As at 30.06.2021	As at 30.06.2020	As at 30.06.2021	As at 30.06.2020
	£	£	£	£
>1 month but <2 months	7,828,767	3,216,112	13,655,770	4,795,785
>2 months but <3 months	3,013,467	4,801,137	5,556,518	7,063,327
>3 months but <6 months	5,836,230	3,525,284	9,604,045	6,728,027
>6 months	7,961,864	3,920,678	13,412,546	7,365,190
	24,640,328	15,463,211	42,228,879	25,952,329

The table below discloses the maximum exposure to credit risk at 30 June 2021 of mortgage loans with exposure to credit risk, the transfers between ECL levels in the year ended 30 June 2021, and the allowance for ECL allowance for each stage at 30 June 2021. Refer to note 2(f) for further information regarding the measurement of credit loss allowances according to a three-stage expected credit loss impairment model.

	Principal balance Mortgage Loans ECL Stage 1	Principal balance Mortgage Loans ECL Stage 2	Principal balance Mortgage Loans ECL Stage 3	Principal balance Total
	£	£	£	£
Principal balance at 1 July 2020	1,625,843,619	15,104,524	7,445,962	1,648,394,105
Increase due to new loans purchased	280,409,534	-	-	280,409,534
Transfers to Stage 1	9,141,184	(8,209,014)	(932,170)	-
Transfers to Stage 2	(9,385,931)	9,650,610	(264,679)	-
Transfers to Stage 3	(8,263,700)	(2,940,363)	11,204,063	-
Decrease in mortgage loans	(618,098,004)	(2,730,356)	(3,180,942)	(624,009,302)
Mortgage loans written off during the year	(168,586)	(33,167)	(474,140)	(675,893)
Principal balance at 30 June 2021	1,279,478,116	10,842,234	13,798,094	1,304,118,444

18. Financial Risk Management (continued)

Credit risk (continued)

The table below discloses the movements in ECL provisioning during the year.

	ECL Provisioning Stage 1 £	ECL Provisioning Stage 2 £	ECL Provisioning Stage 3 £	Total £
ECL Provisioning as at 1 July 2020	1,697,715	130,725	682,681	2,511,121
Increase in ECL due to new loans purchased	81,418	-	-	81,418
Transfers to Stage 1	187,627	(83,936)	(103,691)	-
Transfers to Stage 2	(32,063)	51,057	(18,994)	-
Transfers to Stage 3	(68,366)	(25,464)	93,830	-
Increase/(decrease) in credit risk	(1,411,707)	11,739	668,325	(731,643)
ECL Provisioning as at 30 June 2021	454,624	84,121	1,322,151	1,860,896

Refer to note 2(f) for details on the assessment of collective ECLs.

Concentration of credit risk related to any mortgage borrower does not exceed 5 per cent of gross mortgage assets of the Company at any time during the year. The concentration of credit risk is limited due to the fact that the customer base is large, diverse and unrelated.

At 30 June 2021, if the housing price index forecasts in the ECL model had been decreased by 10% with all the other variables held constant, the expected credit loss for the year would have been £2,072,333 greater. In contrast, if the housing price index forecasts had been increased by 10% with all the other variables held constant, the expected credit loss for the year would have been £1,091,013 lower. It should be noted that such a change produces a non-linear result as stresses are calculated on a loan-by-loan basis and changes in asset values will therefore affect loans with different LTVs to a greater or lesser extent. These calculations are therefore a guide to variation not further expected losses.

The ECL model applies a credit factor to each originator's portfolio based on the credit characteristics of the loan types. At 30 June 2021, if these credit factors had been increased by 25% with all other variables held constant, the expected credit loss for the year would have been £463,652 greater. In contrast, if the credit factors had been decreased by 25% with all other variables held constant, the expected credit loss for the year would have been £464,235 lower.

19. Capital risk management

The Company manages its capital to ensure that it is able to continue as a going concern while following the Company’s stated investment policy. The capital structure of the Company consists of Shareholders’ equity, which comprises share capital and other reserves. The Company also has reserves that they are required to meet. These reserve funds are detailed further in note 8. To maintain or adjust the capital structure, the Company may return capital to Shareholders or issue new shares. There are no regulatory requirements to return capital to Shareholders.

19. Capital risk management (continued)

Following the EGM on 16 August 2019, the Company has adopted the changes to its Articles, changes to the Company's investment policy, to the Company's share buyback policy and continuation vote, to reflect asset yield reductions and the compression of the margin between 5 year and 2 year rates from around 100 bps to approximately 25 bps. The changes have resulted in the following:

(i) Share Buybacks

The Board will not reinvest further capital other than in the re-financing of the existing portfolio, whilst the Company is trading at a discount in excess of 5 per cent. to Net Asset Value per Ordinary Share. At this level of discount, subject to the Board determining that the Company has sufficient surplus cash resources available for the ongoing funding of the existing TML and Keystone investments, repayment of any existing credit facilities and any other foreseeable commitments, the Company intends to buy back Ordinary Shares. The making and timing of any share buybacks is at the absolute direction of the Board. 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 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.

Share buybacks made in the period are detailed in note 15.

(ii) Continuation Vote

The Continuation Resolution which was scheduled for the AGM of the Company to be held in 2020 will now be proposed at the AGM held in 2024 and every fifth AGM thereafter as it was agreed to defer the continuation vote at an EGM held in August 2019. The Company implemented an additional shareholder protection at an EGM held on 4 December 2020 that requires the directors to implement a managed wind down consultation if the Company share price is not trading at or above the most recently published NAV in the 20 business days prior to the second anniversary of the EGM on 4 December 2022. The Company is also required to propose a continuation resolution to shareholders in the event that it does not pay total dividends of 4.5p per share in any given calendar year.

(iii) Dividend Reduction

The Company has been paying dividends from capital since its launch, and this had a consequential decrease in the NAV of the Company on an ongoing basis. Following the EGM on 19 August 2019, the Company reduced the annual dividend to 4.5p per annum. A further temporary reduction to 1.5p per annum was implemented in April 2020 in the light of the uncertainty caused by the COVID-19 pandemic. However, on 8 October 2020, the Company declared a dividend of 1.1125p in relation to the 3 month period to 30 September 2020 plus a catch up fifth interim dividend of 1.5p in relation to 30 June 2020.

(iv) Cash Management Policy

The Company will have the ability to invest uninvested cash into AAA rated UK RMBS. This should allow the Portfolio Manager to more effectively manage cash and improve returns as AAA rated UK RMBS ordinarily provide a real return over cash equivalent instruments, as they typically have stable pricing and deep liquidity.

The Company utilised its full share buyback authority during the financial year and intends to renew this authority at its AGM on 9 December 2021 with the intention of using either additional share repurchases or paying additional dividends to reduce the discount to NAV at which its shares trade.

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20. Analysis of Financial Assets and Liabilities by Measurement Basis

30 June 2021	Financial Assets at fair value through profit and loss	Financial Assets at amortised cost	Total
Financial Assets as per Audited Consolidated Statement of Financial Position	£	£	£
Mortgage loans	-	1,278,886,108	1,278,886,108
Reserve fund	-	22,829,566	22,829,566
Cash and cash equivalents	-	65,650,168	65,650,168
Trade and other receivables	-	6,888,739	6,888,739
	-	1,374,254,581	1,374,254,581

	Financial Liabilities at fair value through profit and loss	Financial Liabilities at amortised cost	Total
Financial Liabilities as per Audited Consolidated Statement of Financial Position	£	£	£
Financial liabilities at fair value through profit and loss	2,673,560	-	2,673,560
Trade and other payables	-	8,358,566	8,358,566
Borrowings	-	333,774,371	333,774,371
Loan notes	-	890,356,122	890,356,122
	2,673,560	1,232,489,059	1,235,162,619

30 June 2020	Financial Assets at fair value through profit and loss	Financial Assets at amortised cost	Total
Financial Assets as per Audited Consolidated Statement of Financial Position	£	£	£
Mortgage loans	-	1,638,952,388	1,638,952,388
Reserve fund	-	20,204,519	20,204,519
Cash and cash equivalents	-	37,905,366	37,905,366
Trade and other receivables	-	4,260,753	4,260,753
	-	1,701,323,026	1,701,323,026

	Financial Liabilities at fair value through profit and loss	Financial Liabilities at amortised cost	Total
Financial Liabilities as per Audited Consolidated Statement of Financial Position	£	£	£
Financial liabilities at fair value through profit and loss	21,477,899	-	21,477,899
Trade and other payables	-	6,594,574	6,594,574
Borrowings	-	604,296,701	604,296,701
Loan notes	-	848,876,889	848,876,889
	21,477,899	1,459,768,164	1,481,246,063

21. Fair Value Measurement

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

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

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

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

The following tables analyse within the fair value hierarchy the Company's financial assets and liabilities (by class) measured at fair value for the years ended 30 June 2021 and 30 June 2020.

	Level 1	Level 2	Level 3	Total
	£	£	£	£
Liabilities				
Financial liabilities at fair value through profit and loss	-	(1,595,838)	(1,077,722)	(2,673,560)
Total liabilities as at 30 June 2021	-	(1,595,838)	(1,077,722)	(2,673,560)

	Level 1	Level 2	Level 3	Total
	£	£	£	£
Liabilities				
Financial liabilities at fair value through profit and loss	-	(8,386,469)	(13,091,430)	(21,477,899)
Total liabilities as at 30 June 2020	-	(8,386,469)	(13,091,430)	(21,477,899)

Vanilla swaps have been classified as Level 2. Balance guarantee swaps have been classified as Level 3 as they are based on unobservable market data such as counterparty's assumptions of prepayments and the Company's creditworthiness. Please refer to note 9 for a reconciliation of the movement for the year on the interest rate swaps.

	For the year 30.06.2021	For the year 30.06.2020
Financial liabilities at fair value through profit and loss - Level 3	£	£
Balance at start of the year	(13,091,430)	(7,775,666)
Movement on derivatives in designated fair value hedge relationships	12,013,708	(5,315,764)
Balance at end of the year	(1,077,722)	(13,091,430)

21. Fair Value Measurement (continued)

The following details the Company's sensitivity to an increase and decrease of 50 basis points in the interest rate, with 50 basis points being the sensitivity rate used when reporting price risk internally to key management personnel and representing management's assessment of the possible change in market prices and is similar to the interest rate risk.

The Company's balance guaranteed swaps are designed to match the cash flows of the underlying portfolios and therefore providing sensitivity analysis for the key inputs for these instruments is considered to be irrelevant.

The following table analyses within the fair value hierarchy the Company's assets and liabilities not measured at fair value at 30 June 2021 but for which fair value is disclosed.

	Level 1 30.06.2021 £	**Level 2 30.06.2021 £**	**Level 3 30.06.2021 £**	**Total 30.06.2021 £**
Assets				
Mortgage loans	-	-	1,331,548,188	1,331,548,188
Reserve fund	22,829,566	-	-	22,829,566
Cash and cash equivalents	65,650,168	-	-	65,650,168
Total	88,479,734	-	1,331,548,188	1,420,027,922
Liabilities				
Trade and other payables	8,358,566	-	-	8,358,566
Borrowings	-	333,774,371	-	333,774,371
Loan notes	-	890,356,122	-	890,356,122
Total	8,358,566	1,224,130,493	-	1,232,489,059

	Level 1 30.06.2020 £	**Level 2 30.06.2020 £**	**Level 3 30.06.2020 £**	**Total 30.06.2020 £**
Assets				
Mortgage loans	-	-	1,680,454,116	1,680,454,116
Reserve fund	20,204,519	-	-	20,204,519
Cash and cash equivalents	37,905,366	-	-	37,905,366
Total	58,109,885	-	1,680,454,116	1,738,564,001
Liabilities				
Trade and other payables	6,594,574	-	-	6,594,574
Borrowings	-	604,296,701	-	604,296,701
Loan notes	-	848,876,889	-	848,876,889
Total	6,594,574	1,453,173,590	-	1,459,768,164

21. Fair Value Measurement (continued)

The carrying values of trade and other receivables and payables are approximate to fair value.

The fair value of the mortgage loans is calculated through an appropriate proxy securitisation structure based on existing deals with current and transparent pricing. For movement from opening to closing of the mortgage loans classified as Level 3 see note 7.

The fair value of borrowings and loan notes is deemed to equate to their notional amounts, as they are at an entirely variable rate and have been secured within the last three years on an arm's length basis.

The other assets and liabilities included in the above table are carried at amortised cost; their carrying values are a reasonable approximation of fair value. Loan notes and borrowings approximate fair value as the underlying interest rates are linked to the market rates. During the year there were no transfers between the levels. Cash and cash equivalents include cash in hand and short-term deposits with original maturities of three months or less.

Trade and other receivables includes collateral due and interest receivable due within three months. Their fair value is deemed to approximate their book value, due to their short duration.

Trade and other payables represent the contractual amounts and obligations due by the Company for settlement of trades and expenses. Their fair value is deemed to approximate their book value, due to their short duration.

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

22. Dividend Policy

The Company declared the following interim dividends in relation to the year ended 30 June 2021:

Period to	Dividend rate per Share (pence)	Net dividend payable (£)	Record date	Ex-dividend date	Pay date
30 September 2020	2.625	6,093,488	16 October 2020	15 October 2020	30 October 2020
31 December 2020	1.125	2,611,495	22 January 2021	22 January 2021	5 February 2021
31 March 2021	1.125	2,311,495	23 April 2021	22 April 2021	07 May 2021
30 June 2021	1.125	2,011,495	16 July 2021	15 July 2021	30 July 2021

The original dividend policy for the Company was for dividends on the Ordinary Shares to be payable quarterly, all in the form of interim dividends (the Company does not intend to pay any final dividends). It was intended that the first three interim dividends of each financial year was to 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. Following the EGM on the 16 August 2019, the Company made the decision that in order rebuild the NAV, improve the Company's cash flow and reconstitute capital to generate returns in excess of the required divided, to reduce the annual dividend to 4.5p per annum (the "new dividend policy"). The dividend paid on 31 March 2020 reflected this new dividend policy. A temporary reduction to 1.5p per annum was implemented in April 2020 in the light of the uncertainty caused by the COVID-19 pandemic. However, on 8 October 2020, the Company declared a dividend of 1.1125p in relation to the 3 month period to 30 September 2020 plus a catch up fifth interim dividend of 1.5p in relation to 30 June 2020.

22. Dividend Policy (continued)

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.

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.

23. Segment reporting

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

The Portfolio Manager considers the business as two segments which are categorised as Buy-to-Let and Owner Occupied. These are further sub-divided into Forward Flow and Purchased with each being managed by separate specialist teams at the Portfolio Manager. The Buy to Let Forward Flow contains Cornhill No. 4, Hops Hill No 1 and Cornhill No. 7. The Buy to Let Purchased contains Malt Hill No.2, Oat Hill No.1 Cornhill No. 6 and Oat Hill No. 2. Owner Occupied Forward Flow contains Barley Hill No. 1 and Cornhill No. 5. The Owner Occupied segment is solely forward flow hence purchased subsegment is not disclosed

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

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

	Buy-to-Let		Owner Occupied	Total as at
	Forward Flow	Purchased	Forward Flow	30.06.2021
	£	£	£	£
Interest income on mortgage loans	14,112,759	22,848,831	14,367,783	51,329,373
Net interest expense on financial liabilities at fair value through profit and loss	(1,605,360)	(5,529,175)	(2,340,713)	(9,475,248)
Net gain from derivative financial instruments	133,304	5,454,321	(246,370)	5,341,255
Interest expense on borrowings	(1,793,649)	(1,054,682)	(2,731,680)	(5,580,011)
Interest expense on loan notes	(2,023,163)	(6,824,389)	(1,643,589)	(10,491,141)
Servicer fees	(913,365)	(1,774,268)	(749,015)	(3,436,648)
Loss on disposal	(37,002)	(4,241,051)	-	(4,278,053)
Other expenses	(4,338,093)	(3,694,669)	(2,179,307)	(10,212,069)
Total net segment income	3,535,431	5,184,918	4,477,109	13,197,458

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Continued
for the year ended 30 June 2021

23. Segment reporting (continued)

	Buy-to-Let		Owner Occupied	Total as at
	Forward Flow	Purchased	Forward Flow	30.06.2020
	£	£	£	£
Interest income on mortgage loans	11,833,953	28,607,975	7,389,587	47,831,515
Net loss from derivative financial instruments	(352,412)	(2,690,082)	(1,014,656)	(4,057,150)
Net interest expense on financial liabilities at fair value through profit and loss	(7,914,359)	(5,158,172)	(656,484)	(13,729,015)
Interest expense on borrowings	(4,283,701)	(2,888,238)	-	(7,171,939)
Interest expense on loan notes	-	(10,235,020)	(3,564,808)	(13,799,828)
Servicer fees	(650,417)	(2,127,206)	(677,518)	(3,455,141)
Other expenses	9,902,059	(1,206,716)	(1,124,603)	7,570,740
Total net segment income	8,535,123	4,302,541	351,518	13,189,182

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

	30.06.2021	30.06.2020
	£	£
Total net segment income	13,197,458	13,189,182
Other fees and expenses	(14,329,759)	(6,957,072)
	(1,132,301)	6,232,110

There are no transactions between the reportable segments.

Total segment assets include:

	Buy-to-Let		Owner Occupied	Total as at
	Forward Flow	Purchased	Forward Flow	30.06.2021
	£	£	£	£
Mortgage loans	521,538,492	415,191,503	342,156,113	1,278,886,108
Reserve fund	8,486,566	7,660,000	6,683,000	22,829,566
Other	18,834,260	4,236,875	16,026,884	39,098,019
	548,859,318	427,088,378	364,865,997	1,340,813,693

	Buy-to-Let		Owner Occupied	Total as at
	Forward Flow	Purchased	Forward Flow	30.06.2020
	£	£	£	£
Mortgage loans	496,014,014	964,506,625	178,431,751	1,638,952,390
Reserve fund	2,500,000	13,521,519	4,183,000	20,204,519
Other	13,353,469	7,781,642	10,600,291	31,735,402
Total net segment income	511,867,483	985,809,786	193,215,042	1,690,892,311

	30.06.2021	30.06.2020
	£	£
Segment assets for reportable segments	1,340,813,693	1,690,892,311
Other	33,440,888	10,430,715
Total assets	1,374,254,581	1,701,323,026

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Continued
for the year ended 30 June 2021

23. Segment reporting (continued)
Total segment liabilities include:

	Buy-to-Let Forward Flow	Buy-to-Let Purchased	Owner Occupied Forward Flow	Total as at 30.06.2021
	£	£	£	£
Borrowings	125,278,599	-	208,495,772	333,774,371
Loan notes	384,880,816	406,308,066	99,167,240	890,356,122
Financial liabilities at fair value through profit and loss	899,932	-	1,773,628	2,673,560
Other	5,587,970	291,431	1,194,060	7,073,461
	516,647,317	406,599,497	310,630,700	1,233,877,514

	Buy-to-Let Forward Flow	Buy-to-Let Purchased	Owner Occupied Forward Flow	Total as at 30.06.2020
	£	£	£	£
Borrowings	449,911,285	154,385,416	-	604,296,701
Loan notes	-	689,925,877	158,951,012	848,876,889
Financial liabilities at fair value through profit and loss	8,365,062	10,705,428	2,386,002	21,456,492
Other	3,681,808	1,710,646	432,871	5,825,325
	461,958,155	856,727,367	161,769,885	1,480,455,407

	30.06.2021 Unaudited	30.06.2020 Audited
	£	£
Segment liabilities for reportable segments	1,233,877,514	1,480,455,407
Trade and other payables	1,285,105	790,656
Total liabilities	1,235,162,619	1,481,246,063

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

25. Subsequent Events
The fourth interim dividend of 1.125p per Ordinary Share was declared on 16 July 2021 and paid on 30 July 2021.

The first interim dividend of 1.125p per Ordinary Share in relation to the 3 month period to 30 September 2021 was declared on 13 October 2021. The payment date is 5 November 2021.

These Audited Consolidated Financial Statements were approved for issuance by the Board on 28 October 2021. There were no other subsequent events up until this date.

SUBSIDIARY DETAILS

Company	Registered Office
UK Corporate Funding Designated Activity Company	5 George's Dock, IFSC, Dublin 1, Ireland.
Cornhill Mortgages No.2 Limited *(Dissolved 27 February 2020)*	35 Great St. Helen's, London, EC3A 6AP, United Kingdom.
Cornhill Mortgages No.4 Limited **(Ceased to be under the Company's control in January 2021)**	35 Great St. Helen's, London, EC3A 6AP, United Kingdom.
Cornhill Mortgages No.5 Limited	35 Great St. Helen's, London, EC3A 6AP, United Kingdom.
Cornhill Mortgages No.6 Limited *(Dissolved 25 February 2021)*	35 Great St. Helen's, London, EC3A 6AP, United Kingdom.
Malt Hill No.1 Plc *(Dissolved 7 January 2020)*	35 Great St. Helen's, London, EC3A 6AP, United Kingdom.
Malt Hill No.2 Plc **(Ceased to be under the Company's control in May 2021)**	35 Great St. Helen's, London, EC3A 6AP, United Kingdom.
Oat Hill No.1 Plc *(Dissolved 28 August 2020)*	35 Great St. Helen's, London, EC3A 6AP, United Kingdom.
Oat Hill No.2 Plc	35 Great St. Helen's, London, EC3A 6AP, United Kingdom.
Barley Hill No.1 Plc	35 Great St. Helen's, London, EC3A 6AP, United Kingdom.
Cornhill Mortgages No.7 Limited	35 Great St. Helen's, London, EC3A 6AP, United Kingdom.
Hops Hill No.1 Limited	35 Great St. Helen's, London, EC3A 6AP, United Kingdom.

Alternative Performance Measures (Unaudited)

APM	Definition	Purpose	Calculation
Net Asset Value Total return	The percentage increase/(decrease) in NAV, inclusive of dividends paid, in the reporting period.	A key measure of the success of the Investment Adviser's investment strategy.	The difference between the NAV per share at the end of the period (77.79p) and the NAV per share at the beginning of the period (80.59), plus dividends paid of 5.25p, expressed as a percentage of the NAV per share at the start of the period. (77.59-80.59+5.25)/80.59=3.03%
Shareholder Total return	The percentage increase/(decrease) in share price, inclusive of dividends paid, in the reporting period.	A measure of the return that could have been obtained by holding a share over the reporting period.	The difference between the price per share at the end of the period (72.4p) and the NAV per share at the beginning of the period (49.3), plus dividends paid of 5.5p, expressed as a percentage of the price per share at the start of the period. (72.4-49.3+5.5)/49.3=58.0%
NAV per Ordinary Share	The Company's closing share price on the London Stock Exchange for a specified date.	A measure of the value of one Ordinary Share.	The net assets attributable to Ordinary Shares on the statement of financial position (£139.09m) divided by the number of ordinary shares in issue (178799556) as at the calculation date
Discount/Premium to NAV	The percentage difference between the Company's share price and its Net Asset Value per share. When the number is positive it is a premium and when it is negative it is a discount.	This is a key measure of shareholder sentiment to the Company and the Investment Company sector in which its sits.	The difference between the company's share price and its Net Asset Value per share divided by the Net Asset Value per share. (72.40-77.79)/77.79= a discount of -6.93% at 30 June
Ongoing Charges Ratio	The recurring costs that the Company has incurred during the period excluding performance fees and one off legal and professional fees expressed as a percentage of the Company's average NAV for the period.	A measure of the minimum gross profit percentage that the Company needs to produce to make a positive return for Shareholders	Calculated in accordance with the AIC methodology.

GLOSSARY OF TERMS

ABS	Asset-backed security whose income payments and hence value are derived from and collateralised (or "backed") by a specified pool of underlying assets
Acquiring Entity	means UK Mortgages Corporate Funding Designated Activity Company, a designated activity company incorporated in Ireland qualifying within the meaning of section 110 of the Taxes Consolidation Act 1997 to acquire mortgage portfolios for on-selling to Warehouse SPVs and issuing PPNs
Administrator	Northern Trust International Fund Administration Services (Guernsey) Limited (a non-cellular company limited by shares incorporated in the Island of Guernsey with registered number 15532)
AIC	Association of Investment Companies
AIC Code	the AIC Code of Corporate Governance for companies incorporated in Guernsey
AIC Guide	the AIC Guide to Corporate Governance
AIFM Directive	Alternative Investment Fund Managers Directive 2011, 61/EU
AIFM or Maitland	Maitland Institutional Services Limited, the Company's alternative investment fund manager for the purposes of regulation 4 of the AIFM Regulations
Amortised Cost Accounting	The process by which mortgages in the Company's portfolio are valued at cost less capital repayments and any provisions required for impairment
Audit Committee	an operating committee of the Board of Directors charged with oversight of financial reporting and disclosure
Audited Consolidated Financial Statements	Audited Consolidated Financial Statements of the Company
BoAML	the Bank of America Merrill Lynch
BTL	Buy-to-let
BoE	Bank of England
Board of Directors or Board or Directors	the Directors of the Company
CCJs	County Court Judgements
CHL	Capital Home Loans
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	means UKML, Acquiring Entity, Issuer SPV and Warehouse SPVs
Company's Articles or Articles	the articles of incorporation of the Company
Continuation Vote	an ordinary resolution that gives shareholders the ability to instruct the board to prepare a proposal to restructure or wind up a company by means of a simple majority vote
Corporate Broker	Numis Securities Limited
CRS	The Common Reporting Standard, a global standard for the automatic exchange of financial account information developed by OECD
Custodian and Depositary	Northern Trust (Guernsey) Limited (a non-cellular company limited by shares incorporated in the Island of Guernsey with registered number 2651)
Derivative Instruments	means instruments used to gain leveraged exposure to mortgage portfolios, including but not limited to Credit Linked Notes and Credit Default Swaps

GLOSSARY OF TERMS Continued

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

GLOSSARY OF TERMS Continued

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

GLOSSARY OF TERMS Continued

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 Issuer 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 two-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 1.000p each to the public in the United Kingdom on the terms and conditions set out in Part 12 of the Prospectus and the Application Form
Official List	in reference to DAC and Issuer SPV refers to the official list of the Irish Stock Exchange p.l.c. In reference to the Company refers to the official list of the London Stock Exchange
Ordinary Shares	ordinary shares of 100p each in the capital of the Company
Placing	means the conditional placing by the Corporate Broker, as agent for the Company, of up to 250 million ordinary shares at 1 pence each on the terms and conditions set out or referred to in the placing documents, being the Prospectus, the Presentation, the P Proof, the flyer, the press announcements, the contract note, any other document prepared in connection with the pre-marketing of the issue or the placing programme
Portfolio Manager	TwentyFour Asset Management LLP (a limited liability partnership incorporated in England and Wales with registered number OC335015)
Profit Participating Notes/PPN	these are Eurobond notes issued by DAC to the Company. The capital paid by the Company to DAC to buy the notes is invested in mortgage pools and DAC in turn pays income to the Company via coupon payments on the notes
Purchased portfolio	A purchased portfolio is the purchase of a large group of related financial assets in a single transaction
QE	Quantitative easing (QE), also known as Large Scale Assets Purchases, is an expansionary monetary policy whereby a central bank buys predetermined amounts of government bonds or other financial assets in order to stimulate the economy

GLOSSARY OF TERMS Continued

Rating Agency	companies that assess the creditworthiness of both debt securities and their issuers, for these purposes Standard and Poor's, Moody's and Fitch
Retention Notes	means a Subordinated tranche of securities which as part of the warehouse or securitisation issuance structure are issued for purchase by the Acquiring Entity
RMBS	Residential Mortgage-Backed Security
RNS	Regulatory News Service
Section 110	Section 110 of the Irish Taxes Consolidation Act 1997 (as amended). A Section 110 company is an Irish resident special purpose vehicle ("SPV") which holds and/or manages "qualifying assets" and usually distributes substantially all of its income net of a fixed annual tax payment
Seasoning	The weighted average age of a mortgage portfolio
Securitisation Vehicle	special purpose vehicle incorporated in the UK established for the purpose of issuing notes collateralised by an underlying mortgage pool
Senior Note	Senior note holders receive first priority with respect to income and capital distributions and effectively provide long term leverage finance to the Junior note holders
Servicer	means the entity that maintains the relationship with the underlying mortgage borrower to answer questions, collect payments and refinance existing loans if required
Share Buyback	the Company purchases shares in the market
Shareholders	holders of Shares
Specialist Fund Segment	the Specialist Fund Segment of the London Stock Exchange
SONIA	the Sterling Overnight Interest Average rate which is replacing LIBOR as a cost of interbank funding
SPV	means a special purpose vehicle
SVR	Standard variable rate
TFS	Term Funding Scheme
TML	The Mortgage Lender
UK Code	The UK Corporate Governance Code 2018 (published in July 2018) applies to accounting periods beginning on or after 1 January 2019. It places greater emphasis on relationships between companies, shareholders and stakeholders. It also promotes the importance of establishing a corporate culture that is aligned with the company purpose, business strategy, promotes integrity and values diversity. All companies with a Premium Listing of equity shares in the UK are required under the Listing Rules to report in their annual report and accounts on how they have applied the Code. The UK Corporate Governance Code 2016
UKML	UK Mortgages Limited
Valuation Agent	Kinson Advisors LLP
WA LTV	Weighted average loan-to-value

GLOSSARY OF TERMS Continued

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. Five warehouse SPVs; Cornhill Mortgages No. 1 Limited, Cornhill Mortgages No. 2 Limited, Cornhill Mortgages No. 3 Limited, Cornhill Mortgages No. 4 Limited, Cornhill Mortgages No. 5 Limited, Cornhill Mortgages No. 6 Limited have been established for the purpose of warehousing
Warehouse SPV	a special purpose vehicle, incorporated in the UK, established for the purpose of warehousing the mortgage portfolio

TwentyFour
ASSET MANAGEMENT

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