TwentyFour
ASSET MANAGEMENT

UK Mortgages Limited

Annual Report and Audited Consolidated Financial Statements

For the year from 1 July 2019 to 30 June 2020

CONTENTS

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Paul Le Page
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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 Issuer SPVs (Malt Hill No.1 Plc (dissolved on 7 January 2020), Malt Hill No. 2 Plc, Oat Hill No.1 Plc, Barley Hill No.1 Plc, and the Warehouse SPVs (Cornhill Mortgages No.2 Limited (dissolved on 27 February 2020), Cornhill Mortgages No. 4 Limited, Cornhill Mortgages No. 5 Limited and Cornhill Mortgages No. 6 Limited (collectively, the "Company") are treated on a consolidated basis 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.

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.

Financial Highlights

	For the year ended 30.06.2020	For the year ended 30.06.2019
Total Net Assets at year end	£220,076,963	£224,084,805
Net Asset Value per ordinary share at year end	80.59p	82.06p
Share price at year end	49.30p	73.50p
Discount to Net Asset Value at year end	(38.83%)	(10.43%)
Net Asset Value Total Return	2.72%	1.56%
Dividends declared and paid in the year	3.75p	6.00p
Total dividends declared in relation to the year	4.50p	5.625p
Earnings per share	2.30p	2.60p
Ongoing Charges		
- UKML	0.81%	0.93%
- DAC and subsidiaries	2.34%	2.01%
Total ongoing charges for the Company	3.15%	2.94%

CHAIRMAN'S STATEMENT

for the year ended 30 June 2020

I am pleased to report the results of the Company for the year ended 30 June 2020. This was a particularly eventful period, which began with the revision of the Company's strategy, approved at the August 2019 EGM and saw this strategy tested firstly by the effects of the COVID-19 pandemic, then subsequently by a bid approach from one of M&G's specialist funds, culminating in the decision to conduct a review into UKML's future strategy.

At the time of writing my interim statement in March, it was already clear that the evolution of the COVID-19 pandemic and the policy responses to it would be the defining influences on investment in 2020. UK base rates had already been cut by then, but the extent of potential forbearance measures for mortgage borrowers was not yet clear. In the event, borrowers were actively encouraged to take mortgage holidays and regulated lenders were instructed to offer them unconditionally. Whilst it was reasonable to assume that mortgage payments would be eventually reinstated, there was considerable uncertainty in April over the extent to which borrowers would apply for forbearance measures and for how long these measures might persist. Based on very early indications from our portfolios, the Board and the Portfolio Manager analysed a range of scenarios and their effects on the Company's cash flows. This led to the decision to announce in late April a precautionary cut in the quarterly dividend to 0.375p, on the understanding that this could be restored to its previous level once we had greater clarity on the evolution of the mortgage holidays.

It also became apparent in April that the effective closure of securitisation markets meant that it would not be possible to refinance the Oat Hill No. 1 portfolio as originally anticipated at its May 2020 call date. This was particularly frustrating, as an important part of the revised strategy, namely share buybacks, was predicated on a successful refinancing and the release of a significant amount of cash. As a conventional securitisation was not feasible in May, the Portfolio Manager began to work on an alternative financing strategy through a warehouse facility provided by Santander, to subsequently enable Oat Hill No. 1 to be called.

However, as we moved through May and into June, it became clear that the consequences of mortgage holidays would not be as bad as we had initially feared. At the same time, the RMBS markets had begun to reopen and we were able effectively to bypass the warehouse facility and move directly to a re-securitisation of the Oat Hill No. 1 portfolio in July. COVID-19 may have delayed UKML's strategy but it had not derailed it; consequently, we were in a position to begin the share buyback programme originally approved in August 2019 and able to restore the 1.125p quarterly dividend. The performance of each of the Company's mortgage portfolios and their respective mortgage holiday experiences are covered in detail in the Portfolio Manager's report below.

Given the initial uncertainty over the consequences of the pandemic for UKML's portfolios, and the precautionary dividend reduction, as well as the general market weakness of early April, it was inevitable that the Company's share price fell sharply in this period. However, to be trading at close to a 50% discount to NAV was excessive and it was therefore unsurprising that this attracted the attention of a potential bidder in the shape of M&G.

After a period of private engagement, M&G announced publicly in July a potential offer price of 67p per share, conditional, amongst other things, on the Board's recommendation. During this period, the Board, the Portfolio Manager and their advisors conducted detailed analyses of the Company's likely value in various scenarios and also consulted extensively with shareholders before concluding that this offer materially undervalued UKML. A subsequent and final potential offer of 70p was also rejected as undervaluing the Company.

However, in discussions with shareholders it was clear that the relative illiquidity of UKML is an increasing problem for many of them, even if they appreciate the quality of the underlying assets. Indeed, the attraction for M&G was the uncorrelated and predictable performance of high-quality mortgage portfolios such as UKML's. Their proposed bid was not based on a change of strategy or even of management style; it was an attempt to buy good assets relatively cheaply.

CHAIRMAN'S STATEMENT Continued

Therefore, in order to maximise the value of the Company for its shareholders, the Board initiated a review of future strategy following the M&G bid rejection. This is now ongoing and will consider primarily the liquidity, structure and potential future return profile of UKML, with the intention to consult further with shareholders before bringing definitive proposals to a vote in November.

It is perhaps ironic that this review is taking place after an accretive share repurchase programme, which has yet to be reflected in our NAV, when the Company is well positioned to deliver on its original promise of attractive, sustainable, non-correlated returns, as lending margins are supportive and our origination platforms are performing well. Nevertheless, the Board recognises that the events of this year and the evolving priorities of our shareholders mean that this is the correct course of action.

I look forward to presenting the results of the review in the next few weeks and thank you in the meantime for your continued support.

Christopher Waldron
Chairman
26 October 2020

PORTFOLIO OF INVESTMENTS

as at 30 June 2020

Portfolio Summary	Buy-to-Let				Owner Occupied	
	Purchased			Forward Flow Originated		
	Cornhill 6	Malt Hill 2	Oat Hill 1	Cornhill 4	Barley Hill 1	Cornhill 5
Originator	Coventry Building Society		Capital Home Loans	Keystone Property Finance	The Mortgage Lender	
Outstanding Balance	£170m	£339m	£484m	£247m	£175m	£234m
Number Accounts	953	1,941	3,800	1,136	1,003	1,195
Average Mortgage Size	£179k	£175k	£127k	£217k	£174k	£196k
WA Indexed LTV	61.79%	60.26%	64.80%	71.61%	65.43%	72.08%
WA Interest Rate	2.67%	2.71%	1.37%	3.41%	4.13%	3.87%
WA Remaining Term (mth)	188	216	117	266	281	311
WA Seasoning (mth)	59	41	161	7	22	7
3mth + Arrears (% balance)	0.00%	0.09%	0.76%	0.00%	1.16%	0.16%

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

Investment Policy 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 Revision
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.

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 98p per share at launch to 80.59p at the year end. This decline in NAV is largely attributable to servicing and warehouse costs, and total dividend payments of 22.13p per share, which have been mostly funded from capital. 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 of the Company.

- Discount/Premium

The Company has traded at an average discount of 22.62% for the year ended 30 June 2020 (6% for the prior three years) to NAV although the Directors note that the Company was trading at a discount of over 38% to NAV at year end and have subsequently begun a programme of share repurchases to help address this.

- Ongoing Charges

The Company's ongoing charges ratio has increased to 3.15% from 2.94% mainly due to costs associated with warehousing of the portfolio in Cornhill Mortgages No. 5 Limited. 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 decreased from 0.93% to 0.81% of NAV, helped by the Portfolio Manager's fee of 0.60% 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 2.01% to 2.18% which is in line with the increase in the size of the investment portfolio. 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 portfolio.

- Quarterly Dividends

The Company declared two interim dividends of 1.125p in relation to the year in accordance with the prospectus target and the dividend payment policy of 4.5p per annum and two interim dividends of 0.375p whilst the portfolio was impacted by mortgage holidays with an additional catch up dividend of 1.5p as the majority of the holiday periods expired. The Company's dividends were mostly uncovered by income. Over the expected life of the Company, the Directors expect dividends to be fully covered by income received.

- Investment Level

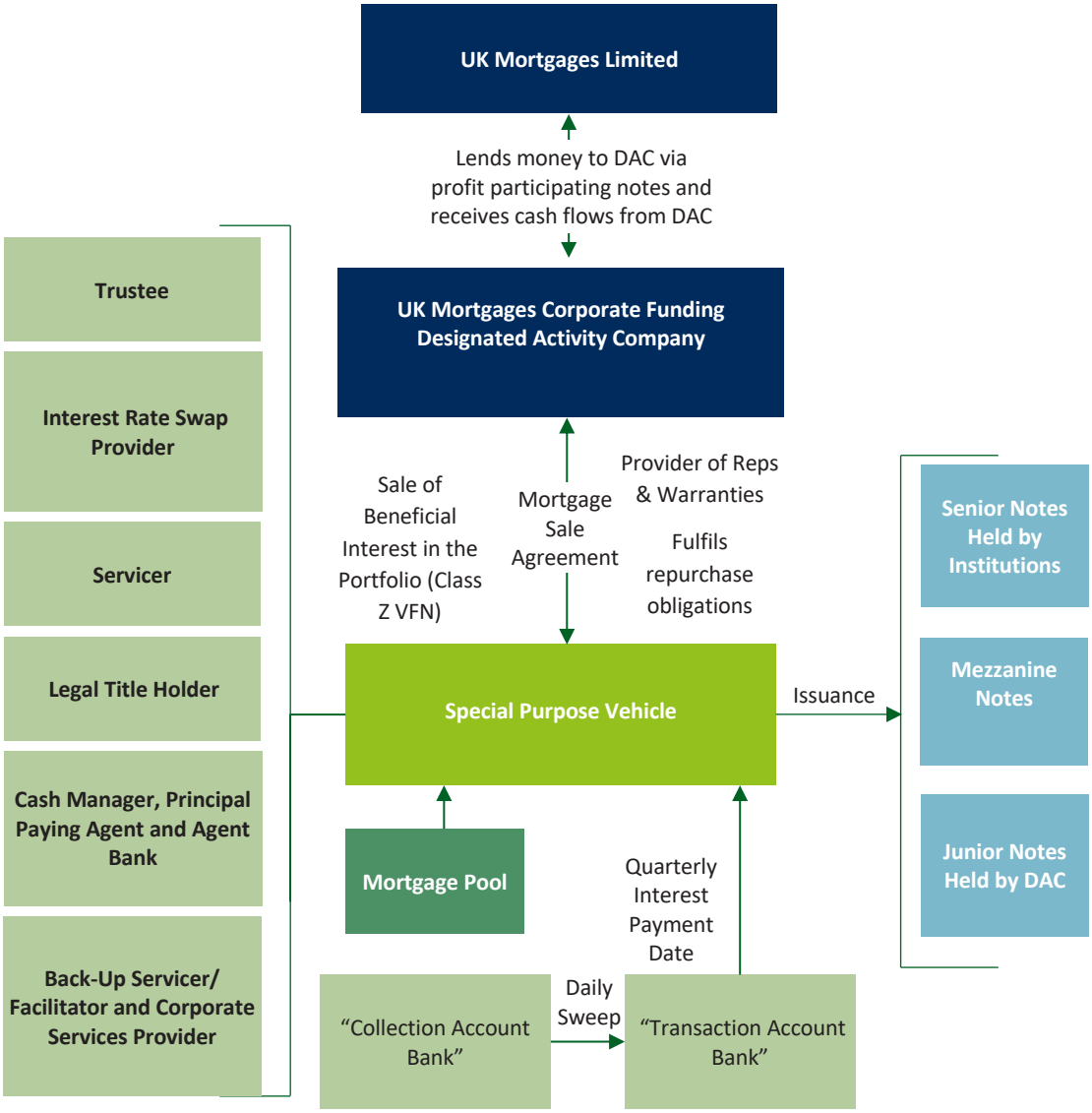
At 30 June 2020, the Company had approximately £38m of cash and near cash working capital compared with £52m at 30 June 2019. As the Company now has a leveraged exposure to mortgage investments, the Directors monitor uncommitted cash levels and intend to keep average working capital balances to a minimum over the life of the Company. The year end 2019 working capital balance was elevated due to the need for working capital to fund loan origination commitments.

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, whilst complex, 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.1 Plc (dissolved on 7 January 2020), Malt Hill No. 2 Plc, Oat Hill No. 1 Plc and Barley Hill No.1 Plc 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, BARLH1), 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, BARLH 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 senior 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 senior 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.

Section 172 of the Companies Act 2006
Although the Company is domiciled in Guernsey, the Board has considered the guidance set out in the AIC Code in relation to Section 172 of the Companies Act 2006 in the UK.

Stakeholder group	Methods of engagement	Benefits of engagements
Shareholders The major investors in the Company's shares are set out on page 35. 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.

STRATEGIC REPORT Continued

Section 172 of the Companies Act 2006 (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, auditor, 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. Furthermore, the Board and its sub-committees engage regularly with its service providers on a formal and informal basis. The Company will also regularly review all material contracts for service quality and value.	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.

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 a fee is payable, quarterly in arrears at a rate of 0.60% per annum since 1 July 2017 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 16.

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 32 to 33.

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 2020, Directors of the Company held the following Ordinary Shares beneficially:

	Number of Shares 30.06.2020	Number of Shares 30.06.2019
Christopher Waldron	80,000	20,000
Richard Burrows	5,000	5,000
Paul Le Page	112,800	20,000
Helen Green	21,250	10,000

Signed on behalf of the Board of Directors on 26 October 2020 by:

Christopher Waldron
Director

Paul Le Page
Director

PORTFOLIO MANAGER'S REPORT

for the year ended 30 June 2020

Commentary

The year to 30 June 2020 began on a positive note, following the approval from the shareholder vote at the EGM in August 2019 to implement the revised investment policy, allowing securitisation issuance of investment grade tranches below AAA rating along with the intention to use released capital to buy back shares in order to close the share price discount to the NAV.

As signalled at that time, the first opportunity to implement this was expected to be the refinancing of the Oat Hill No.1 transaction due at the end of May 2020, which was anticipated to release capital after commitments to existing investments in the £30m to £50m range.

Having started the early groundwork for a new securitisation in the latter part of 2019, preparations began in earnest during the first two months of 2020, with arrangers and lead managers beauty paraded and appointed, rating agencies engaged, and legal counsel, custodians and other service providers also retained.

As we moved into February, a timeline was developed and the structuring process began.

Meanwhile in the housing and mortgage markets, after more than a year of relative sluggish behaviour mostly due to uncertainty over the hitherto unresolved Brexit issue, confidence began to return following the decisive General Election result and a positive trend began in almost all measures, including house prices, transactions, approvals, lending and rental growth.

Alongside this, the RMBS market had a strong start to the year with a number of oversubscribed new deals and of particular relevance was the refinancing of the CHL securitisation, Auburn 11. This was essentially the sister deal to our Oat Hill transaction, having been originally securitised simultaneously to the initial purchase of the Oat Hill loan pool in 2017. Whilst not exactly identical, the two pools are very similar, as the Oat Hill pool was cut as a "vertical slice" from the same original CHL pool.

Pricing, execution and structure on the new Auburn transaction (No. 14) was encouraging with the expectation of the Oat Hill refinancing a couple of months later, and furthermore positive for the likely amount of capital to be released with expectations moving towards the higher end of the previously indicated £30m-£50m range.

However, all that was dashed as markets became subsumed by the COVID-19 pandemic spreading to European shores from China in early March, and its evolution into a full lockdown both here and in the US. All financial markets reacted with severe sell-offs. Spreads in RMBS were no different, albeit as is often typical they lagged broader credit markets by a few days, but spreads gapped wider on virtually no trading volume, retracing to levels not seen since the last financial crisis, and whilst some pricing visibility emerged relatively quickly in the prime bank sector, levels in non-bank deals were few and far between, and new issue activity came to a sudden stop.

Inevitably, this meant that the planned refinancing of Oat Hill No.1 was now highly likely to have to be postponed, particularly given that the redemption notice for Oat Hill No.1 would need to be issued by the end of April, which was fast approaching, in order to redeem the deal on its May Interest Payment Date.

That said, we immediately commenced work on potential alternative solutions such as interim shorter-term warehouse funding, to enable us to call Oat Hill as soon as possible after the May call date and began engaging with a number of banks to explore this possibility.

Central banks and governments moved quickly to try to support markets and in the UK, this resulted in two rate cuts, taking the base rate to just 0.1%, the reintroduction of a new Term Funding Scheme (TFSME) alongside the furlough and employment support schemes for workers. However, the FCA also introduced a support scheme for borrowers – a so called Payment Holiday scheme – allowing those borrowers who stated they had been financially affected by Coronavirus the ability to be granted a payment deferral by their lender (initially up to 3 months), without further question. All lenders were expected to comply.

PORTFOLIO MANAGER'S REPORT Continued

for the year ended 30 June 2020

The scheme was very quickly widely taken up by borrowers, with almost one in five mortgage holders across the country ultimately taking advantage. In some lending sectors, particularly owner occupied mortgage portfolios with larger populations of self-employed borrowers (such as UKML's TML portfolios) where the financial support scheme was not due to be rolled out for up to two months, the take up was far higher – as much as 40%. By contrast, the proportion of Buy-to-Let ("BTL") borrowers (who make up all of UKML's other portfolio) who took up the scheme was generally lower, given the dual recourse nature of BTL loans to either the tenants' rental payments or the borrower's other income, and in the case of many professional landlords with multiple properties, a significant level of interest coverage such that rental from tenants that were able to pay would cover those that couldn't.

For UKML's overall portfolio, at the peak, approximately 18% of borrowers were taking a payment holiday, which was broadly in line with the experience of the mortgage industry as a whole. With the rapid early take-up it soon became clear that this would severely reduce the level of income being generated by the Company's portfolios whilst the payment holidays persisted. However, during the early stages, the scope and duration was almost impossible to quantify, and whilst it was expected that the vast majority of forbearance would be repaid, the timing and mechanism of that was highly uncertain. As a result, in early April, having worked closely with the Portfolio Manager to model and assess the possible effects, the Board took the decision to reduce the level of dividend whilst the forbearance process developed, albeit with the consideration that a higher level could be paid should the level of income allow, and with the intention to restore the dividend once the disruption had passed.

Whilst corporate credit markets had begun to recover quickly from the severe downturn, RMBS markets once again lagged through April and May, with the primary market remaining firmly closed, possibly due to the uncertain cashflow effects of the payment holiday scheme across the whole market, and having bounced quickly off the wides in late March, April and May saw a slow and grinding recovery for RMBS. Ultimately this was not fast enough to allow the Oat Hill deal to be refinanced in May but in the background it did allow the portfolio managers to finalise negotiations with banks over private funding terms and ultimately to engage with Santander Corporate and Investment Banking ("Santander"), to provide a backstop warehouse that would allow the company to redeem the Oat Hill transaction at the following Interest Payment Date in August, and provide interim financing until such time as public securitisation markets were at a level where a new securitisation would become economically viable.

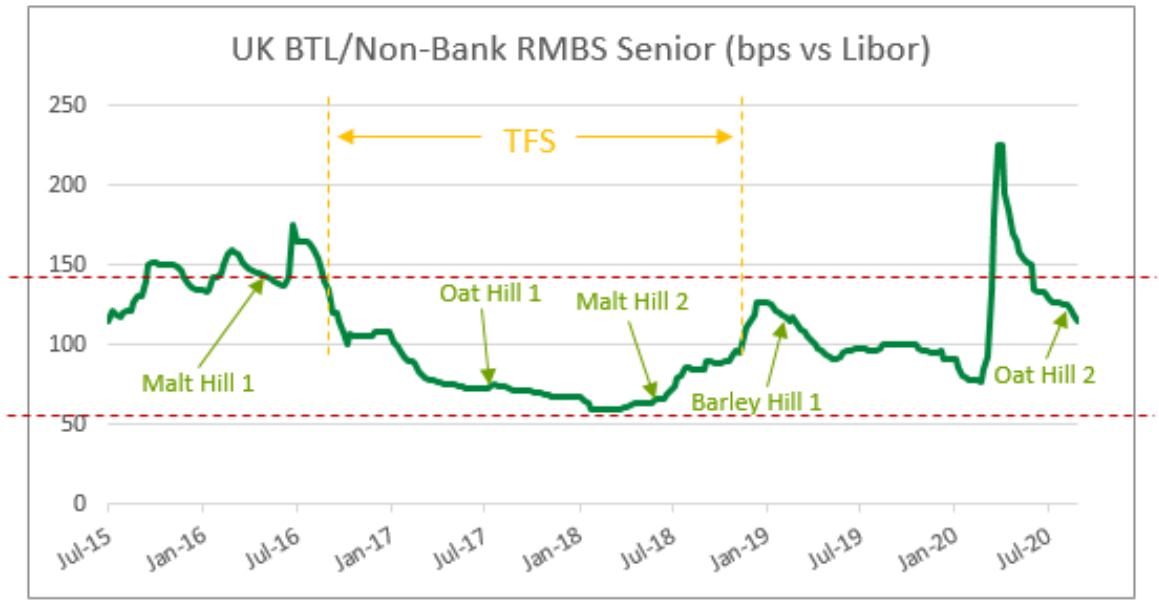
Structuring work on the facility progressed through May and into June as the national lockdown came to an end and businesses slowly began reopening including housing and mortgage markets as valuers and the like were finally able to begin operating again. By mid-June public RMBS markets had also returned to more viable levels, and the likely reopening of the primary market began to be signalled. As a result, efforts began with Santander to explore the possibility of moving directly from the backstop facility (a highly important component as it allowed the certainty to redeem the old transaction at the first possible opportunity on its next Interest Payment Date in August), into a public RMBS marketing and work on the public deal subsequently restarted, with further Joint-Lead Managers appointed alongside Santander as Arranger. The primary market reopened in mid-June with two public RMBS deals priced in the second half of the month, both of which were largely pre-placed and, as a result, a small number of well-regarded RMBS investors were contacted to assess potential interest in a new Oat Hill deal which subsequently led to early orders for several tranches.

On 7 July the Company signed the backstop agreement with Santander allowing the early redemption notice for Oat Hill No.1 to be issued later that day, and the following day announced the marketing of Oat Hill No.2 with a number of tranches already pre-placed, and following a number of investor meetings and subsequent book building the transaction was launched and priced two days later. Ultimately this was just six weeks later than the original expected refinancing at the end of May.

PORTFOLIO MANAGER'S REPORT Continued

for the year ended 30 June 2020

Whilst securitisation spreads had not recovered to the levels seen in February, prior to the COVID-19 outbreak, they had retraced to within the broad longer term range (see chart below) such that a full securitisation became economically viable for the Company and therefore, once the Oat Hill transaction had settled in August, this allowed a return to the previously stated strategy of using excess capital to enable share buybacks whilst the share price continued to trade at a discount to the NAV.



Source: J.P Morgan, TwentyFour, 1-Sep-2020

Preparations for this strategy were fairly quickly disrupted when on 20 July, following a number of private approaches which had already been rejected by the Board, M&G Investment Management Limited ("M&G"), through one of its specialist funds, made public that it had proposed an offer to acquire the shares of the Company at a price of 67p and urged the Board to engage with shareholders. Having considered the previous approaches following in depth portfolio and cashflow analysis the Board rejected this proposed offer having considered that it represented a material undervaluation of the Company.

However, this announcement put the Company into a 28 day offer period under the Takeover Code and to a certain extent restricted some of its operations including the ability to discuss new financial data in public without significant, time consuming and highly expensive accounting verification.

This came at the time when the Board was finalising its cashflow analysis following the Oat Hill refinancing with the benefit of more clarity on the first significant evolution of the payment holiday population, as the first three month cohort who had deferred their third payment in June, were restarting payments. The FCA had advised that it was in borrowers' best interests to resume payments, but had also allowed for those who were still suffering financially due to COVID-19 to apply for an extension to their payment deferral period for up to a further three months. Assessment of the extension requests showed that a significant number of borrowers were recommencing payments.

This analysis led the Board on 22 July to confirm their intention to initiate the proposed share buyback programme once the Oat Hill transaction had settled in August and also to reinstate the previous dividend policy. It also announced the intention to make an additional interim dividend payment equivalent to the reduction in dividend over the previous two quarters.

During this time both the portfolio managers and the Board consulted extensively with shareholders to gauge their perspective on M&G's proposal, and on the Company's strategy and prospects.

PORTFOLIO MANAGER'S REPORT Continued

for the year ended 30 June 2020

At the same time, updated analysis of the portfolios continued as further payment holiday reversion data evolved, the housing market restarted, bolstered by the Government's removal of the lower band of stamp duty until April 2021 and pricing in securitisation markets continued to improve as the credit market recovery continued, thereby bolstering the valuation analysis and reinforcing the robustness of the cashflow horizon on the reinstated dividend policy.

Following these consultations and analysis, on 7 August 2020 the Board announced a review of future strategy including further shareholder consultation and to consider all possible options once the Offer Period under the Takeover Code had elapsed.

Following this, M&G made a final proposal to acquire the Company at 70p, which having compared to their updated analysis, the Board subsequently also rejected and following this M&G formally withdrew shortly before the end of the offer period. Therefore, at the time of writing the aforementioned review of future strategy has commenced and is ongoing.

The review will naturally focus on the quality and ongoing valuation of the portfolio. Acquiring high quality assets has been a policy from the outset in the strong belief that they will perform better when the economic environment is more difficult.

Portfolio Review

At the time of writing, the overall portfolio has approx. £1.64bn of mortgages. That number is not expected to change significantly in the coming months as growth from forward flow arrangements is somewhat offset by prepayments in other pools, particularly those from TML where a relatively consistent level of origination over the last two to three years of owner occupied loans from borrowers who typically favour 2 year rather than 5 year loans will lead to a similarly consistent redemption stream.

Normally, portfolio reporting would focus on levels of arrears plus any loss performance. These were covered in the half year reporting to December 2019 and in subsequent factsheets, but since the onset of COVID-19 and the introduction of payment holidays alongside a moratorium on both foreclosures and evictions, analysis of arrears will be misleading, although will become more relevant again once the payment deferral scheme comes to an end after October. In the meantime, it is more meaningful to focus on the level of payment holidays.

The payment holiday scheme has affected all lenders' loan pools albeit some to a greater or lesser extent as described previously. Whilst the repayment behaviour of those borrowers who also took an extension to their initial 3 month deferral is yet to be seen, it was encouraging to see a majority of borrowers return to making payments after the initial period. As was stressed when the scheme was announced, it offered a deferral, not forgiveness and the payments deferred are still required to be paid. Whilst we have seen some borrowers now making overpayments in order to do that sooner rather than later, and even a few who repaid the entire amount as they took the deferral more as a precaution, the vast majority will be capitalised – i.e. the value of the deferred payments will be added to the balance of the loan along with interest, and the borrowers' future monthly payment adjusted upwards to reflect the new balance.

It is important to note however that other than in the Oat Hill portfolio, where all the loans are floating rate, most borrowers have a fixed rate mortgage for a term between 2 and 5 years from origination after which the loan moves to a typically more expensive reversion rate. At the expiry of the fixed rate term, most borrowers are expected to refinance their loan causing a repayment where, if they have taken a payment holiday, they will need to repay the increased balance in full which in many cases means that despite the deferral being capitalised over the rest of the life of the loan, it will actually be paid back much quicker.

PORTFOLIO MANAGER'S REPORT Continued

for the year ended 30 June 2020

As previously described, payment holidays have affected each portfolio differently depending on asset type, borrower type and originator. However, the quantum for all portfolios peaked at the end of June, as the large proportion of borrowers who took their first deferral in April, shortly after the scheme was announced, came to the end of the initial 3 month period and resumed making payments in July. Some borrowers however, subsequently took the option of an extension of up to a further 3 months and those extensions will typically come to an end from the end of September onwards. The figures in the table and text below represent the latest available data for position at the end of August, showing the transition of those borrowers who took a deferral initially and subsequently returned to making payments but not yet those who took an extension at the end of their initial 3 month period.

Purchased Buy-to-Let – The Coventry portfolios have seen the amount of payment holidays fall from a peak of around 13% to about 3.2% currently. For comparison, at the end of June Coventry reported overall payment holidays of 15.2% with levels in their owner occupied book at 17.9%, typifying the experience of lower levels for BTL loans. Overall, Coventry's numbers are slightly lower than industry average, with banks like Santander UK for example reporting a level just over 20%, illustrating Coventry's focus on high quality, low risk lending. The CHL portfolio experience has been similar, with 14.8% at the peak having fallen to around 4.7%. These lower numbers will most likely be driven by the age of the loans, with therefore smaller average balances, their floating rate nature where base rate cuts had already benefitted the borrowers, and the low margin leading to a low absolute payment amount for borrowers to be able to support.

Forward Flow Buy-to-Let – The Keystone portfolio has been the outstanding performer throughout this process, probably not a surprise given the high quality lending but also its focus on professional landlords. Only 3.4% of the pool took a payment holiday at all, and just two loans to a single borrower have extended with all others resuming payments; several of which have also made arrangements to make up the shortfall over the next 1-2 years rather than capitalising the additional balance over the rest of the life of the loan.

Forward Flow Owner Occupied – Conversely, and unsurprisingly, the TML portfolios have seen the highest levels of payment holidays, given they are solely owner occupied loans and also the nature of TML's customer base is the underserved borrower such as those with irregular incomes including many self-employed, whose cashflow did not benefit immediately from the income and business support schemes. The level of holidays has now fallen from a peak of over 40% to a current level of 14.7%. It is notable that the self-employed component, which saw a greater take-up of payment holidays initially, has now seen a correspondingly larger decrease, probably reflecting the earlier end of the income support scheme for the self-employed compared to the furlough scheme for the employed.

Overall we must be pleased with the trend which has seen payment holidays across the whole portfolio fall from a peak of almost 19% to around 5% currently with a further reduction expected when the current extensions come to an end. A summary can be seen in the table below.

Portfolio Summary	Buy-to-Let			Owner Occupied
	Purchased		Forward Flow Originated	
Originator	Coventry Building Society	Capital Home Loans	Keystone Property Finance	The Mortgage Lender
Outstanding Balance	£497m	£481m	£264m	£405m
Number Accounts	2,820	3,771	1,219	2,176
Peak Payment Holidays (% of bal.)	13.0%	14.8%	3.4%	40.1%
Payment Holidays Aug-20	3.2%	4.7%	0.7%	14.7%

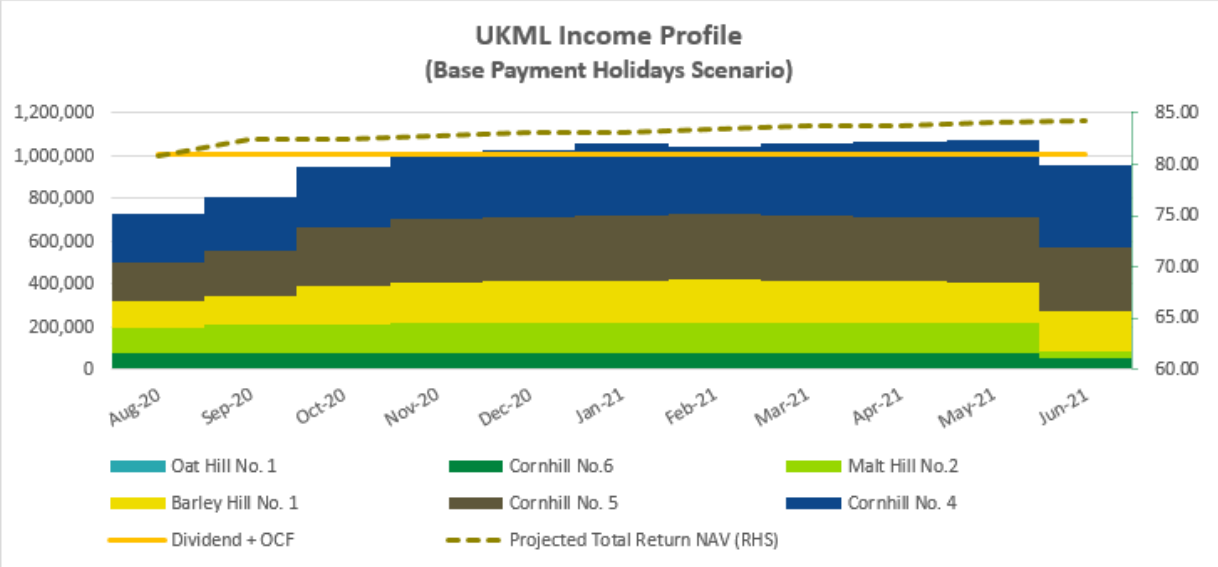
PORTFOLIO MANAGER'S REPORT Continued

for the year ended 30 June 2020

However, given the economic stresses that are bound to come due to the pandemic, some of these loans will undoubtedly fall into longer term arrears, potentially leading to foreclosure and possibly result in losses. Our conservative approach to lending and portfolio purchases will be highly beneficial as our focus on lower LTVs for example will protect us against loss levels where foreclosures are necessary, but nonetheless we have significantly updated our loss provisioning methodology and applied more severe stress assumptions to take account of loans with payment holidays and also factor in the greater likelihood of a downturn.

The methodology analyses each pool on a loan-by-loan basis. Every portfolio has a tailored set of default assumptions to reflect its characteristics and asset type. Riskier pools have higher default probabilities across the board, and the probability of default in each set is doubled for those loans with payment holidays. Furthermore, the default weighting scales up further in each higher LTV bracket. House prices are stressed in all scenarios, despite the current buoyant housing market. The minimum stress across all our base cases is a 12.7% asset value decline, and that rises to almost 70% in some of our severe stress cases. Despite these stresses, the outcome of the updated analysis increased the Company's loss provision at the year-end by a relatively modest £1.1m (approx. 0.5% of NAV) to a total £2.55m. This addition along with the provisioning previously applied reflects the cautious risk profile of the overall portfolio.

The decline in the Company's NAV has slowed during the year, particularly as assets of the forward flow portfolios grew, increasing income and therefore dividend coverage, and the decline in the first six months of 2020 was a modest 0.47%, despite further significant growth not being possible in the last quarter of the year due to the Coronavirus lockdown. However, further growth should be possible now that lending markets have resumed and a reduced dividend outgoing due to the anticipated share buybacks project a covered dividend from the end of 2020.



The Company's NAV is calculated on an amortised cost basis – a methodology widely used by banks and financial institutions for valuing loan portfolios and other complex, not easily comparable assets, where no regular trading market exists and particularly where the assets are intended to be held to maturity. This methodology also allows any purchase discount/premium to be released into the valuation over the life of the asset portfolio. Appropriate input assumptions (such as expected loan prepayment speeds or losses) are modelled by an independent third party provider to calculate the amortisation of the premium/discount to par over the expected life, which can then be adjusted as required should actual experience vary (e.g. loan prepayments are faster or slower than expected).

PORTFOLIO MANAGER'S REPORT Continued

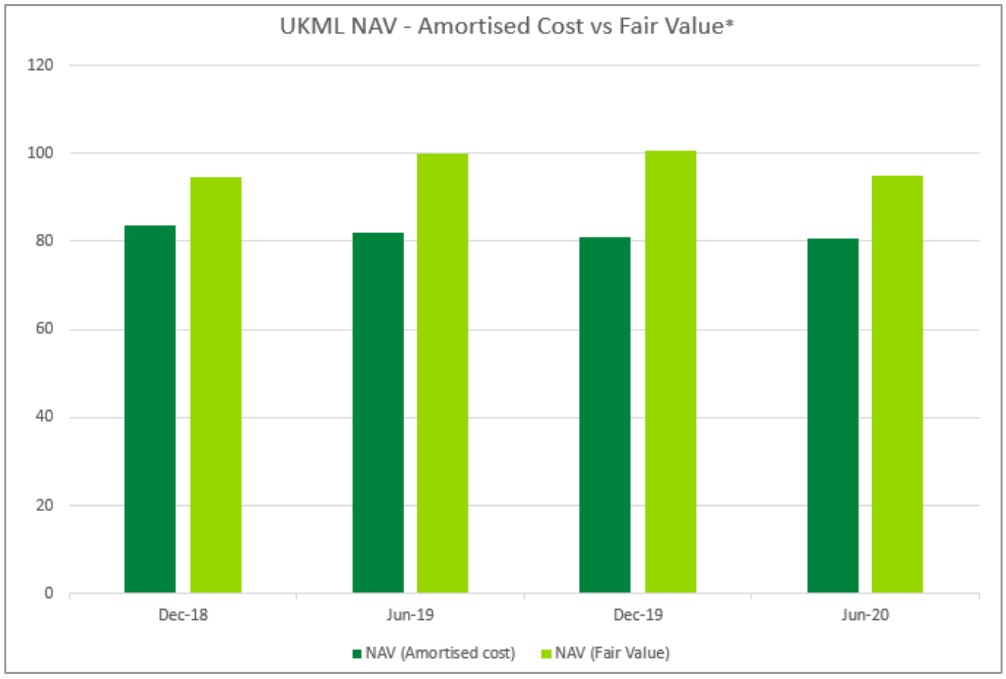
for the year ended 30 June 2020

By contrast, fair value accounting is typically applied to assets which have a higher degree of market price transparency, and can be easily traded such as liquid bonds and stocks. This might also include less liquid debt instruments which are relatively easily comparable to other traded instruments, but would simply not be suitable for regularly valuing portfolios of loans with thousands of components and little visible comparability with other portfolios, which themselves will have minimal pricing transparency.

That said, a fair valuation is carried out by the same independent third party semi-annually as part of the Company's financial reporting, using the same asset assumptions (e.g. prepayments etc.) as the amortised cost valuation.

As it is impractical to value each underlying loan (particularly for older portfolios where the most recently available credit analysis of the borrowers and asset valuations may be significantly outdated) the fair valuation of each portfolio is based on the expected funding cost of a similar generic portfolio in public or private markets, using securitisation modelling with a number of assumptions applied, tailored to each portfolio's characteristics. This does not take account of any existing hedging costs or funding in place (e.g. current warehouses or securitisations that may have several years to run and are likely to have staggered maturities to somewhat smooth the variability in funding costs over time, as can be seen in the historic spreads graph above). It is simply a "point in time" valuation assuming the portfolio is funded through a full securitisation structure at perceived market levels at that time, such that when the funding cost of a securitisation is higher, the fair value of the portfolio will be lower and vice-versa.

The Company adopted the amortised cost methodology because its portfolios are designed to be held to maturity and it therefore provides a smooth unwind of the discount or premium of the portfolios over their life, whilst the fair valuation method would introduce unwarranted volatility. The Fair Value method does indicate the change in the level of securitisation spreads. For example, as the chart below shows, the fair valuation increased through 2019 as securitisation spreads generally tightened (see the RMBS spreads graph above) but fell in the first half of 2020 as they widened due to the Coronavirus crisis.[1]



* Includes an adjustment for the portion of swap hedges included in the amortised cost.

[1] Whilst the fair value of the portfolio is sensitive to the level of securitisation spreads, it has negligible sensitivity to the level of interest rates as the portfolio is fully hedged using interest rate swaps as described in note 9.

PORTFOLIO MANAGER'S REPORT Continued

for the year ended 30 June 2020

Outlook

In RMBS, for mortgage and housing markets the near-term outlook is broadly positive, despite the ongoing uncertainty over developments with the Coronavirus situation, whether it be a return to more stringent lockdown or the outcome of payment holidays.

In financial markets 0-5yr swap rates in the UK are close to zero, whilst mortgage rates are broadly unchanged from before the pandemic began, with some lenders even having increased rates as well as tightening loan origination criteria somewhat. That means the forthcoming period represents an extremely attractive origination opportunity for the Company's forward flow assets, adding margin and therefore enhancing return, whilst protecting risk, with underwriting taking account of the latest situation.

Spreads in RMBS markets meanwhile have continued to grind tighter, and whilst a small post-summer pipeline is building in the primary market, the expectation for supply in the near to medium term is that issuance will remain subdued whilst demand will remain strong. Bank deals will be few and far between, given the alternative central bank funding sources available and will be mostly retained. Non-bank deals are expected to be largely pre-placed, as has been the case in all transactions since the summer, and given that most non-bank lenders have now issued since the market reopened in June they will need time to rebuild origination volumes and loan stock before returning to issuance.

This will be positive for the Company as the forward flow portfolios approach the time for securitisation.

Meanwhile, the Board's strategic review is underway at the time of writing and the outcome of this will guide the future direction of the Company.

TwentyFour Asset Management LLP
26 October 2020

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 30 years' experience as an investment manager, specialising in fixed income, hedging strategies and alternative investment mandates and until 2013 was Chief Executive of the Edmond de Rothschild Group in the Channel Islands. Prior to joining the Edmond de Rothschild Group in 1999, Mr Waldron held investment management positions with Bank of Bermuda, the Jardine Matheson Group and Fortis. Mr Waldron is also a member of the States of Guernsey's Policy and Resources Investment and Bond Sub-Committee and a Fellow of the Chartered Institute of Securities and Investment. Mr Waldron was appointed to the Board on 10 June 2015.

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

Paul Le Page (Audit Committee Chairman) - Independent Non-Executive Director – Guernsey resident
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 2020.

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 trigger 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 at the EGM. 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.

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

Following the onset of the COVID-19 pandemic, the Board has reviewed a three year cash-flow model prepared by the Portfolio Manager that simulates two extreme scenarios, namely an indefinite continuation of the mortgage holidays in effect at June 30 2020 and the failure to securitise or re-securitise each of the Company's mortgage portfolios. In each of these scenarios the Company was expected to produce sufficient income to finance its operations and continue as a going concern.

DIRECTORS' REPORT continued

Results

The results for the year are set out in the Consolidated Statement of Comprehensive Income on page 57. The Company declared dividends of £8,191,961 in respect of the year ended 30 June 2020, a breakdown of which can be found in note 22. Distributions declared and paid during the year amount to £10,239,952 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 capital of the Company.

Signed on behalf of the Board of Directors on 26 October 2020 by:

Christopher Waldron
Director

Paul Le Page
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 2020.

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 2020, 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 37.

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 sixteen years' experience in this capacity with a detailed knowledge of financial risk management and alternative asset classes.

CORPORATE GOVERNANCE REPORT Continued

Role, Composition and Independence of the Board (continued)
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 22.

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. Each administrator has a robust control environment in place, and in addition each company is subject to an annual external audit. Malt Hill no.1 Plc, Barley Hill No.1 Plc and Cornhill Mortgages No. 2 Limited were not subject to an annual audit at 30 June 2020 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	4	4	2	2
Richard Burrows	4	4	4	4	2	2
Paul Le Page	4	4	4	4	2	2
Helen Green	4	4	4	4	2	2

	Management Engagement Committee Meetings		Ad hoc Meetings	
	Held	Attended	Held	Attended
Christopher Waldron	1	1	8	6
Richard Burrows	1	1	8	7
Paul Le Page	1	1	8	8
Helen Green	1	1	8	6

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 at their offices and elsewhere 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 39 to 40.

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 19 March 2020 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 41.

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 39 to 40.

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 looks at the principal risks and uncertainties, an overview of which is set out below:

- The risk of the Company being unable to pay target dividends to investors due to a shortfall in income received on the portfolio. The risk is monitored by the Board 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 does pay 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 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 managed by the Board monitoring the portfolio pipeline in regular communication with the Portfolio Manager, and in quarterly and ad hoc Board meetings.

- The risk of investor dissatisfaction leading to a weaker share price, causing the Company to trade at a discount to its underlying asset value and a potential lack of market liquidity. The risk is mitigated by regular updates to Shareholders from the Portfolio Manager, and regular shareholder engagement both directly and via the Company's brokers. The Board has formalised a Share Buyback Policy and is conducting a Strategic Review with the intention of mitigating the risk of long-term share price discounts.

- The risk of failing to securitise purchased mortgage portfolios. If there is any significant delay in the ability to securitise a portfolio, the interest rates payable through warehouse funding arrangements are likely to increase over time which will impact the yield of the Company. In addition, the underlying portfolios will need to be re-financed periodically in order to maintain optimal levels of leverage. Failure to re-securitise at a suitable rate and/or reinvest the proceeds of subsequent securitisations may also adversely impact the yield of the Company. The risk 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.

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:

- The risks associated with the COVID-19 global pandemic. The UK government in common with its European neighbours has implemented unprecedented measures to restrict the possibility of transmission of the COVID-19 virus by limiting personal contact and international travel. Whilst the ultimate scope and duration of these measures is currently unclear, they are likely to have a severe impact on the UK Economy, which the government and the Bank of England are attempting 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. Furthermore, monetary policy measures and the Term Funding Scheme affect the absolute level of interest rates and therefore the spread that can be achieved between financial assets and liabilities. The Company intends to mitigate the risk of this uncertainty on the liquidity of its shares by undertaking a Strategic Review in consultation with its shareholders.

CORPORATE GOVERNANCE REPORT Continued

Emerging Risks and Uncertainties (continued)

- The risks associated with the UK's withdrawal from the European Union. The UK left the EU on 31 January 2020 and entered into a transition period ending 31 December 2020. During this period, the UK's arrangements with the EU remain unchanged. The Company engaged PwC to conduct an independent review of the taxation status of its Dublin based Diversified Activity Company to help mitigate this risk.

- 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%) has arguably increased as the Bank of England has 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 it does not maintain significant balances of products which directly reference 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:

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 41 to 44. 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.

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.

CORPORATE GOVERNANCE REPORT Continued

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 July 2023. The models subject the underlying mortgage pools to a variety of stresses including elevated levels of default, reduced levels of recovery following default and holiday forbearance. The scenarios also simulate the impact of multiple securitization failures so that the Company pays a step up coupon for every securitization until July 2023.

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 July 2023 and in all scenarios, would be able to meet its liabilities as they fall due.

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.

Significant Shareholdings

As at 26 October 2020, the Company has been notified of the following interests in the share capital of the Company exceeding 3% of the issued share capital:

	26.10.2020		17.10.2019	
	Number of shares	Percetage of issued share capital	Number of shares	Percetage of issued share capital
Twentyfour Asset Management*	46,759,800	20.14%	46,759,800	17.12%
Premier Miton Investors	26,083,951	11.24%	32,208,653	11.80%
Seven Investment Management	21,307,155	9.18%	20,707,325	7.58%
Investec Wealth & Investment	20,165,401	8.69%	N/a	N/a
Seneca Investment Managers	17,685,156	7.62%	N/a	N/a
Connor Broadley**	15,567,023	6.71%	N/a	N/a
West Yorkshire PF	9,374,583	4.04%	N/a	N/a
Vidacos Nominees Limited	N/a	N/a	13,564,532	4.97%
Brooks MacDonald Nominees Limited	N/a	N/a	12,764,149	4.67%
Fidelity International	N/a	N/a	11,852,153	4.34%
HSBC Global Custody Nominee (UK) Limited	N/a	N/a	9,374,583	3.43%
*Twentyfour Asset Management acting as investment manager of:				
St. James Place Strategic Income Unit Trust	38,059,151	16.40%	38,059,151	13.93%
MI TwentyFour Investment Funds - Asset Backed Income Fund	8,700,649	3.75%	8,700,649	3.19%

** On 22 October 2020, Connor Broadley notified the market that their shareholding had fallen below 5% of the issued share capital.

CORPORATE GOVERNANCE REPORT Continued

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, with David Becker as partner, was appointed as auditor to replace PricewaterhouseCoopers CI LLP ("PwC").

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 as issued by the International Accounting Standards Board ("IASB") and applicable law.

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 2020.

(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 26 October 2020 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 7 December 2020.

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 July 2017, the base Director fee level should be £30,000 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 2020, the Directors received the following remuneration in the form of Director's fees:

	30.06.2020	**30.06.2019**
	£	£
Christopher Waldron	40,000	40,000
Richard Burrows	30,000	30,000
Paul Le Page	35,000	35,000
Helen Green*	30,000	30,000
Total	135,000	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.

DIRECTORS' REMUNERATION REPORT Continued

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.

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 26 October 2020 by:

Christopher Waldron
Director

Paul Le Page
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 2020.

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 19 March 2020.

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 £1,638,952,388 (fair value of £1,680,454,116) as at 30 June 2020 and represent a substantial portion of net 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 2020 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.

- 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 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.

(ii) Income recognition:
The Audit Committee considered the calculation of income from investments recorded in the Audited Consolidated Financial Statements as at 30 June 2020. 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.

(iv) Taxation:
The Audit Committee agreed with Deloitte LLP that it would be appropriate to review the tax status of the Acquiring Entity to confirm that it was being managed in accordance with Section 110 rules. On the basis of a tax structure legal opinion from Eversheds, and a subsequent review by PwC Dublin, the committee was satisfied that the Acquiring Entity was being managed in accordance with Section 110 rules.

AUDIT COMMITTEE REPORT Continued

Financial Reporting and Significant Financial Issues (continued)
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 have 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 page 24.

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 during the year as the auditor of the Company. During the year, the Audit Committee received and reviewed audit plans and reports from the external auditor. The Audit Committee also undertook an audit tender process which is described later in the report. 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.

Summary of activity during the year
The most significant event in the financial year was the completion of the Company's audit tender process in October 2019. Deloitte LLP was selected to replace PwC as the firm offered efficiency gains by having a single audit partner responsible for signing the statements for all three levels of the Company's structure. The Committee worked with Deloitte and the Portfolio Manager to ensure that the review of key audit risk items relating to credit impairment provisions and the assessment of hedge effectiveness began at the start of the financial year rather than the start of the audit. The Company has benefitted from the early engagement and critical reviews by Deloitte's technical teams and has developed more granular credit loss models that use more loan level data as opposed to portfolio level assumptions.

AUDIT COMMITTEE REPORT Continued

Summary of activity during the year (continued)
The onset of COVID-19 also added its own set of challenges due to the mortgage holiday programme and whilst the Bank Of England and ESMA guidelines cautioned lenders not to treat forbearance as evidence of default the Committee in consultation with the Portfolio Manager felt that it was appropriate to assume that forbearance was a potential indicator of future default risk. The Committee worked with the Portfolio Manager to make a rapid estimate of the potential impact on the Company's credit loss provision and this was disclosed to the market in April.

Another topic of critical importance to the Audit Committee and the Company as a whole is to ensure that the Company will pay fully covered dividends as soon as possible. The Audit Committee worked with Northern Trust to update the dividend coverage projection model to monitor the impact of payment holidays on the Company's portfolio. Based on this work, and taking into account the extent to which the Company was paying dividends from capital, the Company made the decision that in order to rebuild the NAV, improve the Company's cash flow and reconstitute capital to generate returns in excess of the required divided, the annual dividend should be reduced from 6p 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, in July, the Board announced its intention to restore the 4.5p annual dividend, together with the payment of an extra dividend of 1.5p to offset the temporarily reduced payments.

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 2020.

	30.06.2020
Deloitte LLP - Audit work	**£**
Annual audit of the Company	30,000
Annual audit of the Company's subsidiaries	245,000
Deloitte LLP - Non-audit work including interim review	85,000
Ratio of non-audit to audit work	31%

The Company and the DAC do not qualify as EU Public Interest Entities ("PIEs") and are therefore not subject to the restrictions on non-audit services provided by its auditor under this regime. The SPVs 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, specifically the Acquiring Entity DAC and the underlying Issuer SPVs.

Under EU PIE regulations audit partners are required to rotate every five years. June 2020 marked the completion of Deloitte's first 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 26 October 2020 and signed on behalf by:

Paul Le Page
Chairman, Audit Committee

ALTERNATIVE INVESTMENT FUND MANAGER'S REPORT

Maitland Institutional Services Ltd 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 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

June 2020	Number of Beneficiaries	Fixed remuneration	Variable remuneration	Total remuneration paid
Total remuneration paid by the AIFM during the year	85	£5,516,000	£42,920	£5,558,920
Remuneration paid to employees of the AIFM who have a material impact on the risk profile of the AIF	4	£909,000	£2,500	£911,500

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 auditors 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 are 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 Ltd
26 October 2020

DEPOSITARY STATEMENT

for the year ended 30 June 2020

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 2020, 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
26 October 2020

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

Report on the audit of the consolidated financial statements

1. Opinion

In our opinion the consolidated financial statements of UK Mortgages Limited (the 'company') together with its subsidiaries (the 'group'):

- give a true and fair view of the state of the group's affairs as at 30 June 2020 and of the group's profit 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 consolidated 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 consolidated 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 consolidated financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services provided to the group for the year are disclosed in the audit committee report in page 41. We confirm that the non-audit services prohibited by the FRC's Ethical Standard were not provided to the group.

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

3. Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: • Expected credit losses of mortgage loans; • Revenue recognition; and • Derivative financial instruments and hedge accounting.
Materiality	The materiality that we used for the group consolidated financial statements in the current year was £4.38 million which was determined on the basis of being 2% of net asset value.

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

Scoping	We performed a full scope audit for all components of the group. This was the first year of our appointment as auditor of the group. Compared to the prior year audit scope, we have identified a new key audit matter in relation to derivative financial instruments and hedge accounting.

4. Conclusions relating to going concern, principal risks and viability statement

4.1. Going concern

We have reviewed the directors' statement in note 2 b) to the consolidated financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the group's ability to continue to do so over a period of at least twelve months from the date of approval of the consolidated financial statements.

We considered as part of our risk assessment the nature of the group, its business model and related risks including where relevant the impact of the Covid-19 pandemic and Brexit, the requirements of the applicable financial reporting framework and the system of internal control. We evaluated the directors' assessment of the group's ability to continue as a going concern, including challenging the underlying data and key assumptions used to make the assessment, and evaluated the directors' plans for future actions in relation to their going concern assessment.

We are required to state whether we have anything material to add or draw attention to in relation to that statement that would be required by Listing Rule 9.8.6R(3) and report if the statement is materially inconsistent with our knowledge obtained in the audit.

Going concern is the basis of preparation of the consolidated financial statements that assumes an entity will remain in operation for a period of at least 12 months from the date of approval of the consolidated financial statements.

We confirm that we have nothing material to report, add or draw attention to in respect of these matters.

4.2. Principal risks and viability statement

Based solely on reading the directors' statements and considering whether they were consistent with the knowledge we obtained in the course of the audit, including the knowledge obtained in the evaluation of the directors' assessment of the group's ability to continue as a going concern, we are required to state whether we have anything material to add or draw attention to in relation to:

- the disclosures on pages 32 - 34 that describe the principal risks, procedures to identify emerging risks, and an explanation of how these are being managed or mitigated;
- the directors' confirmation on page 32 that they have carried out a robust assessment of the principal and emerging risks facing the group, including those that would threaten its business model, future performance, solvency or liquidity; or
- the directors' explanation on page 34 as to how they have assessed the prospects of the group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures

Viability means the ability of the group to continue over the time horizon considered appropriate by the directors.

We confirm that we have nothing material to report, add or draw attention to in respect of these matters.

drawing attention to any necessary qualifications or assumptions.

- We are also required to report whether the directors' statement relating to the prospects of the group that would be required by Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated 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 consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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 2020, the aggregate value of mortgage loans amounted to £1,639 million (2019: £1,324 million) representing 96% of total assets (2019: 95%). The group's mortgage loans are the key value driver for the group's 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, and the categorisation of loans into various credit stages. The level of judgement has significantly increased given the market conditions following the covid-19 outbreak. As a result, inappropriate determination of these factors, whether due to error or fraud, could result in material misstatement of the consolidated financial statements. This matter is explained further in the Audit committee report at page 41. Note 2 f), note 3 set out the associated accounting policy and disclosure in respect of critical judgements and key sources of estimation uncertainty, note 7 sets out the composition of the mortgage loans balance, with 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 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 and in light of covid-19 developments; - Worked with our Modelling and Analytics experts to perform benchmarking analysis on the ECL by using comparable benchmarks with similar risk profiles and further to challenge management's assumptions by determining the ECL independently using our own assumptions; and - Evaluated the adequacy of disclosures made in the consolidated financial statements in light of the requirements of IFRS 7 and IFRS 9.
Key observations	Based on our audit work, we noted that some of management's assumptions used in the ECL model appear optimistic and sat below the range identified through our benchmarking analysis. Further, we provided management with recommendations to improve the ECL model and the underlying process in order for the group to appropriately deal with ECL requirements as economic circumstances develop in the coming period.

5.2. Revenue recognition

Key audit matter description	Interest income from mortgage loans totalled £47.6 million for the current year (2019: £39.6 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 loans prepayments are not appropriate which could result in a material misstatement to revenue in the consolidated financial statements, hence it is considered a key audit matter. The key accounting policies related to this key audit matter can be found in note 2 j) and note 3 and this matter is also described on page 41 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 competency, capabilities and objectivity of the directors' external expert; and - Independently recalculated the EIR adjustment of the whole portfolio, and also performed substantive analytical procedures on overall interest income.
Key observations	Based on our audit work, we identified an immaterial uncorrected misstatement in the application of the EIR which, if corrected, would lead to an increase in the net asset value with a corresponding increase in revenue.

5.3. Derivative financial instruments and hedge accounting

Key audit matter description	The group manages the risk associated with the fixed interest rate period of the mortgage loans by using derivative financial instruments including vanilla interest rate swaps valued at £8.39 million as at 30 June 2020 (2019: £0.64 million) and balance guarantee interest rate swaps ("BGS") valued at £13.09 million as at 30 June 2020 (2019: £7.17 million). These swap instruments are valued by the counterparties to the swaps which management consider to be the fair value in the consolidated financial statements. In addition, the group applies hedge accounting and has commissioned an external expert to undertake the hedge effectiveness testing and the calculation of the hypothetical fair value of the hedged items. We identified a key audit matter relating to both the valuation of the balance guaranteed interest rate swaps which are complex due to the dynamic profile of the notional principal and the prepayment optionality, and the application of hedging accounting principles which can also be complex on both types of the derivative financial instruments. This matter is explained further in the Audit committee report at page 41. Note 2 h) and note 3 set out the associated accounting policy and disclosure in respect of critical judgements and key sources of estimation uncertainty, with note 21 setting out details of the BGS valuation techniques applied and describing the related sensitivities.
How the scope of our audit responded to the key audit matter	We have: > *Derivatives financial instruments valuation* - Obtained an understanding of the hedging instruments valuation process including the underlying control activities; - Worked with our valuation specialists to revalue BGS independently; and

- Reconciled the valuation of the BGS to the counterparties' confirmations.

> *Hedge accounting*

- Obtained an understanding of the hedge accounting application process including the underlying control activities;
- Assessed the competence, capabilities and objectivity of the directors' external expert;
- Reviewed the hedge designation documents and the directors' external expert hedge effectiveness testing; and
- Revalued the hedged item independently and also recalculated the hedge effectiveness ratio with the assistance of our hedging specialists.

Key observations	Based on our audit work, we have concluded that the valuation of the balance guaranteed interest rate swaps and the application of the hedge accounting are appropriate.

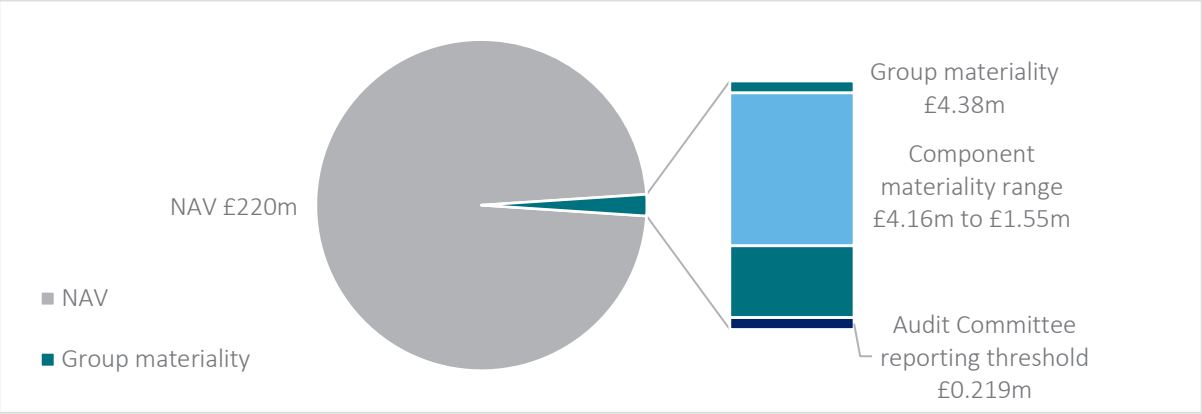
6. Our application of materiality

6.1. Materiality

We define materiality as the magnitude of misstatement in the consolidated 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 consolidated financial statements as a whole as follows:

Group Materiality	£4.38 million (2019: £5.60 million as determined by the predecessor auditor)
Basis for determining materiality	2% of net asset value (2019: 2.5% of the net asset value as determined by the predecessor auditor).
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.



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

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 consolidated financial statements as a whole. Group performance materiality was set at 70% of group materiality for the current year audit. In determining performance materiality, we considered the following factors:

- Our first year audit on the group;
- 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 review of prior year uncorrected misstatements identified by the predecessor auditor.

6.3. Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £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 consolidated financial statements.

7. An overview of the scope of our audit

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 company and its subsidiaries. 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 company and its subsidiary entities. Audit work to respond to the risks of material misstatement was performed directly by the group audit team. All subsidiaries in the group were subject to full scope audits.

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 £4.16 million and £1.55 million.

8. Other information

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

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

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

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the consolidated financial statements or a material misstatement of the other information. 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.

In this context, matters that we are specifically required to report to you as uncorrected material misstatements of the other information include where we conclude that:

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

- **Fair, balanced and understandable** – the statement given by the directors that they consider the annual report and 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, is materially inconsistent with our knowledge obtained in the audit; or
- **Audit committee reporting** – the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or
- **Directors' statement of compliance with the UK Corporate Governance Code** – the parts of the directors' statement that would be required under the Listing Rules relating to the company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

We have nothing to report in respect of these matters.

9. Responsibilities of directors

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated 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 consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated financial statements.

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

Report on other legal and regulatory requirements

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

11.1. 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 company; or
- the consolidated financial statements are not in agreement with the accounting records.

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

We have nothing to report in respect of these matters.

12. 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 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
26 October 2020

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2020

	Note	For the year from 01.07.2019 to 30.06.2020 £	For the year from 01.07.2018 to 30.06.2019 £
Income			
Interest income on mortgage loans	7	47,611,908	39,647,510
Interest income on cash and cash equivalents		224,439	22,535
Net gain from derivative financial instruments	9	430,440	828,934
Total income		48,266,787	40,498,979
Interest expense on loan notes	13	13,799,827	15,845,380
Interest expense on borrowings	14	7,171,939	2,353,540
Net interest expense on financial liabilities at fair value through profit and loss	9	4,078,557	2,335,629
Loan note issue fees and borrowing costs amortised	13 & 14	3,326,446	3,153,789
Mortgage loans servicing fees		3,455,141	2,989,859
Trail fees		2,624,259	-
Mortgage loan write offs	7	1,543,544	-
Expected credit loss provision	7	1,195,954	776,994
Portfolio management fees	16	1,022,296	1,337,090
Legal and professional fees		904,437	579,600
General expenses		806,655	537,150
Amortisation of discount on loan notes	13	752,837	1,686,544
Financing costs	2	329,373	412,257
Audit fees		310,000	333,821
Administration and secretarial fees	17	259,050	221,654
Directors' fees	16	135,000	135,000
AIFM fees	17	95,845	97,755
Borrowings facility fees	14	93,519	75,338
Depositary fees	17	65,947	67,916
Corporate broker fees		40,532	48,000
Custody fees	17	23,519	23,355
Swap costs amortised		-	471,835
Total expenses		42,034,677	33,482,506
Total comprehensive gain for the year		6,232,110	7,016,473
Gain per ordinary share - basic & diluted	4	0.023	0.026

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

The notes on pages 61 to 97 form an integral part of these Audited Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2020

	Note	30.06.2020 £	30.06.2019 Reclassed* £
Assets			
Non-current assets			
Mortgage loans	7	1,619,485,743	1,309,858,044
Reserve fund	8	6,683,000	17,704,519
Total non-current assets		1,626,168,743	1,327,562,563
Current assets			
Mortgage loans	7	19,466,645	13,863,465
Reserve fund	8	13,521,519	-
Trade and other receivables	10	4,260,753	4,831,262
Cash and cash equivalents	11	37,905,366	51,521,524
Total current assets		75,154,283	70,216,251
Total assets		1,701,323,026	1,397,778,814
Liabilities			
Non-current liabilities			
Borrowings	14	604,296,701	228,283,804
Loan notes	13	848,876,889	932,982,970
Total non-current liabilities		1,453,173,590	1,161,266,774
Current liabilities			
Financial liabilities at fair value through profit and loss	9	21,477,899	7,775,666
Trade and other payables	12	6,594,574	4,651,569
Total current liabilities		28,072,473	12,427,235
Total liabilities		1,481,246,063	1,173,694,009
Net assets		220,076,963	224,084,805
Equity			
Share capital account		264,749,999	264,749,999
Other reserves		(44,673,036)	(40,665,194)
Total equity		220,076,963	224,084,805
Ordinary shares in issue		273,065,390	273,065,390
Net Asset Value per ordinary share	5	0.8059	0.8206

* Refer to note 13 for details of the prior year reclassification.

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

The Audited Consolidated Financial Statements on pages 57 to 97 were approved and authorised for issue by the Board of Directors on 26 October 2020 and signed on its behalf by:

Christopher Waldron
Director

Paul Le Page
Director

The notes on pages 61 to 97 form an integral part of these Audited Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2020

	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 gain for the year		-	6,232,110	6,232,110
Balance at 30 June 2020		264,749,999	(44,673,036)	220,076,963

		Share capital account £	Other reserves £	Total equity £
Balance at 1 July 2018		264,749,999	(30,759,571)	233,990,428
Effect of adoption of IFRS 9		-	(538,172)	(538,172)
Balance at 1 July 2018		264,749,999	(31,297,743)	233,452,256
Dividends paid	22	-	(16,383,924)	(16,383,924)
Total comprehensive gain for the year		-	7,016,473	7,016,473
Balance at 30 June 2019		264,749,999	(40,665,194)	224,084,805

The notes on pages 61 to 97 form an integral part of these Audited Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 30 June 2020

	Note	For the year from 01.07.2019 to 30.06.2020 £	For the year from 01.07.2018 to 30.06.2019 Reclassed £
Cash flows from operating activities			
Total comprehensive gain for the year		6,232,110	7,016,473
Adjustments for:			
Mortgage acquisition fees capitalised	7	-	(10,621)
Amortised mortgage acquisition fees released	7	130,580	134,776
Expected credit loss provision	7	1,195,954	776,994
Mortgage loan write offs	7	1,543,544	-
Net gain from derivative financial instruments	9	(430,440)	(828,934)
Interest on derivative financial instruments	9	534,221	-
Amortisation adjustment under effective interest rate method	7	(5,227,777)	(4,366,433)
Loan note issue fees amortised	13	1,768,885	928,937
Borrowings issue fees amortised		1,437,561	2,008,812
Amortisation of discount on loan notes		752,836	1,651,747
Purchase of mortgage loans	7	(474,740,452)	(184,085,141)
Mortgage loans repaid	7	175,465,726	86,327,847
(Increase)/ decrease in reserve fund	8	(2,500,000)	56,581
Increase in trade and other payables		1,943,005	1,629,581
Decrease/ (increase) in trade and other receivables		570,509	(1,108,453)
Net cash outflow from operating activities		(291,323,738)	(89,867,834)
Cash flows from financing activities			
Proceeds from borrowings		401,000,000	118,500,000
Repayment of borrowings		(24,926,647)	(173,500,000)
Increase in borrowing fees capitalised		(1,498,018)	(1,085,512)
Increase in loan note issue fees capitalised		-	(3,471,087)
Proceeds from issue of loan notes		-	393,133,354
Repayments of loan notes	13	(86,627,803)	(219,269,027)
Decrease in payables related to issue costs		-	(318,732)
Dividends paid	22	(10,239,952)	(16,383,924)
Net cash inflow from financing activities		277,707,580	97,605,072
(Decrease)/ increase in cash and cash equivalents		(13,616,158)	7,737,238
Cash and cash equivalents at beginning of year		51,521,524	43,784,286
Cash and cash equivalents at end of year		37,905,366	51,521,524

The notes on pages 61 to 97 form an integral part of these Audited Consolidated Financial Statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2020

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 7 January 2020), Malt Hill No. 2 Plc, Oat Hill No.1 Plc, Barley Hill No.1 Plc (incorporated 18 February 2019), 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) and Cornhill Mortgages No. 6 Limited (incorporated 18 March 2019) as at 30 June 2020, together referred to as the "Company". The Warehousing SPVs are placed into liquidation upon the transfer of the mortgage loans to the Issuer SPVs.

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

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

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

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

2. Accounting Policies

a) Statement of compliance

The 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.

b) Going concern

The Audited Consolidated Financial Statements have been prepared on a going concern basis. The Directors are satisfied that, at the time of approving the Audited Consolidated Financial Statements, it is appropriate to adopt the going concern basis in preparing the Audited Consolidated Financial Statements as they anticipate that the Company will be able to continue to operate and meet its liabilities as they fall due over a period of 12 months from the approval of these Consolidated Financial Statements. In addition following the onset of the COVID-19 pandemic the Board has reviewed a three year cash-flow model prepared by the Portfolio Manager that simulates two extreme scenarios, namely an indefinite continuation of the mortgage holidays in effect at 30 June 2020 and the failure to securitise or re-securitise each of the Company's mortgage portfolios. In each of these scenarios the Company was expected to produce sufficient income to finance its operations and continue as a going concern.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Continued
for the year ended 30 June 2020

2. Accounting Policies (continued)

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 2020:

IFRS 9

IFRS 9 Prepayment Features with Negative Compensation amends the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortised cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments. The amendment is to be applied retrospectively for fiscal periods beginning on or after 1 January 2019.

IFRIC 23

IFRIC 23 was issued in June 2017 and addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. The standard is effective for periods beginning on or after 1 January 2019.

IFRS 16

IFRS 16 was issued on 13 January 2016 and replaces IAS 17 Leases. The standard is effective for annual periods beginning on or after 1 January 2019. IFRS 16 requires that all operating leases in excess of one year, where the Company is the lessee, are included on the Company's Statement of Financial Position. This will result in the Company being required to recognise a right-of-use ("ROU") asset and a lease liability (representing the obligation to make lease payments). The ROU asset and lease liability are calculated based on the expected payments, requiring an assessment as to the likely effect of renewal options, and are discounted using the relevant incremental borrowing rate.

The adoption of these new and amended standards did not impact the Company's financial statements.

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

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

IFRS 17 Insurance Contracts (Effective 1 January 2021)

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Continued

for the year ended 30 June 2020

2. Accounting Policies (continued)

e) Consolidation (continued)

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.

The following table outlines the consolidated entities. All subsidiaries are 100% held.

Subsidiaries	Date of Control	Country of Incorporation	Principal Place of Business	Originator
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
Malt Hill No.1 Plc *	02/06/2016	UK	UK	Coventry Building Society
Oat Hill No.1 Plc	23/06/2017	UK	UK	Capital Home Loans
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

* Malt Hill No.1 Plc was dissolved on 7 January 2020 and Cornhill Mortgages No.2 Limited was dissolved on 27 February 2020.

Based on control, the results of the Acquiring Entity, the Issuer SPVs (Malt Hill No.1 Plc (dissolved on 7 January 2020), Malt Hill No.2 Plc, Oat Hill No.1 Plc, Barley Hill No.1 Plc) 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 and Cornhill Mortgages No. 6 Limited) are consolidated into the Consolidated Financial Statements.

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).

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.

2. Accounting Policies (continued)

f) Financial Assets (continued)

Classification and measurement (continued)

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 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.

2. Accounting Policies (continued)

f) Financial Assets (continued)

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.

On 1 July 2017, the Directors designated the derivatives as a fair value hedge and applied hedge accounting from that date.

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) or an unrecognised firm commitment that is attributable to a particular risk (changes in benchmark interest rates impacting the fair value of fixed coupons) 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 instrument 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.

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. 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 and a performance related trail fee that is paid over the life of the mortgage.

r) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Portfolio Manager. 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.

s) Taxation

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

2. Accounting Policies (continued)

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.

Included in the trade and other receivables are formation expenses which have been capitalised and will be expensed over the expected life of the SPV.

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.

w) Comparative amounts
Certain comparative numbers have been reclassed to conform to current year presentation. These balances include a reclass between loan notes and borrowings. See note 13 for further details.

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. The key areas where estimates are made are as follows:

The key areas where estimates are made are as follows:

Mortgage loan ECL provision
All mortgage loans are assigned an expected credit loss provision, with the expected credit loss provision amounted of £2,511,120 as at 30 June 2020 (2019: £1,315,166) being based on the staging of the loan, the loan size and the quality of the underlying security. The key source of estimation uncertainty on the ECL provision is the market outlook, in particular housing price index estimation which support the valuation of the underlying collateral.

In applying these policies, the Directors consider how appropriate past trends and patterns could impact the economic climate and may make any adjustments they believe are necessary to reflect the current, future economic and market conditions.

The accuracy of ECL calculations would therefore be affected by unexpected changes to the economic situation, variances between the models used and the actual results, or assumption which differ from the actual outcomes. See a sensitivity analysis on the key source of estimation uncertainty in note 18.

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

Fair value

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 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.

Hedge accounting

The effectiveness of the Company's hedges represents an area of judgement and the degree of ineffectiveness in each period represents an area of estimation. At each reporting date, there is retrospective and prospective testing completed in order to review the estimates that have been used. Refer to note 2(h) for further detail.

The key areas where judgements are made are as follows:

Determining operating segments

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

The Directors reported the Company is engaged in two segments of business, being Buy-to-Let and Owner Occupied mortgage portfolios, and their sub-segments Flow-forward and Purchased, secured against UK residential property.

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.

4. Gain per Ordinary Share - basic and diluted

The gain per Ordinary Share of £0.023 (30 June 2019: £0.026) - basic and diluted has been calculated based on the weighted average number of Ordinary Shares of 273,065,390 (30 June 2019: 273,065,390) and a net gain of £6,232,110 (30 June 2019: £7,016,473).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Continued
for the year ended 30 June 2020

5. Net Asset Value per Ordinary Share

The Net Asset Value of each share of £0.8059 (30 June 2019: £0.8206) is determined by dividing the net assets of the Company £220,076,963 (30 June 2019: £224,084,805) by the number of shares in issue at 30 June 2020 of 273,065,390 (30 June 2019: 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 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, Barley Hill No.1 Plc, Cornhill Mortgages No.4 Limited, Cornhill Mortgages No.5 Limited and Cornhill Mortgages No. 6 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 and Cornhill Mortgages No.3 Limited 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 01.07.2019 to 30.06.2020 £	For the year from 01.07.2018 to 30.06.2019 £
Mortgage loans at start of the year	1,323,721,509	1,215,265,693
Mortgage loans purchased	474,740,452	184,085,141
Effective interest rate adjustment	5,227,777	4,366,433
Mortgage loans repaid	(175,465,726)	(86,327,847)
Mortgage acquisition fees capitalised	-	10,621
Amortised mortgage acquisition fees released	(130,580)	(134,776)
Fair value adjustment for hedged risk*	13,598,454	7,233,238
Expected credit loss provision	(1,195,954)	(776,994)
Mortgage loan write offs	(1,543,544)	-
Mortgage loans at end of the year	1,638,952,388	1,323,721,509
Amounts falling due within one year	19,466,645	13,863,465
Amounts falling due after more than one year	1,619,485,743	1,309,858,044
	1,638,952,388	1,323,721,509

* 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Continued
for the year ended 30 June 2020

7. Mortgage loans (continued)

	As at 30.06.2020 £	As at 30.06.2019 £
Non-current mortgage loans		
Mortgage loans	1,621,967,037	1,310,425,769
Impairment allowance	(2,481,294)	(567,725)
	1,619,485,743	1,309,858,044
Current mortgage loans		
Mortgage loans	19,496,471	14,610,906
Impairment allowance	(29,826)	(747,441)
	19,466,645	13,863,465

Mortgage loans at 30 June 2020 comprise of three securitised mortgage portfolios legally held in Malt Hill No. 2 Plc, Oat Hill No. 1 Plc and Barley Hill No. 1 Plc (securitised vehicle for part of the Cornhill Mortgages No. 2 Limited's portfolio) and three mortgage portfolios held with Cornhill Mortgages No. 4 Limited, Cornhill Mortgages No. 5 Limited and Cornhill Mortgages No. 6 Limited (portfolio for this entity was previously held by Malt Hill No. 1 Plc). Please refer to the Portfolio of Investments for breakdown of portfolios on page 6.

During the year, the Company recognised £47,611,908 (2019: £39,647,510) 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.

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 is balance guaranteed in order to track the principal balance of the mortgage loan portfolio and changes thereto quarterly in line with the movement in the mortgage loan portfolio. In May 2019, the Interest Rate Swap was novated to Cornhill Mortgages No. 6 Limited on the refinancing of Malt Hill No. 1 Plc.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Continued

for the year ended 30 June 2020

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

Malt Hill No.2 Plc

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

Cornhill Mortgages No. 4 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 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.

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.

Notional and fair value balances:

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

	Cornhill Mortgages No. 6 Limited	Barley Hill No. 1 Plc	Malt Hill No. 2 Plc	Cornhill Mortgages No. 4 Limited	Cornhill Mortgages No. 5 Limited	30.06.2019 Total
	£	£	£		£	£
Notional amount of Interest Rate Swap	168m	175.2m	347.6m	55.2m	-	746m
Fair value of Interest Rate Swap	(620,045)	(1,761,513)	(4,790,127)	(603,981)	-	(7,775,666)

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 and Cornhill No. 5 were designated as fair value hedges since June 2019 and June 2020, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Continued

for the year ended 30 June 2020

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

Net gain/(loss) from derivative financial instruments

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

	Cornhill Mortgages No. 6 Limited	Barley Hill No. 1 Plc	Malt Hill No. 2 Plc	Cornhill Mortgages No. 4 Limited	Cornhill Mortgages No. 5 Limited	30.06.2019 Total
	£	£	£	£	£	£
Movement on derivatives in designated fair value hedge relationships	(204,165)	(1,535,531)	(4,060,617)	(603,981)	-	(6,404,294)
Adjustment to mortgage loans in fair value hedge relationship	537,929	1,905,655	4,321,654	468,000	-	7,233,238
Net ineffectiveness	333,764	370,124	261,037	(135,981)	-	828,944

*The movement on derivative financial instruments in designated fair value hedge relationships includes £534,221 of interest on derivative financial instruments.

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. 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 30.06.2020	As at 30.06.2019
	£	£
Other receivables and prepayments	697,677	2,230,279
Interest receivable on mortgage loans	3,563,076	1,699,530
Capitalised formation expenses	-	901,453
	4,260,753	4,831,262

Capitalised formation expenses are the set up costs of Cornhill Mortgages No.2 Limited, Malt Hill No.2 plc, and Barley Hill No. 1 Plc which are being amortised over 3 years. These expenses have been fully amortised as at 30 June 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Continued
for the year ended 30 June 2020

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 30.06.2020 £	As at 30.06.2019 £
Cash at bank	37,905,366	51,521,524
	37,905,366	51,521,524

12. Trade and other payables

	As at 30.06.2020 £	As at 30.06.2019 £
Interest due on loan notes and borrowings	3,940,655	1,989,635
Loan notes and borrowings issue fees payable	909,660	984,381
Mortgage loans servicing fees payable	711,347	646,035
Portfolio management fees payable	444,763	316,964
Legal and professional fees payable	219,668	143,795
Audit fees payable	115,357	303,441
Administration and secretarial fees payable	105,507	53,978
General expenses payable	68,531	133,542
Directors' fees payable	33,750	33,750
AIFM fees payable	23,638	24,024
Depositary fees payable	16,263	16,606
Custody fees payable	5,435	5,418
	6,594,574	4,651,569

13. Loan notes

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

Malt Hill No.1 Plc completed the public sale of £263.3m of AAA-rated bonds on 26 May 2016. The AAA notes were issued with a coupon of 3 month LIBOR plus 1.35% which was payable quarterly and were listed on the Irish Stock Exchange. The issue fees on loan notes were amortised over the expected life of the loan notes, which is 3 years, being the period up to the call date. On 7 June 2019, the Company announced the redemption of the Portfolio Option on the loans underlying the Malt Hill No.1 plc securitisation, and the loans have been refinanced into a new warehouse SPV with Lloyds Bank Corporate Markets plc, called Cornhill Mortgages No.6. Limited. The refinanced amount was £183,983,354 which has been included within loan notes in the prior year financial statements, to match the previous presentation of the Malt Hill No 1 Plc funding. This has been reclassified to borrowings to reflect its nature.

13. Loan notes (continued)

Oat Hill No.1 Plc completed the public sale of £477.1m of AAA-rated bonds on 26 June 2017. The AAA notes were issued with a coupon of 3 month LIBOR plus 0.65% and a step up margin of 1.30% which 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 till 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. Loan notes have been classified as non-current based on their contractual obligations. These have been refinanced post year end, refer to note 25 for further details.

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

On 8 April 2019, the Company announced that Barley Hill No.1 PLC had successfully completed the public sale of £209.15m of senior notes. 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.

	For the year 30.06.2020	For the year 30.06.2019 Reclassed
	£	£
Loan notes at start of the year	932,982,970	937,924,240
Loan notes issued	-	209,150,000
Loan notes repaid	(86,627,803)	(214,913,863)
Discount on loan notes to be amortised	752,837	1,651,747
Loan note issues fees incurred	-	(2,804,188)
Loan note issue fees amortised	1,768,885	1,975,034
Loan notes at end of the year	848,876,889	932,982,970

Interest expense on loan notes for the year amounted to £13,799,827 (30 June 2019: £15,845,380).

Any covenant breaches will be dealt with in line with the documentation for each facility.

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14. Borrowings

At the start of the year ended 30 June 2019, Cornhill Mortgages No.2 Limited had a facility with NatWest Markets of £250m. On 8 April 2019, the Company announced that Cornhill Mortgages No.2 Limited had securitised its portfolio into Barley Hill No.1 Plc. This saw a completed public sale of £209.15m of senior notes and the repayment of this facility.

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 has a repayment date of October 2022 and is classified as a non-current liability.

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 has a repayment date of February 2022 and is classified as a non-current liability.

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. To date Cornhill Mortgages No.6 has a repaid £23m of the total facility. This facility has a final repayment date of April 2056 and is classified as a non-current liability.

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

At the year end, the Company had a liability of £228,698,014 consisting of £229,000,000 of the utilised borrowing facilities in respect of Cornhill Mortgages No. 4 Limited and £301,986 of borrowing costs (30 June 2019: a liability of £49,288,735 consisting of £50,000,000 of the utilised borrowing facilities in respect of Cornhill Mortgages No. 4 Limited and £711,265 of borrowing costs).

	For the year 30.06.2020	For the year 30.06.2019 Reclassed
	£	£
Borrowings at start of the year	228,283,804	104,445,310
Borrowings issued	401,000,000	302,483,354
Borrowings repaid	(24,926,646)	(177,855,164)
Borrowings issues fees incurred	(1,618,018)	(1,797,808)
Borrowings issue fees amortised	1,557,561	1,008,112
Borrowings at end of the year	604,296,701	228,283,804

The facility fees of £93,519 (2019: £75,338) were expensed in the year. The interest expense charged on borrowings of £7,171,939 (2019: £2,353,540) were expensed in the year.

Any covenant breaches will be dealt with in line with the documentation for each facility.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Continued

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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 2020, 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.

Issued Share Capital

	As at 30.06.2020	As at 30.06.2019
Ordinary shares	£	£
Share capital at the beginning of the year	264,749,999	264,749,999
Issued share capital	-	-
Share issue costs	-	-
Total share capital at the end of the year	264,749,999	264,749,999

	As at 30.06.2020	As at 30.06.2019
Ordinary shares	shares	shares
Shares at the beginning of the year	273,065,390	273,065,390
Issue of shares	-	-
Total shares in issue at the end of the year	273,065,390	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.

The annual Directors' fees comprise £40,000 (30 June 2019: £40,000) payable to Mr Waldron, the Chairman, £35,000 (30 June 2019: £35,000) to Mr Le Page as Chairman of the Audit Committee, and £30,000 (30 June 2019: £30,000) each to Mrs Green and Mr Burrows. During the year ended 30 June 2020, Directors' fees of £135,000 were charged to the Company (30 June 2019: £135,000), of which £33,750 remained payable at the end of the year (30 June 2019: £33,750).

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16. Related Parties (continued)

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 30.06.2020	Number of Shares 30.06.2019
Christopher Waldron	80,000	20,000
Richard Burrows	5,000	5,000
Paul Le Page	112,800	20,000
Helen Green	21,250	10,000

As at 30 June 2020, the Portfolio Manager held Nil shares (30 June 2019: Nil) and partners and employees of the Portfolio Manager held 6,719,088 shares (30 June 2019: 5,864,783), which is 2.461% of the issued share capital (30 June 2019: 2.148%).

c) 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%.

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

Total portfolio management fees for the year amounted to £1,022,296 (30 June 2019: £1,337,090) of which £444,763 (30 June 2019: £316,964) 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.

d) 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 2020, AIFM fees of £95,845 (30 June 2019: £97,755) were charged to the Company, of which £23,638 (30 June 2019: £24,024) remained payable at the end of the year.

17. Material Agreements (continued)

b) Administrator and Secretary

Administration fees are payable to Northern Trust International Fund Administration Services (Guernsey) Limited monthly in arrears at a rate of 0.06% of the NAV of the Company below £100 million, 0.05% on net assets between £100 million and £200 million and 0.04% on net assets in excess of £200 million as at the last business day of the month subject to a minimum £75,000 per annum. These NAV based fees 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 £259,050 (30 June 2019: £221,654) of which £105,507 (30 June 2019: £53,978) 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 £65,947 (30 June 2019: £67,916) of which £16,263 (30 June 2019: £16,606) 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 £23,519 (30 June 2019: £23,355) of which £5,435 (30 June 2019: £5,418) remained payable at the 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, loans and 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.

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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 30.06.2020
	£	£	£	£
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

	Floating rate Reclassed	Fixed rate	Non interest bearing	Total as at 30.06.2019 Reclassed
	£	£	£	£
Assets				
Mortgage loans	575,393,092	780,738,352	(32,409,935)	1,323,721,509
Reserve fund	17,704,519	-	-	17,704,519
Trade and other receivables	-	-	4,831,262	4,831,262
Cash and cash equivalents	51,521,524	-	-	51,521,524
Total assets	644,619,135	780,738,352	(27,578,673)	1,397,778,814
Liabilities				
Financial liabilities at fair value through profit and loss *	746,041,275	(746,041,275)	-	-
Trade and other payables	-	-	(4,651,569)	(4,651,569)
Borrowings	(228,283,804)	-	-	(228,283,804)
Loan notes (note 13)	(932,982,970)	-	-	(932,982,970)
	(415,225,499)	(746,041,275)	(4,651,569)	(1,165,918,343)
Total interest sensitivity gap	229,393,636	34,697,077	(32,230,242)	231,860,471

* 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 £21,477,899 (2019: £7,775,666).

Borrowings and loan notes for the year ended 30 June 2019 were reclassed to classify Cornhill Mortgages No. 6 facility as borrowings instead of loan notes as it was shown in the prior year.

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 2020 would have increased by approximately £189,527 (2019: £257,608) or 0.011% (2019: 0.018%) 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 2020 would have decreased by approximately £188,584 (2019: £256,326) or 0.011% (2019: 0.018%) of total assets, due to a decrease in the amount of interest receivable.

This basis point is taken as it is the maximum 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.

The following details the Company's sensitivity to an increase and decrease of 50 basis points in the interest rate swap valuations, 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.

At 30 June 2020, if the interest rate swap valuation had been 50 basis points higher with all the other variables held constant, the return attributable to shareholders for the year would have been £107,389 (2019: £38,878) greater. This would represent an increase in Net Assets of 0.049% (2019: 0.017%).

If the interest rate swap valuation had been 50 basis points lower with all the other variables held constant, the return attributable to shareholders for the year would have been £106,855 (2019: £38,685) lower. This would represent a decrease in Net Assets of 0.049% (2019: 0.017%).

1.3 Currency risk: As at 30 June 2020 and 2019, 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.

18. Financial Risk Management (continued)

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. 4 Limited, Cornhill Mortgages No. 5 Limited and Cornhill Mortgages No. 6 Limited portfolios were in the warehousing phase.

The Company manages its liquidity risk through short term and long term cash flow forecasts to ensure it is able to meet its obligations. In addition, the Company is permitted to borrow up to 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 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 Group'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 30.06.2020 £
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

	Less than one year Reclassed £	More than one year Reclassed £	More than five years Reclassed £	Total as at 30.06.2019 Reclassed £
Assets				
Mortgage loans	13,863,465	77,434,308	1,232,423,736	1,323,721,509
Reserve fund	17,704,519	-	-	17,704,519
Trade and other receivables	4,831,262	-	-	4,831,262
Cash and cash equivalents	51,521,524	-	-	51,521,524
Total assets	87,920,770	77,434,308	1,232,423,736	1,397,778,814
Liabilities				
Financial liabilities at fair value through profit and loss	7,775,666	-	-	7,775,666
Trade and other payables	4,651,569	-	-	4,651,569
Borrowings	-	228,283,804	-	228,283,804
Loan notes	-	-	932,982,970	932,982,970
Total liabilities	12,427,235	228,283,804	932,982,970	1,173,694,009

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 30.06.2020 £	As at 30.06.2019 £
Mortgage loans	1,648,394,104	1,356,131,444
Reserve fund	20,204,519	17,704,519
Trade and other receivables	4,260,753	4,831,262
Cash and cash equivalents	37,905,366	51,521,524
	1,710,764,742	1,430,188,749

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18. Financial Risk Management (continued)

Credit risk (continued)

Mortgage loans written off during the year amounted to £1,543,544 (2019: £711,394, none of which was charged to the Consolidated Statement of Comprehensive Income), with an expected credit loss provision of £1,195,954 (2019: £776,994). In order to give an indication of credit quality the below table, shown as book value, is the current indexed loan to value ratio:

Loan to value	As at 30.06.2020 £	As at 30.06.2019 £
0-49%	211,966,217	197,564,996
50-75%	954,101,240	822,288,275
75-100%+	482,326,647	336,278,173
	1,648,394,104	1,356,131,444

The value of the past due loans 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 £7,445,962 as at 30 June 2020 (2019: £7,488,103) with underlying collateral value of £14,093,217 (2019: £10,279,387).

	Book value		Collateral value	
	As at 30.06.2020 £	As at 30.06.2019 £	As at 30.06.2020 £	As at 30.06.2019 £
>1 month but <2 months	3,216,112	4,782,851	4,795,785	7,317,654
>2 months but <3 months	4,801,137	430,127	7,063,327	911,325
>3 months but <6 months	3,525,284	2,071,973	6,728,027	2,835,843
>6 months	3,920,678	3,131,200	7,365,190	4,267,398
	15,463,211	10,416,151	25,952,329	15,332,220

The table below discloses the maximum exposure to credit risk at 30 June 2020 of mortgage loans with exposure to credit risk, the transfers between ECL levels in the year ended 30 June 2020, and the allowance for ECL allowance for each stage at 30 June 2020. 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 2019	1,342,553,680	6,089,662	7,488,103	1,356,131,445
Increase due to new loans purchased	417,197,938	253,861	371,525	417,823,324
Transfers between stages	(14,228,164)	9,274,137	4,954,027	-
Increase/(decrease) in mortgage loans	(119,679,835)	(513,136)	(3,824,640)	(124,017,611)
Mortgage loans written off during the year	-	-	(1,543,053)	(1,543,053)
Principal balance at 30 June 2020	1,625,843,619	15,104,524	7,445,962	1,648,394,105

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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 2019	747,441	104,298	463,427	1,315,166
Increase in ECL due to new loans purchased	658,333	1,974	43,777	704,084
Transfers between stages	(398,053)	(90,700)	488,753	-
Increase/(decrease) in credit risk	689,995	115,153	(313,277)	491,871
ECL Provisioning as at 30 June 2020	1,697,716	130,725	682,680	2,511,121

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 2020, 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 £1,463,272 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 £1,055,652 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.

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 and to the Company's share buyback policy; 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. There were no share buybacks during the current year, but a series of transactions took place after the year end and are detailed in note 25.

(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 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 was 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Continued

for the year ended 30 June 2020

20. Analysis of Financial Assets and Liabilities by Measurement Basis

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

30 June 2019	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	-	1,323,721,509	1,323,721,509
Reserve fund	-	17,704,519	17,704,519
Cash and cash equivalents	-	51,521,524	51,521,524
Trade and other receivables	-	4,831,262	4,831,262
	-	1,397,778,814	1,397,778,814

	Financial Liabilities at fair value through profit and loss Reclassed	Financial Liabilities at amortised cost Reclassed	Total Reclassed
Financial Liabilities as per Audited Consolidated Statement of Financial Position	£	£	£
Financial liabilities at fair value through profit and loss	7,775,666	-	7,775,666
Trade and other payables	-	4,651,569	4,651,569
Borrowings	-	228,283,804	228,283,804
Loan notes	-	932,982,970	932,982,970
	7,775,666	1,165,918,343	1,173,694,009

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Continued
for the year ended 30 June 2020

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).

(v) 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 2020 and 30 June 2019.

	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)

	Level 1	Level 2	Level 3	Total
	£	£	£	£
Liabilities				
Financial liabilities at fair value through profit and loss	-	-	(7,775,666)	(7,775,666)
Total liabilities as at 30 June 2019	-	-	(7,775,666)	(7,775,666)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Continued
for the year ended 30 June 2020

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.

At 30 June 2020, if interest rate had been 50 basis points higher with all the other variables held constant, the return attributable to shareholders for the year would have been £65,457 (2019: £38,878) greater. This would represent an increase in Net Assets of 0.030% (2019: 0.017%).

The following table analyses within the fair value hierarchy the Company's assets and liabilities not measured at fair value at 30 June 2020 but for which fair value is disclosed.

	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
Trade and other receivables	4,260,753	-	-	4,260,753
Total	62,370,638	-	1,680,454,116	1,742,824,754
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

	Level 1 30.06.2019 Reclassed £	Level 2 30.06.2019 Reclassed £	Level 3 30.06.2019 Reclassed £	Total 30.06.2019 Reclassed £
Assets				
Mortgage loans	-	-	1,373,078,652	1,373,078,652
Reserve fund	17,704,519	-	-	17,704,519
Cash and cash equivalents	51,521,524	-	-	51,521,524
Trade and other receivables	4,831,262	-	-	4,831,262
Total	74,057,305	-	1,373,078,652	1,447,135,957
Liabilities				
Trade and other payables	4,651,569	-	-	4,651,569
Borrowings	-	228,283,804	-	228,283,804
Loan notes	-	932,982,970	-	932,982,970
Total	4,651,569	1,161,266,774	-	1,165,918,343

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Continued
for the year ended 30 June 2020

21. Fair Value Measurement (continued)

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 3 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 2020:

Period to	Dividend rate per Share (pence)	Net dividend payable (£)	Record date	Ex-dividend date	Pay date
30 September 2019	1.125	3,071,986	18 October 2019	17 October 2019	31 October 2019
31 December 2019	1.125	3,071,985	17 January 2020	16 January 2020	31 January 2020
31 March 2020	0.375	1,023,995	17 April 2020	16 April 2020	30 April 2020
30 June 2020	0.375	1,023,995	17 July 2020	16 July 2020	31 July 2020

The original dividend policy for the Company was that in each subsequent financial year, it was intended that dividends on the Ordinary Shares would 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Continued
for the year ended 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 and Cornhill No. 5. The Buy to Let Purchased contains Malt Hill No.2, Oat Hill No.1 and Cornhill No. 6. Owner Occupied Forward Flow contains Barley Hill No. 1. For the year ended 30 June 2019 the Buy to Let Purchased contained Malt Hill No.1, Malt Hill No.2 and Oat Hill No.1 and Owner Occupied Forward Flow contained Cornhill No.2.

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

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

	Buy-to-Let		Owner Occupied		Total as at
	Forward Flow	Purchased	Forward Flow	Purchased	30.06.2020
	£	£	£	£	£
Interest income on mortgage loans	11,833,953	28,607,975	7,389,587	-	47,831,515
Net interest expense on financial liabilities at fair value through profit and loss	(352,412)	(2,690,082)	(1,014,656)	-	(4,057,150)
Net gain from derivative financial instruments	(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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Continued

for the year ended 30 June 2020

23. Segment Reporting (continued)

	Buy-to-Let		Owner Occupied		Total as at
	Forward Flow	Purchased	Forward Flow	Purchased	30.06.2019
	£	£	£	£	£
Interest income on mortgage loans	1,148,640	31,042,817	7,456,053	-	39,647,510
Net gain from derivative financial instruments	(135,981)	261,027	703,888	-	828,934
Net interest expense on financial liabilities at fair value through profit and loss	(34,689)	(1,947,908)	(353,032)	-	(2,335,629)
Interest expense on borrowings	(240,683)	-	(2,112,857)	-	(2,353,540)
Interest expense on loan notes	-	(14,927,566)	(917,814)	-	(15,845,380)
Servicer fees	(112,279)	(2,234,347)	(643,233)	-	(2,989,859)
Other expenses	(549,676)	(3,735,910)	(1,116,179)	-	(5,401,765)
Total net segment income	75,332	8,458,113	3,016,826	-	11,550,271

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

	30.06.2020	30.06.2019
	£	£
Total net segment income	13,189,182	11,550,271
Other fees and expenses	(6,957,072)	(4,533,798)
	6,232,110	7,016,473

There are no transactions between the reportable segments.

Total segment assets include:

	Buy-to-Let		Owner		Total as at
	Forward Flow	Purchased	Forward Flow	Purchased	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
	511,867,483	985,809,786	193,215,042	-	1,690,892,311

	Buy-to-Let		Owner		Total as at
	Forward Flow	Purchased	Forward Flow	Purchased	30.06.2019
	£	£	£	£	£
Mortgage loans	57,282,891	1,013,805,539	252,633,079	-	1,323,721,509
Reserve fund	-	13,521,519	4,183,000	-	17,704,519
Other	1,466,140	14,025,730	14,250,480	-	29,742,350
	58,749,031	1,041,352,788	271,066,559	-	1,371,168,378

	30.06.2020	30.06.2019
	£	£
Segment assets for reportable segments	1,690,892,311	1,371,168,378
Other	10,430,715	26,610,436
Total assets	1,701,323,026	1,397,778,814

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Continued

for the year ended 30 June 2020

23. Segment Reporting (continued)

Total segment liabilities include:

	Buy-to-Let		Owner Occupied		Total as at
	Forward Flow	Purchased	Forward Flow	Purchased	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

	Buy-to-Let		Owner Occupied		Total as at
	Forward Flow	Purchased Reclassed	Forward Flow	Purchased	30.06.2019 Reclassed
	£	£	£	£	£
Borrowings	49,288,735	178,995,069	-	-	228,283,804
Loan notes	-	726,157,169	206,825,801	-	932,982,970
Financial liabilities at fair value through profit and loss	603,981	5,410,172	1,761,513	-	7,775,666
Other	403,586	2,256,199	1,245,396	-	3,905,181
	50,296,302	912,818,609	209,832,710	-	1,172,947,621

	30.06.2020	30.06.2019
	£	£
Segment liabilities for reportable segments	1,480,455,407	1,172,947,621
Trade and other payables	790,656	746,388
Total liabilities	1,481,246,063	1,173,694,009

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 0.375p per Ordinary Share in respect of year ending 30 June 2020 was declared on 9 July 2020 and paid from the capital on 31 July 2020.

On 7 July 2020, the Company signed an agreement with Santander Corporate and Investment Banking providing a senior backstop facility to enable the Company to issue a call notice to redeem the outstanding notes of the Oat Hill No.1 transaction. That call notice was issued shortly before the close of business on 6 July 2020 and the notes were redeemed on the 27 August 2020.

On 22 July 2020, the Board of the Company granted approval for proposals including revised investment and share buyback policies. As signalled at that time, the first opportunity to enact the revised share buyback policy was the refinancing of the Oat Hill transaction anticipated at the end of May 2020.

The Oat Hill transaction was not called at its first refinancing call date of 27 May 2020 due to the COVID-19 pandemic, but the securitisation was successfully launched and priced just six weeks later on 10 July 2020 with the transaction being settled on 28 August 2020. The securitisation was issued on terms which will release a significant amount of capital and therefore allow the Company to return to its previously stated proposal of using excess capital to enable share buybacks whilst the Company's share price continues to trade at a discount to the NAV per share.

25. Subsequent Events (continued)

On 1 September 2020, the Company purchased 100,000 ordinary shares of £0.01 each in the capital of the Company at a price of £0.64 per share in accordance with the Company's share repurchase programme. These shares will be cancelled upon settlement.

On 3 September 2020, the Company purchased 50,000 ordinary shares of £0.01 each in the capital of the Company at a price of £0.65 per share in accordance with the Company's share repurchase programme. These shares will be cancelled upon settlement.

On 8 September 2020, the Company purchased 350,000 ordinary shares of £0.01 each in the capital of the Company at a price of £0.665 per share in accordance with the Company's share repurchase programme. These shares will be cancelled upon settlement.

On 10 September 2020, the Company purchased 250,000 ordinary shares of £0.01 each in the capital of the Company at a price of £0.67 per share in accordance with the Company's share repurchase programme. These shares will be cancelled upon settlement.

On 14 September 2020, the Company purchased 925,000 ordinary shares of £0.01 each in the capital of the Company at a price of £0.675 per share in accordance with the Company's share repurchase programme. These shares will be cancelled upon settlement.

On 15 September 2020, the Company purchased 1,600,000 ordinary shares of £0.01 each in the capital of the Company at a price of £0.6775 per share in accordance with the Company's share repurchase programme. These shares will be cancelled upon settlement.

On 16 September 2020, the Company purchased 4,390,000 ordinary shares of £0.01 each in the capital of the Company at a price of £0.68 per share in accordance with the Company’s share repurchase programme. These shares will be cancelled upon settlement.

On 17 September 2020, the Company purchased 2,311,920 ordinary shares of £0.01 each in the capital of the Company at a price of £0.68 per share in accordance with the Company’s share repurchase programme. These shares will be cancelled upon settlement.

On 18 September 2020, the Company purchased 1,735,000 ordinary shares of £0.01 each in the capital of the Company at a price of £0.68 per share in accordance with the Company’s share repurchase programme. These shares will be cancelled upon settlement.

On 21 September 2020, the Company purchased 18,123,000 ordinary shares of £0.01 each in the capital of the Company at a price of £0.68 per share in accordance with the Company’s share repurchase programme. These shares will be cancelled upon settlement.

On 22 September 2020, the Company purchased 11,097,582 ordinary shares of £0.01 each in the capital of the Company at a price of £0.68 per share in accordance with the Company’s share repurchase programme. These shares will be cancelled upon settlement.

Following the above transactions, the total number of shares in issue (excluding Treasury shares) and the total number of voting rights in the Company is 232,132,888 as at 30 September 2020.

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. The ex-dividend date for this distribution was 15 October 2020, with a record date of 16 October 2020, and a payment date of 30 October 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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25. Subsequent Events (continued)

The UK government in common with its European neighbours has implemented unprecedented measures to restrict the possibility of transmission of the COVID-19 virus by limiting personal contact and international travel. Whilst the ultimate scope and duration of these measures is currently unclear, they are likely to have a severe impact on the UK Economy, which the government and the Bank of England are attempting 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. Furthermore, monetary policy measures and the Term Funding Scheme affect the absolute level of interest rates and therefore the spread that can be achieved between financial assets and liabilities. The Company intends to mitigate the risk of this uncertainty on the liquidity of its shares by undertaking a Strategic Review in consultation with its shareholders.

These Audited Consolidated Financial Statements were approved for issuance by the Board on 26 October 2020. 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	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	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	35 Great St. Helen's, London, EC3A 6AP, United Kingdom.
Oat Hill No.1 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.

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
Net Asset Value Total Return	the total return is calculated by adding dividends since inception to the absolute change in NAV and dividing it by the NAV on the starting date
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

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ASSET MANAGEMENT