TwentyFour
ASSET MANAGEMENT

UK Mortgages Limited

Interim Management Report and Unaudited Condensed Consolidated Interim Financial Statements

For the period from 1 July 2019 to 31 December 2019

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CORPORATE INFORMATION

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SUMMARY INFORMATION

The Company

UK Mortgages Limited ("UKML") was incorporated with limited liability in Guernsey, as a closed-ended investment company on 10 June 2015. UKML's shares were admitted to trading on the Specialist Fund Segment of the London Stock Exchange (LSE) on 7 July 2015. UKML and the affiliate structure has 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"). UKML, 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 (incorporated 18 February 2019), and the Warehouse SPVs (Cornhill Mortgages No.2 Limited (dissolved on 27 February 2020), Cornhill Mortgages No.3 Limited (dissolved on 15 August 2018 after being placed into liquidation on 9 February 2018), Cornhill Mortgages No. 4 Limited, Cornhill Mortgages No. 5 Limited (incorporated 24 May 2019) and Cornhill Mortgages No. 6 Limited (incorporated 18 March 2019)) (collectively, the "Company") are treated on a consolidated basis for the purpose of the Unaudited Condensed Consolidated Interim Financial Statements.

Investment Objective

The Company's investment objective is to provide Shareholders with access to stable income returns through the application of relatively conservative 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. The Company's investment policy was revised in the reporting period to allow investment into third party "triple A" (AAA/Aaa) rated RMBS for cash management purposes and to allow additional leverage in the Company's securitisations via the issuance of mezzanine notes, at an EGM held on 16 August 2019.

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 an LSE Regulatory Information Service approximately 2 weeks after the last business day of the following month.

Financial Highlights

	For the period from 01.07.2019 to 31.12.2019	For the year ended 30.06.2019	For the period from 01.07.2018 to 31.12.2018
Total Net Assets at period/year end	£221,350,060	£224,084,805	£228,430,207
Net Asset Value per ordinary share at period/year end	81.06p	82.06p	83.65p
Share price at period/year end	69.00p	73.50p	82.83p
Discount to Net Asset Value at period/year end	(14.88%)	(10.43%)	(0.98%)
Net Asset Value Total Return	0.15%	1.56%	0.15%
Dividends declared and paid in the period/year	2.25p	6.00p	3.00p
Total dividends declared in relation to the period /year	2.25p	5.625p	3.00p
Ongoing Charges			
- UKML	0.85%	0.93%	0.95%
- DAC and subsidiaries	2.42%	2.01%	1.94%
Total ongoing charges for the Company	3.28%	2.94%	2.89%

Ongoing charges are an Alternative Performance Measure calculated in accordance with the AIC methodology.

Net Asset Value Total return is an Alternative Performance Measure which aggregates the percentage movement in the Company's Net Asset Value with dividends paid in the period.

CHAIRMAN'S STATEMENT

for the period from 1 July 2019 to 31 December 2019

I am pleased to report the results of the Company for the six months from 1 July 2019 to 31 December 2019, a period of significant progress towards a covered dividend and the longer-term goal of rebuilding the Company's NAV. Cash flows continued to improve as the pace of originations at TML and Keystone increased and important structural changes were approved in August 2019 that give greater flexibility to the Portfolio Manager. This flexibility will be vital in maximising future returns.

Nothing is certain of course, and at the time of writing there is considerable anxiety about the eventual consequences of the coronavirus outbreak. Initially, it was hoped that its effects would amount to little more than a temporary and recoverable slowdown in economic activity, with demand deferred rather than lost. However, as the health crisis has deepened, a severe economic shock and an increase in unemployment seem inevitable. We are living through a period unprecedented in peacetime, where for entirely understandable humanitarian reasons, government actions are actively taking the UK towards recession.

This scenario is a concern for the Company, as there is now likely to be a period of forbearance for certain borrowers, which, if prolonged, would have the potential to lead to longer-term arrears. Increased arrears as a result of a sudden spike in unemployment is a risk that is hard to mitigate, but it is important to remember that even in the depths of 2008-9, credit losses from mortgage portfolios peaked at less than 10bps and this rate of losses was incorporated into the Portfolio Manager's stress test modelling from the outset.

It is currently unclear how effective the new UK Chancellor's fiscal measures will be in alleviating the cash flow problems that will affect large areas of the economy and would be a driver of mortgage arrears. However, it is encouraging to hear Mr Sunak echoing Mario Draghi in assuring that he is prepared to do "whatever it takes" to give relief to the economy and we hope that the benefits of these actions will be felt at least indirectly by the Company.

The Bank of England has also cut interest rates and is offering liquidity to markets. In past years, lower interest rates were problematic for UKML when it was not fully invested, reducing the returns available from prospective mortgage pool purchases. Reduced rates mean that absolute income levels will be lower, but this is a somewhat lesser concern with the Company fully invested and funded through floating rate debt. Although interest rate cuts have implications for future pool purchases, the recently approved ability to use higher gearing in financing these portfolios will help to alleviate this risk. A more immediate issue is the current seizure of credit markets, which make forecasting the timing and cost of any refinancing highly problematic.

Over the period, the performance of the Company's mortgage pools remained above expectations, as detailed below in the Portfolio Manager's report and in the summary tables of arrears in the financial statements. Origination volumes increased throughout 2019, with TML exceeding £20m per month and Keystone over £15m per month. At these rates of completions, it would be possible for both of these origination pools to move to securitisation in 2020, earlier than previous estimates. However, this timing must now be in some doubt, as it is likely that the current coronavirus crisis will have a material impact on the pace of originations.

The key focus for the Board remains the level of dividend coverage and in past reports we have provided cash flow charts to estimate when full coverage and subsequent NAV increases will occur. We have not done this in these accounts because the range of potential options after the refinancing of Oat Hill No.1 makes prediction difficult and the current dislocation in credit markets adds to the uncertainty over refinancing levels.

A successful refinancing utilising the improved leverage flexibility will see cash released, as we have noted previously and if the share price discount to NAV is over 5% after this transaction, we have undertaken to use this cash, less provision for committed expenses, to repurchase shares. The extent of any share purchases will change the total number of shares in issue and the discount paid for these shares will impact the total dividend cash requirement. Until this process has been completed, future cash flow estimates will be difficult to quantify.

CHAIRMAN'S STATEMENT Continued

for the period from 1 July 2019 to 31 December 2019

These are especially difficult times for society and the economy, but they will pass and the structural attractions of UK mortgage investments will reassert themselves. The Board is committed to maximising returns to shareholders and is working with the Portfolio Manager to consider the best options for future funding in what is an extremely volatile and fast-moving market. We will provide further updates on the outlook for UKML, the potential refinancing of its assets and the progress of dividend coverage as soon as reliable figures are available.

Thank you for your continuing support.

Christopher Waldron
Chairman
19 March 2020

PORTFOLIO MANAGER'S REPORT
for the period from 1 July 2019 to 31 December 2019

Housing and Mortgage Market Commentary
The second half of 2019 in the mortgage and housing markets was almost entirely dominated by mixed data. House price indicators varied from month to month with different providers often at odds with each other and yo-yoing from month to month, but generally showing a sluggish overall picture of little to very slow growth, with the north of the country generally outperforming the south. Similarly, mortgage approvals figures showed occasional upticks but were generally buoyed by first time buyers or remortgaging activity rather than home movers. That said, completions on new loans did gradually increase.

Most of the malaise was laid firmly at the door of uncertainty, caused by the inability of the government to get its Brexit plans through parliament. However, that appears to have begun to change since Boris Johnson won his decisive general election victory in December, and early signs are that some confidence has returned to housing markets despite the uncertainty of the transition period through the rest of 2020.

December figures were harder to read, given the short timeframe and the seasonal break, but numbers released after the period end in January showed virtually every housing and mortgage measure with a positive trend, several by a larger margin than for some time. UK Finance showed lending rose across all sectors in December; buyers, landlords, remortgages and first time buyers. Meanwhile Rightmove, RICS, Halifax, Nationwide, Zoopla, Reallymoving, the ONS and the Land Registry all showed house prices rising by various amounts, given their differing metrics, and Rightmove also pointed to strong rental growth, especially in London, whilst Savills noted growth in land values. Furthermore both the Bank of England and UK Finance showed mortgage approvals at their strongest levels since mid-2017 and December 2016 respectively, and e.surv also showed a strong rise of 1.9%.

RMBS Market Commentary
Following the usual summer slowdown, the UK RMBS market emerged steadily from the holiday break. The first deal came from Aldermore, followed by two building society deals from Yorkshire and Leeds. These were unsurprisingly all well received with very healthy levels of oversubscription. All three contained prime owner occupied loans and were STS and LCR eligible, so saw strong participation from bank treasury investors as well as asset managers. These were followed by several further deals from a broader spectrum of issuers including a further prime deal from Lloyds, a BTL deal from Paratus, and the return of Fleet to the BTL market via their new sponsor Citibank. There were also two deals with mixed collateral including second lien loans, which attracted good attention, the third deal of the year from non-conforming lender Kensington, plus the refinancing of a legacy deal from CHL by Cerberus, with collateral similar to our own Oat Hill deal. Finally, Barclays sponsored the refinancing of the earliest NRAM/Bradford & Bingley mortgage pool sales split into two deals similar to the first ones.

All of this happened by the end of October, taking UK RMBS volume at that point ahead of the issuance level for the whole of 2018 – an outstanding achievement given the slow start to the year following the introduction of the new regulatory framework.

Healthy levels of issuance continued throughout November, seeing the return of Co-op Bank to the prime RMBS market with their first publicly placed issue since 2012. The Principality Building Society also successfully placed a second prime RMBS deal of the year (their first with an STS label) and a follow up to the previous year's debut from Atom bank, perhaps indicating that banks were beginning to return to the ABS market for funding as some of the central bank funding sources, such as TFS, started to taper off in the medium term. Undoubtedly this was also helped by the ongoing development of STS issuance with every UK owner-occupied deal that could achieve the label opting to do so. Meanwhile, spreads continued to perform, with a modicum of tightening reflecting the strong demand for primary spilling over into the secondary market.

PORTFOLIO MANAGER'S REPORT Continued

for the period from 1 July 2019 to 31 December 2019

Although there was no new issue supply in December, the primary market finished 2019 with the highest amount of issuance since 2011 at around £26bn. The market embraced the main development of STS-labelled deals which saw steady supply and the transition to SONIA-based deals from LIBOR in the UK has also been seamless. Despite the ongoing geopolitical factors of Brexit, trade wars, tension in the Middle-East and a cooling European economy, credit fundamentals continued to show strong ongoing underlying loan performance, with very low levels of arrears across the board.

2020 also got off to a very strong start with four new deals in January – two prime STS deals from Clydesdale and Nationwide, a BTL deal from Precise and a non-conforming deal from Kensington. The first half of February brought further new deals, and of particular relevance to the Company was the refinancing of the CHL securitisation Auburn 11 into a new deal Auburn 14. Auburn 11 was essentially the sister deal to our own Oat Hill transaction, and was originally securitised simultaneously to UKML's purchase of the Oat Hill loan pool in February 2017, which we then securitised into Oat Hill No.1 three months later. Whilst not exactly identical, the two pools are very similar, as our pool was cut as a "vertical slice" of the original CHL pool. The Oat Hill transaction reaches its first refinancing date at the end of May.

CHL, owned by the European arm of US private equity firm Cerberus, employed a more aggressive capital structure than we are likely to use, and whilst our deal will likely be more conservatively structured, we can look to the credit enhancement levels they achieved for the more senior tranches as potential future guidance for our own deal.

The deal was announced with the senior notes already fully pre-placed and only the mezzanine notes to be sold. Ultimately they also chose to retain both the BBB rated and BB rated tranches, most probably because they were able to achieve financing terms that were preferable to selling the notes, albeit there is a likelihood that these could be offered in the secondary market at some point in the future.

The senior notes were priced at a spread of Sonia+90bps to a weighted average life of 2.7yrs, with a 3yr call option, although this sort of level is currently not achievable as at the time of writing market spreads have moved wider in response to the coronavirus outbreak.

On the regulatory front, the BoE and FCA released a set of documents outlining priorities and milestones regarding LIBOR transition, including the requirement that the market ceases to issue GBP debt linked to LIBOR by the end of Q3 2020. Virtually all UK ABS now uses Sonia as the reference index and none of the existing LIBOR-based UKML securitisations are expected to extend beyond the period when the requirement for contributing banks to quote GBP LIBOR rates ceases at the end of 2021. Some underlying loans still have reversion rates linked to LIBOR, although we expect that the vast majority of these will be refinanced as their reversion margins are relatively penal, and most of the underlying loan documentation also allows the reference rate to be amended to a suitable alternative such as the BoE Base Rate or an SVR. We are also working with our warehouse providers to future-proof our financing facilities, ahead of the transition.

PORTFOLIO MANAGER'S REPORT Continued
for the period from 1 July 2019 to 31 December 2019

Market Outlook
Prior to the coronavirus outbreak, the near term outlook had looked broadly supportive for the RMBS market. The depth and length of the current sharp downturn remains to be seen. Whilst from an issuer perspective, the ability to issue new transactions as STS-compliant in certain cases, thereby reaching the widest possible investor base, should be supportive of a strong pipeline, the emergency monetary measures introduced such as the new TFSME funding scheme may well constrain new issuance from the banking sector once a semblance of normality returns, which ultimately could be positive for non-bank issuers, such as ourselves, as lower supply will likely lead in time to tighter spreads. The £15bn or so of funding from the original TFS scheme that is due to be repaid by UK banks in the latter part of this year and significantly more than that in 2021 is now likely to be financed by the new scheme rather than the previous expectation of growth in issuance from that sector over the next year or so.

That said, the emergence of the Coronavirus outbreak will undoubtedly impact the wider supply chain and global growth, and ultimately affect all markets for some time, and a recovery may take some considerable time.

Commentary
The summer months were mostly focussed on two major issues, the finalisation of the follow-on warehouse for ongoing lending to build a second portfolio with The Mortgage Lender, and the lead up to the EGM for investors to vote on the proposed amendments to the Company's investment policy. The proposed amendments were to provide greater flexibility with regards to the leverage strategy, given the high quality of the investment portfolio, aimed principally at delivering a sustainable level of dividends and rebuilding the Company's net asset value over time.

Following the positive outcome of the EGM vote, in which both resolutions were passed with over 92% in favour, and a high turnout of approximately [74%], the portfolio managers began the process of implementing the amendments to the investment policy. This will be a gradual process, as whilst some adjustments might be made to the ongoing forward flow warehouses, they remain relatively early in their growth stages and therefore any short term impact will be minimal. More substantial changes will begin to occur when each of the term securitised portfolios is refinanced, the first of which is the Oat Hill No.1 deal in May 2020.

Following investor feedback after the EGM and the ongoing widening of the fund's price discount to the NAV, some further insight into the Company's Buyback Policy and the potential quantum of any future buyback was provided. Whilst a discount of greater than 5% persists, surplus capital will be used to buy back shares rather than being reinvested. While the Company is trading at a discount, repurchasing shares will be instantly accretive and offer value to investors whilst also increasing the Company's dividend yield. Furthermore the policy is not limited to the 5% discount, and should the discount be reduced within that range whilst not immediately investable capital remains, then further buybacks above the 5% level may also be considered by the Board.

With the refinancing of the Oat Hill No.1 as the likely first capital release, depending on factors such as the structure and cost of the refinancing as well as prepayments etc., the amount released and available for buybacks at the time the Buyback Policy was announced, was envisaged to be between £30-50m, a material amount within the context of the then market cap of approximately £184m.

Furthermore, an investor update meeting was held in early October where further details were provided on the Company's focus to reduce the share price discount, the buyback policy, the medium term recovery of the NAV and ultimately future growth. It was also discussed that the share price had been suppressed by one large investor in particular who had been repeatedly offering shares and that investor had finally sold out of their holding. As a result the share price had recovered slightly but was still trading at a significant discount.

A replay of the presentation can be accessed on the company website www.ukmortgageslimited.com.

PORTFOLIO MANAGER'S REPORT Continued
for the period from 1 July 2019 to 31 December 2019

Meanwhile, the finalisation of the follow-on warehouse (Cornhill Mortgages No.5) for UKML's ongoing arrangement with TML was completed, to coincide with the end of the prefunding period for Barley Hill No.1 which ended on its August Interest Payment Date. Arranged by HSBC Bank plc, the warehouse finances further new owner-occupied lending to build the next portfolio of loans, intended to grow to a size suitable for a further public securitisation into what will then be expected to be the second Barley Hill transaction.

Unlike the first warehouse for TML loans which was fully capitalised from the outset (as TML, whilst operated by a highly experienced lending and management team, was a new lender at that time, and furthermore UKML's capital position was then at a large surplus), the second transaction employs a far more efficient incremental capitalisation structure, similar to 2018's Cornhill Mortgages No.4 transaction. This maximises the efficiency of capital deployment and therefore leverage, minimising the cost of undrawn commitment fees. Swaps hedging is also with HSBC Bank plc, an Aa2(cr)/AA- rated (Moody's/S&P) counterparty.

Since then, the ongoing focus for the portfolio management team, alongside the day to day management of the existing investments, is the finessing of the current portfolio financing arrangements ahead of making preparations for the upcoming transaction refinancings and securitisations due in 2020, which begins with the Oat Hill refinancing.

The current market disruption due to the coronavirus outbreak has the potential to interrupt these plans and the portfolio managers have already made significant steps in exploring alternative solutions whilst also continuing to work on the securitisation plans. Any interim solution that might be employed is likely to be relatively shorter term in nature, allowing the term-out plans to resume when conditions are more suitable. Should this route be followed the company will update investors with more details once any arrangements have been finalised, along with how this may affect the potential release of any capital.

Recent government announcements in response to the possible economic effects of the coronavirus outbreak have also pledged so called payment holidays for mortgage borrowers who are affected by a loss of income due to being unable to work following government advice on social distancing and self-isolation for those with potential symptoms. This is currently a scheme that has been pledged by the banks and promoted by the government but may in the future, given government promises to "do whatever it takes", become backed by them. As the funder of two mortgage lenders in the form of TML and Keystone we would expect to offer forbearance to customers in line with market practice, although details of this are still being finalised at the time of writing.

The large proportion of our loans are BTL loans, which to a certain extent are one step removed as with both tenants and landlords there are potentially two sources of income. Furthermore, in Coventry we have purchased loans from arguably the most conservative lender in the UK with extremely low LTV lending and hence more than adequate (and well above the required regulatory minimum) levels of interest coverage and we would expect that many of their customers will have financial resources to continue making payments even if they are suffering rental shortfalls. Professional landlords, such as those that Keystone typically lend to, are also likely to have a greater excess of cashflow leading to a lower demand for forbearance. The weighted average ICR for their portfolio is well over 200% so theoretically half of a landlord's tenants could stop paying and they could still afford to meet their monthly payments.

With TML's loans, our only owner occupied pools, it's important to note that all of these loans are repayment style mortgages, which pay an element of capital every month alongside their interest payments. Even the borrowers paying the highest interest rates (i.e. those who typically have the weakest credit profiles) will have paid off the equivalent in principal of one monthly payment approximately every 4 months – therefore in the majority of cases, any deferred payments will still result in a loan size that is smaller than the initial size of the loan.

PORTFOLIO MANAGER'S REPORT Continued
for the period from 1 July 2019 to 31 December 2019

Revolving Credit Facility ("RCF")
We continue to progress the arrangement of an RCF, albeit the changes to investment policy in 2019 have meant that a new structure needs to be agreed to reflect the impact that greater leverage will have upon the unsecured debt provider's position going forward. This has slowed progress.

Portfolio Performance
All portfolios continue to perform generally in line with expectations with low arrears and stable prepayments.

Forward Flow Owner Occupied
Asset performance in Barley Hill No.1 remains very strong, with just seven loans in the greater than three months in arrears bucket at the end of 2019 which was also unchanged the following month, at the time of writing. This has only grown by a small amount from the first IPD at the end of the prefunding period in August 2019 when four loans were over 3 months in arrears. Since that time the pool has also paid down steadily from its peak at £227m last August to £197m currently. These prepayments typically come from the earlier originated 2-year loans in the pool as they reach their reset dates at a very steady rate of about £6m a month, in line with expectations.

In the new Cornhill No.5 warehouse, strong growth continued throughout the second half of 2019 and into early 2020, and it is now clear that TML's product range is fully established in the UK mortgage market and attracting the volume levels that we had originally expected, with originations comfortably above £20m per month through the last quarter of 2019 and into 2020, despite a slightly slower January following an unseasonably strong December, with completions approaching £170m at the end of January and a combined pipeline of over £280m. At that time just two loans were three months or more in arrears, unchanged from the previous two months.

Forward Flow BTL
Like TML, Keystone's origination volumes have continued to grow and they have regularly exceeded £15m per month since the summer of 2019. Completions were approximately £160m at the end of January from over 750 loans and a combined pipeline of over £370m, and there continues to be no signs of any loans in arrears. In our last full year financial statements we reported that the percentage of remortgages in the portfolio was falling from a very high level above the 75% limit in the early months of origination to 69% last June following the tweaking of the product range. This trend has continued and remortgages now make up 62% of the pool and is expected to continue to fall as both the pre and post-offer pipelines have this measure in the high 50% range.

Purchased BTL
Performance in the Oat Hill No.1 portfolio continues to be stable and generally in line with expectations. A small number of property repossessions continue to occur, as would be expected from a portfolio of this nature where the loans were originated well over 10 years ago. Our typical experience is either a full recovery when the properties are disposed of, or a small loss where a large amount of arrears has accrued during the repossession and sale process and/or where the property is in a poor state of repair. If this dilapidation is significant as might be the case for multi-occupant properties in lower quality areas then we have on one or two occasions seen a higher than normal loss experience when the property is sold. Whilst the random nature of the outcome of these sales is clearly not predictable, our modelling factors in a far higher loss severity stress than has been experienced overall, and furthermore these stresses are reviewed on a regular basis both for our models and also for IFRS 9 Expected Loss Provisioning, where there has been no reason to revise loss severity assumptions since the last financial report. Prepayments in the pool remain slow and stable, as would be expected in the current low interest rate environment where the underlying loans pay a relatively low margin over the current BoE base rate. The number of longer term arrears has remained in the 20-30 loans range throughout the period with just 27 loans from a pool of over 4,150 more than three months in arrears at the end of January, and with the actual value of those arrears at just £53k from a pool of £492m of loans.

PORTFOLIO MANAGER'S REPORT Continued
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Meanwhile, both Coventry portfolios continue to exhibit exceptionally strong performance, with typically no more than one or two loans in arrears at any given time, albeit a tiny increase was observed with three loans in arrears at the end of January, one of which is now three months behind. Prepayments in both portfolios have been in line with expectations. In Malt Hill No.2 they were minimal (<£1m per month), as most of the loans currently carry a fixed rate of interest until at least late 2022, and therefore attract a prepayment penalty if redeemed before their reset date. In Cornhill No.6 (formerly Malt Hill No.1), a proportion of loans came to the end of their reset period in the summer of 2019 and as might be expected around 20%-25% of these prepaid (most likely with the borrowers moving to another lender), but since then prepayments have returned to typical low levels. A further, smaller proportion of loans will reach their reset dates in the spring and summer of 2020 and we expect similar prepayment behaviour for that cohort when the time comes.

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

Paul Le Page (Audit Committee Chairman) - Independent Non-Executive Director – Guernsey resident
Mr Le Page is a former executive director of Man Group's Guernsey subsidiaries, which included FRM Investment Management Limited ('FRM') where he was responsible for oversight of investment management activities. Mr Le Page is currently the Audit Committee Chairman for Bluefield Solar Income Fund Limited and RTW Venture Fund Limited. He was formerly the Audit Committee Chairman for Cazenove Absolute Equity Limited and Thames River Multi Hedge PCC Limited and has extensive knowledge of, and experience in, the fund management and the Alternative Investment industry. Prior to joining FRM, he was responsible for managing the firm's hedge fund portfolios and reviewing fund managers at Collins Stewart Asset Management which is now part of Canaccord Genuity. He joined Collins Stewart in January 1999 where he completed his MBA in July 1999. 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 period and up to the date of signing the financial statements.

STATEMENT OF PRINCIPAL RISKS AND UNCERTAINTIES

Principal Risks and Uncertainties

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

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

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

- The risk of the Company being unable to pay target dividends to investors due to a shortfall in income received on the portfolio. The risk is monitored by the Board receiving quarterly reports from the Portfolio Manager, in conjunction with the Company's Administrator, which monitor the Company's current and projected cash flow and income position, as well as the macro economic environment, paying particular attention to movements in the house price index, unemployment levels and interest rates as well as loan level and portfolio attributes such as prepayment rates and the possibility and timing of defaults, all of which could reduce cash flow to the Company. The Company does pay dividends from capital with Board 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 mitigated by the Board monitoring the portfolio pipeline in regular communication with the Portfolio Manager, and in quarterly and ad hoc Board meetings.
- The risk 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 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 has been mitigated by the Portfolio Manager hiring additional 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.
- 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 both 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 will be impacted by any risks emerging from changes in the macroeconomic environment. The Company intends to mitigate the risk of this uncertainty on the liquidity of its shares by providing regular shareholder updates.

STATEMENT OF PRINCIPAL RISKS AND UNCERTAINTIES Continued

Going Concern

Under the 2018 UK Corporate Governance Code (the "Code") and applicable regulations, the Directors are required to satisfy themselves that it is reasonable to assume that the Company is a going concern and to identify any material uncertainties to the Company's ability to continue as a going concern for at least 12 months from the date of approving the financial statements. The Company has voluntarily elected to comply with the Code.

Having reviewed the Company's current portfolio and pipeline of investment transactions the Board believe that it is appropriate to adopt a going concern basis in preparing the Unaudited Condensed Consolidated Interim Financial Statements given the Company's holdings of cash and cash equivalents and the income deriving from those investments, meaning the Company has adequate financial resources to meet its liabilities as they fall due for at least 12 months from the date of approval of these Unaudited Condensed Consolidated Interim Financial Statements. On 16 August 2019, the Company resolved through an EGM, to amend the Articles of the Company to provide that the Continuation Resolution due to take place at the AGM in 2020 will now take place at the date of the AGM in 2024 and every fifth AGM thereafter.

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 both 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 will be impacted by any risks emerging from changes in the macroeconomic environment. The Company intends to mitigate the risk of this uncertainty on the liquidity of its shares by providing regular shareholder updates. This is discussed further in the Chairman's Statement on page 4.

Related Parties

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

RESPONSIBILITY STATEMENT

The Directors confirm that to the best of their knowledge:

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

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

  (a) DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the period from 1 July 2019 to 31 December 2019 and their impact on the Unaudited Condensed Consolidated Interim Financial Statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and

  (b) DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place during the period from 1 July 2019 to 31 December 2019 and that have materially affected the financial position or performance of the Company during that period as included in note 12.

By order of the Board

Christopher Waldron
Chairman

Paul Le Page
Director

19 March 2020

INDEPENDENT REVIEW REPORT TO UK MORTGAGES LIMITED

We have been engaged by UK Mortgages Limited (the ‘Company’) to review the condensed consolidated interim financial statements in the half-yearly financial report for the six months ended 31 December 2019 which comprises the condensed consolidated statement of comprehensive income, condensed consolidated statement of financial position, condensed consolidated statement of changes in equity, condensed consolidated statement of cash flows and notes to condensed consolidated interim financial statements. We have read the other information contained in the interim management report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed consolidated interim financial statements.

This report is made solely to the Company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Financial Reporting Council. Our work has been undertaken so that we might state to the Company those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our review work, for this report, or for the conclusions we have formed.

Directors’ responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom’s Financial Conduct Authority.

As disclosed in note 2, the annual financial statements of the Company are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed consolidated set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Financial Reporting Council for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 31 December 2019 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure Guidance and Transparency Rules of the United Kingdom’s Financial Conduct Authority.

Deloitte LLP
Recognised Auditor
Guernsey, Channel Islands
19 March 2020

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the period from 1 July 2019 to 31 December 2019

	Note	For the period from 01.07.2019 to 31.12.2019 Unaudited £	For the period from 01.07.2018 to 31.12.2018 Unaudited £
Income			
Interest income on mortgage loans		23,065,087	19,712,544
Net gain from derivative financial instruments	7	347,375	434,896
Total income		23,412,462	20,147,440
Interest expense on loan notes	11	7,299,398	7,348,625
Interest expense on borrowings	10	2,931,409	1,253,677
Loan note issue fees and borrowing costs amortised		1,895,985	1,367,279
Net interest expense on financial liabilities at fair value through profit and loss		1,838,958	1,299,710
Mortgage loans servicing fees		1,432,150	1,473,694
Trail fees		1,301,582	-
General expenses		780,045	425,563
Mortgage loan write offs and provision		677,443	735,070
Portfolio management fees	12	577,466	692,806
Amortisation of discount on loan notes		413,499	1,279,788
Legal and professional fees		322,770	333,633
Audit fees	13	199,306	189,114
Administration and secretarial fees	13	134,401	104,574
Directors' fees	12	67,500	67,500
Borrowings facility fees	10	24,712	52,502
AIFM fees	13	48,666	49,763
Depositary fees	13	27,818	34,700
Corporate broker fees		20,166	24,015
Custody fees	13	9,962	11,095
Swap costs amortised		-	234,419
Total expenses		20,003,236	16,977,527
Total comprehensive gain for the period		3,409,226	3,169,913
Earnings per ordinary share - basic & diluted	3	0.013	0.012

All items in the above statement derive from continuing operations.

The notes on pages 21 to 45 form an integral part of these Unaudited Condensed Consolidated Interim Financial Statements.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2019

		31.12.2019	30.06.2019
		Unaudited	Audited
			Reclassed
Assets	**Note**	**£**	**£**
Non-current assets			
Mortgage loans	5	1,465,553,214	1,309,858,044
Reserve fund	6	12,686,569	17,704,519
Total non-current assets		1,478,239,783	1,327,562,563
Current assets			
Mortgage loans	5	17,657,902	13,863,465
Reserve fund	6	6,917,950	-
Trade and other receivables	8	4,602,683	4,831,262
Cash and cash equivalents		53,217,907	51,521,524
Total current assets		82,396,442	70,216,251
Total assets		1,560,636,225	1,397,778,814
Liabilities			
Non-current liabilities			
Borrowings	10	432,542,679	228,283,804
Loan notes	11	496,242,326	932,982,970
Total non-current liabilities		928,785,005	1,161,266,774
Current liabilities			
Loan notes	11	397,146,463	-
Financial liabilities at fair value through profit and loss	7	7,120,299	7,775,666
Trade and other payables	9	6,234,398	4,651,569
Total current liabilities		410,501,160	12,427,235
Total liabilities		1,339,286,165	1,173,694,009
Net assets		221,350,060	224,084,805
Equity			
Share capital account		264,749,999	264,749,999
Other reserves		(43,399,939)	(40,665,194)
Total equity		221,350,060	224,084,805
Ordinary shares in issue		273,065,390	273,065,390
Net Asset Value per ordinary share	4	0.8106	0.8206

The Unaudited Condensed Consolidated Interim Financial Statements on pages 17 to 45 were approved and authorised for issue by the Board on 19 March 2020 and signed on its behalf by:

Christopher Waldron
Chairman

Paul Le Page
Director

The notes on pages 21 to 45 form an integral part of these Unaudited Condensed Consolidated Interim Financial Statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the period from 1 July 2019 to 31 December 2019

	Share capital account Unaudited	Other reserves Unaudited	Total equity Unaudited
	£	£	£
Balance at 30 June 2019	264,749,999	(40,665,194)	224,084,805
Dividends paid	-	(6,143,971)	(6,143,971)
Total comprehensive gain for the period	-	3,409,226	3,409,226
Balance at 31 December 2019	264,749,999	(43,399,939)	221,350,060

	Share capital account Unaudited	Other reserves Unaudited	Total equity Unaudited
	£	£	£
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	-	(8,191,962)	(8,191,962)
Total comprehensive gain for the period	-	3,169,913	3,169,913
Balance at 31 December 2018	264,749,999	(36,319,792)	228,430,207

The notes on pages 21 to 45 form an integral part of these Unaudited Condensed Consolidated Interim Financial Statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the period from 1 July 2019 to 31 December 2019

	Note	For the period from 01.07.2019 to 31.12.2019 Unaudited £	For the period from 01.07.2018 to 31.12.2018 Unaudited £
Cash flows from operating activities			
Total comprehensive gain for the period		3,409,226	3,169,913
Adjustments for:			
Mortgage acquisition fees capitalised	5	-	(10,621)
Amortised mortgage acquisition fees released	5	68,441	64,969
Mortgage loans written off and provision	5	812,440	735,070
Net gain from derivative financial instruments	7	(347,375)	(434,896)
Interest on derivative financial instruments		253,008	-
Amortisation adjustment under effective interest rate method	5	(3,722,470)	(3,234,627)
Borrowing charges amortised		916,891	373,002
Loan note issue fees amortised		790,091	994,277
Amortisation of discount on loan notes		413,499	1,279,788
Purchase of mortgage loans	5	(279,825,649)	(56,910,650)
Mortgage loans repaid	5	122,616,631	34,974,042
Increase in reserve fund	6	(1,900,000)	(300,000)
Increase in trade and other payables		1,582,829	523,654
Decrease/ (increase) in trade and other receivables		228,579	(930,492)
Net cash outflow from operating activities		(154,703,859)	(19,706,571)
Cash flows from financing activities			
Proceeds from borrowings		221,000,000	54,500,000
Repayment of borrowings		(16,033,199)	-
Increase in borrowing fees capitalised		(1,498,018)	(1,085,511)
Increase in loan note issue fees capitalised		-	(269,539)
Repayments of loan notes	11	(40,924,570)	(28,933,875)
Dividends paid	17	(6,143,971)	(8,191,962)
Net cash inflow from financing activities		156,400,242	16,019,113
Increase/(decrease) in cash and cash equivalents		1,696,383	(3,687,458)
Cash and cash equivalents at beginning of period		51,521,524	43,784,286
Cash and cash equivalents at end of period		53,217,907	40,096,828

The notes on pages 21 to 45 form an integral part of these Unaudited Condensed Consolidated Interim Financial Statements.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

for the period from 1 July 2019 to 31 December 2019

1. General Information

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

These Unaudited Condensed Consolidated Interim Financial Statements comprise the financial statements of UK Mortgages Limited, UK Mortgages Corporate Funding Designated Activity Company, Malt Hill No.1 Plc (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.3 Limited (dissolved on 15 August 2018 after being placed into liquidation on 9 February 2018), Cornhill Mortgages No. 4 Limited, Cornhill Mortgages No. 5 Limited (incorporated 24 May 2019) and Cornhill Mortgages No. 6 Limited (incorporated 18 March 2019)) as at 31 December 2019, together referred to as the "Company". The Warehousing SPVs are placed into liquidation on the transfer of the mortgage loans to the Issuer SPVs. Malt Hill No.1 Plc was liquidated as the Company exercised the Portfolio Option on the loans underlying the Malt Hill No.1 Plc securitisation. This entailed the deal being fully redeemed and the loans being refinanced by Lloyds Bank Corporate Markets Plc. into a new warehouse SPV, Cornhill Mortgages No. 6 Limited.

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 19 January 2018. Malt Hill No.1 Plc and Cornhill Mortgages No.2 Limited are expected to be dissolved in the year ended 30 June 2020.

On 6 August 2019, the Company announced and completed the arrangement and signing of a new warehouse SPV arranged by HSBC Bank plc, called Cornhill Mortgages No.5 Limited. This is funding the forward flow purchases of newly originated owner-occupied residential mortgage loans from the Company's ongoing arrangement with TML following the completion of the pre-funding phase of the Barley Hill No.1 securitisation . The transaction is intended to fund portfolio growth to a size suitable for a further public securitisation into what will then be expected to be the second Barley Hill transaction.

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.

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

2. Accounting Policies

a) Statement of compliance

The Unaudited Condensed Consolidated Interim Financial Statements for the period from 1 July 2019 to 31 December 2019 have been prepared on a going concern basis in accordance with IAS 34 "Interim Financial Reporting", the Listing Rules of the London Stock Exchange and applicable legal and regulatory requirements.

The Unaudited Condensed Consolidated Interim Financial Statements should be read in conjunction with the Annual Consolidated Financial Statements for the year ended 30 June 2019 which were prepared in accordance with International Financial Reporting Standards ("IFRS") and which received an unqualified audit report.

Certain comparative numbers have been reclassed to conform to current year presentation.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS Continued

for the period from 1 July 2019 to 31 December 2019

2. Accounting Policies (continued)

b) Changes in Accounting Policy

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

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.

No new accounting standards were effected or adopted during the period having an effect on the financial statements.

c) Critical Judgements and Estimates

In the current financial period, there have been no changes to the significant critical accounting judgements, estimates and assumptions from those applied in the most recent audited annual financial statements.

d) Standards, Amendments and Interpretations Issued But Not Yet Effective

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2019, and have not been early adopted in preparing these financial statements. None of these are expected to have a material effect on the financial statements of the Company.

3. Earnings per Ordinary Share - basic & diluted

The gains per Ordinary Share of £0.013 (31 December 2018: £0.012) - basic and diluted are equivalent and have been calculated based on the weighted average number of Ordinary Shares of 273,065,390 (31 December 2018: 273,065,390) and a net gain of £3,409,226 (31 December 2018: £3,169,913).

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS Continued

for the period from 1 July 2019 to 31 December 2019

4. Net Asset Value Per Ordinary Share

The Net Asset Value of each share of £0.8106 (30 June 2019: £0.8206) is determined by dividing the net assets of the Company £221,350,060 (30 June 2019: £224,084,805) by the number of shares in issue at 31 December 2019 of 273,065,390 (30 June 2019: 273,065,390).

5. Mortgage Loans

	For the period from 01.07.2019 to 31.12.2019 Unaudited £	For the year from 01.07.2018 to 30.06.2019 Audited £
Mortgage loans at start of the period/year *	1,323,721,509	1,215,265,693
Mortgage loans purchased	279,825,649	184,085,141
Effective interest rate adjustment	3,722,470	4,366,433
Mortgage loans repaid	(122,616,631)	(86,327,847)
Mortgage acquisition fees released	-	10,621
Amortised mortgage acquisition fees released	(68,441)	(134,776)
Fair value adjustment for hedged risk**	(561,000)	7,233,238
Mortgage loans written off	-	-
Expected credit loss provision and loan write offs	(812,440)	(776,994)
Mortgage loans at end of the period/year	1,483,211,116	1,323,721,509
Amounts falling due within one year	17,657,902	13,863,465
Amounts falling due after more than one year	1,465,553,214	1,309,858,044
	1,483,211,116	1,323,721,509

*The mortgage loans balance at the start of the comparative financial year has been adjusted to reflect the impact of the adoption of IFRS 9, being the recognition of an expected loss impairment provision of £538,172.

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

	For the period from 01.07.2019 to 31.12.2019 £	For the year from 01.07.2018 to 30.06.2019 £
Non-current mortgage loans		
Mortgage loans	1,466,986,113	1,310,425,769
Impairment allowance	(1,432,899)	(567,725)
	1,465,553,214	1,309,858,044
Current mortgage loans		
Mortgage loans	17,675,166	14,610,906
Impairment allowance	(17,264)	(747,441)
	17,657,902	13,863,465

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS Continued

for the period from 1 July 2019 to 31 December 2019

5. Mortgage Loans (continued)

Mortgage loans at 31 December 2019 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 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). The portfolio previously held by Cornhill No. 2 Limited was transferred to Barley Hill No. 1 Plc. The Company does not experience any seasonality or cyclicality in its investment activities.

6. Reserve Fund

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

7. Financial Liabilities Held at Fair Value Through Profit and Loss

Derivative instruments

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

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

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

for the period from 1 July 2019 to 31 December 2019

7. 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	31.12.2019 Total
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
	£	£	£	£	£	£
Notional amount of Interest Rate Swap	153.9m	162.1m	342.5m	152.7m	157.3m	968.5m
Fair value of Interest Rate Swap	(678,343)	(1,589,082)	(4,739,474)	(406,283)	292,883	(7,120,299)

	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
	Audited	Audited	Audited	Audited	Audited	Audited
	£	£	£		£	£
Notional amount of Interest Rate Swap	177.4m	175.2m	350.8m	55.2m	-	758.6m
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 began hedge accounting from that date. Hedge accounting in relation to Malt Hill No.2 Plc derivative commenced on 1 July 2018.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS Continued

for the period from 1 July 2019 to 31 December 2019

7. Financial Liabilities Held at Fair Value Through Profit and Loss (continued)

Net gain 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	31.12.2019 Total
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
	£	£	£	£	£	£
Movement on derivatives in designated fair value hedge relationships	(58,298)	252,812	223,280	197,698	292,883	908,375
Adjustment to mortgage loans in fair value hedge relationship	43,187	(211,029)	(239,880)	(153,278)	-	(561,000)
Net ineffectiveness	(15,111)	41,783	(16,600)	44,420	292,883	347,375

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

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

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

8. Trade and Other Receivables

	As at 31.12.2019	As at 30.06.2019
	Unaudited	Audited
	£	£
Other receivables and prepayments	2,663,848	2,230,279
Interest receivable on mortgage loans	1,938,835	1,699,530
Capitalised formation expenses	-	901,453
	4,602,683	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.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS Continued

for the period from 1 July 2019 to 31 December 2019

9. Trade and Other Payables

	As at 31.12.2019 Unaudited £	As at 30.06.2019 Audited £
Interest due on loan notes and borrowings	3,226,578	1,989,635
Loan notes and borrowings issue fees payable	1,281,405	984,381
Mortgage loans servicing fees payable	726,979	646,035
Portfolio management fees payable	287,421	316,964
Audit fees payable	307,524	303,441
Legal and professional fees payable	192,472	143,795
General expenses payable	76,238	133,542
Administration and secretarial fees payable	62,907	53,978
Directors' fees payable	33,750	33,750
AIFM fees payable	24,333	24,024
Depositary fees payable	11,074	16,606
Custody fees payable	3,717	5,418
	6,234,398	4,651,569

10. Borrowings

At the start of the prior year, 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, which saw the 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. 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 June 2021 and is classified as a non-current liability.

The Company is subject to covenants, representations and warranties commonly associated with corporate bank debt and credit facilities. The Group was compliant with all covenants at the period end. On 16 August 2019, the Company resolved through an EGM, to amend the Articles of the Company for 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.

At the period end, the Company had a liability of £432,542,679 (of which £129,600,461 related to Cornhill Mortgages No.4 Limited, £139,820,985 related to Cornhill Mortgages No.5 Limited and £163,121,233 related to Cornhill Mortgages No.6 Limited) and £Nil of borrowing costs (30 June 2019: a liability of £228,283,804 consisting of £50,000,000 of the utilised borrowing facilities in respect of Cornhill Mortgages No. 4 Limited and £711,265 of borrowing costs).

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS Continued
for the period from 1 July 2019 to 31 December 2019

10. Borrowings (continued)

The facility fees of £24,712 (31 December 2018: £52,502) were expensed in the period. The interest expense charged on borrowings of £2,931,409 (31 December 2018: £1,253,677) were expensed in the period. Borrowing costs of £630,729 were amortised during the period.

11. Loan Notes

The Malt Hill No.1 Plc, Oat Hill No.1 Plc, Malt Hill No. 2 Plc, Barley Hill No. 1 Plc and Cornhill Mortgages No. 6 Limited 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, to match the previous presentation of the Malt Hill No 1 Plc funding.

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% post the call date in May 2020 which is payable quarterly and are listed on the Irish Stock Exchange. The issue fees on loan notes are being be amortised over the expected life of the loan notes, which is 3 years, being the period up to the call date.

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 are being 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 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 £6.95mm 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.

Interest expense on loan notes for the period amounted to £7,299,398 (31 December 2018: £7,348,625). The balance of the discount to be amortised on loan notes is £746,095 at 31 December 2019 (30 June 2019: £2,439,382). The balance of loan note issue fees to be amortised is £3,100,946 at 31 December 2019 (30 June 2019: £2,714,925).

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS Continued

for the period from 1 July 2019 to 31 December 2019

11. Loan Notes (continued)

	As at 31.12.2019 Unaudited £	As at 30.06.2019 Audited £
Loan notes at start of the period/year	932,982,970	937,924,240
Loan notes issued	-	209,150,000
Loan notes repaid	(40,924,570)	(214,913,863)
Discount on loan notes to be amortised	-	1,651,747
Loan note issues fees incurred	-	(2,804,188)
Loan note issue fees amortised	1,330,389	1,975,034
Loan notes at end of the period/year	893,388,789	932,982,970

12. Related Parties

a) Directors' Remuneration & Expenses

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

The annual Directors' fees comprise £40,000 (30 June 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 period ended 31 December 2019, Directors' fees of £67,500 (31 December 2018: £67,500) were charged to the Company, of which £33,750 remained payable at the end of the period (30 June 2019: £33,750).

b) Shares Held by Related Parties

As at 31 December 2019, Directors of the Company held the following shares in the Company beneficially:-

	Number of Shares 31.12.2019 Unaudited	Number of Shares 30.06.2019 Audited
Christopher Waldron	40,000	20,000
Richard Burrows	5,000	5,000
Paul Le Page	20,000	20,000
Helen Green	10,000	10,000

As at 31 December 2019, the Portfolio Manager held Nil shares (30 June 2019: Nil) and partners and employees of the Portfolio Manager held 6,608,492 shares (30 June 2019: 5,864,783), which is 2.420% of the issued share capital (30 June 2019: 2.148%).

c) Portfolio Manager

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS Continued
for the period from 1 July 2019 to 31 December 2019

12. Related Parties (continued)

c) Portfolio Manager (continued)

Total portfolio management fees for the period amounted to £577,466 (31 December 2018: £692,806) of which £287,421 (30 June 2019: £316,964) remained payable at the period end.

The Portfolio Management Agreement dated 23 June 2015 remains in force until determined by the Company or the Portfolio Manager giving the other party not less than twelve months' notice in writing. Under certain circumstances, the Company or the Portfolio Manager is entitled to immediately terminate the agreement in writing.

d) Group entities

The Company's subsidiaries are as disclosed under note 1.

13. 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 period ended 31 December 2019, AIFM fees of £48,666 (31 December 2018: £49,763) were charged to the Company, of which £24,333 (30 June 2019: £24,024) remained payable at the end of the period.

b) Administrator and Secretary

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

In addition, an annual fee of £60,500 (31 December 2018: £60,500) will be charged for corporate governance and company secretarial services and accounting services. Total administration and secretarial fees for the period amounted to £134,401 (31 December 2018: £104,575) of which £62,907 (30 June 2019: £53,978) remained payable at the period end.

c) Depositary and Custodian

Depositary fees are payable to Northern Trust (Guernsey) Limited, monthly in arrears, at a rate of 0.03% of the NAV of the Company as at the last business day of the month subject to a minimum £40,000 per annum. Total depositary fees and charges for the period amounted to £27,818 (31 December 2018: £34,700) of which £11,074 (30 June 2019: £16,606) remained payable at the period end.

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS Continued

for the period from 1 July 2019 to 31 December 2019

13. Material Agreements (continued)

c) Depositary and Custodian (continued)

The Depositary is also entitled to a custody fee at a rate of 0.01% of the NAV of the Company as at the last business day of the month subject to a minimum of £8,500 per annum. These NAV based fees commenced on 19 November 2015 being the date the Company acquired its initial investment. Total custody fees for the period amounted to £9,962 (31 December 2018: £11,095) of which £3,717 (30 June 2019: £5,418) remained payable at the period end.

d) Auditor

In the current year the Company has changed auditors from PwC CI LLP to Deloitte LLP. Audit fees paid to Deloitte LLP includes amounts charged for the current period of £199,306 (to PwC CI LLP and other PwC member firms - 31 December 2018: £189,114) and the under accruals for previous periods of £Nil (31 December 2018: £Nil). For the period ended 31 December 2018, non audit fees of £12,000 pertaining to accounting advice received from PwC CI LLP are included under legal and professional fees.

14. Financial Risk Management

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

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

Market Risk

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

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

On 1 July 2017, the Directors designated derivatives as fair value hedges and began hedge accounting from that date therefore hedging the interest risk exposure on the fixed rate mortgage loans shown in the following tables. Refer to note 7 for further details.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS Continued

for the period from 1 July 2019 to 31 December 2019

14. Financial Risk Management (continued)

Market Risk (continued)

1.1 Interest rate risk (continued):

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

	Floating rate	Fixed rate	Non interest bearing	Total as at 31.12.2019
	£	£	£	£
	Unaudited	Unaudited	Unaudited	Unaudited
Assets				
Mortgage loans	559,348,669	950,607,672	(26,745,225)	1,483,211,116
Reserve fund	19,604,519	-	-	19,604,519
Trade and other receivables	-	-	4,602,683	4,602,683
Cash and cash equivalents	53,217,907	-	-	53,217,907
Total assets	632,171,095	950,607,672	(22,142,542)	1,560,636,225
Liabilities				
Financial liabilities at fair value through profit and loss	(7,120,299)	-	-	(7,120,299)
Trade and other payables	-	-	(6,234,398)	(6,234,398)
Borrowings	(434,594,991)	-	2,052,312	(432,542,679)
Loan notes	(896,015,976)	-	2,627,187	(893,388,789)
Total liabilities	(1,337,731,266)	-	(1,554,899)	(1,339,286,165)
Total interest sensitivity gap	(705,560,171)	950,607,672	(23,697,441)	221,350,060

	Floating rate	Fixed rate	Non interest bearing	Total as at 30.06.2019
	£	£	£	£
	Audited	Audited	Audited	Audited
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	(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	(1,169,042,440)	-	(4,651,569)	(1,173,694,009)
Total interest sensitivity gap	(524,423,305)	780,738,352	(32,230,242)	224,084,805

The Company is protected against interest rate risk 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.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS Continued

for the period from 1 July 2019 to 31 December 2019

14. Financial Risk Management (continued)

Market Risk (continued)

1.1 Interest rate risk (continued):

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

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

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

1.3 Currency risk: As at 31 December 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.

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 period 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.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS Continued

for the period from 1 July 2019 to 31 December 2019

14. Financial Risk Management (continued)

Liquidity Risk (continued)

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.

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

	Less than one year	More than one year	More than five years	Total as at 31.12.2019
	£	£	£	£
Assets	**Unaudited**	**Unaudited**	**Unaudited**	**Unaudited**
Mortgage loans	17,657,902	92,310,762	1,373,242,452	1,483,211,116
Reserve fund	6,917,950	12,686,569	-	19,604,519
Trade and other receivables	4,602,683	-	-	4,602,683
Cash and cash equivalents	53,217,907	-	-	53,217,907
Total assets	82,396,442	104,997,331	1,373,242,452	1,560,636,225
Liabilities				
Financial liabilities at fair value through profit and loss	7,120,299	-	-	7,120,299
Trade and other payables	6,234,398	-	-	6,234,398
Borrowings	-	432,542,679	-	432,542,679
Loan notes	397,146,463	496,242,326	-	893,388,789
Total liabilities	410,501,160	928,785,005	-	1,339,286,165

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS Continued

for the period from 1 July 2019 to 31 December 2019

14. Financial Risk Management (continued)

Liquidity Risk (continued)

	Less than one year	More than one year	More than five years	Total as at 30.06.2019
	£	£	£	£
Assets	**Audited**	**Audited**	**Audited**	**Audited**
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

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+ (credit rating A+ per Standards and Poor).

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

Mortgage loans written off during the period amounted to £677,443 (although in the current period these write offs have not impacted the Consolidated Statement of Comprehensive Income, as these loans were deemed to be credit impaired on acquisition and therefore the effective interest rate for these loans was based on expected cash flows) (30 June 2019: £711,394), with an expected credit loss provision of £1,450,163 (30 June 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:

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS Continued

for the period from 1 July 2019 to 31 December 2019

14. Financial Risk Management (continued)

Credit Risk (continued)

	As at 31.12.2019 Unaudited	As at 30.06.2019 Audited
Loan to value	£	£
0-49%	197,482,552	192,843,426
50-75%	862,730,096	802,636,559
75-100%+	422,998,468	328,241,524
	1,483,211,116	1,323,721,509

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

	Book value		Collateral value	
	As at 31.12.2019 £ Unaudited	As at 30.06.2019 £ Audited	As at 31.12.2019 £ Unaudited	As at 30.06.2019 £ Audited
>1 month but <2 months	5,386,227	4,782,851	9,236,483	4,782,851
>2 months but <3 months	1,611,731	430,127	2,403,418	430,127
>3 months but <6 months	2,056,726	2,071,973	2,579,283	2,071,973
>6 months	2,392,503	3,131,200	2,584,202	3,131,200
	11,447,187	10,416,151	16,803,385	10,416,151

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS Continued

for the period from 1 July 2019 to 31 December 2019

15. Analysis of Financial Assets and Liabilities by Measurement Basis

31 December 2019	Financial Assets at fair value through profit and loss	Financial Assets at amortised cost	Total
	£	£	£
Financial Assets as per Unaudited Condensed Consolidated Statement of Financial Position	**Unaudited**	**Unaudited**	**Unaudited**
Mortgage loans	-	1,465,553,214	1,465,553,214
Reserve fund	-	12,686,569	12,686,569
Cash and cash equivalents	-	53,217,907	53,217,907
Trade and other receivables	-	4,602,683	4,602,683
	-	1,536,060,373	1,536,060,373

	Financial Liabilities at fair value through profit and loss	Financial Liabilities at amortised cost	Total
Financial Liabilities as per	£	£	£
Unaudited Condensed Consolidated Statement of Financial Position	**Unaudited**	**Unaudited**	**Unaudited**
Financial liabilities at fair value through profit and loss	7,120,299	-	7,120,299
Trade and other payables	-	6,234,398	6,234,398
Borrowings	-	432,542,679	432,542,679
Loan notes	-	893,388,789	893,388,789
	7,120,299	1,332,165,866	1,339,286,165

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS Continued

for the period from 1 July 2019 to 31 December 2019

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

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	**£**	**£**	**£**
	Audited	**Audited**	**Audited**
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	Financial Liabilities at amortised cost	Total
Financial Liabilities as per Audited Consolidated Statement of Financial Position	**£**	**£**	**£**
	Audited	**Audited**	**Audited**
Financial liabilities at fair value through profit and loss	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

16. Fair Value Measurement

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

(i) Inputs are quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date. (Level 1).

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

(iii) Inputs for the asset or liability that are based on unobservable market data. (Level 3).

The following tables analyse within the fair value hierarchy the Company's financial assets and liabilities (by class) measured at fair value for the period ended 31 December 2019 and the year ended 30 June 2019.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS Continued

for the period from 1 July 2019 to 31 December 2019

16. Fair Value Measurement (continued)

	Level 1 £ Unaudited	Level 2 £ Unaudited	Level 3 £ Unaudited	Total £ Unaudited
Liabilities				
Financial liabilities at fair value through profit and loss (note 7)	-	(113,400)	(7,006,899)	(7,120,299)
Total liabilities as at 31 December 2019	-	(113,400)	(7,006,899)	(7,120,299)

	Level 1 £ Audited	Level 2 £ Audited	Level 3 £ Audited	Total £ Audited
Liabilities				
Financial liabilities at fair value through profit and loss (note 7)	-		(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. Please refer to note 7 for a reconciliation of the movement for the period on the interest rate swaps.

The following table analyses within the fair value hierarchy the Company's assets and liabilities not measured at fair value at 31 December 2019 but for which fair value is disclosed.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS Continued

for the period from 1 July 2019 to 31 December 2019

16. Fair Value Measurement (continued)

	Level 1 31.12.2019 £ Unaudited	Level 2 31.12.2019 £ Unaudited	Level 3 31.12.2019 £ Unaudited	Total 31.12.2019 £ Unaudited
Assets				
Mortgage loans	-	-	1,537,123,249	1,537,123,249
Reserve fund	12,686,569	-	-	12,686,569
Cash and cash equivalents	53,217,907	-	-	53,217,907
Trade and other receivables	4,602,683	-	-	4,602,683
Total	70,507,159	-	1,537,123,249	1,607,630,408
Liabilities				
Trade and other payables	6,234,398	-	-	6,234,398
Borrowings	-	432,542,679	-	432,542,679
Loan notes	-	893,388,789	-	893,388,789
Total	6,234,398	1,325,931,468	-	1,332,165,866

	Level 1 30.06.2019 £ Audited	Level 2 30.06.2019 £ Audited	Level 3 30.06.2019 £ Audited	Total 30.06.2019 £ Audited
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 UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS Continued

for the period from 1 July 2019 to 31 December 2019

16. 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.

The fair value of borrowings and loan notes is deemed to equate to their notional amounts, as they are entirely variable rate based 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 period 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.

17. Dividend Policy

The Company has declared the following interim dividends in relation to the period to 31 December 2019:

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

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 1.500p 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 from 6.000p per annum to 4.500p per annum ("the new dividend policy"). The dividend paid on 31 July 2019 reflected this new dividend policy. The Company envisages continuing to make quarterly dividend payments of 1.125p for the foreseeable future.

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 absolute discretion for subsequent distribution to Shareholders. The Company may offer Shareholders the opportunity to elect to receive dividends in the form of further Ordinary Shares.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS Continued

for the period from 1 July 2019 to 31 December 2019

17. Dividend Policy

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.

The 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 portfolio, 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.

18. Segment Reporting

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

The Portfolio Manager considers the business as two segments which are categorised as Buy-to-Let and Owner Occupied. These are further sub-divided into Forward Flow and Purchased with each being managed by separate specialist teams at the Portfolio Manager. The Buy to Let Purchased contains Cornhill No.6 and Oat Hill No.1. Owner Occupied Forward Flow contains Cornhill No.5 and Barley Hill No.1.

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

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS Continued

for the period from 1 July 2019 to 31 December 2019

18. Segment Reporting (continued)

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

	Buy-to-Let		Owner Occupied		Total as at
	Forward Flow	Purchased	Forward Flow	Purchased	31.12.2019
	£	£	£	£	£
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
Interest income on mortgage loans	4,032,197	15,355,525	3,677,365	-	23,065,087
Net interest expense on financial liabilities at fair value through profit and loss	(27,990)	(1,297,449)	(513,519)	-	(1,838,958)
Net gain from derivative financial instruments	337,303	(31,711)	41,783	-	347,375
Interest expense on borrowings	(1,350,760)	(1,580,649)	-	-	(2,931,409)
Interest expense on loan notes	-	(5,302,952)	(1,996,446)	-	(7,299,398)
Servicer fees	(222,849)	(1,042,359)	(166,942)	-	(1,432,150)
Other expenses	(3,204,034)	(5,677,976)	(2,568,257)	-	(11,450,267)
Total net segment income	(436,133)	422,429	(1,526,016)	-	(1,539,720)

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS Continued

for the period from 1 July 2019 to 31 December 2019

18. Segment Reporting (continued)

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

	31.12.2019 Unaudited £	31.12.2018 Audited £
Total net segment income	(1,539,720)	4,780,799
Other fees and expenses	4,948,946	(1,610,886)
	3,409,226	3,169,913

There are no transactions between the reportable segments.

Total segment assets include:

	Buy-to-Let		Owner Occupied		Total as at
	Forward Flow	Purchased	Forward Flow	Purchased	31.12.2019
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
	£	£	£	£	£
Mortgage loans	298,224,884	978,989,766	205,996,467	-	1,483,211,117
Reserve fund	1,900,000	13,521,519	4,183,000	-	19,604,519
Other	13,772,308	11,873,675	12,679,865	-	38,325,848
	313,897,192	1,004,384,960	222,859,332	-	1,541,141,484

	Buy-to-Let		Owner Occupied		Total as at
	Forward Flow	Purchased	Forward Flow	Purchased	30.06.2019
	Audited	Audited	Audited	Audited	Audited
	£	£	£	£	£
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

	31.12.2019 Unaudited £	30.06.2019 Audited £
Segment assets for reportable segments	1,541,141,484	1,371,168,378
Other	19,494,741	26,610,436
Total assets	1,560,636,225	1,397,778,814

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS Continued

for the period from 1 July 2019 to 31 December 2019

18. Segment Reporting (continued)

Total segment liabilities:

	Buy-to-Let		Owner Occupied		Total as at
	Forward Flow	Purchased	Forward Flow	Purchased	31.12.2019
	£	£	£	£	£
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
Borrowings	269,421,446	163,121,233	-	-	432,542,679
Loan notes	-	704,896,526	188,492,263	-	893,388,789
Financial liabilities at fair value through profit and loss	113,400	5,417,817	1,589,082	-	7,120,299
Other	3,033,498	1,864,329	570,479	-	5,468,306
	272,568,344	875,299,905	190,651,824	-	1,338,520,073

	Buy-to-Let		Owner Occupied		Total as at
	Forward Flow	Purchased	Forward Flow	Purchased	30.06.2019
	£	£	£	£	£
	Audited	Audited	Audited		Audited
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

	31.12.2019	30.06.2019
	£	£
	Unaudited	Audited
Segment liabilities for reportable segments	1,338,520,073	1,172,947,621
Trade and other payables	766,092	746,388
Total liabilities	1,339,286,165	1,173,694,009

19. Ultimate Controlling Party

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

20. Subsequent Events

The second interim dividend for period ending 31 December 2019 of 1.125p per Ordinary Share was declared on 9 January 2020 and paid on 31 January 2020.

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 both 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 will be impacted by any risks emerging from changes in the macroeconomic environment. The Company intends to mitigate the risk of this uncertainty on the liquidity of its shares by providing regular shareholder updates.

These Unaudited Condensed Consolidated Interim Financial Statements were approved for issuance by the Board on 19 March 2020. There were no subsequent events, apart from those mentioned above 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.1 Limited *(Dissolved 19 January 2018)*	40a Station Road, Upminster, Essex, RM14 2TR, United Kingdom
Cornhill Mortgages No.2 Limited *(Dissolved 27 February 2020)*	35 Great St. Helen's, London, EC3A 6AP, United Kingdom
Cornhill Mortgages No.3 Limited *(Dissolved 15 August 2018)*	40a Station Road, Upminster, Essex, RM14 2TR, 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 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
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
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.
IAS	International accounting standards
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.
LCR	'Liquidity Coverage Ratio' – is a stress test requirement in the Basel III regulations for banks to hold enough high quality liquid assets to meet 30 days of cash outflows.
Loan Financing Facility	means a facility in terms of which ongoing finance is provided by Bank of America Merrill Lynch International Limited for a period of up to two-years
LSE	London Stock Exchange plc (a company registered in England and Wales with registered number 2075721)
LTV	means Loan to Value
Mortgage Pool/ Mortgage Portfolio	The underlying mortgage loans that produce the income for the securitised portfolios.
NAV	means Net Asset Value
OECD	the Organisation for Economic Co-operation and Development
Offer	means the offer for subscription of Ordinary Shares at 1.000p each to the public in the United Kingdom on the terms and conditions set out in Part 12 of the Prospectus and the Application Form
Official List	in reference to DAC and Issuer SPV refers to the official list of the Irish Stock Exchange p.l.c In reference to the Company refers to the official list of the London Stock Exchange
Ordinary Shares	ordinary shares of 100p each in the capital of the Company
Placing	means the conditional placing by the Corporate Broker, as agent for the Company, of up to 250 million ordinary shares at 1 pence each on the terms and conditions set out or referred to in the placing documents, being the Prospectus, the Presentation, the P Proof, the flyer, the press announcements, the contract note, any other document prepared in connection with the pre-marketing of the issue or the placing programme
Portfolio Manager	TwentyFour Asset Management LLP (a limited liability partnership incorporated in England and Wales with registered number OC335015)
Profit Participating Notes/PPN	these are Eurobond notes issued by DAC to the Company. The capital paid by the Company to DAC to buy the notes is invested in mortgage pools and DAC in turn pays income to the Company via coupon payments on the notes
Purchased portfolio	A purchased portfolio is the purchase of a large group of related financial assets in a single transaction.
QE	Quantitative easing (QE), also known as Large Scale Assets Purchases, is an expansionary monetary policy whereby a central bank buys predetermined amounts of government bonds or other financial assets in order to stimulate the economy.

GLOSSARY OF TERMS Continued

Rating Agency	companies that assess the creditworthiness of both debt securities and their issuers, for these purposes Standard and Poor's, Moody's and Fitch
Retention Notes	means a Subordinated tranche of securities which as part of the warehouse or securitisation issuance structure are issued for purchase by the Acquiring Entity
RMBS	Residential Mortgage-Backed Security
RNS	Regulatory News Service
Section 110	Section 110 of the Irish Taxes Consolidation Act 1997 (as amended). A Section 110 company is an Irish resident special purpose vehicle ("SPV") which holds and/or manages "qualifying assets" and usually distributes substantially all of its income net of a fixed annual tax payment.
Seasoning	the weighted average age of a mortgage portfolio
Securitisation Vehicle	special purpose vehicle incorporated in the UK established for the purpose of issuing notes collateralised by 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
STS	'Simple Transparent and Standardised'. This is an EU regulation that is intended to improve disclosure on securitisations issued with effect from 1 Jan 2019.
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 financial statements 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 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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