TwentyFour
ASSET MANAGEMENT

UK Mortgages Limited

Annual Report and Audited Consolidated Financial Statements

For the period from 10 June 2015 (incorporation date) to 30 June 2016

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CORPORATE INFORMATION

Directors
Christopher Waldron - Chairman
(appointed 10/06/15)
Richard Burrows (appointed 12/06/15)
Paul Le Page (appointed 10/06/15)
Helen Green (appointed 16/06/16)

Custodian, Principal Banker and Depositary
Northern Trust (Guernsey) Limited
PO Box 71
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Les Banques
St Peter Port
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Registered Office
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St Peter Port
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Secretary and Administrator
Northern Trust International Fund Administration
Services (Guernsey) Limited
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Les Banques
St Peter Port
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Alternative Investment Fund Manager
Maitland Institutional Services Limited
(formerly Phoenix Fund Services (UK) Limited)
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Colchester Road
Chelmsford, CM2 5PW

Corporate Broker
Numis Securities Limited
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10 Paternoster Square
London, EC4M 7LT

Portfolio Manager
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London, EC3R 8AF

Independent Auditors
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UK Legal Advisers to the Company
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London, EC2V 7WS

Receiving Agent
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Bristol, BS13 8AE

Guernsey Legal Advisers to the Company
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Registrar
Computershare Investor Services
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1st Floor
Tudor House
Le Bordage
St Peter Port
Guernsey, GY1 1DB

SUMMARY INFORMATION

The Company

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

The Company and affiliate structure has been designed by the Board of Directors, the Portfolio Manager, the Corporate Broker and legal advisors to ensure the most efficient structure for regulatory and tax purposes.

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

Investment Objective

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

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

Shareholders' Information

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

Financial Highlights

	30.06.2016
Total Net Assets	£237,363,265
Net Asset Value per ordinary share	94.95p
Share price at 30 June 2016	96.75p
Premium to Net Asset Value	1.90%
Dividends declared and paid in the period	1.50p
Total dividends declared in relation to the period	3.00p
Ongoing total expense ratio	1.20%

CHAIRMAN'S STATEMENT
for the period from 10 June 2015 to 30 June 2016

Review
I am pleased to present my report for the Group for the period from 10 June 2015, when the Company was incorporated, to 30 June 2016. This marks the end of Company's first financial period, which has seen the Company build on the success of its Initial Public Offering in the middle of July 2015 and begin to meet its investment objective of delivering stable income returns derived from UK residential mortgages.

While the pace of investment has been slower than we might have hoped for at the time of the IPO, it is worth reiterating the point made in my interim report in March; that the nature and structure of the mortgage market meant that there could be no guarantee that the Group would be able to gain exposure to mortgage portfolios quickly. The attraction of deriving returns from such a historically stable and uncorrelated asset class as UK residential mortgages was clear – the challenge would be to deliver those returns through a conventional investment company structure.

Proof of concept came with the first transaction, the purchase of a £310m pool of high quality Buy-to-Let mortgages from the Coventry Building Society. The pool comprised 1,722 non-member mortgages with an average balance of £178,822, with the Coventry Building Society remaining in place as the Servicer of the mortgages. This was acquired in November 2015 after extensive due diligence work and using a loan financing facility with Bank of America Merrill Lynch International Limited. This facility provided the Portfolio Manager with flexibility on the timing of the securitisation of this mortgage pool – an important consideration and one that allowed the Group to avoid dealing in the difficult bond markets of January and February this year.

The subsequent securitisation, Malt Hill No.1 Plc, was completed in June 2016, locking in a lower long term funding cost of 3 month LIBOR +1.35% with an expected maturity of 3 years. This provides leverage of 6.8 times on the allocated £51m of capital, with an estimated IRR of 8.27% * under the Portfolio Manager's base scenarios.

Shortly after our period end, the Board was pleased to announce the completion of the second transaction in July, having agreed an arrangement with The Mortgage Lender ("TML") to purchase up to £250m of newly-originated mortgages over an expected 12 to 14-month period. The Portfolio Manager worked over a six-month period to agree a product set and borrower credit profile with TML, all of which will be owner-occupied, and therefore will offer natural diversification to the first transaction. The deal was substantially delayed by the late withdrawal from the transaction of the proposed loan financing counterparty, and their subsequent replacement by the Royal Bank of Scotland. TML has launched its product set through the mortgage broker market and is now receiving loan applications. This transaction is expected to initially utilise £72m of the Group's capital with an anticipated IRR over the life of the pool of 9.49%*, having allowed for the low revenue generation initially as the loans are originated. The deal offers the potential for the Company to acquire up to £1bn of mortgages over a 5 year period which provides a significant incentive for TML to deliver a mortgage pool in line with our first year target.

Dividend Distributions
We set a first year dividend target of 3 pence per share versus our long term goal of 6 pence per share as we anticipated that it would take some time to fully invest the portfolio, particularly bearing in mind that this was the first ever London listed Investment Company designed to purchase and originate UK mortgages. With approximately half of our capital committed to mortgages on the completion of the TML transaction, we have proved that we can both purchase and originate mortgages. It is anticipated that it will take around a year for the TML portfolio to become fully invested and we therefore need to complete at least one more transaction to fully invest the capital raised. As such the Board anticipates that the 6 pence dividend that we are due to pay in our first full calendar year of operation is unlikely to be fully covered. However, the relatively high IRRs that mortgage pools offer should enable excess income to be produced when the portfolio is fully invested in subsequent financial years. The Portfolio Manager's report demonstrates the non-linear income profile expected from our first securitisation.

CHAIRMAN'S STATEMENT Continued

for the period from 10 June 2015 to 30 June 2016

Outlook

Concerns over the negotiation of the UK's exit from the European Union, global growth and the timing of monetary policy tightening in the US have made for a cautious investment background. The August interest rate cut by the Bank of England and its continuing policy of Quantitative Easing have seen bond yields in the UK fall to record lows, increasing the pressure on investors seeking reliable sources of income. Despite this, the fundamental performance of the Company's portfolio of mortgages remains largely uncorrelated and it is expected to continue to perform in line with expectations.

The Portfolio Manager has a strong pipeline of potential transactions that are relatively advanced, any of which would utilise the significant majority of the Company's remaining capital, and over time would fully cover future dividends. However, in recognition of the innovative nature of the Company, the prospectus requires the Company to hold a Continuation Vote should it not have invested 75% of its capital by the first anniversary of the IPO in July this year. As this was not achieved, we have included a resolution in the notice of the AGM. Nevertheless, the Board expects the Company to achieve its objective in the foreseeable future and is fully supportive of the Portfolio Manager's strategy.

Christopher Waldron
Chairman
26 October 2016

*IRR projections are based on the Portfolio Manager's transaction models and are unaudited.

PORTFOLIO MANAGER'S REPORT
for the period from 10 June 2015 to 30 June 2016

Market Commentary
Despite the UK's EU referendum (and its subsequent outcome) on 23 June, the UK economy was surprisingly stable over the period. For the most part, the key relevant economic indicators for the Company, namely employment, wage inflation, the housing market and lending activity, were all relatively static.

Mortgage rates during the period remained low, with markets expecting no change in monetary policy for the majority of the period in question. Notably the Bank of England again reduced its expectations of the potential negative impact a rate hike in the UK could cause for consumers.

However, following the vote, expectations moved sharply towards a cut in the base rate, which was duly introduced alongside further quantitative easing measures and a new bank funding facility, at the Monetary Policy Committee meeting on 4 August. This followed the removal of the introduction of the countercyclical capital buffer, essentially giving capital back to financial institutions. In recent rhetoric the Bank of England has focussed on the potential significant downside to the UK economy and availability of credit as a result of the vote, and considers this suite of measures taken as addressing major drivers of banks' lending appetite.

The EU referendum was not the only driver of market sentiment during the period. While the second half of 2015 was dominated more by issues external to the UK consumer lending markets, such as the oil price, US monetary policy and Chinese growth concerns, 2016 has been affected by more immediate issues. The first quarter of the year saw a sharp move in risk sentiment across the board, including the return of bank solvency concerns for the first time in a number of years, with the associated impact on bank risk tolerance and cost of funding. The introduction of changes to the stamp duty charged on buy-to-let purchases added significant demand prior to April but left uncertainty as to origination volumes after the vote.

Residential mortgage performance during the period continued to improve, and at the time of writing the Council of Mortgage Lenders latest quarterly data shows 0.84% (compared to 0.96% this time last year) of mortgages in meaningful arrears, and 7.5bps of repossessions on an annualised basis.

The UK RMBS market remained an ongoing supplier of finance to mortgage lenders throughout the period, however, the cost of funding in this way varied over the period, driven by investor sentiment. The RMBS market spent the third quarter of 2015 waiting for an outcome to the sale of UK Asset Resolution Limited's £13bn mortgage pool, as spreads had pushed wider. Once this transaction was completed and the associated £9bn of maturities were returned to investors, prices performed well towards the end of 2015, and the first quarter of 2016.

The volatility that was seen across most mainstream markets drove weakness for the remainder of the first quarter of 2016, with spreads gradually recovering until the June EU referendum. Having closed the inaugural transaction with Coventry Building Society in November, the Portfolio Manager took the decision to complete the securitisation of the portfolio prior to the referendum as the cost of funding came down during May and early June. Malt Hill No.1 Plc was successfully launched in early June, locking in funding for an expected 3 years, and avoiding the funding uncertainty that has been seen since the referendum.

Further mortgage pool purchases were analysed in late 2015, and subsequently rejected as being inappropriate for the Company due to the quality and size of the mortgages.

Work commenced in January on the second transaction. This was completed in June, after a notably longer process than standard. This delay was driven by a couple of different factors. Firstly, the transaction involves a new mortgage originator, TML, creating mortgages that have product and borrower characteristics that have been specifically agreed with the Portfolio Manager.

PORTFOLIO MANAGER'S REPORT Continued
for the period from 10 June 2015 to 30 June 2016

Market Commentary (continued)

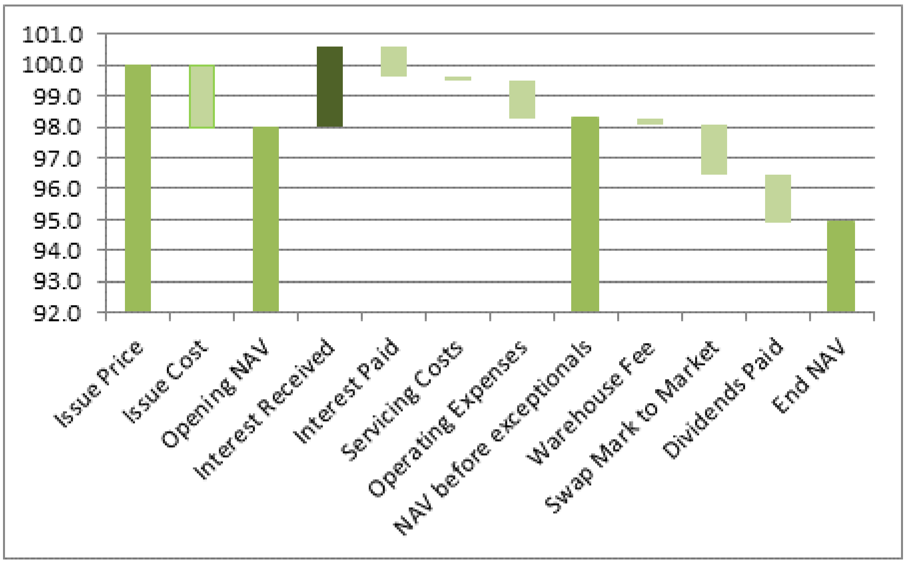
The agreement also contemplates the potential for a maximum size of £1bn of mortgages or for the agreement to run for five years. The ability for the Company to have access to such ongoing product origination that have been created with a specific set of risk and return profiles was deemed to have significant value, and worth spending additional time structuring.

Secondly, at a very advanced stage in the negotiation, the funding counterparty that had been appointed announced its inability to complete the transaction. The Portfolio Manager subsequently agreed terms with Royal Bank of Scotland, leading to a material delay in completion.

Other opportunities have been worked on by the team without conclusion. Notable examples include ongoing discussions with an originator of buy-to-let mortgages who has continued to display the intention to do a trade, but with the market volatility seen in the first quarter, the changes to stamp duty in April, and then the uncertainty around the impact of Brexit on ongoing landlord demand and the introduction of changes to underwriting methodologies by the regulator, they require a period of stability before agreeing a transaction. Nevertheless the Portfolio Manager continues to expect that this is a delay in the process rather than a permanent change in intention on behalf of the seller.

While the performance of the Company will be driven more by the fundamental performance of the underlying mortgage pools, than by the performance of financial markets, the material volatility that has been seen in 2016, along with regulatory and taxation changes created an environment that made it harder to complete transactions than would otherwise have been expected. This has led to a delay in the leverage of the capital raised at IPO, given the high standard of transactions that are being sought.

Portfolio Performance Review



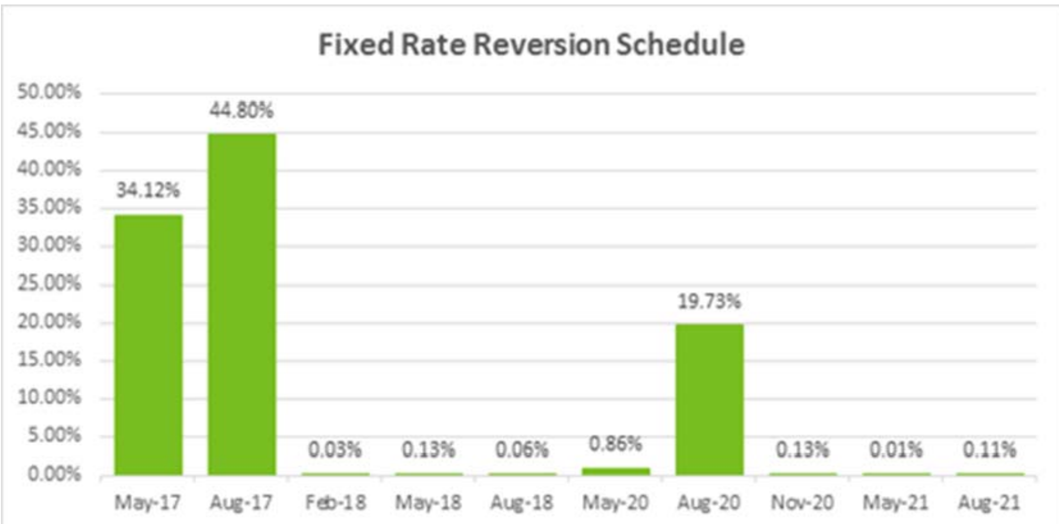
The above chart illustrates how the NAV of the Company has moved during its first year of operation. The NAV started at a base of 98 pence per share in July 2015 and the gross income from the first investment was approximately 2.6p per share over the 8 month holding period, for an investment of approximately 20% of net asset value. This investment covered our portfolio operating costs and expenses leaving a modest 0.3p net profit before exceptional items.

PORTFOLIO MANAGER'S REPORT Continued
for the period from 10 June 2015 to 30 June 2016

Portfolio Performance Review (continued)
The remainder of the decline in NAV for the period was attributable to three factors:

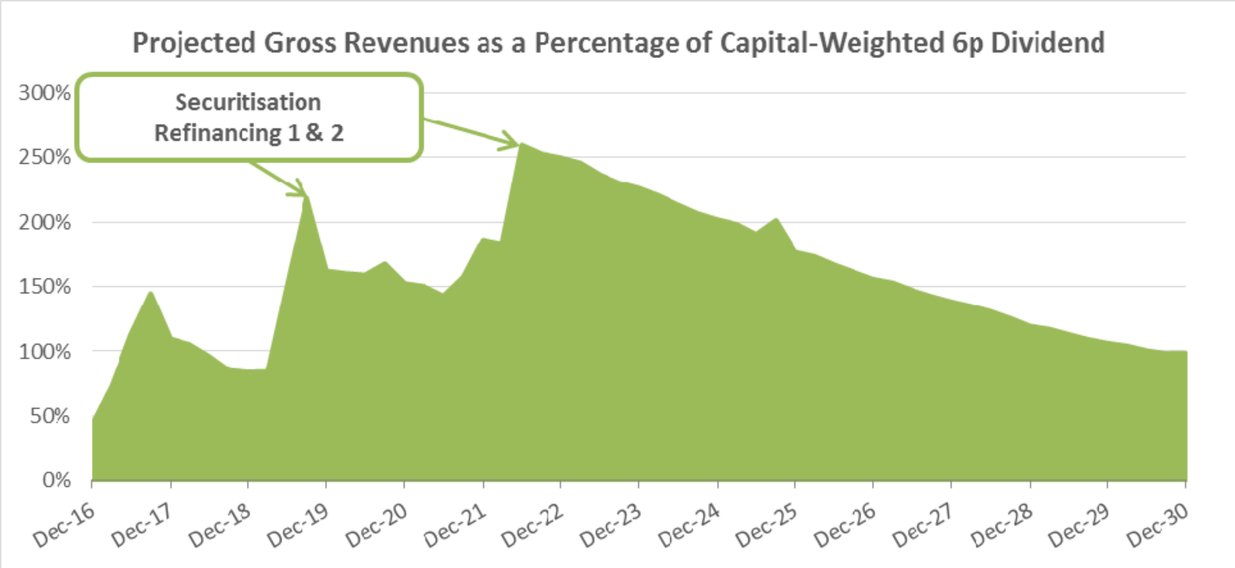
(1) a 0.2p warehouse fee reflecting the cost of the BoAML warehouse facility that was fully expensed to the profit or loss account when the Coventry portfolio was securitised;
(2) a 1.5p dividend out of capital; and
(3) a 1.6p mark to market movement in swap valuation. The first portfolio consists of fixed rate mortgages that should revert to floating rate loans over the next two years and is financed by Senior AAA rated Notes that pay a floating rate coupon. To deal with this short term mis-match between the coupon rate of the assets and liabilities an interest rate swap is in place that converts the underlying fixed rate income into floating rate income. This swap valuation is the present value of the expected receipts and payments to maturity and the profit or loss from this valuation feeds directly into the NAV calculation. The mortgage portfolio is valued in accordance with industry convention at amortised cost less any impairment provisions as required. In practice, whilst the value of the mortgage pool is very stable as there have been no impairments to date, the value of the swap is subject to mark to market volatility and will vary due to changes in the absolute level and relative shape of the yield curve. This volatile component of the NAV is expected to diminish over time as the payment profile of the fixed rate mortgages revert to floating rate.

Portfolio Outlook (Malt Hill No. 1 Plc)
Whilst the dividend coverage from the first transaction is initially low, partly due to the negative swap payments, it is expected to improve once the two year fixed rate mortgages come to the end of their initial fixed rate period in 2017 as illustrated in the table below. Subsequently, at the three year optional call date of the Malt Hill No.1 Plc transaction in 2019, the portfolio is expected to be refinanced at similar levels of leverage as at the first securitisation, with a potential upside for a well-seasoned portfolio with a good track record of performance.



PORTFOLIO MANAGER'S REPORT Continued
for the period from 10 June 2015 to 30 June 2016

Portfolio Outlook (Malt Hill No. 1 Plc) (continued)
The illustration below shows the base case performance model for the Malt Hill No.1 Plc portfolio. It has three distinct phases of performance:



Phase One Dec 2016 to Dec 2018
The portfolio initially underperforms as the fixed rate mortgages convert to floating rate loans and the notional value of the interest rate swap decreases.

Phase Two Dec 2018 to Dec 2021
The portfolio begins to sharply outperform as it produces a leveraged floating rate income stream that does not require an interest rate hedge. A re-financing operation in May 2019 is anticipated to provide a substantial uplift in performance subject to securitisation at current levels or better.

Phase Three Dec 2021 to Dec 2030
A final securitisation of a well-seasoned mature portfolio has the potential to produce several years of above target returns thus offsetting for earlier shortfalls.

PORTFOLIO MANAGER'S REPORT Continued
for the period from 10 June 2015 to 30 June 2016

Portfolio Outlook (TML)
Whilst it is still early days for the TML portfolio, the mortgage applications and completions received so far are in line with initial expectations. This portfolio is expected to be securitised after reaching the initial commitment of £250m origination, subject to market conditions. The chart below indicates a potential trajectory of portfolio growth.

Market Outlook
The outlook for the Company is positive. The existing portfolio continues to perform at the high level that is expected of it, and with the term funding now in place via the Malt Hill No.1 Plc RMBS transaction, the net revenue generation on fully leveraged capital allocated to this portfolio is in place. This transaction will improve further once the initial fixed rate periods come to an end (approx. 80% of loans have a 2-year initial fixed rate period and the balance 5-year), thereby increasing the excess spread available. After the 3-year call date, the portfolio is expected to be refinanced in a new term securitisation to re-leverage the portfolio following amortisation of the underlying mortgage portfolio.

The recent post-Brexit vote turmoil has seen significant intervention by the Bank of England. This has been introduced for multiple reasons, one of which is the concern that banks will rein in lending as a result of the uncertainty. Should this happen then the opportunity for the Company to deploy capital into the void should improve.

An ancillary benefit to the Bank of England's action is that the deployment of further and wider quantitative easing is making yield a scarcer commodity for investors to find. As such it can reasonably be expected that the cost of funding for future securitisations could become cheaper.

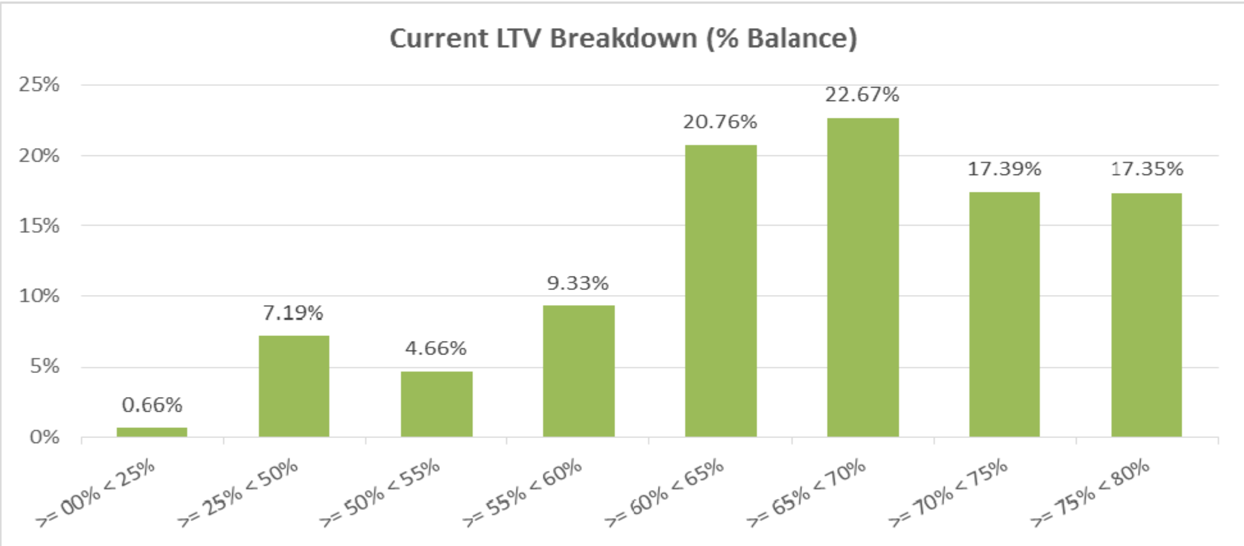
As mentioned above, the environment in 2016 has made it a slower process to fully invest the company's capital in leveraged portfolios of mortgages. However the pipeline of transactions at the time of writing is strong, with a number of deals being negotiated. Completion of any one of these would achieve full leverage on the Company's capital.

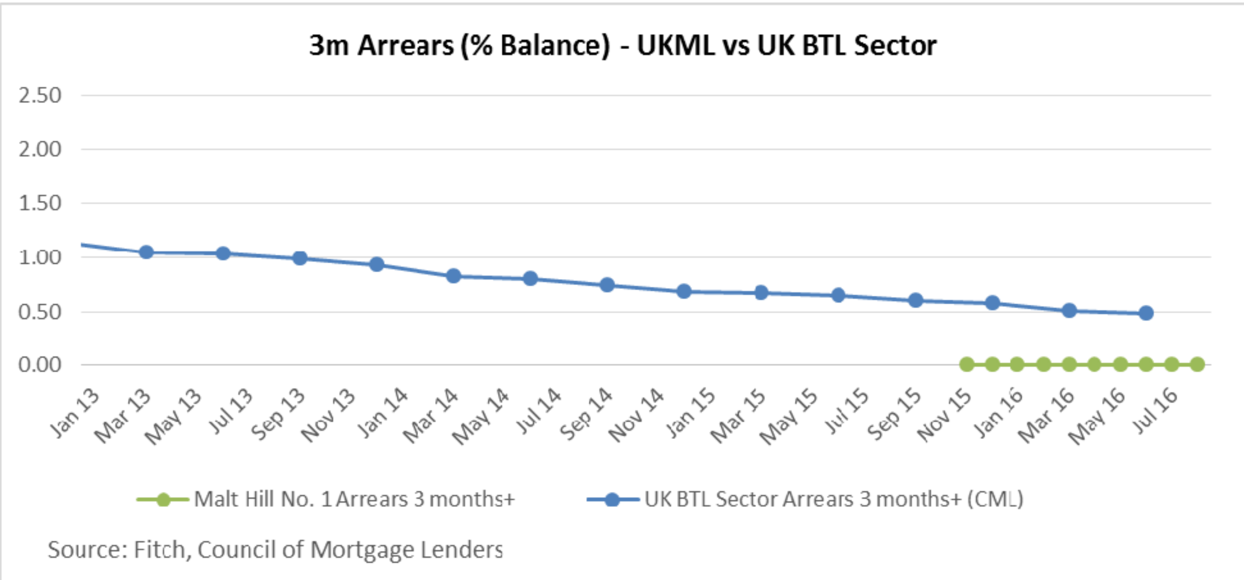
TwentyFour Asset Management LLP
26 October 2016

PORTFOLIO OF INVESTMENTS
As at 30 June 2016

	Value at amortised cost
	£
Malt Hill No.1 Plc	303,585,700
	303,585,700

Portfolio Summary as at 30 June 2016	
Outstanding Balance of the Mortgage Portfolio	£297,902,226
Number of Mortgage Accounts	1,678
Average Mortgage Size	£177,534
Weighted Average Current LTV	64.78%
Weighted Average Interest Rate	3.36%
Weighted Average Remaining Term (months)	237.23
Weighted Average Seasoning (months)	11.55





BOARD MEMBERS

Biographical details of the Directors are as follows:

Christopher Waldron (Chairman) - Independent Non-Executive Director – Guernsey resident
Mr Waldron is the Chairman of Ranger Direct Lending Fund Plc and a director of a number of listed companies, including DW Catalyst Fund Limited, Crystal Amber Fund Limited and JZ Capital Partners Limited. He has over 30 years' experience as an investment manager, specialising in fixed income, hedging strategies and alternative investment mandates and until 2013 was Chief Executive of the Edmond de Rothschild Group in the Channel Islands. Prior to joining the Edmond de Rothschild Group in 1999, Mr Waldron held investment management positions with Bank of Bermuda, the Jardine Matheson Group and Fortis. Mr Waldron is also a member of the States of Guernsey's Policy and Resources Investment and Bond Sub-Committee and a Fellow of the Chartered Institute of Securities and Investment.

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

Paul Le Page (Audit Committee Chairman) - Independent Non-Executive Director- Guernsey resident
Mr Le Page is a director of Man Fund Management Guernsey Limited, Man Group Japan Limited and FRM Investment Management Limited which are subsidiaries of Man Group Plc. He is responsible for managing hedge fund portfolios, and is a director of a number of FRM and GLG funds. Mr Le Page is currently the Audit Committee Chairman for Bluefield Solar Income Fund Limited and was formerly the Audit Committee Chairman for Cazenove Absolute Equity Limited and Thames River Multi Hedge PCC Limited. He has extensive knowledge of, and experience in, the fund management and the hedge fund industry. Prior to joining FRM, he was an Associate Director at Collins Stewart Asset Management from January 1999 to July 2005, where he was responsible for managing the firm's hedge fund portfolios and reviewing fund managers. He joined Collins Stewart in January 1999 where he completed his MBA in July 1999. He originally qualified as a Chartered Electrical Engineer after a 12-year career in industrial research and development, latterly as the Research and Development Director for Dynex Technologies (Guernsey) Limited, having graduated from University College London in Electrical and Electronic Engineering in 1987.

Helen Green - Independent Non-Executive Director - Guernsey resident
Mrs Green is a chartered accountant and has been employed by Saffery Champness, a top 20 firm of chartered accountants, since 1984. She qualified as a chartered accountant in 1987 and became a partner in the London office in 1997. Since 2000 she has been based in the Guernsey office where she is client liaison director responsible for trust and company administration. Mrs Green serves as a Non-Executive Director on the boards of a number of companies in various jurisdictions, including Aberdeen Emerging Markets Investment Company Limited, Henderson Diversified Income Limited, Landore Resources Limited, John Laing Infrastructure Fund Limited, City Natural Resources High Yield Trust plc and Acorn Income Fund Limited, of which she is Chairman.

DISCLOSURE OF DIRECTORSHIPS IN PUBLIC COMPANIES LISTED ON RECOGNISED STOCK EXCHANGES

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

Company Name	Stock Exchange
Christopher Waldron (Chairman)	
Crystal Amber Fund Limited	AIM
DW Catalyst Fund Limited	London
JZ Capital Partners Limited	London
Ranger Direct Lending Fund PLC	London
Richard Burrows	
None	
Paul Le Page	
Bluefield Solar Income Fund Limited	London
Helen Green	
Aberdeen Emerging Markets Investment Company	London
Acorn Income Fund Limited	Channel Islands and London
City Natural Resources High Yield Trust PLC	London
Henderson Diversified Income Limited	London
John Laing Infrastructure Fund Limited	London
Landore Resources Limited	AIM

DIRECTORS' REPORT

The Directors present their Annual Report and Audited Consolidated Financial Statements for the period from 10 June 2015 (incorporation date) to 30 June 2016.

Business Review

The Company

The Company was incorporated with limited liability in Guernsey, as a closed-ended investment company on 10 June 2015. The Company's shares were admitted to trading on the Specialist Fund Segment on 7 July 2015.

Discount/Premium Management Policy

The Board of Directors monitors and has a policy to manage the level of the share price discount/premium to NAV. See information set out in note 18.

Shareholder Information

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

Going Concern

As a Specialist Fund Segment entity, the Group has voluntarily chosen to comply with the full requirements of Premium Listing rules and as such applies the AIC Code and applicable regulations. Under this code, the Directors are required to satisfy themselves that it is reasonable to assume that the Group is a going concern and to identify any material uncertainties to the Group's ability to continue as a going concern for at least 12 months from the date of approving the financial statements.

The Acquiring Entity has a legal requirement to retain at least 5% of the Issuer SPV's securitisation that it originated until May 2019 when it is anticipated that the Issuer SPV will be re-financed. At the period end the Acquiring Entity was also in the process of negotiating a contractual commitment to purchase £250m of mortgages originated by The Mortgage Lender ("TML") which extends into the final quarter of 2017. This transaction was completed at the beginning of July. The Board of Directors has reviewed the projected cash-flows from these commitments. The Directors believe that it is appropriate to adopt a going concern basis in preparing the Annual Report and Audited Consolidated Financial Statements given the Group's holdings of cash and cash equivalents and the income deriving from its contractual and legal commitments, meaning the Group has adequate financial resources to meet its liabilities as they fall due.

An additional factor which the Directors have considered is the Continuation Vote which will be put to shareholders at the AGM to be held in December 2016. In seeking to ensure that shareholders retain confidence in the Company, the Portfolio Manager meets regularly with shareholders and has an active investor relations programme. The Directors cannot predict what the outcome of the Continuation Vote will be and, in making the going concern disclosure and viability statement, have assumed that the Company will continue to operate beyond the Continuation Vote either in its present form or with a return of uninvested capital.

Results

The results for the period are set out in the Statement of Comprehensive Income on page 42. The Company declared dividends of £7,500,000 in respect of the period ended 30 June 2016, a breakdown of which can be found in note 21. Dividends declared and paid during the period amount to £3,750,000, as recognised in the Statement of Changes in Equity.

DIRECTORS' REPORT Continued

Results (continued)
Dividends made with respect to any period comprise a significant majority of net income for the Company. The Board expects that dividends will constitute the principal element of the return to holders of Ordinary Shares. The dividends for the period have, as anticipated, been mostly paid out of capital of the Company as the portfolio was not fully invested during the financial period.

Signed on behalf of the Board of Directors on 26 October 2016 by:

Christopher Waldron	Paul Le Page
Chairman	Director

STRATEGIC REPORT

Investment Objective

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

Key Performance Indicators ("KPIs")

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

- Net Asset Value

The Company's net asset value has declined from 98p per share at launch to 94.95p. This decline in NAV is largely attributable to the mark to market valuation of the portfolio's interest rate swap hedge during the Company's first period of operation and the payment of the Company's 3p dividend (1.5p paid in the period to 30 June 2016 and 1.5p paid after the period end) mainly from capital during the portfolio ramp up phase. The Directors would expect the Company's net asset value to remain largely stable when it is fully invested.

- Discount/Premium

The Company has traded at an average premium of 4.4% to NAV for most of its first period which the Directors regard as a pleasing result in the context of volatility within the investment companies sector.

- Ongoing Charges

The Company's ongoing charges ratio has remained approximately static at 1.2% because the variable management fee makes up the majority of the Company's costs.

- Quarterly Dividends

The Company declared two interim dividends of 1.5p in relation to its first period of operation in accordance with the prospectus target. In the period to date, the Company's dividends were uncovered by income. Over the expected life of the Company the Directors expect dividends to be covered by income received.

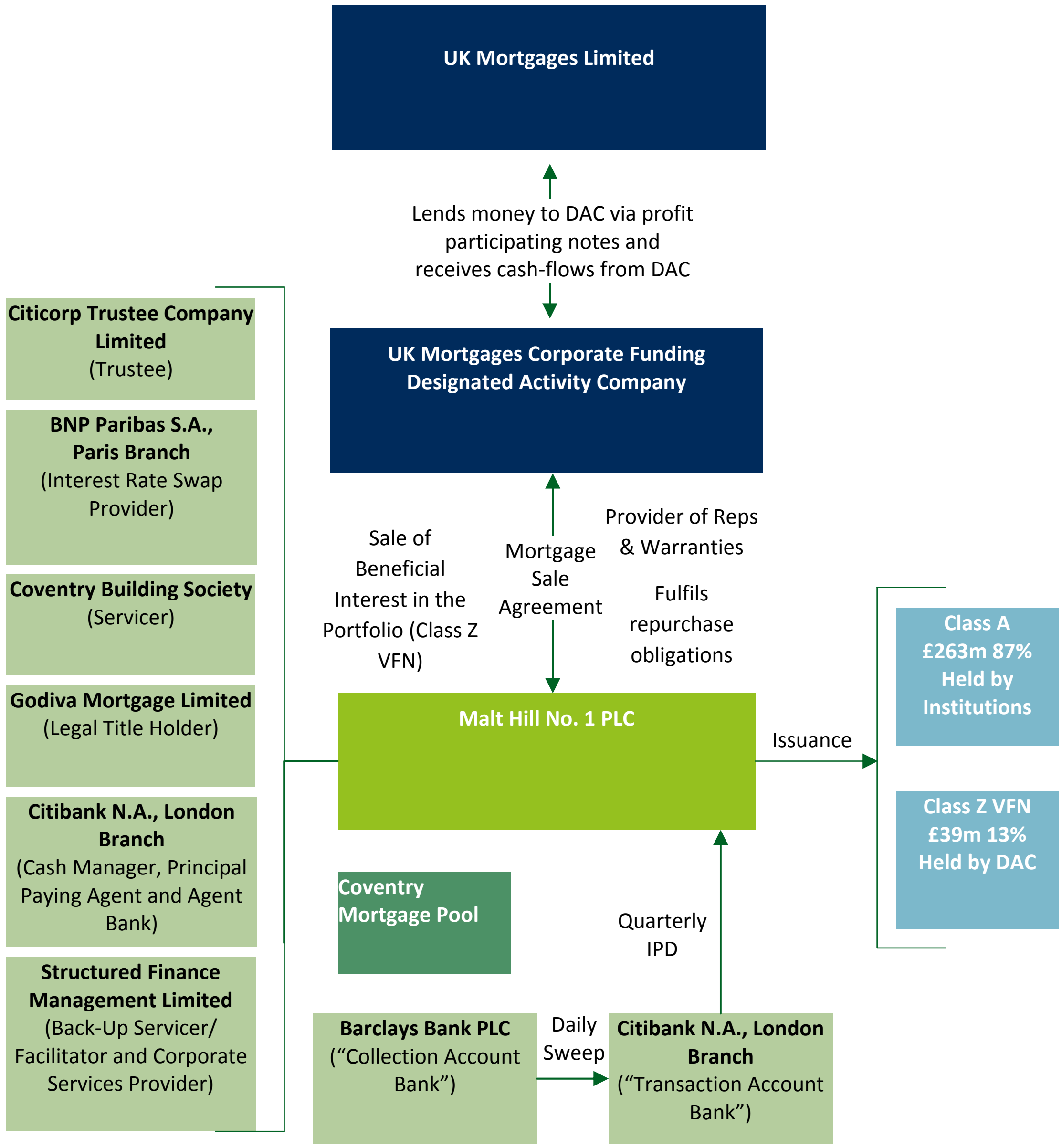
- Investment Level

At June 30, the Company had committed approximately 20% of NAV to mortgage investments and was in the process of closing a second transaction that would subsequently commit a further 30% of NAV at the start of July. The Directors anticipate that when the IPO proceeds are fully deployed, the Company would typically have in excess of 98% of its net asset value committed to mortgage investments.

STRATEGIC REPORT Continued

Company Structure
The Company pursues its investment objective via DAC. DAC is a SPV incorporated in Ireland under the Section 110 regime, that was established prior to the Company acquiring the first mortgage portfolio from the Coventry Building Society. DAC is responsible for acquiring and leveraging mortgage portfolios in Warehouse SPVs. These portfolios are subsequently securitised by selling each warehoused portfolio to an Issuer SPV. The Issuer SPV issues tranches of securities, the junior tranche of which is then retained by the Acquiring Entity to provide the Acquiring Entity with leveraged exposure to the underlying mortgages. The Acquiring Entity is currently required under European law to retain a minimum of 5% of each securitisation that it originates. Whilst this retention limit would enable the Acquiring Entity to attain leverage by a factor of up to twenty times, the directors of the Acquiring Entity limit the size of any senior financing in order to meet the requirements for an AAA rating on issuance.

The structure of the Group at 30 June 2016, following the Malt Hill No.1 Plc securitisation is shown below. Since 30 June 2016 a new Warehouse SPV, Cornhill Mortgages No.2 Limited, has been incorporated to hold loans originated by TML prior to securitisation.



STRATEGIC REPORT Continued

Company Structure (continued)

This company structure, whilst complex, comprises a standard Guernsey domiciled company listed on the Specialist Fund Segment with a standard European mortgage securitisation structure underneath and the addition of DAC based in the EU. DAC owns the junior class notes from the Issuer SPV and collects cash-flows for the Company. These cash flows are paid to the Company in the form of coupons on Eurobonds, called Profit Participating Notes that the Acquiring Entity sells to the Company. DAC qualifies for tax relief on the income that it distributes which ensures that the Company's investors are only taxed on their dividend income once, upon payment by the Company as required by EU law.

A number of relevant additional explanation points are set out below for the Malt Hill No.1 Plc transaction:

- Coventry Building Society is the originator of the underlying mortgages and is responsible for servicing. i.e. managing the underlying borrowers and collecting the mortgage payments.
- Citicorp is the trustee who provides monthly reports on the mortgage pool and ensures that the Issuer SPV complies with its investment policy.
- The Issuer SPV is a public Securitisation Vehicle modelled on Intex (ticker: MLTH1), ABSNet and Bloomberg (ticker: MALTH Mtge).
- Structured Finance Management Limited is responsible for the administration and financial reporting of the Malt Hill No.1 Plc securitisation.
- The Class A notes are the most senior part of the Issuer SPV securitisation structure and receive regular floating rate distributions and priority in the repayment of loan principal.
- The Class Z notes receive any residual income and capital distributions after payments have been made to the Class A note holders and the operating fees of Issuer SPV have been met.

Investment Process

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

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

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

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

STRATEGIC REPORT Continued

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

Portfolio Manager
The Portfolio Manager provides a comprehensive range of portfolio management, securitisation and investment monitoring services as detailed above. In exchange for these services a fee is payable, quarterly in arrears at a rate of 0.75% per annum of the lower of NAV, which is calculated monthly on the last business day of each month, or market capitalisation. For additional information refer to note 15.

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

Alternative Investment Fund Manager ("AIFM")
Alternative investment fund management services are provided by Maitland Institutional Services Limited ("Maitland"), formerly known as 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. For additional information refer to note 16.

Custodian and Depositary
Custodian and Depositary services are provided by Northern Trust (Guernsey) Limited. The terms of the Depositary agreement allow Northern Trust (Guernsey) Limited to receive depositary fees at a rate of 0.03% of the NAV of the Company as at the last business day of the month subject to a minimum £40,000 per annum payable monthly in arrears. The Depositary will charge an additional fee of £20,000 for performing due diligence on each service provider/administrator employed. The Depositary is also entitled to a custody fee at a rate of 0.03% of the NAV of the Company as at the last business day of the month subject to a minimum of £8,500 per annum. For additional information refer to note 16.

Directors
The Directors of the Company during the period and at the date of this report are set out on page 12.

Directors' and Other Interests
As at 30 June 2016, Directors of the Company held the following Ordinary Shares beneficially:

	No. of shares 30.06.16
Christopher Waldron	5,000
Richard Burrows	5,000
Paul Le Page	20,000
Helen Green	-

Signed on behalf of the Board of Directors on 26 October 2016 by:

Christopher Waldron	Paul Le Page
Chairman	Director

CORPORATE GOVERNANCE REPORT

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

The FRC issued a revised UK Code in 2014, for reporting periods beginning on or after 1 October 2014. The AIC updated the AIC Code and its AIC Guide to reflect the relevant changes to the FRC document in February 2015.

The UK Listing Authority requires all UK premium listing companies to disclose how they have complied with the provisions of the UK Code. As a company with a Specialist Fund Segment listing, the Company has voluntarily chosen to report against the UK Code. This Corporate Governance Statement, together with the Going Concern Statement, Viability Statement and the Statement of Directors' Responsibilities, indicate how the Company has complied with the principles of good governance of the UK Code and its requirements on Internal Control.

The Company is a member of the AIC and by complying with the AIC Code is deemed to comply with both the UK Code and the GFSC Code.

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

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

Throughout the period ended 30 June 2016, the Company has complied with the recommendations of the AIC Code and thus the relevant provisions of the UK Code, except as set out below.

The UK Code includes provisions relating to:
- the role of the Chief Executive
- Executive Directors' remuneration
- the need for an internal audit function
- the whistle blowing policy
- Remuneration Committee
- Nomination Committee

For the reasons set out in the AIC Guide, the Board considers these provisions are not relevant to the position of the Company as it is an externally managed investment company. The Company has therefore not reported further in respect of these provisions. The Directors are all non-executive and the Company does not have employees, hence no Chief Executive or whistle-blowing policy is required for the Company. The key service-providers all have whistleblowing policies in place. The Board is satisfied that any relevant issues can be properly considered by the Board.

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

CORPORATE GOVERNANCE REPORT Continued

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

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

Role, Composition and Independence of the Board

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

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

The Board's responsibilities for the Annual Report and Audited Consolidated Financial Statements are set out in the Statement of Directors' Responsibilities on pages 29 to 30.

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

Chairman

The Chairman is Christopher Waldron. The Chairman of the Board must be independent for the purposes of Chapter 15 of the Listing Rules. Christopher Waldron is considered independent because he:

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

Senior Independent Director

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

Chairman of the Audit Committee

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

Biographies for all the Directors can be found on page 12.

CORPORATE GOVERNANCE REPORT Continued

Role, Composition and Independence of the Board (continued)
Composition of the Board
During the financial period, the Board identified that whilst it had a broad range of investment, risk management and mortgage securitisation knowledge, it did not have a qualified accountant. Mrs Helen Green was appointed to the Board in June 2016 as the Board considered that her background as a partner at Saffery Champness and her knowledge of the LSE listed investment company sector added the required technical accounting skills and knowledge.

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

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

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

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

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

The Board has also given careful consideration to the recommendations of the Davies Review. The Board has reviewed its composition and believes that the current appointments provide an appropriate range of skills, experience and diversity. In order to maintain its diversity, the Board is committed to continuing its implementation of the recommendations of the Davies Review as part of its succession planning over future years.

Directors' Attendance at Meetings
The Board holds quarterly Board meetings to discuss general management, structure, finance, corporate governance, marketing, risk management, compliance, asset allocation and gearing, contracts and performance. The quarterly Board meetings are the principal source of regular information for the Board enabling it to determine policy and to monitor performance, compliance and controls but these meetings are also supplemented by communication and discussions throughout the period.

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

CORPORATE GOVERNANCE REPORT Continued

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

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

	Board Meetings		Audit Committee Meetings		Management Engagement Committee Meetings		Ad hoc Committee Meetings	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Christopher Waldron	4	4	2	2	1	1	8	8
Richard Burrows	4	4	2	2	1	1	8	8 *
Paul Le Page	4	4	2	2	1	1	8	7
Helen Green**	1	1	1	1	-	-	-	-

*Richard Burrows was in attendance at 7 of these meetings from the U.K and as such did not form part of the quorum.

**Helen Green was appointed in June 2016 and as such only attended one quarterly board meeting during the financial period.

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

The Board has a breadth of experience relevant to the Company and the Directors believe that any changes to the Board's composition can be managed without undue disruption. With any new director appointment to the Board, consideration will be given as to whether an induction process is appropriate. Helen Green attended a service provider workshop as part of her induction training and has also received an update on the Company's portfolio risk and cash-flow models.

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

To enable this evaluation to take place, the Company Secretary will circulate a detailed questionnaire plus a separate questionnaire for the evaluation of the Chairman. The questionnaires, once completed, are returned to the Company Secretary who collates responses, prepares a summary and discusses the Board evaluation with the Chairman prior to circulation to the remaining Board members. The performance of the Chairman is evaluated by the other Directors. On occasions, the Board may seek to employ an independent third party to conduct a review of the Board.

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

CORPORATE GOVERNANCE REPORT Continued

Board Performance and Training (continued)
Training is an on-going matter as is discussion on the overall strategy of the Company and the Board has met with the Portfolio Manager at their offices and elsewhere during the period to discuss these matters. Such meetings will be an on-going occurrence. The Portfolio Manager organised a workshop for all service providers and Directors in advance of the period end, for further information on the Company's structure and deals in progress.

Retirement by Rotation
Under the terms of their appointment, each Director is required to retire by rotation as detailed in the Directors' report.

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

Management Engagement Committee
The Board has established a Management Engagement Committee with formal duties and responsibilities. The Management Engagement Committee commits to meeting at least once a year and comprises the entire Board with Richard Burrows appointed as Chairman. These duties and responsibilities include the regular review of the performance of and contractual arrangements with the Portfolio Manager and other service providers and the preparation of the Committee's annual opinion as to the Portfolio Manager's services. The first Management Engagement Committee meeting was held on 14 March 2016.

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

Audit Committee
An Audit Committee has been established consisting of all Directors with Paul Le Page appointed as Chairman. The terms of reference of the Audit Committee provide that the committee shall be responsible, amongst other things, for reviewing the Consolidated Interim and Annual Financial Statements, considering the appointment and independence of external auditors, discussing with the external auditors the scope of the audit and reviewing the Company's compliance with the AIC Code.

Further details on the Audit Committee can be found in the Audit Committee Report on page 33.

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

Remuneration Committee
In view of its non-executive and independent nature, the Board considers that it is not appropriate for there to be a separate Remuneration Committee as anticipated by the AIC Code. The Board as a whole fulfils the functions of the Remuneration Committee, although the Board has included a separate Directors' Remuneration Report on pages 31 to 32.

CORPORATE GOVERNANCE REPORT Continued

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

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

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

Strategy
Having purchased and securitised an existing pool of Buy-to-Let mortgages and committed to a customised residential mortgage origination programme the Company is preparing to securitise this second portfolio whilst the lender originates mortgages under the supervision of the Investment Manager. This parallel work-flow should enable a rapid securitisation process on completion of the £250m loan portfolio. In addition the Company is seeking to fully commit all of its capital to a final transaction within the next six months with a view to achieving a covered 6p dividend as soon as practically possible.

Internal Controls
The Board is ultimately responsible for establishing and maintaining the Company's system of internal financial and operating control and for maintaining and reviewing its effectiveness. The Company's risk matrix is the basis of the Company's risk management process in establishing the Company's system of internal financial and reporting control. The risk matrix is prepared and maintained by the Board and identifies the risks facing the Company and then collectively assesses the likelihood of each risk, the impact of those risks and the strength of the controls operating over each risk. The Board uses the product of risk and impact scores to determine key areas requiring their attention. The system of internal financial and operating control is designed to manage rather than to eliminate the risk of failure to achieve business objectives and by their nature can only provide reasonable and not absolute assurance against misstatement and loss.

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

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

The AIC Code requires Directors to conduct at least annually a review of the Company's system of internal financial and operating control, covering all controls, including financial, operational, compliance and risk management. The Board has evaluated the systems of Internal Controls of the Company. In particular, it has prepared a process for identifying and evaluating the significant risks affecting the Company and the policies by which these risks are managed. The Board also considers whether the appointment of an internal auditor is required and has determined that there is no requirement for a direct internal audit function.

CORPORATE GOVERNANCE REPORT Continued

Internal Controls (continued)

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

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

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

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 Group, the Board takes account of the risk which has been taken in order to achieve that return. The Board looks at the principal risks and uncertainties, an overview of which is set out below:

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

2. The risk of failing to securitise purchased mortgage portfolios. If there is any significant delay in the ability to securitise a portfolio, the interest rates payable by the Warehouse SPV to third party providers of loan finance are likely to increase over time leading to falls in the value and/or yield of the instruments held by the Acquiring Entity, the value of which will impact the yield of the Group. In addition the underlying portfolios will need to be re-financed periodically in order to maintain optimal levels of leverage. Failure to re-securitise at a suitable rate and/or reinvest the proceeds of subsequent securitisations may also adversely impact the yield of the Group. The risk has been mitigated by the Portfolio Manager hiring additional team members with extensive securitisation experience and by being engaged with the UK RMBS market and service providers. This enables the Company to optimise the timing of its securitisation transactions.

3. The risk of the default of the counterparty with which the Warehouse or Issuer SPVs transacts the derivative trades for hedging purposes, or to gain, increase or decrease exposure to mortgages. Default by any hedging counterparty in the performance of its obligations could subject the investments to unwanted credit and market risks. The risk is mitigated by the Portfolio Manager employing due diligence in its choice of swap counterparty and engaging with robust and financially sound counterparties, with continuous monitoring of the counterparty over the lifetime of the trade.

CORPORATE GOVERNANCE REPORT Continued

Principal Risks and Uncertainties (continued)

4. The risk of the Company being unable to pay target dividends to investors due to a shortfall in income received on the portfolio. The risk is mitigated by the Portfolio Manager monitoring the Group's cash flow and income position, in conjunction with the Company's Administrator, and reporting to the Board on a quarterly basis. The Company can also pay dividends from capital if necessary.

5. The risk of investor dissatisfaction leading to a weaker share price, causing the Company to trade at a discount to its underlying asset value and a potential lack of market liquidity. The risk is mitigated by regular updates to Shareholders from portfolio managers, and willingness to respond to queries. The Board monitors any share price discount on a daily basis.

Viability Statement

The UK Code requires the boards of investment companies such as the Group to review the longer term strategic risks faced by the business. The Board has conducted a robust assessment of the principal risks faced by the Group and has conducted detailed reviews of the Group's underlying mortgage portfolio models for the period up to and including May 2019. The models subject the underlying mortgage pools to a variety of stresses including elevated levels of default, reduced levels of recovery following default, financing stresses and delays in loan origination. In all scenarios, the Group was able to meet its liabilities as they fall due.

Having considered the above, the Board is of the opinion that the Group is viable until at least May 2019 as this is the earliest practicable date at which the Group could liquidate its portfolio, should Shareholders decide to vote to wind up the Group. The Group would therefore remain viable even if it was to fail its Continuation Vote as detailed in the Going Concern statement on page 14.

Shareholder Engagement

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

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

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

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

CORPORATE GOVERNANCE REPORT Continued

Significant Shareholdings

As at 26 October, 2016 the Company has been notified of the following interests in the share capital of the Company exceeding 3% of the issued share capital:

	Number of shares	Percentage of issued share capital
Investec Wealth & Investment	32,254,124	12.90
Twentyfour Asset Management *	23,618,649	9.45
Seven Investment Management	19,496,689	7.80
Coutts & Co	17,453,423	6.98
City Financial Investment Company	11,304,984	4.52
*Twentyfour Asset Management acting as investment manager of:		
St. James's Place Strategic Income Unit Trust	14,168,000	5.67
MI TwentyFour Investment Funds – Asset Backed Income Fund	9,450,649	3.78

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

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

Disclosure of Information to Auditors

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

Independent Auditors

A resolution for the reappointment of PricewaterhouseCoopers CI LLP ("PwC") will be proposed at the forthcoming AGM.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Guernsey Company law requires the Directors to prepare Audited Consolidated Financial Statements for each financial year. Under that law, they have elected to prepare the Audited Consolidated Financial Statements in accordance with IFRS and the Companies (Guernsey) Law, 2008.

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

In preparing these Audited Consolidated Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the Audited Consolidated Financial Statements; and
- prepare the Audited Consolidated Financial Statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

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

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and to enable them to ensure that the Audited Consolidated Financial Statements have been properly prepared in accordance with the International Financial Reporting Standards and the Companies (Guernsey) Law, 2008. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

So far as the Directors are aware, there is no relevant audit information of which the Company's auditors are unaware, and each Director has taken all the steps that he or she ought to have taken as a Director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

The Directors are responsible for the oversight of the maintenance and integrity of the corporate and financial information in relation to the Company website; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Legislation in Guernsey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors confirm that to the best of their knowledge:

(a) The Annual Report and Audited Consolidated Financial Statements have been prepared in accordance with IFRS and give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group as at and for the period ended 30 June 2016.

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

STATEMENT OF DIRECTORS' RESPONSIBILITIES Continued

(i) DTR 4.1.8 and DTR 4.1.9 of the Disclosure and Transparency Rules, being a fair review of the Group business and a description of the principal risks and uncertainties facing the Group; and

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

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

Signed on behalf of the Board of Directors on 26 October 2016 by:

Christopher Waldron Chairman	Paul Le Page Director

DIRECTORS' REMUNERATION REPORT

The Directors' remuneration report has been prepared by the Directors in accordance with the UK Code as issued by the UK Listing Authority. An ordinary resolution for the approval of the annual remuneration report will be put to the Shareholders at the AGM to be held on 5 December 2016.

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

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

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

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

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

Directors are remunerated in the form of fees, payable quarterly in arrears, to the Director personally. No Directors have been paid additional remuneration by the Company outside their normal Director's fees and expenses.

In the period ended 30 June 2016, the Directors received the following remuneration in the form of Director's fees:

	Directors' Fees for the Period £	Directors' Fees Annualised £
Christopher Waldron	29,569	30,000
Richard Burrows	24,640	25,000
Paul Le Page	27,105	27,500
Helen Green*	1,027	25,000
Total	82,341	107,500

*Helen Green was appointed to the Board on 16 June 2016

The remuneration policy set out above is the one applied for the period ended 30 June 2016 and will be reviewed at the next meeting of the Management Engagement Committee.

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

DIRECTORS' REMUNERATION REPORT Continued

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

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

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

The amounts payable to Directors shown in note 15 are for services as non-executive Directors.

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

Signed on behalf of the Board of Directors on 26 October 2016 by:

Christopher Waldron Chairman	Paul Le Page Director

AUDIT COMMITTEE REPORT

On the following pages, we present the Audit Committee's Report, setting out the responsibilities of the Audit Committee and its key activities for the period from 10 June 2015 to 30 June 2016.

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

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

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

Role and Responsibilities

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

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

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

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

Risk Management and Internal Control

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

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

Fraud, Bribery and Corruption

The Audit Committee has relied on the overarching requirement placed on the service providers under the relevant agreements to comply with applicable law, including anti-bribery laws. A review of the service provider policies took place at the Management Engagement Committee Meeting on 14 March 2016. The Board receives confirmation from all service providers that there has been no fraud, bribery or corruption.

AUDIT COMMITTEE REPORT Continued

Financial Reporting and Significant Financial Issues

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

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

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

(i) Valuation of investments:
The Company's investments had a carrying value of £303,585,700 (fair value of £303,314,760) as at 30 June 2016 and represent a substantial portion of net assets of the Company. As such this is the largest factor in relation to the consideration of the Audited Consolidated Financial Statements. These investments are valued in accordance with the Accounting Policies set out in note 2 with further details in notes 19 and 20 to the Audited Consolidated Financial Statements. The Audit Committee considered the valuation of the investments held by the Company as at 30 June 2016 to be reasonable from information provided by the Portfolio Manager, AIFM, Administrator, Custodian and Depositary on their processes for the valuation of these investments with regular reporting being provided during the period to the Board as a whole.

(ii) Income Recognition:
The Audit Committee considered the calculation of income from investments recorded in the Audited Consolidated Financial Statements as at 30 June 2016. Following the Issuer SPV securitisation close to the year end, the Company's auditors agreed with the Audit Committee that going forward a detailed review of the cash-flow management process would be required to ensure that income from the underlying mortgages was being fully captured and distributed to holders of the Class A and Class Z notes in the correct proportions. For the current audit, the auditors carried out testing of the year end accruals and reported to the Committee in this respect. The Audit Committee reviewed the Portfolio Manager's processes for income recognition and found it to be reasonable based on the explanations provided and information obtained from the Portfolio Manager. The Audit Committee was therefore satisfied that income was appropriately stated in all material aspects in the Audited Consolidated Financial Statements.

(iii) Expense Recognition:
The Audit Committee reviewed schedules provided by the Administrator to ensure that the costs associated with the transfer of the Company's mortgage portfolio from the Warehouse SPV to the Issuer SPV for securitisation had been fully recognised and apportioned. The Audit Committee concluded that the apportionment and expense recognition policy had been followed correctly. PwC, as part of the audit process, also verified the treatment of the expenses and were satisfied that the accounting policy had been complied with.

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

AUDIT COMMITTEE REPORT Continued

Financial Reporting and Significant Financial Issues (continued)

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

At the request of the Audit Committee, the Administrator and Portfolio Manager confirmed that it was not aware of any material misstatements including matters relating to Consolidated Annual Financial Statement presentation. At the Audit Committee meeting to review the Annual Report and Audited Consolidated Financial Statements, the Audit Committee received and reviewed a report on the audit from the external auditors. On the basis of its review of this report, the Audit Committee is satisfied that the external auditors have fulfilled their responsibilities with diligence and professional scepticism. The Audit Committee advised the Board that these Audited Consolidated Financial Statements, taken as a whole, are fair, balanced and understandable.

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

Going concern

The going concern consideration and disclosures can be found in the Directors' Report on page 14.

External Auditors

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

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

As a general rule, the Company does not utilise external auditors for internal audit purposes, secondments or valuation advice. Services which are in the nature of audit, such as tax compliance, private letter rulings, accounting advice, quarterly reviews and disclosure advice are normally permitted but will be pre-approved by the Audit Committee.

Summary of Activity During the Period

The Audit Committee had a very busy first period. Following the completion of the Company's first mortgage purchase from the Coventry Building Society, the committee reviewed the due diligence report received from PwC and visited the Portfolio Manager to review the portfolio risk and cash-flow models. Information from this visit was used to produce a detailed risk matrix ahead of the production of our interim financial statements. During the production of our interim financial statements it became clear that given the multi-level structure of the Group it was important that all service providers understood the business strategy of the Company and the roles and responsibilities of their peers. When the Warehouse SPV portfolio was securitised in the Issuer SPV structure, the Portfolio Manager organised a detailed one day workshop for the key service providers that the Committee attended with PwC. The meeting was extremely productive and established a clear framework for financial reporting.

AUDIT COMMITTEE REPORT Continued

External Auditors (continued)
The following table summarises the remuneration paid to PwC and to other PwC member firms for audit and non-audit services for the Group during the period ended 30 June 2016.

	For the period from 10.06.15 to 30.06.16
PricewaterhouseCoopers CI LLP - Assurance work	**£**
- Annual audit of the Company	30,000
- Annual audit of the Company's subsidiaries	15,000
- Interim review	55,000
Other PwC member firms - Assurance work	
- Annual audit of the Company's subsidiaries	50,557
PricewaterhouseCoopers CI LLP - Non assurance services	
- Reporting Accountant services on IPO of Company *	86,650
Other PwC member firms - Non assurance work	
- Due diligence services **	74,974

*Reporting Accountant services are included in issue costs

**Due diligence services are amortised over 7.5 years

The Audit Committee reviews and authorises any non-audit related services provided by PwC to group companies. PwC currently acts as auditor to all group entities, specifically the Acquiring Entity DAC and the underlying securitisation SPVs.

The Reporting Accountant fee formed part of the 2% launch costs of the Company and as such does not form part of the recurring total expense ratio. This work was undertaken before PwC was appointed as auditor.

The Interim Review contained a substantial element of preparatory work for the year-end financial reporting at a cost of approximately £20,000.

Ratio of non-audit fees to audit fees for the period was 0.5.

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

The Audit Committee Report was approved by the Audit Committee on 26 October 2016 and signed on behalf by:

Paul Le Page
Chairman, Audit Committee

ALTERNATIVE INVESTMENT FUND MANAGER'S REPORT

Maitland Institutional Services Ltd acts as the alternative investment fund manager of the Company providing portfolio management and risk management services to the Company.

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

- It has delegated the portfolio management function for listed investments to the Portfolio Manager.
- It has delegated the portfolio management function for unlisted investments to the Portfolio Manager.

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

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

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

AIFM Remuneration

Under the Alternative Investment Fund Managers Directive, acting as the AIFM, Maitland is required to disclose how those whose actions have a material impact on the Company are remunerated.

Due to the nature of the activities conducted by Maitland, it has deemed itself as a lower risk firm in accordance with SYSC 19B and the remuneration code. The only employees at Maitland permitted to have a material impact on the risk profile of the AIF are the Board and the Head of Risk and Compliance.

The delegated Portfolio Manager is subject to regulatory requirements on remuneration that are broadly equivalent to those detailed in the Alternative Investment Fund Managers Directive, which include the Capital Requirements Directive or Markets in Financial Instruments Directive. While a portion of the remuneration paid by the Portfolio Manager is variable and based, in part, on the performance of the investment portfolio, the investment discretion of the Portfolio Manager is strictly controlled within certain pre-defined parameters as detailed in the prospectus of the Company.

Under the AIFM Directive, the AIFM is required to stipulate how much it pays to its staff, in relation to fixed and variable remuneration and how much, in relation to the Company, is firstly attributed to all staff and those that are deemed, under the directive, to have an impact on the risk profile of the Company. Maitland does not pay any form of variable remuneration.

ALTERNATIVE INVESTMENT FUND MANAGER'S REPORT Continued

June 2016	Number of Beneficiaries	Total remuneration paid	Fixed remuneration
Total remuneration paid by the AIFM during the period	59	£100,603.03	£100,603.03
Remuneration paid to employees of the AIFM who have a material impact on the risk profile of the AIF	5	£20,120.61	£20,120.61

In so far as the AIFM is aware:

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

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

R.W. Leedham
D.W. Munting
Directors
Maitland Institutional Services Ltd
26 October 2016

DEPOSITARY STATEMENT

for the period from 10 June 2015 to 30 June 2016

Report of the Depositary to the Shareholders

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

We have enquired into the conduct of Maitland and the Company for the period 23 June 2015 to 30 June 2016, in our capacity as Depositary to the Company.

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

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

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

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

Basis of Depositary Review

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

Review

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

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

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

For and on behalf of
Northern Trust (Guernsey) Limited
26 October 2016

INDEPENDENT AUDITORS' REPORT

To the Members of UK Mortgages Limited

Report on the financial statements

We have audited the accompanying consolidated financial statements (the "financial statements") of UK Mortgages Limited ("the Group") which comprise the Consolidated Statement of Financial Position as of 30 June 2016 and the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity and the Consolidated Statement of Cash Flows for the period then ended and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the Financial Statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and with the requirements of Guernsey law. The directors are also responsible for such Internal Control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers Internal Control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's Internal Control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group as of 30 June 2016, and of the financial performance and cash flows of the Group for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the requirements of The Companies (Guernsey) Law, 2008.

Report on other legal and regulatory requirements

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information is as listed on the contents page.

In our opinion the information given in the Directors' report is consistent with the financial statements.

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 262 of The Companies (Guernsey) Law, 2008 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

INDEPENDENT AUDITORS' REPORT Continued
To the Members of UK Mortgages Limited Continued

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters which we are required to review under the Listing Rules:

- the directors' statement set out on page 14 in relation to going concern. As noted in the directors' statement, the directors have concluded that it is appropriate to adopt the going concern basis in preparing the financial statements. The going concern basis presumes that the Company has adequate resources to remain in operation, and that the directors intend it to do so, for at least one year from the date the financial statements were signed. As part of our audit we have concluded that the directors' use of the going concern basis is appropriate. However, because not all future events or conditions can be predicted, these statements are not a guarantee as to the Company's ability to continue as a going concern;

- the directors' statement that they have carried out a robust assessment of the principal risks facing the Company and the directors' statement in relation to the longer-term viability of the Company. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statements are consistent with the knowledge acquired by us in the course of performing our audit;

- the part of the Corporate Governance Statement relating to the Company's compliance with the ten further provisions of the UK Corporate Governance Code specified for our review; and

- certain elements of the report to shareholders by the Board on directors' remuneration.

Evelyn Brady
For and on behalf of PricewaterhouseCoopers CI LLP
Chartered Accountants and Recognised Auditor
Guernsey, Channel Islands
26 October 2016

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the period from 10 June 2015 to 30 June 2016

	Note	For the period from 10.06.2015 to 30.06.2016 £
Income		
Interest income on mortgage loans		6,164,354
Interest income on cash and cash equivalents		256,391
Net interest expense on financial liabilities at fair value through profit and loss		(1,134,372)
Unrealised loss on financial liabilities at fair value through profit and loss	8	(4,077,975)
Total income		1,208,398
Portfolio management fees	15	1,781,283
Interest expense on borrowings	13	805,092
Borrowings facility fees	13	554,189
Interest expense on loan notes		390,507
General expenses		353,912
Mortgage loans servicing fees		347,460
Legal & professional fees		289,095
AIFM fees	16	102,047
Administration & secretarial fees	16	93,268
Depositary fees	16	93,023
Audit fees		85,000
Directors' fees	15	82,341
Custody fees	16	69,009
Corporate broker fees	16	48,907
Total expenses		5,095,133
Total comprehensive loss for the period		(3,886,735)
Loss per ordinary share - basic & diluted	4	(0.017)

All items in the above statement derive from continuing operations.

The notes on pages 46 to 66 form an integral part of these Audited Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 30 June 2016

		30.06.2016
Assets	**Note**	**£**
Non-current assets		
Mortgage loans	7	302,251,423
Total non-current assets		302,251,423
Current assets		
Mortgage loans	7	1,334,277
Trade and other receivables	9	4,792,524
Cash and cash equivalents	10	198,957,649
Total current assets		205,084,450
Total assets		507,335,873
Liabilities		
Non-current liabilities		
Loan notes	12	261,784,493
Total non-current liabilities		261,784,493
Current liabilities		
Financial liabilities at fair value through profit and loss	8	4,077,975
Trade and other payables	11	4,110,140
Total current liabilities		8,188,115
Total liabilities		269,972,608
Net assets		237,363,265
Equity		
Share capital account	14	245,000,000
Retained earnings		(7,636,735)
Total equity		237,363,265
Ordinary shares in issue	14	250,000,000
Net Asset Value per ordinary share	5	0.9495

The Audited Consolidated Financial Statements on pages 42 to 66 were approved and authorised for issue by the Board of Directors on 26 October 2016 and signed on its behalf by:

Christopher Waldron
Chairman

Paul Le Page
Director

The notes on pages 46 to 66 form an integral part of these Audited Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the period from 10 June 2015 to 30 June 2016

	Share Capital Account	Retained Earnings	Total Equity
	£	£	£
Balance at 10 June 2015	-	-	-
Issue of shares	250,000,000	-	250,000,000
Share issue costs	(5,000,000)	-	(5,000,000)
Dividend paid	-	(3,750,000)	(3,750,000)
Total comprehensive loss for the period	-	(3,886,735)	(3,886,735)
Balance at 30 June 2016	245,000,000	(7,636,735)	237,363,265

The notes on pages 46 to 66 form an integral part of these Audited Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the period from 10 June 2015 to 30 June 2016

	Note	For the period from 10.06.2015 to 30.06.2016 £
Cash flows from operating activities		
Total comprehensive loss for the period		(3,886,735)
Adjustments for:		
Amortisation adjustment under effective interest rate method	7	669,501
Increase in trade and other receivables		(4,792,524)
Unrealised loss on financial liabilities at fair value through profit and loss		4,077,975
Increase in trade and other payables		4,055,522
Borrowings charges amortised	7	(297,374)
Amortised borrowing charges released	7	26,433
Purchase of mortgage loans	7	(316,395,593)
Further mortgage loan advances	7	(423,754)
Proceeds from issue of loan notes	12	263,300,000
Issue fees amortised	12	(1,515,507)
Mortgage loans repaid	7	12,835,087
Net cash outflow from operating activities		(42,346,969)
Cash flows from financing activities		
Proceeds from issue of ordinary shares		246,153,156
Share issue costs		(1,098,538)
Proceeds from borrowings		94,762,500
Repayment of borrowings		(94,762,500)
Dividend paid		(3,750,000)
Net cash inflow from financing activities		241,304,618
Increase in cash and cash equivalents		198,957,649
Cash and cash equivalents at beginning of period		-
Cash and cash equivalents at end of period		198,957,649

The notes on pages 46 to 66 form an integral part of these Audited Consolidated Financial Statements.

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS
for the period from 10 June 2015 to 30 June 2016

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

The Audited Consolidated Financial Statements comprise the financial statements of UK Mortgages Limited, UK Mortgages Corporate Funding Designated Activity Company, Malt Hill No.1 Plc (UK based company), and the Warehouse SPV, Cornhill Mortgages No.1 Limited (UK based company) and Cornhill Mortgages No.2 Limited (UK based company) as at 30 June 2016, together referred to as the "Group".

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

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

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

2. Accounting Policies
Statement of compliance

The Audited Consolidated Financial Statements have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and with IFRS which comprise standards and interpretations approved by the International Accounting Standards Board, and interpretations issued by the International Financial Reporting Standards Interpretations Committee as approved by the International Accounting Standards Committee which remain in effect and are in compliance with the Companies (Guernsey) Law, 2008.

The Audited Consolidated Financial Statements have been prepared on a going concern basis. The Directors are satisfied that, at the time of approving the Audited Consolidated Financial Statements, it is appropriate to adopt the going concern basis in preparing the Audited Consolidated Financial Statements as they anticipate that the Company will be able to continue to operate and meet its liabilities as they fall due until at least May 2019 when the Malt Hill No.1 Plc securitisation is due to be re-financed. The Directors have also taken into account the Continuation Vote which will be put to shareholders at the AGM to be held in December 2016. The Directors have no present indication that the vote will not be positive and have assumed that the Company will continue to operate beyond the Continuation Vote either in its present form or with a return of uninvested capital.

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

Standards, amendments and interpretations issued but not yet effective

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

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS Continued

for the period from 10 June 2015 to 30 June 2016

2. Accounting Policies (continued)

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

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

The Directors anticipate that the adoption of these standards effective in a future period will not have a material impact on the Audited Consolidated Financial Statements of the Company, other than IFRS 9. The Company is currently evaluating the potential effect of this standard.

IFRS 9 'Financial Instruments' has an effective date of 1 January 2018 and replaces IAS 39. IFRS 9 specifies how an entity should classify and measure financial assets, including some hybrid contracts. IFRS 9 requires all financial assets to be classified on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset; this classification includes financial assets initially measured at fair value plus, in the case of a financial asset not at fair value through profit and loss, particular transaction costs; subsequently measured at amortised costs or fair value. These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of IAS 39. They apply a consistent approach to classifying financial assets and replace the numerous categories of financial assets in IAS 39, each of which had its own classification criteria.

The standard also results in one impairment method, replacing the numerous impairment methods in IAS 39 that arise from the different classification.

Consolidation

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

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

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS Continued

for the period from 10 June 2015 to 30 June 2016

2. Accounting Policies (continued)

Consolidation (continued)

The following table outlines the consolidated entities.

Subsidiaries	Date of Control	Country of Incorporation	Principal Place of Business
UK Mortgages Corporate Funding Designated Activity Company	19/11/2015	Ireland	Ireland
Cornhill Mortgages No.1 Limited	19/11/2015	UK	UK
Cornhill Mortgages No.2 Limited	02/03/2016	UK	UK
Malt Hill No.1 Plc	02/06/2016	UK	UK

Based on control, the results of the Acquiring Entity, the Issuer SPV (Malt Hill No.1 Plc) and the Warehouse SPVs (Cornhill Mortgages No.1 Limited and Cornhill Mortgages No.2 Limited) are consolidated into the Audited Consolidated Financial Statements.

Acquisition-related costs are expensed as incurred.

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

Financial Assets

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

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

Mortgage loans are classified as loans and receivables.

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

Mortgage loans impairment provisions

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

2. Accounting Policies (continued)

Mortgage loans impairment provisions (continued)

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

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

Recognition and de-recognition of financial assets

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

Financial assets are derecognised only when either the contractual rights to cash flows from the financial assets expire or the transfer otherwise qualifies for de-recognition in accordance with IAS 39 “Financial Instruments: Recognition and Measurement”.

Loan notes

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

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

Interest rate swaps

Financial assets or liabilities held at fair value through profit and loss include interest rate swaps, which are utilised by the Group to reduce exposures to fluctuations in interest rates, and to exchange fixed rate income payments on mortgage portfolios for floating rates required to access borrowings and hedge floating rate payments on issued loan notes. These interest rate swaps are recognised at their fair value, with movements in fair value taken to the Consolidated Statement of Comprehensive Income.

The fair values of interest rate swaps are based on external valuations. The valuation of the interest rate swaps' fair value means fluctuations in interest rates will be reflected in the unrealised gains or losses on financial assets or liabilities held at fair value through profit and loss.

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

Offsetting financial instruments

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

Interest income and interest expense

Interest income on financial assets that are classified as mortgage loans, interest expense on borrowings and loan notes are recorded using the effective interest rate method. Interest income also includes income from cash and cash equivalents and interest expense on financial liabilities held at fair value through profit and loss, are recorded on an accruals basis.

2. Accounting Policies (continued)

Cash and cash equivalents

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

Borrowings

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

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

Share capital

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

Foreign currency translation

a) Functional and presentation currency

Items included in the financial statements are measured using Sterling the currency of the primary economic environment in which the entity operates, ('the functional currency'). The financial statements are presented in Sterling, which is the Group's presentation currency.

b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign currency assets and liabilities are translated into the functional currency using the exchange rate prevailing at the Consolidated Statement of Financial Position date.

Foreign exchange gains and losses relating to the financial assets and liabilities carried at fair value through profit and loss are presented in the Consolidated Statement of Comprehensive Income.

Transaction costs

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

Transaction costs on mortgage loans are amortised over the average life of the mortgage portfolio. Issuer costs on the set up of the warehousing and issuer entities will be capitalised and expensed over 7.5 years.

Expenses

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

2. Accounting Policies (continued)

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors. The Directors are of the opinion that the Group is engaged in a single segment of business, being investments in a diversified portfolio of loans secured against UK residential property. The Directors manage the business in this way.

Taxation

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

Trade and other receivables

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

Trade and other payables

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

Dividend distributions

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

3. Critical accounting judgements and estimates and assumptions

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

a) Judgements

In the process of applying the Company’s accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the Audited Consolidated Financial Statements:

Functional currency

As disclosed in note 2 Foreign currency translation (a), the Company’s functional currency is Sterling. Sterling is the currency in which the Company measures its performance and reports its results, as well as the currency in which it receives subscriptions from its investors. Dividends are also paid to its investors in Sterling. The Directors believe that Sterling best represents the functional currency.

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS Continued
for the period from 10 June 2015 to 30 June 2016

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

b) Estimates and assumptions

Fair value

Fair values are used in these financial statements for recognition and disclosure purposes and to assess impairment of the carrying value. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable and willing parties in an arm's length transaction. The existence of published price quotation in an active market is the best evidence of fair value and when they are available they are used. If the market for a financial instrument is not active, fair value is established using a valuation technique. Fair value represents point-in-time estimates that may change in subsequent reporting periods due to market conditions or other factors. The only financial instrument included in the Group's Consolidated Statement of Financial Position that is measured at fair value is the interest rate swap. Refer to note 20 for additional information.

4. Loss per Ordinary Share - basic & diluted

The loss per Ordinary Share of £0.017 - basic and diluted has been calculated based on the weighted average number of Ordinary Shares of 232,558,140 and a net loss of £3,886,735.

5. Net Asset Value per Ordinary Share

The Net Asset Value of each share of £0.9495 is determined by dividing the net assets of the Company £237,363,265 by the number of shares in issue at 30 June 2016 of 250,000,000.

6. Taxation

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

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

UK based companies (Malt Hill No.1 Plc and Cornhill Mortgages No.1 Limited) should, in relation to any business they carried on in the period, be treated as being securitisation companies for the purposes of the United Kingdom's Taxation of Securitisation Companies Regulations 2006 and should only be liable for UK corporation tax on amounts that form part of their "retained profit" for the purposes of those regulations. UK based company Cornhill Mortgages No.2 Limited should not be liable for corporation tax in respect of the period as it carried on no business during it.

7. Mortgage loans

	For the period from 10.06.2015 to 30.06.2016
	£
Mortgage loans at start of the period	-
Mortgage loans purchased	316,395,593
Amortisation adjustment under effective interest rate method	(669,501)
Mortgage loans repaid	(12,835,087)
Borrowings charges amortised	297,374
Amortised borrowing charges released	(26,433)
Mortgage loans advanced	423,754
Mortgage loans at end of the period	303,585,700
Amounts falling due after more than one year	302,251,423
Amounts falling due within one year	1,334,277
	303,585,700

Mortgage loans at 30 June 2016 comprise of one mortgage portfolio that is securitised and legally held in Malt Hill No.1 Plc.

Note 17 sets out the liquidity and credit risk profile of the mortgage loans.

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

Derivative instruments

On 3 November 2015, the Group entered into an Interest Rate Swap (under an ISDA agreement) at the point of the initial 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.

On 2 June 2016, the initial mortgage loan portfolio was securitised and the swap was novated (transferred from the Warehouse SPV to the Issuer SPV), minimising risk of an interest rate exposure at that time.

The maximum notional amount of the swap per agreement is £360m. The notional amount as at 30 June 2016 is £301m.

Collateral of £3m was held with BNP Paribas in relation to the interest rate swap. However on securitisation of the initial mortgage loan portfolio, the interest rate swap was novated and this collateral was due back to the Group. Payment was received for this on 12 August 2016.

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS Continued

for the period from 10 June 2015 to 30 June 2016

9. Trade and other receivables

	As at 30.06.2016 £
Collateral due from BNP Paribas	3,000,000
Interest receivable on mortgage loans	834,356
Capitalised expenses	621,517
Other receivables and prepayments	332,123
Interest receivable on cash and cash equivalents	4,528
	4,792,524

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

10. Cash and cash equivalents

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

	As at 30.06.2016 £
Cash at bank	182,970,882
Short-term deposits	11,247,367
Cash reserves	4,739,400
	198,957,649

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

The cash reserves are a form of reserve fund in the securitisation structure which the Group is required to maintain. The reserve funds are not readily available to the Group and may only be used in accordance with the Issue and Programme Documentation.

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS Continued

for the period from 10 June 2015 to 30 June 2016

11. Trade and other payables

	As at 30.06.2016 £
Issue fees payable	1,975,461
Portfolio management fees payable	1,348,312
Interest due on loan notes	390,507
Audit fees payable	85,000
Legal & professional fees payable	74,508
Mortgage loans servicing fees payable	55,441
Depositary fees payable	51,362
General expenses payable	29,304
Administration & secretarial fees payable	27,389
Custody fees payable	26,484
AIFM fees payable	25,804
Directors' fees payable	20,568
	4,110,140

12. Loan notes

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

The Issuer SPV completed the public sale of £263.3m of AAA-rated bonds on 26 May 2016. The AAA notes were issued with a coupon of 3 month LIBOR plus 1.35% which is payable quarterly and are listed on the Irish Stock Exchange. The issue fees on loan notes will be amortised over the expected life of the loan notes, which is 3 years, being the call date.

	As at 30.06.2016 £
Loan notes due 27 Aug 2053	263,300,000
Issue fees amortised	(1,515,507)
	261,784,493

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS Continued

for the period from 10 June 2015 to 30 June 2016

13. Borrowings

The Group had a loan from Bank of America Merrill Lynch International Limited of £95,000,000. The loan commenced on 19 November 2015 and was repaid early during the period. The facility fees of £554,189 were expensed.

Interest expense on borrowings of £805,092 was incurred during the period. The interest rate on the loan was calculated with step up margins over 3 month LIBOR as per the below table.

Margin over 3m LIBOR

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

14. Share Capital

Authorised Share Capital

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

As at 30 June 2016, one share class has been issued, being the Ordinary Shares of the Company.

The Ordinary Shares carry the following rights:

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

Issued Share Capital

	As at 30.06.2016
Ordinary shares	**£**
Share capital at the beginning of the period	-
Issued share capital	250,000,000
Share issue costs	(5,000,000)
Total share capital at the end of the period	245,000,000

	As at 30.06.2016
Ordinary shares	**shares**
Shares at the beginning of the period	-
Issue of shares	250,000,000
Total shares in issue at the end of the period	250,000,000

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS Continued

for the period from 10 June 2015 to 30 June 2016

15. Related Parties

a) Directors' Remuneration & Expenses

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

The annual Directors' fees comprise £30,000 payable to Mr Waldron, the Chairman, £27,500 to Mr Le Page as Chairman of the Audit Committee, and £25,000 each to Mrs Green and Mr Burrows. During the period ended 30 June 2016, Directors' fees of £82,341 were charged to the Company, of which £20,568 remained payable at the end of the period.

b) Shares held by related parties

As at 30 June 2016, Directors of the Company held the following shares in the Company beneficially:-

Directors' and Other Interests

	Number of Shares 30.06.2016
Chris Waldron	5,000
Richard Burrows	5,000
Paul Le Page	20,000
Helen Green	-

As at 30 June 2016, the Portfolio Manager held nil shares and partners and employees of the Portfolio Manager held 8,040,076 shares, which is 3.22% of the issued share capital.

c) Portfolio Manager

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

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

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

Total portfolio management fees for the period amounted to £1,781,283 of which £1,348,312 remained payable at the period end. The Portfolio Management Agreement dated 23 June 2015 remains in force until determined by the Company or the Portfolio Manager giving the other party not less than twelve months' notice in writing. Under certain circumstances, the Company or the Portfolio Manager are entitled to immediately terminate the agreement in writing.

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS Continued

for the period from 10 June 2015 to 30 June 2016

16. 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 30 June 2016, AIFM fees of £102,047 were charged to the Company, of which £25,804 remained payable at the end of the period.

b) Administrator and Secretary

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

In addition, an annual fee of £45,000 will be charged for corporate governance and company secretarial services and accounting services. Total administration and secretarial fees for the period amounted to £93,268 of which £27,389 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 £93,023 of which £51,362 remained payable at the period end.

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

The Depositary is also entitled to a custody fee at a rate of 0.03% of the NAV of the Company as at the last business day of the month subject to a minimum of £8,500 per annum. These NAV based fees commence from 19 November 2015 being the date Company acquired its initial investment. Total custody fees for the period amounted to £69,009 of which £26,484 remained payable at the period end.

d) Registrar

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

Under the Registrar's Agreement the fees payable to the Registrar are based on an initial set up fee of £1,500, and a fee based on the number of transactions plus properly incurred expenses, subject to a minimum annual fee of £10,000. Under the Receiving Agent's Agreement the fees payable to the receiving agent are based on the number of applications received and are subject to a minimum fee. Total registrar fees for the period amounted to £27,246 (included in general expenses) of which £2,256 remained payable at the period end.

16. Material Agreements (continued)

e) IPO Sponsor's and Placing Agreement

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

The Company agreed to pay Numis:
- a corporate finance fee of £200,000, and
- a Placing commission equal to 2% of the gross proceeds of the Issue less (i) an amount equal to reasonably and properly incurred costs payable by the Company in respect of the Issue, Placing Programme and the Trading Applications and agreed in advance with Numis and (ii) an amount equal to the marketing fee payable to the Portfolio Manager. Total Issue fees amounted to £5,000,000 of which £54,618 is due and payable at the period end. The Sponsor and Placing agreement is governed by the laws of England. The Company also agreed to pay Numis an annual retainer fee of £50,000 of which nil remained payable at the period end. The charge for the period was £48,907.

17. Financial Risk Management

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

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

Market risk

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

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

1.1 Interest rate risk: Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. The current underlying mortgage portfolio is payable on fixed rates, meaning the current exposure to interest rate fluctuations on the portfolio is limited. However, floating rate interest is payable on loan notes. In order to hedge this differential, an interest rate swap was transacted by the Warehouse SPV with a market counterparty to pay the fixed rate and receive the floating rate payments. On 2 June 2016, the interest rate swap was novated to the Issuer SPV on securitisation of the mortgage portfolio.

17. Financial Risk Management (continued)

Market risk (continued)

The below table shows exposure to interest rate risk.

	Floating rate £	Fixed rate £	Non interest bearing £	Total as at 30.06.2016 £
Assets				
Mortgage loans	-	303,585,700	-	303,585,700
Trade and other receivables	838,884	-	3,953,640	4,792,524
Cash and cash equivalents	198,957,649	-	-	198,957,649
Total assets	199,796,533	303,585,700	3,953,640	507,335,873
Liabilities				
Financial liabilities at fair value through profit and loss	(4,077,975)	-	-	(4,077,975)
Trade and other payables	-	-	(4,110,140)	(4,110,140)
Loan notes	(261,784,493)	-	-	(261,784,493)
Total liabilities	(265,862,468)	-	(4,110,140)	(269,972,608)
Total interest sensitivity gap	(66,065,935)	303,585,700	(156,500)	237,363,265

If interest rates were to change by 50 basis points, with all other variables remaining constant, the effect on the net profit and equity would have been as shown on the table below. The movement has been calculated on the notional amount of the swap of £301,086,697 which is not shown in the table above. These percentages have been determined based on potential volatility and are deemed reasonable by the Directors.

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

1.2 Price risk: An active market does not exist in the underlying instruments based on the illiquidity of the mortgage loans, and for this reason the mortgage portfolios are 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 Group’s NAV.

1.3 Currency risk: As at 30 June 2016, the Group had no material exposure to foreign exchange fluctuations or changes in foreign currency interest rates. Consequently there is no material movement in assets and liabilities arising from foreign exchange fluctuations.

17. Financial Risk Management (continued)

Liquidity Risk

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

During the warehousing phase the Group's mortgage loans advanced are illiquid and may be difficult or impossible to realise for cash at short notice. At the period end, there was no mortgage portfolio in warehousing phase as the mortgage portfolio was securitised and therefore this risk was not present. A new warehousing phase for a second portfolio of loans was at an advanced stage of negotiation.

The Group manages its liquidity risk through short term and long term cash flow forecasts to ensure it is able to meet its obligations. In addition, the Group is permitted to borrow up to 10% of NAV for short term liquidity purposes, including financing share repurchases or redemptions, making investments or satisfying working capital requirements. This can be either through a loan facility or other types of collateralised borrowing instruments including stock lending or repurchase transactions.

	Less than one year	More than one year	Total as at 30.06.2016
	£	£	£
Assets			
Mortgage loans	1,334,277	302,251,423	303,585,700
Trade and other receivables	4,792,524	-	4,792,524
Cash and cash equivalents	198,957,649	-	198,957,649
Total assets	205,084,450	302,251,423	507,335,873
Liabilities			
Financial liabilities at fair value through profit and loss	4,077,975	-	4,077,975
Trade and other payables	4,110,140	-	4,110,140
Loan notes	-	261,784,493	261,784,493
Total liabilities	8,188,115	261,784,493	269,972,608

17. Financial Risk Management (continued)

Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Group.

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

The Group also has credit risk to the counterparty with which the Warehouse or Issuer SPV transacts the derivative trades for hedging purposes, or to gain, increase or decrease exposure to mortgages. Default by any hedging counterparty in the performance of its obligations could subject the investments to unwanted credit risks. The Portfolio Manager manages the reduction of credit risk exposure to the derivative counterparty through ongoing credit analysis of the counterparty in addition to implementing clauses into derivative transactions whereby collateral is required to be posted upon a downgrade of the counterparty's credit rating. The current credit rating of the counterparty is A+.

The Group's exposure to the credit risk of cash and deposit holders defaulting is managed through the use of investments into money market funds, to diversify cash holdings away from single custodians. Money market fund vehicles are chosen after extensive due diligence focusing on manager performance, controls and track record. Currently the cash is held with Northern Trust London (credit rating A2 per Moodys). The money market fund is held in a BlackRock-managed institutional money-market fund – "Institutional Cash Series Plc - Institutional Sterling Liquidity Fund" and their current rating is AAAm from Standards and Poor.

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

	Carrying value
	£
0-49%	23,144,367
50-75%	224,149,399
75-100%	49,944,688
Premium on purchase less EIR adjustment	6,347,246
	303,585,700

18. Capital risk management

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

18. Capital risk management (continued)

(i) Share Buybacks

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

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

(ii) Continuation Vote

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

19. Analysis of Financial Assets and Liabilities by Measurement Basis

	Financial Assets at fair value through profit and loss	Financial Assets at amortised cost	Total
	£	£	£
30 June 2016			
Financial Assets as per Audited Consolidated Statement of Financial Position			
Mortgage loans	-	303,585,700	303,585,700
Cash and cash equivalents	-	198,957,649	198,957,649
Trade and other receivables	-	4,792,524	4,792,524
	-	507,335,873	507,335,873

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS Continued

for the period from 10 June 2015 to 30 June 2016

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

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

20. Fair Value Measurement

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

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

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

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

The following tables analyse within the fair value hierarchy the Group's financial assets and liabilities (by class) measured at fair value for the period ended 30 June 2016.

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

20. Fair Value Measurement (continued)

The following table analyses within the fair value hierarchy the Group's assets and liabilities not measured at fair value at 30 June 2016 but for which fair value is disclosed.

	Level 1 30.06.2016 £	Level 2 30.06.2016 £	Level 3 30.06.2016 £	Total 30.06.2016 £
Assets				
Mortgage loans	-	-	303,314,760	303,314,760
Cash and cash equivalents	-	198,957,649	-	198,957,649
Trade and other receivables	-	4,792,524	-	4,792,524
Total	-	203,750,173	303,314,760	507,064,933
Liabilities				
Trade and other payables	-	4,110,140	-	4,110,140
Loan notes	-	261,784,493	-	261,784,493
Total	-	265,894,633	-	265,894,633

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

The other assets and liabilities included in the above table are carried at amortised cost; their carrying values are a reasonable approximation of fair value. Cash and cash equivalents include cash in hand and short-term deposits with original maturities of three months or less.

Trade and other receivables includes collateral due and interest receivable due within 3 months.

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

21. Dividend Policy

The Company declared the following interim dividends in relation to the period ended 30 June 2016:

Period to	Dividend rate per Share (pence)	Net dividend payable (£)	Record date	Ex-dividend date	Pay date
31 March 2016	1.5	3,750,000	22 April 2016	21 April 2016	29 April 2016
30 June 2016	1.5	3,750,000	22 July 2016	21 July 2016	29 July 2016

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS Continued

for the period from 10 June 2015 to 30 June 2016

21. Dividend Policy (continued)

In each subsequent financial year, it is intended that dividends on the Ordinary Shares will be payable quarterly, all in the form of interim dividends (the Company does not intend to pay any final dividends). It is intended that the first three interim dividends of each financial year will be paid at a minimum of 1.5p per Ordinary Share with the fourth interim dividend of each financial year including an additional amount such that a significant majority of the Company's net income for that financial year is distributed to Shareholders.

The Board reserves the right to retain within a revenue reserve a proportion of the Company's net income in any financial year, such reserve then being available at the Board's absolute discretion for subsequent distribution to Shareholders. The Company may offer Shareholders the opportunity to elect to receive dividends in the form of further Ordinary Shares.

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.

22. Ultimate Controlling Party

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

23. Subsequent Events

The second interim dividend of 1.5p per Ordinary Share in respect of period ending 30 June 2016 was declared on 13 July 2016 and paid from the capital on 29 July 2016.

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

On 13 October 2016, the Company declared a dividend of 1.5p in relation to the 6 month period to 30 September 2016.

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

These Audited Consolidated Financial Statements were approved for issuance by the Board on 26 October 2016. There were no other subsequent events until this date.

GLOSSARY OF TERMS

Acquiring Entity	means UK Mortgages Corporate Funding Designated Activity Company, a designated activity company incorporated in Ireland qualifying within the meaning of section 110 of the Taxes Consolidation Act 1997 to acquire mortgage portfolios for on-selling to Warehouse SPVs and issuing PPNs
Administrator	Northern Trust International Fund Administration Services (Guernsey) Limited (a non-cellular company limited by shares incorporated in the Island of Guernsey with registered number 15532)
AIC	Association of Investment Companies
AIC Code	the AIC Code of Corporate Governance for companies incorporated in Guernsey
AIC Guide	the AIC Guide to Corporate Governance
AIFM or Maitland	Maitland Institutional Services Limited, the Company's alternative investment fund manager for the purposes of regulation 4 of the AIFM Regulations
Amortised Cost Accounting	The process by which mortgages in the company's portfolio are valued at cost less capital repayments and any provisions required for impairment.
Audit Committee	an operating committee of the Board of Directors charged with oversight of financial reporting and disclosure
Audited Consolidated Financial Statements	Audited Consolidated Financial Statements of the Group
BoAML	the Bank of America Merrill Lynch
Board of Directors or Board or Directors	the Directors of the Company
Class A Notes	means the Class A Mortgage Backed Floating Rate Notes issued by the Issuer and admitted to trading on the Irish Stock Exchange
Company	UK Mortgages Limited
Company's Articles or Articles	the articles of incorporation of the Company
Continuation Vote	An ordinary resolution that gives shareholders the ability to instruct the board to prepare a proposal to restructure or wind up a company by means of a simple majority vote.
Corporate Broker	Numis Securities Limited
CRS	The Common Reporting Standard, a global standard for the automatic exchange of financial account information developed by OECD
Custodian and Depositary	Northern Trust (Guernsey) Limited (a non-cellular company limited by shares incorporated in the Island of Guernsey with registered number 2651)
Derivative Instruments	means instruments used to gain leveraged exposure to mortgage portfolios, including but not limited to Credit Linked Notes and Credit Default Swaps

GLOSSARY OF TERMS Continued

DAC	UK Mortgages Corporate Funding Designated Activity Company an independently managed, Dublin based, section 110 designated activity company that is responsible for the warehousing and securitisation of mortgage portfolios under the supervision of TFAM the investment adviser. DAC is wholly financed by the Company via Profit Participating Notes and distributes substantially all of its profits to the Company thereby qualifying for a reduced rate of taxation, commonly known as a Eurobond exemption. From a financial reporting perspective DAC is consolidated with the Company as it provides its services exclusively to the Company
FFI	Foreign Financial Institution
FRC	the Financial Reporting Council
GFSC Code	Code of Corporate Governance issued by the Guernsey Financial Services Commission
Government and Public Securities	means per the FCA definition, the investment, specified in article 78 of the Regulated Activities Order (Government and public securities), which is in summary: a loan stock, bond government and public security FCA PRA or other instrument creating or acknowledging indebtedness, issued by or on behalf of: (a) the government of the United Kingdom; or (b) the Scottish Administration; or (c) the Executive Committee of the Northern Ireland Assembly; or (d) the National Assembly of Wales; or (e) the government of any country or territory outside the United Kingdom; or (f) a local authority in the United Kingdom or elsewhere; or (g) a body the members of which comprise: (i) States including the United Kingdom or another EEA State; or (ii) bodies whose members comprise States including the United Kingdom or another EEA State; but excluding: (A) the instruments specified in article 77(2)(a) to (d) of the Regulated Activities Order; (B) any instrument creating or acknowledging indebtedness in respect of: (I) money received by the Director of Savings as deposits or otherwise in connection with the business of the National Savings Bank; or (II) money raised under the National Loans Act 1968 under the auspices of the Director of Savings or treated as so raised under section 11(3) o
Group	means the Company, Acquiring Entity, Issuer SPV and Warehouse SPVs
IFRS	International Financial Reporting Standards
Investment Company	a company whose main business is holding securities for investment purposes

GLOSSARY OF TERMS Continued

Internal Control	a process for assuring achievement of an organisation's objectives in operational effectiveness and efficiency, reliable financial reporting, and compliance with laws, regulations and policies
IPO, Initial Public Offering	means the initial public offering of shares in the Company on the specialist fund segment of the London Stock Exchange
IPD	Interest Payment Date
IRR	internal rate of return
IRS	the US Internal Revenue Service
Issue	means together the Placing and the Offer (or as the context requires both of them
Issuer SPVs	means special purpose vehicles established for the specific purpose of securitisation and issuing Retention Notes for purchase by the Acquiring Entity
Junior Note	These notes have the lowest priority claim on capital and income from the securitisation SPV and offer the highest potential returns in exchange for bearing the first loss experienced by the SPV.
Loan Financing Facility	means a facility in terms of which ongoing finance is provided by Bank of America Merrill Lynch International Limited for a period of up to 2 years
LSE	London Stock Exchange plc (a company registered in England and Wales with registered number 2075721)
LTV	means Loan to Value
Mortgage Pool/ Mortgage Portfolio	The underlying mortgage loans that produce the income for the securitised portfolios.
NAV	means net asset value
OECD	the Organisation for Economic Co-operation and Development
Offer	means the offer for subscription of Ordinary Shares at 1 pence each to the public in the United Kingdom on the terms and conditions set out in Part 12 of the Prospectus and the Application Form
Official List	in reference to DAC and Issuer SPV refers to the official list of the Irish Stock Exchange p.l.c In reference to the Company refers to the official list of the London Stock Exchange
Ordinary Shares	ordinary shares of 100p each in the capital of the Company

GLOSSARY OF TERMS Continued

Placing	means the conditional placing by the Corporate Broker, as agent for the Company, of up to 250 million ordinary shares at 1 pence each on the terms and conditions set out or referred to in the placing documents, being the Prospectus, the Presentation, the P Proof, the flyer, the press announcements, the contract note, any other document prepared in connection with the pre-marketing of the issue or the placing programme
Portfolio Manager	TwentyFour Asset Management LLP (a limited liability partnership incorporated in England and Wales with registered number OC335015)
Profit Participating Notes/PPN	these are Eurobond notes issued by DAC to the Company. The capital paid by the Company to DAC to buy the notes is invested in mortgage pools and DAC in turn pays income to the Company via coupon payments on the notes
Rating Agency	companies that assess the creditworthiness of both debt securities and their issuers, for these purposes Standard and Poor's, Moody's and Fitch
Retention Notes	means a Subordinated tranche of securities which as part of the securitisation issuance structure are issued for purchase by the Acquiring Entity
RMBS	Residential Mortgage-Backed Security
Section 110	Section 110 of the Irish Taxes Consolidation Act 1997 (as amended). A Section 110 company is an Irish resident special purpose vehicle ("SPV") which holds and/or manages "qualifying assets" and usually distributes substantially all of its income net of a fixed annual tax payment.
Securitisation Vehicle	special purpose vehicle incorporated in the UK established for the purpose of issuing notes collateralised by underlying mortgage pool
Senior Note	Senior note holders receive first priority with respect to income and capital distributions and effectively provide long term leverage finance to the Junior note holders.
Servicer	Means the entity that maintains the relationship with the underlying mortgage borrower to answer questions, collect payments and refinance existing loans if required.
Share Buyback	the Company purchases shares in the market
Shareholders	holders of Shares
Specialist Fund Segment	the Specialist Fund Segment of the London Stock Exchange
SPV	means a special purpose vehicle
TML	The Mortgage Lender
UK Code	The UK Corporate Governance Code (September 2014)

GLOSSARY OF TERMS Continued

Valuation Agent	Kinson Advisors LLP
Warehousing	the process by which mortgages are acquired in a portfolio prior to securitisation. The portfolio is typically leveraged by borrowing from a warehouse credit facility. Two warehouse SPVs; Cornhill Mortgages No. 1 Limited and Cornhill Mortgages No. 2 Limited, have been established for the purpose of warehousing the first and second transactions of the company respectively
Warehouse SPV	a special purpose vehicle, incorporated in the UK, established for the purpose of warehousing the first mortgage portfolio

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