UK Mortgages Limited

Interim Management Report and Unaudited Condensed Interim Financial Statements

For period from 1 July 2017 to 31 December 2017

UK Mortgages Limited

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SUMMARY INFORMATION

The Company

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

UKML and the 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.

UKML 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"). UKML, the Acquiring Entity, the Issuer SPV and the Warehouse SPVs (collectively, the "Company") are treated on a consolidated basis for the purpose of the Interim Condensed Financial Statements.

Investment Objective

The Company's investment objective is to provide Shareholders with access to stable income returns through the application of relatively conservative levels of leverage to portfolios of UK mortgages. In accordance with the Listing Rules, the Company can only make a material change to its investment policy with the approval of its Shareholders by Ordinary Resolution.

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

Shareholders' Information

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

Financial Highlights

	For the period from 01.07.2017 to 31.12.2017	For the year ended 30.06.2017	For the period from 01.07.2016 to 31.12.2016
Total Net Assets at period/year end	£218,489,263	£223,388,138	£229,246,078
Net Asset Value per ordinary share at period/year end	87.39p	89.36p	91.70p
Share price at period/year end	90.10p	96.40p	95.25p
Premium to Net Asset Value at period/year end	3.09%	7.88%	3.87%
Dividends declared and paid in the period/year	3.00p	4.50p	3.00p
Total dividends declared in relation to the period/year	3.00p	6.00p	3.00p
Ongoing Charges			
- UKML	0.92%	1.07%	1.06%
- DAC and subsidiaries	1.24%	1.11%	0.59%
Total ongoing charges for the Company	2.16%	2.18%	1.65%

CHAIRMAN'S STATEMENT

for the period from 1 July 2017 to 31 December 2017

I am pleased to present the results of the Company for the period from 1 July 2017 to 31 December 2017, which has seen encouraging progress from the three components of UKML's portfolio, all of which are performing in line with, or beyond expectations. The success of the Company over the long-term will be correlated with its underlying loan performance, therefore this solid foundation is encouraging.

Malt Hill No. 1, the oldest of the Company's mortgage portfolios was bought from the Coventry Building Society in 2015 and continues to demonstrate exemplary performance. The portfolio currently consists of 1,301 loans and 1,256 accounts and, remarkably, at the end of December none were greater than one month in arrears. Following the end of the initial 2 year fixed rate period, 904 loans either refinanced with Coventry to a new rate or reverted to the SVR, whilst 345 loans prepaid but returns from the residual portfolio remain in-line with the Portfolio Manager's expectations and we would anticipate a further boost to returns when this portfolio is refinanced next year.

UKML's second investment was Cornhill Mortgages No. 2, which finances the origination of loans for The Mortgage Lender ("TML"). After an understandably slow start for this new mortgage lender, TML's loan book has grown steadily to £115 million at the end of December, with a further £35 million in its pipeline for completion. TML operates in a very competitive market and the Portfolio Manager has spent a great deal of time with TML refining the product mix and its pricing. Nevertheless, it is pleasing to report that to date the performance of these assets has also been strong, with only one loan in arrears at the period end. As TML's portfolio grows beyond £150m, the next step is to prepare for its securitisation and the Portfolio Manager is currently exploring the options for a transaction later this year.

Oat Hill No.1 is the Company's most recent investment and is a mature portfolio of 4,697 loans, mostly originated in the 2004 to 2008 period. This was successfully securitised in May 2017, just before the start of the period under review and its performance continues to meet our expectations; specifically the realised losses of £331,121 in the period are within the Portfolio Manager's model numbers. The headline percentage of loans in arrears at 0.42% may appear relatively high. However, this percentage relates to the gross amount of any mortgage that has had any arrears marked against it over time. For example, a £200,000 mortgage might have seen one missed payment of a few hundred pounds, which would most likely be added back at the end of the mortgage term. Yet the methodology means that this results in the full £200,000 being classified as "in arrears". A closer inspection of the figures reveals that the actual arrears balances are very small at an average of £882. The maturity of the portfolio gives our investors a higher level of asset coverage which further reduces the likelihood of future credit losses.

Outlook

The strong performance of the Company's investments, with arrears well below the levels initially modelled by the Portfolio Manager, provides a solid foundation for future returns. These returns are also dependent upon further securitisations, although a feature of securitisations is that the more attractive the financing terms, the greater the amounts of cash that is released back to UKML in the process. This was the case with the Oat Hill transaction last May, which generated approximately £40m of capital release. The priority for the Portfolio Manager remains to reinvest this cash and there has been a considerable amount of work on potential purchases in the period, some of which were ultimately declined as being unsuitable or overvalued and others where bids were unsuccessful. In those examples, our view is that the bidders' assessment of the target portfolios was too aggressive, or that there was a willingness to assume higher levels of gearing than UKML is comfortable with. It is important to emphasise that the board and Portfolio Manager are unwilling to compromise on credit quality simply to invest in a hurry. The exceptional credit performance of the portfolio to date is something we wish to see continue.

To that end it is encouraging to note that there are potential projects in discussion that will meet UKML's investment criteria and further details will be made available when negotiations have passed any commercially sensitive hurdles.

CHAIRMAN'S STATEMENT Continued
for the period from 1 July 2017 to 31 December 2017

Outlook (continued)
The start of calendar year 2018 marked the introduction of a new version of IFRS 9, an accounting standard that is intended to give investors greater clarity over potential future losses from credit risk. The standard is mandatory for new financial reporting years that start in 2018 so we will publish our Net Asset Value ("NAV") and financial statements in accordance with this standard with effect from 1 July 2018, when our new financial year begins. As many of our peers in the London Stock Exchange ("LSE") listed Investment Company sector have financial years that start on 1 January 2018, they have commenced reporting under the standard already. To enable our investors to get greater clarity on the impact of this standard, we have published in our January fact sheet an unaudited estimate of the credit impairment provision that the standard will require us to deduct from our NAV. The estimated impact of adopting IFRS 9 is expected to be less than 0.5% of the Company's NAV.

Dividend
The regular dividend remains uncovered, although as the more detailed analysis later in this report shows, this will increasingly be covered by current year income, especially as the TML portfolio moves towards securitisation. Cash flow has also improved following the reduction in investment management fees in this financial year. However, it is worth repeating that an uncovered dividend is not something the Board takes lightly and it continues to be paid solely on the basis of the regular modelling of cash flows by the Portfolio Manager, which are periodically updated and published on our website. These indicate that the profile of 'back-loaded' cash flows remains intact and with it the expectation of long term returns with a very low correlation to traditional financial assets.

Thank you for your continuing support.

Christopher Waldron
Chairman
20 March 2018

PORTFOLIO MANAGER'S REPORT

for the period from 1 July 2017 to 31 December 2017

Market Commentary

Central bank policy changes, political uncertainty and technical drivers were the major influences on macro market behaviour through the second half of 2017.

The unwinding of QE, and the pace of interest rate normalisation were at the heart of central bank activity globally. Overall, the US saw three interest rate rises in 2017, broadly in line with expectations, and US Treasury yields began to rise steadily from the end of the summer and beyond into 2018, as the Fed announced the beginning of its balance sheet reduction programme. Meanwhile, President Trump finally saw the Senate pass his tax reform package, despite a turbulent summer punctuated by ongoing friction between him and both US political parties, sparring with the press and in-fighting within his own cabinet and staff, along with concerns that the escalating war of words and inflammatory actions between the US and North Korea would develop into a far worse reality. The passing of the tax reforms did give the current credit cycle an additional boost, but added volatility to Treasury yields as markets interpreted the reforms as having the potential to cause rising inflation.

In Europe, yields were more volatile, as despite Draghi's talk of "reflationary dynamics slowly taking hold" and a €30bn per month tapering of asset purchases, a dovish extension to the programme until at least September 2018 and confirmation that Euro interest rates will not rise at least until QE has ended, kept markets guessing. The weakened position of Angela Merkel's party in the German elections and uncertainty on the formation of a future government, along with fears of unrest in Spain following the "illegal" Catalonian independence referendum also contributed to yield volatility throughout the period.

In the UK, sentiment also turned quite sharply after the summer, as strong economic data and continuing high inflation numbers saw the Bank of England ("BoE") hint at, and then execute, a reversal of the emergency 25bp rate cut that had followed the Brexit vote more than a year previously. The view that further rate increases would follow in mid-2018 became more ingrained early in the new year. In addition, it was confirmed that the end of the Term Funding Scheme ("TFS") would take place on schedule in early 2018. In the aftermath of the near-disastrous general election earlier in the year, the government was forced to move forward with its Brexit negotiations with a far weaker hand, and despite finally having been deemed to have progressed sufficiently to start discussions on transition and future trade agreements, multiple issues are still outstanding. The waters were further muddied when the government lost a key vote on the Brexit bill as part of a Tory "Bremainer" revolt, forcing a parliamentary vote on the final deal with Brussels, whilst pressure from Brexiteer hardliners on the other side of the party continues to frustrate any attempts to parley a softer outcome.

Much of this political and Brexit-driven uncertainty has fed through to the broader UK mortgage and housing markets, where a somewhat nervous – albeit consistent – picture has emerged throughout the second half of the year at a national level. Something of a stalling point now appears to have been reached, although at a regional level the picture continues to be more mixed. The various house price indicators have oscillated over H2 2017 but in general have shown a very small increase overall, with prices in London and the South East continuing to suffer, but being balanced by stronger price action in other regions. Meanwhile, re-mortgage borrowers and first-time buyers in particular, who are also likely to be buoyed further by the stamp-duty incentives announced in the November budget, continue to sustain volumes of mortgage origination, which remain subdued overall. Additionally, Buy-to-Let ("BTL") lending remains in negative territory year-on-year due to last year's stamp duty changes and with further tax and regulatory changes coming down the line.
However, UK Finance, now incorporating the former Council of Mortgage Lenders ("CML"), reported first time buyer numbers have increased 130% since the post-crisis low of mid-2009.

PORTFOLIO MANAGER'S REPORT Continued

for the period from 1 July 2017 to 31 December 2017

Market Commentary (continued)

Competition amongst lenders has been intense, with margins being squeezed across the high street lenders over the last two years. It was notable however that as the expectation of a November interest rate rise increased after the summer several highly competitive shorter-term fixed rate products were pulled from the shelves after very short periods, possibly because they proved highly popular and sold out, or perhaps in response to swap markets repricing ahead of the change in rates.

Despite the competition between lenders, overall volumes continue to be subdued, and whilst the Chancellor's Autumn Statement allocated resources to housing and affordability, its focus on first time buyers and Help-to-Buy means it's likely this will mostly be felt at the lower end of the spectrum. Mercifully for BTL borrowers, there were no further changes to this sector following the multiple blows it has suffered at the hands of the authorities in the past couple of years. However, given the ongoing Brexit uncertainty, a dearth of new enquiries is equally matched by a shortage of new instructions coming on to the market and the stalemate looks set to continue for the time being.

On a positive note, re-mortgaging continues to be among the strongest portions of the market, with the number of new loans for re-mortgaging higher than in any period since 2009. This is partially because uncertainty has driven home owners to extend or improve their properties rather than risk losing money by selling, but also because many borrowers took the opportunity to lock in their mortgage rate ahead of the rate hike. The hike was almost seamlessly passed on to borrowers by the high street banks and building societies, but at least initially, saw little or no reaction from the specialist lenders with a few cases where rates were actually marginally reduced, no doubt driven by different funding structures and larger margins.

Despite the broad stagnation, the UK housing market does remain relatively insulated compared to other parts of the economy and more macro events affecting stock markets, as most activity is driven domestically, with some prime London areas probably being something of an exception.

Along with the technical factors driving all credit fixed income markets, encouragingly on the funding side of the equation, the picture is much rosier. ABS supply in Europe saw a record post-crisis year in 2017 as the market continues to rebuild. In addition, long awaited new regulation, much of it designed specifically to help to further revive the use of securitisation as a funding tool for banks and financial assets, was finally signed into EU law and will come into effect from 2019, with much of the new framework centred around promoting the type of high quality product that is at the heart of the Company's investments.

These changes are also designed to help expand the investor base, and accordingly increase demand. This, perhaps also buoyed by an attraction to the floating rate nature of bonds as rates are now expected to rise, has meant the cost of funding for RMBS issuance has continued to come down, in spite of expectations of increased issuance as the high street banks are expected to return to the sector more regularly now that the BoE's TFS and Funding for Lending Scheme ("FLS") have come to an end. Deals have continued to see significant oversubscription levels and to price at the tighter end of pricing guidance and expectations, overflowing strongly into the new year which saw record levels of UK RMBS issuance, and bodes well for the future of 2018.

Portfolio Review

Whilst no new transactions were completed during the period, a number of opportunities of different types were assessed in order to redeploy the capital released from the Oat Hill No.1 securitisation. Some of these potential investments were progressed further than others, depending on their suitability, quality, size and prospective economic value to the Company. We were disappointed not to win one particularly suitable opportunity, which was very sensitive to assumptive inputs and where the ultimate bid winner's assumptions may have been overly optimistic. Other opportunities are still in the process of being analysed, and whilst these are mostly more medium-term projects, they appear at this early stage to be good fits for our investment strategy, although will of course be subject to agreement on pricing that is acceptable to all parties.

PORTFOLIO MANAGER'S REPORT Continued

for the period from 1 July 2017 to 31 December 2017

Portfolio Review (continued)

The reduction in investment management fees announced in June 2017 was implemented from the beginning of the Company's new financial year and this, along with the improved income from the CHL portfolio following the Oat Hill No.1 securitisation has seen improved cashflow, although the Portfolio Manager ("PM") is still working hard to reinvest the released capital from this as soon as possible in order to progress towards a fully covered dividend and grow the NAV.

Aside from analysing potential investments, alongside the monitoring and administration of the Company's existing investments and the maintenance of the funding vehicles, the portfolio management team undertook a considerable amount of work in order to maximise the efficiency of the existing transactions, specifically relating to those loans in the Malt Hill No.1 (Coventry Building Society) securitisation that were coming to the end of their initial fixed rate period, and separately finessing the drawing process under the Cornhill Mortgages No.2 (The Mortgage Lender) warehouse facility in order to achieve a number of cost savings.

With the majority (80% of the original pool) of loans in the Malt Hill No.1 portfolio reaching the end of their initial two-year fixed rate period, the PM identified a possibility that for purely technical reasons, some loans, upon re-fixing may no longer be eligible to remain in the pool, which would potentially lead to an acceleration of the amortisation of the senior notes. This could have caused something of a reinvestment predicament for RMBS noteholders with spreads now at tighter levels, and consequently also could have locked in a reduction of the Company's investment leverage, thereby potentially reducing its returns.

We developed a proposed solution during the summer, and following legal engagement to analyse and document the potential changes efficiently and with the support of other transaction parties such as the issue's trustee, senior noteholders were then consulted to seek support for the amendments and ultimately a bondholders' vote of approval. The proposed amendments were duly approved in October 2017, meaning that those loans which, having switched to a new fixed-rate product and no longer meeting certain pre-established conditions within the original structure, now continue to comply and therefore remain within the notes' collateral pool. Notably, there were no votes against the proposed amendments, demonstrating the support of the RMBS investor base for a highly performing, well-received transaction.

Subsequent prepayments of the Class A notes have proven to be broadly in line with or even slightly below our initial expectations, representing the small proportion of borrowers who, following the end of their initial fixed-rate period, have chosen to migrate to another lender rather than refinancing their loan with Coventry.

Separately, as the TML portfolio grew in size beyond the initial capital commitment, the drawing process under the facility provided by Natwest Markets ("NWM") began, and it was identified that some elements of the process and the facility terms could be streamlined so as to ensure they are carried out in the most timely and more importantly, cost-efficient manner. A number of players are involved for each drawing and for the renewal of NWM commitments, and the amendments, all of which were small but were numerous, have delivered excellent results so far alongside significant cost savings.

Malt Hill No.1 Portfolio (Coventry Building Society)

The loan portfolio continues to exhibit strong performance, generally in line with our expectations at the time of purchase in terms of principal prepayment activity and even better than our best expectations in terms of credit performance. In the lifetime of the portfolio, just two loans have fallen into arrears and both of these were quickly cured, meaning the portfolio is performing at 100%, with none of the 1,301 loans in the portfolio overdue as at the end of December 2017.

PORTFOLIO MANAGER'S REPORT Continued

for the period from 1 July 2017 to 31 December 2017

Malt Hill No.1 Portfolio (Coventry Building Society) (continued)

At origination, the Malt Hill No.1 portfolio comprised loans with either an initial two-year fixed rate period (approx. 80%) or an initial five-year period. At the end of the fixed rate periods the loans revert to a floating rate (typically the SVR). Borrowers then have the option to either remain on the SVR, prepay without penalty (likely switching to a loan with another lender) or switch to a new fixed rate period with Coventry Building Society (a "product switch").

Given that the loan portfolio was predominantly originated between May and July of 2015, those loans with an initial two-year fixed rate period reached the end of that term during 2017. As is typical origination practice at Coventry and other similar lenders, the "two-year" period is usually offered for a short period of time (e.g. three months) to a specific date (e.g. a month end). In this case the initial two-year loans all reached their reset date in either May 2017 or August 2017.

Prior to May 2017, a combination of scheduled repayments from the loans and unscheduled prepayments on other loans (e.g. as borrowers sold a property) meant the initial £302m pool had amortised by £17m. In the subsequent months, approximately £222m of loans reached their reset date. Of these around £55m prepaid or switched to a product that was no longer eligible for the portfolio, £139m reset to a new Coventry product (in most cases a new fixed rate for 2 or 5 years) and the remaining £28m have reverted to the SVR.

The cut in UK interest rates and the introduction of the TFS in August 2016 following the Brexit vote, along with increased competition in the UK mortgage market means that mortgage lending margins have compressed considerably. As a result, and unsurprisingly, the rates that were being offered on new fixed rate loans during 2017 were much lower than those offered two years previously. Prior to their reset date, the initial two-year loans had a weighted average rate of 3.27%; by the end of the period, those that had reset to a new product had a weighted average rate of 2.21%.This was somewhat offset by those that had moved to the SVR with a rate of 4.74%, and by product switch fees (typically either £999 or £1,999) which, for example, boost a two-year rate by between 25bps and 50bps respectively on an average size loan.

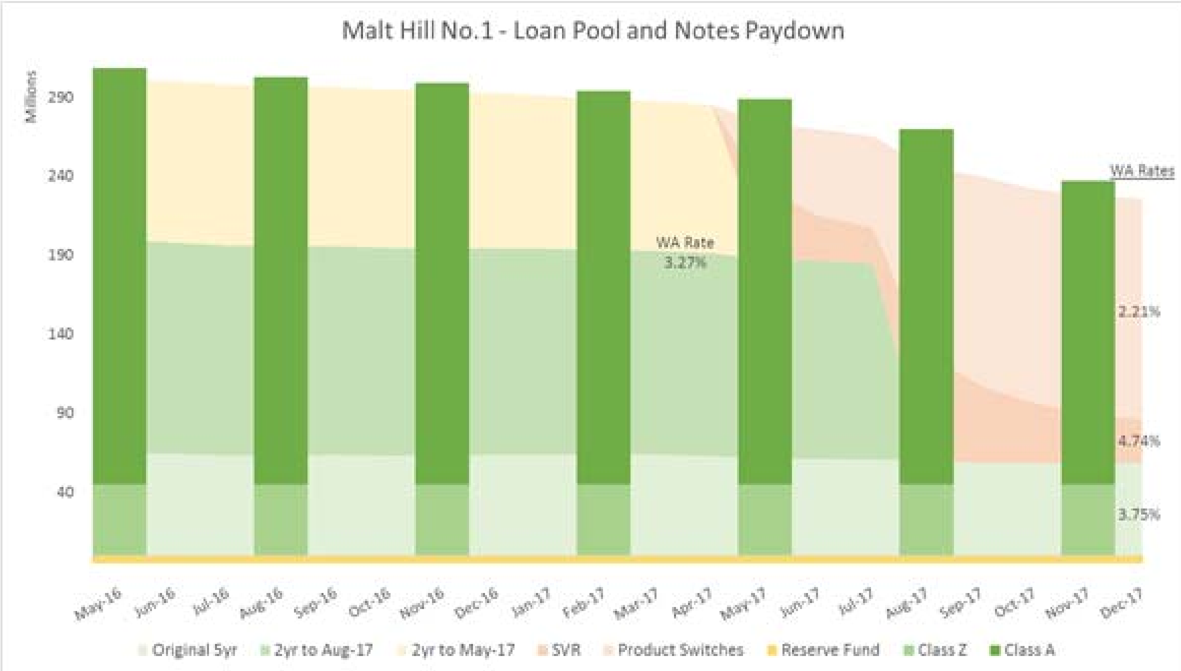
Whilst a further small amount of those loans remaining on the SVR may prepay (for example, borrowers who are currently selling their properties will pay off their loan once the sale completes) and others, where borrowers are still weighing up their options may ultimately switch to a new term product with Coventry, it's likely the vast majority of prepayments have now occurred. As a high quality lender with a significant focus on customer service and retention, we expected Coventry to retain approximately 65%-70% of loans following the initial round of re-fixes. Encouragingly, the actual retention figure is currently slightly above 75%, which means that whilst the weighted average rate has fallen, the greater retention level helps to retain higher leverage and therefore returns for the Company.

PORTFOLIO MANAGER'S REPORT Continued

for the period from 1 July 2017 to 31 December 2017

Malt Hill No.1 Portfolio (Coventry Building Society) (continued)

The breakdown of loans can be seen in the graph below along with the paydown profile of the Malt Hill No.1 AAA notes.



Key Performance Indicators

The Malt Hill No.1 portfolio is an exceptionally high quality pool of loans. The pool is well diversified with low (and therefore lower-risk) Loan to Value ("LTV") ratios, loan balances and, importantly for BTL properties, generally high Debt Service Coverage Ratios ("DSCR" – being the level of rental income versus the contractual monthly payment on the loan).

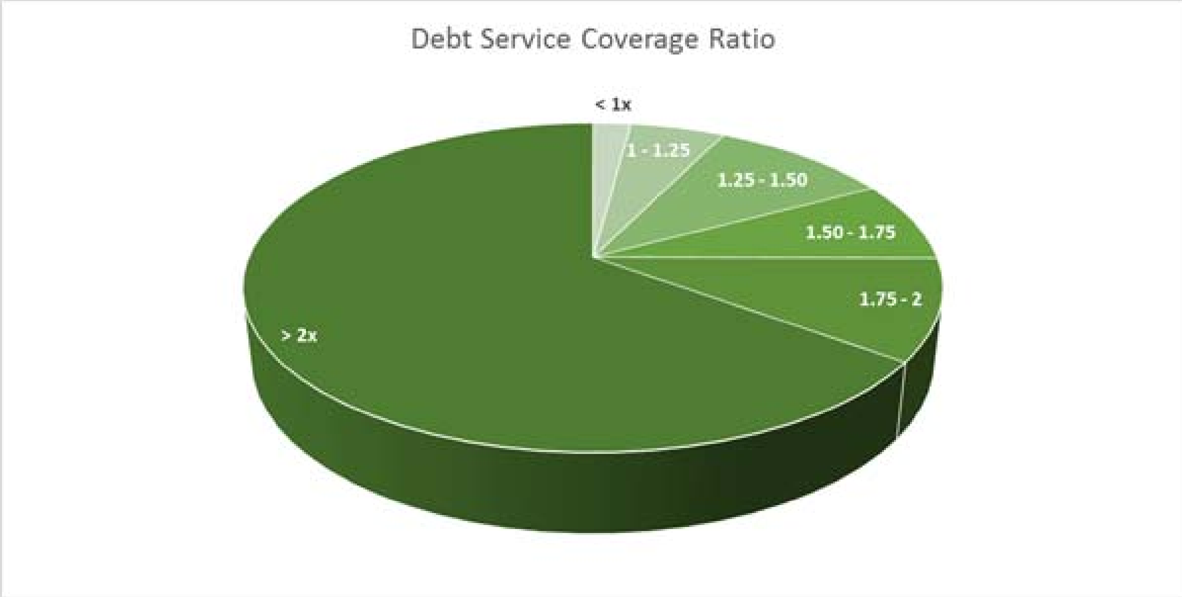
As the end of the period, 1,301 loans with a value of approximately £226m (down from 1,561 loans worth £270m in June 2017) remain outstanding. The Weighted Average Indexed LTV fell slightly from 63.8% to 63.5%, and there are no loans >80% LTV.

The vast majority of the pool has a very healthy DSCR with 65% of the loans having more than 2x coverage, up from 52% in June 2017 and a benefit of the lower rate re-fixes discussed above. Most loans in the UK BTL mortgage market are interest-only loans, as given the intention to rent the property on an ongoing basis, the loan can ultimately be repaid either by refinancing the loan or from a property sale. In this portfolio, approximately 13% of the loans are repayment mortgages, further enhancing the quality of the pool. Of those loans at the lower end of the coverage spectrum (<1.25x), 122 out of 126 loans, including all 35 of the loans with <1x coverage are repayment mortgages, reflecting that the interest portion of the contractual monthly payment is lower than the actual payment amount, and therefore for those loans the interest coverage ratio is actually higher.

PORTFOLIO MANAGER'S REPORT Continued

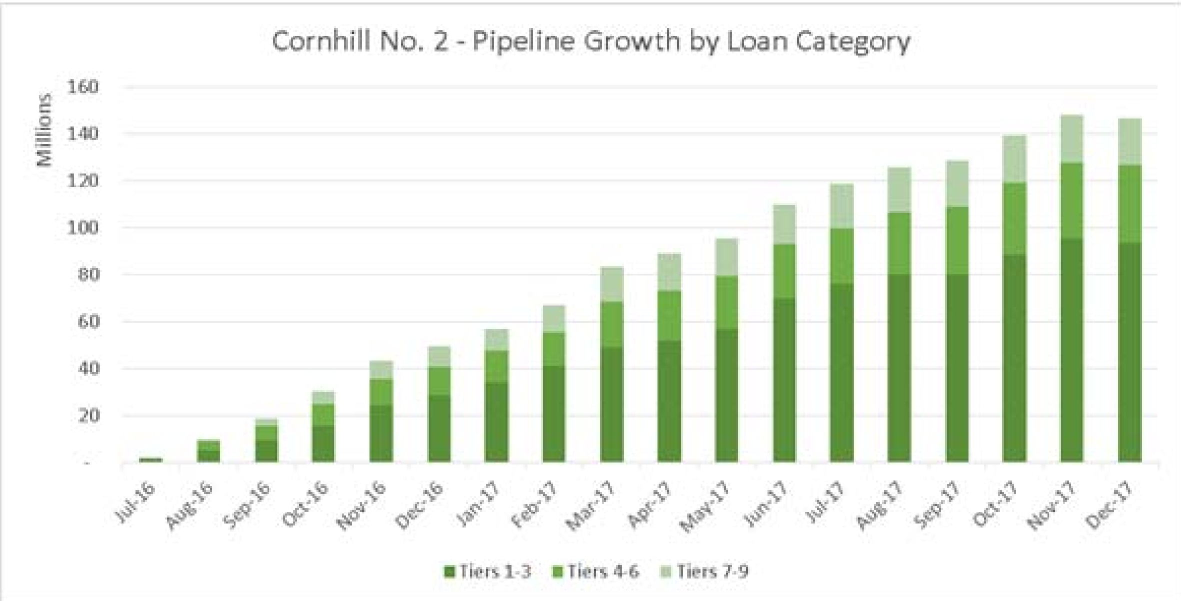
for the period from 1 July 2017 to 31 December 2017

Key Performance Indicators (continued)



Cornhill No.2 Portfolio (The Mortgage Lender - TML)

Completions and pipeline reached around £150m at the end of December 2017, with completed origination at approximately £115m. The portfolio continues to show underlying asset performance that beats the most optimistic expectations, with only one loan currently in arrears; the first and only occurrence since lending began.



Other than a slight seasonal dip in the pipeline in December, the pace of completions and origination has been relatively stable and is expected to pick up with the traditional first quarter momentum in the housing and mortgage markets, albeit increased competition and subdued volumes across the lending market has imposed pressure on loan rates. However, with the expectation of further interest rate rises in the UK through 2018 and beyond some of the rate and margin pressure is expected to be released as rates move up.

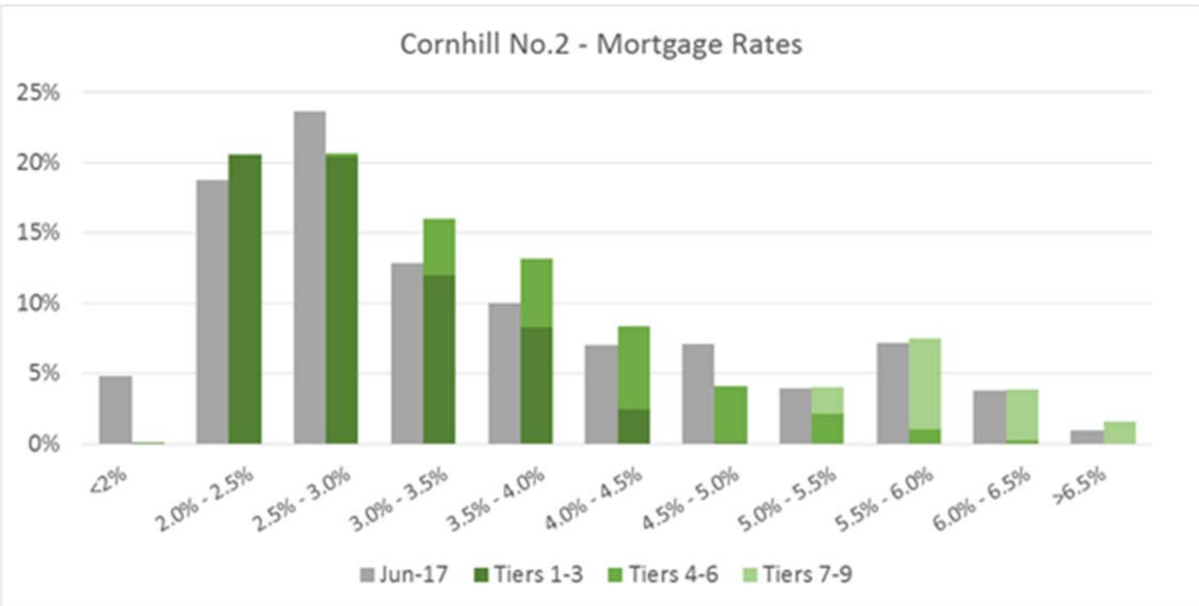
PORTFOLIO MANAGER'S REPORT Continued
for the period from 1 July 2017 to 31 December 2017

Cornhill No.2 Portfolio (The Mortgage Lender - TML) (continued)
Given the volume now originated, the PM is beginning the early stages of preparing the securitisation structure, to ensure readiness for deployment when the pool is expected to reach a suitable size later in the year.

As might be expected with a relatively new and growing business, the product range, pricing, funding strategies etc., are reviewed on an ongoing basis. In particular as UK interest rates begin to move upwards after a long period of stability at record low levels, regular pricing and product offering reviews are key to developing the portfolio. Since launching the business, TML has originated loans graded by quality into tiers numbering from 1 (highest) to 9 (lowest). These tiers are then further grouped into 3 categories, 1-3, 4-6 and 7-9, where borrowers in each category share similar characteristics, but are differentiated by credit score and thereby pricing. The quality of the portfolio continues to be higher than initially expected, with a greater proportion of lending and applications seen in the highest quality credit category, albeit with the consequence that these loans pay a lower interest rate. Feedback from the distribution networks and intermediaries who generate borrower introductions for TML, along with competitor analysis has shown that the complexity of the 9-tier model is constraining origination volumes. Therefore, early in 2018 TML will be simplifying their product range, initially focusing essentially on the 3 broader current categories, with a blended interest rate in each category. This should help to boost returns going forward (as historically more loans have fallen towards the higher end of each category), whilst still retaining a similarly strong focus on credit.

Key Performance Indicators
Due to the risk-priced nature of loans there is a wide spread of mortgage rates across the portfolio. However, as noted above, the portfolio has a high concentration of loans in the higher credit quality categories and therefore the majority of loans are concentrated in the 2% - 4% range, with a weighted average interest rate for the whole pool at 3.60%, up from 3.51% in June 2017.

As can be seen in the chart below, the base rate increase in November has moved almost all of the loans that were previously paying less than 2% out of that band. Given that most of the floating rate loans in the portfolio are from the higher credit quality categories, a consequent move up the rate curve in the 3 or 4 subsequently higher bands can also be noted. As might be expected of the loans from the higher risk category they generate a higher interest rate and are concentrated in the bands with an interest rate of 5% or more.



PORTFOLIO MANAGER'S REPORT Continued
for the period from 1 July 2017 to 31 December 2017

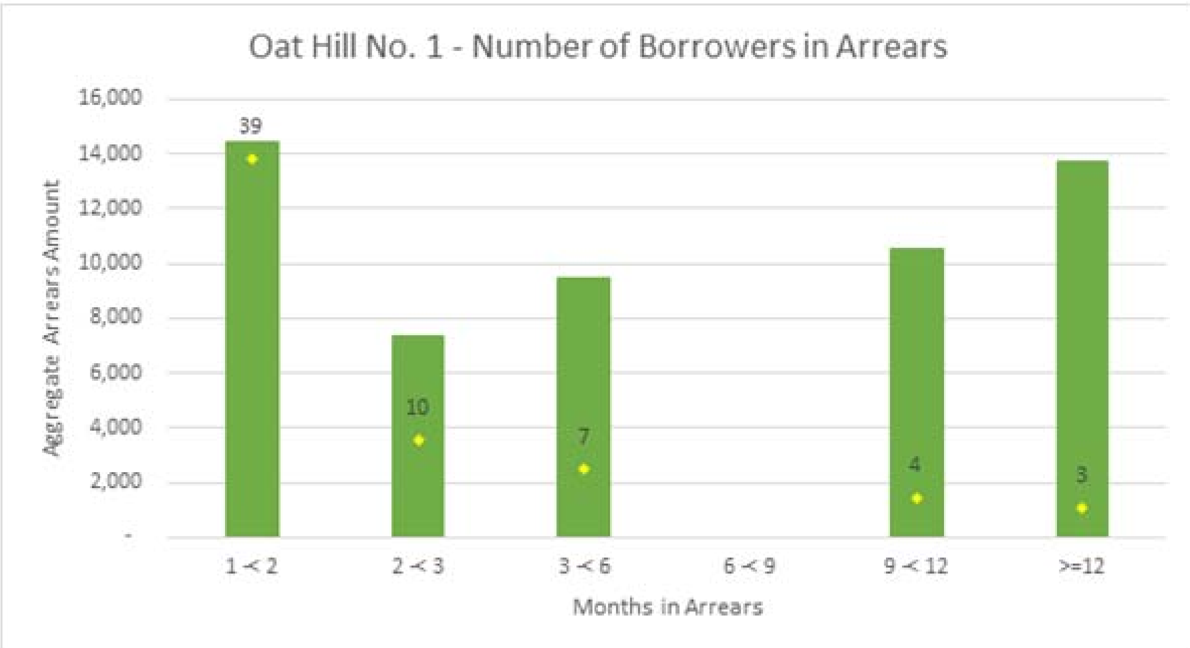
Key Performance Indicators (continued)
Around 61% of the loans have an initial two-year fixed rate period, 18% have a five-year initial fixed rate period and the balance (around 21%) are floating rate loans, tracking 3 month Libor. The two-year loans have a current average interest rate of 3.41%, with the five-year loans at 4.25% and the floating rate loans at 3.59%.

Oat Hill No.1 Portfolio (Capital Home Loans - CHL)
This investment remains very much in line with expectations, and therefore set to deliver the strongest returns of all the Company's current investments.

It comprises a pool of vintage loans (mostly originated between 2004 and 2008). Therefore any initial short term fixed-rate periods have long since expired and all the loans now pay a floating rate of interest, with almost all of them linked to the Bank of England base rate, and thereby also set to benefit from any further interest rate rises in the UK, as are now widely expected.

However, this characteristic also means that most loans are paying a relatively low rate of interest, with the current weighted average interest rate at 1.79%, although this has risen from 1.54% when the pool was purchased due to the recent increase in the UK base rate. As a result of the low rate, the pool was purchased at discount, and much of the return from this portfolio will be derived from that. The realisation of this discount will be in steps, as firstly the current securitisation and then subsequent ones are refinanced, typically every three years, with the leverage essentially locked-in during the interim periods and then re-levered, and therefore revalued, at each refinancing. The age of the pool means the weighted average life of the loans is currently only 12 years.

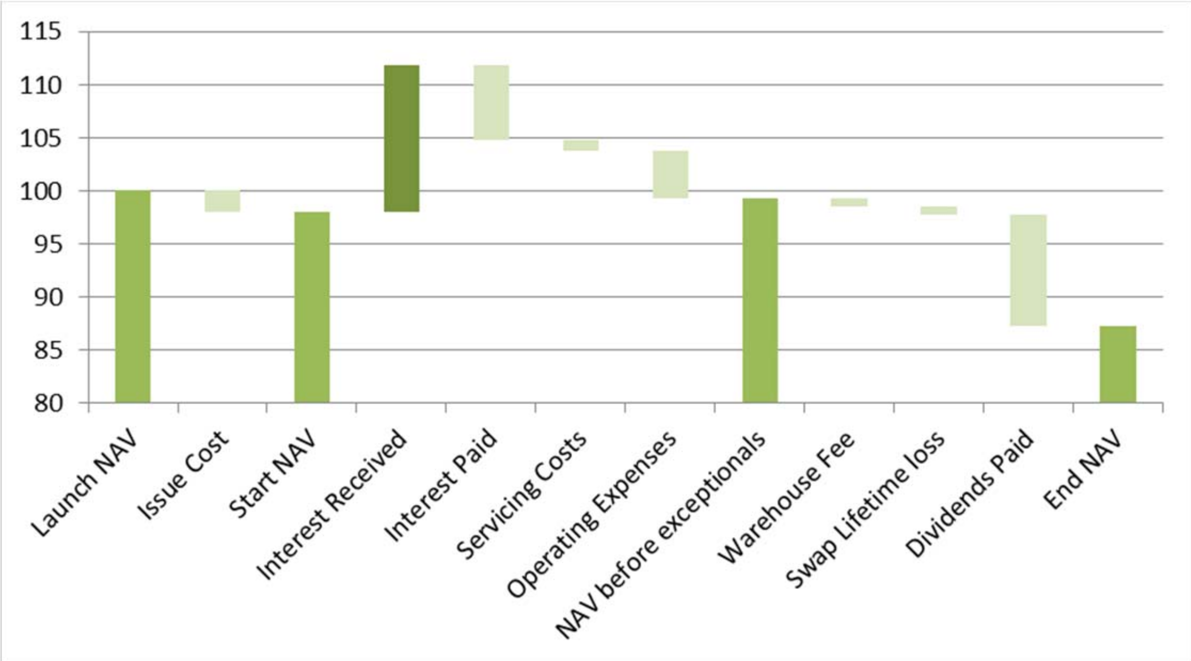
Key Performance Indicators
Given the age of this pool, it's not surprising that the portfolio contains some loans in arrears, especially given that the financial crisis reached its peak shortly after many of the loans were originated. Encouragingly, data from the December loan-by-loan report shows just 63 loans are one month or more in arrears, from a current pool of 4,697 loans and with an average arrears amount of only £882.



PORTFOLIO MANAGER'S REPORT Continued
for the period from 1 July 2017 to 31 December 2017

Key Performance Indicators (continued)
It's also not surprising that many of these arrears are actually historic, dating from the time of the financial crisis. As with many lenders, borrowers who fall into arrears, perhaps due to a period of unemployment, but who are subsequently able to resume making payments, are encouraged by the lender to put a plan in place to help reduce the balance of arrears whilst maintaining their current scheduled payment (i.e. making an overpayment each month, which will reduce the arrears balance back to zero over time). In this pool, almost 60% of the loans in arrears already have such an arrangement plan in place, half of which have been in place for more than 5 years. Of the remainder, the average arrears balance is just £673.

Portfolio Performance Review



The above chart illustrates how the NAV of the company has evolved since launch. After issue costs, the NAV started at a base of 98 pence per share in July 2015. The table below shows the major contributors to the performance of the NAV since that time. The longer time taken for the portfolio to become fully invested and the ongoing payment of the dividend of 6p per annum have been the major drivers of NAV performance, although the drag has reduced following the securitisation of the Oat Hill No.1 transaction. The 0.7p fair value movement in the swap valuation, is unchanged from June 2017 given the expiry last summer of the swaps hedging the original two-year loans in the Coventry portfolio (approximately 80% of the pool). With the change to hedge accounting from July 2017, this will naturally unwind over the subsequent three years as the remaining 20% of the loans in the pool had an initial five year term.

NAV inception to end December 2017	
Start NAV (pence per share)	**98.0**
Net Interest	6.8
Dividends Paid	-10.5
Costs (Servicing, Operating, Warehouse)	-6.4
Swap Mark-to-Market	-0.5
End NAV	**87.4**

PORTFOLIO MANAGER'S REPORT Continued

for the period from 1 July 2017 to 31 December 2017

Market and Investment Outlook

With the US buoyed by the new tax reforms and the first round of Brexit talks ending on a positive note, credit markets began 2018 in relatively good shape, and whilst valuations are at tight levels, the supportive backdrop and positive technicals should point to a continuation of 2017's performance. However, the inflation worries and volatility that began to dog equity markets in the early part of the new year developed pushed yields in rates markets higher and present uncertainties that may warrant a prudent approach.

UK housing market uncertainty and subdued mortgage lending, at least to home movers other than first time buyers, is set to continue whilst the Brexit uncertainty remains. In ABS markets, whilst there is no expectation of a tidal wave of issuance, there is a belief that new issuance levels will grow further again in 2018. The impending end of the TFS in the UK brings hope of renewed issuance from the UK bank and building society sector, and tapering in Europe along with the new 'simple, transparent and standardised' ("STS") securitisation regulations should also help more widely.

TwentyFour Asset Management LLP
20 March 2018

PORTFOLIO OF INVESTMENTS

As at 31 December 2017

Portfolio Summary as at 31 December 2017	Malt Hill No. 1 Plc	Cornhill No. 2 Limited	Oat Hill No. 1 Plc
Originator	Coventry Building Society	The Mortgage Lender	Capital Home Loans
Outstanding Notional Balance	£226m	£147m*	£561m
Number of Loans	1,301	785*	4,697
Average Mortgage Size	£180k	£187k	£129k
WA Current Indexed LTV	63.45%	66.93%	66.83%
WA Interest Rate	2.92%	3.59%	1.79%
WA Remaining Term (mth)	219	295	143
WA Seasoning (mth)	29	6	131
3mth + Arrears (% balance)	0.00%	0.00%	0.42%

* includes completions and pipeline

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 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. Mr Waldron was appointed to the Board on 10 June 2015.

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. Mr Burrows was appointed to the Board on 12 June 2015.

Paul Le Page (Audit Committee Chairman) - Independent Non-Executive Director - Guernsey resident
Mr Le Page is a 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. Mr Le Page was appointed to the Board on 10 June 2015.

Helen Green - Independent Non-Executive Director - Guernsey resident
Mrs Green is a chartered accountant and has been employed by Saffery Champness, a top 20 firm of chartered accountants, since 1984. She qualified as a chartered accountant in 1987 and became a partner in the London office in 1997. Since 2000 she has been based in the Guernsey office where she is client liaison director responsible for trust and company administration. Mrs Green serves as a Non-Executive Director on the boards of a number of companies in various jurisdictions, including Aberdeen Emerging Markets Investment Company Limited, Landore Resources Limited, John Laing Infrastructure Fund Limited, City Natural Resources High Yield Trust plc and Acorn Income Fund Limited, of which she is Chairman. Mrs Green was appointed to the Board on 16 June 2016.

STATEMENT OF PRINCIPAL RISKS AND UNCERTAINTIES

Principal Risks and Uncertainties

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

- are satisfied that they have carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity; and

- have reviewed the effectiveness of the risk management and Internal Control systems including material financial, operational and compliance controls (including those relating to the financial reporting process) and no significant failings or weaknesses were identified.

When considering the total return of the Company, the Board takes account of the risk which has been taken in order to achieve that return. The Board considers the following principal risks, which are consistent with those disclosed in the Annual Report and Audited Financial Statements for the year ended 30 June 2017, to be relevant for the next six month period ending 30 June 2018:

- 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 controlled by the Board receiving quarterly reports from the Portfolio Manager, in conjunction with the Company's Administrator, which monitor the Company's cash flow and income position, as well as the macro economic environment, paying particular attention to movements in the house price index, unemployment levels and interest rates as well as loan level and portfolio attributes such as prepayment rates and the possibility and timing of defaults, all of which could reduce cash flow to the Company. The Company can also pay dividends from capital with Board agreement.

- The risk of the Company being unable to invest or reinvest capital repaid from mortgage loans to purchase additional mortgage portfolios in a timely manner. The risk is mitigated by the Board monitoring the portfolio pipeline in regular communication with the Portfolio Manager, and in quarterly and ad hoc Board meetings.

- The risk of investor dissatisfaction leading to a weaker share price, causing the Company to trade at a discount to its underlying asset value and a potential lack of market liquidity. The risk is mitigated by regular updates to Shareholders from the Portfolio Manager, and regular shareholder engagement both directly and via the Company's brokers.

- The 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 Company. In addition, the underlying portfolios will need to be re-financed periodically in order to maintain optimal levels of leverage. Failure to re-securitise at a suitable rate and/or reinvest the proceeds of subsequent securitisations may also adversely impact the yield of the Company. The risk has been mitigated by the Portfolio Manager hiring additional team members with extensive securitisation experience and by being engaged with the UK RMBS market and service providers. This enables the Company to optimise the timing of its securitisation transactions.

- The risk of the Company's hedges being deemed ineffective following the adoption of hedge accounting which has been applied since 1 July 2017. With the adoption of hedge accounting, the Company is required to assess the historic and future effectiveness of the Company's hedges in accordance with IAS 39. Should prospective testing show the hedges to be ineffective, the Company may continue to hedge account up till the point that the Board can prove the hedges to be effective. Thereafter the Company would need to cease hedge accounting, meaning that the fair value movements on the derivative instruments are taken through the Statement of Comprehensive Income in full.

STATEMENT OF PRINCIPAL RISKS AND UNCERTAINTIES Continued

Going Concern

Under the 2016 UK Corporate Governance Code (the "Code") and applicable regulations, the Directors are required to satisfy themselves that it is reasonable to assume that the Company is a going concern and to identify any material uncertainties to the Company's ability to continue as a going concern for at least 12 months from the date of approving the financial statements. The Company has voluntarily elected to comply with the Code.

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

Related Parties

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

RESPONSIBILITY STATEMENT

We confirm that to the best of our knowledge:

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

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

  (a) DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the period from 1 July 2017 to 31 December 2017 and their impact on the Unaudited Condensed Consolidated Interim Financial Statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and

  (b) DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place during the period from 1 July 2017 to 31 December 2017 and that have materially affected the financial position or performance of the Company during that period as included in note 12.

By order of the Board

Christopher Waldron
Chairman

Paul Le Page
Director

20 March 2018

Independent review report to UK Mortgages Limited

Our conclusion

We have reviewed the accompanying condensed consolidated interim financial information of UK Mortgages Limited and its subsidiaries (together the "Company") as of 31 December 2017. Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim Financial Reporting', and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

What we have reviewed

The accompanying condensed consolidated interim financial information comprise:

- the condensed consolidated interim statement of financial position as of 31 December 2017;
- the condensed consolidated statement of comprehensive income for the six-month period then ended;
- the condensed consolidated statement of changes in equity for the six-month period then ended;
- the condensed consolidated statement of cash flows for the six-month period then ended; and
- the notes, comprising a summary of significant accounting policies and other explanatory information.

The condensed consolidated interim financial information has been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

Our responsibilities and those of the directors

The Directors are responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review. This report, including the conclusion, has been prepared for and only for the Company for the purpose of complying with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, 'Review of interim financial information performed by the independent auditor of the entity' issued by the International Auditing and Assurance Standards Board. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

Independent review report to UK Mortgages Limited Continued

Scope of review (continued)

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We have read the other information contained in the Interim Management Report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed consolidated interim financial statements.

PricewaterhouseCoopers CI LLP
Chartered Accountants
Guernsey, Channel Islands
20 March 2018

(a) The maintenance and integrity of the Company's website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the Interim Management Report and Unaudited Condensed Consolidated Interim Financial Statements since they were initially presented on the website.

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

UK Mortgages Limited

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the period from 1 July 2017 to 31 December 2017

	Note	For the period from 01.07.2017 to 31.12.2017 (Unaudited) £	For the period from 01.07.2016 to 31.12.2016 (Unaudited) £
Income			
Interest income on mortgage loans		12,498,485	4,602,222
Interest income on cash and cash equivalents		2,433	10,009
Net interest expense on financial liabilities at fair value through profit and loss		(1,281,012)	(1,149,012)
Unrealised gain on financial liabilities at fair value through profit and loss		-	1,249,700
Net gain from derivative financial instruments	7	123,814	-
Total income		11,343,720	4,712,919
Interest expense on loan notes	11	4,185,782	2,384,147
Mortgage loans servicing fees		1,019,194	385,253
Loan note issue fees		831,735	487,117
Portfolio management fees	12	663,464	881,648
Mortgage loan write offs	5	333,121	-
Legal and professional fees		466,610	72,603
General expenses		243,352	97,918
Interest expense on borrowings	10	313,546	-
Borrowings facility fees	10	230,770	654,658
Audit fees	13	177,267	78,126
Administration and secretarial fees	13	87,111	89,241
Directors' fees	12	67,500	53,750
Custody fees	13	12,006	31,058
AIFM fees	13	48,243	48,582
Depositary fees	13	38,841	40,858
Corporate broker fees		24,053	25,147
Total expenses		8,742,595	5,330,106
Total comprehensive gain/(loss) for the period		2,601,125	(617,187)
Earnings/(loss) per ordinary share - basic & diluted	3	0.010	(0.002)

All items in the above statement derive from continuing operations.

The notes on pages 27 to 48 form an integral part of these Unaudited Condensed Consolidated Interim Financial Statements.

UK Mortgages Limited

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2017

		31.12.2017	30.06.2017
		(Unaudited)	(Audited)
Assets	**Note**	**£**	**£**
Non-current assets			
Mortgage loans	5	831,853,806	829,201,473
Reserve fund	6	13,157,350	13,157,350
Total non-current assets		845,011,156	842,358,823
Current assets			
Mortgage loans	5	12,140,626	12,674,700
Trade and other receivables	8	2,848,110	3,522,323
Cash and cash equivalents		76,921,528	86,022,869
Total current assets		91,910,264	102,219,892
Total assets		936,921,420	944,578,715
Liabilities			
Non-current liabilities			
Borrowings	10	66,000,000	-
Loan notes	11	648,651,676	715,734,468
Total non-current liabilities		714,651,676	715,734,468
Current liabilities			
Financial liabilities at fair value through profit and loss	7	1,217,194	1,808,049
Trade and other payables	9	2,563,287	3,648,060
Total current liabilities		3,780,481	5,456,109
Total liabilities		718,432,157	721,190,577
Net assets		218,489,263	223,388,138
Equity			
Share capital account		245,000,000	245,000,000
Other reserves		(26,510,737)	(21,611,862)
Total equity		218,489,263	223,388,138
Ordinary shares in issue		250,000,000	250,000,000
Net Asset Value per ordinary share	4	0.8739	0.8936

The Unaudited Condensed Consolidated Interim Financial Statements on pages 23 to 48 were approved and authorised for issue by the Board of Directors on 20 March 2018 and signed on its behalf by:

Christopher Waldron
Chairman

Paul Le Page
Director

The notes on pages 27 to 48 form an integral part of these Unaudited Condensed Consolidated Interim Financial Statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the period from 1 July 2017 to 31 December 2017

	Share capital account (Unaudited)	Other reserves (Unaudited)	Total equity (Unaudited)
	£	£	£
Balance at 1 July 2017	245,000,000	(21,611,862)	223,388,138
Dividends paid	-	(7,500,000)	(7,500,000)
Total comprehensive gain for the period	-	2,601,125	2,601,125
Balance at 31 December 2017	245,000,000	(26,510,737)	218,489,263

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

The notes on pages 27 to 48 form an integral part of these Unaudited Condensed Consolidated Interim Financial Statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the period from 1 July 2017 to 31 December 2017

	Note	For the period from 01.07.2017 to 31.12.2017 (Unaudited) £	For the period from 01.07.2016 to 31.12.2016 (Unaudited) £
Cash flows from operating activities			
Total comprehensive gain/(loss) for the period		2,601,125	(617,187)
Adjustments for:			
Amortisation adjustment under effective interest rate method	5	(3,000,425)	436,019
Decrease in trade and other receivables		674,213	2,305,919
Unrealised gain on financial liabilities at fair value through profit and loss		-	(1,249,700)
Net gain from derivative financial instruments	7	(123,814)	-
Decrease in trade and other payables		(1,084,773)	(2,085,498)
Mortgage loans written off	5	333,121	-
Amortised borrowing charges released	5	98,420	19,825
Loan note issue fees amortised	11	573,999	326,825
Purchase of mortgage loans	5	(61,812,863)	(11,563,225)
Mortgage loans repaid	5	61,796,447	6,981,435
Net cash inflow/(outflow) from operating activities		55,450	(5,445,587)
Cash flows from financing activities			
Proceeds from borrowings	10	66,000,000	-
Repayments of loan notes	11	(67,612,589)	(9,409,310)
Loan note issue fees paid	11	(44,202)	-
Dividends paid		(7,500,000)	(7,500,000)
Net cash outflow from financing activities		(9,156,791)	(16,909,310)
Decrease in cash and cash equivalents		(9,101,341)	(22,354,897)
Cash and cash equivalents at beginning of period		86,022,869	194,218,249
Cash and cash equivalents at end of period		76,921,528	171,863,352

The notes on pages 27 to 48 form an integral part of these Unaudited Condensed Consolidated Interim Financial Statements.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
for the period from 1 July 2017 to 31 December 2017

1. General Information

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

The Unaudited Condensed Consolidated Interim Financial Statements comprise the financial statements of UK Mortgages Limited, UK Mortgages Corporate Funding Designated Activity Company, Malt Hill No.1 Plc (UK based company), Oat Hill No.1 Plc (UK based company) and the Warehouse SPVs; Cornhill Mortgages No.1 Limited, until being placed into liquidation on 4 May 2017 (UK based company), Cornhill Mortgages No.2 Limited (UK based company) and Cornhill Mortgages No.3 Limited, placed into liquidation on 9 February 2018 (UK based company) as at 31 December 2017, together referred to as the "Company". The Warehousing SPVs are placed into liquidation on the transfer of the mortgage loans to the Issuer SPVs.

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

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

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

2. Accounting Policies

a) Statement of compliance

The Unaudited Condensed Consolidated Interim Financial Statements for the period from 1 July 2017 to 31 December 2017 have been prepared on a going concern basis in accordance with IAS 34 "Interim Financial Reporting", the Listing Rules of the London Stock Exchange and applicable legal and regulatory requirements.

The Unaudited Condensed Consolidated Interim Financial Statements should be read in conjunction with the Annual Consolidated Financial Statements for the year ended 30 June 2017 which were prepared in accordance with International Financial Reporting Standards ("IFRS") and which received an unqualified audit report.

The Company adopted hedge accounting from 1 July 2017 to reduce volatility in the Consolidated Statement of Comprehensive Income. No prior period restatement has been made as the Company only became eligible to hedge account from that date.

b) Changes in accounting policy

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

Financial Assets

Loans and receivables are initially recognised at fair value and subsequently carried at amortised cost using the effective interest rate method, other than where an adjustment is made as part of a fair value hedging arrangement.

2. Accounting Policies (continued)

b) Changes in accounting policy (continued)

Hedge accounting

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

When transactions meet the criteria specified in IAS 39, the Company applies fair value hedge accounting so that changes in the fair value of the underlying mortgage loan cash flows ("the hedged item") that are attributable to the hedged risk are recorded in the Consolidated Statement of Comprehensive Income to offset the fair value movement of the related derivative ("the hedging instrument").

To qualify for hedge accounting, the hedge relationship must be formally designated and documented. Additionally, there must be an expectation that the hedging instrument will be highly effective in offsetting the changes in the fair value of the hedged item. Effectiveness must then be tested on an ongoing basis over the life of the hedge relationship.

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

All derivatives entered into by the Company are for the purposes of providing an economic hedge. Hedge accounting is an optional treatment but the specific rules and conditions in IAS39 have to be complied with before it can be applied. The Company has classified all of its derivatives as fair value hedges. To qualify for hedge accounting at inception the hedge relationship must be clearly documented. At inception the derivative must be expected to be highly effective in offsetting the hedged risk, and effectiveness must be tested throughout the life of the hedge relationship.

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

If the hedging derivative expires or is sold, terminated, or exercised, or the hedge no longer meets the criteria for fair value hedge accounting, or the hedge designation is revoked, hedge accounting is discontinued prospectively. If the underlying instrument is sold or repaid, the unamortised fair value adjustment is immediately recognised in the Consolidated Statement of Comprehensive Income. A summary of the effects of hedging and the associated fair value adjustments can be found in note 7.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS Continued

for the period from 1 July 2017 to 31 December 2017

2. Accounting Policies (continued)

c) Critical judgements and estimates

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

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

IFRS 9 Financial Instruments

The Company is currently preparing to implement credit impairment calculations based on the expected credit loss model as required under IFRS 9. IFRS 9 is effective for all new financial years commencing on or after 1 January 2018. As the Company's financial year starts on 1 July, all net asset values will be calculated and reported in accordance with the standard from 1 July 2018.

The Portfolio Manager already incorporates loan loss provisions within their portfolio pricing models and intends to use these models to calculate an unaudited estimated impairment provision for the portfolio. The expected changes to the impairment provision calculation methodology and the quantified expected impact of adopting IFRS 9 will be disclosed in the annual report for the year end 30 June 2018.

The Company has satisfactorily completed its assessments of solely payment of principal and interest compliance that reviews the cash flow characteristics of financial assets to ensure they can continue to be classified within an amortised cost model under IFRS 9. These are still subject to external audit.

The Company has reviewed the financial reporting implications of IFRS 9 impairment accounting with its auditors and service providers and has concluded that three separate methodologies will be required to cover (1) purchased portfolios with existing impairments which are already incorporated in the Effective Interest Rate valuation; (2) purchased portfolios with limited impairment history and (3) loans that the group originates.

Hedge accounting will become more closely aligned with risk management practices under IFRS 9. The Company's existing hedge relationships appear to qualify as continuing hedges upon the adoption of IFRS 9. Thus, the Company does not expect a significant impact on accounting for its hedging relationships.

IFRS 15 Revenue from Contracts with Customers

The Directors anticipate that the adoption of IFRS 15 effective in a future period will not have a material impact on the financial statements of the Company.

3. Earnings/(loss) per Ordinary Share - basic & diluted

The gains per Ordinary Share of £0.010 (31 December 2016: loss £0.002) - basic and diluted are equivalent and have been calculated based on the weighted average number of Ordinary Shares of 250,000,000 (31 December 2016: 250,000,000) and a net gain of £2,601,125 (31 December 2016: a net loss of £617,187).

4. Net Asset Value per Ordinary Share

The Net Asset Value of each share of £0.8739 (30 June 2017: £0.8936) is determined by dividing the net assets of the Company £218,489,263 (30 June 2017: £223,388,138) by the number of shares in issue at 31 December 2017 of 250,000,000 (30 June 2017: 250,000,000).

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS Continued

for the period from 1 July 2017 to 31 December 2017

5. Mortgage loans

	For the period from 01.07.2017 to 31.12.2017 (Unaudited) £	For the year from 01.07.2016 to 30.06.2017 (Audited) £
Mortgage loans at start of the period/year	841,876,173	303,585,700
Mortgage loans purchased	61,812,863	576,732,728
Amortisation adjustment under effective interest rate method*	3,000,425	1,626,884
Mortgage loans repaid	(61,796,447)	(40,035,931)
Borrowings charges amortised	-	424,709
Amortised borrowing charges released	(98,420)	(52,218)
Fair value adjustment for hedged risk**	(467,041)	-
Mortgage loans written off	(333,121)	(405,699)
Mortgage loans at end of the period/year	843,994,432	841,876,173
Amounts falling due after more than one year	831,853,806	829,201,473
Amounts falling due within one year	12,140,626	12,674,700
	843,994,432	841,876,173

*Net premium unwind on the Malt Hill No.1 portfolio and pull to par on the Oat Hill No.1 portfolio.
** Please refer to note 7 which explains how the fair value adjustment is calculated and note 14 sets out the liquidity and credit risk profile of the mortgage loans.

Mortgage loans at 31 December 2017 comprise of two securitised mortgage portfolios legally held in Malt Hill No.1 Plc and Oat Hill No.1 Plc and one mortgage portfolio held with Cornhill Mortgages No.2 Limited. Please refer to the Portfolio of Investments for breakdown of portfolios.

The Company does not experience any seasonality or cyclicality in its investment activities.

6. Reserve fund

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

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

Derivative instruments - Malt Hill No.1 Plc

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

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

Derivative instruments - Cornhill Mortgages No.2 Limited

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

Notional and fair value balances:

	Malthill No. 1 Plc	Cornhill No. 2 Limited	31.12.2017 Total
Notional amount of Interest Rate Swap	177.8m	82.6m	260.4m
Fair value of Interest Rate Swap	(1,078,772)	(138,422)	(1,217,194)

	Malthill No. 1 Plc	Cornhill No. 2 Limited	30.06.2017 Total
	£	£	£
Notional amount of Interest Rate Swap	288.5m	35.5m	324.0m
Fair value of Interest Rate Swap	(1,734,294)	(73,755)	(1,808,049)

On 1 July 2017, the Directors designated both derivatives as fair value hedges and began hedge accounting from that date.

Net gain from derivative financial instruments:

	Malthill No. 1 Plc	Cornhill No. 2 Limited	31.12.2017 Total
	£	£	£
Movement on derivatives in designated fair value hedge relationships	655,522	(64,667)	590,855
Adjustment to mortgage loans in fair value hedge relationship	(537,527)	70,486	(467,041)
Net ineffectiveness	117,995	5,819	123,814

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

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS Continued

for the period from 1 July 2017 to 31 December 2017

8. Trade and other receivables

	As at 31.12.2017 (Unaudited) £	As at 30.06.2017 (Audited) £
Interest receivable on mortgage loans	1,113,884	1,343,479
Capitalised formation expenses	1,116,625	1,431,138
Other receivables and prepayments	617,601	747,706
	2,848,110	3,522,323

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

9. Trade and other payables

	As at 31.12.2017 (Unaudited) £	As at 30.06.2017 (Audited) £
Interest due on loan notes	848,598	398,870
Loan note issue fees payable	596,425	1,707,580
Portfolio management fees payable	330,504	832,816
Mortgage loans servicing fees payable	283,214	104,054
Audit fees payable	200,424	199,316
Legal and professional fees payable	108,917	81,201
General expenses payable	81,034	63,376
Administration and secretarial fees payable	41,737	176,533
Directors' fees payable	33,750	26,875
AIFM fees payable	24,091	48,148
Depositary fees payable	10,952	5,498
Custody fees payable	3,641	3,793
	2,563,287	3,648,060

10. Borrowings

Cornhill Mortgages No.2 Limited was paying a commitment fee for £150m until 1 June 2017. The facility was restructured in June 2017, in order to improve the cost efficiency of the structure, with changes involving reduction of commitment fees and drawn margins on the facility. Any increase to the commitment amount is subject to NatWest Markets approval and the total facility size remains at £250m. The facility fees of £230,770 were expensed in the period (31 December 2016: £654,658). At the period end the Company had utilised £66,000,000 of the borrowing facility (30 June 2017: nil). The interest expense charged on borrowings of £313,546 was expensed in the period (31 December 2016: £nil).

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS Continued

for the period from 1 July 2017 to 31 December 2017

11. Loan notes

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

Malt Hill No.1 Plc completed the public sale of £263.3m of AAA-rated bonds on 26 May 2016. The AAA notes were issued with a coupon of 3 month LIBOR plus 1.35% which 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.

Oat Hill No.1 Plc completed the public sale of £477.1m of AAA-rated bonds on 26 June 2017. The AAA notes were issued with a coupon of 3 month LIBOR plus 0.65% and a step up margin of 1.30% which is payable quarterly and are listed on the Irish Stock Exchange. The issue fees on loan notes will be amortised over the expected life of the loan notes, which is 3 years, being the call date.

	As at 31.12.2017 (Unaudited) £	As at 30.06.2017 (Audited) £
Loan notes at start of the period/year	715,734,468	261,784,493
Loan notes issued	-	474,695,416
Loan notes repaid	(67,612,589)	(19,433,084)
Loan note issue fees paid	(44,202)	(1,795,120)
Loan note issue fees amortised	573,999	482,763
Loan notes at end of the period/year	648,651,676	715,734,468

Interest expense on loan notes for the period amounted to £4,185,782 (31 December 2017: £2,384,147).

12. Related Parties

a) Directors' Remuneration & Expenses

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

The annual Directors' fees comprise £40,000 (30 June 2017: £30,000) payable to Mr Waldron, the Chairman, £35,000 (30 June 2017: £27,500) to Mr Le Page as Chairman of the Audit Committee, and £30,000 (30 June 2017: £25,000) each to Mrs Green and Mr Burrows. During the period ended 31 December 2017, Directors' fees of £67,500 (31 December 2016: £53,750) were charged to the Company, of which £33,750 remained payable at the end of the period (30 June 2017: £26,875).

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS Continued

for the period from 1 July 2017 to 31 December 2017

12. Related Parties (continued)

b) Shares held by related parties

As at 31 December 2017, Directors of the Company held the following shares in the Company beneficially:-

Directors' and Other Interests

	Number of Shares
	31.12.2017
Christopher Waldron	5,000
Richard Burrows	5,000
Paul Le Page	20,000
Helen Green	-

As at 31 December 2017, the Portfolio Manager held Nil shares (30 June 2017: Nil) and partners and employees of the Portfolio Manager held 7,326,004 shares (30 June 2017: 7,040,076), which is 2.93% of the issued share capital (30 June 2017: 2.81%).

c) Portfolio Manager

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

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

Total portfolio management fees for the period amounted to £663,464 (31 December 2016: £881,648) of which £330,504 (30 June 2017: £832,816) 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. No placings occurred in the period and no fees were paid under this agreement.

13. Material Agreements

a) Alternative Investment Fund Manager

The Company's Alternative Investment Fund Manager (the "AIFM") is Maitland Institutional Services Limited. In consideration for the services provided by the AIFM under the AIFM Agreement the AIFM is entitled to receive from the Company a minimum fee of £20,000 per annum and fees payable quarterly in arrears at a rate of 0.07% of the NAV of the Company below £50 million, 0.05% on Net Assets between £50 million and £100 million and 0.03% on Net Assets in excess of £100 million. During the period ended 31 December 2017, AIFM fees of £48,243 (31 December 2016: £48,582) were charged to the Company, of which £24,091 (30 June 2017: £48,148) remained payable at the end of the period.

13. Material Agreements (continued)

b) Administrator and Secretary

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

In addition, an annual fee of £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 £87,111 (31 December 2016: £89,241) of which £41,737 (30 June 2017: £176,533) 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 £38,841 (31 December 2016: £40,858) of which £10,952 (30 June 2017: £5,498) remained payable at the period end.

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

The Depositary is also entitled to a custody fee at a rate of 0.03% of the NAV of the Company as at the last business day of the month subject to a minimum of £8,500 per annum. These NAV based fees commenced on 19 November 2015 being the date Company acquired its initial investment. Total custody fees for the period amounted to £12,006 (31 December 2016: £31,058) of which £3,641 (30 June 2017: £3,793) remained payable at the period end.

d) Auditors

Audit fees paid to PwC CI LLP and other PwC member firms includes amounts charged for the current period of £94,372 (31 December 2016: 78,126) and the under accruals for previous periods of £82,895. Non audit fees of £60,000 pertaining to accounting advice is included under legal and professional fees.

14. Financial Risk Management

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

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

Market risk

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS Continued

for the period from 1 July 2017 to 31 December 2017

14. Financial Risk Management (continued)

Market risk (continued)

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

On 1 July 2017 the Directors designated both derivatives as fair value hedges and began hedge accounting from that date therefore hedging the interest risk exposure on the fixed rate mortgage loans shown in the table below.

The below tables show exposure to interest rate risk:

	Floating rate	Fixed rate	Non interest bearing	Total as at 31.12.2017
	£	£	£	£
Assets	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Mortgage loans	592,220,458	251,773,974	-	843,994,432
Reserve fund	13,157,350	-	-	13,157,350
Trade and other receivables	1,113,884	-	1,734,226	2,848,110
Cash and cash equivalents	76,921,528	-	-	76,921,528
Total assets	683,413,220	251,773,974	1,734,226	936,921,420
Liabilities				
Financial liabilities at fair value through profit and loss	(1,217,194)	-	-	(1,217,194)
Trade and other payables	-	-	(2,563,287)	(2,563,287)
Borrowings	(66,000,000)	-	-	(66,000,000)
Loan notes (note 11)	(648,651,676)	-	-	(648,651,676)
Total liabilities	(715,868,870)	-	(2,563,287)	(718,432,157)
Total interest sensitivity gap	(32,455,650)	251,773,974	(829,061)	218,489,263

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS Continued

for the period from 1 July 2017 to 31 December 2017

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

	Floating rate	Fixed rate	Non interest bearing	Total as at 30.06.2017
	£	£	£	£
Assets	(Audited)	(Audited)	(Audited)	(Audited)
Mortgage loans	585,541,265	256,334,908	-	841,876,173
Reserve fund	13,157,350	-	-	13,157,350
Trade and other receivables	1,343,479	-	2,178,844	3,522,323
Cash and cash equivalents	86,022,869	-	-	86,022,869
Total assets	686,064,963	256,334,908	2,178,844	944,578,715
Liabilities				
Financial liabilities at fair value	(1,808,049)	-	-	(1,808,049)
Trade and other payables	-	-	(3,648,060)	(3,648,060)
Loan notes (note 11)	(715,734,468)	-	-	(715,734,468)
Total liabilities	(717,542,517)	-	(3,648,060)	(721,190,577)
Total interest sensitivity gap	(31,477,554)	256,334,908	(1,469,216)	223,388,138

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

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

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

1.3 Currency risk: As at 31 December 2017, the Company had no material exposure to foreign exchange fluctuations or changes in foreign currency interest rates. Consequently there is no material movement in assets and liabilities arising from foreign exchange fluctuations.

Liquidity Risk
Liquidity risk is the risk that the Company will not have sufficient resources available to meet its liabilities as and when they fall due. The Company makes its investments by purchasing Profit Participating Notes issued by the Acquiring Entity. The Acquiring Entity is bound by EU securities law and will be unable to fully liquidate, sell, hedge or otherwise mitigate its credit risk under or associated with the Retention Notes issued by the Warehouse SPV or Issuer SPV until such time as the securities of the relevant Issuer SPV have been redeemed in full (whether at final maturity or early redemption). This places limitations on the Company's ability to redeem the Profit Participating Notes issued by the Acquiring Entity. It is not expected that any party will make a secondary market in relation to the Retention Notes, and that there will usually be a limited market for the Retention Notes.

14. Financial Risk Management (continued)

Liquidity Risk (continued)

Any partial sales of Retention notes would need to be negotiated on a private counterparty to counterparty basis and could result in a liquidity discount being applied. There may be additional restrictions on divestment in the terms and conditions of the underlying investments. The illiquidity of the Retention Notes may therefore adversely affect the value of the Profit Participating Notes in the event of a forced sale which would, in turn, adversely affect the Company's business, business prospects, financial condition, returns to Shareholders including dividends, NAV and/or the market price of the shares.

During the warehousing phase the Company's mortgage loans advanced are illiquid and may be difficult or impossible to realise for cash at short notice. At the period end, Cornhill Mortgages No. 2 Limited portfolio was in the warehousing phase.

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

	Less than one year	More than one year	Total as at 31.12.2017
	£	£	£
Assets	(Unaudited)	(Unaudited)	(Unaudited)
Mortgage loans	12,140,626	831,853,806	843,994,432
Reserve fund	-	13,157,350	13,157,350
Trade and other receivables	2,848,110	-	2,848,110
Cash and cash equivalents	76,921,528	-	76,921,528
Total assets	91,910,264	845,011,156	936,921,420
Liabilities			
Financial liabilities at fair value through profit and loss	1,217,194	-	1,217,194
Trade and other payables	2,563,287	-	2,563,287
Borrowings	-	66,000,000	66,000,000
Loan notes	-	648,651,676	648,651,676
Total liabilities	3,780,481	714,651,676	718,432,157

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS Continued

for the period from 1 July 2017 to 31 December 2017

14. Financial Risk Management (continued)

Liquidity Risk (continued)

	Less than one year £ (Audited)	More than one year £ (Audited)	Total as at 30.06.2017 £ (Audited)
Assets			
Mortgage loans	12,674,700	829,201,473	841,876,173
Reserve fund	-	13,157,350	13,157,350
Trade and other receivables	3,522,323	-	3,522,323
Cash and cash equivalents	86,022,869	-	86,022,869
Total assets	102,219,892	842,358,823	944,578,715
Liabilities			
Financial liabilities at fair value through profit and loss	1,808,049	-	1,808,049
Trade and other payables	3,648,060	-	3,648,060
Loan notes	-	715,734,468	715,734,468
Total liabilities	5,456,109	715,734,468	721,190,577

Credit risk

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

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

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS Continued
for the period from 1 July 2017 to 31 December 2017

14. Financial Risk Management (continued)
Credit risk (continued)

Mortgage loans written off during the period amounted to £333,121 (30 June 2017: £405,699). The current indexed loan to value ratio in order to give an indication of credit quality is as follows:

	As at 31.12.2017 (Unaudited)	As at 30.06.2017 (Audited)
Loan to value	£	£
0-49%	112,177,052	101,602,362
50-75%	486,627,278	473,438,989
75-100%+	245,190,102	266,834,822
	843,994,432	841,876,173

The loans past due but not yet impaired at the period end are shown in the table below.

	As at 31.12.2017 (Unaudited)	As at 30.06.2017 (Audited)
	£	£
>1 month but <2 months	2,391,124	1,552,194
>2 months but <3 months	909,902	1,075,168
>3 months but <6 months	1,245,851	1,109,153
>6 months	772,188	1,186,031
	5,319,066	4,922,546

15. Analysis of Financial Assets and Liabilities by Measurement Basis

	Financial Assets at fair value through profit and loss £	Financial Assets at amortised cost £	Total £
31 December 2017	(Unaudited)	(Unaudited)	(Unaudited)
Financial Assets as per Unaudited Condensed Consolidated Statement of Financial Position			
Mortgage loans	-	843,994,432	843,994,432
Reserve fund	-	13,157,350	13,157,350
Cash and cash equivalents	-	76,921,528	76,921,528
Trade and other receivables	-	2,848,110	2,848,110
	-	936,921,420	936,921,420

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS Continued

for the period from 1 July 2017 to 31 December 2017

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

Financial Liabilities as per Unaudited Condensed Consolidated Statement of Financial Position	**Financial Liabilities at fair value through profit and loss £ (Unaudited)**	**Financial Liabilities at amortised cost £ (Unaudited)**	**Total £ (Unaudited)**
Financial liabilities at fair value through profit and loss	1,217,194	-	1,217,194
Trade and other payables	-	2,563,287	2,563,287
Borrowings	-	66,000,000	66,000,000
Loan notes	-	648,651,676	648,651,676
	1,217,194	717,214,963	718,432,157

30 June 2017	**Financial Assets at fair value through profit and loss £ (Audited)**	**Financial Assets at amortised cost £ (Audited)**	**Total £ (Audited)**
Financial Assets as per Audited Consolidated Statement of Financial Position			
Mortgage loans	-	841,876,173	841,876,173
Reserve fund	-	13,157,350	13,157,350
Cash and cash equivalents	-	86,022,869	86,022,869
Trade and other receivables	-	3,522,323	3,522,323
	-	944,578,715	944,578,715

Financial Liabilities as per Audited Consolidated Statement of Financial Position	**Financial Liabilities at fair value through profit and loss £ (Audited)**	**Financial Liabilities at amortised cost £ (Audited)**	**Total £ (Audited)**
Financial liabilities at fair value through profit and loss	1,808,049	-	1,808,049
Trade and other payables	-	3,648,060	3,648,060
Loan notes	-	715,734,468	715,734,468
	1,808,049	719,382,528	721,190,577

16. Fair Value Measurement

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

(i) Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
(ii) Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices including interest rates, yield curves, volatilities, prepayment speeds, credit risks and default rates) or other market corroborated inputs (level 2).
(iii) Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following tables analyse within the fair value hierarchy the Company's financial assets and liabilities (by class) measured at fair value for the period ended 31 December 2017 and the year ended 30 June 2017.

	Level 1	Level 2	Level 3	Total
	£	£	£	£
Liabilities	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Financial liabilities at fair value through profit and loss (note 7)	-	(1,217,194)	-	(1,217,194)
Total liabilities as at 31 December 2017	-	(1,217,194)	-	(1,217,194)

	Level 1	Level 2	Level 3	Total
	£	£	£	£
Liabilities	(Audited)	(Audited)	(Audited)	(Audited)
Financial liabilities at fair value through profit and loss (note 7)	-	(1,808,049)	-	(1,808,049)
Total liabilities as at 30 June 2017	-	(1,808,049)	-	(1,808,049)

16. Fair Value Measurement (continued)

The following table analyses within the fair value hierarchy the Company's assets and liabilities not measured at fair value at 31 December 2017 but for which fair value is disclosed.

	Level 1 31.12.2017 £ (Unaudited)	Level 2 31.12.2017 £ (Unaudited)	Level 3 31.12.2017 £ (Unaudited)	Total 31.12.2017 £ (Unaudited)
Assets				
Mortgage loans	-	-	880,460,164	880,460,164
Reserve fund	-	13,157,350	-	13,157,350
Cash and cash equivalents	-	76,921,528	-	76,921,528
Trade and other receivables	-	2,848,110	-	2,848,110
Total	-	92,926,988	880,460,164	973,387,152
Liabilities				
Trade and other payables	-	2,563,287	-	2,563,287
Borrowings	-	66,000,000	-	66,000,000
Loan notes	-	648,651,676	-	648,651,676
Total	-	717,214,963	-	717,214,963

	Level 1 30.06.2017 £ (Audited)	Level 2 30.06.2017 £ (Audited)	Level 3 30.06.2017 £ (Audited)	Total 30.06.2017 £ (Audited)
Assets				
Mortgage loans	-	-	881,512,233	881,512,233
Reserve fund	-	13,157,350	-	13,157,350
Cash and cash equivalents	-	86,022,869	-	86,022,869
Trade and other receivables	-	3,522,323	-	3,522,323
Total	-	102,702,542	881,512,233	984,214,775
Liabilities				
Trade and other payables	-	3,648,060	-	3,648,060
Loan notes	-	715,734,468	-	715,734,468
Total	-	719,382,528	-	719,382,528

There were no changes between the levels during the period.

The value of the mortgage loans is calculated by the Valuation Agent 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.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS Continued

for the period from 1 July 2017 to 31 December 2017

16. Fair Value Measurement (continued)

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

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

17. Dividend Policy

The Company has declared the following interim dividends in relation to the period to 31 December 2017:

Period to	Dividend rate per Share (pence)	Net dividend payable (£)	Record date	Ex-dividend date	Pay date
30 September 2017	1.5	3,750,000	20 October 2017	19 October 2017	31 October 2017
31 December 2017	1.5	3,750,000	19 January 2018	18 January 2018	31 January 2018

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.

18. Segment reporting

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

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS Continued

for the period from 1 July 2017 to 31 December 2017

18. Segment reporting (continued)

The Portfolio Manager considers the business as three portfolios, which are managed by separate specialist teams at the Portfolio Manager. These portfolios comprise of UK mortgages and consist of a loan portfolio bought at a premium (Malt Hill No.1 Plc), a loan portfolio bought at a discount (Oat Hill No.1 Plc) and commitment to originate loans up to a limit (Cornhill Mortgages No.2 Limited).

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

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

	Cornhill Mortgages No.2 Limited £ (Unaudited)	Malt Hill No.1 Plc £ (Unaudited)	Oat Hill No.1 Plc £ (Unaudited)	Total as at 31.12.2017 £ (Unaudited)
Interest income on mortgage loan	1,510,953	3,069,720	7,917,812	12,498,485
Net interest expense on financial liabilities at fair value through profit and loss	(100,634)	(1,180,378)	-	(1,281,012)
Net gain from derivative financial instruments	5,819	117,995	-	123,814
Interest expense on borrowings	(313,546)	-	-	(313,546)
Interest expense on loan notes	-	(1,885,953)	(2,299,829)	(4,185,782)
Servicer fees	(128,170)	(285,094)	(605,930)	(1,019,194)
Other expenses	(606,345)	(329,196)	(779,421)	(1,714,962)
Total net segment income/(expense)	**368,077**	**(492,906)**	**4,232,632**	**4,107,803**

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS Continued
for the period from 1 July 2017 to 31 December 2017

18. Segment reporting (continued)

	Cornhill Mortgages No.2 Limited	Malt Hill No.1 Plc	Oat Hill No.1 Plc	Total as at 31.12.2016
	£	£	£	£
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Interest income on mortgage loan	61,852	4,540,370	-	4,602,222
Net interest expense on financial liabilities at fair value through	(614)	(1,148,398)	-	(1,149,012)
Unrealised gain on financial liabilities at fair value through profit and loss	5,761	1,243,939	-	1,249,700
Interest expense on loan notes	-	(2,384,147)	-	(2,384,147)
Sevicer fees	(60,809)	(324,444)	-	(385,253)
Other expenses	(953,378)	(330,855)	-	(1,284,233)
Total net segment (expense)/income	(947,188)	1,596,465	-	649,277

A reconciliation of total net segmental income to total comprehensive gain/(loss) is provided as follows.

	31.12.2017	31.12.2016
	£	£
	(Unaudited)	(Unaudited)
Total net segment income	4,107,803	649,277
Other fees and expenses	(1,506,678)	(1,266,464)
Total comprehensive gain/(loss) for the period	2,601,125	(617,187)

There are no transactions between the reportable segments.

Total segment assets:

	Cornhill Mortgages No.2 Limited	Malt Hill No.1 Plc	Oat Hill No.1 Plc	Total as at 31.12.2017
	£	£	£	£
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Mortgage loans	117,210,663	229,696,223	497,087,546	843,994,432
Reserve fund	1,500,000	4,739,400	6,917,950	13,157,350
Other	1,412,220	5,232,130	7,904,311	14,548,661
	120,122,883	239,667,753	511,909,807	871,700,443

18. Segment reporting (continued)

	Cornhill Mortgages No.2 Limited £ (Audited)	Malt Hill No.1 Plc £ (Audited)	Oat Hill No.1 Plc £ (Audited)	Total as at 30.06.2017 £ (Audited)
Mortgage loans	57,494,863	274,567,106	509,814,204	841,876,173
Reserve fund	1,500,000	4,739,400	6,917,950	13,157,350
Other	23,476	448,454	1,273,417	1,745,347
	59,018,339	279,754,960	518,005,571	856,778,870

	31.12.2017 £ (Unaudited)	30.06.2017 £ (Audited)
Segment assets for reportable segments	871,700,443	856,778,870
Other	65,220,977	87,799,845
Total assets	936,921,420	944,578,715

Total segment liabilities:

	Cornhill Mortgages No.2 Limited £ (Unaudited)	Malt Hill No.1 Plc £ (Unaudited)	Oat Hill No.1 Plc £ (Unaudited)	Total as at 31.12.2017 £ (Unaudited)
Borrowings	66,000,000	-	-	66,000,000
Loan notes	-	191,348,115	457,303,561	648,651,676
Financial liabilities at fair value through profit and loss	138,421	1,078,772	-	1,217,193
Other	63,259	756,566	1,116,622	1,936,447
	66,201,680	193,183,453	458,420,183	717,805,316

	Cornhill Mortgages No.2 Limited £ (Audited)	Malt Hill No.1 Plc £ (Audited)	Oat Hill No.1 Plc £ (Audited)	Total as at 30.06.2017 £ (Audited)
Loan notes	-	242,914,405	472,820,063	715,734,468
Financial liabilities at fair value through profit and loss	73,755	1,734,294	-	1,808,049
Other	120,121	804,552	1,069,612	1,994,285
	193,876	245,453,251	473,889,675	719,536,802

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS Continued
for the period from 1 July 2017 to 31 December 2017

18. Segment reporting (continued)

	31.12.2017	30.06.2017
	£	£
	(Unaudited)	(Audited)
Segment liabilities for reportable segments	717,805,316	719,536,802
Trade and other payables	626,841	1,653,775
Total liabilities	718,432,157	721,190,577

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

20. Subsequent Events
The second interim dividend for period ending 30 June 2018 of 1.5p per Ordinary Share was declared on 11 January 2018 and paid on 31 January 2018.

Cornhill Mortgage No.1 Limited (SPV utilised in the securitisation of Malt Hill No.1 Plc) and Cornhill Mortgage No.3 Limited (SPV utilised in the securitisation of Oat Hill No.1 Plc) are currently in liquidation as the mortgage portfolios held have been securitised. At the date of approval of the Unaudited Condensed Consolidated Interim Financial Statements, these entities have not yet been fully liquidated.

These Unaudited Condensed Consolidated Interim Financial Statements were approved for issuance by the Board on 20 March 2018. There were no subsequent events, apart from those mentioned above until this date.

GLOSSARY OF TERMS

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

GLOSSARY OF TERMS Continued

DAC	UK Mortgages Corporate Funding Designated Activity Company an independently managed, Dublin based, section 110 designated activity company that is responsible for the warehousing and securitisation of mortgage portfolios under the supervision of TFAM the investment adviser. DAC is wholly financed by the Company via Profit Participating Notes and distributes substantially all of its profits to the Company thereby qualifying for a reduced rate of taxation, commonly known as a Eurobond exemption. From a financial reporting perspective DAC is consolidated with the Company as it provides its services exclusively to the Company
DSCR	Debt Service Coverage Ratio
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

GLOSSARY OF TERMS Continued

Hedge Accounting	This is the process by which the change in fair value of a hedging instrument is offset by a proportionate change in the fair value of the company's portfolio to neutralise the volatility of the company's net asset value. It requires initial proof and ongoing monitoring of the hedge effectiveness.
IFRS	International Financial Reporting Standards
Investment Company	a company whose main business is holding securities for investment purposes
Internal Control	a process for assuring achievement of an organisation's objectives in operational effectiveness and efficiency, reliable financial reporting, and compliance with laws, regulations and policies
IPO, Initial Public Offering	means the initial public offering of shares in the Company on the specialist fund segment of the London Stock Exchange
IPD	Interest Payment Date
IRR	internal rate of return
IRS	the US Internal Revenue Service
Issue	means together the Placing and the Offer (or as the context requires both of them
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 two-years
LSE	London Stock Exchange plc (a company registered in England and Wales with registered number 2075721)
LTV	means Loan to Value
Mortgage Pool/ Mortgage Portfolio	The underlying mortgage loans that produce the income for the securitised portfolios.
NAV	means net asset value
OECD	the Organisation for Economic Co-operation and Development
Offer	means the offer for subscription of Ordinary Shares at 1 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
QE	Quantitative easing (QE), also known as Large Scale Assets Purchases, is an expansionary monetary policy whereby a central bank buys predetermined amounts of government bonds or other financial assets in order to stimulate the economy.
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
RNS	Regulatory News Service
Section 110	Section 110 of the Irish Taxes Consolidation Act 1997 (as amended). A Section 110 company is an Irish resident special purpose vehicle ("SPV") which holds and/or manages "qualifying assets" and usually distributes substantially all of its income net of a fixed annual tax payment.
Seasoning	The weighted average age of a mortgage portfolio.
Securitisation Vehicle	special purpose vehicle incorporated in the UK established for the purpose of issuing notes collateralised by underlying mortgage pool
Senior Note	Senior note holders receive first priority with respect to income and capital distributions and effectively provide long term leverage finance to the Junior note holders.
Servicer	Means the entity that maintains the relationship with the underlying mortgage borrower to answer questions, collect payments and refinance existing loans if required.
Share Buyback	the Company purchases shares in the market
Shareholders	holders of Shares
Specialist Fund Segment	the Specialist Fund Segment of the London Stock Exchange
SPV	means a special purpose vehicle
SVR	Standard variable rate
TFS	Term Funding Scheme
TML	The Mortgage Lender

GLOSSARY OF TERMS Continued

UK Code	The UK Corporate Governance Code 2016
UKML	UK Mortgages Limited
Valuation Agent	Kinson Advisors LLP
WA LTV	Weighted average loan-to-value
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. Three warehouse SPVs; Cornhill Mortgages No. 1 Limited, Cornhill Mortgages No. 2 Limited and Cornhill Mortgages No. 3 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 mortgage portfolio

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