Company No. 06652083

Uropa Assets No.2 Limited

Annual report and financial statements

For the year ended 31 December 2019

Uropa Assets No.2 Limited

Contents

	Page:
Officers and professional advisers	1
Strategic report	2 - 4
Directors' report	5 - 7
Independent auditors' report	8 - 10
Statement of comprehensive income	11
Statement of changes in equity	12
Statement of financial position	13
Statement of cash flows	14
Notes to the financial statements	15 - 26

Uropa Assets No.2 Limited

Officers and professional advisers

Directors

Intertrust Directors 1 Limited
Intertrust Directors 2 Limited
Päivi Helena Whitaker

Company secretary and registered office

Intertrust Corporate Services Limited
1 Bartholomew Lane
London
EC2N 2AX

Company number

06652083 (England and Wales)

Independent auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
7 More London Riverside
London
SE1 2 RT

Uropa Assets No.2 Limited

Company registration No. 06652083

Strategic report for the year ended 31 December 2019

The directors present the strategic report of Uropa Assets No.2 Limited (the "Company") for the year ended 31 December 2019. The directors, in preparing this strategic report, have complied with s414C of the Companies Act 2006.

Principal activities and review of the business

The Company was established to acquire a portfolio of United Kingdom residential mortgage loans (the "Loans"). The acquisition was funded by borrowing from Uropa Securities plc (the "Lender"), a company within the Uropa Mortgage Backed Securities Programme (the "Programme"). The Lender issued mortgage-backed notes (the "Notes") and advanced the proceeds of the Notes to the Company (the "Funds Borrowed"), on terms that mirror the Notes.

Under the Programme, the rights and obligations associated with the Loans and derivative financial instruments rest with the Company and the rights and obligations associated with the Notes rest with the Lender.

The directors have no plans to change the activities of the Company or, in their capacity as directors of the Lender, the activities of that company, in the foreseeable future.

Results

The statement of comprehensive income is set out on page 11 and shows the loss for the year.

The Loans, Funds Borrowed and derivatives held by the Company are held at fair value through profit or loss on the statement of financial position. The directors recognise that the use of such accounting policies may result in volatility in the gross presentation of the statement of comprehensive income. The loss for the year was due principally to the impact of such accounting principles. The directors do not consider that this application of these accounting principles affects the long-term commercial integrity of the Company.

Key performance indicators, principal risks and uncertainties

The key performance indicators for the Company are considered by the directors to be the rate of the Loans in arrears of over 90 days due, which was 5.45% at year-end (2018: 5.35%) and the yield of Loans in arrears, which was 4.85% (2018: 5.00%).

The loss after taxation of £1,070,000 for year ended 31 December 2019 (2018: £1,071,000) was predominantly attributable to the accounting policy adopted for financial assets and financial liabilities which require the use of fair values in the financial statements. The fair value movement of the Funds Borrowed at year end was a gain of £2,619,000 (2018: £1,595,000), of the Loans was a loss of £2,622,000 (2018: £14,262,000) and of the swaps was a loss of £114,000 (2018: gain of £12,565,000) all of which together are the principal reasons behind the loss for the year.

The carrying value of Loans held by the Company decreased to £166,775,000 at 31 December 2019 from £188,503,000 at 31 December 2018 due to principal repayment and the net effect of fair value adjustments during the year. Write-offs on the Loans of £657,000 which were attributable to Principal loan losses were recognised during the current year (2018: £868,000).

The key uncertainties which the directors expect to have the greatest impact on the performance of the Company are macroeconomic.

The UK left the European Union ("EU") at 23:00 GMT on 31 January 2020 and has now entered an 11-month period, known as the transition. The transition keeps the UK bound to the EU's rules and is due to last until 31 December 2020. This decision to leave the EU continues to create economic and other uncertainties about both the process and its consequences which are risks that may affect the real estate industry, particularly market values of investment property due to investor pools and availability of financing. Although there is no evidence at present that Brexit has adversely affected the activities of either the Company or the Asset-owning companies, with no "Brexit deal" to date, the uncertainty in relation to the impact on the UK and EU economies as a result of a "no deal" Brexit increases and this may impact the operations of the Asset-owning companies and therefore the Company.

On 31 December 2019, the World Health Organisation (the "WHO") was informed that a limited number of cases of pneumonia, of an unknown cause, were detected in Wuhan, Hubei. On 7 January 2020, Chinese authorities identified a new type of coronavirus ("COVID-19") as the cause.

Key performance indicators, principal risks and uncertainties *(continued)*

Since 31 December 2019, the development and spread of COVID-19 has resulted in the occurrence of a multitude of associated events. Among these are the identification of the virus, its spreads in the terms of number of infected and geographical prevalence, action taken by government and non-governmental organisations, actions taken by private entities, and the resulting economic effects of these.

With COVID-19 continuing to spread aggressively, in March 2020 the WHO declared the coronavirus outbreak as a pandemic. On 23 March 2020 the United Kingdom government announced a lockdown for the United Kingdom, which prohibits all non-essential travel. As a result, several businesses have reduced, or in the worst cases, ceased their operations. While the extent and duration of the effect of the coronavirus outbreak on businesses remains unclear, there is a risk of financial instability for the Company.

The directors note that both Brexit and COVID-19 may have a detrimental effect on the UK economy that may ultimately impact the underlying obligors' ability to repay the mortgage loans held by the Asset-owning companies and therefore the Asset-owning companies' ability to repay the Loans, or on the Servicer's ability to continue to effectively service the mortgage loans. The directors will continue to monitor the developments and assess for any changes accordingly. However, in the medium term, the directors recognise the possibility that losses on repossessions by the Asset-owning companies could increase in the future, were interest rates to rise significantly and/or house prices to decrease and this uncertainty is likely to impact the fair value of the Notes and the Loans. The director's note that the fair value of financial instruments as at 31 December 2019 reflect the conditions known as at that date and do not factor in the effect of Covid-19 on those valuations.

The principal risks faced by the Company are detailed in the 'Financial risk management' section below.

Financial risk management

The Company's operations are financed primarily by means of Funds Borrowed from the Lender. The Company borrowed such funds to finance the acquisition of the Loans. The risk profile of the Company is such that all risks of the Loans are ultimately borne by the Note holders of the Lender through the Funds Borrowed.

Whilst the directors have overall responsibility for the establishment and oversight of the Company's risk management framework, this obligation has been allocated and managed in accordance with the transaction documents.

The Company is mainly exposed to credit risk, liquidity risk and market risk. The principal nature of such risks is summarised below.

Credit risk

Credit risk reflects the risk that the borrowers of the Loans will not be able to meet their obligations on the Loans as they fall due and will cause a financial loss by failing to discharge an obligation.

The Loans purchased by the Company are secured by first charges over residential properties in the UK, which represents the Company's primary mitigation of credit risk.

The Company relies on the established credit governance procedures of the servicer of the Loans and credit and fraud risk monitoring to mitigate the risk of financial loss resulting from customer loan defaults or fraudulent activity. The ongoing credit risk of the mortgage portfolio (and particularly in respect of accounts arrears) is closely monitored through an assessment of each customer on an individual basis and the prevailing macroeconomic environment.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with its financial instruments, should the cash flows from the assets differ from those expected.

The Loans are financed principally by the Funds Borrowed. The financing policy substantially reduces the Company's liquidity risk by matching the payment profile of the Company's funding to the payment profile of the Loans.

Whilst the Funds Borrowed are immediately payable, if not otherwise repaid the repayment profile will replicate the profile of the Notes issued by the Lender and will therefore will be redeemed at their principal amount outstanding on the interest payment date falling in June 2059.

Market risk
Market risk is defined as the potential loss in value or earnings of an organisation arising from changes in external market factors. Market risk comprises interest rate risk.

Interest rate risk
Interest rate risk exists where interest rates on assets and liabilities are either set according to different bases or reset at different times. The Company minimises its exposure to interest rate risk by ensuring that the interest rate characteristics of its assets and liabilities are identical.

Whilst LIBOR is the current benchmark upon which reliance is placed, by the end of 2021 it will no longer be in use, following its replacement by SONIA. There remains uncertainty around the financial impact this will have on the Company at this stage, as this will depend on the timing of the repayment of the Notes. However, the directors expect the impact, if any, will be limited, due to the use by the Asset-owning companies of basis rate swaps.

Capital risk management
The Company is not subject to any external capital requirements except for the minimum requirement under the Companies Act 2006. The Company has not breached the minimum requirement.

Events occurring after the reporting date
There were no significant events occurring after the reporting date other than the emergence of Covid-19 in early 2020. The directors assess this event to be a non-adjusting post balance sheet event. The directors continue to monitor carefully the situation with regard to the Covid-19 virus, which is continuing to evolve rapidly.
On behalf of the Board

Sue Abrahams
Per pro **Intertrust Directors 1 Limited**
Director
1 July 2020

Uropa Assets No.2 Limited

Company registration No. 06652083

Directors' report for the year ended 31 December 2019

The directors present their report together with the audited financial statements for the Company for the year ended 31 December 2019.

Corporate governance

The directors have been charged with governance in accordance with the transaction documents describing the structure and operation of the transaction. The governance structure of the Company is such that the key policies have been predetermined at the time of issuance and the operational roles have been assigned to third parties with their roles strictly governed by the transaction documents.

The transaction documents provide for procedures that have been designed for safeguarding assets against unauthorised use or disposition, for maintaining proper accounting records, and for the reliability and usefulness of financial information used within the business or for publication. Such procedures are designed to manage rather than eliminate the risk of failure to achieve business objectives whilst enabling them to comply with any regulatory obligations.

Going concern

The financial position of the Company, its cash flows, liquidity position and borrowing facilities are set out in the financial statements. The Company's policies and processes for managing its capital are described in the strategic report.

The directors recognise that losses on repossession could increase if house prices fall and mortgage borrowers experience difficulty in obtaining finance. However, the obligations of the Company to pay the amounts due on its borrowings are limited to the application of receipts from the Loans.

Under the terms of the documentation governing the transaction, the Company has the ability to defer interest payments on all classes of Notes except Class A Notes. If on full realisation of the Loans or Loan security, insufficient funds exist to settle the Funds Borrowed from the Lender and subsequently, to settle the liabilities owed to the holders of the Notes issued by the Lender, such liabilities will be extinguished in full without further recourse to the Company.

The Directors have also undertaken a going concern assessment, including a review of principal and emerging risks, including those in relation to Covid-19, and assessed the prospects of the Company. As a result of this assessment, the Directors are satisfied that the Company have adequate resources to continue to operate as a going concern for a period in excess of 12 months from the date of this report.

Based on the information above, the directors consider that the Company will continue to trade for the foreseeable future by meeting its liabilities as they fall due by payment in cash and, accordingly, the financial statements have been prepared on the going concern basis.

Financial risk management

Information on financial risk management is included in the financial instruments section of the Strategic report.

Key future developments

The directors do not anticipate any significant future development in the foreseeable future.

Share capital

The issued share capital consists of one fully paid ordinary share of £1.

Directors

The directors who served during the year, and subsequently, were:

Intertrust Directors 1 Limited
Intertrust Directors 2 Limited
Päivi Helena Whitaker

The directors do not recommend the payment of a dividend (2018: £nil).

Third party indemnities

Qualifying third party indemnity provisions for the benefit of the directors were in force during the year under review and remain in force as at the date of approval of the annual reports and financial statements.

Company secretary

The company secretary during the year, and subsequently, was Intertrust Corporate Services Limited.

Disclosure of information to the auditor

Each of the directors at the date of approval of this report confirms that:

(a) so far as the directors are aware, there is no relevant audit information of which the Company's auditors are unaware; and

(b) the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418(2) of the Companies Act 2006.

Independent auditors

The auditor, PricewaterhouseCoopers LLP, have expressed their willingness to continue in office. Pursuant to Section 487 of the Companies Act 2006, PricewaterhouseCoopers LLP, subject to any resolution to the contrary, are deemed to have been re-appointed as auditor of the Company.

Uropa Assets No.2 Limited

Company registration No. 06652083

Directors' report for the year ended 31 December 2019 (*continued*)

Directors' responsibilities statement

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

On behalf of the Board

Sue Abrahams
Per pro **Intertrust Directors 1 Limited**
Director
1 July 2020

Report on the audit of the financial statements

Opinion

In our opinion, Uropa Assets No.2 Limited's financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and financial statements (the "Annual Report"), which comprise: the statement of financial position as at 31 December 2019; the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' report for the year ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Andrew Batty (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
1 July 2020

Uropa Assets No.2 Limited

Statement of comprehensive income for the year ended 31 December 2019

	Note	2019 £'000	2018 £'000
Interest receivable and similar income	2	5,340	5,296
Interest payable and similar expenses	3	(4,759)	(4,376)
Net interest income		581	920
Movement in fair value of Loans	4	(2,622)	(14,262)
Movement in fair value of Funds Borrowed	4	2,619	1,595
Movement in fair value of derivatives	4	(114)	12,565
Other operating income		63	65
Other operating expense	5	(1,597)	(1,954)
Operating loss and loss before taxation		(1,070)	(1,071)
Tax on loss	7	-	-
Loss for the year		**(1,070)**	**(1,071)**
Other comprehensive income		-	-
Total comprehensive expense for the year		**(1,070)**	**(1,071)**

All amounts relate to continuing activities.

The notes on pages 15 to 26 form part of these financial statements.

Uropa Assets No.2 Limited

Statement of changes in equity for the year ended 31 December 2019

	Note	Called up share capital £'000	Retained earnings £'000	Total shareholders' funds £'000
Balance as at 1 January 2018		-	6,909	**6,909**
Loss for the year		-	(1,071)	**(1,071)**
Balance as at 31 December 2018		-	5,838	**5,838**
Loss for the year		-	(1,070)	**(1,070)**
Balance as at 31 December 2019	11	-	4,768	**4,768**

The notes on pages 15 to 26 form part of these financial statements.

Uropa Assets No.2 Limited

Company registration No. 06652083

Statement of financial position as at 31 December 2019

	Note	2019 £'000	2018 £'000
Fixed assets			
Loans	8	160,980	185,819
Current assets			
Loans	8	5,795	2,684
Cash	9	34,350	34,632
		40,145	37,316
Creditors: amounts falling due within one year	10	(32,313)	(35,428)
Net current assets		7,832	1,888
Total assets less current liabilities		168,812	187,707
Creditors: amounts falling due after more than one year	10	(164,044)	(181,869)
Net assets		**4,768**	**5,838**
Capital and reserves			
Called up share capital	11	-	-
Retained earnings		4,768	5,838
Total shareholders' funds		**4,768**	**5,838**

The notes on pages 15 to 26 form part of these financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 1 July 2020 and signed on their behalf by:

Sue Abrahams
Per pro **Intertrust Directors 1 Limited**
Director

Uropa Assets No.2 Limited

Statement of cash flows for the year ended 31 December 2019

	Note	2019	2018
		£'000	£'000
Net cash outflow from operating activities	13	(895)	(1,361)
Cash flows from investing activities			
Interest received on Loans		5,475	5,358
Repayment of Loans	8	18,449	23,377
Interest received on bank balances		4	11
		23,928	28,746
Cash inflow before financing activities		23,033	27,385
Cash flows from financing activities			
Interest paid on Funds Borrowed		(2,978)	(2,817)
Redemption of Funds Borrowed	12	(18,823)	(22,778)
Interest paid on derivatives		(1,514)	(1,293)
		(23,315)	(26,888)
Net change in cash in the year		**(282)**	**497**
Cash at beginning of the year		34,632	34,135
Cash at the end of the year		**34,350**	**34,632**

The notes on pages 15 to 26 form part of these financial statements.

1) Accounting policies

Uropa Assets No.2 Limited ("the Company"), a private company limited by shares, was incorporated as a special purpose company in the United Kingdom and registered in England and Wales. The address of the Company's registered office is shown on page 1.

Basis of preparation

The financial statements are prepared in accordance with the Companies Act 2006 and Financial Reporting Standard 102 (FRS 102) issued by Financial Reporting Council.

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements of the Company.

a) Accounting convention

The financial statements are prepared under the historical cost convention modified for the valuation of financial instruments, and in accordance with UK GAAP. The Company has adopted Financial Reporting Standard 102 ("FRS 102") from 1 January 2015.

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the business review which forms part of the strategic report. The strategic report also describes the financial position of the Company; its cash flows, liquidity position and borrowing facilities; the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposure to credit risk and liquidity risk.

b) Going concern

The financial position of the Company, its cash flows, liquidity position and borrowing facilities are set out in the financial statements. The Company's policies and processes for managing its capital are described in the strategic report.

The directors recognise that losses on repossession could increase if house prices fall and mortgage borrowers experience difficulty in obtaining finance. However, the obligations of the Company to pay the amounts due on its borrowings are limited to the application of receipts from the Loans.

Under the terms of the documentation governing the transaction, Uropa Securities Plc has the ability to defer interest payments on all classes of Notes except Class A2 Notes and Class A3 Notes. If on full realisation of the Loans or Loan security, the Company has insufficient funds to settle the Funds Borrowed from the Lender then the Lender will have no further recourse against the Company. In such a situation the Lender would have insufficient funds to settle the liabilities owed to the holders of the Notes issued by the Lender, in which case the Post-Enforcement Call Option ("PECO") holder will have the option to purchase all the Notes issued by the Lender then outstanding in consideration for the payment of £0.01 in respect of each Note. Upon the exercise of the Post-Enforcement Call Option, the Noteholders will cease to have any rights against the Lender.

Since the balance sheet date, there has been a global pandemic from the outbreak of Covid-19, which is causing widespread disruption to financial markets and normal patterns of business activity across the world, including the UK. The directors have undertaken a going concern assessment, including a review of principal and emerging risks, including those in relation to Covid-19, and assessed the prospects of the Company. As a result of this assessment, the directors are satisfied that the Company has adequate resources to continue to operate as a going concern for a period in excess of 12 months from the date of this report.

As explained in the directors' report, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

c) Judgements and key sources of estimation uncertainty

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and judgements that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting year.

1) Accounting policies (*continued*)

c) Judgements and key sources of estimation uncertainty (continued)

These estimates involve the use of assumptions such as risk adjustments to cash flows. Actual results may differ from these estimates. If actual results differ from the estimates, the impact will be recorded in future years.
Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable and willing parties in an arm's length transaction. The existence of a quoted price in an active market or a recent transaction price is the best evidence of fair value and when they are available they are used. If the market for a financial instrument is not active, fair value is established using a valuation technique. Fair value represents point-in-time estimates that may change in subsequent reporting periods due to market conditions or other factors.

The directors concluded that the Funds Borrowed do not satisfy the requirements for classification as basic financial instruments under FRS 102, due to their limited recourse nature. Accordingly, the Funds Borrowed have been classified as complex financial instruments and are held at fair value. In order to avoid an accounting mismatch, the directors have also classified the Loans as complex financial instruments and therefore also hold these at fair value.

The Company assesses at each reporting date the fair value of its Loans (note 8), Funds Borrowed (note 10) and Derivatives (note 12). More details in regards to the assumptions used in the valuation can be found in the accounting policies below.

d) Interest income and expense

Interest income on financial assets at fair value through profit and loss ("FVTPL") and interest expense on financial liabilities at FVTPL are recognised as interest accrues using the interest rate per the terms of the related Loans and Funds Borrowed.

Interest income on financial assets other than those classified as fair value through profit or loss and interest expense on financial liabilities is determined using the effective interest rate method. The effective interest rate method is a method of calculating the amortised cost of a financial asset or financial liabilities and of allocating the interest income or interest expense over the expected life of the asset or liability. The effective interest rate is the rate that exactly discounts estimated future cash flows to the instrument's initial carrying amount.

e) Financial instruments

The Company's financial instruments comprise Loans, Funds Borrowed, cash, debtors and creditors which arise directly from its operations and are part of its principal activity.

f) Loans

Mortgage loans (the "Loans"), in the scope of Financial Reporting Standard 102, are accounted for in these financial statements as financial assets at FVTPL. The Company has determined the classification of its financial assets at initial recognition.

Financial assets reported at FVTPL are carried in the statement of financial position at fair value, with any gains or losses arising on re-measurement recognised in the statement of comprehensive income. Interest earned on the Loans is included in the 'interest income' line item in the statement of comprehensive income.

Fair value is determined with reference to the estimated fair value of the Funds Borrowed and derivatives held since their combined cash flows are similar.

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

1) Accounting policies (*continued*)

g) Cash

Cash comprise cash balances. These accounts are held in the Company's name and meet the definition of cash, but their use is restricted by a detailed priority of payments as set out in the transaction documentation. As the cash can only be used to meet certain specific liabilities and is not available to be used with discretion, it is viewed as restricted cash.

h) Funds Borrowed

Funds Borrowed are classified as financial liabilities at FVTPL and are initially recognised at fair value at the date of issuance of the liability, and are subsequently re-measured at each reporting date at their fair value with any movements being taken through the statement of comprehensive income. Interest incurred on the Funds Borrowed is included in the 'interest expense' line item in the statement of comprehensive income.

i) Payments to Series Residual Certificates

Series Residual Certificates represent the most junior tranche of the Funds Borrowed. An expense for Payments to Residual Certificates is included in Interest payable if such payment has accrued. Each of the Residual Certificates bears an entitlement to receive payment in respect of residual amounts available. As at the year-end no payment had accrued to the Series Residual Certicate holders (2018: £Nil).

j) Financial liabilities

Obligations for borrowings are recognised when the Company becomes party to the related contracts and are measured initially at the fair value of consideration received less directly attributable transaction costs. After initial recognition, with the exception of Funds Borrowed (see section 1h), interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses arising on the repurchase, settlement or otherwise cancellation of liabilities are recognised in the statement of comprehensive income.

k) Derivatives

Derivatives are classified as held for trading. Held for trading financial instruments are stated at fair value, with any gains or losses arising on re-measurement recognised in the statement of comprehensive income. Interest earned or incurred on the derivatives is included in the 'interest receivable and similar income or 'interest payable and similar charges' line items in the statement of comprehensive income.

l) Segmental analysis

The whole Company's operations are carried out in the UK and the results and net assets are derived from its investment in the Loans, which represents the Company's only operating segment.

m) Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the reporting date.

For UK corporation tax purposes, the Company has been considered as a securitisation Company under the 'Taxation of Securitisation Companies Regulations 2006' (SI 2006/3296). Therefore, the Company is not required to pay corporation tax on its accounting profit nor is it able to recover tax on its loss. Instead, the Company is required to pay tax on its retained cash profits as specified in the documentation governing the securitisation transaction into which the Company has entered.

2) Interest receivable and similar income

	2019 £'000	2018 £'000
Interest received on Loans at FVTPL	5,336	5,285
Interest received on bank balances	4	11
	5,340	5,296

3) Interest payable and similar expenses

	2019 £'000	2018 £'000
Interest expense on Funds Borrowed at FVTPL	3,254	3,103
Interest expense on derivatives	1,505	1,273
	4,759	4,376

4) Net movement in fair value of financial liabilities and financial assets

The net change in fair value of Funds Borrowed at FVTPL has arisen following the updated estimation of the fair value of the Funds Borrowed at year end. The total fair value gain of the Funds Borrowed during the year amounted to £2,619,000 (2018: £1,595,000).

The net change in fair value of Loans at FVTPL has arisen due to the updated estimation of the fair value of the Loans at year end and is determined with reference to the current market value of the derivatives and Funds Borrowed. The total fair value loss on the Loans during the year amounted to £2,622,000 (2018: £14,262,000).

The net change in fair value of derivatives through the statement of comprehensive income has arisen due to the movement in derivative mark-to-market valuations at year end. The total fair value loss of the derivatives during the year amounted to £114,000 (2018: gain of £12,565,000).

5) Other operating expense

Other operating expenses comprise fees charged by the mortgage servicers of £706,125 (2018: £923,528) and write-offs on the Loans. For the financial year the auditors' remuneration for the audit of the Company's financial statements is £42,500 (2018: £45,000). The write-offs incurred on the Loans in the year were £657,000 (2018: £868,000).

The Company will also pay 50% of the auditors' remuneration incurred by Uropa Securities plc on its behalf amounting to £32,500 (2018: £33,750).
The Company did not receive any non-audit services (2018: none) and therefore non-audit fees of £nil were incurred during the financial year (2018: £nil).

6) Directors and employees

The Company has no employees (2018: none) and services required are contracted from third parties.

The directors received no remuneration from the Company or any third party in respect of qualifying services rendered during the year (2018: £nil). Fees paid to Intertrust Management Limited (note 15) include payments in relation to the services of directors.

7) Tax on loss

a) Analysis of the Company tax in the year:

	2019 £'000	2018 £'000
UK corporation tax charge on the loss for the year	-	-

b) Factors affecting tax charge for year:

The charge in respect of taxation for the year differs from the UK standard rate of corporation tax. The rate below represents a blended rate.

The differences are explained below:

	2019 £'000	2018 £'000
Loss before taxation	(1,070)	(1,071)
Current tax @ 19% / (2018: 19%)	(203)	(203)
Effects of:		
Amounts taxable in accordance with securitisation tax rules	203	203
Total tax charge	-	-

For UK corporation tax purposes, the Company has been considered as a securitisation company under the Taxation of Securitisation Companies Regulations 2006 (SI 2006/3296). Therefore, the Company is not required to pay corporation tax on its accounting profit or is able to recover tax on its loss. Instead, the Company is required to pay tax based on its retained profits as specified in the programme.

8) Loans

The Loans are secured by first charges over residential properties in England and Wales.

	2019 £'000	2018 £'000
Brought forward fair value of Loans	188,503	227,010
Redemptions during the year	(18,449)	(23,377)
Write-off of Loans during the year	(657)	(868)
Fair value loss on Loans	(2,622)	(14,262)
Carried forward fair value of Loans	166,775	188,503

The maturity profile of the Loans was as follows:		
Principal balance of Loans due in one year or less	5,795	2,684
Principal balance of Loans due in more than one year	160,980	185,819
	166,775	188,503

9) Cash

	2019 £'000	2018 £'000
Cash at bank	34,350	34,632
	34,350	34,632

10) Creditors

	2019 £'000	2018 £'000
Amounts falling due within one year:		
Funds Borrowed	24,080	27,698
Accrued interest due on Funds Borrowed	827	552
Fair value of derivatives	6,773	6,668
Other creditors	457	368
Accruals and deferred income	176	142
	32,313	35,428
Amounts falling due after more than one year:		
Funds Borrowed	164,044	181,869
	164,044	181,869

The maturity profile of the Funds Borrowed and their outstanding principal balances is detailed below under Note 12 'Liquidity Risk'.

11) Called up share capital

	2019 £	2018 £
Called up, issued and paid		
1 ordinary shares (2018: 1) of £1 each fully paid	1	1

12) Financial instruments

The narrative disclosure required by Financial Reporting Standard 102 in relation to the nature of the financial instruments used during the year to manage credit risk, interest rate risk and liquidity exposure and its capital risk management policies is shown in the Strategic Report under the heading 'Financial risk management'.

It is, and has been throughout the year under review, the Company's policy that no trading in financial instruments shall be undertaken.

The Company's exposure to risk on its financial instruments and the management of such risk is largely determined at the inception of the securitisation transaction. The Company's activities and the role of each party to the transaction is clearly defined and documented. In addition, derivative contracts are entered into as part of the securitisation transaction to hedge all interest rate risk arising in the transaction. The derivative counterparties are regulated financial institutions. Credit protection is afforded by the requirement for the derivative counterparties to post collateral in the event of a downgrade to a counterparty's credit rating.

12) Financial instruments (continued)

Following initial set-up, the directors monitor the Company's performance, reviewing quarterly reports on the performance of the Loans. Such review is designed to ensure that the terms of the transaction documentation have been complied with, that no unforeseen risks have arisen and that the Note holders have been paid on a timely basis.

Credit risk

Credit risk reflects the risk that the mortgage loan borrowers will not be able to meet their obligations on the Loans as they fall due and will cause a financial loss by failing to discharge an obligation.

The Loans are secured by first charges over residential properties in the UK.

The maximum exposure to credit risk arising on the Company's financial assets at the reporting date is the carrying amount.

	Carrying Value 2019 £'000	Maximum Exposure 2019 £'000	Carrying Value 2018 £'000	Maximum Exposure 2018 £'000
Assets				
Loans	194,363	194,363	213,470	213,470
Fair value movement	(27,588)	(27,588)	(24,967)	(24,967)
Total fair value of the loans	166,775	166,775	188,503	188,503
Cash	34,350	34,350	34,632	34,632
	201,125	201,125	223,135	223,135

At year end the current weighted average loan to value of Loans was 80.78% (2018: 80.78%) and the Mortgage principal loss for the year was £657,000 (2018: £868,000).

The table below sets out the gross Loans principal, along with any accrued but unpaid interest.

	2019 Carrying value of Loans £'000	2018 Carrying value of Loans £'000
Loans as at 31 December 2019:		
Outstanding mortgages in arrears	18,846	20,011
Not past due	175,517	193,459
Cumulative fair value adjustment	(27,588)	(24,967)
	166,775	188,503

Loans past due at 31 December	2019 £'000	2018 £'000
1-2 month	6,991	4,397
2-3 months	2,625	4,761
Over 3 months	9,230	10,853
	18,846	20,011

12) Financial instruments (continued)

Market risk

Market risk is defined as the potential loss in value or earnings of an organisation arising from changes in external market factors.

The Company is exposed to market risk which comprises interest rate risk.

Interest rate risk

Interest rate risk exists where assets and liabilities have interest rates set under a different basis or which reset at different times. The Company minimises its exposure to interest rate risk by ensuring that the interest rate characteristics of Loans and Funds Borrowed (its principal assets and liabilities) are similar; where this is not possible the Company uses derivative financial instruments to mitigate any residual interest rate risk. As interest risk is linked to the underlying Notes issued by the Lender, reference is made to these Notes where applicable.

The interest rate applicable to floating rate liabilities is determined and payable quarterly in arrears by reference to the London Inter-Bank Offered Rate ("LIBOR") for Sterling deposits.

Interest on the Funds Borrowed is determined at the following rates for three-month deposits:

	Gross notional value 2019 £'000	Fair value 2019 £'000	Gross notional value 2018 £'000	Fair value 2018 £'000	
Class A Notes	92,413	89,013	106,065	101,721	LIBOR + 0.20%
Class M1 Notes	22,528	20,844	24,506	23,012	LIBOR + 0.35%
Class M2 Notes	17,619	16,302	19,165	18,012	LIBOR + 0.55%
Class B Notes	18,774	17,370	20,422	18,959	LIBOR + 0.75%
Class C Notes	33,128	25,403	33,128	29,118	LIBOR + 0.80%
Class D Notes	16,564	19,192	16,564	18,745	LIBOR + 4.25%
Class S Notes	33,386	-	33,386	-	LIBOR + 4.25%
Series Residual certificates	-	-	-	-	Residual certificate holder payments
	234,412	188,124	253,236	209,567	

Under the terms of the documentation governing the transaction, interest of Libor + 4.25% is due on the subordinated debt (the Class S Notes); however payments of this interest are limited to the extent that sufficient revenue receipts are available following the payment of interest and principal due on the non-subordinated debt. No payments of interest have been made on the subordinated debt since inception as no sufficient funds have been available.

It is considered unlikely that the Company will have sufficient funds to pay the interest accrued on the subordinated debt and therefore this interest has not been recognised in the financial statements, but is inherent within the fair value of the Class S Notes. If funds were available, the maximum interest payable on the subordinated loan at year-end would be £22,793,559 (2018: £21,101,109).

The Series Residual Certificates are subordinate to the Class S Notes. No payment is currently expected to be due to the Series Residual Certificate holders.

The probability that sufficient funds become available and interest payments are made will continue to be assessed by the directors in the future to determine whether such interest should be recognised.

Due to interest rate swaps being in place, the Company considers that it has no significant net interest rate risk exposure and therefore has not presented a sensitivity analysis on the effect on net interest income.

12) Financial instruments (continued)

Liquidity risk

Liquidity risk is the risk that the Company is not able to meet its financial obligations as they fall due or can do so only at an unacceptably high cost. The Company's ability to meet payments on the Funds Borrowed as they fall due is dependent on timely receipt of funds on the Loans.

In the event that the Company has insufficient funds available to pay interest and/or principal on the Funds Borrowed then the Lender will have no further recourse to the Company for the remaining amounts due.

The table below reflects the undiscounted contractual cash flows of derivative and non-derivative financial liabilities at the reporting date. The amounts shown below will differ from the Funds Borrowed balance as disclosed in the statement of financial position since the amounts in the statement of financial position are at fair value, whereas the Funds Borrowed cash flows below represent notional value principal:

	Carrying value	Gross cash flows	In less than 1 month	After 1 month but within 3 months	After 3 months but within 1 year	After 1 year but within 5 years	After 5 years
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
As at 31 December 2019							
Funds Borrowed	188,124	234,412	-	6,227	19,120	82,649	126,416
Interest payable on Funds Borrowed	827	69,065	-	1,189	3,485	15,891	48,500
Interest payable on derivatives	6,773	80,869	-	510	514	11,220	68,625
Total financial liabilities	**195,724**	**384,346**	**-**	**7,926**	**23,119**	**109,760**	**243,541**
As at 31 December 2018							
Funds Borrowed	209,567	253,235	-	6,377	21,996	74,958	149,904
Interest payable on Funds Borrowed	552	73,754	-	1,227	3,618	16,862	52,047
Interest payable on derivatives	6,668	93,961	-	545	557	12,161	80,698
Total financial liabilities	**216,787**	**420,950**	**-**	**8,149**	**26,171**	**103,981**	**282,649**

The Funds Borrowed are subject to mandatory redemption in part on each interest payment date in an amount equal to the principal received or recovered in respect of the Loans.

Contractually the payment profile of the Funds Borrowed matches the payment profile of the Loans. If not otherwise repaid the Funds Borrowed will follow the profile of the Notes issued by the Lender and will therefore be due at their principal amount outstanding no later than the interest payment date falling in June 2059. The analysis above therefore reflects the expected repayment profile.

Currency profile

All of the Company's financial assets and liabilities are denominated in Sterling.

Fair value of financial assets and liabilities

Financial Reporting Standard 102 in relation to the nature of the financial instruments that are measured in the statement of financial position at fair value requires them to be put into a fair value measurement hierarchy based on fair value measurement as detailed below:

- (Level 1) Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- (Level 2) 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).
- (Level 3) Valuation techniques that include inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

12) Financial instruments (continued)

Fair value of financial assets and liabilities (continued)

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

The financial instruments included in the Company's statement of financial position that are measured at fair value are derivative transactions, Loans and Funds Borrowed. The fair value of these financial instruments is calculated by discounting future cash flows using appropriate market data. All these fall within level 3 of the hierarchy as the inputs are unobservable.

31 December 2019:

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Assets				
Non-derivative financial assets	-	-	166,775	166,775
	-	-	166,775	166,775
Liabilities				
Financial liabilities at FVTPL	-	-	188,124	188,124
Derivative financial liabilities	-	-	6,773	6,773
	-	-	194,897	194,897

31 December 2018:

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Assets				
Non-derivative financial assets	-	-	188,503	188,503
	-	-	188,503	188,503
Liabilities				
Financial liabilities at FVTPL	-	-	209,567	209,567
Derivative financial liabilities	-	-	6,668	6,668
	-	-	216,235	216,235

There were no transfers between Level 1, 2 and 3 during the year.

Valuation techniques and sensitivity analysis

The fair value of the Funds Borrowed is considered by the directors to be equal to the fair value of the Notes issued by the Lender, Uropa Securities plc. The Notes are not actively traded. As such, the fair value of the Notes is based upon available mid-market prices and, where unavailable, by calculating the present value based on a comparable yield curve relevant for each individual class of Notes issued by the Lender. The Notes are listed on the Irish Stock Exchange and were issued to finance the Funds Borrowed by the Company. The terms and conditions of the Notes, including the types of Notes and their related rights and obligations of the investors, are described in the Lender's Mortgage-backed Securities Programme published on the Irish Stock Exchange on 18 July 2007.

The Funds Borrowed are secured by a charge on the Loans. The Funds Borrowed may be repaid early if any of the trigger events specified in the documents relating to the Uropa Programme occur. The directors are satisfied that no such event has occurred up to the date of the signing of these financial statements.

The fair value of the Loans is derived from the fair value of the Funds Borrowed, with key adjustments relating to the value of derivatives, cash and the present value of future operating costs for the Company.

12) Financial instruments (continued)

Fair value of financial assets and liabilities (continued)

Valuation techniques and sensitivity analysis (continued)

The Directors consider that materially all of the fair value movement in the Loans and the Funds Borrowed is due to credit risk. Due to the nature of the Programme, the impact of own credit risk is considered not to be material.

The fair value of the interest rate swaps is estimated by discounting future cash flows using observable market data at that date. The notional profile of the base rate swaps is estimated by the counterparty bank using stochastic techniques to model expected borrower behaviour. The fair value of these interest rate swaps is sensitive to this expected amortisation profile and reasonable changes in the expected amortisation can have impacts on the fair value at year-end.

Sensitivity analysis is not performed on financial assets or liabilities with significant unobservable inputs (Level 3). Whilst the directors' acknowledge that there is a range of reasonably possible alternative valuations, changes in the fair value of the derivatives have an equal and opposite impact on the estimate of the fair value of the Loans and therefore changes in the estimated amortisation profile do not have a net impact on net profits or net assets of the Company.

Reconciliation of Level 3 fair value measurements of financial instruments:

	FVTPL		
	Loans	**Funds Borrowed**	**Derivatives**
	£'000	**£'000**	**£'000**
Opening balance	188,503	(209,567)	(6,668)
Total gains or losses:			
- in statement of comprehensive income	(3,279)	2,620	(105)
Settlements	(18,449)	18,823	-
Balance at 31 December 2019	166,775	(188,124)	(6,773)
Opening balance	227,010	(233,940)	(19,253)
Total gains or losses:			
- in statement of comprehensive income	(15,130)	1,595	12,585
Settlements	(23,377)	22,778	-
Balance at 31 December 2018	188,503	(209,567)	(6,668)

The derivative swap contracts were entered into for the purpose of hedging the interest rate risk; such swaps are in place until the related Loans mature. The Company has interest rate swaps with a total notional principal value of 189,005,037 (2018: £206,918,320) which are priced on a quarterly basis, hedging the interest rate reset, at different times of the Loans and Funds Borrowed.

13) Reconciliation of loss before taxation to net cash flow from operating activities

		2019 £'000	2018 £'000
Result before taxation		(1,070)	(1,071)
Less:	Interest received on Loans	(5,336)	(5,285)
	Interest received on cash at bank	(4)	(11)
	Fair value movement on Loans	2,622	14,262
	(Decrease)/increase in creditors	(18)	(339)
	Fair value movement on derivatives	114	(12,565)
Add:	Interest payable on Funds Borrowed	3,254	3,103
	Interest payable on derivatives	1,505	1,273
	Fair value movement on Funds Borrowed	(2,619)	(1,595)
	Principal Loan losses	657	867
Net cash outflow from operating activities		(895)	(1,361)

14) Ultimate parent undertaking

The entire share capital of the Company is held by Intertrust Corporate Services Limited which holds the entire issued share capital on a discretionary trust basis for the benefit of certain charities.

Intertrust Corporate Services Limited is a wholly-owned subsidiary of Intertrust Management Limited.

15) Related parties

During the year fees of £32,236 (2018: £20,939) were paid to Intertrust Management Limited. These fees are in respect of corporate services provided, including the provision of directors. At year end corporate services fees of £nil were accrued (2018: £nil).

The Company also pays 50% fees to Intertrust Management Limited on behalf of Uropa Securities plc, Uropa Holdings Limited and Uropa Options Limited. The fees paid in this respect amounted to £2,682 (2018: £19,582) of which £nil were accrued at year-end (2018: £nil).

All the proceeds of the Company's borrowing are used to acquire a mortgage loan portfolio. These funds are borrowed from the Lender, Uropa Securities plc. At the year end the fair value of the total amount borrowed from the Lender is £188,124,000 (2018: £209,567,000) as detailed in note 12.

16) Events occurring after the reporting date

There were no significant events occurring after the reporting date other than the emergence of Covid-19 in early 2020. The directors assess this event to be a non-adjusting post balance sheet event. The directors continue to monitor carefully the situation with regard to the Covid-19 virus, which is continuing to evolve rapidly.