Company Number 11838446

MTF Finance II Limited

Annual report and financial statements

For the year ended 31 December 2020

Contents

MTF Finance II Limited

Officers and professional advisers

Directors

Intertrust Directors 1 Limited
Intertrust Directors 2 Limited
Helena Whitaker

Company secretary and registered office

Intertrust Corporate Services Limited
1 Bartholomew Lane
London
EC2N 2AX

Company number

11838446
(England and Wales)

Independent auditors

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

Strategic report for the year ended 31 December 2020

The directors present the strategic report of MTF Finance II Limited (the "Company") for the year ended 31 December 2020.

Principal activities, business review and future developments

The Company was established as a special purpose vehicle to raise funding through the issue of junior variable funding notes (the "Notes") on a periodic basis to the junior note purchaser (the "Note Purchaser"). The Company applied the proceeds from the Notes issuance to acquire the rights, title and beneficial interest in a portfolio of bridging finance receivables (the "Loans"). The Loans are secured over residential and commercial properties in the United Kingdom.

At the year end the principal balance of the Notes outstanding - along with the entitlement of the noteholders to the residual cash flows of the Company - amounted to £86,288,876 (2019: £51,460,045). The amount due on the Loans held by the Company (being the sum of principal and accrued interest, less the impairment provision) amounted to £78,849,870 (2019: £50,037,887). The maximum amount of Notes that the Company can issue is £100,000,000.

During the year, Loans have been purchased on a regular basis and have been funded exclusively by the issuance of Notes to the Note Purchaser. These issuances and purchases are expected to continue through to a future date in March 2022.

The Company's obligation to pay principal and interest on the Notes and its operating and administrative expenses will be met primarily from payments of principal and interest received from the Loans. The Notes are a limited recourse obligation of the Company.

The directors do not anticipate any changes to the present level of activity, or the nature of, the Company's business in the foreseeable future.

Results

The statement of comprehensive income of the Company is set out on page 11 and shows the profit for the financial year of £811 (2019: £540 profit).

Key performance indicators, principal risks and uncertainties

The directors obtain a full breakdown of the performance of the Loans on a monthly basis. The carrying value of the Loans held by the Company, which differs from the amount repayable by the borrower as a result of future interest accrual and the impairment provision, increased from £50,037,887 at the start of the year to £78,849,870 as at 31 December 2020, due to the net effect of interest accruals, scheduled repayments and the acquisition of further Loans.

The impairment provision held against the Loans at the year end, to cover any shortfall on realisation of proceeds from the sale of the underlying properties was £330,643 (2019: £nil).

Some of the key performance indicators are:

	31 December 2020	**31 December 2019**
Carrying value of Loans	£78,849,870	£50,037,887
Loans 1 to 3 months in arrears	£2,544,182	£687,793
Loans 3 months or more in arrears	£4,788,809	-
Total number of Loans in arrears	18	4

At the year end the balance of the Notes outstanding amounted to £86,288,876 (2019: £51,460,045).

The primary risks facing the Company include credit risk, liquidity risk and interest rate risk. The principal nature of such risks is summarised below.

Brexit considerations

The UK left the European Union ("EU") at 23.00GMT on 31 January 2020 and exited the subsequent 11-month transition window at 23.00 GMT on 31 December 2020. On 24 December 2020 a Trade and Cooperation Agreement (the "Agreement") was formalised between the EU and the UK which established the basis for the broad relationship between the EU and the UK going forwards.

Whilst the Agreement reduces the inherent uncertainty arising from the UK's exit from the EU, the macro-economic affect this trade deal has on the UK economy is difficult to determine. However, as the Notes are a limited recourse obligation of the Company , the Company is not ultimately exposed if the underlying borrowers are unable to repay the Loans.

COVID-19 Coronavirus considerations

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 9 January 2020, Chinese authorities identified a new type of coronavirus ("COVID-19") as the cause. During the year, the United Kingdom government announced several lockdowns for the United Kingdom, which prohibited 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, for example a detrimental effect on the UK economy may ultimately impact the underlying borrowers' ability to repay the Loans.

M T Finance Limited is the originator of the Loans and continues to service them on behalf of the Company. As an unregulated bridging finance lender, M T Finance Limited is not required to offer payment holidays. Nonetheless, in some exceptional instances, on a case by case basis and in line with the principle of treating customers fairly, M T Finance Limited, in agreement with the Company, offered payment holidays as a result of the COVID-19 pandemic. As at 31 December 2020, only one underlying Loan borrower had opted to take a payment holiday out of a total of 288 remaining Loans.

As of December 2020, the United Kingdom rolled out its first vaccine, Pfizer/BioNTech which was shortly followed by its second the Oxford/Astrazeneca vaccine. It is hoped that these and other vaccines will play a crucial part in slowing down the spread of the virus assisting both the NHS and the UK economy in its recovery.

Given the unprecedented situation with COVID-19, the directors acknowledge that there may be further unexpected impacts that are currently unforeseeable. Due to the short life of the Loans, the impact that COVID 19 may have on the Company is expected to be less than would be the case with longer life Loans.

Financial instruments

The Company's operations are financed primarily by means of Notes. The Company continues to issue such financial instruments to finance the acquisition of Loans. It is not the Company's policy to trade in financial instruments.

Credit risk

Credit risk reflects the risk that the underlying Loans borrowers or other transaction parties will not meet their obligations as they fall due.

The Company's principal business objective rests on the performance of the Loans. Although the Loans are secured over residential and commercial properties in the United Kingdom, the Company has considered the evaluation of a borrower's ability to service a Loan according to its terms to be the principal factor in assessing the credit risk and the decision to acquire the Loans.

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

Liquidity risk

Liquidity risk reflects the risk that the Company may encounter difficulty in meeting its obligations associated with its financial liabilities.

The Loans are financed by drawings under the Notes. Due to the limited recourse obligations of the Company in respect of the Notes, the Company is only obliged to make payments of principal and interest on the Notes to the extent that repayments are received from the Loans or from any security over the Loans being realised.

Interest rate risk

Interest rate risk exists where interest rates on assets and liabilities are either set according to different basis or reset at different times.

The Company is exposed to interest rate risk because the Loans are subject to different fixed interest rates while the Notes are based on a fixed interest rate. The directors however, consider this risk to be immaterial, due to the significant differential between the interest received on the Loans and the interest paid out on the Notes.

Currency risk

Given the Company trades exclusively in the UK, the Company has no material exposure to foreign exchange rate fluctuations.

Capital management

The Company is not subject to any external capital requirements, except for the minimum requirement under the Companies Act 2006 with which the Company has complied.

On behalf of the Board

Sue Abrahams
per pro **Intertrust Directors 1 Limited**
as Director
24 February 2021

MTF Finance II Limited
Company registration number: 11838446

Directors' report for the year ended 31 December 2020

The directors present their annual report together with the audited financial statements of the Company for the year ended 31 December 2020.

Going concern

In order to form a view as to the most appropriate basis of preparation of these financial statements, the directors have assessed the likelihood of whether the Company will continue trading over the foreseeable future versus the likelihood of either intending to or being forced to either cease trading or to place the Company into liquidation.

The ability of the Company to meet its obligations on the Notes and to meet its operating and administrative expenses is dependent principally on the performance of the Loans. The Notes are a limited recourse obligation of the Company, secured over the Loans, and the Company's ability to pay amounts due on the Notes are, in substance, limited to the application of the receipts from the Loans under the terms of the priority of payments.

The directors have performed an assessment of going concern. In terms of considering going concern, the focus was upon the Company's position in respect of the potential for reduced cash flows to trigger an event of default, amounts that may be deferred per the transaction documents, and the operational resilience of the company. The directors have concluded should there be an economic downturn drastic enough to materially impair revenue receipts from the portfolio of Loans, the credit enhancement provided to the Company is sufficient to cover interest due on the Notes and the expense obligations of the Company for a period in excess of 12 months following the date of approval of the annual report and financial statements.

The directors are satisfied that the Company will continue to be able to meet its liabilities as they fall due. For this reason the directors have adopted the going concern basis in preparing the financial statements.

Future developments

Information on future developments is included in the Principal activities, business review and future developments section of the Strategic report.

Financial risk management

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

Streamlined Energy and Carbon Reporting

The Company is out of scope of the Streamlined Energy and Carbon Reporting (SECR), as it does not meet the numerical thresholds in relation to turnover and number of employees.

Issued share capital

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

Directors and their interests

The directors of the Company, who were in the office during the year and up to the date of signing the financial statements, were:

Intertrust Directors 1 Limited
Intertrust Directors 2 Limited
Helena Whitaker

None of the directors have any beneficial interest in the ordinary share capital of the Company (2019: none). None of the directors had any interest during the year in any material contract or arrangement with the Company (2019: none).

The directors do not recommend the payment of a dividend (2019: £nil).

Company secretary

Intertrust Corporate Services Limited served as the company secretary during the year and subsequently.

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 report and financial statements.

Statement of directors' responsibilities in respect of the financial statements

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, 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.

Directors' confirmations

In the case of each director in office at the date the directors' report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves 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 auditors, PricewaterhouseCoopers LLP, have expressed their willingness to continue in office until the next annual general meeting. Pursuant to section 487 of the Companies Act 2006, a resolution for the re-appointment of PricewaterhouseCoopers LLP will be proposed at the forthcoming annual general meeting of the Company.

On behalf of the Board

Sue Abrahams
per pro **Intertrust Directors 1 Limited**
as Director
24 February 2021

Report on the audit of the financial statements

Opinion

In our opinion, MTF Finance II Limited's financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2020 and of its profit 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, which comprise: the statement of financial position as at 31 December 2020; 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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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 our work undertaken in the course of the audit, the Companies Act 2006 requires 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 2020 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 Statement of directors' responsibilities, 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Company and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of the transaction documentation associated with the securitisation transaction , and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to intentional misrepresentations in relation to the performance of the Loans. Audit procedures performed included:

- Making inquiries of those charged with governance in relation to known or suspected instances of non-compliance with laws and regulation and fraud;
- Testing, on a sample basis, that the priority of payments has been applied in accordance with transaction documents;
- Testing of the reconciliation of the financial statements to the year end servicer's reports and to the bank statements of the Company;
- Testing of the Loans, on a sample basis, to the underlying loan documentation;
- Testing journals using a risk-based approach and evaluating whether there was evidence of bias;
- Performing look-back testing of recoverable amounts based on the historical performance of the loan portfolio;
- Developing an independent expectation for the impairment provision based on our analysis of the loan portfolio and its performance up to the end of January 2021, along with the results of our look-back testing of recoverable amounts.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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 obtained 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

Andrew Batty (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
24 February 2021

MTF Finance II Limited
Company registration number: 11838446

Statement of comprehensive income for the year ended 31 December 2020

	Note	Year ended 31 December 2020 £	Period ended 31 December 2019 £
Interest receivable and similar income	3	6,487,482	1,691,374
Interest payable and similar expenses	4	(5,868,548)	(1,611,904)
Net interest income		**618,934**	**79,470**
Movement in impairment provision	8	(330,643)	-
Operating expenses		(287,291)	(78,803)
Profit before taxation	5	**1,000**	**667**
Tax on profit	7	(189)	(127)
Profit for the financial year/period	12	**811**	**540**
Other comprehensive income		-	-
Total comprehensive income for the financial year/period		**811**	**540**

All amounts relate to continuing activities.

The accompanying notes on pages 15 to 26 are an integral part of these financial statements.

MTF Finance II Limited
Company registration number: 11838446

Statement of changes in equity for the year ended 31 December 2020

	Called up share capital £	Profit and loss account £	Total shareholders' funds £
Balance as at 20 February 2019 (date of incorporation)	-	-	-
Issue of shares	1	-	1
Total comprehensive income for the financial period	-	540	540
Balance as at 31 December 2019	**1**	**540**	**541**
Total comprehensive income for the financial year	-	811	811
Balance as at 31 December 2020	**1**	**1,351**	**1,352**

The accompanying notes on pages 15 to 26 are an integral part of these financial statements.

MTF Finance II Limited
Company registration number: 11838446

Statement of financial position as at 31 December 2020

	Note	31 December 2020 £	31 December 2019 £
Fixed assets			
Loans	8	9,134,119	11,366,338
Current assets			
Debtors	9	71,732,368	38,691,098
Cash at bank and in hand		5,570,007	1,704,900
		77,302,375	**40,395,998**
Creditors: amounts falling due within one year	10	(65,282,564)	(14,643,523)
Net current assets		**12,019,811**	**25,752,475**
Total assets less current liabilities		**21,153,930**	**37,118,813**
Creditors: amounts falling due after more than one year	10	(21,152,578)	(37,118,272)
Net assets		**1,352**	**541**
Capital and reserves			
Called up share capital	11	1	1
Profit and loss account	12	1,351	540
Total shareholders' funds		**1,352**	**541**

The accompanying notes on pages 15 to 26 are an integral part of these financial statements.

The financial statements on pages 11 to 26 were approved and authorised for issue by the Board on 24 February 2021, and were signed on its behalf by;

Sue Abrahams
per pro **Intertrust Directors 1 Limited**
as Director

MTF Finance II Limited
Company registration number: 11838446

Statement of cash flows for the year ended 31 December 2020

	Note	Year ended 31 December 2020 £	Period ended 31 December 2019 £
Cash flows from operating activities			
Net cash outflow from operating activities	14	(2,237,762)	(65,952)
Taxation paid		(126)	-
Net cash used in operating activities		**(2,237,888)**	**(65,952)**
Cash flows from investing activities			
Acquisition of Loans		(63,686,058)	(54,380,533)
Receipt from the redemption of Loans		37,268,167	5,559,854
Interest received on Loans		3,762,748	474,167
Net cash used in investing activities		**(22,655,143)**	**(48,346,512)**
Cash outflow before financing		**(24,893,031)**	**(48,412,464)**
Cash flows from financing activities			
Issue of share capital		-	-
Proceeds from issue of Notes		64,827,684	54,957,549
Redemption of Notes		(33,349,517)	(4,524,934)
Interest paid on Notes		(2,720,029)	(315,251)
Net cash generated from financing activities		**28,758,138**	**50,117,364**
Increase in cash at bank and in hand		3,865,107	1,704,900
Cash at bank and in hand at the beginning of the year/period		1,704,900	-
Cash at bank and in hand at the end of the year/period		**5,570,007**	**1,704,900**

The accompanying notes on pages 15 to 26 are an integral part of these financial statements.

1) General information

MTF Finance II Limited (the "Company"), a private company with limited liability, limited by shares, was incorporated as a special purpose company on 20 February 2019 in the United Kingdom and registered in England and Wales under the Companies Act 2006. The address of its registered office is 1 Bartholomew Lane, London, EC2N 2AX.

2) Accounting policies

Statement of compliance

The financial statements of the Company are prepared on a going concern basis, under the historical cost convention as modified by revaluation of certain financial instruments in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The Company has adopted and is in compliance with Financial Reporting Standard 102 (the "FRS 102"). The accounting policies which have been applied consistently throughout the period to the Company's financial statements are set out below. The directors have adjusted the format of the statement of comprehensive income as allowed under Companies Act 2006 as in the opinion of the directors, net interest income is a more appropriate measurement of the Company's performance than turnover and cost of sales. The presentational currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1.

Basis of preparation – Going concern

In order to form a view as to the most appropriate basis of preparation of these financial statements, the directors have assessed the likelihood of whether the Company will continue trading over the foreseeable future versus the likelihood of either intending to or being forced to either cease trading or to place the Company into liquidation.

The ability of the Company to meet its obligations on the Notes and to meet its operating and administrative expenses is dependent principally on the performance of the Loans. The Notes are a limited recourse obligation of the Company, secured over the Loans, and the Company's ability to pay amounts due on the Notes are, in substance, limited to the application of the receipts from the Loans under the terms of the priority of payments.

The directors have performed an assessment of going concern. In terms of considering going concern, the focus was upon the Company's position in respect of the potential for reduced cash flows to trigger an event of default, amounts that may be deferred per the transaction documents, and the operational resilience of the company. The directors have concluded should there be an economic downturn drastic enough to materially impair revenue receipts from the portfolio of Loans, the credit enhancement provided to the Company is sufficient to cover interest due on the Notes and the expense obligations of the Company for a period in excess of 12 months following the date of approval of the annual report and financial statements.

The directors are satisfied that the Company will continue to be able to meet its liabilities as they fall due. For this reason the directors have adopted the going concern basis in preparing the financial statements.

Financial instruments

In accordance with Section 11 of Financial Reporting Standard 102, the provisions of IAS 39 have been adopted in full with respect to the recognition and measurement of financial instruments.

Segmental analysis

The Company's operations are carried out in the United Kingdom and the results and net assets are derived from its acquisition of the Loans and therefore the directors only report one business and one geographic segment.

2) Accounting policies *(continued)*

Loans

The Loans are non-derivative financial assets with fixed or determinable repayments that are not quoted in an active market.

They are classified as loans and receivables. The Loans are measured on initial recognition at fair value and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in the statement of comprehensive income when there is objective evidence that the assets are impaired. The impairment recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition on the Loans.

Subsequent increases in recoverable amounts of the Loans, which can be objectively related to an event occurring after previous impairment losses have been recognised, are recorded in the statement of comprehensive income to the extent previous impairment losses have been taken through the statement of comprehensive income. The reversal shall not result in a carrying amount of the Loans that exceeds the amortised cost had no impairment been recognised.

Impairment

The Company assesses at each statement of financial position date whether there is any objective evidence that a financial asset is impaired. A financial asset or portfolio of financial assets is impaired and an impairment loss incurred if there is objective evidence that an event or events since initial recognition of the asset have adversely affected the amount or timing of future cash flows from the asset.

If there is objective evidence that an impairment loss on a financial asset classified as loans and receivables has been incurred, the Company measures the amount of the loss as the difference between the carrying amount of the asset and the present value of estimated future cash flows from the asset discounted at the original effective interest rate of the instrument at initial recognition.

Impairment losses are recognised in the statement of comprehensive income and the carrying amount of the financial asset reduced by establishing an allowance for impairment losses. If in a subsequent period the amount of the impairment loss reduces and the reduction can be ascribed to an event after the impairment was recognised, the previously recognised loss is reversed by adjusting the allowance. Once an impairment loss has been recognised on a financial asset, interest income is recognised on the carrying amount using the rate of interest at which estimated future cash flows were discounted in measuring the impairment.

The cash flows are estimated based on the Loan originators' past experience of similar Loans along with the directors' view of future events and considering factors including the number of payments in arrears at the balance sheet date and the estimated realisable value of the property securing the Loan.

Notes

The Notes are classified as other financial liabilities and are initially recognised at fair value at the date of issuance of the liability and are subsequently measured at amortised cost using the effective interest rate method.

Cash at bank and in hand

Cash at bank and in hand comprise cash balances. The use of this cash 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.

2) Accounting policies *(continued)*

Interest receivable and similar income and interest payable and similar charges

The Company accounts for interest income and expense on an accruals basis. Interest income on financial assets that are classified as loans and receivables 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. In calculating the effective interest rate the Company estimates the cash flows considering all contracted terms but not future credit losses. In addition, in the event of a Loan going into default, default interest accrues and becomes payable.

By way of further consideration for the acquisition of Loans, payment of pre-agreed deferred profit amounts (the "Deferred Consideration") is made to the originator of the Loans on each payment date in accordance to the transaction documents, once the corresponding amount has been received from the borrower. This Deferred Consideration is treated as an adjustment to the effective interest rate on the Loan.

Under the terms of the priority of payments, as set out in the transaction documents, the noteholders are entitled to all residual cash flows of the Company. This return therefore accrues at a variable rate over the life of the transaction, but is only paid out once all other amounts due to the noteholders have been paid.

Taxation

The directors are satisfied that this Company meets the definition of a 'Securitisation Company' as defined by both The Finance Act 2005 and the subsequent secondary legislation and that no incremental unfunded tax liabilities will arise. As a result, no deferred tax amounts are recognised.

Under the powers conferred by the Act, secondary legislation was enacted in 2006 which ensures that, subject to certain conditions being met and an election being made, for periods commencing on or after 1 January 2007, corporation tax for a 'Securitisation Company' will be calculated by reference to the profit of the Securitisation Company required to be retained in accordance with the relevant capital market arrangement.

Use of estimates and judgments

The preparation of the financial statements requires management to make judgments, estimates and assumptions that may affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. The judgments and estimates involved in the Company's accounting policies that are considered by the directors to be the most important to the portrayal of the Company's financial condition and have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are discussed below:

2) Accounting policies *(continued)*

Impairment losses on the Loans

The level of potential credit losses on the Loans is uncertain and could depend on a number of micro and macro-economic factors that may affect repayment conditions and the value of the underlying collateral. The Company assesses impairment provisions based on historical and incurred loss experience and will calculate and recognise impairment when there is objective evidence of an impairment event having occurred.

The nature of the lending means that default can occur as a result of a delay in the occurrence of the event which the Loan is bridging. Whilst this results in default interest accruing, the level of loan to value will normally mean that the original loan is still repaid in full, even in those circumstances where the Company is unable to recover all default interest charged. The Company continues to refine its impairment provisioning model and, in conjunction with the Loan originator (who acts as servicer of the Loans), has considered default levels, resolution and forbearance arrangements and other high-risk lending factors in this process.

Borrowers will, from time to time, also find themselves in periods of financial difficulty and may struggle to meet their payment under the Loans in full. It is the Company's policy to do all that is possible to help them maintain payments and to rapidly bring their Loan back up-to-date, whilst minimising credit risk to the Company.

The Company considers a credit event to have occurred in relation to any Loan that is in default. At the year end, 18 (2019: 4) of the Company's Loans were in default, totalling £7,332,991 (2019: £687,793). The value of the security held against these Loans was £15,960,000 (2019: £1,478,000).

In assessing whether a Loan is impaired, the Loan originator estimates the borrower's level of indebtedness as a percentage of the estimated value of the property against which the Loan is secured. Indebtedness is calculated as the sum of: (i) any prior charge balance and (ii) the balance outstanding on the Loan (being the sum of the outstanding gross Loan balance, default interest incurred and enforcement and other fees incurred). Where this indicates a level of indebtedness higher than 70% of the property value, the Loan originator then estimates a provision in relation to potential loss, based upon its knowledge of the borrower. As such, the provision model is inherently judgemental.

3) Interest receivable and similar income

	Year ended 31 December 2020 £	Period ended 31 December 2019 £
Interest receivable on Loans	**6,487,482**	**1,691,374**

4) Interest payable and similar expenses

	Year ended 31 December 2020 £	Period ended 31 December 2019 £
Interest payable on Notes	**5,868,548**	**1,611,904**

5) Profit before taxation

	Year ended 31 December 2020 £	Period ended 31 December 2019 £
This has been arrived at after charging:		
Auditors' remuneration – audit services	**59,950**	**27,000**

There were no non-audit services provided during the year or prior period.

6) Directors and employees

The Company has no employees and services required are contracted from third parties (2019: none).

The directors received no remuneration from the Company in respect of qualifying services rendered during the current year (2019: £nil).

During the year, fees of £58,686 were paid (2019: £36,686) of which £4,160 (2019: £4,190) are prepayments to Intertrust Management Limited for the provision of corporate administration to the Company; which included the provision of the directors to the Company. There were corporate services fees of £4,056 (2019: £nil) accrued at 31 December 2020 in respect of the services provided by Intertrust Management Limited.

7) Tax on profit

As announced in the March 2020 Budget, the UK's corporation tax was set at 19% for the financial year beginning 1 April 2020. This maintains the rate at 19%, rather than reducing it to 17% from 1 April 2020. The charge to corporation tax and the main rate will also be set at 19% for the financial year beginning 1 April 2021.

	Year ended 31 December 2020 £	Period ended 31 December 2019 £
a) Analysis of the company tax charge in the year/period		
UK corporation tax charge on the profit for the year/period at 19.00% (2019: 19.00%)	**190**	**127**
Prior period adjustment	(1)	-
	189	**127**

7) Tax on profit *(continued)*

The tax assessed for the year is the same (2019: the same) as the standard rate of corporation tax in the UK. A reconciliation of factors affecting the Company current tax charge is presented as follows:

	Year ended 31 December 2020 £	Period ended 31 December 2019 £
b) Factors affecting the company tax charge for the year/period		
Profit before taxation	**1,000**	**667**
UK corporation tax charge on the profit for the year/period at 19.00% (2019: 19.00%)	190	127
Effects of:		
Accounting profits not taxed in accordance with SI 2006/3296	(190)	(127)
Cash retained profit taxed in accordance with SI 2006/3296	190	127
Prior period adjustment	(1)	-
Total tax charge	**189**	**127**

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 loss. Instead, the Company is required to pay tax on its retained profits as specified in the documentation governing the transaction. In accordance with the prospectus, the Company is expected to retain an amount of £83.33 per interest payment date (the "IPD").

8) Loans

The Loans are secured over residential and commercial properties in the United Kingdom.

	31 December 2020 £	31 December 2019 £
Opening book value	50,037,887	-
Acquisitions of Loans during the year/period	63,686,058	54,380,533
Redemptions of Loans during the year/period	(37,268,167)	(5,559,854)
Movement in impairment provision	(330,643)	-
Movement in interest accrual	2,724,735	1,217,208
As at 31 December	**78,849,870**	**50,037,887**
The maturity profile of the Loans was as follows:		
Loans due in one year or less (see note 9)	69,715,751	38,671,549
Loans due in more than one year	9,134,119	11,366,338
	78,849,870	**50,037,887**

8) Loans *(continued)*

At the year end, 18 (2019: 4) of the Company's Loans were in default, totalling £7,332,991 (2019: £687,793). The value of the security held against these Loans was £15,960,000 (2019: £1,478,000).

The reconciliation of the impairment movement is as follows:

	31 December 2020 £	31 December 2019 £
Opening balance	-	-
Movement in impairment provision	330,643	-
Closing balance	**330,643**	**-**

9) Debtors

	31 December 2020 £	31 December 2019 £
Loan due within one year (see note 8)	69,715,751	38,671,549
Other debtors	2,005,696	15,359
Prepayments and accrued income	10,921	4,190
	71,732,368	**38,691,098**

10) Creditors

	31 December 2020 £	31 December 2019 £
Amounts falling due within one year		
Notes	65,136,298	14,341,773
Tax provision	190	127
Accruals and deferred income	146,076	301,623
	65,282,564	**14,643,523**
Amounts falling due after more than one year		
Notes	**21,152,578**	**37,118,272**

11) Called up share capital

	31 December 2020 £	31 December 2019 £
Called up, allotted and issued		
1 (2019: 1) ordinary shares of £1	**1**	**1**

The Company is not subject to any externally proposed capital requirements except for the minimum requirement under the Companies Act 2006. The Company has not breached the minimum requirement.

12) Profit and loss account

	31 December 2020 £	31 December 2019 £
Opening balance	540	-
Profit for the financial year/period	811	540
As at 31 December	**1,351**	**540**

13) Financial instruments

The Company's exposure to risks on its financial instruments and the management of such risks are largely determined from the inception of the transaction. The Company's activities and the role of each party to the transaction are clearly defined and documented.

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

Credit risk

The ability of the Company to meet its obligations to make principal and interest payments on the Notes and to meet its operating and administrative expenses is dependent on the extent that it has such amounts available to it.

The maximum exposure to credit risk arising on the Company's financial assets at the reporting date is disclosed in the table below.

	Carrying value 2020 £	Maximum exposure 2020 £	Carrying value 2019 £	Maximum exposure 2019 £
Assets:				
Loans	78,849,870	78,849,870	50,037,887	50,037,887
Cash at bank and in hand	5,570,007	5,570,007	1,704,900	1,704,900
Other debtors	2,005,696	2,005,696	15,359	15,359
	86,425,573	**86,425,573**	**51,758,146**	**51,758,146**

The credit quality of the Loans and fair value of collateral for these Loans are summarised as follows:

	Carrying value 2020 £	Fair value of collateral (capped) 2020 £	Carrying value 2019 £	Fair value of collateral (capped) 2019 £
Loans				
Not overdue	71,516,879	71,516,879	49,350,094	49,350,094
< than 1 month	355,700	355,700	189,090	189,090
From 1 to 2 months	-	-	192,577	192,577
From 2 to 3 months	2,188,482	2,188,482	306,126	306,126
From 3 to 4 months	134,700	134,700	-	-
4 months and over	4,654,109	4,654,109	-	-
	78,849,870	**78,849,870**	**50,037,887**	**50,037,887**

13) Financial instruments *(continued)*

Credit risk

The Loans are secured over residential and commercial properties in the United Kingdom.

The estimate of the fair value is based on indexing the valuation performed at the time of borrowing using the Nationwide House Price Index, to estimate the total recoverable amount. Fair value is capped at the amount of the underlying Loans if the indexed valuation is greater. Where Loans are repossessed, losses may ultimately be incurred due to the fact that default interest may ultimately result in an amount due in excess of collateral value.

Within the defaulted loan balance is £613,146 of defaulted interest. Final collections are most directly impacted by the proportion of default interest collected. 5% increase or decrease of default interest would result in final collections increasing or decreasing by £30,657.

Liquidity risk

Liquidity risk reflects the risk that the Company may encounter difficulty in meeting its obligations associated with its financial liabilities.

The Loans are financed by drawings under the Notes. Due to the limited recourse nature of the Notes, the Company is only obliged to make repayments of interest and principal in respect of the Notes to the extent that repayments and interest are received from the Loans.

Whilst the Notes have a legal repayment date of March 2025, the Company is required under the priority of payments set out in the transaction documents to repay the Notes at each interest payment date, to the extent the Company has sufficient cash to do so as a result of payments received on the Loan. The table below reflects the expected undiscounted cash flows associated with the Notes, as at the balance sheet date. This has been derived based upon the repayment date of each Loan and the timing of payments to the noteholders, as set out in the transaction documents.

The interest accrual on the Notes in the table below is based on the fixed return only and therefore excludes the variable return to which the noteholders are entitled, on the basis that this cannot be reliably estimated.

As at 31 December 2020	Carrying Value	Gross cash flows	Due within less than 1 month	Due after 1 month but within 3 months	Due after 3 months but within 1 year	Due after 1 year but within 5 years	Due after 5 years
	£	£	£	£	£	£	£
Notes *	86,288,876	81,910,783	4,952,314	10,146,526	45,659,365	21,152,578	-
Contractual interest payable on Notes	67,079	1,746,233	270,899	351,513	1,007,254	116,567	-
Total as 31 December 2020	**86,355,955**	**83,657,016**	**5,223,213**	**10,498,039**	**46,666,619**	**21,269,145**	**-**

13) Financial instruments *(continued)*

Liquidity risk *(continued)*

As at 31 December 2019	Carrying Value	Gross cash flows	Due within less than 1 month	Due after 1 month but within 3 months	Due after 3 months but within 1 year	Due after 1 year but within 5 years	Due after 5 years
	£	£	£	£	£	£	£
Notes *	51,460,045	50,432,615	1,034,920	2,232,622	10,046,801	37,118,272	-
Contractual interest payable on Notes	269,223	3,142,953	396,702	238,742	955,407	1,552,102	-
Total as 31 December 2019	**51,729,268**	**53,575,568**	**1,431,622**	**2,471,364**	**11,002,208**	**38,670,374**	-

* The Notes balance includes the entitlement, as at the period end date, of the noteholders to the residual cash flows of the Company, which will ultimately be paid to noteholders once all other amounts due to them have been paid.

Market risk

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

The Company is exposed to market risk in the form of 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.

In addition to the fixed interest rate referred to below, the noteholders are also entitled to all residual cash flows, in accordance with the priority of payments set out in the transaction documents.

Interest on the liabilities is determined and payable monthly in arrears at the following fixed rates.

	31 December 2020	31 December 2019	Interest rate (per annum)
	£	£	
Notes	**86,288,876**	**51,460,045**	3.00%

As the variable return on the Notes is directly linked to the Company's residual cash flows and therefore the actual cash flows received on the Loans, the directors do not consider the Company to be exposed to significant interest rate risk.

Currency profile

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

Fair value of financial assets and liabilities

There are no financial instruments included in the Company's statement of financial position that are measured at fair value. The directors consider that the carrying amounts of all other financial assets and liabilities approximate to their fair values.

14) Reconciliation of profit before taxation for the financial year/period to net cash outflow from operating activities

	Year ended 31 December 2020 £	Period ended 31 December 2019 £
Profit before taxation	1,000	667
Interest receivable on the Loans	(6,487,482)	(1,691,374)
Increase in debtors	(1,997,068)	(19,549)
Interest payable on Notes	5,868,548	1,611,904
Increase in creditors	46,597	32,400
Impairment provision	330,643	-
Net cash outflow from operating activities	**(2,237,762)**	**(65,952)**

15) Controlling party

The entire share capital of the Company is held by the legal parent company, Intertrust Corporate Services Limited, a company incorporated in the United Kingdom and registered in England and Wales, which holds the share on a discretionary trust basis under a declaration of trust for the benefit of certain charities.

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

For accounting purposes, the controlling party under Financial Reporting Standard 102 (Section 9) is considered to be LVS Finance LUX II S.À R.L., a private company incorporated in Luxembourg, on the basis that this entity holds the majority of the exposure to variability associated with the Loans. The smallest group in which the Company consolidates into is that of LVS Finance LUX II S.À R.L., a private company incorporated in Luxembourg, on the basis that this entity holds the majority of the exposure to variability associated with the Loans. The largest group in which the Company is consolidated is PIMCO Bravo Fund III, L.P, a limited partnership registered in Delaware, USA.

16) Related party transactions

During the year, fees of £58,686 were paid (2019: £36,686) of which £4,160 (2019: £4,190) are prepayments to Intertrust Management Limited for the provision of corporate administration to the Company; which included the provision of the directors to the Company. There were corporate services fees of £4,056 (2019: £nil) accrued at 31 December 2020 in respect of the services provided by Intertrust Management Limited.

During the year £2,720,029 of interest (2019: £315,251) was paid to LVS Finance LUX II S.À R.L. on the Notes. The Notes balance, including accrued interest, at the year-end amounted to £86,355,955 (2019: £51,729,268) payable to LVS Finance LUX II S.À R.L. Please see below for breakdown of the Notes and interest payable to LVS Finance LUX II S.À R.L.:

	31 December 2020 £	31 December 2019 £
Notes balance	81,910,783	50,432,615
Accrued fixed interest	67,079	269,223
Accrued variable return	4,378,093	1,027,430
	86,355,955	**51,729,268**

17) Post balance sheet events

In January 2021 the UK Government instructed a third national lockdown to minimise the spread of a new COVID-19 virus variant.

An estimate of the financial impact of COVID-19 on the Company cannot be reliably made. However, given the Notes are a limited recourse obligation of the Company, payment of principal and interest amounts due on them is limited to the principal and interest amounts received on the Loans, and as a result this does not impact the going concern assumption.

Consequently, the directors' assessment of potential post balance sheet events did not reveal any events that require adjustment to be made to the financial statements.