Registered number: 06150332

UNIFUND PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2019

COMPANY INFORMATION

DIRECTORS	Apex Corporate Services (UK) Limited Apex Trust Corporate Limited Colin Benford
COMPANY SECRETARY	Apex Trust Corporate Limited
REGISTERED NUMBER	06150332
REGISTERED OFFICE	125 Wood Street London EC2V 7AN
INDEPENDENT AUDITORS	Mazars LLP Tower Bridge House St Katharine's Way London E1W 1DD
BANKERS	Royal Bank of Scotland Plc London EC2M 3UR

UNIFUND PLC

CONTENTS

STRATEGIC REPORT
FOR THE YEAR ENDED 30 SEPTEMBER 2019

INTRODUCTION

The Directors present their strategic report of Unifund Plc ("the Company" or "the Issuer") for the year ended 30 September 2019.

The Company was incorporated in the United Kingdom and registered in England and Wales on 9 March 2007, as a public company with limited liability under the Companies Act 1985 (as amended).

The Company is a Special Purpose Vehicle established to issue fixed rate loan notes, due 30 September 2047 ("the notes"). The proceeds of £134,022,449 from the issue of the above notes were used to advance two loans ("the loans") to the University of Sheffield and the University of Reading (the "borrowers" or the "universities") with nominal values of £70,000,000 and £60,000,000 respectively. The Company paid a net premium of £3,708,258 on the loan purchase (note 7).

Ambac Assurance UK Limited ("Ambac") is the Financial Guarantor of the deal, and has issued a financial guarantee in respect of each loan note ("Loan Financial Guarantees") as and when such loan note was acquired by the Issuer in favour of the Issuer..The benefit of the Loan Financial Guarantees will be assigned to the Issuer Security Trustee ("Apex Corporate Trustees (UK) Limited)") on behalf of the Secured Creditors ("Guaranteed Secured Bonds holders" - see note 10).

BUSINESS REVIEW

The Company performed as expected during the year. The underlying borrowers serviced their loans adequately during the year with no defaults and are envisaged to continue doing so for the foreseeable future. According to their annual audited financial statements both year ended 31 July 2019, University of Reading had a loss before tax of £43,183,000 (2018: loss £20,264,000) and University of Sheffield had a loss before tax of £104,000,00 (2018: profit £55,000,000). Both universities have a strong net asset position as at July 2019. The universities also produce annual compliance certificates where they have to meet certain covenants for their year end. The Directors have noted the loss this year for University of Reading but based on the strength of the universities' balance sheet and their annual compliance certificate, the Directors continue to expect to recover the loans in full and no provision has been made for an impairment. In addition, both universities have provided management accounts which shows that the covenants are still complied with to give the Directors comfort that the covenants will not be breached in the near future.

FUTURE DEVELOPMENTS

No changes in the principal activities of the Company are foreseen.

KEY PERFORMANCE INDICATORS

Key performance indicators for the Company are net interest income and impairment losses. The net interest income for the year was £64,831 (2018: £65,073) and no impairment was charged (2018: £nil). The fluctuation in net interest was due to the accrual of deferred guarantee fees which is included in interest expense (see note 4). The Company does not have any non-financial key performance indicators.

PRINCIPAL RISKS, UNCERTAINTIES AND FINANCIAL INSTRUMENTS

Certain estimates in the financial statements are based wholly or in part on estimates or assumptions made by the Directors, taking into consideration the current market and economic conditions. There is, therefore, a risk that these may be subject to change in future periods. The Company's financial instruments comprise the loan assets, cash and cash equivalents, the notes, and various receivables and payables that arise directly from its operations. As per the Company's policy no trading in financial instruments was undertaken for the year ended 30 September 2019.

Because the payment and receipt of interest on the loan notes and loans is fixed, the main risks arising from the Company's financial instruments are liquidity risk and credit risk. The Board reviews and agrees policies for managing these and the other risks arising on the Company's financial instruments.

PRINCIPAL RISKS, UNCERTAINTIES AND FINANCIAL INSTRUMENTS (continued)

As a result of Brexit there is a risk that this could impact student intake and consequently may affect the tuition fee income for both universities. This in turn may affect the recoverability of the loans.

Interest rate risk

Interest rate risk exists where assets and liabilities have interest rates set under different bases or which 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 similar. The interest rates on the loans and notes issued are fixed rate.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its obligations associated with financial liabilities as they fall due. The Company's policy is to manage liquidity risk by contractually matching the timing of the cash receipts from the loans receivable with those of the cash payments due on the loan notes. The Company maintains adequate cash reserves to cover other operational costs.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company manages credit risk by ensuring that there are no defaults on the semi-annual interest receipts from the universities. The universities also produce annual compliance certificates where they have to meet certain covenants for the current year. In addition, the Company monitors the financial performance of both universities by reviewing their management accounts.

The University of Reading had a loss before tax and this is due to an increase in operating expenses. However, due to the strong net asset position and their annual compliance certificate, the Directors continue to expect to recover the loans in full. In addition, the University of Reading has provided management accounts which shows that the covenants are still complied with to give the Directors comfort that the covenants will not be breached in the near future.

COVID-19

At post year end, there was an outbreak of the 2019 Coronavirus (COVID 19) which continues to rapidly evolve. The Directors are closely monitoring its potential impact on the company and the external factors which might have an impact on the Going Concern position of the company.

There are a number of measures which have been put into place taken by the two Universities along with assessment of external factors which will have an impact on the ongoing situation.

After 12 months into the pandemic, the outcome is looking more favourable due to lockdown restrictions being lifted and most of the UK receiving a vaccination. Both the University of Reading and University of Sheffield have not seen a reduction in Home/EU students and International students in the year 2020. The universities are aware that there could be loss of income from student residences, conferences, catering and sports activities. If there are losses of income from these avenues the universities can implement any of the cost cutting measures mentioned below to offset them.

1. Savings from operations, stopping non-essential spend and reducing budgets for the next year(s).
2. Voluntary pay cuts/redundancy by the college staff.
3. Stay on payrises and reduced hiring of staff
4. Redundancy of a certain percentage of staff
5. Sale of assets by the University of Reading
6. Support from the government research support package

STRATEGIC REPORT (continued)
FOR THE YEAR ENDED 30 SEPTEMBER 2019

COVID-19 (continued)

The measures will be adopted by the universities in the coming year. The two universities that have received the loan notes have not seen a noticeable reduction of the current student intake as at September 2020. Further to this most of the adult population of the UK is expected to be vaccinated by the end of July 2021. Therefore, the outlook is not as bad as it was at the start of the pandemic. The Directors are in continuous contact with the universities to understand their action plans to overcome any shortfall in income they may have.

GOING CONCERN

The terms of the notes issued by the Company and associated securitisation arrangements are such that amounts due are only payable to the extent that there are sufficient receipts from the Company's assets. At the end of the securitisation, any losses incurred due to defaults by the borrowers and resulting cash shortages are absorbed by the note holders according to the priority of payments as defined in the offering circular.

The Directors are satisfied that the Company has adequate resources to continue in business for the foreseeable future. In addition, the Company has not breached any redemption triggering events referred to in the offering circular, nor, based on information currently available, do the Directors foresee any triggering events occurring in the next 12 months. The Directors therefore consider it appropriate to adopt the going concern basis in preparing the financial statements.

EVENTS SUBSEQUENT TO YEAR END

As at the date of these financial statements, the Company continues to evaluate the likely economic, political and regulatory risks arising from UK's membership of the EU having ended on 31 January 2020 on the company's strategy and the business risks in the short, medium and long term. In the short term, there has been no significant impact on the Company and its business activities, there will be no immediate change in its business strategy and there is no effect on the going concern position of the Company. The Company continues to monitor developments closely and will make appropriate changes to its business strategy once the consequences of the UK's prospective departure from the EU are more certain.

Since the balance sheet date there has been a global outbreak of a novel strain of Coronavirus (Covid-19) which is causing widespread disruption to financial markets and normal patterns of business activities across the world, including the UK. Currently there is no direct impact on the Company's business operations and the two universities that have received the loan notes have not seen a reduction of student intake and both are showing profit before tax for year ended 2020. The universities have cost cutting plans if profits fall however, after 12 months into the pandemic the outlook seems more favourable due to the lockdown being lifted and most of the UK vaccinated. The Directors continue to review the financial impact of COVID 19 with regards to the universities to assess the recoverability of the loans.

The Directors have assessed the impact of Covid-19 on these Financial Statements. In addition, all loan re-payments have been received and the Directors continuously monitor the impact of COVID-19 on the universities. The Directors have concluded that this is a non-adjusting post balance sheet event.

This report was approved by the Board of Directors on 31 March 2021 and signed on its behalf by:

Colin Benford
Director

DIRECTORS' REPORT
FOR THE YEAR ENDED 30 SEPTEMBER 2019

The Directors present their annual report and the audited financial statements of the Company for the year ended 30 September 2019.

DIRECTORS' RESPONSIBILITIES STATEMENT

The Directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union.

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 the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; 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 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 of the Company comply with the Companies Act 2006. They 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.

RESULTS AND DIVIDENDS

The results for the year and the state of the Company's affairs are set out in the accompanying financial statements. The profit for the year was £503 (2018: £569). No dividends were declared or paid by the Company during the year (2018: £nil).

DIRECTORS

The Directors who served during the year were:

Apex Corporate Services (UK) Limited (previously known as Link Corporate Services Limited)
Apex Trust Corporate Limited (previously known as Link Trust Corporate Limited)
Colin Benford

MATTERS COVERED IN THE STRATEGIC REPORT

Disclosure of the Company's future developments, financial risk management, post balance sheet date events and going concern assessment are provided in the Strategic report.

EMPLOYEES

The Company had no employees during the year (2018: nil).

DIRECTORS' REPORT (continued)
FOR THE YEAR ENDED 30 SEPTEMBER 2019

DISCLOSURE OF INFORMATION TO AUDITORS

Each of the persons who are Directors at the time when this Directors' Report is approved has confirmed that:

- so far as that Director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- that Director has taken all the steps that ought to have been taken as a Director in order to be 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 of the Companies Act 2006.

DIRECTORS' INDEMNITY INSURANCE

The Company does not maintain cover for the Directors against liabilities which may be incurred by them whilst acting as Directors.

AUDITORS

The auditors, Mazars LLP, will be proposed for reappointment in accordance with section 489 of the Companies Act 2006.

This report was approved by the Board on 31 March 2021 and signed on its behalf by:

Colin Benford
Director

Independent auditor's report to the members of Unifund PLC

Opinion

We have audited the financial statements of Unifund PLC (the Company) for the year ended 30 September 2019 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 September 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the 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.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We summarise below the key audit matters in forming our audit opinion above, together with an overview of the principal audit procedures performed to address each matter and, where relevant, key observations arising from those procedures.

These matters, together with our findings, were communicated to those charged with governance through our Audit Completion Report.

Area of focus	How our audit addressed the area of focus
Credit Risk in relation to the allowance for impairment losses Refer to accounting policies (note 1.11), note 7 and note 13 of the financial statements. The allowance made for impairment losses is an inherently judgemental area due to the use of subjective assumptions and a high degree of estimation. The company adopted IFRS 9 from 1 October 2018. IFRS 9 requires allowance for impairment losses to be determined on an Expected Credit Loss ('ECL') basis. The company used a model to determine the expected losses requiring judgement to the input parameters and assumptions. The allowance for impairment losses relating to the company's exposure to credit risk requires the directors to make judgement over the ability of the counterparties to make future loan repayments. Additional judgement is required to determine which of IFRS 9 loss categories the exposure falls into, which in turn determines the appropriate expected loss metric to be used.	We have performed the following procedures of the loan balances: • We obtained and reviewed management's impairment assessment and latest audited financial statements of the universities for indications of financial stress; • We reviewed the loan agreements and verified that interest payments made in the year were in accordance with agreements; • We obtained confirmation of the outstanding loan balances directly from the universities; and • We obtained and reviewed loan covenant compliance certificates from the universities and validated the financial data to the latest audited financial statements of the universities. We have performed the following procedures on the model used to determine expected credit losses: • Considered the appropriateness of methodology used by management; • Tested the mathematical integrity of the model; • Reviewed assumptions used in applying the methodology adopted and assessed for reasonableness; • Tested the completeness of the loan portfolio applied to the model; • Tested the process in place at the company to allocate loans to the IFRS 9 credit risk stages; • Assessed the suitability and relevance the key assumptions applied to determine probability of default and loss given default; • Engaged our internal specialists to assist us in assessing the ECL model used. This included assessing the appropriateness of the model design, assessing the model methodology against the requirements of IFRS 9, analysing how the model is implemented and the governance over the model; and • Engaged our internal specialists to assess and challenge the appropriateness of the key judgements

	and assumptions related to forward looking variables included in the ECL model. **Key observations** *We found that the assumptions used by management in the impairment assessment are reasonable and that the allowance for impairment losses as at 30 September 2019 is consistent with the requirements of IFRS 9.*
Impact of the outbreak of COVID-19 on the financial statements *Refer to Strategic Report, Directors' Report, and Note 16 of the financial statements.* Since the balance sheet date there has been a global pandemic from the outbreak of COVID-19. The potential impact of COVID-19 became significant in March 2020 and is causing widespread disruption to normal patterns of business activity across the world, including the UK. The directors' consideration of the impact on the financial statements is disclosed in the strategic report on page 2 and going concern assessment on pages 2 and 3. Based on the information available at this point in time, the directors have assessed the impact of COVID-19 on the business and have concluded that adopting the going concern basis of preparation is appropriate. As per Note 16 to the financial statements, the directors have also concluded that COVID-19 is a non-adjusting post balance sheet event.	We assessed the directors' conclusion that the matter be treated as a non-adjusting post balance sheet event and that adopting the going concern basis for preparation of the financial statements is appropriate. We considered: • The timing of the development of the outbreak across the world and in the UK; and • How the financial statements and business operations of the company might be impacted by the disruption. In forming our conclusions over going concern, we evaluated how the directors' going concern assessment considered the impacts arising from COVID-19 as follows: • We challenged the directors assessment of how the two universities are able to demonstrate they can continue as a going concern and thereby continue to meet their obligations to the Company; • We assessed the financial position of the two universities including reviewing the 2020 financial statements and the information provided to the directors to support their going concern assessments. This included a review of student numbers including historic, current and forecasts. • We assessed the covenant assumptions and whether any was breached. The consequences of any of these breaches on the repayment terms of the loans was assessed. • We made enquiries of directors to understand the period of assessment considered by the directors, and the potential impact of COVID-19 on the company's financial performance; • We evaluated the key assumptions used in the scenarios indicated above and considered whether these appeared reasonable; and

	• We evaluated the adequacy and appropriateness of the directors' disclosure in respect of COVID-19 implications, including events after the year-end and going concern. **Key observations** *Based on the work performed, we are satisfied that the matter has been appropriately reflected in the financial statements. Our conclusions on going concern are set out under 'Conclusions relating to Going Concern' above*

Our application of materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall materiality	£1,366,000
How we determined it	1% of total assets
Rationale for benchmark applied	We consider total assets as the key benchmark as it is the main driver of repayments to the loan note holders. As such, we based our materiality levels based on this benchmark.
Performance materiality	Performance materiality is set to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements in the financial statements exceeds materiality for the financial statements as a whole. Performance materiality of £1,025,000 was applied in the audit based on 75% overall materiality.
Reporting threshold	We agreed with the directors that we would report to them misstatements identified during our audit above £41,000 as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

An overview of the scope of our audit, including extent to which the audit was considered capable of detecting irregularities, including fraud

As part of designing our audit, we determined materiality and assessed the risk of material misstatement in the financial statements, whether due to fraud or error, and then designed and performed audit procedures responsive to those risks. In particular, we looked at where the directors made subjective judgements such as making assumptions on significant accounting estimates.

Independent auditor's report to the members of Unifund PLC (continued)

We tailored the scope of our audit to ensure that we performed sufficient work to be able to give an opinion on the financial statements as a whole. We used the outputs of a risk assessment, our understanding of the company, its environment, controls and critical business processes, to consider qualitative factors in order to ensure that we obtained sufficient coverage across all financial statement line items.

Our audit procedures were designed to respond to those identified risks, including non-compliance with laws and regulations (irregularities) and fraud that are material to the financial statements.

In identifying and assessing risks of material misstatement in respect to irregularities including non-compliance with laws and regulations, our procedures included but were not limited to:

- at planning stage, we gained an understanding of the legal and regulatory framework applicable to the company, the industry in which it operates and considered the risk of acts by the company which were contrary to the applicable laws and regulations;
- we discussed with the directors the policies and procedures in place regarding compliance with laws and regulations;
- we held discussions amongst the engagement team regarding the identified laws and regulations, and we remained alert to any indications of non-compliance; and
- during the audit, we focused on areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussions with the directors (as required by auditing standards), from inspection of the company's regulatory and legal correspondence and review of minutes of directors' meetings in the year. We identified that the principal risks of non-compliance with laws and regulations related to breaches of regulatory requirements of the the FCA and the listing requirements of the London Stock Exchange. We also considered those other laws and regulations that have a direct impact on the preparation of financial statements, such as the Companies Act 2006.;

Our procedures in relation to fraud included but were not limited to:

- inquiries of management whether they have knowledge of any actual, suspected or alleged fraud;
- gaining an understanding of the internal controls established to mitigate risk related to fraud;
- discussion amongst the engagement team regarding risk of fraud such as opportunities for fraudulent manipulation of financial statements, and determined that the principal risks were related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, in particular in relation loan impairments; and
- addressing the risk of fraud through management override of controls by performing journal entry testing.

The primary responsibility for the prevention and detection of irregularities including fraud rests with both those charged with governance and management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

As a result of our procedures, we did not identify any "Key audit matters" relating to irregularities. The risks of material misstatement that had the greatest effect on our audit, including fraud, are discussed under "Key audit matters" within this report.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report and financial statements, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Independent auditor's report to the members of Unifund PLC (continued)

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 such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in 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 in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- 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
- the company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the directors' responsibilities statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors 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.

Auditor's 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 auditor's 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 Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Independent auditor's report to the members of Unifund PLC (continued)

Other matters which we are required to address

We were initially appointed to audit the financial statements for the period ended 30 September 2017 and subsequent financial periods. We were reappointed by the Board of directors on 9 March 2019 to audit the financial statements for the year ended 30 September 2019 and subsequent financial periods. The period of total uninterrupted engagement is 3 years, covering the periods ended 30 September 2017 to 30 September 2019

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Company we remain independent of the Company in conducting our audit.

Our audit opinion is consistent with the additional report to the audit committee.

Use of the audit report

This report is made solely to the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body for our audit work, for this report, or for the opinions we have formed.

GR Simpson

Greg Simpson (Senior Statutory Auditor) for and on behalf of Mazars LLP
Chartered Accountants and Statutory Auditor
Tower Bridge House
St Katharine's Way
London
E1W 1DD
31 March 2021

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 SEPTEMBER 2019

	Note	2019 £	2018 £
Interest income	3	6,946,678	6,947,395
Interest expense	4	(6,881,847)	(6,882,322)
Net interest income		**64,831**	**65,073**
Administrative expenses		(64,210)	(64,370)
Profit before income tax	5	**621**	**703**
Taxation	6	(118)	(134)
Profit for the year		**503**	**569**
Other comprehensive income		-	-
Total comprehensive income		**503**	**569**

All amounts relate to continuing operations.

The notes on pages 17 to 29 form part of these financial statements.

UNIFUND PLC

STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2019

	Note	2019 £	2018 £
ASSETS			
Non-current assets			
Loan receivables	7	133,322,624	133,330,366
Current assets			
Trade and other receivables	8	2,513,376	2,537,632
Cash and cash equivalents	9	788,191	783,698
		3,301,567	3,321,330
TOTAL ASSETS		**136,624,191**	**136,651,696**
LIABILITIES			
Non-current liabilities			
Borrowings	10	134,145,148	134,158,039
Current liabilities			
Trade and other payables	11	2,459,709	2,474,944
Corporation tax payable		702	584
		2,460,411	2,475,528
TOTAL LIABILITIES		**136,605,559**	**136,633,567**
NET ASSETS		**18,632**	**18,129**
EQUITY			
Called up share capital	12	12,500	12,500
Retained earnings		6,132	5,629
Shareholders' funds		**18,632**	**18,129**

The financial statements of Unifund Plc, Company registration No. 06150332 were approved and authorised for issue by the Board of Director's and were signed on its behalf on 31 March 2021 by:

Colin Benford
Director

The notes on pages 17 to 29 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2019

	Called up share capital £	Retained earnings £	Total £
Balance at 1 October 2017	12,500	5,060	17,560
Total comprehensive income for the year	-	569	569
Balance at 30 September 2018	12,500	5,629	18,129
Balance at 1 October 2018	12,500	5,629	18,129
Total comprehensive income for the year	-	503	503
Balance at 30 September 2019	**12,500**	**6,132**	**18,632**

The notes on 17 to 29 form part of these financial statements.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 SEPTEMBER 2019

	2019 £	2018 £
Operating activities:		
Operating profit before tax	621	703
Amortisation of premium and transaction costs	(14,604)	(13,336)
Increase in trade and other receivables	(17,529)	(4,537)
Increase in trade and other payables	36,005	77,061
Cash inflow from operations	**4,493**	**59,891**
Corporation tax refund	-	-
Net cash inflow from operating activities	**4,493**	**59,891**
Net increase in cash and cash equivalents	**4,493**	**59,891**
Cash and cash equivalents at beginning of year	**783,698**	**723,807**
Cash and cash equivalents at end of year	**788,191**	**783,698**

During the year the Company received interest income of £6,972,844 (2018: £7,030,312) and paid interest expense of £6,916,000 (2018: £6,916,000).

The notes on 17 to 29 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019

1. ACCOUNTING POLICIES

General information

These financial statements are presented in pounds Sterling because that is the currency of the primary economic environment in which the Company operates.

A summary of the principal accounting policies, all of which have been applied consistently throughout the year, is set out below.

1.1 Basis of preparation of financial statements

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted for use in the European Union and as issued by the International Accounting Standards Board ("IASB").

Due to the fact that the nature of the business is to provide finance, the Directors are of the opinion that it is more appropriate to use interest income and interest expense rather than turnover and cost of sales in preparing the statement of comprehensive income, similarly interest income and interest expense are considered operating cash flows in the preparation of the cash flow statement.

The terms of the notes issued by the Company and associated securitisation arrangement are such that amounts due are only payable to the extent that there are sufficient receipts from the Company's assets. At the end of the securitisation, any losses incurred due to defaults by the borrowers and resulting cash shortages are absorbed by the note holders according to the priority of payments as defined in the offering circular.

University of Sheffield and University of Reading both had a profit before tax for year ended 2020. Due to the strong net asset positions and their annual compliance certificate, the Directors continue to expect to recover the loans in full. In addition, all loan re-payments have been received. The universities both made a profit before tax in 2020 and have cost cutting measures in place to offset against any potential loss of future income due to COVID-19. In addition, both universities have provided management accounts which shows that the covenants are still complied with to give the Directors comfort that the covenants will not be breached in the near future. The Company has also received signed audited and unqualified financial statements from both universities which were prepared on a going concern basis.

The Directors are satisfied that the Company has adequate resources to continue in business for the foreseeable future. In addition, the Company has not breached any redemption triggering events referred to in the offering circular, nor, based on information currently available, do the Directors foresee any triggering events occurring in the next 12 months. The Directors therefore consider it appropriate to adopt the going concern basis in preparing the financial statements.

1.2 Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expense, in particular over recoverability of assets. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements on carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates used in the financial statements.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions 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 the current and future periods. The key estimates and assumptions used by the Company are discussed below.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019

1. ACCOUNTING POLICIES (continued)

Effective interest rate

The effective interest rate is calculated by taking into account all contractual cash flows from the issue date to the maturity date of the notes and finding the rate that gives a constant rate of return over the life of the notes. The Directors estimate the loan notes not to be redeemed before its contractual maturity date.

Impairment of loans receivable

The measurement of the expected credit loss can either be done over the expected life of the financial instrument or over 12 months after the reporting date. This loan stage assessment is determined by the credit risk assessment performed by the Directors. As at the reporting date the Directors deemed the credit risks to be low. The Directors came to that conclusion as there has been no significant increase in credit risk since prior year. In addition, The Directors reviewed both the loan covenants and financial information from the borrowers and it was noted that they both have a strong capacity to meet its contractual cash flow obligations in the near term.

1.3 Interest income and receivable

Interest income is accrued on a time basis by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's carrying amount. The premium on loans purchased (note 7) is amortised through interest income using the effective interest rate.

1.4 Interest expenses and accrued expenses

Expenses include administration, advisory and audit fees and are recognised on an accruals basis.

Interest expense is accrued on a time basis by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial liability to that liability's carrying amount. Both transaction costs and the bond premium (note 10) are amortised through interest expense using the effective interest rate. Interest expense also includes the deferred guaranteed fee for the period.

1.5 Deferred Guarantee Fees

Deferred guarantee fees are included in interest expense in the statement of comprehensive income. A deferred guarantee fee is payable to the Financial Guarantor on any interest payment date dependent on the residual cash between the difference of net interest income, from the loan receivable and borrowings, and the administrative costs recognised by the Company (see note 4). Deferred guarantee fees are recognised on an accruals basis.

1.6 Taxation

The Company has elected to be taxed under the "permanent" tax regime for securitisation companies (contained in Statutory Instrument 2006/3296), under which the Company is taxed broadly by reference to its net cash flows during the year.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019

1. ACCOUNTING POLICIES (continued)

1.7 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits with banks together with short-term highly liquid investments that are readily convertible to known amounts of cash and subject to insignificant risk of changes in value. Interest income receivable on cash and cash equivalents is accounted for on an accruals basis using the effective interest rate method.

1.8 Financial instruments - initial recognition and subsequent measurement

Loans receivable

The loans are measured on initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Any impairment recognised is measured as described in 1.2 above.

Loan notes issued

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

1.9 Derecognition of financial assets and financial liabilities

Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass through" arrangement; or
- the Company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained all the risks and rewards or the asset, but has transferred control of the asset.

Where the Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of the consideration that the Company could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Company's continuing involvement is the amount of the transferred asset that the Company may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the Company's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019

1. ACCOUNTING POLICIES (continued)

1.10 Segmental analysis

The principal asset of the Company is the beneficial interest in the loans to universities originated in the United Kingdom which is funded by fixed rate notes issued in the United Kingdom. As such, the Company has one reportable operating segment. The Directors do not consider it necessary to give more analysis based on the activities of the Company.

1.11 New and amended IFRS standards

The following relevant new standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1 October 2018:

Standard	Key requirements	Effective date as adopted by the EU
IFRS 9	Financial Instruments – Replacement to IAS 39 and is built on a single classification and measurement approach for financial assets which reflects both the business model in which they are operated and their cash flow characteristics.	1 January 2018

IFRS 9 – Financial Instruments

The Company has applied IFRS 9 as of the 2019 financial year. The Company has elected not to restate comparatives on initial application of IFRS 9. The full impact of adopting IFRS 9 on the Company's financial statements depends on the financial instruments that the Company possesses, as well as on economic conditions and judgements made as at the year end. The Directors have reviewed the potential impact of adopting IFRS 9 with regards to the loans in issue and have concluded that no impairment needs to be recognised. See note 7 for further details. Given the nature of the financial assets in the Company, it has not been required to restate any opening reserves in the Company's financial results.

1.12 Standards issued but not yet effective

The adoption of Standards and Interpretations issued by the International Accounting Standards Board ("IASB") that were effective for the current year has not had a material impact on the financial statements of the Company. At the date of authorisation of these financial statements, there are no new Standards and Interpretations, which are yet to be effective will have an impact in these financial statements

2. DIRECTORS AND EMPLOYEES

None of the Directors received any emoluments for their services to the Company during the current year (2018: nil). None of the Directors had any material interest in any contract of significance in relation to the business of the Company (2018: nil).

The Company does not have any employees (2018: nil).

3. INTEREST INCOME

	2019 £	2018 £
Interest income on the loans (refer to note 13)	6,941,840	6,944,323
Bank interest income	4,838	3,072
	6,946,678	6,947,395

All income is derived from the Company's principal activity in the United Kingdom.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019

4. INTEREST EXPENSE

	2019 £	2018 £
Interest payable on the loan notes (refer to note 13)	6,851,870	6,855,387
Deferred guarantee fees (refer to note 11)	29,977	26,935
	6,881,847	6,882,322

5. PROFIT BEFORE INCOME TAX

	2019 £	2018 £
The profit on ordinary activities before taxation is stated after charging:		
Auditor's remuneration (inclusive of VAT) for the audit of the Company's statutory accounts	27,000	27,000
Management and professional service fees	37,210	37,370

6. TAXATION

Tax is based on the results for the year and comprises:

	2019 £	2018 £
Current tax expense	118	134
UK corporation tax charge on profit for the year	118	134

Factors affecting tax charge for the year

The tax expense for the Company is:

	2019 £	2018 £
Profit on ordinary activities before tax	621	703
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018: 19%)	118	134
Effects of:		
Accounting profits not taxable under SI 2006/3296 s14(4)	(118)	(134)
Taxable amount brought in under SI 2006/3296 s14(1)(a)(ii)	118	134
Current tax charge / (credit) for the year	**118**	**134**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019

6. TAXATION (continued)

Under the powers conferred by the Finance Act 2005, secondary legislation was enacted in November 2006 which ensures that, for periods commencing on or after 1 January 2007, corporation tax for a securitisation company is calculated by reference to a statutory formula such that, broadly, the Company is taxed by reference to its net cash margin. The cash margin equates to the accounting profit because from 2012, any excess or deficit of the cash margin over/under the accounting profits is accrued as deferred consideration in the period (see note 1.6). The relevant secondary legislation, contained in Statutory Instrument 2006/3296, confers the right for securitisation companies to elect into this "permanent" taxation regime. This election is not mandatory.

The Directors are satisfied that this Company meets the definition of a securitisation company as defined by both Finance Act 2005 and the subsequent legislation and that no incremental unfunded tax liabilities will arise.

7. LOAN RECEIVABLES

	2019 £	2018 £
Loans falling due after more than five years	133,322,624	133,330,366

The loans are to the University of Sheffield and the University of Reading with a principal value of £60,000,000 and £70,000,000 respectively and are due for repayment on 19 November 2047. The Directors do not expect the loan notes to be redeemed before its contractual maturity date. The loans are on fixed rate terms:

	Interest rate	2019 £	2018 £
University of Sheffield	5.33%	60,000,000	60,000,000
University of Reading	5.42%	70,000,000	70,000,000
		130,000,000	130,000,000
Premium		3,708,258	3,708,258
Less: cumulative amortisation of premium		(385,634)	(377,892)
		133,322,624	133,330,366

8. TRADE AND OTHER RECEIVABLES

	2019 £	2018 £
Prepayments and other receivables	8,265	9,259
Interest receivable on the loans	2,505,111	2,528,373
	2,513,376	2,537,632

9. CASH AND CASH EQUIVALENTS

	2019 £	2018 £
Cash at bank	788,191	783,698

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019

10. BORROWINGS

	Interest rate	2019 £	2018 £
Loan notes – Tranche 1	5.32%	60,000,000	60,000,000
Loan notes – Tranche 2	5.32%	70,000,000	70,000,000
		130,000,000	130,000,000
Premium		7,192,900	7,192,900
Less: Transaction costs		(2,518,452)	(2,518,452)
Less: Cumulative amortisation of bond premium and transaction costs		(529,300)	(516,409)
		134,145,148	134,158,039

The above loan notes are fixed interest Guaranteed Secured Bonds due 7 December 2047 issued at 105.533 per cent of the nominal amount on issuance ("Aggregate Nominal Amount"). The premium and transaction costs are amortised over the life of the notes at the effective interest rate.

The notes were unconditionally and irrevocably guaranteed under the terms of a bond financial guarantee issued by Ambac Assurance UK Limited.

The primary source of funds for the payment of interest and principal on the notes is the right of the Company to receive payments of interest and repayment of principal in respect of the loans (as defined in note 7).

The notes are listed on the London Stock Exchange.

11. TRADE AND OTHER PAYABLES

	2019 £	2018 £
Deferred guarantee fees (see below)	276,101	246,124
Interest payable on notes issued	2,143,681	2,194,920
Accruals	39,927	33,900
	2,459,709	2,474,944

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019

11. TRADE AND OTHER PAYABLES (continued)

Deferred guarantee fees reconciliation:

	2019 £	2018 £
Year ended 30 September 2007 - Accrual of accounting deficit	(65,380)	(65,380)
Year ended 30 September 2008 - Accrual of accounting surplus	38,906	38,906
Year ended 30 September 2009 - Accrual of accounting surplus	37,541	37,541
Year ended 30 September 2010 - Accrual of accounting surplus	46,829	46,829
Year ended 30 September 2011 - Accrual of accounting surplus	44,713	44,713
Year ended 30 September 2012 - Accrual of accounting surplus	47,777	47,777
Year ended 30 September 2013 - Accrual of accounting deficit	(46,231)	(46,231)
Year ended 30 September 2014 - Accrual of accounting deficit	(62)	(62)
Year ended 30 September 2015 - Accrual of accounting surplus	52,470	52,470
Year ended 30 September 2016 - Accrual of accounting surplus	38,246	38,246
Year ended 30 September 2017 - Accrual of accounting surplus	24,380	24,380
Year ended 30 September 2018 – Accrual of accounting surplus	26,935	26,935
Year ended 30 September 2019 – Accrual of accounting surplus (refer to note 4)	29,977	-
	276,101	246,124

12. CALLED UP SHARE CAPITAL

	2019 £	2018 £
Allotted, called up and partly paid		
50,000 (2018: 50,000) - Ordinary shares, with a nominal value of £1, have been partly paid at £0.25 each	12,500	12,500

The Company has one class of ordinary shares which carry no right to fixed income.

13. FINANCIAL INSTRUMENTS

The Company's financial instruments comprise two tranches of loan receivables and fixed rate loan notes payable. Cash, accrued interest income, accrued interest payable and other items arise directly from its operations.

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

Because the payment and receipt of interest on the loan notes and loans is fixed, the main risks arising from the Company's financial instruments are liquidity risk and credit risk. The Board reviews and agrees policies for managing each of these risks and these are summarised below. All transactions and financial instruments are denominated in the Company's functional currency ("Sterling") and consequently no currency exposure arises.

Interest rate risk management
Interest rate risk exists where assets and liabilities have interest rates set under different bases or which 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 similar. The interest rates on the loans and notes issued are fixed rate.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019

13. FINANCIAL INSTRUMENTS (continued)

Effective interest rates and repricing analysis

	Effective interest rate	Total £	Floating rate £	Fixed rate £
As at 30 September 2019				
Assets				
Cash and cash equivalents	-	788,191	788,191	-
Loans	5.21%	133,322,624	-	133,322,624
Liabilities				
Loan notes	5.11%	(134,145,148)	-	(134,145,148)
		(34,333)	**788,191**	**(822,524)**
As at 30 September 2018				
Assets				
Cash and cash equivalents	-	783,698	783,698	-
Loans	5.21%	133,330,366	-	133,330,366
Liabilities				
Loan notes	5.11%	(134,158,039)	-	(134,158,039)
		(43,975)	**783,698**	**(827,673)**

Liquidity risk
The Company's policy is to manage liquidity risk by contractually matching the timing of the cash receipts from the loans receivable with those of the cash payments due on the loan notes. Although both the loans and notes were issued at a fixed rate, the rate on the loans is higher than the notes. This creates a reserve to cover other operational costs.

Maturity of financial assets and liabilities
The following maturity profile details the Company's expected maturity for its non-derivative financial assets and is based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the Company anticipates that the cash flow will occur in a different period:

Financial assets

	2019 £	2018 £
In one year or less, or on demand	6,992,000	6,992,000
In more than one year but not more than five years	27,968,000	27,968,000
In more than five years	273,336,000	301,304,000
	308,296,000	336,264,000

The following maturity profile details the Company's remaining contractual maturity for its non-derivative financial liabilities and is based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay including interest and principal cash flows:

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019

13. FINANCIAL INSTRUMENTS (continued)

Financial liabilities

	2019 £	2018 £
In one year or less, or on demand	6,916,000	6,916,000
In more than one year but not more than five years	27,664,000	27,664,000
In more than five years	292,526,000	299,442,000
	327,106,000	334,022,000

Credit risk

The loans have been advanced to two universities; therefore the credit risk is not concentrated to one counterparty. All the interest payments due on the loan portfolio were received on time during the financial year. The universities also produce annual compliance certificates where they have to meet certain covenants for the current year. As noted in the Strategic report, the Directors believe that the loans are fully recoverable and do not consider any impairment charge is necessary. The loans are neither past due nor impaired. The Company's maximum exposure to credit risk is equal to the carrying value of the loans at the reporting date.

Impairment assessment

The Company uses an expected credit loss ("ECL") model to comply with the regulations associated with IFRS 9. The approach is as follows:

- The ECL computation is performed for each loan and is based on the industry components: Probability of default ("PD"), exposure at default ("EAD") and loss given default ("LGD").
- The ECL figures also incorporates 3 macro-economic scenarios and the ECLs from these scenarios are probability-weighted to calculate an overall ECL.
- The key inputs for PD and LGD for each of the loans are:

  Business risk
  - Corporate industry risk
  - Country risk
  - CPI growth
  - Net income/ total revenue
  - PPE / total assets; and
  - Total revenue

  Financial risk
  - Cash / Total assets
  - Current liabilities / net worth
  - Net income / total liabilities
  - Return on net capital
  - Total equity / total assets
- Each exposure is subject to the staging rules as per IFRS 9.

Credit risk stages

The credit risk on a financial instrument is considered low if:

- the financial instrument has a low risk of default.
- the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

An event of default is defined as when a Borrower goes into default/foreclosure or the Company determines that the Borrower can no longer repay the loan. The primary evidence of an event of default is the Borrower going into payment arrears on account of missed half-yearly payments in excess of 90 days.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019

13. FINANCIAL INSTRUMENTS (continued)

Credit risk is monitored through the half-yearly repayments on a half-yearly basis; the Company monitors the timely repayment of loans to identify any Borrowers that have gone into arrears. Any Borrowers who do go into arrears are contacted and actively managed to ensure that the account is brought up-to-date or if an indicator impairment exists and the recognition of lifetime expected credit losses may be required.

For the purposes of the Company's credit risk oversight, a significant increase in credit risk is identified when a loan goes into arrears exceeding 90 days. This period is reasonable given that this the basis on which these loans are monitored and managed by the Servicer – an arrears exceeding 90 days would indicate that the loan is credit impaired.

After management have reviewed the historical repayments the loans and cash and cash equivalents are categorised in the following stages:

	2019 £	2018 £
Stage 1	134,110,815	134,114,064
Stage 2	-	-
Stage 3	-	-

All exposures are currently in stage 1, there are no stage 2 or 3 assets at year end.

Analysis of maximum exposure to credit risk
The table below shows the Bank's maximum exposure to credit risk by class of financial asset:

Maximum exposure to credit risk

	Gross Exposure £	Allowance for credit loss £	Net exposure £
As at 30 September 2019			
Cash and cash equivalents	788,191	-	788,191
Loan receivables	133,322,624	-	133,322,624
	134,110,815	-	134,110,815

	Gross Exposure £	Allowance for credit loss £	Net exposure £
As at 30 September 2018			
Cash and cash equivalents	783,698	-	783,698
Loan receivables	133,330,366	-	133,330,366
	134,114,064	-	134,114,064

Capital risk management
The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to continue to service its obligations on the notes issued. The capital structure of the Company consists of debt, which includes the borrowings disclosed in note 10 and equity comprising issued share capital and retained earnings as disclosed in the statement of financial position.

Currency risk
All assets and liabilities of the Company are denominated in pounds Sterling; therefore, there is no foreign currency risk.

13. FINANCIAL INSTRUMENTS (continued)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019

Fair values

The fair value of the loan notes is based on market prices. The fair value of non-derivative financial assets is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using discount rates derived from the price of the loan notes issued.

Fair values

	Carrying amount 2019 £	Fair value 2019 £	Carrying amount 2018 £	Fair value 2018 £
Assets				
Loans (Level 2)	133,322,624	198,269,526	133,330,366	170,169,733
Cash and cash equivalents (Level 1)	788,191	788,191	783,698	783,698
Trade and other receivables (Level 1)	2,513,376	2,513,376	2,537,632	2,537,632
Liabilities				
Loan notes (Level 2)	(134,145,148)	(200,051,983)	(134,158,039)	(171,859,033)
Trade and other payables (Level 1)	(2,459,708)	(2,459,708)	(2,474,944)	(2,474,944)
	19,335	**(940,598)**	**18,713**	**(842,914)**

The comparison of book and fair values of all the Company's financial instruments is set out above.

The Company classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
b) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly (derived from prices) (Level 2); and
c) inputs for the asset or liability that are not based on observable market date (unobservable inputs) (Level 3).

The fair value of the loans and loan notes is derived from cash flow analysis discounted at the same yield, since the quoted price of the notes depends on the performance of the loans. The fair value of the secured loan notes are based upon available market prices since they are listed on the London Stock Exchange. Market prices of the secured loan notes depend on the performance of the loans to customers; therefore, the fair value of the loan to customers has been calculated as being in line with the fair value of the secured loan notes. The secured loan notes are classified as Level 2 because they are considered to trade in an illiquid market and the loans to customers are classified as Level 2 since they derive their value from observable inputs. To obtain the fair value of the loans and loan notes classified at level 2, management considered the following inputs:

- Coupon rate – As per the bond's contractual agreement; and
- Expected cash flow payments – As per the bond's contractual agreement

There were no transfers of financial instruments between the Levels during the year.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019

14. RELATED PARTY TRANSACTIONS

Apex Trust Corporate Limited, previously known as Link Trust Corporate Limited, is a Director and corporate service provider to the Company. During the year fees incurred for these services were £31,886 (2018: £29,228) and the net amount accrued as at 30 September 2019 was £8,126 (2018: £2,100).

Ambac Assurance UK Limited in the Company's financial guarantor. Fees incurred for these services during the year were £29,977 (2018: £26,935) and the amount accrued at year end was £276,101 (2018: £246,124).

15. ULTIMATE CONTROLLING UNDERTAKING

49,999 of the ordinary shares are held by Apex Trust Nominees No.1 Limited, previously known as Link Trust Nominees No.1 Limited, a company incorporated in the United Kingdom under the terms of a discretionary trust, ultimately for charitable purposes. However, the ultimate controlling party of Unifund Plc is Ambac Financial Group, Inc, which is a US based insurance company.

16. EVENTS SUBSEQUENT TO YEAR END

As at the date of these financial statements, the Company continues to evaluate the likely economic, political and regulatory risks arising from UK's membership of the EU leaving having ended on 31 January 2020 on the company's strategy and the business risks in the short, medium and long term. In the short term, there has been no significant impact on the Company and its business activities, there will be no immediate change in its business strategy and there is no effect on the going concern position of the Company. The Company continues to monitor developments closely and will make appropriate changes to its business strategy once the consequences of the UK's prospective departure from the EU are more certain.

Since the balance sheet date there has been a global outbreak of a novel strain of Coronavirus (Covid-19) which is causing widespread disruption to financial markets and normal patterns of business activities across the world, including the UK. Currently there is no direct impact on the Company's business operations and the two universities that have received the loan notes have not seen a reduction of student intake and both are showing profit before tax for year ended 2020. The universities have cost cutting plans if profits fall however, after 12 months into the pandemic the outlook seems more favourable due to the lockdown being lifted and most of the UK being vaccinated. The Directors continue to review the financial impact of COVID-19 with regards to the universities to assess the recoverability of the loans.

The Directors have assessed the impact of Covid-19 on these Financial Statements. In addition, all loan re-payments have been received and the Directors continuously monitor the impact of COVID-19 on the universities. The Directors have concluded that this is a non-adjusting post balance sheet event.