

Company Number 11838446

MTF Finance II Limited

Annual report and financial statements

For the year ended 31 December 2023



MTF Finance II Limited**Annual report and financial statements for the year ended 31 December 2023**

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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 2023

The directors present the strategic report of MTF Finance II Limited (the "Company") for the year ended 31 December 2023.

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 revolving 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"). Whilst initially all Loans were unregulated, since March 2022 the Company has also acquired regulated 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 amounted to £24,795,389 (2022: £77,106,623). The amount due on the Loans held by the Company (being the sum of principal and accrued interest, less the impairment provision) amounted to £24,558,156 (2022: £78,645,184). The maximum amount of Notes that the Company can issue is £195,000,000. At the year end, £24,795,389 (2022: £77,106,623) of the Notes had been issued. The original financing period (as defined in the transaction document) ended on the interest payment date falling in March 2022. As a result, on 1 March 2022 the transaction parties entered into a deed of amendment and restatement, the impact of which was to make certain modifications to the transaction documents to give effect to the introduction of regulated loans into the Loans portfolio and the introduction of the regulated transferor into the transaction documents. Loans continued to be purchased up until 21 July 2022, funded exclusively by the issuance of Notes to the Note Purchaser. 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.

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.

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 £765 (2022: £810 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, decreased from £78,645,184 at the start of the year to £24,558,156 as at 31 December 2023, due to the net effect of interest accruals and scheduled repayments.

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.

The impairment provision held against the Loans at the year end, to cover any shortfall on settlement or on realisation of proceeds from the sale of the underlying properties was £3,143,011 (2022: £1,192,968). The increase in the impairment provision is due to the ongoing increase in cost inflation and an increase in Bank of England base rate to 5.25% in August 2023 from 4.0% in February 2023. All of these factors result in increased pressure on affordability and a heightened risk that borrowers of the underlying Loans may ultimately default on their Loan.

Strategic report for the year ended 31 December 2023 (continued)

Key performance indicators, principal risks and uncertainties (continued)

Some of the key performance indicators are:

	31 December 2023	31 December 2022
	£	£
Carrying value of Loans	24,558,156	78,645,184
Loans 1 to 3 months in arrears	559,597	4,637,298
Loans 3 months or more in arrears	21,642,490	12,119,519
Total number of Loans in arrears	36	36

At the year end the balance of the Notes outstanding, together with accrued interest, amounted to £28,879,838 (2022: £84,326,493). The primary risks facing the Company include credit risk, liquidity risk and interest rate risk. The principal nature of such risks is summarised below.

The Company's activities expose it to a number of risks and uncertainties as summarised below. Risk management is, in the main, predetermined based on the terms of the transaction documents and is also summarised below under Financial instruments.

The key future developments which the directors expect to have the greatest impact on the Company, due to their impact on the performance of the Loans (in particular, future cash flows, default rates and collateral values), relate to pressures resulting from uncertainty and changes in the macroeconomic environment.

The UK currently faces significant economic uncertainty. This uncertainty is greater than historical levels of uncertainty, due to geopolitical tensions (heightened following the Russian military invasion of Ukraine). This has resulted in a significant and ongoing increase in cost inflation and an increase in Bank of England base rate to 5.25% in August 2023 from 4.0% in February 2023. All of these factors result in increased pressure on affordability and a heightened risk that borrowers of the underlying Loans may ultimately default on their Loan.

While the extent and duration of the effect of this economic uncertainty 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 borrowers' ability to repay the Loans, or on the servicer's ability to continue to effectively service the Loans. However, as at the report date there has been no material impact from these macroeconomic factors on the Company's financial performance or cash flows. As the Notes are a limited recourse obligation of the Company, the Company is not ultimately exposed if the borrowers are unable to repay the Loans.

The Company will continue to monitor the effect of these macroeconomic factors have on borrowers' ability to service their Loans and on UK property prices, and therefore the performance of the Company.

Financial instruments

The Company's operations are financed primarily by means of the Notes. The Company has continued 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 Loan 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 servicer'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.

Strategic report for the year ended 31 December 2023 (*continued*)

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.

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



Raheel Khan
per pro **Intertrust Directors 1 Limited**
as Director
29 February 2024

Directors' report for the year ended 31 December 2023

The directors present their annual report together with the audited financial statements of the Company for the year ended 31 December 2023.

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 - being principal, fixed coupon and variable return - are, in substance, limited to the application of the receipts from the Loans under the terms of the priority of payments as set out in the transaction documents.

The Directors have considered the fact that the Loans final maturity is in June 2024 and the Notes final maturity is in March 2026. The redemption of the Loans that are in defaults is expected to occur in the period up to the end of the first quarter of the year 2026. In terms of considering going concern, the Directors 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 that despite the reduction in cash inflows from the portfolio of Loans, there is expected to be sufficient cash to cover the operating 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 therefore 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

Directors' report for the year ended 31 December 2023 (continued)

Directors and their interests

None of the directors have any beneficial interest in the ordinary share capital of the Company (2022: none). None of the directors had any interest during the year in any material contract or arrangement with the Company (2022: none).

The directors do not recommend the payment of a dividend (2022: £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 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 also 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.

MTF Finance II Limited
Company registration number: 11838446

Directors' report for the year ended 31 December 2023 (*continued*)

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



Raheel Khan
per pro **Intertrust Directors 1 Limited**
as Director
29 February 2024

Independent auditors' report to the members of MTF Finance II Limited

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 2023 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, including 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 2023; the Statement of comprehensive income, the Statement of changes in equity and the Statement of cash flows 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 2023 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 in respect of the financial statements, 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.

MTF Finance II Limited

Independent auditors' report to the members of MTF Finance II Limited

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to any breach of the transaction documents, 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 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 the posting of inappropriate journal entries. Audit procedures performed by the engagement team 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 the Transaction Documents;
- Testing the reconciliation of the financial statements to the year end servicer report and to the bank statements of the Company;
- Testing journals using a risk-based approach and evaluation whether there was evidence of bias;
- Performing look-back testing of recoverable amounts based on the historic performance of the loan portfolio;
- Developing an independent expectation for the impairment provision based on our analysis of the loan portfolio and its performance.

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.

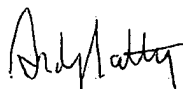
Other required reporting

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 (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

London

29 February 2024

Statement of comprehensive income for the year ended 31 December 2023

	Note	Year ended 31 December 2023 £	Year ended 31 December 2022 £
Interest receivable and similar income	3	4,470,033	11,379,515
Interest payable and similar expenses	4	(2,371,440)	(10,611,648)
Net interest income		2,098,593	767,867
Movement in impairment provision		(1,950,043)	(612,127)
Operating expenses		(147,550)	(154,740)
Profit before taxation	5	1,000	1,000
Tax on profit	7	(235)	(190)
Profit for the financial year	12	765	810
Other comprehensive income		-	-
Total comprehensive income for the financial year		765	810

All amounts relate to continuing activities.

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

Statement of changes in equity for the year ended 31 December 2023

	Called up share capital £	Profit and loss account £	Total shareholders' funds £
Balance as at 1 January 2022	1	2,162	2,163
Total comprehensive income for the financial year	-	810	810
Balance as at 31 December 2022	1	2,972	2,973
Total comprehensive income for the financial year	-	765	765
Balance as at 31 December 2023	1	3,737	3,738

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

Statement of financial position as at 31 December 2023

	Note	31 December 2023 £	31 December 2022 £
Fixed assets			
Loans	8	-	1,986,582
Current assets			
Loans	8	24,558,156	76,658,602
Debtors	9	409,830	1,042,244
Cash at bank and in hand		3,998,342	4,729,783
		28,966,328	82,430,629
Creditors: amounts falling due within one year	10	(28,962,590)	(68,280,058)
Net current assets		3,738	14,150,571
Total assets less current liabilities		3,738	16,137,153
Creditors: amounts falling due after more than one year	10	-	(16,134,180)
Net assets		3,738	2,973
Capital and reserves			
Called up share capital	11	1	1
Profit and loss account	12	3,737	2,972
Total shareholders' funds		3,738	2,973

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 29 February 2024, and were signed on its behalf by;



Raheel Khan
per pro **Intertrust Directors 1 Limited**
as Director

Statement of cash flows for the year ended 31 December 2023

	Note	Year ended 31 December 2023 £	Year ended 31 December 2022 £
Cash flows from operating activities			
Net cash inflow/(outflow) from operating activities	14	479,828	(915,841)
Taxation paid		(190)	(190)
Net cash generated from/(used) in operating activities		479,638	(916,031)
Cash flows from investing activities			
Acquisition of Loans		-	(69,906,341)
Receipt from the redemption of Loans		50,820,771	82,808,315
Interest received on Loans		7,833,748	8,437,916
Net cash generated from investing activities		58,654,519	21,339,890
Cash inflow before financing		59,134,157	20,423,859
Cash flows from financing activities			
Proceeds from issue of Notes		-	63,144,850
Interest received on Bank balance		219,444	113,918
Redemption of Notes		(52,311,234)	(84,688,338)
Interest paid on Notes		(7,773,808)	(8,472,838)
Net cash used in financing activities		(59,865,598)	(29,902,408)
Decrease in cash at bank and in hand		(731,441)	(9,478,549)
Cash at bank and in hand at the beginning of the year		4,729,783	14,208,332
Cash at bank and in hand at the end of the year		3,998,342	4,729,783

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 vehicle 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 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 - being principal, fixed coupon and variable return - are, in substance, limited to the application of the receipts from the Loans under the terms of the priority of payments as set out in the transaction documents.

The Directors have considered the fact that the Loans final maturity is in June 2024 and the Notes final maturity is in March 2026. The redemption of the Loans that are in defaults is expected to occur in the period up to the end of the first quarter of the year 2026. In terms of considering going concern, the Directors 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 that despite the reduction in cash inflows from the portfolio of Loans, there is expected to be sufficient cash to cover the operating 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 therefore 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.

Notes forming part of the financial statements for the year ended 31 December 2023 (continued)

2) Accounting policies (continued)

Interest receivable and similar income and interest payable and similar charges

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 liability 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 (including default interest where relevant) but not future credit losses.

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 receive the junior note return amount, comprising all residual cash flows of the Company. Part of the Junior Note Return Amount relates to the repayment of Notes principal and the remainder represents a variable return, which is accrued based upon the performance of the transaction.

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)

Use of estimates and judgments(continued)

Judgements

Recognition of the Loans

The Company has legally acquired a portfolio of UK bridging loans for a combination of initial and deferred consideration (the latter being contingent upon the future performance of the Loans). The sale of the Loans by the seller to the Company is deemed to have achieved derecognition under the financial reporting standard IAS 39: Financial Instruments: Recognition and Measurement. The seller was deemed to have transferred substantially all the risks and rewards of ownership to the Company as a result of the quantum and limited variability associated with the deferred consideration payable to the seller. It follows therefore that the Loans have been recognised directly on the Statement of financial position of the Company.

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 seller (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 either missed a payment or where the borrower has contacted the servicer to request forbearance. Any Loan which is due for more than 30 days are considered as defaulted Loans. At the year end, 36 (2022: 36) of the Company's Loans were in default, Principal and interest totalling £22,202,087 (2022: £16,756,806). The value of the security held against these Loans was £41,851,000 (2022: £29,479,500).

In assessing whether a Loan is impaired, the servicer 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 75% (2022:80%) of the property value, the servicer then estimates a provision in relation to potential loss, based upon its knowledge of the borrower. As such, the provision model is inherently judgemental. This decrease has been brought about by changes in the economic environment including inflation, bank base rates, house prices. This has led to us revising our view on the recoverability of interest relative to property values.

Notes forming part of the financial statements for the year ended 31 December 2023 (continued)

2) Accounting policies (continued)

Interest expense on the Notes

In addition to a contracted rate of interest, the holder of the Notes earns a variable return, based on the performance of the Loans. This variable return is designed to pass all surplus cash flows to the noteholder and comes at the bottom of the priority of payments. The Priority of payments does not differentiate between repayment of Note principal and the payment of variable return to the noteholder.

The directors do not consider it possible to reliably estimate future variable return and therefore in each accounting period they estimate it be that proportion of return generated in the period that is in excess of the £1,000 retained profit that the Company is entitled to retain under the transaction documents. The directors consider this approach to best reflect the substance of the transaction.

3) Interest receivable and similar income

	Year ended 31 December 2023 £	Year ended 31 December 2022 £
Interest receivable on Loans	4,470,033	11,379,515

4) Interest payable and similar expenses

	Year ended 31 December 2023 £	Year ended 31 December 2022 £
Interest payable on Notes	2,371,440	10,611,648

5) Profit before taxation

	Year ended 31 December 2023 £	Year ended 31 December 2022 £
This has been arrived at after charging:		
Auditors' remuneration – audit services (exclusive of VAT)	68,300	61,500

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

6) Directors and employees

The Company has no employees and services required are contracted from third parties (2022: none).

The directors received no remuneration from the Company in respect of qualifying services rendered during the current year (2022: £nil).

During the year, fees of £52,173 were paid (2022: £32,814) of which £nil (2022: £5,499) 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 £557 (2022: £13,755) accrued at 31 December 2023 in respect of the services provided by Intertrust Management Limited.

Notes forming part of the financial statements for the year ended 31 December 2023 (continued)

7) Tax on profit

	Year ended 31 December 2023 £	Year ended 31 December 2022 £
a) Analysis of the company tax charge in the year		
UK corporation tax charge on the profit for the year at 25% (2022: 19.00%)	235	190
	235	190

A reconciliation of factors affecting the Company total tax charge is presented as follows:

	Year ended 31 December 2023 £	Year ended 31 December 2022 £
b) Factors affecting the company tax charge for the year		
Profit before taxation	1000	1,000
UK corporation tax charge on the profit before taxation for the year at 25% (2022: 19.00%)	235	190
Effects of:		
Accounting profits not taxed in accordance with SI 2006/3296	(235)	(190)
Cash retained profit taxed in accordance with SI 2006/3296	235	190
Total tax charge	235	190

The corporation tax rate increased to 25% from 1 April 2023 with profits of £250,000 and over and the small profits rate of 19% chargeable should the company's taxable profits fall below £50,000 per annum, with marginal relief available where the profits are between these amounts. When the corporation tax main rate increased from 1 April 2023, the small profits rate and marginal relief discussed above will not be available for Close Investment Holding Companies (CIHC) for which it has been decided in the interest of prudence the Company, defined as a securitisation company, closely resembles a CIHC and will therefore be subject to the same treatment. Consequently, the Company will be subject to the main 25% rate of corporation tax.

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.

Notes forming part of the financial statements for the year ended 31 December 2023 (continued)

8) Loans

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

	2023 £	2022 £
<i>Opening book value</i>	78,645,184	87,095,215
Acquisitions of Loans during the year	-	69,906,341
Redemptions of Loans during the year	(50,820,771)	(82,808,315)
Movement in impairment provision	(1,950,043)	(612,127)
Movement in interest accrual	(1,316,214)	5,064,070
<i>Closing book value</i>	24,558,156	78,645,184

The maturity profile of the Loans was as follows:

Loans due in one year or less	24,558,156	76,658,602
Loans due in more than one year	-	1,986,582
	24,558,156	78,645,184

At the year end, 36 (2022: 36) of the Company's Loans were in default, totalling £22,202,087 (2022: £16,756,806). The value of the security held against these Loans was £41,851,000 (2022: £29,479,500).

The reconciliation of the impairment movement is as follows:

	2023 £	2022 £
Opening balance	1,192,968	580,841
Net Movement in impairment provision	1,950,043	612,127
Closing balance	3,143,011	1,192,968

9) Debtors

	31 December 2023 £	31 December 2022 £
Other debtors	408,387	1,036,027
Prepayments and accrued income	1,443	6,217
	409,830	1,042,244

Notes forming part of the financial statements for the year ended 31 December 2023 (*continued*)

10) Creditors

	31 December 2023 £	31 December 2022 £
Amounts falling due within one year		
Notes	28,857,420	68,122,600
Tax provision	235	190
Accruals and deferred income	104,935	157,268
	28,962,590	68,280,058
Amounts falling due after more than one year		
Notes	-	16,134,180

11) Called up share capital

	31 December 2023 £	31 December 2022 £
<i>Called up, allotted and issued</i>		
1 (2022: 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

	2023 £	2022 £
Opening balance	2,972	2,162
Profit for the financial year	765	810
Closing balance	3,737	2,972

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.

Notes forming part of the financial statements for the year ended 31 December 2023 (continued)

13) Financial instruments (continued)

Credit risk (continued)

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 2023 £	Maximum exposure 2023 £	Carrying value 2022 £	Maximum exposure 2022 £
Assets:				
Loans	24,558,156	24,558,156	78,645,184	78,645,184
Cash at bank and in hand	3,998,342	3,998,342	4,729,783	4,729,783
Other debtors	408,387	408,387	1,036,027	1,036,027
	28,964,885	28,964,885	84,410,994	84,410,994

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

	Carrying value 2023 £	Fair value of collateral (capped) 2023 £	Carrying value 2022 £	Fair value of collateral (capped) 2022 £
Loans				
Not overdue	2,356,069	2,356,069	63,081,346	63,081,346
< than 1 month	-	-	1,323,447	1,323,447
From 1 to 3 months	559,598	559,598	3,313,851	3,313,851
From 3 to 6 months	5,032,202	5,032,202	2,693,399	2,693,399
From 6 to 9 months	6,987,854	6,987,854	638,850	638,850
From 9 to 12 months	4,178,967	4,178,967	4,504,436	4,504,436
12 months and over	8,586,477	8,586,477	4,282,823	4,282,823
Impairment provision	(3,143,011)	(3,143,011)	(1,192,968)	(1,192,968)
	24,558,156	24,558,156	78,645,184	78,645,184

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 £4,248,298 (2022: £3,155,281) 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 £212,415 (2022: £157,764).

Liquidity risk

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

Notes forming part of the financial statements for the year ended 31 December 2023 (continued)

13) Financial instruments (continued)

Liquidity risk (continued)

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 2026 the Company is required under the priority of payments set out in the transaction documents to make payments on 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. It assumes that all of the residual cash flows are used to repay the outstanding Notes principal.

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, but only accrues and becomes payable to the extent that the Company has sufficient residual cash flows to make payment.

As at 31 December 2023	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 *	28,857,420	24,795,389	3,653,951	8,194,370	12,947,068	-	-
Contractual interest payable on Notes	22,418	224,638	81,991	84,670	57,977	-	-
Total as 31 December 2023	28,879,838	25,020,027	3,735,942	8,279,040	13,005,045	-	-

As at 31 December 2022	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 *	84,256,780	77,106,623	5,081,037	10,162,074	45,729,332	16,134,180	-
Contractual interest payable on Notes	69,713	1,554,820	261,165	328,394	895,888	69,373	-
Total as 31 December 2022	84,326,493	78,661,443	5,342,202	10,490,468	46,625,220	16,203,553	-

* The Notes balance includes the entitlement, as at the year 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.

Notes forming part of the financial statements for the year ended 31 December 2023 (continued)

13) Financial instruments (continued)

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 2023 £	31 December 2022 £	Interest rate (per annum)
Notes	28,857,420	84,256,780	3.00%

As the variable return on the Notes which is payable in addition to the contracted interest rate shown above 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 to net cash inflow/(outflow) from operating activities

	Year ended 31 December 2023 £	Year ended 31 December 2022 £
Profit before taxation	1,000	1,000
Interest received on Bank balances	(219,444)	(113,918)
Interest receivable on the Loans	(4,250,589)	(11,265,597)
Decrease/(Increase) in debtors	632,416	(776,717)
Interest payable on Notes	2,371,440	10,611,648
(Decrease)/Increase in creditors	(5,038)	15,616
Impairment provision	1,950,043	612,127
Net cash inflow/(outflow) from operating activities	479,828	(915,841)

15) Analysis of changes in net debt

	01 January 2023 £	Cash flow £	Non cash Changes £	At 31 December 2023 £
Cash at bank and in hand (restricted)	4,729,783	(731,441)	-	3,998,342
Book value of Notes	(77,106,623)	52,311,234	-	(24,795,389)
Junior Noteholder Interest EIR	(7,150,157)	4,035,572	(947,446)	(4,062,031)
Net Debt	(79,526,997)	55,615,365	(947,446)	(24,859,078)

Notes forming part of the financial statements for the year ended 31 December 2023 (continued)

16) 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.

17) Related party transactions

During the year, fees of £52,173 were paid (2022: £32,814) of which £nil (2022: £5,499) 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 £557 (2022: £13,755) accrued at 31 December 2023 in respect of the services provided by Intertrust Management Limited.

During the year £1,423,995 of interest (2022: £3,343,151) was paid and accrued to LVS Finance LUX II S.À R.L. on the Notes. The Notes balance, including accrued interest, at the year-end amounted to £28,879,838 (2022: £84,326,493) 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 2023	31 December 2022
	£	£
Notes balance	24,795,389	77,106,623
Accrued fixed interest	22,418	69,713
Accrued variable return	4,062,031	7,150,157
	28,879,838	84,326,493

18) Post balance sheet events

There have been no other reportable post balance sheet events between the balance sheet date and the date of signing of this report that would meet the criteria to be disclosed or adjusted.