Registered number: 11532386

BUSINESS LOANS MI1 LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE PERIOD FROM 22 AUGUST 2018 TO 31 DECEMBER 2019

CONTENTS

COMPANY INFORMATION

Directors	Aline Sternberg (appointed 22 August 2018) CSC Directors (No.1) Limited (appointed 22 August 2018) CSC Directors (No.2) Limited (appointed 22 August 2018)
Company secretary	CSC Corporate Services (UK) Limited Level 37, 25 Canada Square London E14 5LQ
Registered number	11532386
Registered office	Level 37, 25 Canada Square London E14 5LQ
Bankers	Barclays Bank Leicestershire United Kingdom LE87 2BB

STRATEGIC REPORT
FOR THE PERIOD FROM 22 AUGUST 2018 TO 31 DECEMBER 2019

Introduction

The directors present the strategic report of Business Loans MI1 Limited (the "Company") for the period from 22 August 2018 (date of incorporation) to 31 December 2019.

Business review

The Company was incorporated as a private limited company on 22 August 2018 in the United Kingdom and registered in England and Wales under the Companies Act 2006.

The company was established as a special purpose vehicle for the purpose of purchasing loans to UK businesses (the "Receivables") from MarketFinance Limited (the "Originator"). On 20 September 2018, the Company entered into a Receivables Purchase Agreement and Servicing Agreement whereby the Originator agreed, from time to time, to assign and transfer Receivables originated by the Originator to the Company.

The purchase of Receivables from MarketFinance Limited (the "Seller") has been considered a Deemed Loan on the statement of financial position of the Company as it does not fit the de-recognition criteria of FRS102. The Receivables remain on the Balance Sheet of Business Loans MI1 Limited.

In order to fund the assignment and transfer of the Receivables, the Company entered into a Note Issuance Facility Agreement (the "Senior Notes") pursuant to which it may issue Senior Notes from time to time and also entered into a Subordinated Note Issuance Deed ("Subordinated Notes") with the Originator. The Senior Notes was drawndown to an amount of £6,079,036 which remained outstanding in its entirety at the financial period end. The Subordinated Loan Facility had a balance of £712,182 at the end of the financial period. This Subordinated Loan repayment is contingent to the extent that funds are available on the final discharge date.

Over the past year, the ongoing uncertainties around Brexit and international trade has continued to pose a risk to the Company through investor sentiment and the wider economy. Whilst some of the UK political uncertainties have recently reduced, global economic factors, such as the impact on trade of COVID-19, continue to impact on markets and investor behaviour.

Financial key performance indicators

The Company provides a full breakdown of the performance of the Receivables portfolio on a monthly basis. The outstanding balance of the Receivables is a key performance indicator held by the Company which increased from £nil at the start of the period to £7,455,486 as at 31 December 2019 due to the net effect of scheduled repayments and the assignment of further Receivables.

At the financial period end the balance of the Senior Notes outstanding amounted to £6,079,036 and the balance of the Subordinated Loan amounted to £712,182.

Principal risks and uncertainties

The principal risks and uncertainties faced by the Company are discussed below and under the Financial instruments disclosures (note 14).

Financial Instruments

The Company's operations are financed primarily by means of the Senior Notes and the Subordinated Loan. The Company issued such financial instruments to finance the acquisition of the Receivables, which has been extended to the originator in the form of a Loan (see review of business).

The Company's exposure to risk on financial instruments and the management of such risk is largely determined prior to the issuance of the Senior Notes.

The directors monitor the Company's performance by reviewing monthly reports on the performance of the Receivables, in order to ensure that the transaction terms have been complied with, no unforeseen risks have arisen, and that the Noteholders have been paid on a timely basis.

MarketFinance Limited (the "Servicer") administers the Receivables under a servicer agreement with the Company. In administering the Receivables, the Servicer applies its formal structure for managing risk and other control procedures.

The primary risks arising from the Company's financial instruments are credit risk, liquidity risk and market risk. The principal nature of such risks is summarised below.

Credit Risk

Credit risk reflects the risk that the underlying borrowers will not meet their obligations as they fall due.

Although the underlying Receivables are guaranteed by an eligible guarantor, the Company considers 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 Receivables.

Management of the credit risk is undertaken by reviewing and monitoring arrears balances and communicating regularly with the borrowers.

Liquidity Risk

Liquidity risk reflects the risk that the Company will encounter difficulty in raising funds to meet commitments associated with its financial instruments, should the actual cash flows from its assets differ from those expected. The Company's assets, the Receivables, are financed by the issuance of the Senior Notes and the Subordinated Note. The financing policy substantially reduces the Company's liquidity risk by matching the maturity profile of the Company's funding to the profile of the assets being funded. The Company can also use the Cash Reserve Amount to manage any remaining liquidity risk (note 14).

Market Risk

Market risk is the risk that the fair value or future cashflows of a financial instrument will fluctuate because of changes in the market prices. Market risk comprises three types of risk; currency risk, interest rate risk and other price risk. Other price risk is the risk that the fair value or future cashflows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

Interest Rate Risk

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

Currency Risk

The Company is not exposed to currency risk as all its financial instruments are denominated in GBP.

Emerging Risks

During the first few months of 2020, the COVID-19 pandemic has created a degree of uncertainty across all industries on a global scale, including the financial services market in the UK.

Given the economic outlook is uncertain and developing almost daily, it is not possible to accurately estimate the financial impact the pandemic will have on the Company. However, as the activities of the Company are governed by the transaction documents and there are significant credit enhancements in place within the structure, the direct impact on the Company is expected to be limited. Whilst individual line items in the financial statements could be impacted, as the securitisation transaction is designed such that any shortfall on principal and interest collections from the Receivables are borne by MarketFinance Limited, the Company is expected to remain as a going concern for the foreseeable future.

From an operational perspective, the Company could also be impacted by its service providers being unable to deliver their contractual obligations.

This is a non-adjusting post balance sheet event, which has been disclosed in note 17.

This report was approved by the board and signed on its behalf.

....
Charmaine De Castro per pro CSC Directors (No.1) Limited
Director

Date: 15 May 2020

DIRECTORS' REPORT
FOR THE PERIOD FROM 22 AUGUST 2018 TO 31 DECEMBER 2019

The directors present their report and the audited financial statements for the Period from 22 August 2018 ended 31 December 2019.

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 be able to continue trading over the foreseeable future versus the likelihood of either intending to or being forced to cease trading and place the Company into liquidation.

The Company is obliged to redeem the Senior Notes at their principal amount outstanding upon maturity. However, due to the non-recourse nature of the Senior Notes, the Company’s ability to pay amounts due on the Senior Notes and the Subordinated Note are, in substance, limited to the application of the receipts from the Receivables under the terms of the priority of payments as set out in the terms and conditions of the Senior Notes. If on full realisation of the Receivables, insufficient funds exist to settle the liabilities owed to the Senior Note holders, there will be no further recourse to the Company (even in event of default).

At the balance sheet date the Company is showing a net asset position.

It is the intention of the directors for the Company to continue operations until such a time as the amounts due from Receivables have been fully realised. Ultimately, due to the limited recourse nature of the Senior Notes and the Subordinated Loan, any shortfall in the proceeds of the Receivables will be a risk to the holder of these financial instruments.

The directors have reviewed what impact COVID-19 will have on the Company in the future and have put procedures in place in order to review and assess what steps the Company needs to take in order to continue as going concern. Some procedures which have been introduced are preparing cash flow forecasts and getting correspondance from the Company's bankers to support the Company's ability to obtain funding.

Therefore, the directors consider that the Company is able to meet its liabilities as they fall due, and accordingly, the financial statements have been prepared on a going concern basis.

Future Development

Information on future developments is included in the Incorporation, 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.

Directors and their interests

The directors who served during the Period from 22 August 2018 were:

Aline Sternberg (appointed 22 August 2018)
CSC Directors (No.1) Limited (appointed 22 August 2018)
CSC Directors (No.2) Limited (appointed 22 August 2018)

None of the directors have any beneficial interest in the ordinary share capital of the Company. None of the directors had any interest during the period in any material contract or arrangement with the Company.

Dividends

The directors do not recommend the payment of a dividend for the period ended 31 December 2019.

Third Party Indemnities

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

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 the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the 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.

Company Secretary

CSC Corporate Services (UK) Limited, served as the company secretary during the period and subsequently.

Events after the reporting period

The spread of COVID-19 around the world in the first quarter of 2020 has caused significant volatility in international markets. There is significant uncertainty around the breadth and duration of business disruptions related to COVID-19, as well as its impact on international economies and, as such, the Company is actively monitoring the extent of the impact to its operations, financial accounting and reporting. There was no adjusting event to the Company’s financial statements as of 31 December 2019.

There are no other significant subsequent events to be disclosed.

Auditors

The auditors, PricewaterhouseCoopers LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board and signed on its behalf.

....
Charmaine De Castro per pro CSC Directors (No.1) Limited
Director

Date: 15 May 2020

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS FOR THE PERIOD FROM 22 AUGUST 2018 TO 31 DECEMBER 2019

The directors are responsible for preparing the Annual Report and 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 prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 “The Financial Reporting Standard applicable in the UK and Republic of Ireland”, and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the Company's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

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

Independent auditors' report to the members of Business Loans MI1 Limited

Report on the audit of the financial statements

Opinion

In our opinion, Business Loans MI1 Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit and cash flows for the 16 month period (the "period") then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Balance Sheet as at 31 December 2019; 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

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

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

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

Reporting on other information

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

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

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

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

Strategic Report and Directors' Report

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

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities in respect of the Financial Statements set out on page 7, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Jonathan Ford (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
15 May 2020

STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD FROM 22 AUGUST 2018 TO 31 DECEMBER 2019

	Note	Period from 22 August 2018 to 31 December 2019 £
Interest income and similar income	3	**378,182**
Interest expense and similar charges	4	**(140,320)**
Net interest income		**237,862**
Administrative expenses	5	**(236,062)**
Operating profit		**1,800**
Tax on profit	8	**(342)**
Profit for the financial period		**1,458**
Other comprehensive income for the financial period		
Total comprehensive income for the financial period		**1,458**

The notes on pages 14 to 27 form part of these financial statements.

BALANCE SHEET
AS AT 31 DECEMBER 2019

	Note		2019 £
Fixed assets			
Deemed Loan	9		**7,455,486**
			7,455,486
Current assets			
Debtors	10	**250,040**	
Cash and cash equivalents	11	**1,454,817**	
		1,704,857	
Creditors: amounts falling due within one year	12	**(2,367,666)**	
Net current liabilities			**(662,809)**
Total assets less current liabilities			**6,792,677**
Creditors: amounts falling due after more than one year	13		**(6,791,218)**
Net assets			**1,459**
Capital and reserves			
Called up share capital	15		**1**
Profit and loss account			**1,458**
			1,459

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 15 May 2020.

Charmaine De Castro per pro CSC Directors (No.1) Limited
Director

The notes on pages 14 to 27 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD FROM 22 AUGUST 2018 TO 31 DECEMBER 2019

	Called up share capital	Profit and loss account	Total equity
	£	£	£
Comprehensive income for the financial period			
Profit for the financial period	-	1,458	1,458
Shares issued during the financial period	1	-	1
At 31 December 2019	1	1,458	1,459

The notes on pages 14 to 27 form part of these financial statements.

STATEMENT OF CASH FLOWS
FOR THE PERIOD FROM 22 AUGUST 2018 TO 31 DECEMBER 2019

	2019 £
Cash flows from operating activities	
Profit for the financial period	**1,458**
Adjustments for:	
Interest income and similar income	**(196,277)**
Retained profit sharing income	**(181,905)**
Interest expense and similar charges	**140,320**
Increase in debtors	**(250,040)**
Increase in creditors	**2,367,666**
Bad debt provision	**158,262**
Net cash generated from operations	**2,039,484**
Interest received	**196,277**
Retained profit sharing income	**181,905**
Net cash generated from operating activities	**2,417,666**
Cash flows from investing activities	
Purchase of Deemed Loan	**(8,402,459)**
Receipt of collections on receivables	**788,711**
Net cash used in investing activities	**(7,613,748)**
Cash flows used in financing activities	
Issue of share capital	**1**
Proceeds from issuance of Notes	**9,406,242**
Repayment of Notes	**(2,615,024)**
Interest paid	**(140,320)**
Net cash generated from financing activities	**6,650,899**
Net increase in cash and cash equivalents	**1,454,817**
Cash and cash equivalents at 31 December 2019	**1,454,817**
Cash and cash equivalents at 31 December 2019	
Cash at bank and in hand	**1,454,817**
	1,454,817

The notes on pages 14 to 27 form part of these financial statements.

1. General information

The Company was incorporated on 22 August 2018 in the United Kingdom and registered in England and Wales under the Companies Act 2006 as a private limited company. The address of its registered office is 25 Canada Square, 37th Floor, Canary Wharf, London E14 5LQ.

The Company was established as a special purpose vehicle for the purpose of purchasing loans to predominately UK business' (the “Receivables”) from MarketFinance Limited ("MarketFinance"). In order to fund the purchase of these Receivables, the Company issued Senior and Subordinated Notes.

The financial statements of the company, are prepared on a going concern basis, under the historical cost convention as modified by the recognition of certain financial assets and liabilities measured at fair value and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The following principal accounting policies have been applied consistently throughout the period.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies.

The following principal accounting policies have been applied:

2.2 Going concern

The financial statements have been prepared on a going concern basis as the Directors have undertaken a review of future financing requirements for the ongoing operation of the Company, and are satisfied that sufficient cash facilities are available to meet its working capital requirements for at least 12 months from the date of signing these financial statements. The Directors accordingly consider it appropriate for the financial statements to be prepared on a going concern basis.

2.3 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 Receivables and therefore the directors only report one business and one geographic segment.

2.4 Borrowing costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

2. Accounting policies (continued)

2.5 Interest income and similar income and interest payable and similar expenses

Interest income and similar income is recognised in the Statement of Comprehensive Income using the effective interest rate method.

Interest payable and similar expenses are charged to the Statement of Comprehensive Income over the term of the debt using the effective interest rate method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.6 Retained profit sharing income

Retained profit sharing payments are accounted for on an accruals basis to the extent of the additional balance of funds after having discharged all other payments in accordance with the Company's monthly priority of payments waterfall.

2.7 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. The directors are satisfied that this Company meets the criteria of a 'securitisation company' as defined by both the Act and the subsequent secondary legislation and that no incremental unfunded tax liabilities will arise. Deferred tax is not provided for.

2.8 Impairment of fixed assets

Assets that are subject to depreciation or amortisation are assessed at each balance sheet date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets that have been previously impaired are reviewed at each balance sheet date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

2.9 Debtors

Short term debtors are measured at transaction price, less any impairment and bad debt provision. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2. Accounting policies (continued)

2.10 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.11 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.12 Senior Note and Subordinated Note

The borrowings are classified as Creditors: amounts falling due after more than one year and are initially recognised at fair value at the date of issuance of the liability, and are subsequently measured at amortised cost, with any difference between cost and redemption value being recognised in the statement of comprehensive income on an effective interest basis.

Receipts from the issuance of the Senior Notes and Subordinated Loan were used to purchase the Receivables.

2.13 Loan to the Originator

When a transfer of a financial asset does not qualify for de-recognition, the transferee does not recognise the transferred asset as its asset. The transferee derecognises the cash or other consideration paid and recognises a receivable from the transferor. In relation to the Receivables transferred to the Company, derecognition is considered to be inappropriate for the portfolio seller's or Originator's (MarketFinance Limited) own financial statements.

The Loan is classified within "fixed assets". The initial measurement is at fair value with subsequent measurement being at amortised cost using the effective interest rate method.

The Loan is subject to impairment reviews in accordance with IAS39. A charge for impairment would be recognised where there is a risk that the income on the Loan will be significantly reduced. This could occur if the credit quality of the Receivables that are pledged as collateral for the Loan reduced significantly.

Impairment losses on loan to the originator
The recoverability of the deemed loan to the originator is dependent on the collections from the underlying Receivables. The Receivables are considered impaired when it is probable that the Company will be unable to collect all amounts due according to the contractual terms of the agreement. The key assumptions for recoverability relate to estimates of the probability of any account going into default, receipt of interest or principal repayments, their timing and expected proceeds from the sale of repossessed collateral. These key assumptions are based on observed data from historical patterns and are updated by the servicer as new data becomes available.

In addition, the directors consider how appropriate past trends and patterns could impact the current economic situation and may make any adjustments they believe are necessary to reflect the current economic and market conditions.

The accuracy of impairment calculations would therefore be affected by unexpected changes to the

2. Accounting policies (continued)

economic situation, variances between the models used and the actual results, or assumptions which differ from the actual outcomes.

Credit enhancement is provided in a number of ways. The income on the Receivables is expected to exceed the interest payable on the Company's borrowings. This excess spread is available to make good any reductions in the principal balance of the Receivables as a result of defaults by customers. In addition the originator provides a Cash Reserve amount which can be utilised by the Company in certain circumstances.

2.14 Financial instruments

The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in the case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Investments in non-convertible preference shares and in non-puttable ordinary and preference shares are measured:

- at fair value with changes recognised in the Statement of Comprehensive Income if the shares are publicly traded or their fair value can otherwise be measured reliably;
- at cost less impairment for all other investments.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of Comprehensive Income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the balance sheet date.

Financial assets and liabilities are offset and the net amount reported in the Balance Sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

2. Accounting policies (continued)

2.15 Loss impairments

Financial instruments
Financial assets and financial liabilities are recognised in the balance sheet when the company (SPV) becomes a party to the contractual provisions of the instrument.

Business loans are classified as basic financial instruments and are initially recognised at fair value with subsequent measurement being at amortised cost using the effective interest method of calculating the amortised cost of financial asset and of allocating interest income over the relevant year. The effective interest rate is the rate that discounts estimated future cash receipts through the expected life of the financial asset, or where appropriate a shorter period.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of Comprehensive Income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the effective interest rate. For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the balance sheet date.

Financial Liabilities are classified in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Judgements in applying accounting policies and key sources of estimation uncertainty

Assessment of impairment of loans
In the application of the Company's accounting policy, management are required to make judgements, estimates and assumptions about the carrying value of assets and liabilities that are not readily apparent from other sources.

The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates and in preparing these financial statements.

Management assess on a regular basis whether the receivables are recoverable and if any potential provision if one is required. Receivables are analysed on a specific basis to assess the need for a provision. The quantum of the impairment provision is assessed taking into account the aging and collection status of the non-performing receivables

3. Interest income and similar income

An analysis of interest income and similar income by class of business is as follows:

	Period from 22 August 2018 to 31 December 2019 £
Loan interest receivable	**190,914**
Interest income on bank accounts	**5,363**
Retained profit sharing income	**181,905**
	378,182

All interest income and similar income arose within the United Kingdom.

4. Interest expense and similar charges

	Period from 22 August 2018 to 31 December 2019 £
Interest expense on Senior Note	**(72,401)**
Unused fee on Senior Note*	**(67,919)**
	(140,320)

*The unused fee is a fee on the outstanding balance on the Senior Note which is calculated each interest payment date and paid to the Senior Note holder.

5. Operating expenses

	Period from 22 August 2018 to 31 December 2019 £
Bad debts	(158,262)
Audit fees	(30,000)
Tax compliance fee	(4,800)
Other expenses	(43,000)
	(236,062)

6. Profit on ordinary activities before taxation

	Period from 22 August 2018 to 31 December 2019 £
This has been arrived at after charging;	
Statutory audit	(30,000)
Other assurance services	-
Tax advisory services	(4,800)
Other non-audit services	-
	(34,800)

7. Employees

The Company has no employees other than the directors, who did not receive any remuneration.

8. Tax on profit

	Period from 22 August 2018 to 31 December 2019 £
Corporation tax	
Current tax on profits for the period	**342**
Total current tax	**342**
Taxation on profit on ordinary activities	**342**

Factors affecting tax charge for the period from 22 august 2018

The tax assessed for the Period from 22 August 2018 is the same as the standard rate of corporation tax in the UK of 19% as set out below:

	Period from 22 August 2018 to 31 December 2019 £
Profit on ordinary activities before tax	**1,800**
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19%	**342**
Effects of:	
Total tax charge for the financial period	**342**

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. Under the terms of the securitisation, the Company is expected to retain £200 per month.

9. Deemed Loan

	2019
	£
Cost or valuation	
Purchase of Deemed Loans	8,402,459
Collections on Deemed Loans	(788,711)
Bad debt provision	(158,262)
At 31 December 2019	7,455,486

The Company was incorporated on the 22 August 2018 as a special purpose vehicle for the purpose of purchasing loans to UK businesses from MarketFinance Limited which are classed as loans to the Originator, pursuant to the Receivables Purchase Agreement for a total of £8,402,459. As at 31 December 2019, the outstanding balance of the Receivables is £7,455,486 which includes repayments in the financial period to date.

10. Debtors

	2019
	£
Other debtors	68,135
Intercompany receivable	181,905
	250,040

11. Cash and cash equivalents

	2019
	£
Cash at bank and in hand	1,454,817
	1,454,817

12. Creditors: Amounts falling due within one year

	2019 £
Amounts due to MarketFinance Limited	**(2,313,002)**
Accrued interest on Senior Note	**(19,501)**
Other creditors	**(35,163)**
	(2,367,666)

13. Creditors: Amounts falling due after more than one year

	2019 £
Senior Note	**(6,079,036)**
Subordinated Note	**(712,182)**
	(6,791,218)

The Senior Notes bear interest at a floating rate of 12 month GBP plus LIBOR and are secured over all the Receivables of the Company. The Senior Note has been drawndown to an amount of £6,079,036 and there were no repayments on this during the financial period so has an outstanding balance of £6,079,036.

The Subordinated Note was drawndown from the Originator. £3,327,206 was drawn down in the financial period. Repayment of £2,615,024 were made during the financial period and a balance of £712,182 was remaining at the end of the financial period. This Subordinated Loan is repayable on the final discharge date to the extent that funds are available.

14. 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 securitisation transaction. The Company's activities and the role of each party to the transaction are clearly defined and documented. Cash flow modelling, including multiple stress scenarios, is carried out as part of the structuring of the transaction. Following initial set-up, the directors monitor the Company's performance, reviewing reports on the performance of the Receivables. 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 Senior Noteholders have been paid on a timely basis.

	2019 £
Financial assets	
Financial assets measured at fair value through profit or loss	**9,160,343**
	9,160,343

	Carrying value £	Maximum exposure £
Deemed Loan	**7,455,486**	**7,455,486**
Cash and cash equivalents	**1,454,817**	**1,454,817**
Debtors	**250,040**	**250,040**
	9,160,343	**9,160,343**

	2019
	£
Financial liabilities	
Financial liabilities measured at fair value through profit or loss	**(9,158,884)**
	(9,158,884)

	Carrying value	Maximum exposure
	£	£
Senior Notes	**(6,079,036)**	**(6,079,036)**
Subordinated Notes	**(712,182)**	**(712,182)**
Other creditors	**(2,367,666)**	**(2,367,666)**
	(9,158,884)	**(9,158,884)**

Interest rate risk
Interest rate risk exists where assets and liabilities have interest rates set under a different basis or which reset at different times. The Company minimises its exposure to interest rate risk by ensuring that the interest rate characteristics of the Receivables and the Senior Notes and Subordinated Note (its principal assets and liabilities) are similar.

The table below summarises the exposure to interest rate risk:

	Interest rate	Loans drawndown	Repayments & discounts	Closing balance
	£	£	£	£
Senior Note	**12-month GBP LIBOR**	**(6,079,036)**	**-**	**(6,079,036)**
Subordinated Note		**(3,327,206)**	**2,615,024**	**(712,182)**
		(9,406,242)	**2,615,024**	**(6,791,218)**

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

Liquidity risk
Liquidity risk is the risk that the Company is not able to meet its financial obligations as they fall due. The Company's ability to meet payments on the Senior Notes and Subordinated Note as they fall due is dependant on timely receipt of funds which may be delayed due to slow repayment on the Receivables.

In the event that the Company has insufficient funds available to pay interest and/or principal on the Senior Notes and Subordinated Note, the Company, under certain conditions and to the extent funds are available, is obliged to draw on the Cash Reserve account to meet its obligations to the lenders.

The table below analyses the undiscounted cash flows of the financial liabilities at the balance sheet date into relevant maturity groupings based on the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curves at the balance sheet date. The calculations are based on the assumption that the liabilities will not be repaid until the contractual maturity date. The expectation is that the liabilities will actually be paid in advance of their legal maturity dates.

	0 to 3 months £	4 months to 1 year £	1 year to 2 years £	2 years to 5 years £	Over 5 years £
Senior Note	-	-	-	-	(6,079,036)
Subordinated Note	-	-	-	-	(712,182)
Accrued interest on Senior Note	(135,665)	(274,311)	(679,814)	(2,178,090)	(1,633,940)
Accrued expenses	(2,367,666)	-	-	-	-
	(2,503,331)	(274,311)	(679,814)	(2,178,090)	(8,425,158)

15. Called up share capital

	2019 £
Authorised, allotted, called up and fully paid	
1 Ordinary shares share of £1.00	1

All shares were allotted during the period. 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.

16. Related party transactions

During the period fees of £17,877 were paid to CSC Capital Markets UK Limited for the provision of corporate administration services to the Company.

The balance of the Receivables from MarketFinance Limited at the balance sheet date is £7,455,486 and these have been classed as Loans to the Originator. £61,427 is owing to the Company from the Originator in relation to collected with respect to assigned Receivables before the financial period end and transferred to the Company subsequently.

MarketFinance Limited acts as servicer for the receivables portfolio for the Company and received £3,398 during the financial period.

MarketFinance Limited also provided £3,327,206 in a Subordinated Note to the Company. Repayment of £2,615,024 were made during the financial period on the Subordinated Note.

17. Post balance sheet events

The spread of COVID-19 around the world in the first quarter of 2020 has caused significant volatility in international markets. There is significant uncertainty around the breadth and duration of business disruptions related to COVID-19, as well as its impact on international economies and, as such, the Company is actively monitoring the extent of the impact to its operations, financial accounting and reporting. At this stage the directors cannot currently determine the impact of COVID-19.

This is a non-adjusting post balance sheet event which has no impact on the reported results of the Company for the year ended 31 December 2019.

There are no other significant subsequent events to be disclosed.

18. Controlling party

The entire share capital of Business Loans MI1 Limited is held on a discretionary trust basis under a share trust deed by the legal parent company, CSC Corporate Services (UK) Limited, a company incorporated in the United Kingdom and registered in England and Wales.

The Directors do not consider there to be one ultimate controlling party. The Company has assessed that MarketFinance Limited who's registered office is 48-50 Scrutton Street, London, EC2A 4XQ has significant enough control over the entity to require consolidation into MarketFinance Limited's consolidated financial statements.