Registered number: 12686196

Islay Finance Limited

Annual report and financial statements

For the period from 20 June 2020 (date of incorporation)

to 31 December 2020

Officers and professional advisers

Directors	John Paul Nowacki	(appointed on 20 June 2020)
	CSC Directors (No.1) Limited	(appointed on 20 June 2020)
	CSC Directors (No.2) Limited	(appointed on 20 June 2020)
Registered number	12686196 (England and Wales)	
Company secretary and registered office	CSC Corporate Services (UK) Limited 5 Churchill Place 10th Floor London E14 5HU	
Independent auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 7 More London Riverside London SE1 2RT	

Islay Finance Limited

Annual report and financial statements for the period from 20 June 2020 (date of incorporation) to 31 December 2020

Contents

The directors (“Directors”) present the strategic report of Islay Finance Limited (the "Company") for the period from 20 June 2020 to 31 December 2020.

Principal activities, business review and future developments

The Company, a private limited company, was incorporated on 20 June 2020 in the United Kingdom and registered in England and Wales under the Companies Act 2006. The Company was established as a special purpose vehicle to raise finance and invest in loans (the” Loans”) under the Coronavirus Business Interruption Loan Scheme (the “CBILS”), to small and medium sized businesses (the “SMEs”, “Borrowers”).

The funds raised by issuing notes (the “Notes”) pursuant to a note purchase agreement and to issue a certificate with respect to the excess spread, each to be constituted by a trust deed, are used to make cash contributions by way of settlement on trust to iwoca Skye Finance Limited (the “Asset Trustee”, “Lender”) who acts as the lender of record for the Loans and also as the asset trustee, thereby holding the Loans on trust for the benefit of the Company.

CBILS was established on 23 March 2020 with the aim of supporting the continued provision of finance to UK business affected by the Covid-19 outbreak. The scheme had an initial end date of 30 September 2020, however since then it has been subject to a number of extensions. In December 2020 the Government announced that the deadline for CBILS applications was extended until 31 March 2021.

The loans issued under the scheme will benefit from a guarantee granted by the Secretary of State for Business, Energy and Industrial Strategy (the “Guarantor”) under the Guarantee Agreement (the “Guarantee”). Even though the Guarantee partially covers the credit risk of the Lender in respect of the originated loans under the scheme, the borrower remains liable for the debt.

At the period end the Company has issued a total of £184,848,484 Notes and the Lender has originated £158,711,255 of Loans under CBILS. The Notes do not have a fixed maturity date. The final maturity date of the Notes is linked to the maturity date of the longest dated CBILS Loan in the portfolio which as at 31 December 2020 was December 2025.

In assessing whether the Loans originated by iwoca Skye Finance Limited meet the derecognition criteria Section 11 of Financial Reporting Standard FRS 102, the provisions of IAS 39 Financial Instruments: Recognition and Measurement (“IAS39”) have been adopted in full with respect to the recognition and measurement of the Loans. iwoca Skye Finance Limited transferred substantially all the risks and rewards of ownership of the Loans to the Company and therefor the Loans are recognised on the Balance Sheet of the Company.

The Directors envisage no changes to the nature of the Company's business in the near future.

Results

The statement of comprehensive income is set out on page 8 and shows the loss for the period. Interest income and expenses are recognised on an amortised cost basis, as such the terms of the Company’s financial liabilities mean that the Company’s expected profits are recognised over the life of those financial assets and liabilities. The Directors expect the Company to make a profit over its life.

Key performance indicators, principal risks and uncertainties

The Company’s key performance indicators were as follows:

Results - the Company made a loss of £650,286 during the period

Assets - the Company’s loan book stands at £160,283,136

Notes – the balance of the Notes outstanding at the period end amounted to £184,504,670

Section 172(1) statement

As a special purpose vehicle entity the governance structure of the Company is such that the key policies have been predetermined at the time of the issuance. The Directors have had regards to the matters set out in section 172(1) of the Companies Act 2006 as follows:

(a) the transaction documents have been formulated to achieve the Company’s purpose and business objectives, safeguard the assets and promote the success of the Company with a long-term view and in accordance with the relevant securitisation legislation;
(b) the Company has no employees;

Section 172(1) statement *(continued)*

(c) the Company is a securitisation vehicle and therefore a key stakeholder are the noteholders. The transaction documents determine the nature and quality of the assets that can be securitised, how the cash flows from the securitised assets are distributed and associated reporting. Relationships are also fostered with suppliers and others via professional third parties who have been assigned operational roles, which are strictly governed by the transaction documents and fee arrangements agreed in advance;

(d) as a securitisation vehicle the Company has no physical presence or operations and accordingly has minimal impact on the community and the environment;

(e) the Company maintains a reputation for high standards of business conduct via professional third parties who have been assigned operational roles. Fee arrangements have been agreed in advance and supplier invoices paid strictly in accordance with the transaction documents including a priority of payments, if applicable; and

(f) the Company has a sole member with the issued shares all held by the immediate parent.

Financial Instruments

The Company's operations are financed primarily by means of the Notes. The Company issued such financial instruments to make cash contributions, by way of settlement on trust, to the Asset Trustee. It is not the Company policy to trade in financial instruments.

The principal risks arising from the Company's financial instruments are reviewed below.

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

Heightened credit risk could occur during the events continuing to develop around the world with the associated major economic downturn and during a failure to manage the risks involved when advancing loans to SMEs. The Company seeks to manage this risk by employing a range of credit assessment checks on all applicants together with ongoing reviews and the assessment of credit performance of the Loans.

In the event that a borrower subsequently defaults, the Guarantor will fund 80% of the outstanding guaranteed balance.

Liquidity risk
Liquidity risk reflects the risk that the Company may encounter difficulty in meeting its obligations associated with its financial liabilities, should the actual cash flows from the underlying loans differ from those expected.

The Company's contributions to the asset trust, are financed by the issuance of the Notes. This financing policy reduces the Company's liquidity risk by matching the maturity profile of the Company's funding to the profile of the underlying CBILS being funded.

The Borrower is entitled to the Business Interruption Payment (the "BIP"), which is an offer by the UK Government to cover payments of interest and other lender levied fees associated with the granting and maintenance of the CBILS facility for a period of 12 months from the date the facility is made available to the Borrower. The BIP is payable quarterly by the UK Government to iwoca Skye Finance Limited and then transferred to the Company to cover payments of interest and other fees associated with the granting and maintenance of the CBILS facility. In the event that a borrower subsequently defaults, the Guarantor will fund 80% of the outstanding guaranteed balance.

Market risk
Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

The Company is not exposed to any market risk.

Operational risk
The Company has entered into contracts with a number of third parties who have agreed to provide operational support to the Company in accordance with the transaction documentation. CSC Capital Markets UK Ltd has been appointed to provide corporate administration services in accordance with the corporate services agreement. Other third parties who have agreed to provide services with respect to the Notes include the Paying agent, Cash Manager and Trustee.

COVID-19 considerations

The Directors continue to closely monitor the evolving virus known as Covid-19, the vaccine rollout as well as the impact of Government intervention on the Company's customers, operations, and financial strength. Given the unprecedented situation, the Directors acknowledge that there may be further unexpected impacts that are currently unforeseeable. The Company will continue to monitor the potential impact Covid-19 may have on its results and will make necessary adjustments to its financial statements if needed.

Capital Management

The Company is not subject to any external capital requirements except for the minimum requirement under the Companies Act 2006. The Company has not breached the minimum requirement. The capital structure is shown on the balance sheet.

This report was approved by the board on 14 July 2021 and signed on its behalf.

Aline Sternberg CSC Directors (No. 1) Limited
Director

The Directors present their annual report together with the audited financial statements of the Company for the period from 20 June 2020 to 31 December 2020.

Going concern

In order to form a view as to the most appropriate basis of the 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 either cease trading or placing 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 primarily on the performance of the Loans. The interest reserve fund, which is being built to the required contribution level through the collections received from Borrowers will be distributed among the Noteholders on any payment date falling two years from the closing date. The final maturity date of the Notes is linked to the maturity date of the longest dated CBILS in the portfolio. The CBILS loan scheme was extended to the end of March 2021 and the latest CBILS maturity date is in December 2025.

Furthermore, the Borrowers are entitled to the BIP offered by the UK Government, which covers the payments of interest and other lender levied fees associated with the granting and maintenance of the CBILS facility for a period of 12 months from the date the facility is made available. The BIP is payable to the Asset Trustee and then transferred to the Company to cover payments of interest and other fees associated with the granting and maintenance of the CBILS facility. In addition to that if a borrower subsequently defaults, the Guarantor will fund 80% of the outstanding guaranteed balance.

Although the Company recorded a loss of £650,286 in the period, resulting in a net liability position, the Directors consider that the Company will continue to trade for the foreseeable future by meeting its liabilities as they fall due for payment given the interest reserve fund, the quarterly BIP payments covered by the UK Government and the guarantee offered on the 80% of the outstanding Loan principal balance. Therefore, the financial statements have been prepared on a going concern basis.

Future developments

An assessment of the Company's future developments is described in the Strategic report under the Principal activities, business review and future developments section.

Financial risk management

Information on financial risk management is included in the principal risk and uncertainties section of the Strategic report.

Share capital

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

Directors

The Directors of the Company who served during the period, and up to the date of signing the financial statements, were:

CSC Directors (No. 1) Limited	(appointed on 20 June 2020)
CSC Directors (No. 2) Limited	(appointed on 20 June 2020)
John Paul Nowacki	(appointed on 20 June 2020)

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.

Company secretary

CSC Corporate Services (UK) Limited was appointed as company secretary on the 20 June 2020 and served to the period end, and subsequently.

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 the approval of the annual reports 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 period. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law).

Under company law, directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

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

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

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

Directors' confirmations

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.

Post balance sheet events
In March 2020, the Notes have been listed on The International Stock Exchange. The final maturity date of the Notes is linked to the maturity date of the longest dated CBILS in the portfolio. The CBILS loan scheme was extended to the end of March 2021 and the latest CBILS maturity date is in December 2025.

Independent auditors
The auditors, PricewaterhouseCoopers LLP, was appointed as the first auditor of the Company during the period under review.

This report was approved by the board on 14 July 2021 and signed on its behalf.

Aline Sternberg
CSC Directors (No. 1) Limited
Director

Report on the audit of the financial statements

Opinion

In our opinion, Islay Finance Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its loss for the period from 20 June 2020 to 31 December 2020;
- 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 2020; the statement of comprehensive income and the statement of changes in equity for the period 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, as applicable to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- We used our knowledge of the Company, its industry and the general economic environment in which it operates to identify the inherent risks in its business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period;
- We considered whether these risks could plausibly affect the liquidity or profitability in the going concern period by comparing severe, but plausible downside scenarios that could arise from these risks individually and collectively against the level of available financial resources indicated by the Company's financial forecasts;
- We obtained up to date trading information available to assess the performance of the loan book and the run-rate of issuance of lending;
- We considered whether the going concern disclosure in note 2.2 to the financial statements gives a full and accurate description of the Directors' assessment of going concern, including the identified risks, dependencies, and related sensitivities; and
- We discussed the possible scenarios, performance and funding requirements with management.

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 period ended 31 December 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the statement of directors’ responsibilities 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.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of UK regulatory rules, primarily those governed by the Financial Conduct Authority (FCA), and we considered the extent to which non-compliance might have a material effect on the financial statements. 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 posting inappropriate journal entries to increase revenue, management bias through judgements and assumptions in significant accounting estimates. Audit procedures performed by the engagement team included:

- Discussions with management, and those charged with governance in relation to known or suspected instances of non-compliance with laws and regulation and fraud;
- Reviewing relevant meeting minutes including those of the Board;
- Reading and evaluating key correspondence with the Financial Conduct Authority in relation to compliance with laws and regulations;
- Identifying and testing journal entries, in particular any journal entries posted by senior management and those with unusual account combinations; and
- Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing.

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.

D Brydon

Daniel Brydon (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
14 July 2021

Statement of comprehensive income for the period from 20 June 2020 (date of incorporation) to 31 December 2020

	Note	Period from 20 June 2020 to 31 December 2020 £000
Interest receivable and similar income	4	2,927
Interest payable and similar expenses	5	(2,289)
Net interest income		**638**
Administrative expenses	6	(1,288)
Loss before taxation		**(650)**
Tax on loss	8	-
Loss for the financial period		**(650)**
Other comprehensive income		-
Total comprehensive expense for the financial period		**(650)**

The accompanying notes on pages 12 to 20 are an integral part of these financial statements.

Loss on ordinary activities before taxation relate wholly to continuing operations.

Balance sheet as at 31 December 2020

	Note		31 December 2020 £000
Non-current assets			
Loans	9		124,766
Current assets			
Loans	9		35,517
Debtors: amounts falling due within one year	10		24,525
Cash and cash equivalents	11		81
Total current assets			**60,123**
Creditors: amounts falling due within one year	12		(36,562)
Net current assets			**23,561**
Total assets less current liabilities			**148,327**
Creditors: amounts falling due after more than one year	12		(148,977)
Net liabilities			**(650)**
Capital and reserves			
Called up share capital	14		-
Profit and loss account	15		(650)
Total shareholders' deficit			**(650)**

The accompanying notes on pages 12 to 20 are an integral part of these financial statements.

The financial statements on pages 9 to 20 were approved by the Board of Directors on 14 July 2021 and signed on its behalf by

Aline Sternberg CSC Directors (No. 1) Limited
Director

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

	Called up share capital	Profit and loss account	Total shareholders' deficit
	£000	**£000**	**£000**
At 20 June 2020 (date of incorporation)	-	-	-
Issue of shares	-	-	-
Loss and total comprehensive expense for the period	-	(650)	(650)
Balance at 31 December 2020	**-**	**(650)**	**(650)**

The accompanying notes on pages 12 to 20 are an integral part of these financial statements.

1. General information

Islay Finance Limited (the "Company") is a private company limited by shares and is incorporated in the United Kingdom. The company's registered office is 5 Churchill Place, 10th Floor, London, England, E14 5HU.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements are prepared, under the historical cost convention and in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102, the Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102) and Companies Act 2006.

The accounting policies which have been applied consistently throughout the period in dealing with items which are material in relation to the Company's financial statements are set out below. The Directors have adjusted the format of the profit and loss account as allowed under Companies Act 2006. 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 functional currency of the Company is considered to be pound sterling because that is the currency of the primary economic environment in which the Company operates.

2.2 Going concern

In order to form a view as to the most appropriate basis of the 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 either cease trading or placing 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 primarily on the performance of the Loans. The interest reserve fund, which is being built to the required contribution level through the collections received from customers will be distributed among the Noteholders on any payment date falling two years from the closing date.

Furthermore, the Borrowers are entitled to the BIP offered by the UK Government, which covers the payments of interest and other lender levied fees associated with the granting and maintenance of the CBILS facility for a period of 12 months from the date the facility is made available. The BIP is payable to the Asset Trustee and then transferred to the Company to cover payments of interest and other fees associated with the granting and maintenance of the CBILS facility. In addition to that if a borrower subsequently defaults, the Guarantor will fund 80% of the outstanding guaranteed balance.

Although the Company recorded a loss of £650,286 in the period, resulting in a net liability position the Directors consider that the Company will continue to trade for the foreseeable future by meeting its liabilities as they fall due for payment given the interest reserve fund, the quarterly BIP payments covered by the UK Government and the guarantee offered on the 80% of the outstanding Loan principal balance. Therefore, the financial statements have been prepared on a going concern basis.

2.3 Cash flow statement

The Company has taken advantage of the exemption from preparing a cash flow statement under section 7 of FRS 102 as the consolidated financial statements of the entity that controls and therefore consolidates the Company includes consolidated cash flows that incorporate that for the Company.

2.4 Financial instruments

In accordance with Section 11 of Financial Reporting Standard FRS 102, the provisions of IAS 39 Financial Instruments: Recognition and Measurement ("IAS39") have been adopted in full with respect to the recognition and measurement of financial instruments.

2. Accounting policies *(continued)*

2.4 Financial instruments *(continued)*

Financial assets and financial liabilities are recognised in the statement of financial position when the Company becomes party to the contractual provisions of the instrument and are de-recognised on the date it ceases to be party, or it transfers the rights to receive the contractual cash flows from the financial asset in a transaction such that substantially all the risks and rewards of ownership of the financial asset are transferred.

The Company's financial instruments comprise Loans, cash and liquid resources, Notes and various receivables and payables that arise from its operations. These financial instruments are classified as described below.

2.5 Segmental analysis

The whole of the Company's operations are carried out in the United Kingdom and the results and net assets are derived from Notes issued in the United Kingdom, so therefore the directors only report one business and one geographic segment.

2.6 Debtors and creditors receivable / payable within one year

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price.

2.7 Loans due to/from group undertakings

Loans due from group undertakings represent amounts due to/from iwoca Limited and iwoca Skye Finance Limited. A provision for impairment of loans to related parties is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the loan.

2.8 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 the transaction price 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. Subsequent increases in recoverable amounts shall not result in a carrying amount of the Loans that exceeds the amortised cost had no impairment been recognised.

2.9 Notes

The Notes issued by the Company are initially recognised at fair value, which is the transaction price less any issuance costs on the date of the issuance and are subsequently measured at amortised cost using the effective interest rate method.

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 Interest receivable and similar income and interest payable and similar charges

Interest income and interest expense for all interest bearing financial instruments other than those at fair value through profit and loss is measured at amortised cost and recognised in the statement of comprehensive income using 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.

2. Accounting policies *(continued)*

2.12 Taxation

The Directors are satisfied that the Company meets the definition of a 'securitisation company' under the 'Taxation of Securitisation Companies Regulations 2006 (SI 2006/3296) and The Finance Act 2005 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 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 of £1000 per annum as specified in the documentation governing the transaction. The Company's liability for current tax is calculated using tax rates that been enacted or substantively enacted at the date of the statement of financial position.

3. Critical accounting estimates and judgments

The preparation of the financial statements requires management to make judgments and estimates that may affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses.

The judgements and estimates 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 estimates about carrying values of assets and liabilities that are not readily apparent from other sources.

Critical judgements in applying the Company's policies

Impairment of financial assets
Impairment of financials assets – management is required to judge whether the financial assets are impaired at the year end. The considerations undertaken are detailed in the Impairment accounting policy.

Loans recognition
In assessing whether the Loans originated by iwoca Skye Finance Limited meet the derecognition criteria Section 11 of Financial Reporting Standard FRS 102, the provisions of IAS 39 Financial Instruments: Recognition and Measurement ("IAS39") have been adopted in full with respect to the recognition and measurement of the Loans. iwoca Skye Finance Limited transferred substantially all the risks and rewards of ownership of the Loans to the Company and therefore the Loans are recognised on the balance sheet of the Company.

Key accounting estimations and assumptions

The Company makes estimates and assumptions concerning the future. Due to the inherent uncertainty in making estimates and assumptions, actual results reported in future period may be based upon amounts which differ from those estimates. The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of the assets and liabilities which the next financial year are:

Impairment of Loans
The Company regularly reviews the Loans and makes judgements as to the need for loan impairment provisions. The Company uses objective factors such as the time since the customer's last payment or other indicators to determine whether a loan is impaired. The Company then estimates the loss percentage to apply to impaired Loans based on historical loss data, as well as specific loan circumstances. Provisions for impairment of loans are recognised in the statements of comprehensive income. Where there is an impairment the impairment is recognised net of the guarantee provided by the UK government, details of which are set out in the Principal activities, business review and future developments section of the Strategic report.

Effective interest rate
The calculation of an effective interest rate is based on estimated cashflows associated with the relevant asset or liability. The effective interest rate derived is therefore an estimate that would impact any income or expense determined using an amortised cost methodology. The Company's assets and liabilities are matched. Were the expected cashflows and related asset to change a corresponding offsetting change would occur in the liability, resulting in a negligible impact on equity for the Company. The impact on revenue of an increase or decrease of 0.25% on the assumed effective interest rate would be a £597k increase and a £511k decrease on revenue respectively. . These areas of judgement are required to be updated on a periodic basis to ensure that they accurately reflect the management's best estimate of future cash flows.

4. Interest receivable and similar income	**Period from 20 June 2020 to 31 December 2020 2020 £000**
Interest and other income	2,927
	2,927

5. Interest payable and similar expenses	**Period from 20 June 2020 to 31 31 December 2020 £000**
Interest payable and similar expenses	2,289
	2,289

6. Administrative expenses	**Period from 20 June 2020 to 31 31 December 2020 £000**
General administrative expenses	655
Impairment charge	608
Auditors' remuneration –	
- The audit of the Company's financial statements	25
	1,288

7. Directors and employees

The Company has no employees and services required are contracted from third parties. The Directors received no remuneration from the Company in respect of qualifying services rendered during the period.

During the period, fees of £8,075 were paid and accrued to CSC Capital Markets UK Limited in respect of corporate services provided to the Company; this included the provision of the Directors to the Company.

8. Tax on loss

a) Analysis of the company charge in the period	**Period from 20 June 2020 to 31 31 December 2020 £000**
UK corporation tax charge on the loss for the period at current tax charge of 19.0 %	-
	-

8. Tax on loss *(continued)*

b) Factors affecting the Company tax charge for the period

The tax assessed for the period is the same the standard rate of corporation tax in the UK of 19.0%. A reconciliation of factors affecting the Company current tax charge is presented below:

	Period from 20 June 2020 to 31 31 December 2020 £000
Loss before tax	**(650)**
Current tax credit at 19%	(124)
Effects of:	
Accounting profits not taxed in accordance with SI 2006/3296	124
Retained profit taxed in accordance with SI 2006/3296	-
Total tax charge for the period	-

For UK corporation tax purposes, the Company has been considered as a Securitisation Company under the 'Taxation of Securitisation Companies Regulations 2006 (SI 2006/3296)'. Therefore, the Company is not required to pay corporation tax on its accounting profit or loss. Instead, the Company is required to pay tax on its retained profits as specified in the documentation governing the transaction. In accordance with the transaction documents the Company is expected to retain £1,000 per annum.

9. Loans

	31 December 2020 £000
Opening book value	-
Loans financed during the period	160,891
Impairment charge	(608)
Net book value	**160,283**

The maturity profile of the Loans was as follows:

	31 December 2020 £000
In one year or less	35,517
In more than one year	124,766
	160,283

10. Debtors: amounts falling due within one year

	31 December 2020 £000
Amounts owed by group undertakings[1]	23,786
Other Debtors	739
	24,525

[1] Amounts owed by group undertakings include 1.8m Notes issued to an entity within the iwoca group. The Notes do not have a fixed maturity date. The final maturity date of the Notes is linked to the maturity date of the longest dated CBILS in the portfolio which as at 31 December 2020 was December 2025.

11. Cash and cash equivalents

	31 December 2020 £000
Bank current accounts	-
Restricted cash	81
	81

12. Creditors

	31 December 2020 £000
Amounts falling due within one year	
Trade creditors	3
Accruals and deferred income	1,042
Notes	35,517
	36,562
Amounts falling due after more than one year	
Notes	148,977
	148,977

The Notes do not have a fixed maturity date. The final maturity date of the Notes is linked to the maturity date of the longest dated CBILS in the portfolio which as at 31 December 2020 was December 2025.

13. Financial instruments

The narrative disclosure required by FRS 102 in relation to the nature of the financial instruments used during the period to manage credit risk, market risk and liquidity exposure and its capital risk management policies are shown in the Strategic report.

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.

It is, and has been throughout the period under review, the Company's policy that no trading in financial instruments shall be undertaken. Following the initial set-up, the Directors monitor the Company's performance by reviewing the monthly reports produced. Such review is designed to ensure that the terms of the documentation have been met, that no unforeseen risks have arisen and that the noteholders have been paid on a timely basis.

13. Financial instruments *(continued)*

The table below shows the classification of the financial instruments of the Company at the period end.

31 December 2020	Amortised Cost	Fair value through profit & loss	Total
	£000	£000	£000
Financial assets			
Loans	160,283	-	160,283
Other debtors	739	-	739
Amounts owed by group undertakings	23,786	-	23,786
Cash at bank and in hand	81	-	81
	184,889	**-**	**184,889**
Financial liabilities			
Notes	184,494	-	184,494
Other creditors	1,045	-	1,045
	185,539	**-**	**185,539**

Financial assets measured at amortised cost comprise the Loans and all other current assets. Financial liabilities measured at amortised cost comprise Notes and all other contractual liabilities. The Company does not currently hold financial assets or liabilities at fair value through profit and loss.

Credit risk

The ability of the Company to meet its obligations to the noteholders and its operating and administrative expenses is dependent on the extent that it has such amounts available to it. Heightened credit risk could occur during the events that continue to develop around the world with the associated major economic downturn and during a failure to manage the risks involved when advancing loans to SMEs. The Company seeks to manage this risk by employing a range of credit assessment checks on all applicants together with ongoing reviews and the assessment of credit performance of the Loans. In the event that a borrower subsequently defaults, the Guarantor will fund 80% of the outstanding guaranteed balance.

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

	Carrying Value 31 December 2020	Maximum Exposure 31 December 2020
	£000	£000
Assets:		
Loans	160,283	32,057
Other debtors	739	739
Amounts owed by group undertakings	23,786	23,786
Cash and cash equivalents	81	81
	184,889	**56,663**

13. Financial instruments *(continued)*

Liquidity risk

Liquidity risk reflects the risk that the Company may encounter difficulty in meeting its obligations associated with its financial liabilities. The Company's ability to meet payments on the Notes as they fall due is dependent on timely receipt of funds on the underlying Loans. The financing policy reduces the Company's liquidity risk by matching the maturity profile of the Notes to the profile of the underlying CBILS being funded.

The Borrower is entitled to the BIP, which is an offer by the UK Government to cover payments of interest and other lender levied fees associated with the granting and maintenance of the CBILS facility for a period of 12 months from the date the facility is made available to the Borrower. The BIP is payable quarterly by the UK Government to iwoca Skye Finance Limited and then transferred to the Company to cover payments of interest and other fees associated with the granting and maintenance of the CBILS facility.

In the event that a borrower subsequently defaults, the Guarantor will fund 80% of the outstanding guaranteed balance. The Company's liquidity position is monitored and reviewed by Directors on an ongoing basis.

The table below reflects the undiscounted contractual cash flows of financial liabilities at the balance sheet date:

	Gross cash flows	Less than 3 months	After 3 months but within 1 year	After 1 year but within 5 years	After 5 years
	£000	£000	£000	£000	£000
As at 31 December 2020					
Notes	182,522	8,436	27,081	147,005	-
Other creditors	1,045	-	1,045	-	-
	183,567	**8,436**	**28,126**	**147,005**	**-**

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

The Company is not exposed to any market risk.

14. Called up share capital

	31 December 2020
	£
Allotted, called up and issued	
1 ordinary shares of £1 each	1
	1

15. Profit and loss account

	31 December 2020
	£000
Opening balance	-
Loss for the financial period	(650)
Closing balance	**(650)**

16. Parent and ultimate controlling party

The entire share capital of the Company 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 smallest and the largest group in which the Company is consolidated is iwoca Limited. Although iwoca Limited has no direct ownership interest in the Company, it is considered to exert control over its activities and therefore the results of the Company are included in the consolidated financial statements of iwoca Limited (10 Queen Street, London, EC4R 1AG).

17. Related Parties

During the period the following fees were paid and accrued:

- £8,075 to CSC Capital Markets UK Ltd for the provision of corporate administration services to the Company;
- £6,000 to CSC Capital Markets Ireland Ltd as paying agent;
- £5,000 to CSC Trustee Ltd for trustee fees.

The Company's related party transactions between the Company and iwoca Limited, details of which are listed below:

Name	Statement of comprehensive income £000	Amounts outstanding at 31 December 2020 £000
iwoca Limited	(1,192)	(1,831)
Iwoca Skye Finance Limited	(39)	25,617

18. Post balance sheet events

In March 2020, the Notes have been listed on The International Stock Exchange. The final maturity date of the Notes is linked to the maturity date of the longest dated CBILS in the portfolio. The CBILS loan scheme was extended to the end of March 2021 and the latest CBILS maturity date is in December 2025.