Company registration number: 626766

Padstow AssetCo Designated Activity Company

Directors' report and audited financial statements

for the financial year ended 30 September 2021

Padstow AssetCo Designated Activity Company

Contents

Directors and other information

Directors	Mr John Carberry Ms Linda Callaghan
Company Secretary	HMP Secretarial Limited Riverside One, Sir John Rogerson's Quay, Dublin 2 D02X576
Company number	626766
Registered office	Padstow AssetCo Designated Activity Company Riverside One Sir John Rogerson's Quay Dublin D02X576
Independent auditor	Grant Thornton Chartered Accountants and Statutory Audit Firm 13-18 City Quay Dublin 2 D02ED70
Administrator	Centralis Ireland Limited 8th Floor, Block E Iveagh Court Harcourt Road Dublin D02 YT22
Agent, Banker and Lender	Deutsche Bank AG 6 Bishopsgate London EC2P 2AT

Directors and other information (continued)

Solicitors	McCann Fitzgerald Riverside One Sir John Rogerson's Quay Dublin D02 X576
Master servicer	Arrow Global Limited Belvedere 12 Booth Street Manchester M2 4AW
Master Servicer (on behalf of Arrow Global Limited)	Mars Capital Finance Limited Belvedere 12 Booth Street Manchester M2 4AW United Kingdom
Loan Servicer	Mars Capital Finance Ireland DAC One Warrington Place Dublin 2 D02 HH27

Padstow AssetCo Designated Activity Company

Directors report

The Directors present their annual report and the audited financial statements of Padstow AssetCo Designated Activity Company (the "Company") for the financial year ended 30 September 2021.

Directors

The names of the persons who at any time during the financial year were Directors of the Company are as follows:

Mr John Carberry
Ms Linda Callaghan

The Directors and their immediate relatives and the company secretary did not hold an interest in any shares of the Company as at 30 September 2021 or at any time during or since the financial year end (2020: nil).

Principal activities

The Company is a designated activity company ("DAC"), which was incorporated and registered in Ireland on 16 May 2018, under the laws of Ireland with registration number 626766.

The Company was set up to acquire the beneficial right, title and interest in a portfolio of mortgage loans (the "Mortgage Loans") secured against properties located primarily in Ireland and the United Kingdom. The purchase of the Mortgage Loans were funded by a facility from the lender in accordance with the facility agreement (the "Senior Loan"). In addition, the purchase of the Mortgage Loans were also funded by the issuance of loan notes (the "Notes"). In August 2020, legal title for the loan portfolio was transferred to Mars Capital Finance Ireland Designated Activity Company.

The Notes each form a single series. The Notes constitute secured obligations of the Company, and are limited recourse secured obligations which are payable solely out of amounts received by or on behalf of the Company in respect of the Mortgage Loans.

Business review

At the statement of financial position date, the total assets of the Company were €54,415,036 (2020: €76,545,896) and the total liabilities were €54,410,909 (2020: €76,543,270). The profit after tax for the financial year was €1,125. (2020: €1,125). On 2 May 2019, the Company entered into a mortgage sale and purchase deed which sold its beneficial interest and related security in a number of mortgages loans to Arrow Global Limited. In August 2020, legal title for the loan portfolio was transferred to Mars Capital Finance Ireland Designated Activity Company.

The Directors expect the current business activities to continue for the foreseeable future.

Principal risks and uncertainties

The principal risks of the business are operational but the Directors are confident that the control environment in which the Company conducts its activities is designed to minimise the potential of operational risk occurrence and is subject to continual review. Information about the financial risk management along with exposure of the Company to market risk, currency risk, interest rate risk, credit risk and liquidity risk are disclosed in the notes to the financial statements.

Principal risks and uncertainties (continued)

On 11 March 2020, the World Health Organisation officially declared COVID-19, the disease caused by novel coronavirus, a pandemic. Management is closely monitoring the evolution of this pandemic, including how it may affect the economy and the general population. Whilst the exact impact of Covid-19 remains uncertain given the emergence of new variants, management has considered the consequential impact on the portfolio positioning based on current facts and circumstances, and the reduced uncertainty around the UK and Irish economic environment given the ending of pandemic restrictions in 2021. Combined with this, UK and Ireland business activity has rebounded strongly in 2021 with unemployment falling, and there has been an increase in house prices as the lockdown measures were relaxed. Given these factors, management are still actively monitoring the impact of the current variants, and there is sufficient liquidity to meet all contractual obligations as they fall due over the next 12 months.

Future developments

The Directors have no plans to liquidate the Company and have a reasonable expectation that the Company will continue in operational existence for the foreseeable future.

Going concern

The Directors have reviewed the Company's financial position at the financial year end and at the time of preparation of these financial statements and have a reasonable expectation that the Company will continue in operational existence for the foreseeable future.

Results and dividends

The results for the financial year are set out on page 11. The Directors recommend that no dividend is paid for the financial year ended 30 September 2021 (2020: nil).

Significant events during the financial year

In October 2020, a property which was the underlying asset held as collateral for a loan held by the Company was sold for €12,500,000. In December 2020, the Company changed Loan Servicer from Pepper Finance Corporation to Mars Capital Finance Ireland DAC.

Related party transactions

Centralis Ireland Limited provides corporate services to the Company at arm's length commercial rates. Linda Callaghan and John Carberry were Directors of the Company during the year and are also employees of Centralis Ireland Limited. The Centralis fees for the year were €57,389 (2020: €68,760).

Arrow Global Limited is the master servicer for the Company. The master servicer also holds notes in the amount of €4,651,666 at the financial year end (2020: €4,651,666). The master servicer received fees in the amount of €18,000 for services provided throughout the financial year (2020: €26,150).

In August 2020, legal title for the loan portfolio was transferred to Mars Capital Finance Ireland Designated Activity Company. Mars Capital Finance Ireland Designated Activity Company are the Loan Servicer for the Company.

There were no other contracts of any significance in relation to the business of the Company in which the Directors had any interest, as defined in the Companies Act 2014, at any time during the financial year.

Powers of Directors
No Director has a significant direct or indirect holding of securities in the Company or has any special rights of control over the Company's share capital. There are no restrictions on voting rights.

With regard to the appointment and replacement of Directors, the Company is governed by the Company's constitution and Irish statute comprising the Companies Act 2014.

Events after the end of the reporting period
The significant subsequent events in relation to the Company are disclosed in note 18.

Statement of Compliance
The Directors of the Company confirmed that;

- they have, to the best of their knowledge, complied with its relevant obligations as defined in section 225 of the Companies Act 2014;
  confirm that the following have been done;
- (i) the drawing up of a statement setting out the Company’s policies (that, in the Directors opinion, are appropriate to the Company) respecting compliance by the Company with its relevant obligations; (ii) the putting in place of appropriate arrangements or structures that are, in the Directors opinion, designed to secure material compliance with the Company’s relevant obligations; and (iii) the conducting of a review, during the financial year, of any arrangements or structures that have been put in place.

Accounting records
The measures taken by the Directors to secure compliance with the requirements of sections 281 to 285 of the Companies Act 2014 with regard to the keeping of accounting records are the implementation of necessary policies and procedures for recording transactions, the employment of competent accounting personnel with appropriate expertise and the provision of adequate resources to the financial function. The accounting records of the Company are located at 8th Floor, Block E, Iveagh Court, Harcourt Road, Dublin 2.

Political donations
The Company made no charitable or political donations during the year.

Shareholder Meetings
The shareholder's rights and the operations of the shareholder's meetings are defined in the Company's constitution and comply with the Companies Act 2014.

Financial risk management
The Company's operations are financed primarily by means of notes issued. The Company's approach in respect of mitigation of its financial risk is laid out in note 20.

Relevant audit information
In the case of each of the persons who are Directors at the time this report is approved in accordance with section 332 of Companies Act 2014:

- so far as each Director is aware, there is no relevant audit information of which the Company’s statutory auditors are unaware; and
- each Director has taken all the steps that he or she ought to have taken as a Director in order to make himself or herself aware of any relevant audit information and to establish that the Company’s statutory auditors are aware of that information.

Independent Auditors
In accordance with Section 383(2) of the Companies Act, 2014, Grant Thornton, Chartered Accountants and Statutory Audit Firm, have expressed their willingness to continue in office.

This report was approved by the Board of Directors on 2 February 2022 and signed on behalf of the Board by:

Mr John Carberry	**Ms Linda Callaghan**
Date: 2 February 2022	**Date:** 2 February 2022

Padstow AssetCo Designated Activity Company

Directors responsibilities statement

The Directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable Irish law and regulations.

Irish company law requires the Directors to prepare financial statements for each financial year. Under the law, the Directors have elected to prepare the financial statements in accordance with the Companies Act 2014 and International Financial Reporting Standards (IFRS) as adopted by the European Union. Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the assets, liabilities and financial position of the Company as at the financial year end date and of the profit or loss of the Company for the financial year and otherwise comply with the Companies Act 2014.

In preparing these financial statements, the Directors are required to:
•select suitable accounting policies and then apply them consistently;
•make judgments and accounting estimates that are reasonable and prudent;
•state whether the financial statements have been prepared in accordance with applicable accounting standards, identify those standards, and note the effect and the reasons for any material departure from those standards; and.
•prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for ensuring that the Company keeps or causes to be kept adequate accounting records which correctly explain and record the transactions of the Company, enable at any time the assets, liabilities, financial position and profit or loss of the Company to be determined with reasonable accuracy, enable them to ensure that the financial statements and Directors report comply with the Companies Act 2014 and enable the financial statements to be audited. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Approved by the Board of Directors and signed on its behalf by:

Mr John Carberry
Director

Date: 2 February 2022

Ms Linda Callaghan
Director

Date: 2 February 2022

Grant Thornton

INDEPENDENT AUDITORS' REPORT
To the members of Padstow AssetCo Designated Activity Company

Opinion
We have audited the financial statements of Padstow AssetCo DAC (the "Company"), which comprise of the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and the related notes to the financial statement for the financial year ended 30 September 2021, including the summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is Irish law and accounting standards issued by the Financial Reporting Council including International Financial Reporting Standards (IFRS) as adopted by the European Union.

In our opinion, the Company's financial statements:

- give a true and fair view in accordance with International Financial Reporting Standards (as adopted by the European Union) of the assets, liabilities and financial position of the Company as at 30 September 2021 and of its financial performance and cash flows for the financial year then ended; and
- have been properly prepared in accordance with the requirements of the Companies Act 2014.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (Ireland) ('ISAs (Ireland)) and applicable law. Our responsibilities under those standards are further described in the 'Responsibilities of the auditor for the audit of the financial statements' section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Ireland, including the Ethical Standard for Auditors (Ireland) issued by the Irish Auditing and Accounting Supervisory Authority (IAASA), and the ethical pronouncements established by Chartered Accountants Ireland, applied as determined to be appropriate in the circumstances for the entity. We have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern
We have nothing to report in respect of the following matters in relation to which the ISAs (Ireland) 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.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies in the financial statements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact.

We have nothing to report in this regard.

INDEPENDENT AUDITORS' REPORT (CONTINUED)
To the members of Padstow AssetCo Designated Activity Company

Matters on which we are required to report by the Companies Act 2014

- We have obtained all the information and explanations which we consider necessary for the purposes of our audit.
- In our opinion the accounting records of the Company were sufficient to permit the financial statements to be readily and properly audited.
- The financial statements are in agreement with the accounting records.
- In our opinion the information given in the directors' report is consistent with the financial statements. Based solely on the work undertaken in the course of our audit, in our opinion, the directors' report has been prepared in accordance with the requirements of the Companies Act 2014.

Matters on which we are required to report by exception
Based on our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report.

Under the Companies Act 2014 we are required to report to you if, in our opinion, the disclosures of directors' remuneration and transactions specified by section 305 to 312 of that Act have not been made. We have no exceptions to report arising from this responsibility.

Responsibilities of management and those charged with governance for the financial statements
As explained more fully in the statement of directors' responsibilities, management is responsible for the preparation of the financial statements which give a true and fair view in accordance with Generally Accepted Accounting Practice in Ireland, including IFRS as adopted by the European Union, and for such internal control as they determine 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, management is 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 management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Responsibilities of the auditor for the audit of the financial statements
The auditor's objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes their opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (Ireland) 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.

As part of an audit in accordance with ISAs (Ireland), the auditor will exercise professional judgment and maintain professional scepticism throughout the audit. The auditor will also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for their opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If they conclude that a material uncertainty exists, they are required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify their opinion. Their conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

Grant Thornton

INDEPENDENT AUDITORS' REPORT (CONTINUED)
To the members of Padstow AssetCo Designated Activity Company

Responsibilities of the auditor for the audit of the financial statements (continued)

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a matter that achieves a true and fair view.

The auditor communicates with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that may be identified during the audit.

The purpose of our audit work and to whom we owe our responsibilities
This report is made solely to the Company's members, as a body, in accordance with section 391 of the Companies Act 2014. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

David Lynch
for and on behalf of
Grant Thornton
Chartered Accountants and Statutory Audit Firm
13 – 18 City Quay
Dublin 2
Ireland

Date: 2 February 2022

Padstow AssetCo Designated Activity Company

Statement of comprehensive income
Financial year ended 30 September 2021

	Note	**Year ended 30/09/2021 €**	Year ended 30/09/2020 €
Net movement on financial assets at fair value through profit or loss	**4**	(866,227)	3,086,319
Net movement on financial liabilities at fair value through profit or loss	**7**	2,109,391	142,455
Interest income	**5**	1,602,088	1,163,903
Interest expense	**8**	(706,782)	(1,939,631)
Operating income		2,138,470	2,453,046
Administration expenses	**6**	(2,136,525)	(2,468,444)
Financial exchange difference		(445)	16,898
Profit on ordinary activities before taxation		1,500	1,500
Tax on profit	**9**	-	-
Profit on ordinary activities after taxation		1,500	1,500
Other comprehensive income for the financial year		-	-
Total comprehensive income for the financial year		1,500	1,500

All the activities of the company are from continuing operations.

The Company has no other recognised items of income and expenses other than the results for the financial year as set out above.

The notes on pages 15 to 34 form part of these financial statements.

Padstow AssetCo Designated Activity Company

Statement of financial position
As at 30 September 2021

	Note	As at 30/09/2021 €	€	As at 30/09/2020 €	€
Assets					
Financial assets at fair value through profit or loss	**10**	52,455,950		73,951,197	
		52,455,950		73,951,197	
Receivables	**11**	1,251,377		762,366	
Cash and cash equivalent	**14**	707,709		1,832,333	
Total assets		54,415,036		76,545,896	
Liabilities and equity					
Financial liabilities at fair value through profit or loss	**13**	31,078,814		33,188,205	
Senior Loan	**16**	23,197,826		43,212,289	
Payables	**12**	134,269		142,776	
Total liabilities		54,410,909		76,543,270	
Equity attributable to the shareholder					
Called up share capital presented as equity	**15**		1		1
Retained earnings			4,126		2,625
Total equity			4,127		2,626
Total liabilities and equity			54,415,036		76,545,896

These financial statements were approved by the Board of Directors on 2 February 2022 and signed on behalf of the board by:

Mr John Carberry
Director

Ms Linda Callaghan
Director

Date: 2 February 2022

Date: 2 February 2022

The notes on pages 15 to 34 form part of these financial statements.

Padstow AssetCo Designated Activity Company

Statement of changes in equity (continued)
Financial year ended 30 September 2021

	Share Capital €	Retained Earnings €	**Total €**
At 30 September 2019	1	1,125	1,126
Profit for the financial year		1,500	1,500
Total comprehensive income for the financial year	-	1,500	1,500
At 30 September 2020	1	2,625	2,626
Profit for the financial year		1,500	1,500
Total comprehensive income for the financial year	-	1,500	1,500
At 30 September 2021	1	4,125	4,126

The notes on pages 15 to 34 form part of these financial statements.

Padstow AssetCo Designated Activity Company

Statement of cash flows
Financial year ended 30 September 2021

	Note	**Year ended 30/09/2021 €**	Year ended 30/09/2020 €
Cash flows from operating activities			
Total comprehensive income		1,500	1,500
Adjustments for:			
Changes in:			
(Increase)/ decrease in Receivables		(489,011)	262,299
Decrease in Payables		(8,507)	(530,196)
Net cash flows used in operating activities		(496,018)	(266,397)
Cash flows from investing activities			
Decrease in Financial assets at fair value through profit and loss		21,495,247	14,809,246
Net cash from investing activities		21,495,247	14,809,246
Cash flows from financing activities			
Decrease in Senior Loan		(20,014,462)	(16,177,760)
Decrease in Financial liabilities at fair value through profit and loss		(2,109,391)	(142,456)
Net cash used in financing activities		(22,123,853)	(16,320,216)
Net decrease in cash and cash equivalents		(1,124,624)	(1,777,367)
Cash and cash equivalents at beginning of financial year	14	1,832,333	3,609,700
Cash and cash equivalents at end of financial year	14	707,709	1,832,333

Supplementary information:
The interest expense for the financial year end 30 September 2021 amounted to €706,782 (2020: €1,939,631). During 2021, €1,602,088 was received in respect of interest income (2020: €1,163,903).

The notes on pages 15 to 34 form part of these financial statements.

1. General information

The Company is a designated activity company with limited liability, registered in Ireland. The address of the registered office is Padstow AssetCo Designated Activity Company, Riverside One, Sir John Rogerson's Quay, Dublin, D02X576.

The Company was incorporated on 16 May 2018 under the laws of Ireland with registration number 626766. The Company qualifies for the regime contained in Section 110 of the Irish Taxes Consolidation Act, 1997. This provides that a qualifying company will be liable to corporation tax at the rate of 25% under Case III of Schedule D in respect of taxable profits.

The Company has no employees and all administration services required are contracted from third parties.

2. Statement of compliance and going concern

These financial statements have been prepared in compliance with International Financial Reporting Standards (IFRS) as adopted by the European Union and those parts of the Companies Act 2014 applicable to companies reporting under IFRS.

The financial statements have been prepared on a going concern basis. The Mortgage Loans are expected to generate sufficient future cash flows to fund the Company's on-going operations. The Notes have a final maturity date of 31 August 2024. The accounting policies adopted by the Company have been applied consistently.

On 11 March 2020, the World Health Organisation officially declared Covid-19, the disease caused by novel coronavirus, a pandemic. Whilst the exact impact of Covid-19 remains uncertain given the emergence of new variants, management has considered the consequential impact on the portfolio positioning based on current facts and circumstances, and the reduced uncertainty around the UK and Irish economic environment given the ending of pandemic restrictions in 2021. Combined with this, UK and Ireland business activity has rebounded strongly in 2021 with unemployment falling, and there has been an increase in house prices as the lockdown measures were relaxed. Given these factors, management are still actively monitoring the impact of the current variants, and there is sufficient liquidity to meet all contractual obligations as they fall due over the next 12 months.

3. Accounting policies and measurement bases

Basis of preparation

These financial statements are prepared in accordance with IFRS as adopted by the European Union and those parts of the Companies Act 2014 applicable to companies reporting under IFRS. The financial statements have been prepared on a going concern basis.

3. Accounting policies and measurement bases (continued)

Functional and presentation currency

The financial statements are presented in Euro (or "€"), which is the functional currency of the Company. The functional currency is the currency of the primary economic environment in which the Company operates. The Mortgage Loans and the Notes issued are denominated in Euro. The Directors of the Company believe that the Euro most faithfully represents the economic effects of the underlying transactions, events and conditions.

Adoption of new and revised accounting standards

The following standards and amendments to standards are required to be applied for annual periods beginning after 1 January 2020 and are available for early adoption in annual periods beginning on 1 January 2020. The Company has taken the decision not to adopt these amendments early. The Company has assessed and reviewed the impact of these amendments and deemed that it currently has no impact on future accounting periods.

Standard	Effective date*	Description
Classification of Liabilities as Current or Non-Current – Amendments to IAS 1	1 January 2022 (possibly deferred to 1 January 2023)	This is a narrow-scope amendment to IAS 1, ‘Presentation of Financial Statements’, to clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. This amendment also clarifies what IAS 1 means when it refers to the ‘settlement’ of a liability
Annual improvements to IFRS Standards 2018-2020	1 January 2022	Annual improvements make minor amendments to IFRS 1,'First-time Adoption of IFRS', IFRS 9, 'Financial instruments', IAS 41, 'Agriculture' and the Illustrative Examples accompanying IFRS 16,' Leases

*Where new requirements are endorsed the EU, effective date is disclosed. For un-endorsed standards and interpretations, the IASB’s effective date is noted. Where any of the upcoming requirements are applicable to the Company, it will apply them from their EU effective date.

3. Accounting policies and measurement bases (continued)

Judgements and key sources of estimation uncertainty

The preparation of the financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that may affect the application of policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Revisions to accounting estimates are recognised in the year in which the estimate is revised and in any future years affected. The principal application of judgement and sources of estimation of uncertainty arise with respect to determining the business model, determining the functional currency, the impact of COVID-19 pandemic on the Company and financial instruments at fair value.

Valuation of Mortgage Loans

The most significant measurement used is the fair value measurement of the Company's Mortgage Loans. The fair value is the price that would be received if an asset was sold in an orderly transaction between market participants at the measurement date. Where available, fair value is based on observable market prices or parameters, or derived from such prices or parameters when observable prices or inputs are not available. The fair value of Mortgage Loans has been disclosed in note 10 to the financial statements.

Transfer of legal title of Mortgage Loans to Mars Capital Finance Ireland DAC

In August 2020, legal title for the loan portfolio was transferred to Mars Capital Finance Ireland Designated Activity Company.

Financial Instruments

The Company has adopted the following classifications for financial instruments:

Financial assets:
1. Investment in Mortgage Loans - at fair value through profit or loss
2. Cash and cash equivalents and Receivables - at amortised cost

Financial liabilities:
1. Financial Liabilities (Notes) - at fair value through profit or loss
2. Senior Loan and Payables - at amortised cost

Financial assets and liabilities at fair value through profit or loss are stated as fair value, with any resultant gain or loss recognised in the Statement of comprehensive income. The Company determines the classification of its investments at initial recognition. Purchases and sales of financial assets are recognised on trade-date, the date of which the Company commits to purchase or sell the asset.

Subsequent to initial recognition, all financial assets and financial liabilities at fair value through profit or loss are measured at fair value. Financial instruments that are not held at fair value through profit or loss are subsequently recognised at amortised cost using the effective interest method.

Other financial instruments are subsequently measured at fair value, with any changes recognised in profit or loss.

3. Accounting policies and measurement bases (continued)

Financial Instruments (continued)

The Company recognises loss allowances for estimated credit loss (ECL) on financial assets measured at amortised cost. When assessing the need to recognise an allowance for ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information. Factors such as length of maturity of the exposures, current credit risk based on external credit ratings of the counterparties, and fluctuations in the credit risk based on the risk of default occurring over the expected life of the asset are considered. Loss allowances, if any, are deducted from the gross carrying amount of the assets.

Given the short-term maturities and low credit risk of cash and cash equivalents, the trade and other receivables and the loans at amortised cost, the Company has measured the loss allowance for the financial year ends presented on a 12-month expected loss basis. For the financial year ends presented in the financial statements, there is currently no ECLs recorded.

With regard to the cash and cash equivalents and the trade and other receivables, the Company considers that any potential ECL is immaterial for financial reporting purposes. The cash and cash equivalents have a low credit risk based on the external credit ratings of the counterparty and the trade and other receivables are short term in nature and relate to amounts owed by reputable counterparties.

For the financial year end presented in the financial statements, the estimated ECL has not been recorded as it is deemed immaterial to the financial statements.

All equity instruments are measured at fair value. A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest.

For all equity instruments regardless of significance, and other financial assets that are individually significant, these are assessed individually for impairment. Other financial assets or either assessed individually or grouped on the basis of similar credit risk characteristics.

Any reversals of impairment are recognised in profit or loss immediately, to the extent that the reversal does not result in a carrying amount of the financial asset that exceeds what the carrying amount would have been had the impairment not previously been recognised.

The Company's Notes have been designated at fair value through profit or loss so as to eliminate or significantly reduce a measurement or recognition inconsistency i.e. "an accounting mismatch" that would otherwise arise from measuring liabilities or recognising gains and losses relating to the Notes held on a different basis. Due to the non-recourse nature of the Notes, there will be no negative impact on equity.

Fair value estimation

Fair value is the price that would be received to sell an asset or transfer a liability in an orderly transaction between market participants. Refer to note 20 for further details.

3. Accounting policies and measurement bases (continued)

Financial instruments (continued)

De-recognition of Mortgage Loans sold

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all the risks and rewards of ownership and does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised), and the consideration received (including any new asset obtained less any new liability assumed) is recognised in the profit or loss account. The Company derecognises a financial liability when its contractual obligations are discharged or cancelled or expired.

Net movement on financial assets and liabilities at fair value through profit or loss

Realised gains or losses on Mortgage Loans, whether sold, repaid, or for which security has been enforced and realised, are recorded as part of net movement on financial assets at fair value through profit or loss.

Unrealised gains or losses relate to gains or losses arising from changes in fair value of financial assets and liabilities during the financial year. Unrealised gains or losses on financial assets and liabilities are recognised within net movement on financial assets and liabilities at fair value through profit or loss within the Statement of comprehensive income.

Transfers between levels

Transfers between levels of the fair value hierarchy are deemed to have occurred at the end of the reporting period.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the Statement of financial position where the Company currently has a legally enforceable right to set-off the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

Limited recourse nature of the Notes issued

If the net proceeds of realisation of the financial assets secured as collateral against the Notes issued are less than the aggregate amount payable by the Company to the Noteholders, the obligations of the Company will be limited to such net proceeds, which will be applied in accordance with the Notes agreement. In such circumstances, the other assets of the Company will not be available for payment of such shortfall which will be borne by the Noteholders and the other secured parties in accordance with the Notes agreement applied at the time of final settlement.

3. Accounting policies and measurement bases (continued)

Financial instruments (continued)

Limited recourse nature of the Notes issued

Interest expense payable to the Noteholders is calculated by the principal paying agent based on the applicable rate as defined in the Notes agreement. As the Notes issued are limited recourse obligations, the return of interest and principal to the Noteholders is contingent on the realisable value of the assets. The returns made to the Noteholders over the life of the Company include the effect of capital gain/loss as well as interest, and the gain or loss ultimately passes to the Noteholders. Any deficit reported in the Statement of Financial Position will be passed to the Noteholders upon maturity and no such loss will be borne by the shareholder.

Taxation

The taxation expense represents the aggregate amount of current and deferred tax recognised in the reporting period. Tax is recognised in the Statement of Comprehensive Income, except to the extent that it relates to items recognised in other comprehensive income or directly in capital and reserves. In this case, tax is recognised in other comprehensive income or directly in capital and reserves, respectively.

Current tax is recognised on taxable profit for the current year and past periods. Current tax is measured at the amounts of tax expected to pay or recover using the tax rates and laws that have been enacted or substantively enacted at the reporting date.

Deferred tax is recognised in respect of all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

Foreign currencies

Foreign currency transactions are initially recorded in the functional currency, by applying the spot exchange rate as at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate ruling at the reporting date, with any gains or losses being taken to profit or loss.

Operating income and expenses

All operating income and expenses are accounted for on an accruals basis.

Receivables

Short term receivables are measured at transaction price, less any impairment.

Payables

Short term payables are measured at the transaction price.

3. Accounting policies and measurement bases (continued)

Contingent liabilities

Contingent liabilities are not recognised in the Statement of financial position but are reported in the relevant schedules and notes. They may arise from uncertainty as to the existence of a liability or represent a liability in respect of which the amount cannot be reliably measured. Contingent liabilities are disclosed when the likelihood of settlement is better than remote.

Cash and cash equivalents

Cash comprises of bank balances. All bank balances are held with Deutsche Bank and MoneyCorp. Cash equivalents are short term (less than 3 months) highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant changes in value.

Called up share capital presented as equity

Ordinary shares are not redeemable and do not participate in the net income of the Company and are classified as equity as per the Company's constitution.

4. Net movement on financial assets at fair value through profit or loss

	Year ended 30/09/2021	Year ended 30/09/2020
	€	€
Net movement on financial assets at fair value through profit or loss	(866,227)	3,086,319
	(866,227)	3,086,319

The turnover is attributable to the principal activity of the Company which 95.8% is undertaken in Ireland and 4.2% in the United Kingdom.

5. Interest income

	Year ended 30/09/2021	Year ended 30/09/2020
	€	€
Interest income	1,602,088	1,163,903
	1,602,088	1,163,903

The interest is attributable to the principal activity of the Company which 95.8% is undertaken in Ireland and 4.2% in the United Kingdom.

6. Administration expenses

Administration expenses is stated after charging:

	Year ended 30/09/2021	Year ended 30/09/2020
	€	€
Master servicer fees	18,000	26,150
Legal and professional costs	1,029,772	1,408,426
Servicer fees	911,780	842,109
Fees payable for the audit of the financial statements	25,093	24,908

The Company had no employees during the financial year (2020: none). Accounting and other services have been outsourced. There were no Director fees charged during the financial year (2020: nil).

Fees and expenses paid to the statutory auditor, Grant Thornton in respect of the financial year, entirely relate to the statutory audit of the financial statements and tax compliance fees of the Company. There were no fees or expenses paid in respect of other assurance, non-routine tax advisory or non-audit services provided by the statutory auditor for the financial year ended 30 September 2021 (2020: nil).

7. Net movement on financial liabilities at fair value through profit or loss

	Year ended 30/09/2021	Year ended 30/09/2020
	€	€
Net movement on financial liabilities at fair value through profit or loss	2,109,391	142,455
	2,109,391	142,455

8. Interest expense

	Year ended 30/09/2021	Year ended 30/09/2020
	€	€
Senior loan interest	706,782	1,226,605
Junior loan note interest	-	713,026
	706,782	1,939,631

9. Taxation

	Year ended 30/09/2021	Year ended 30/09/2020
	€	€
Corporation tax	-	-
Tax on profit	-	-

	Year ended 30/09/2021	Year ended 30/09/2020
	€	€
Profit before taxation	1,500	1,500
Profit on ordinary activities multiplied by standard rate of Irish corporation tax of 12.5%	187.50	187.50
Effect of higher tax rate (25%) applicable under Section 110 TCA 1997	187.50	187.50
Reversal of prior year tax charge	(375)	(375)
Current tax charge for the financial year	-	-

The Company is a qualifying company within the meaning of Section 110 of the TCA, 1997. As such the profits are chargeable to corporation tax under Case III of Schedule D at a rate of 25%, but are computed in accordance with the provisions applicable to Case I of schedule D. There was no deferred tax during the financial year (2020: nil).

The current year tax charge is nil due to tax adjusted losses carried forward and non-recognition of deferred tax assets.

10. Financial assets at fair value through profit or loss

	Year ended 30/09/2021	**Year ended 30/09/2020**
	€	**€**
Opening balance	73,951,197	88,760,444
Purchase of Mortgage Loans	-	-
Collections of principal repayments	(7,908,025)	(17,895,566)
Disposal of Mortgage Loans	(12,720,996)	-
Net realised gain on financial assets at fair value through profit or loss	2,679,428	-
Net unrealised movement on financial assets at fair value through profit or loss	(3,545,654)	3,086,319
Closing balance	52,455,950	73,951,197

11. Receivables

	Year ended 30/09/2021	Year ended 30/09/2020
	€	€
Accrued income	878,942	389,997
Other receivables	345,231	345,231
Prepayments	27,204	27,138
	1,251,377	762,366

Receivables are due within one year except for Other receivables which are due after one year.

12. Payables

	Year ended 30/09/2021	Year ended 30/09/2020
	€	€
Senior loan interest accrual	-	39,494
Tax and social insurance:		
Corporation tax	375	375
Other payables	133,894	102,907
	134,269	142,776

13. Financial liabilities at fair value through profit and loss

	Year ended 30/09/2021	Year ended 30/09/2020
	€	€
Opening balance	33,188,205	33,330,660
Net movement on financial liabilities at fair value through profit or loss	(2,109,391)	(142,455)
Closing balance	31,078,814	33,188,205

The Company as borrower financed the balance of the purchase price for the acquisition of the Mortgage Loans by entering into Notes pursuant to the Junior Note agreement dated 30 August 2018.

The maturity date of the Notes is the date falling six years after the completion date (31 August 2018). Unless previously repaid or prepaid in full, the Notes shall be repaid in full on the final maturity date.

14. Cash and cash equivalents

	Year ended 30/09/2021 €	Year ended 30/09/2020 €
Deutsche Bank	707,709	1,832,333
Moneycorp	-	14,564
Cash in transit	-	(14,564)
	707,709	1,832,333

15. Share capital

Authorised share capital

	As at 30 September 2021		**As at 30 September 2020**	
	Number	**€**	**Number**	**€**
Ordinary shares of € 1.00 each	100,000	100,000	100,000	100,000
	100,000	100,000	100,000	100,000

Issued and called up

	As at 30 September 2021		**As at 30 September 2020**	
	Number	**€**	**Number**	**€**
Amounts presented in equity:				
1 ordinary shares of € 1.00 each	1	1	1	1

The Company is a special purpose vehicle set up to issue debt for the purpose of making investments. Share Capital of €1 was issued in line with Irish company law and is not used for financing the investments activities of the Company. The Company manages its capital to ensure that it is able to continue as a going concern while maximising the return to the Noteholders through the optimisation of the debt balances. The capital managed by the Company comprises ordinary shares outstanding and the financial liabilities outstanding as at the financial year-end. The Company is not subject to externally imposed capital requirements.

16. Senior Loan

	Year ended 30/09/2021	Year ended 30/09/2020
	€	€
Deutsche Bank Senior Loan	23,197,826	43,212,289
	23,197,826	43,212,289

The Company as borrower financed part of the purchase price for the acquisition of the Mortgage Loans by entering into a loan pursuant to the facility agreement with the Senior Lender dated 30 August 2018.

The maturity date of the Senior Loan is the payment date immediately following the sixth anniversary of the completion date (31 August 2024). The Company shall repay the Senior Loan principal outstanding in full on the maturity date. The Company shall, on each payment date and to the extent of funds available, repay the loans in part or in whole in accordance with (and to the extent provided for in) the pre- enforcement waterfall or post-enforcement waterfall, as applicable.

17. Contingent assets and liabilities

There were no contingent liabilities or commitments as of 30 September 2021 (2020: nil). Contingent liabilities are assessed continually to determine whether transfers of economic benefits have become probable. Where future transfers of economic benefits change from previously disclosed contingent liabilities, provisions are recognised in the financial year in which the changes in probability occur.

18. Events after the end of the reporting period

There were no significant subsequent events which need to be adjusted or disclosed in the financial statements.

19. Related party transactions

Centralis Ireland Limited provides corporate services to the company at arm's length commercial rates. Linda Callaghan and John Carberry were Directors of the Company during the year and are also employees of Centralis Ireland Limited. The Centralis fees for the year were €57,389 (2020: €68,760).

Arrow Global Limited is the Master Servicer for the Company. The Master Servicer also holds notes in the amount of €4,651,666 at the financial year end (2020: €4,651,666). The Master Servicer received fees in the amount of €18,000 for services provided throughout the financial year (2020: €26,150).

In August 2020, legal title for the loan portfolio was transferred to Mars Capital Finance Ireland Designated Activity Company. Mars Capital Finance Ireland Designated Activity Company are the Loan Servicer for the Company.

There were no other contracts of any significance in relation to the business of the Company in which the Directors had any interest, as defined in the Companies Act 2014, at any time during the financial year.

20. Financial risk management

The Company's financial instruments include Mortgage Loans, Cash and cash equivalents, Receivables, Senior Loan, Notes issued and Payables that arise directly from its operations.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

The risk profile of the Company is such that market risk, credit risk, liquidity risk and other risks of the Mortgage Loans are borne fully by the Noteholders.

The Company has exposure to market risk, liquidity risk, credit risk, operational risk and concentration risk from its use of financial statements.

Management is closely monitoring the effect of COVID-19, including how it may affect the Company.

1. Market risk

Market risk is the potential change in value caused by movements in interest rates, foreign exchange or market prices of a financial instrument. Market risk embodies the potential for both losses and gains and includes interest rate risk, currency risk and market price risk. The Noteholder is exposed to the market risk of the Mortgage Loans.

Sensitivity Analysis

Had the fair value of the Company’s financial assets increased / decreased by 1%, with all other variables remaining constant, this would result in an increase / decrease in the statement of comprehensive income for the Company of €524,560 (2020: €739,512). However, due to the limited recourse nature of the Notes issued by the Company, profits or losses arising from movements in market value of financial instruments pass to the Noteholders. Therefore, the Company has no net exposure to market risk.

(i) Currency risk

Currency risk is the risk that financial exposures in currencies other than Euro, which could create exposures however the Mortgage Loans are mostly denominated in Euro and therefore, the exposure to foreign currency movement is not a high risk. No sensitivity analysis is presented as the exposure of the Company to foreign currency risk is limited.

20. Financial risk management (continued)

1. Market risk (continued)

(ii) Price risk
Price risk is the risk that the fair value of a financial instrument will fluctuate because of changes in the market price.

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted prices (unadjusted) in an active market for identical assets or liabilities;
Level 2: inputs other than quoted prices within Level 1 that are observable for the asset or liability, either directly or indirectly; and
Level 3: inputs for the asset or liabilities that are not based on observable market data (unobservable inputs).

Financial instruments measured at fair value through profit or loss

Assets	**Level 1**	**Level 2**	**Level 3**	**Total**
Mortgage Loans	-	-	52,455,950	52,455,950
	-	-	52,455,950	52,455,950
Liabilities				
Notes issued	-	-	31,078,814	31,078,814
	-	-	31,078,814	31,078,814

Assets	**Level 1**	**Level 2**	**Level 3**	**Total**
Mortgage Loans	-	-	73,951,197	73,951,197
	-	-	73,951,197	73,951,197
Liabilities				
Notes issued	-	-	33,188,205	33,188,205
	-	-	33,188,205	33,188,205

The table below reconciles the fair value of the financial instruments categorised in Level 3 as at 30 September 2021 and 30 September 2020.

20. Financial risk management (continued)

1. Market risk (continued)
(ii) Price risk (continued)

Level 3 Reconciliation - Mortgage Loans	**As at 30 September 2021 €**	**As at 30 September 2020 €**
Balance at the beginning of the financial year	73,951,197	88,760,444
Acquisitions	-	-
Collections, advances and Mortgage loans sold/exited	(20,629,021)	(17,895,566)
Net realised gain on financial assets at fair value through profit or loss	2,679,428	-
Net unrealised movement on financial assets at fair value through profit or loss	(3,545,654)	3,086,319
Balance at the end of the financial year	**52,455,950**	**73,951,197**

Level 3 Reconciliation - Notes issued	**As at 30 September 2021 €**	**As at 30 September 2020 €**
Balance at the beginning of the financial year	33,188,205	33,330,660
Notes issued	-	-
Notes repaid	-	-
Net movement on financial liabilities at fair value through profit or loss	(2,109,391)	(142,455)
Balance at the end of the financial year	**31,078,814**	**33,188,205**

The Mortgage Loans represent the expected future cash flows from the Company's interest in a pool of mortgage loans. Level 3 is deemed to be the most appropriate categorisation for the Company's interests in the Mortgage Loans.

Notes issued represent the obligations due by the Company for settlement of amounts payable to the Noteholders and also represent the residual profit or loss of the Company. Level 3 is deemed to be the most appropriate categorisation for the Company's Notes issued.

Due to the limited recourse nature of the Notes issued by the Company, any profits or losses arising from movements in fair value pass to the Noteholders. Therefore, the Company has no exposure to price risk.

The following table presents additional information about valuation techniques and inputs used for financial assets and liabilities which consist solely of Mortgage Loans and Notes issued that are measured at fair value and categorised within Level 3 as of 30 September 2021:

Financial instrument	**Valuation techniques**	**Unobservable inputs**	**Input range**
Mortgage loans	- Comparison method	- Comparable transaction	5% - 10%
		- Comparable market rents	
Notes issued	- Contingent interest	- Profit sweep	N/a

20. Financial risk management (continued)

1. Market risk (continued)

The following table presents additional information about valuation techniques and inputs used for financial assets and liabilities which consist solely of Mortgage Loans and Notes issued that are measured at fair value and categorised within Level 3 as of 30 September 2020:

Financial instrument	Valuation techniques	Unobservable inputs	Input range
Mortgage loans	- Comparison method	- Comparable transaction - Comparable market rents	5%-10%
Notes issued	- Contingent interest	- Profit sweep	N/a

Finanical instruments not measured at fair value through profit or loss

Assets	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	707,709	-	-	707,709
Receivables	-	1,251,377	-	1,251,377
	707,709	1,251,377	-	1,959,086

Liabilities				
Senior Loan	-	-	23,197,826	23,197,826
Payables	-	134,269	-	134,269
	-	134,269	23,197,826	23,332,095

Assets	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	1,832,333	-	-	1,832,333
Receivables	-	762,366	-	762,366
	1,832,333	762,366	-	2,594,699

Liabilities				
Senior Loan	-	-	43,212,289	43,212,289
Payables	-	142,776	-	142,776
	-	142,776	43,212,289	43,355,065

Cash and cash equivalents are short term and readily convertible. As such, Level 1 has been deemed the most appropriate category.

Receivables represents the contracted amounts for settlement of receivables and as such, Level 2 has been deemed the most appropriate category.

Payables represent the contractual amounts and obligations due by the Company for settlement of payables and expenses. As such, Level 2 is deemed to be the most appropriate category.

20. Financial risk management (continued)

1. Market risk (continued)

Senior Loan represents the contractual amounts and obligations due by the Company for settlement of amounts payable to the Senior Lender. As such, Level 3 is deemed to be the most appropriate category.

Sensitivity analysis

Had the fair value of the Company's financial assets increased / decreased by 1%, with all other variables remaining constant, this would result in an increase / decrease in the statement of comprehensive income for the Company of €524,560 (2020: €739,512). Due to the limited recourse nature of the Notes issued by the Company, profits or losses arising from the movement in fair value of financial instruments pass to the Noteholders. Therefore, the Company has no net exposure to price risk / level 3 sensitivity risk.

(iii) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

The following table provides an analysis of the interest rate profile of the Company as at 30 September 2021 and 30 September 2020.

Assets	**Interest rate**	**2021**	**2020**
		€	**€**
Non-interest bearing		1,251,377	762,366
Interest bearing	Variable	52,455,950	73,951,197
Cash and cash equivalents	Variable	707,709	1,832,333
		54,415,036	76,545,896
Liabilities			
Non-interest bearing		134,269	142,776
Senior Loan	Variable	23,197,826	43,212,289
Notes issued	Variable	31,078,814	33,188,205
		54,410,909	76,543,270

Due to the limited recourse nature of the Notes, profits arising from movements in interest rates pass to the Noteholders. Therefore, the Company has no exposure to interest rate risk and the movements in interest rates have no impact on the profit or loss or the equity of the Company.

Sensitivity analysis

Assuming a reasonable shift of 1% (increase/decrease) on the prevailing interest rates, interest income would increase/decrease by approximately €21,350 (2020: €32,048). The sensitivity rate of 1% represents the Directors' assessment of a reasonably possible change, based on historic volatility. In reality, the actual trading results may differ from this sensitivity analysis and the difference could be material.

20. Financial risk management (continued)

2. Credit risk

Credit risk is the risk that a counterparty will be unable to pay amounts owed in full when due.

The maximum exposure to the credit risk at the reporting date was:

	As at 30 September 2021	As at 30 September 2020
Mortgage Loans	52,455,950	73,951,197
Cash and cash equivalents	707,709	1,832,333
Receivables	1,251,377	762,366
	54,415,036	76,545,896

Due to the limited recourse nature of the Notes, any profit or loss arising from the credit risk will pass on to the Noteholders.

Mortgage Loans

The Company's business objective rests on the purchase of a portfolio of mortgage loans and their related security in respect of properties located in Ireland and the United Kingdom. The directors rely on the information provided by the Loan Servicer on a monthly basis to review the performance of the Mortgage Loans. This includes information about the current status of Mortgage Loans, that is, whether the loan is performing, repossession and eviction, indexed value of properties and ageing analysis of Mortgage Loans.

The Servicer undertakes ongoing reviews in respect of each borrower and each loan to the extent such relevant information is received from the borrowers. The Loan Servicer conducts this review process on a regular basis to identify concern as to the ability of a borrower to meet its financial obligations under the relevant loan agreements. Such a review may include an inspection of the related properties or property and compliance check of such borrower's covenants under the related loan documentation.

The Loan Servicer provides fair value reviews to the directors. The fair value of the Mortgage Loans is determined using market indications and other factors such as prevailing rents and comparable underlying collateral.

Cash and cash equivalents

Moody's credit rating profile of the cash and cash equivalents balance is as follows:

Cash and cash equivalents	Credit rating 2021	As at 30 September 2021	Credit rating 2020	As at 30 September 2020
		€		€
Deutsche Bank	Baa2	707,709	Baa3	1,832,333
		707,709		1,832,333

Receivables

The majority of the other receivables were settled after the financial year end (30 September 2020: same).

20. Financial risk management (continued)

3. Liquidity risk

The underlying Mortgage Loans are financed principally by a senior loan and the issuance of the Notes. These financing policies substantially reduce the Company's liquidity risk by matching the maturity profile of the Company's funding to the profile of the underlying Mortgage Loans.

The following table gives liquidity analysis of the Company for their financial liabilities as at 30 September 2021.

				As at 30 September 2021
Liabilities	**Less than 1 year**	**1-5 years**	**Over 5 years**	**Total**
	€	**€**	**€**	**€**
Financial liabilities at FVTPL	-	31,078,814	-	31,078,814
Senior Loan	-	23,197,826	-	23,197,826
Payables	134,269	-	-	134,269
	134,269	54,276,640	-	54,410,909

The following table gives liquidity analysis of the Company for their financial liabilities as at 30 September 2020.

				As at 30 September 2020
Liabilities	**Less than 1 year**	**1-5 years**	**Over 5 years**	**Total**
	€	**€**	**€**	**€**
Financial liabilities at FVTPL	-	-	33,188,205	33,188,205
Senior Loan	-	-	43,212,289	43,212,289
Payables	142,776	-	-	142,776
	142,776	-	76,400,494	76,543,270

Future interest on the Notes is not included in the table above because it will be determined on the basis of future net income of the Mortgage Loans which cannot be reliably estimated at this time.

The Company minimised liquidity risk by matching the cash inflows from Mortgage Loans and the cash outflows for liabilities by incorporating terms of payments in the Notes documents such as priority of payments/waterfall and limited recourse.

4. Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel and infrastructure, and from external factors other than credit, markets and liquidity issues such as those arising from legal, regulatory and conduct requirements and generally accepted standards to corporate behaviour.

The Directors have established processes to manage operational risks, these processes include appropriate segregation of responsibilities and specific control activities.

20. Financial risk management (continued)

5. Concentration risk

Concentration risk can arise from the type of assets held as security against the Mortgage Loans, the maturity of the loans, the concentration of sources of funding, concentration of counterparties or geographical locations.

The Company assessed the concentration risk of the Mortgage Loans at the year-end date.

Loans by geographical location

	2021
Location	**% of portfolio**
Ireland	95.80%
United Kingdom	4.20%

	2020
Location	**% of portfolio**
Ireland	94.90%
United Kingdom	4.02%
Northern Ireland	1.00%
France	0.08%

21. Charges

As at 30 September 2021, Deutsche Bank AG (the "Security Agent") holds a first fixed floating charge on all freehold and leasehold property, together with all buildings, fixtures and fixed plant and machinery and all future freehold and leasehold property, buildings, fixtures & fixed plant machinery, a charge on future ancillary rights, uncalled share capital of the Company, goodwill, intellectual property, material contracts, insurance proceeds, receivables and leases. The Security Agent holds a first floating charge on the secured parties assets and undertakings (2020: as above).

22. Ownership of the company

The Company issued 1 share of the total authorised shares of 100,000 to Centralis Ireland Limited.

23. Capital management

The Company views the share capital as its capital. The Company is a special purpose vehicle set up to issue debt for the purpose of making investments as defined under the offering circular. Share capital of €1 was issued in line with Irish Company Law and is not used for financing the investment activities of the Company. The Company is not subject to any other externally imposed capital requirements (2020: as above).

24. Approval of financial statements

The Board of Directors approved these financial statements for issue on 2 February 2022.