Registered number: 12785124

SALAMANCA 2 LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

CONTENTS

COMPANY INFORMATION

Directors	Constantinos Kleanthous (appointed 1 August 2020) CSC Directors (No.1) Limited (appointed 1 August 2020) CSC Directors (No.2) Limited (appointed 1 August 2020)
Company secretary	CSC Corporate Services (UK) Limited
Registered number	12785124
Registered office	10th Floor 5 Churchill Place London E14 5HU United Kingdom
Independent auditors	Moore Kingston Smith LLP Chartered Accountants and Statutory Auditors 9 Appold St London EC2A 2AP United Kingdom
Bankers	The Bank of New York Mellon London Branch One Canada Square London E14 5AL United Kingdom

STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2021

Introduction

The Directors present the Strategic Report on Salamanca 2 Limited (the "Company") for the year ended 31 December 2021.

Principal activities, business review and future developments

The Company was incorporated on 1 August 2020 as a special purpose vehicle for the purpose of advancing funds to an Asset Trust which in turn will be applied by the Asset Trustee for the ongoing origination of loans with UK SMEs pursuant to the Coronavirus Business Interruption Loan Scheme ("CBILS") (the "Loan Receivables"). The loans are originated through the loan origination platform operated in the United Kingdom by Boost (the "BOOST&Co Online Lending Platform").

The Company has entered into a Senior Note Facility Agreement and Subordinated Note Facility Agreement to fund the Asset Trust. The Notes mature on 1 September 2028. The maximum commitment of the Senior Note is £160,000,000 and the maximum commitment of the Subordinated Notes is £43,016,316.

The Company is exposed to the risks and rewards of the activities under the Asset Trust and therefore have failed derecognition under the financial reporting standard IAS 39: Financial Instruments: Recognition and Measurement. Therefore the Company recognises the advanced loans on its Balance Sheet. At the end of the financial year, the total outstanding balance of the Loans issued by the Company to the Asset Trustee amounted to £145,365,130 (2020:£85,728,490). The Company has also advanced an additional £4,937,642 (2020:£2,000,045) to the Asset Trust for future originations.

Since March 2020, the COVID 19 pandemic has created a degree of uncertainty across all industries on a global scale, including the financial services market in the UK. However, as the activities of the Company are governed by the transaction documents, the direct impact on the Company is expected to be limited.

The Company is expected to remain as a going concern for the foreseeable future. In order to form a view as to the most appropriate basis of preparation of these financial statements, the directors have assessed the likelihood of whether the Company will be able to continue trading over the foreseeable future versus the likelihood of either intending to or being forced to cease trading and place the Company into liquidation. As discussed further in the Directors report, the directors consider that the Company is able to meet its liabilities as they fall due, and accordingly, the financial statements have been prepared on a going concern basis.

Financial key performance indicators

Given the nature of the Company's activities, the Directors consider the performance of the Loans portfolio to be the key performance indicator for the Company and the related borrowing under the Senior Loan. The balance of the financial asset was £152,302,817 (2020:£87,728,535) as at 31 December 2021 and no related impairment provisions were recognised against the portfolio.

At the financial year end the balance of the Senior Note outstanding amounted to £120,930,747 (2020:£73,785,261). The balance of the Subordinated Notes at year end amounted to £25,362,027 (2020: £19,822,632).

Financial Instruments

The Company's operations are financed primarily by the Senior Note. The Company issued such financial instruments to finance the Asset Trust which will in turn be applied by the Asset Trustee for the ongoing origination of loans with UK SMEs. The loans are granted under the BOOST&Co Online Lending Platform.

Streamlined Energy and Carbon Reporting
The Company is out of the scope of the Streamlined Energy and Carbon Reporting (SECR), as it does not meet the numerical thresholds in relation to turnover and number of employees.

Principal risks and uncertainties

Whilst the directors have overall responsibility for the establishment and oversight of the Company's risk management framework, this obligation has been allocated and managed in accordance with the transaction documents. Further details of financial risk management are outlined in Note 17 of the financial statements.

Impacts of COVID-19 and Brexit are also considered as uncertainties. For details please refer to section “Principal activities, business review and future developments". The Company is mainly exposed to credit risk, liquidity risk and market risk. The principal nature of such risks is summarised below.

Credit Risk
Credit risk reflects the risk that the underlying borrowers or other transaction parties will not meet their obligations as they fall due. The Company purchased the Loans in adherence with the BOOST&Co Online Lending Platform and stated eligibility criteria therein. These criteria are in place to manage the credit risk of the Loans that the Company is exposed to. Credit risk is monitored and managed on a regular basis through preparation and review of monthly investor reports which are reviewed in detail by senior management.

Liquidity Risk
Liquidity risk is defined as the risk of being unable to fulfil current or future payment obligations in full on the due date. The objective of the Company’s liquidity management is to ensure the sufficient funds are available to meet the Company’s commitments. Liquidity risk is defined as the risk of being unable to fulfil current or future payment obligations in full on the due date. Liquidity risk is minimised by the fact that the UK Government has guaranteed interest payments for 12 months and provides a steady cash flow for the Company to discharge all expenses

Market Risk
Market risk refers to the potential loss arising from changes in interest rates, foreign currency rates, price or rate volatilities and other market rates and prices such as commodity prices. The Company is not exposed to currency risk as all its financial instruments are denominated in GBP (£).

Furthermore, the Company had also entered into interest rate cap agreements with the Natwest Capital Markets.

Capital risk 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.

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

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

Date: 21 June 2022

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2021

The Directors present their report and the financial statements for the year ended 31 December 2021.

Statement of directors' responsibilities in respect of the financial statements

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with 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'. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

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

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

The Directors are 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 to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements and other information included in Directors' Reports may differ from legislation in other jurisdictions.

Results and dividends

The profit for the year, after taxation, amounted to £9,428,518 (2020 - £223,213).

Directors' and company shareholdings

The Directors who served during the year were:

Constantinos Kleanthous
CSC Directors (No.1) Limited
CSC Directors (No.2) Limited

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021

Disclosure of information to auditors

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

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

Post balance sheet events

The invasion of Ukraine in March 2022 has caused significant volatility in international markets. There is significant uncertainty around the impact of the situation on international economies and, as such, the Company is actively monitoring the extent of the impact to its operations, financial accounting and reporting. The scale of this conflict in Europe is an unprecedented event in modern history and the eventual impact on the global economy and markets will largely depend on the scale and duration of the conflict. While the performance of the Company has not been significantly impacted by the conflict, the directors continue to monitor this situation.

There have been no significant events affecting the Company since the year end.

This report was approved by the board on 21 June 2022 and signed on its behalf.

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

Independent Auditor's Report

To the Members of Salamanca 2 Limited

Opinion

We have audited the financial statements of Salamanca 2 Limited (the 'company') for the year ended 31 December 2021 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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.

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 year of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of our audit :

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

Matters on which we are required to report by exception
In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' Report .

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

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

Responsibilities of the directors
As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

The objectives of our audit in respect of fraud, are; to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses to those assessed risks; and to respond appropriately to instances of fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both management and those charged with governance of the company.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory requirements applicable to the company and considered that the most significant are the Companies Act 2006, UK financial reporting standards as issued by the Financial Reporting Council, and UK taxation legislation.
- We obtained an understanding of how the company complies with these requirements by discussions with management and those charged with governance.
- We assessed the risk of material misstatement of the financial statements, including the risk of material misstatement due to fraud and how it might occur, by holding discussions with management and those charged with governance.
- We inquired of management and those charged with governance as to any known instances of non-compliance or suspected non-compliance with laws and regulations.
- Based on this understanding, we designed specific appropriate audit procedures to identify instances of non-compliance with laws and regulations. This included making enquiries of management and those charged with governance and obtaining additional corroborative evidence as required.

As part of an audit in accordance with ISAs (UK) we exercise professional judgement and maintain professional scepticism throughout the audit. We 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 our 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 purposes 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 the directors.
- Conclude on the appropriateness of the directors' 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 we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- 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 manner that achieves fair presentation.

We communicate 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 we identify during our audit.

Use of our report

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

Moore Kingston Smith LLP.

Rebecca Shields (Senior Statutory Auditor)
for and on behalf of Moore Kingston Smith LLP

21 June 2022

Chartered Accountants
Statutory Auditor

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	Financial year from 1 January 2021 to 31 December 2021 £	Financial period from 1 August 2020 to 31 December 2020 £
Interest income and similar income	3	**13,524,947**	1,544,087
Interest expense and similar charges	4	**(2,212,969)**	(350,825)
Gross profit		**11,311,978**	1,193,262
Administrative expenses	5	**(2,545,508)**	(831,601)
Fair value of derivative	14	**662,276**	(138,410)
Operating profit		**9,428,746**	223,251
Tax on profit	8	**(228)**	(38)
Profit for the financial year		**9,428,518**	223,213
Other comprehensive income		**-**	-
Other comprehensive income for the year		**-**	-
Total comprehensive income for the year		**9,428,518**	223,213

There were no recognised gains and losses for 2021 or 2020 other than those included in the statement of comprehensive income.

The notes on pages 14 to 25 form part of these financial statements.

BALANCE SHEET
AS AT 31 DECEMBER 2021

	Note		2021 £		2020 £
Fixed assets					
Financial Assets	9		**152,302,817**		87,728,535
			152,302,817		87,728,535
Current assets					
Debtors due within 1 year	10	**1,638,428**		1,636,703	
Derivative final instrument	14	**725,866**		63,590	
Cash at bank and in hand	11	**3,024,631**		4,594,890	
		5,388,925		6,295,183	
Creditors: amounts falling due within one year	12	**(1,747,236)**		(192,611)	
Net current assets			**3,641,689**		6,102,572
Total assets less current liabilities			**155,944,506**		93,831,107
Creditors: amounts falling due after more than one year	13		**(146,292,774)**		(93,607,893)
Net assets			**9,651,732**		223,214
Capital and reserves					
Called up share capital	15		**1**		1
Profit and loss account			**9,651,731**		223,213
			9,651,732		223,214

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

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

Date: 21 June 2022

The notes on pages 14 to 25 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 August 2020	-	-	-
Comprehensive income for the period			
Profit for the period	-	223,213	223,213
Total comprehensive income for the period	-	223,213	223,213
Shares issued during the period	1	-	1
Total transactions with owners	1	-	1
At 1 January 2021	1	223,213	223,214
Comprehensive income for the year			
Profit for the year	-	9,428,518	9,428,518
At 31 December 2021	1	9,651,731	9,651,732

The notes on pages 14 to 25 form part of these financial statements.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021

	2021 £	2020 £
Cash flows from operating activities		
Profit for the financial year	**9,428,518**	223,213
Adjustments for:		
Interest paid	**2,212,969**	350,825
Interest received	**(13,524,947)**	(1,544,087)
Decrease/(Increase) in debtors	**(23,112)**	-
(Increase)/(Decrease) in creditors	**(662,276)**	(118,956)
Net fair value losses recognised in P&L	**1,490,621**	138,410
Corporation tax (paid)/received	**(38)**	-
Net cash generated from operating activities	**(1,078,265)**	(950,595)
Cash flows from investing activities		
Purchase of derivative financial instrument	**-**	(202,000)
Purchase of financial asset	**(219,548,059)**	(87,728,535)
Repayment of financial asset	**154,973,776**	-
Interest received	**13,546,334**	(92,616)
Net cash from investing activities	**(51,027,949)**	(88,023,151)
Cash flows from financing activities		
Issue of ordinary shares	**-**	1
Issued notes	**100,510,000**	93,607,893
Repayment of loans	**(47,825,118)**	-
Interest paid	**(2,148,927)**	(39,258)
Net cash used in financing activities	**50,535,955**	93,568,636
Net (decrease)/increase in cash and cash equivalents	**(1,570,259)**	4,594,890
Cash and cash equivalents at beginning of year	**4,594,890**	-
Cash and cash equivalents at the end of year	**3,024,631**	4,594,890
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	**3,024,631**	4,594,890
	3,024,631	4,594,890

The notes on pages 14 to 25 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

1. General information

Salamanca 2 Limited ("the Company") was incorporated on 1 August 2020, in the United Kingdom, as a private limited company (limited by shares). The Company was set up as a special purpose vehicle for the purpose of acquiring and managing financial assets, including, principally, purchasing mortgage loans and related security. The registered office address is 10th Floor, 5 Churchill Place, London, E14 5HU, England, United Kingdom.

During the financial year the Company began issuing Senior Notes to the Senior Note Purchasers pursuant to the Senior Note Purchase Facility Agreement and Subordinated Notes to the Subordinated Note Purchasers pursuant to the Subordinated Note Purchase Facility Agreement in order to settle Contributions to the Asset Trust, which will in turn be applied by the Asset Trustee for the ongoing origination of loans with UK SMEs pursuant to the Coronavirus Business Interruption Loan Scheme ("CBILS").

2. Accounting policies

2.1 Basis of preparation of financial statements

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

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

The following principal accounting policies have been applied:

Additionally, in respect of financial instruments and in accordance with FRS 102 paragraphs 11.2 and 12.2, the Company applies the recognition and measurement provisions of IAS 39 (as adopted for use in the EU) alongside the corresponding disclosure requirements of FRS 102.

2.2 Going concern

The Directors have prepared the financial statements on the going concern basis which assumes that the Company will continue in operational existence for the foreseeable future and will have adequate funds available to meet its obligations as they fall due. The Directors are satisfied that the financial statements are prepared on a going concern basis due to the ongoing performance of the Corporate Loans, the existence of surplus Asset Trust Contributions which will be used to settle future obligations. The loans are monitored by the BOOST&Co Online Lending Platform.

The management and Directors do not believe, given the current operational level and liquidity resources and cash outflows over the coming 12 months, that COVID-19 creates a material uncertainty that casts a significant doubt over the Company’s ability to continue as a going concern in the next 12 months after the date of signing the financial statements. An analysis has been carried out on the performance of the Corporate Loans in relation to COVID-19. The company is continuing to make contributions to the Asset Trust.

2.3 Foreign currency translation

These financial statements are presented in GBP (£) which is the Company’s functional currency. Functional currency is the currency of the primary economic environment in which the entity operates. All figures in the financial statements are rounded to zero decimal places.

2. Accounting policies (continued)

2.4 Interest income and expense recognition

Interest income and expense are recognised within 'interest income and similar income' and 'interest expense and similar charges' in Statement of Comprehensive Income. Accrued interest income and accrued interest expense are recognised in other debtors and creditors on the Statement of Financial Position.

The Company accounts for interest income and interest expense on an effective interest rate basis. The effective interest method is a method of calculating the amortised cost of a financial asset or liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Company estimates cashflows considering all contractual terms of the financial instrument but does not consider future credit losses.

2.5 Operating Segments

The Company has not disclosed segmental information because in the opinion of the directors the Company operates in one business sector and one geographic segment and generates all income in the United Kingdom.

2.6 Financial instruments

The Company's financial instruments comprise the Loans, Cash, the Notes and various receivables and payables that arise from its operations. Financial assets and financial liabilities are initially measured at fair value.

All recognised financial assets are subsequently measured in their entirety at either fair value or amortised cost, depending on the classification of the financial assets.

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

Financial liabilities are derecognised when the Company obligation is discharged, cancelled or expires. A financial liability (or part of It) is extinguished when the Company either: discharges the liability (or part of it) by paying the creditor; or is legally released from primary responsibility for the liability either by process of law or the creditor.

2. Accounting policies (continued)

2.7 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 that no incremental unfunded tax liabilities will arise. As a result, no deferred tax is recognised.

Corporation tax for a securitisation company is calculated by reference to the required cash retained as ‘profit’ per the underlying transaction documentation.

Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income

2.8 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.

All withdrawals from the Company’s bank accounts are governed by the detailed priority of payments set out in the underlying transaction documentation and as such are considered restricted.

In the Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Company's cash management.

2.9 Judgements and key sources of estimation uncertainty

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

The estimates and underlying assumptions are reviewed on an on going basis. Revisions to accounting estimates are recognised in the financial year in which the estimates are revised if the revision affects only that financial year or in the financial year of the revision and future years if the revision affects both current and future financial years.

2. Accounting policies (continued)

Judgements and key sources of estimation uncertainty (continued)

Fair values
Where financial assets and liabilities are carried at fair value and a quoted price is not available the valuation is based on cash flow models based on independently sourced parameters or internal models based on historic information or comparable data. The accuracy of the calculation would therefore be affected by unexpected market movements or other variances in the operation of models or assumptions used. In preparing these financial statements, the Company determined the fair values of the derivative financial instrument based solely on valuation models observing market indicators for future interest rates.

Recognition of the CBILS Loans
The sale of Loans have been judged to meet the derecognition criteria set out under IAS 39 by virtue of the transfer, by the Asset Trustee, of the significant risks and rewards associated with ownership of the CBILS Loans. This is owing to the CBILS Loan being funded through contributions made to the Asset Trust from the Senior and Subordinated Notes.

3. Interest receivable and similar income

	Financial year from 1 January 2021 to 31 December 2021 **£**	Financial period from 1 August 2020 to 31 December 2020 £
Income	**12,873,622**	1,544,087
Reclaimable expenses under BIP	**651,325**	-
	13,524,947	1,544,087

This is income received from the Asset Trust.

4. Interest payable and similar charges

	Financial year from 1 January 2021 to 31 December 2021	Financial period from 1 August 2020 to 31 December 2020
	£	£
Interest expense on Senior Note	**2,140,243**	271,684
Commitment fee on Senior Note	**72,726**	79,141
	2,212,969	350,825

5. Administrative expenses

	Financial year from 1 January 2021 to 31 December 2021	Financial period from 1 August 2020 to 31 December 2020
	£	£
Scheme Lender Fees	**1,480,578**	139,131
Other Fees	**1,066,871**	692,470
	2,547,449	831,601

6. Auditors' remuneration

	Financial year from 1 January 2021 to 31 December 2021	Financial period from 1 August 2020 to 31 December 2020
	£	£
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	**12,000**	14,184
	12,000	14,184

6. Auditors' remuneration (continued)

Fees payable to the Company's auditor and its associates in respect of:

Auditors' remuneration	**12,000**	14,184
	12,000	14,184

7. Employees

The Company has no employees other than the Directors, who did not receive any remuneration *(2020 - £NIL)*

8. Taxation

	Financial year from 1 January 2021 to 31 December 2021 £	Financial period from 1 August 2020 to 31 December 2020 £
Corporation tax		
Current tax on profits for the year	**228**	38
	228	38
Total current tax	**228**	38
Deferred tax		
Total deferred tax	**-**	-
Taxation on profit on ordinary activities	**228**	38

8. Taxation (continued)

Factors affecting tax charge for the year/period

The tax assessed for the year/period is the same as (2020 - the same as) the standard rate of corporation tax in the UK of 19% (2020 - 19%) as set out below:

	Financial year from 1 January 2021 to 31 December 2021 £	Financial period from 1 August 2020 to 31 December 2020 £
Profit on ordinary activities before tax	**9,428,746**	223,251
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2020 - 19%)	**1,791,462**	42,418
Effects of:		
Accounting loss/(profits) not taxed in accordance with SI 2006/3296	**(1,791,462)**	(42,418)
Cash retained profit taxed in accordance with SI 2006/3296	**(228)**	(38)
Total tax charge for the year/period	**228**	38

9. Non current assets

	2021 £	2020 £
Balance as at 1 January 2020	**87,728,535**	-
Contributions to Asset Trust	**4,937,642**	2,000,045
Advances on Loans	**102,962,008**	85,728,490
Repayments of Loans	**(43,325,368)**	-
	152,302,817	87,728,535

The Company was incorporated on 1 August 2020 as a special purpose vehicle for the purpose of advancing funds to an Asset Trust which in turn will be applied by the Asset Trustee for the ongoing origination of loans with UK SMEs pursuant to the Coronavirus Business Interruption Loan Scheme ("CBILS").

9. Non current assets (continued)

During the financial year the Asset Trust has advanced £102,962,008 (2020:£85,728,490) of Corporate Loans to UK SMEs. Repayments of £43,325,368 (2020: £Nil) have been made during the financial year. The Company has advanced £4,937,642 (2020:£2,000,045) of funds to the Asset Trust for onward lending post year end.

10. Debtors: amounts falling due within one year

	2021 £	2020 £
Other debtors	**1,615,316**	1,636,703
Prepaid expenses	**23,112**	-
	1,638,428	1,636,703

11. Cash at bank and in hand

	2021 £	2020 £
Cash at bank and in hand	**3,024,631**	4,594,890
	3,024,631	4,594,890

The cash at bank is held with the The Bank of New York Mellon, London Branch. The Bank of New York Mellon, London Branch has been rated AA- (2020: AA-) by Standard & Poor's and has been given an Aa2 (2020: Aa) rating by Moody's.

12. Creditors: amounts falling due within one year

	2021 £	2020 £
Accrued expenses	**(24,000)**	(14,814)
Accrued interest	**(103,300)**	(35,605)
Accrued corporation tax	**(228)**	(38)
Accrued scheme lender fees	**(1,619,708)**	(142,784)
	(1,747,236)	(193,241)

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

	2021 £	2020 £
Senior Note	**120,930,747**	73,785,261
Subordinated Notes	**25,362,027**	19,822,632
	146,292,774	93,607,893

14. Derivative financial instrument

	2021 £	2020 £
As at 1 January 2021	**63,590**	-
Interest rate cap premium paid	**-**	202,000
Fair value movements	**662,276**	(138,410)
As at 31 December 2021	**725,866**	63,590

15. Share capital

	2021 £	2020 £
Allotted, called up and fully paid		
1 (2020 - 1) Ordinary Share £1	**1**	1

16. Ultimate controlling party

The entire share capital of Salamanca 2 Limited is held on a discretionary trust basis under a share trust deed by the legal parent company, CSC Corporate Services (UK) Limited, a company incorporated in the United Kingdom and registered in England and Wales. CSC Corporate Services (UK) Limited is a wholly owned subsidiary of CSC Capital Markets UK Limited.

17. Financial risk management

The principal risks arising from the Company's financial instruments are liquidity, credit and market risk. The Company has established policies for managing these risks as outlined below.

Credit Risk
Credit risk is the risk of impairment and partial or total loss of a receivable due to the deterioration of credit quality on the part of the counterparty. The primary assets of the Company are the Loans. Credit risk is monitored and managed on a regular basis through preparation and review of monthly investor reports which are reviewed in detail by senior management.

17. Financial risk management (continued)

Credit Risk (continued)
The maximum exposure to credit risk at the financial year end is as follows:

Maximum Credit Risk

	31-Dec-21	31-Dec-20
	£	£
Financial Asset	152,302,817	87,728,535
Debtors: amounts falling due within one year	1,638,428	1,636,703
Cash at bank and in hand	3,024,631	4,594,890
Derivative financial instrument	725,866	63,590
	157,691,742	94,023,718

The cash at bank is held with the The Bank of New York Mellon, London Branch. The Bank of New York Mellon, London Branch has been rated AA- (2020: AA-) by Standard & Poor's and has been given an Aa2 (2020: Aa) rating by Moody's.

Liquidity Risk
Liquidity risk is defined as the risk of being unable to fulfil current or future payment obligations in full on the due date. The objective of the Company's liquidity management is to ensure the sufficient funds are available to meet the Company's commitments. Liquidity risk is minimised by the fact that the UK Government has guaranteed interest payments for 12 months and provides a steady cash flow for the Company to discharge all expenses.

The table on the following page analyses the undiscounted cashflows of the financial liabilities at the balance sheet date into relevant maturity groupings. The calculations have been based on the interest rates effective at the balance sheet date.

Liquidity Risk	1 month to 3 months	4 months to and 2 years	Over 2 year	Gross Cashflows
2021	£	£	£	£
Senior Note	-	-	(120,930,747)	(120,930,747)
Subordinated Notes	-	-	(25,362,027)	(25,362,027)
Interest expense	(1,756,259)	(12,629,278)	(33,664,920)	(48,050,457)
Accrued expenses	(1,747,236)	-	-	(1,747,236)
	(3,503,495)	(12,629,278)	(179,957,694)	(196,090,467)

	1 month to 3 months	4 months to and 2 years	Over 2 year	Gross Cashflows
2020	£	£	£	£
Senior Note	-	-	(73,785,261)	(73,785,261)
Subordinated Note	-	-	(19,822,632)	(19,822,632)
Interest expense	(1,071,572)	(7,705,688)	(24,935,125)	(33,712,385)
Accrued expenses	(192,611)	-	-	(192,611)
	(1,264,183)	(7,705,688)	(118,543,018)	(127,512,889)

17. Financial risk management (continued)

Market Risk
In relation to the activities of the Company, market risk refers to the potential loss arising predominantly from changes in interest rates. The table below summarises the interest sensitivity gap:

2021	Fixed interest rate £	Floating interest rate £	Non-interest bearing £	Total £
Financial Asset	152,302,817	-	-	152,302,817
Debtors: amounts falling due within one year	-	-	1,638,428	1,638,428
Cash at bank and in hand	-	3,024,631	-	3,024,631
Derivative financial instrument	-	725,866	-	725,866
Total assets	152,302,817	3,750,497	1,638,428	157,691,742
Senior Note	-	(120,930,747)	-	(120,930,747)
Subordinated Notes	-	(25,362,027)	-	(25,362,027)
Accrued expenses	-	-	(1,747,236)	(1,747,236)
Total liablities	-	(146,292,774)	(1,747,236)	(148,040,010)
Interest rate sensitivity gap	**152,302,817**	**(142,542,277)**	**(108,808)**	**9,651,732**

2020	Fixed interest rate £	Floating interest rate £	Non-interest bearing £	Total £
Financial Asset	87,728,535	-	-	87,728,535
Debtors: amounts falling due within one year	-	-	1,636,703	1,636,703
Cash at bank and in hand	-	4,594,890	-	4,594,890
Derivative financial instrument	-	63,590	-	63,590
Total assets	87,728,535	4,658,480	1,636,703	94,023,718
Senior Note	-	(73,785,261)	-	(73,785,261)
Subordinated Notes	-	(19,822,632)	-	(19,822,632)
Accrued expenses	-	-	(192,611)	(192,611)
Total liablities	-	(93,607,893)	(192,611)	(93,800,504)
Interest rate sensitivity gap	**87,728,535**	**(88,949,413)**	**1,444,092**	**223,214**

18. Related party transactions

CSC Capital Markets UK Limited entered into an agreement with the Company to provide certain corporate administrative services, bookkeeping and accounting services to the Company. During the financial year the Company incurred fees of £25,015 (2020: £16,801) from CSC Capital Markets UK Limited. There were no fees paid to Directors by the administrator as a directors’ fee.

19. Post balance sheet events

The invasion of Ukraine in March 2022 has caused significant volatility in international markets. There is significant uncertainty around the impact of the situation on international economies and, as such, the Company is actively monitoring the extent of the impact to its operations, financial accounting and reporting. The scale of this conflict in Europe is an unprecedented event in modern history and the eventual impact on the global economy and markets will largely depend on the scale and duration of the conflict. While the performance of the Company has not been significantly impacted by the conflict, the directors continue to monitor this situation.

There have been no other significant subsequent events since the balance sheet date which require disclosure in these financial statements.

20. Capital risk management

The capital managed by the Company comprises of ordinary shares outstanding as at year end. The Company is not subject to externally imposed capital requirements.

There were no changes to the policies and procedures during the year with respect to the Company's approach to capital management.

21. Contingent liabilities and commitments

There were no contingent liabilities or commitments as of 31 December 2021 (2020: 0). Contingent liabilities are assessed continually to determine whether transfers of economic benefits have become probable. Where future transfers of economic benefits charge from previous disclosed contingent liabilities, provisions are recognised in the year in which the changes in probability occur