Thistle Investments (AMC) Limited

Annual report and financial statements for the year ended 31 December 2019

Registered office

1 Bartholomew Lane
London
EC2N 2AX

Registered number

10408065

Current Directors

Intertrust Directors 1 Limited
Intertrust Directors 2 Limited
D M R Jaffe

Company Secretary

Intertrust Corporate Services Limited

Strategic report

For the year ended 31 December 2019

The Directors present their Strategic report for Thistle Investments (AMC) Limited (the "Company") for the year ended 31 December 2019.

Business Overview

The Company commenced trading on 16 December 2016 when it issued £407,440,000 of Class A Notes with a final legal maturity date of 15 September 2046 and £110,000 of Class E Notes with a final legal maturity date of 15 December 2066 (the "Notes"). The Notes are asset backed fixed rate notes. The proceeds from the issuance of the Notes were used to acquire the legal and beneficial interest in a portfolio of agricultural loans (the "Mortgage Loan Portfolio") together with their related security for an initial consideration of £413,318,000 from The Agricultural Mortgage Corporation plc (the "Seller" or "AMC").

The loans within the Mortgage Loan Portfolio are secured by first charge over agricultural land and properties on agricultural land located in England, Scotland and Wales.

Principal and interest payments received on the Portfolio are used by the Company to pay interest on the Class A Notes and to redeem the Class A Notes up to a pre-determined amount on a quarterly basis. Where principal and interest payments received on the Mortgage Loan Portfolio are greater than their scheduled amount, the Company is permitted to invest these additional receipts in new loans originated by AMC or short or long term financial instruments ("Permitted Investments") that fit the scheduled payment profile of the Class A Notes. The general credit enhancement, liquidity support and other support features of the transaction are aimed at securing the fixed nature of the cash flows of the Class A Notes.

Under the terms of the transaction documentation and in accordance with the priority of payments schedule, deferred consideration is paid to the Class E Note holder on each quarterly interest payment date, to the extent that there are sufficient funds available after paying or providing in full for the liabilities of the Company.

The activities of the Company are conducted primarily by reference to a series of securitisation transaction documents (the "Transaction Documentation"). The securitisation structure had been established as a means of providing the purchasers of the Notes, (the "Noteholders") with a fixed income stream that is designed with the aim to be compliant with Solvency II matching adjustment provisions. The Transaction Documentation sets out the workings of the transaction and the principal risks to the Noteholders. As such, these have not been reproduced in full in the financial statements. The Transaction Documentation is available at the Company's registered office.

Business review and future developments

During the year there were no defaults in the Mortgage Loan Portfolio and no further loans were acquired (2018: no defaults nor acquisitions).

The Company used receipts from the Portfolio to meet its obligations on the Notes as per the Transaction Documentation.

The Company has made all necessary interest payments on the Class A Notes in accordance with the scheduled payment dates for the year ended 31 December 2019. The Class A Notes have a pre-defined repayment schedule which is to be met subject to availability of sufficient cash flows and in accordance with a set priority of payments defined within the Transaction Documentation. During the year, the Company redeemed £23,799,000 (2018: £23,530,000) Class A Notes in accordance with the amortisation profile on quarterly interest payment dates.

The Class E Notes are due for repayment on the earlier of the final legal maturity date or as the priority of payments schedule permits subject to a Class E Note minimum outstanding balance of £100,000. None of the Class E Notes were redeemed during the current year (2018: £nil).

Any excess spread and unscheduled receipts on the underlying loans are distributed in accordance with the priority of payments and may be used to purchase new loans or other Permitted Investments that match the expected amortisation schedule of the Notes. As at 31 December 2019, the Company has Permitted Investments with a book value of £7,000 (2018: £6,405,000) and a market value of £7,000 (2018: £6,446,000).

The Directors do not anticipate any changes to the present level of activity, or the nature of, the Company's business in the foreseeable future.

Strategic report (continued)

For the year ended 31 December 2019

Key performance indicators ("KPIs")

The Company's Directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance and position of the Company. However, a defined set of KPIs for the securitisation transaction are set out in the Transaction Documentation and published as a monthly Mortgage Loan Portfolio report. All KPIs have been met.

The key performance indicator used by management in assessing the performance of the Company is the monitoring of performance and cash flows on the Portfolio and the actual interest payments and Note redemptions made in accordance with the scheduled payments.

Risk management

The majority of the Company's assets and liabilities have been classified as financial instruments in accordance with IAS 32 "Financial Instruments: Presentation". The Company's financial instruments comprise a Mortgage Loan Portfolio, Cash and cash equivalents, Permitted Investments, Notes issued and various other receivables and payables.

The principal risks arising from the Company's financial instruments are credit risk, market risk, liquidity risk and interest rate risk. These and other risks which may affect the Company's performance are detailed below. Further analysis of the risks facing the Company in relation to its financial instruments and the Company's financial risk management policies are provided in note 14.

All of the Company's financial assets and liabilities are denominated in Sterling. As such the Company has no currency risk.

The global pandemic from the outbreak of Covid-19 is causing widespread disruption to financial markets and normal patterns of business activity across the world, including in the UK. Measures taken to contain the health impacts of the Covid-19 pandemic are resulting in adverse impacts on economic activity across the world, and the duration for which such measures will remain in place is uncertain. The potential adverse impact on interest rates and credit spreads can be seen in significant market falls, reduced liquidity and rises in volatility . The impact on the economy is currently highly uncertain in both its depth and length, and may go beyond current forecasts of scale of loss of output and recession in the UK and globally.

The economic impacts of the Covid-19 pandemic, including increased levels of unemployment and corporate insolvencies, could adversely impact the funds received from and the credit rating of the loans in the Collateral Loan Portfolio. This impact could be reduced by specific measures taken by governments to alleviate the economic impact of the Covid-19 pandemic, such as payment holidays, lower interest rates and restrictions on fees associated with certain products.

Credit risk

Credit risk primarily arises on the individual loans within the Mortgage Loan Portfolio, which are in turn secured on agricultural land or buildings located in the United Kingdom ("UK"). The performance of these loans is therefore influenced by the UK economic background.

Excess spread arises from residual income in the Mortgage Loan Portfolio after all interest is paid on the Notes, all scheduled Note redemption payments are made and third party expenses have been settled.

The target amortisation profile of the Class A Notes will be maintained through the reserve account mechanisms.

Excess spread is allocated to the Issuer Reserve and the Additional Reserve in accordance with the priority of payments schedule and such amounts can be used to purchase Permitted Investments with the aim of achieving the fixed cash flows necessary for the scheduled redemption of the Class A Notes.

Credit enhancement for the Class A Notes will be provided through the subordination of the Class E Notes and in certain circumstances discretionary advances by the Class E Noteholder.

Market risk

Market risk arises where loans repay ahead of schedule and the available funds are used to purchase new loans or Permitted Investments and where those loans or Permitted Investments have a market value above par.

The Class E Note is designated to meet any residual risk of the transaction and can be increased to meet cash flow shortfalls in particular circumstances. In practice it is not expected that the Class E Note will increase.

It is understood that further advances may be granted on loans in the Mortgage Loan Portfolio. Any further advance would not automatically be included within the Mortgage Loan Portfolio. Whilst the original loan will remain in the portfolio, the Company will have the option to sell that back to AMC at fair value if the granting of the further advance is considered to negatively impact the Company's risk on that exposure or on the overall Portfolio.

Strategic report (continued)

For the year ended 31 December 2019

Risk management (continued)

Liquidity risk

The ability of the Company to meet its obligations to make principal and interest payments on the Notes and to meet its operating and administrative expenses is dependent on the amount and timing of the interest and principal repayments on the underlying Mortgage Loan Portfolio.

In the event that insufficient funds are available to redeem the Notes or make the interest payments due, a liquidity facility is available to the Company, renewable annually, for the term of the Class A Notes.

The Company made all necessary payments on the Notes in accordance with the scheduled payment dates for the year ended 31 December 2019.

Interest rate risk

Interest rate risk exists where assets and liabilities have interest rates set under different basis or which reset at different times. The Company minimises its exposure to interest rate risk by ensuring that the interest rate characteristics of assets and liabilities are as similar as possible.

The Mortgage Loan Portfolio is sufficiently sized to ensure there is excess spread. Where loans prepay and are replaced with new assets or Permitted Investments, it is expected that those investments will achieve the scheduled amortisation cash flows.

Operational risk

The Company is exposed to operational risks through a number of contracts with third parties who have agreed to provide operational support to the Company in accordance with the Transaction Documentation. Intertrust Management Limited ("Intertrust") has been appointed to provide corporate administration services in accordance with a corporate services agreement. Lloyds Banking Group ("Lloyds") has been appointed to act as account bank, loan servicer, cash administrator and collateral administrator on behalf of the Company. AMC is appointed as a servicer and assets trustee. Scottish Widows act as liquidity facility provider and investment manager. State Street Bank and Trust Company have been appointed as custodian.

Business risks

The principal business risks of the Company are set out in a number of asset and non asset trigger events in the Transaction Documentation. There have been no such trigger events since inception of the transaction. The Directors continue to actively monitor the Company for events.

The Company is a special purpose vehicle and as such performs a very limited range of activities. As a special purpose vehicle, the governance structure of the Company is such that the key policies have been predetermined at the time of its incorporation. The directors have had regards to the matters set out in section 172(1) of the Companies Act 2006 as follows:

- the documents governing the financing and other principal transactions to which the Company is party (together, the "programme documentation") have been formulated with the aim of achieving the Company's purpose and business objectives, safeguarding the assets of the Company and promoting the success of the Company;

- in accordance with relevant securitisation legislation the Company is only permitted to retain minimal profit;

- the Company has no employees;

- the Company has appointed various third parties to perform certain roles strictly governed by the programme documentation, fee arrangements agreed in

- as a special purpose vehicle, the Company has no physical presence or operations and accordingly has minimal impact on the community and the environment;

- the Company has a sole member with the issued shares all held on a discretionary trust basis for charitable purposes.

Further, in accordance with the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, the directors also confirm that they have both engaged with and had regard to the interest of key stakeholders, in their duties as directors of the Company.

In accordance with section 426B of the Companies Act 2006 the above statement is available at the following website address https://www.intertrustgroup.com/our- services/capital-markets-services/public-transactions.

Strategic report (continued)
For the year ended 31 December 2019

Risk management (continued)

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

Helena Whitaker
Per Pro Intertrust Directors 1 Limited
Director

28 August 2020

Directors' report

For the year ended 31 December 2019

The Directors present their report and the audited financial statements of the Company for the year ended 31 December 2019.

General information

The Company is a private limited company, incorporated in the United Kingdom under the Companies Act 2006, registered and domiciled in England and Wales. The entire share capital is held on a discretionary trust basis under a Share Trust Deed by Intertrust Corporate Services Limited for charitable purposes.

Results

Profits on a cash flow basis are pre-determined under the Transaction Documentation. The Company has the right to a profit before taxation of £1,200 for the financial year covered by this set of financial statements (2018: £1,200). Any accumulated profit or loss exceeding the predetermined amount are expected to reduce over the life of the transaction.

The Company's tax charge is based on the permanent tax regime for securitisation companies. Fair value adjustments are ignored for taxation purposes as tax is assessed on the cash retained as profit in the Company. The loss after taxation for the year amounted to £25,000 (2018: loss after taxation of £345,000).

Dividends

No dividends were paid or proposed during the year ended 31 December 2019 (2018: £nil).

Future outlook

Following the UK's exit from the EU, significant negotiation is now required on the terms of the future trade agreement. As a result, the possibility of a limited or no deal at the end of the transition period remains and could manifest in prolonged business uncertainty across the UK, including in the financial services sector. This continued lack of clarity over the UK's relationship with the EU and other foreign countries, and on-going challenges in the Eurozone, including weak growth, raise additional uncertainty for the UK's economic outlook. The Company is part of the wider Lloyds Banking Group, and, it is at that level that consideration of the many potential implications this may have has been undertaken. Work continues to assess the impact of EU exit at the level of the Lloyds Banking Group, as well as for the Company, upon customers, colleagues and products. This assessment includes all legal, regulatory, tax, finance and capital implications. No impact is expected for the Company.

Going concern

The financial statements have been prepared on a going concern basis. The ability of the Company to meet its obligations on the Notes and to meet its operating and administrative expenses is dependent on the extent that it receives the amounts due on the Mortgage Loan Portfolio as well as income from Permitted Investments. The note holder has no further recourse to the Company should the receipts from the Mortgage Loan Portfolio and Permitted Investments be insufficient to meet its obligations. The Directors consider that the Company will continue to trade for the foreseeable future by meeting its liabilities as they fall due for payment in cash. For this reason they continue to adopt the going concern basis in preparing the financial statements.

Corporate Governance

The Directors have been charged with governance in accordance with the Transaction Documentation detailing the mechanism, the structure and operation of the transaction. The governance structure of the transaction is such that the key policies have been predetermined at the time of issuance and the operational roles have been assigned to third parties with their roles strictly governed by the Transaction Documentation.

The Transaction Documentation provides for procedures that have been designed for safeguarding assets against unauthorised use or disposition; for maintaining proper accounting records; and for the reliability and usefulness of financial information used within the business or for publication. Such procedures are designed to manage rather than eliminate the risk of failure to achieve business objectives whilst enabling them to comply with the regulatory obligations.

Directors

The current Directors of the Company are shown on the front cover.

There have been no changes to Directors between the beginning of the reporting period and the approval of the Annual report and financial statements.

Company Secretary

The company secretary during the year, and subsequently, was Intertrust Corporate Services Limited.

Directors' report (continued)

For the year ended 31 December 2019

Information included in the Strategic report

The disclosures for Principal risks and uncertainties and Key performance indicators that would otherwise be required to be disclosed in the Directors' report can be found in the Strategic report on page 2.

Directors' indemnities

Qualifying third party indemnity provisions for the benefit of the Directors were in force during the year under review and remain in force as at the date of approval of the Annual report and financial statements.

Employees

The Company had no employees during the year ended 31 December 2019 or the previous year.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual report and financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with International Financial Reporting Standards ("IFRSs") 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 state of affairs of the Company and of the profit or loss of the Company for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements; 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 keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

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.

Auditors and disclosure of information to auditors

In accordance with Section 418 of the Companies Act 2006, in the case of each Director in office at the date the report is approved:

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

Independent auditors

PricewaterhouseCoopers LLP have indicated their willingness to continue in office as auditor until the next annual general meeting. Pursuant to section 487 of the Companies Act, PricewaterhouseCoopers LLP, subject to any resolution to the contrary, are deemed to have been re-appointed as auditor of the Company.

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

Helena Whitaker
Per Pro Intertrust Directors 1 Limited
Director

28 August 2020

Statement of Comprehensive Income

For the year ended 31 December 2019

	Note	**2019**	2018
		£'000	£'000
Interest income		**16,525**	17,418
Interest expense		**(12,335)**	(11,257)
Net interest income	3	**4,190**	6,161
Net fair value losses on financial instruments	5	**(3,906)**	(5,961)
Other operating income	4	**444**	302
Other operating expenses	6	**(753)**	(847)
Loss before tax		**(25)**	(345)
Taxation	7	**-**	-
Loss for the year, being total comprehensive expense		**(25)**	(345)

The accompanying notes to the financial statements are an integral part of these financial statements.

Balance sheet

As at 31 December 2019
Company No: 10408065

	Note	2019 £'000	2018 £'000
ASSETS			
Cash and cash equivalents	8	**15,592**	5,005
Mortgage Loan Portfolio	9	**370,900**	369,424
Permitted Investments		**7**	6,446
Total assets		**386,499**	380,875
LIABILITIES			
Debt securities in issue	10	**383,098**	377,421
Trade and other payables	11	**128**	156
Total liabilities		**383,226**	377,577
EQUITY			
Share capital	12	**-**	-
Retained earnings		**3,273**	3,298
Total equity		**3,273**	3,298
Total equity and liabilities		**386,499**	380,875

The accompanying notes to the financial statements are an integral part of these financial statements.

The financial statements were approved by the Board of Directors and were signed on its behalf by:

Helena Whitaker
Per Pro Intertrust Directors 1 Limited
Director

28 August 2020

Statement of changes in equity
For the year ended 31 December 2019

	Share capital £'000	Retained earnings £'000	Total equity £'000
At 1 January 2018	-	3,643	3,643
Loss for the year being total comprehensive expense	-	(345)	(345)
At 31 December 2018	**-**	**3,298**	**3,298**
Loss for the year being total comprehensive expense	-	(25)	(25)
At 31 December 2019	**-**	**3,273**	**3,273**

The accompanying notes to the financial statements are an integral part of these financial statements.

Cash flow statement

For the year ended 31 December 2019

	2019 £'000	2018 £'000
Cash flows used in operating activities		
Break fee income	**444**	302
Administrative expenses paid	**(781)**	(773)
Net cash used in operating activities	**(337)**	(471)
Cash flows generated from investing activities		
Receipts on Mortgage Loan Portfolio	**24,087**	18,036
Sale/(purchase) of Permitted Investments	**6,490**	(1,824)
Interest received on Mortgage Loan Portfolio	**16,442**	17,583
Bank interest received	**73**	41
Net cash generated from investing activities	**47,092**	33,836
Cash flows used in financing activities		
Repayment of Debt securities in issue	**(23,799)**	(23,530)
Interest paid on Debt securities in issue	**(12,369)**	(11,275)
Net cash used in financing activities	**(36,168)**	(34,805)
Change in Cash and cash equivalents	**10,587**	(1,440)
Cash and cash equivalents at beginning of year/period	**5,005**	6,445
Cash and cash equivalents at end of year/period	**15,592**	5,005

The accompanying notes to the financial statements are an integral part of these financial statements.

Notes to the financial statements
For the year ended 31 December 2019

1. Accounting policies

Thistle Investments (AMC) Limited (the "Company") is a private limited company incorporated under the Companies Act 2006 and registered in England and Wales. The address of its registered office is 1 Bartholomew Lane, London, EC2N 2AX.

1.1 Basis of preparation

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied in both accounting periods presented, unless otherwise stated.

These financial statements have been prepared in accordance with applicable IFRSs as adopted by the European Union and the Companies Act 2006 applicable to companies reporting under IFRSs. IFRSs comprise accounting standards prefixed IFRS issued by the International Accounting Standards Board ("IASB") and those prefixed IAS issued by the IASB's predecessor body, as well as interpretations issued by the IFRS Interpretations Committee ("IFRS IC") and its predecessor body.

There are no new pronouncements relevant to the Company requiring adoption.

Details of those pronouncements which will be relevant to the Company but which were not effective at 31 December 2019 and which have not been applied in preparing these financial statements are given in note 16. No standards have been early adopted.

The financial statements have been prepared on a going concern basis as detailed in the Directors' report and under the historical cost convention, except where the Company has elected to show certain financial assets and liabilities at fair value through profit or loss, as set out in the relevant accounting policies.

1.2 Income recognition

Income and expense from financial instruments

Interest income and expense are recognised in the Statement of Comprehensive Income for all interest bearing financial instruments, including loans and advances, using the effective interest rate method. The effective interest rate method is a method of calculating the amortised cost of a financial asset or liability and of allocating the interest income or interest expense to a period of account. The effective interest rate is the rate that discounts the estimated future cash payments or receipts over the expected life of the instrument to the net carrying amount of the financial asset or financial liability.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised on the net lending balance using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Accrued interest

Accrued interest and expense has been incorporated within the Mortgage Loan Portfolio and within the outstanding balance of Debt Securities in issue on the balance sheet. A split between the principal and accrued interest can be found in note 9 and note 10 respectively.

1.3 Financial assets and liabilities

The Company's financial assets and liabilities comprise a Mortgage Loan Portfolio, Cash and cash equivalents, Permitted Investments, Debt securities in issue, and other receivables and payables that arise directly from its operations. These financial assets and liabilities are classified in accordance with the principles of IFRS 9 as described below.

1.3(i) Mortgage Loan Portfolio

The Mortgage Loan Portfolio is a portfolio of agricultural loans secured on property and land in the UK. The loans have been transferred to the Company by equitable assignment and the right to receive the cash flows has been transferred to the Company, along with all of the associated risks. Consequently the Company qualifies to recognise the Mortgage Loan Portfolio on its Balance sheet under IFRS 9, and its predecessor IAS 39.

The initial amount of the Mortgage Loan Portfolio corresponds to the consideration paid by the Company for the loans.

1. Accounting policies (continued)

1.3 Financial assets and liabilities (continued)

1.3(i) Mortgage Loan Portfolio (continued)

The Company has elected to choose the fair value option to measure the Mortgage Loan Portfolio at each reporting date. The fair value option is exercised on the basis that the group of assets is managed and evaluated on a fair value basis and aligns the accounting treatment in the Company to the consolidated group of the immediate parent. Election of the fair value option will also eliminate an accounting mismatch with the Company's liabilities which are also recognised on a fair value basis.

Fair value movements are included in the Statement of comprehensive Income under fair value gains/(losses) on financial instruments.

1.3(ii) Cash and cash equivalents

The Company holds bank accounts with Lloyds Bank plc in its capacity as the transaction account bank provider in accordance with the Transaction Documentation. These accounts are held in the Company's name and meet the definition of cash and cash equivalents. For the purposes of the cash flow statement, cash and cash equivalents comprise cash and non-mandatory balances with central banks and amounts due from banks with a maturity of less than three months. As the cash can only be used to meet certain specific liabilities and is not available to be used with discretion, it is viewed as restricted cash.

1.3(iii) Permitted Investments

Permitted Investments are defined in the Transaction Documentation as both short and long term authorised investments. Short term authorised investments include demand or time deposits, certificates of deposit and short term debt obligations and such investments (i) do not include any contractual provisions that would permit a redemption of such authorised investments in an amount less than the amount paid for such investments by the Company and (ii) comply with Fitch's published criteria on authorised investments. Long term authorised investments means a UK government sterling denominated bond issued by HM treasury with a maturity date no later than the Class A Note final maturity date.

The initial amount of Permitted Investments corresponds to the consideration paid by the Company. Subsequent to initial recognition they are measured at fair value at each reporting date.

1.3(iv) Debt securities in issue

Debt securities in issue at 31 December 2019 comprise the Notes issued by the Company in connection with the securitisation of loans originated within AMC. Notes in issue are recognised initially at fair value less directly related incremental transaction costs. Subsequent to initial recognition, they are remeasured at their fair value at each reporting date.

Fair value movements are included in the Statement of Comprehensive Income under fair value gains/(losses) on financial instruments.

1.3(v) Impairment of financial assets

Under IFRS 9 at initial recognition, allowance is made for expected credit losses resulting from default events that are possible within the next 12 months (12-month expected credit losses). In the event of a significant increase in credit risk since origination, allowance (or provision) is made for expected credit losses resulting from all possible default events over the expected life of the financial instrument (lifetime expected credit losses).

Financial assets where 12-month expected credit losses are recognised are considered to be Stage 1; financial assets which are considered to have experienced a significant increase in credit risk since initial recognition are in Stage 2; and financial assets which have defaulted or are otherwise considered to be credit impaired are allocated to Stage 3.

The Company's Mortgage Loan Portfolio and Permitted Investments are measured at fair value through profit or loss. Under IFRS 9, there is no requirement to consider instruments classified at fair value through profit or loss for impairment.

1.4 Taxation

Tax expense comprises current tax. Current tax is charged or credited in the Statement of Comprehensive Income except to the extent that the tax arises from a transaction or event which is recognised, in the same or a different period, outside the Statement of Comprehensive Income (either in other Comprehensive Income, directly in equity, or through a business combination), in which case the tax appears in the same statement as the transaction that gave rise to it.

1. Accounting policies (continued)

1.4 Taxation (continued)

Current tax is the amount of corporate income taxes expected to be payable or recoverable based on the profit for the period as adjusted for items that are not taxable or not deductible, and is calculated using tax rates and laws that were enacted or substantively enacted at the Balance sheet date.

Current tax includes amounts provided in respect of uncertain tax positions when management expects that, upon examination of the uncertainty by Her Majesty's Revenue and Customs or another tax authority, it is more likely than not that an economic outflow will occur. Provisions reflect management's best estimate of the ultimate liability based on their interpretation of tax law, precedent and guidance, informed by external tax advice as necessary. Changes in facts and circumstances underlying these provisions are reassessed at each Balance sheet date, and the provisions are re-measured as required to reflect current information.

1.5 Issue costs

Directly attributable issue costs in respect of the Notes have been deferred and are being charged to the Statement of Comprehensive Income over a period equal to the expected life of the Notes.

1.6 Dividends paid

Dividends on ordinary shares are recognised through equity in the period in which they are paid.

2. Critical accounting estimates and judgements in applying accounting policies

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although those estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

In these financial statements, the Company has elected to continue to show certain financial assets and liabilities at fair value through profit and loss.

The following are critical accounting estimates that the Directors have made in the process of applying the company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

Fair value of financial instruments

Fair value is defined as the value at which assets, liabilities or positions could be closed out or sold in a transaction with a willing or knowledgeable counterparty. Financial instruments categorised as Level 1 are valued using quoted market prices and therefore there is minimal judgement applied in determining fair value. However the fair value of financial instruments categorised as Level 2 and in particular, Level 3 is determined using valuation techniques. These valuation techniques involve management judgement and estimates, the extent of which depends on the complexity of the instrument and the availability of market observable information. Further details and sensitivity analysis of the valuations are described in note 15.

Effective interest rate method

In calculating the effective interest rate of financial instruments the Company takes into account interest received or paid, fees and commissions paid or received, expected early redemptions and related penalties and premiums and discounts on acquisition or issue that are integral to the yield as well as incremental transaction costs.

The effective yield has been calculated based on the expected life of the Notes issued by the Company.

Impairment

The Company's accounting policy for losses arising on assets held at amortised cost, namely Cash and cash equivalents and Trade and other receivables, is described in note 1.3(v). The allowance for impairment losses is management's best estimate of losses incurred at the Balance Sheet date.

In determining whether an impairment has occurred at the Balance Sheet date the Company considers whether there is any observable data indicating that there has been a measurable decrease in the estimate future cash flows or their timings. Where this is the case, the impairment loss is the difference between the nominal value of the loan and the present value of the estimate future cash flows discounted at the loan's original effective interest rate.

Notes to the financial statements (continued)
For the year ended 31 December 2019

3. Net interest income

	2019	2018
	£'000	£'000
Interest income		
Interest income on Mortgage Loan Portfolio	**16,452**	17,377
Bank interest income	**73**	41
	16,525	17,418
Interest expense		
Interest payable on Debt securities in issue	**(12,335)**	(11,257)
Net interest income	**4,190**	6,161

4. Other operating income

	2019	2018
	£'000	£'000
Break fees	**444**	302

Break fees are costs which, from time to time, are paid by the borrower to the servicer in respect of any prepayment or permitted variation to the terms of a loan and which form part of the Mortgage Loan Portfolio receipts due to the Company.

5. Net fair value losses on financial instruments

	2019	2018
	£'000	£'000
Fair value gain/(loss) on Mortgage Loan Portfolio	**25,553**	(16,301)
Fair value gain on Permitted investments	**51**	36
Fair value (loss)/gain on Debt securities in issue	**(29,510)**	10,304
	(3,906)	(5,961)

6. Other operating expenses

	2019	2018
	£'000	£'000
Administration fees	**718**	753
Audit fees	**35**	94
	753	847

Audit fees relate to the statutory audit of the Company. There are no fees payable to the auditors and their associates for services other than the statutory audit. Amounts payable to related parties are analysed in note 13.

7. Taxation

	2019	2018
	£'000	£'000
a) Analysis of charge for the year		
UK corporation tax:		
- Current tax on taxable profit for the year	**-**	-
Tax charge	**-**	-

Corporation tax is calculated at a rate of 19.00% (2018: 19.00%) of the taxable profit for the year.

7. Taxation (continued)

b) Factors affecting the tax charge for the year

A reconciliation of the charge that would result from applying the standard UK corporation tax rate to the loss before tax to the actual tax charge for the year is given below:

	2019 £'000	2018 £'000
Loss before tax	**(25)**	(345)
Tax credit thereon at UK corporation tax rate of 19.00% (2018: 19.00%)	**(5)**	(66)
Factors affecting credit:		
- Items not allowed under permanent tax regime	**5**	66
Tax charge on loss on ordinary activities	**-**	-
Effective rate	**0.00%**	0.00%

The Company's taxable profits are calculated under The Taxation of Securitisation Companies Regulations 2006 (SI 2006/3296) as amended by The Taxation of Securitisation Companies (Amendment) Regulations 2018 (SI 2018/143) and disclosed in accordance with IAS 12 "Income Taxes". Tax is assessed on the cash retained as profit in the Company.

The Company has a right to retain profits of £1,200 (2018: £1,200) and the tax charge for the year is £228 (2018: £228).

8. Cash and cash equivalents

Cash and cash equivalents for the purposes of the Cash flow statement include the following:

	2019 £'000	2018 £'000
Balances with banks	**15,592**	5,005

The cash accounts are held with Lloyds Bank plc. The Company earns a fixed rate of interest of Bank of England base rate for its sterling deposits which is recorded as interest receivable in the statement of Comprehensive Income.

The share capital is held in a client account administered by Intertrust, a related party. This balance of £1 is held for the benefit of certain discretionary charitable purposes under a Share Trust Deed. The account is non-interest bearing.

9. Mortgage Loan Portfolio

	2019 £'000	2018 £'000
Fair value of Mortgage loan portfolio at beginning of year/on acquisition	**369,424**	403,967
Principal repayments in the year	**(24,086)**	(18,036)
Movement in interest accrued during the year	**9**	(206)
Fair value gain/(loss) during the year	**25,553**	(16,301)
As at 31 December	**370,900**	369,424

9. Mortgage Loan Portfolio (continued)

	2019 £'000	2018 £'000
Represented by:		
Current	2,153	2,144
Non-current	368,747	367,280
	370,900	369,424

The Mortgage Loan Portfolio is a pool of agricultural loans originated by AMC secured on land and property in the UK. The Company purchased the pool of fixed rate loans at market value through a one time payment for the initial loans. The loans must adhere to a strict set of eligibility criteria as set out in the Transaction Documentation.

Interest income on the Mortgage Loan Portfolio is calculated by reference to the interest rate agreed with the customer and is documented on the loan documentation.

AMC has been retained as servicer of the loans for a market based fee. AMC will be required to make decisions as servicer including in respect of defaults. It is understood that further advances may be granted on the loans, however the further advance would not automatically be included within the Mortgage Loan Portfolio. Whilst the original loan will remain in the Mortgage Loan Portfolio, the Company will have the option to sell that back to AMC at fair value if the granting of the further advance is considered to negatively impact the Company's risk on that position and/or on the overall portfolio.

AMC are able (in their role as servicer) to carry out discretionary modifications through letters of alteration. This would include changes to term, margin, repayment type etc. Such modifications are discretionary and would be instigated by the borrower but AMC will charge a fee for such modifications which would be passed to the Company. As such a number of the loans have changed from fixed to floating. Management monitor the Mortgage Loan Portfolio monthly for such changes which are reported in a monthly investor report.

Where a proportion of loans prepay in the normal course of business, the Company can use the cash either to invest in new loans or Permitted Investments in accordance with the transaction documentation. No loans were purchased in the current period.

The Company has elected to fair value the Mortgage Loan Portfolio on the basis that the group of assets is managed and evaluated on a fair value basis and aligns the accounting treatment in the Company to the consolidated group of the immediate parent. Election of the fair value option eliminates an accounting mismatch with the Company's liabilities which are also recognised on a fair value basis.

The notional value of the Mortgage Loan Portfolio is £342,817,000 (2018: £366,904,000) and has accrued interest of £2,153,000 (2018: £2,144,000) at the Balance sheet date.

10. Debt securities in issue

	2019 £'000	2018 £'000
Fair value of Debt securities in issue at beginning of year	377,421	411,273
Principal repayments during the year	(23,799)	(23,530)
Movement in interest accrued during the year	(34)	(18)
Fair value loss/(gain) during the year	29,510	(10,304)
As at 31 December	383,098	377,421
Represented by:		
Current	34,802	29,175
Non-current	348,296	348,246
	383,098	377,421

10. Debt securities in issue (continued)

Debt securities in issue at 31 December 2019 comprise the Notes issued by the Company in connection with the securitisation of loans originated within AMC. For more information about the Company's exposure to risk, see note 14.

These Notes are asset backed fixed rate Notes issued by the Company to fund its operations. The Class A Notes are due for repayment by September 2046 and Class E Notes are due in December 2066.

As outlined in the Strategic report, during the year, the Company redeemed £23,799,000 (2018: £23,530,000) Class A Notes in accordance with the amortisation profile on quarterly interest payment dates. The Notes constitute direct, secured, limited resource obligations of the Issuer. The Class A Notes rank ahead of the Class E Notes in accordance with the priority of payments in the Transaction Documentation.

The Notes will not be obligations of, or the responsibility of, or guaranteed by, any person other than the Company.

Interest is payable on the Class A Notes at a fixed rate of 1.74% per annum. The E Note holders will receive by way of interest, excess amounts (if any) equal to the available revenue funds remaining following payment of certain fees, expenses and other liabilities of the Company in accordance with the detailed priority of payments set out in the Transaction Documentation.

The Class E Notes shall at all time be held by Scottish Widows. The Class E Note takes the residual risk of the transaction and may, in certain circumstances, be further drawn to meet cash flow shortfalls on the A Note.

The Company's obligations to the Note holder and to the other secured creditors are secured under the terms of the Deed of charge issued by the Company which grants security over all its assets in favour of the security trustee.

11. Trade and other payables

	2019	2018
	£'000	£'000
Accrued expenses	**59**	62
Audit fees	**69**	94
	128	156

Accrued expenses includes amounts due to related parties, for which further analysis can be found in note 13.

12. Share capital

	2019	2018
	£	£
Allotted, issued and fully paid		
1 ordinary shares of £1 each	**1**	1

The entire issued share capital of ordinary shares of £1 each is held by Intertrust, a company incorporated in the United Kingdom and registered in England and Wales, which holds the share capital of the Company on a discretionary trust basis for the benefit of certain discretionary charitable purposes under a Share Trust Deed.

13. Related party transactions

The Company's related parties include companies within Lloyds. AMC, (a wholly owned subsidiary of Lloyds) have been engaged to act as servicer for the Mortgage Loan Portfolio. Scottish Widows is Class A and Class E note holder, start up loan provider, liquidity facility provider and investment manager to the transaction. Lloyds has been engaged to act as cash manager. Scottish Widows, AMC and Lloyds receive a fee for these services. A summary of the balances at the year end and transactions during the year is provided below.

	2019	2018
	£'000	£'000
Mortgage Loan Portfolio		
AMC (note 9)	**370,900**	369,424

Notes to the financial statements (continued)

For the year ended 31 December 2019

13. Related party transactions (continued)

	2019 £'000	2018 £'000
Debt securities in issue		
Scottish Widows (note 10)	**383,098**	377,421
Cash and cash equivalents held with related parties		
Lloyds (note 8)	**15,592**	5,005
Trade and other payables		
AMC	**15**	15
Intertrust	**3**	3
Lloyds	**40**	43
Scottish Widows	**1**	1
Total Trade and other payables (note 11)	**59**	62
Interest income		
AMC	**16,452**	17,377
Lloyds	**73**	41
Total Interest income (note 3)	**16,525**	17,418
Interest expense		
Scottish Widows (note 3)	**12,335**	11,257
Administration fees paid		
AMC	**499**	532
Intertrust	**13**	17
Lloyds	**178**	190
Scottish Widows	**13**	13
Total Administration fees paid (note 6)	**703**	752

The Company pays a corporate services fee to Intertrust for the provision of corporate administration services which includes the provision of Directors. No other Directors emoluments are payable.

In exchange for servicing the loans, AMC receive a market based fee linked to the remaining outstanding balance of the Mortgage Loan Portfolio. The total fee paid will be subject to a minimum limit to ensure that as the portfolio reduces, the servicing of these loans does not become uneconomic. Servicing Fees are included within administration charges in Note 6.

Lloyds is paid fees for the provision of cash management services.

A liquidity facility has been provided by Scottish Widows. Interest is payable on any drawn amounts in accordance with the Liquidity Facility Agreement. The facility was not drawn during the period. The Company pays a commitment fee on the available balance at a rate of 0.5% per annum.

Scottish Widows also acts as investment manager to the transaction and earns a rate of 0.03% per annum on the aggregate nominal amount of all Permitted Investments.

14. Financial risk management

The main risks arising from the Company's financial instruments are credit risk, market risk, interest rate risk, and liquidity risk. However considerable resource is given to maintaining effective controls to manage, measure and mitigate each of these risks. Further detailed analysis of the risks facing the Company in relation to its financial instruments is provided below.

The Company is not subject to any external capital requirements, except for the minimum requirement under the Companies Act 2006.

The Company's exposure to risk on its financial instruments and the management of such risk is largely determined at the inception of the securitisation transaction. The Company's activities and the role of each party to the transaction are clearly defined and documented within the Transaction Documentation. Cash flow modelling, including multiple stress scenarios, was carried out as part of the structuring of the transaction.

14.1 Credit risk

The activities of the Company are conducted primarily by reference to the Transaction Documentation. No business activities are undertaken by the Company beyond those set out in the Transaction Documentation.

The ability of the Company to meet its obligations to make principal and interest payments on the Notes and to meet its operating and administrative expenses is dependent on funds being received on the Mortgage Loan Portfolio.

Credit risk arises where there is a possibility that a counterparty may default on its financial obligations resulting in a loss to the Company. Credit risk primarily arises on the individual loans within the Mortgage Loan Portfolio. The likelihood of defaults in the portfolio and the amounts that may be recovered in the event of a default are related to a number of factors and may vary according to characteristics and product type. Significant changes in the economy, or in the health of a particular geographical zone that represents a concentration in the securitised assets, could also affect the cash flows in the Mortgage Loan Portfolio.

The Company has engaged the seller, AMC, as servicer of the loans in the Mortgage Loan Portfolio to help reduce the risk of loss. The number of loans in arrears will have a bearing on the receipt of cash by the Company.

Credit risk mitigation

To mitigate this risk, the loans contained within the portfolio must adhere to a strict set of eligibility criteria as set out in the Transaction Documentation.

Credit enhancement for the Class A Notes is provided through the subordination of the Class E Notes. The Class E Note is designed to take the residual risk of the transaction and can be increased to meet cash flow shortfalls in particular circumstances. In practice, it is not expected that the Class E Note will increase.

Additionally, the cash receipts from the Mortgage Loan Portfolio are expected to exceed the principal and interest payable on the Class A Notes. Any excess cash receipts are available to cover the reduction in the principal balance of the Mortgage Loan Portfolio which may arise as a result of defaults by customers.

Cash and cash equivalents, referred to within note 8 to the financial statements, are placed with Lloyds and the credit risk is considered to be better than satisfactory.

The Company assesses its counterparties for credit risk before contracting with them. Credit rating is the main method used to measure credit risk. The credit risk associated with the Company's counterparties is considered to be better than satisfactory.

	Short term rating as at 31 December 2019	Short term rating as at 31 December 2018
Lloyds	**A-1 (Standard and Poor's)/ P-1 (Moody's)**	A-1 (Standard and Poor's)/ P-1 (Moody's)
State Street Bank and Trust company	**A-1+ (Standard and Poor's)/ P-1 (Moody's)**	A-1 (Standard and Poor's)/ P-1 (Moody's)

14. Financial risk management (continued)

Financial assets subject to credit risk

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

	2019 £'000	2018 £'000
Mortgage Loan Portfolio	**370,900**	369,424
Permitted investments	**7**	6,446
Cash and cash equivalents	**15,592**	5,005
	386,499	380,875

14.2 Liquidity risk

The Company's ability to meet payments on the Notes as they fall due is dependent on the timely receipt of funds from repayment on the loan portfolio.

In the event that sufficient funds are not available to redeem the Notes or make the interest payments due, a liquidity facility is available to the Company, renewable annually, for the term of the Class A Notes.

The Company made all necessary payments on the Notes in accordance with the scheduled payment dates for the year ended 31 December 2019.

The liquidity tables reflect the undiscounted cash payments which will fall due if the structure continues until the expected final repayment dates as defined in the Transaction Documentation (unless it is known that a Note will be repaid prior to this date when the earlier date will be used). The final legal maturity date of the Notes is September 2046 and December 2066 for Note A and E respectively.

As at 31 December 2019

	Up to 1 month £'000	1-3 months £'000	3-12 months £'000	1-5 years £'000	Over 5 years £'000	Total £'000
Principal						
Debt securities in issue	-	7,089	21,812	93,805	214,108	336,814
Other payables	-	93	35	-	-	128
Interest						
Interest payable on Debt securities in issue	-	1,445	4,215	18,280	29,203	53,143
	-	8,627	26,062	112,085	243,311	390,085

As at 31 December 2018

	Up to 1 month £'000	1-3 months £'000	3-12 months £'000	1-5 years £'000	Over 5 years £'000	Total £'000
Principal						
Debt securities in issue	-	5,905	17,894	101,589	235,323	360,711
Other payables	-	-	156	-	-	156
Interest						
Interest payable on Debt securities in issue	-	1,513	4,590	19,983	33,176	59,262
	-	7,418	22,640	121,572	268,499	420,129

14. Financial risk management (continued)

14.3 Market risk

Market Risk arises where loans repay ahead of schedule and the available funds are used to purchase new loans or Permitted Investments and where those loans or Permitted Investments have a market value above the par value. This results in the Company having insufficient prepayments to purchase additional loans or Permitted Investments. In such circumstances the E Note may be further drawn to meet cash flow shortfalls however in practice it is not expected that the E note will be drawn on. Permitted Investments are defined in the transaction documentation and such instruments are considered to carry no or little market value risk.

In the normal course of business a proportion of borrowers repay their loans in advance of their contractual maturity. As a result the weighted life of the Mortgage Loan Portfolio and the Notes is likely to be less than that implied by the contractual maturity dates of the Mortgage Loan Portfolio.

The target amortisation profile of the Class A note is maintained through the reserve account mechanisms. Excess spread is allocated to the Issuer Reserve and Additional Reserve in accordance with the priority of payments schedule and such amounts can be used to purchase Permitted Investments with the aim of achieving the fixed cash flows necessary for the scheduled redemption of the Class A Notes.

It is understood that further advances may be granted on loans in the Mortgage Loan Portfolio. Any further advance would not automatically be included within the Mortgage Loan Portfolio. Whilst the original loan will remain in the portfolio, the Company will have the option to sell that back to AMC at fair value if the granting of the further advance is considered to negatively impact the Company's risk on that exposure or on the overall portfolio.

14.4 Interest rate risk

Interest rate risk exists where assets and liabilities have interest rates set under a different basis or which reset at different times.

The Company minimises its exposure to interest rate risk by ensuring that the interest rate characteristics of assets and liabilities are as similar as possible.

The initial Mortgage Loan Portfolio was a pool of fixed rate loans. Loans within the portfolio are able, where contractually agreed in advance, to change from fixed to floating. The Mortgage Loan Portfolio is sufficiently sized to ensure there is excess spread. Where loans prepay and are replaced with new assets or Permitted Investments, it is expected that those investments will achieve the scheduled amortisation cash flows.

14.5 Fair values of financial assets and liabilities

The Company's financial statements have been prepared under the historical cost convention except where the Company has elected to show certain financial assets and liabilities at fair value through profit or loss, as set out in the relevant accounting policies.

Estimation of fair values

Fair value is defined as the value at which assets, liabilities or positions could be closed out or sold in a transaction with a willing and knowledgeable counterparty, other than in a forced or liquidation sale. Fair value is based upon cash flow models which use, wherever possible, independently sourced market parameters, such as interest yield curves and currency rates. Other factors are also considered, such as counterparty credit quality and liquidity. The following comments summarise the main methods and assumptions used in estimating the fair value of financial instruments which take into account current market values.

Financial instruments held at amortised cost

Cash and cash equivalents, Trade and other receivables and Trade and other payables are recognised on an amortised cost basis that is considered to be a close approximation to fair value.

14. Financial risk management (continued)

14.5 Fair values of financial assets and liabilities (continued)

Financial instruments carried at fair value

The Company's Mortgage Loan Portfolio, Permitted Investments and Debt securities in issue are all measured and carried at fair value. The table below provides an analysis of these financial instruments notional balances and fair values at the Balance sheet date.

At 31 December	Notional value 2019 £'000	Fair value 2019 £'000	Notional value 2018 £'000	Fair value 2018 £'000
Permitted Investments	7	7	6,405	6,446
Mortgage Loan Portfolio	342,817	370,900	366,904	369,424
Debt securities in issue	(336,913)	(383,098)	(360,712)	(377,421)
	5,911	(12,191)	12,597	(1,551)

Fair value hierarchy

The valuation of financial instruments carried at fair value can be classified into three levels according to the quality and reliability of information used to determine fair value, as detailed below.

Level 1 portfolios

Level 1 fair value measurements are those derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as Level 1 predominantly comprise listed equity shares, treasury bills and other government securities.

Level 2 portfolios

Level 2 valuations are those where quoted market prices are not available, for example where the instrument is traded in a market that is not considered to be active or valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable data.

Level 3 portfolios

Level 3 portfolios are those where at least one input which could have a significant effect on the instrument's valuation is not based on observable market data. Such instruments include the Company's venture capital and unlisted equity investments which are valued using various valuation techniques that require significant management judgment in determining appropriate assumptions, including earnings multiples and estimated future cash flows.

The tables below provide an analysis of the financial assets and liabilities of the Company that are carried at fair value in the Company's Balance sheet, grouped into Levels 1 to 3 based on the degree to which the inputs to fair value are observable.

At 31 December 2019	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Permitted Investments	7	-	-	7
Mortgage Loan Portfolio	-	-	370,900	370,900
Debt securities in issue	-	-	(383,098)	(383,098)
	7	-	(12,198)	(12,191)

Notes to the financial statements (continued)

For the year ended 31 December 2019

14. Financial risk management (continued)

14.5 Fair values of financial assets and liabilities (continued)

Fair value hierarchy (continued)

At 31 December 2018	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Permitted Investments	6,446	-	-	6,446
Mortgage Loan Portfolio	-	-	369,424	369,424
Debt securities in issue	-	-	(377,421)	(377,421)
	6,446	-	(7,997)	(1,551)

The Permitted Investments are financial assets that the company has purchased on the active market, and so are all classed as Level 1.

The Debt securities in issue and Mortgage Loan Portfolio are classified as Level 3, principally on the basis there is no trading activity in such securities. Level 3 portfolios are those where at least one input which could have a significant effect on the instrument's valuation is not based on observable market data.

For both instruments the underlying agricultural loans are valued using a discounted cash flow approach. The discount rate comprises market observable interest rates, a risk margin that reflect underlying loan credit ratings, an incremental illiquidity premium as well as a prepayment cost of capital premium.

The following table shows the reconciliation from the opening balances to the closing balances for fair value movement in Level 3 of the fair value hierarchy.

	Assets £'000	**Liabilities £'000**
At 1 January 2019	**369,424**	**(377,421)**
Gains/(losses) recognised in Income Statement	**25,553**	**(29,510)**
Repayments during the year	**(24,086)**	**23,799**
Other movements	**9**	**34**
At 31 December 2019	**370,900**	**(383,098)**

	Assets £'000	Liabilities £'000
At 1 January 2018	403,967	(411,273)
(Losses)/gains recognised in Income Statement	(16,301)	10,304
Repayments during the period	(18,036)	23,530
Other movements	(206)	18
At 31 December 2018	369,424	(377,421)

The table below analyses movements in the level 1 financial investment portfolio:

	Assets £'000
At 1 January 2019	**6,446**
Sale of Permitted Investments	(6,490)
Gains recognised in Income Statement	51
At 31 December 2019	**7**

14. Financial risk management (continued)

14.5 Fair values of financial assets and liabilities (continued)

Fair value hierarchy (continued)

	Assets £'000
At 1 January 2018	4,586
Additions during the period	1,824
Gains recognised in Income Statement	36
At 31 December 2018	6,446

Sensitivity of Level 3 Valuations

Although the Company believes that its estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measures of fair value. Alternative valuations have been assessed by flexing the unobservable inputs that have gone into the Agriculture valuation model used for fair value purposes. This attempts to capture potential market movements beyond the model assumptions.

	2019 Low	**2019 High**	2018 Low	2018 High
Mortgage Loan Portfolio				
Illiquidity spreads	**18.5bps**	**41.5bps**	18.5bps	51.5bps
Inferred spreads	**132.1bps**	**175.4bps**	109bps	229bps
Prepayment rates (1 to 5 years)	**0.11%**	**0.16%**	0.11%	0.22%
Prepayment rates (> 5years)	**0.13%**	**0.24%**	0.13%	0.38%
Effect of applying reasonably possible alternative assumptions to the Mortgage Loan Portfolio value, (£k)	**8,799**	**(11,541)**	15,200	(17,700)

	2019 Low	**2019 High**	2018 Low	2018 High
Debt securities in issue				
Illiquidity spreads	**18.5bps**	**41.5bps**	18.5bps	51.5bps
Inferred spreads	**75.0bps**	**124.5bps**	77.2bps	161.8bps
Effect of applying reasonably possible alternative assumptions to the Debt securities in issue, (£k)	**8,799**	**(11,541)**	17,607	(15,413)

There are no material interdependencies between the above assumptions.

15. Post balance sheet events

Since the balance sheet date there has been a global pandemic from the outbreak of Covid-19 which is causing widespread disruption to financial markets and normal pattern of business activity across the world, including the UK. The Directors assess this event to be a non-adjusting post balance sheet event. In view of its currently evolving nature, Directors are unable to estimates its financial and other effects.

Notes to the financial statements (continued)

For the year ended 31 December 2019

16. Future developments

The following pronouncement will be relevant to the Company but was not effective at 31 December 2019 and has not been applied in preparing these financial statements.

Pronouncement	Nature of change	Effective date
Minor amendments to other accounting standards	The IASB has issued a number of minor amendments to IFRSs (including IFRS 3 Business Combinations and IAS 1 Presentation of Financial Statements).	Annual periods beginning on or after 1 January 2020

The full impact of this pronouncement is being assessed by the Company. However, the initial view is that this is not expected to cause any material adjustments to the reported numbers in the financial statements.

17. Ultimate parent undertaking and controlling party

The entire share capital of Thistle Investments (AMC) Limited is held by Intertrust Corporate Services Limited, a company registered in England and Wales, on a discretionary trust basis for charitable purposes under a Share Trust Deed.

The Company meets the definition of a special purpose entity under IFRSs. In accordance with the requirements of IFRS 10 "Consolidated Financial Statements", the Company's financial statements are consolidated within the group financial statements of Lloyds Banking Group plc ("LBG") for the year ended 31 December 2019.

The parent undertaking, which is the parent undertaking of the smallest group to consolidate these financial statements is Scottish Widows Limited. Copies of the consolidated annual report and financial statements of Scottish Widows Limited may be obtained from its head office at 25 Gresham Street, London EC2V 7HN or downloaded via www.scottishwidows.co.uk.

The Directors consider that the Company's ultimate controlling party is LBG which is the parent undertaking of the largest group to consolidate these financial statements. Copies of the consolidated annual report and financial statements of LBG may be obtained its registered office at The Mound, Edinburgh, EH1 1YZ or downloaded via www.lloydsbankinggroup.com.

Independent auditors' report to the members of Thistle Investments (AMC) Limited

Report on the audit of the financial statements

Opinion

In our opinion, Thistle Investments (AMC) Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the balance sheet as at 31 December 2019; the statement of comprehensive income, the cash flow statement, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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

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

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

Reporting on other information

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

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

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

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

Strategic Report and Directors' Report

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

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 5, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Christopher J Dalton

Christopher Dalton (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Edinburgh
28 August 2020