

**VULCAN NO. 1 LIMITED**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE PERIOD FROM INCORPORATION ON 11 AUGUST**  
**2022 TO 31 DECEMBER 2023**



**VULCAN NO. 1 LIMITED**

**FOR THE PERIOD FROM INCORPORATION ON 11 AUGUST 2022 TO 31 DECEMBER 2023**

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**VULCAN NO. 1 LIMITED**

**FOR THE PERIOD FROM 11 AUGUST 2022 (DATE OF INCORPORATION) TO 31 DECEMBER 2023**

**COMPANY INFORMATION**

**Directors**

L.D.C. Securitisation Director No. 1 Limited (appointed on 11 August 2022)  
L.D.C. Securitisation Director No. 2 Limited (appointed on 11 August 2022)  
M.H. Filer (appointed on 11 August 2022)

**Secretary**

Law Debenture Corporate Services Limited

**Registered Office**

8<sup>th</sup> Floor  
100 Bishopsgate  
London EC2N 4AG

**Registered Number**

14290389

**Auditor**

BDO LLP  
55 Baker Street  
London W1U 7EU

## **VULCAN NO. 1 LIMITED**

### **STRATEGIC REPORT**

#### **FOR THE PERIOD FROM INCORPORATION ON 11 AUGUST 2022 TO 31 DECEMBER 2023**

The directors present their strategic report for Vulcan No. 1 Limited (the "Company") for the period from incorporation on 11 August 2022 to 31 December 2023.

#### **General company information**

The Company was incorporated in England and Wales on 11 August 2022 as a private limited company with the registered number of 14290389.

#### **Principal activities and review of business**

The principal activity of the Company is to act solely as a special purpose vehicle to purchase a portfolio of development mortgage loans provided to small and medium sized enterprises ("SME's") in the United Kingdom financed through the issuance of asset backed notes.

On 19 December 2022 the Company issued Senior and Junior Loan Notes under separate revolving Loan Note facilities to finance and acquire a pool of development mortgage loans ("mortgage loans") originated by LendInvest Development Limited (the "Seller"). The finance obtained is limited recourse in nature and repayment is restricted to the income received by the Company on the mortgage loans acquired. The liabilities of the Company are secured against the assets of the Company with HSBC Corporate Trustee Company (UK) Limited acting as the Trustee. All payments made by the Company are subject to a payment waterfall as set out in the documents underlying the transaction. HSBC Bank Plc act as cash manager under the transaction documents.

HSBC Bank Plc were appointed as facility agent for both the Senior and Junior Loan Note facilities. The first Senior Loan Notes and Junior Loan Notes were drawn down and issued on 21 December 2022, being the Closing Date.

Further drawdowns on the mortgage loans are permitted during the financing period, being the period between the first date that Senior Loan Notes are issued and the earlier of the 4 years from the Closing Date and the occurrence of certain events as agreed between the parties in the transaction documents. Further advances are permitted during the scheduled Revolving Period which will run for a period of 30 months from the Closing Date.

The Company has obtained a Guarantee from The Secretary of State for Business, Energy and Industrial Strategy relating to the British Business Bank plc's ENABLE Guarantee Scheme, under which the Guarantor will guarantee the punctual repayment of the mortgage loans by the SME's to the Company. The Guarantee will terminate no later than 81 months from 19 December 2022, but may terminate earlier should certain events specified in the transaction documents occur.

As part of the transaction, the Company has entered into a servicing agreement with LendInvest Development Limited (the "Servicer"), for which they receive a servicing fee, under which they will continue to service and administer the mortgage loans.

The Seller is required to repurchase under the terms of the Mortgage Sale Agreement any mortgage loan sold to the Company should certain repurchase events occur and where the Junior Loan Noteholder does not agree to fully fund the mortgage loan in question. These repurchase events include amongst other things, a breach of warranty by the seller, the mortgage loans ceasing to comply with the terms of the Guarantee, further advances or drawdowns after the end of the Revolving Period and amendments to the mortgage loan which are in breach of the transaction documents.

#### **Performance in the period**

The Company recorded a profit of £1k for the period which is pre-determined under the terms of the transaction documents.

## **VULCAN NO. 1 LIMITED**

### **STRATEGIC REPORT (CONTINUED)**

#### **FOR THE PERIOD FROM INCORPORATION ON 11 AUGUST 2022 TO 31 DECEMBER 2023**

##### ***Principal risks and uncertainties***

The Board has the overall responsibility for the establishment and oversight of the Company's risk management framework. The risk management policies are established to identify and analyse the risks faced by the Company, set appropriate risk limits and controls, and to monitor risks and ensure any limits are adhered to. The Company's activities are reviewed regularly and potential risks are considered. The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the business's competitiveness and flexibility.

The Company has exposure to the following risks from its use of financial instruments: credit risk, liquidity risk and interest rate risk. These risks are outlined in detail below:

##### ***Credit risk management***

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the mortgage loans and cash and cash equivalents held at banks. The Company's maximum exposure to credit risk by class of financial asset is set out in Note 2 to the financial statements.

The Company has appointed the Servicer to service the mortgage loans. They manage the Company's exposure to credit losses by assessing and monitoring a borrowers' ability to repay the mortgage loans, the borrower's risk profile, and their stability during the underwriting process. Impairments are monitored by the Servicer and provided for using various techniques.

Whilst the directors consider the performance of the mortgage loans for credit, the effects of any issues with recoverability are mitigated by the limited recourse nature of the Company's primary liability, the loan notes.

##### ***Liquidity risk management***

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's ability to meet the payments on the loan notes as they fall due is dependent on the timely receipt of funds which may be delayed due to slow repayments on the mortgage loans.

All payments made by the Company are made in strict order using a payment waterfall set out in the transaction documents and the funding raised by the Company is limited recourse in nature which means that it is only obliged to pay amounts falling due to the extent that it has received income from the mortgage loans.

In the event that the Company has insufficient funds available to pay interest on the Senior Loan Notes on the due date for payment of interest, then it is obliged to draw on the Junior Loan Notes to meet its obligations to the holders of the Senior Loan Notes.

##### ***Interest rate risk management***

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

##### ***Key performance indicators (KPIs)***

The Company uses key performance indicators to monitor progress. The net interest income and performance of the mortgage loans are key performance indicators. The Company monitors the monthly servicer reports that contain a range of data on the performance of the mortgage loans portfolio including payment arrears, Loan to Value percentages and restructured mortgages. The Company generated a profit of £1k for the period as pre-determined under the terms of the transaction documents.

## **VULCAN NO. 1 LIMITED**

### **STRATEGIC REPORT (CONTINUED)**

**FOR THE PERIOD FROM INCORPORATION ON 11 AUGUST 2022 TO 31 DECEMBER 2023**

#### **Section 172(1) of the companies Act 2016**

Section 172(1) of Companies Act 2006 requires the directors To act in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

- a) the likely consequences of any decision in the long term,
- b) the interests of the Company's employees,
- c) the need to foster the Company's business relationships with suppliers, customers and others,
- d) the impact of the Company's operations on the community and the environment,
- e) the desirability of the Company maintaining a reputation for high standards of business conduct, and
- f) the need to act fairly as between members of the Company.

As a special purpose vehicle the governance structure of the Company is such that the key policies have been predetermined at the time the Company issued the loan notes. The loan notes are listed on the London Stock Exchange. The Directors have had regards to the matters set out in section 172(1) of the Companies Act 2006 as follows:

- the transaction documents, which cannot be changed without Noteholder consent, have been formulated to achieve the Company's purpose and business objectives, safeguard the assets and promote the success of the Company with a long term view and as disclosed in note 1. The transaction documents only allow the Company to retain a minimal profit and due to the limited recourse nature of the structure, the returns to Noteholders are limited by the cashflows received;
- the company has no employees;
- the Company is a securitisation vehicle and therefore a key stakeholder are the Noteholders. The transaction documents determine the nature and quality of assets that can be securitised and how the cash flows from securitised assets are distributed. Relationships are also fostered with suppliers and others via professional third parties who have been assigned operational roles with their roles strictly governed by the transaction documents and fee arrangements agreed in advance. The Company has no customers;
- as a securitisation vehicle the Company has no physical presence or operations and accordingly has minimal impact on the community and the environment;
- the Company maintains a reputation for high standards of business conduct via professional third parties who have contracted with the Company to provide specific operational roles. Fee arrangements have been agreed in advance and supplier invoices paid strictly in accordance with the transaction documents including a priority of payments, if applicable; and
- the Company has a sole member The Law Debenture Intermediary Corporation and the entire issued share capital is held under a discretionary trust basis for charitable purposes.

#### **Future outlook**

There have been no other events after the balance sheet date.

The Company will continue to operate under the terms of the transaction documents for the foreseeable future.

Signed on behalf of the Board



**Mark Filer**

For and on behalf of L.D.C. Securitisation Director No. 1 Limited

Director

13 June 2024

## **VULCAN NO. 1 LIMITED**

### **DIRECTORS' REPORT**

#### **FOR THE PERIOD FROM INCORPORATION ON 11 AUGUST 2022 TO 31 DECEMBER 2023**

The directors present their report and the audited financial statements of the Company for the period from incorporation to 31 December 2023.

#### **Future outlook**

See strategic report.

#### **Principal risks and uncertainties**

See strategic report.

#### **Going concern**

The Company has reported a £1k profit before taxation for the period and is in a net asset position as at 31 December 2023.

It is the intention of the directors of the Company to continue in its operations in accordance with the transaction documents. Ultimately due to the limited recourse nature of the loan notes, any shortfall in the proceeds of the mortgage loans will be a risk to the holders of the loan notes. If the proceeds from the mortgage loans are insufficient to pay amounts due to the holders of the loan notes, such amounts will cease to be due and payable by the Company. Furthermore, the Senior Loan Noteholder benefit from the British Business Bank plc's ENABLE Guarantee Scheme, under which the Guarantor will guarantee the punctual repayment of the mortgage loans by the SME's to the Company. The Guarantee will terminate no later than 81 months from 19 December 2022, but may terminate earlier should certain events specified in the transaction documents occur.

World events including conflicts in Russia/Ukraine and Israel/Gaza have affected the global economic markets and is exacerbating ongoing economic challenges, including inflation, cost of living and global supply chain disruption. In March 2023, the UK and global economy was further impacted by a mini banking crisis resulting in a rapid decrease in the value of government bonds. Concerted efforts by central banks and governments around the world have so far tamed the potential impact of the crisis. The directors therefore believe that the financial market volatility caused by these events does not call into question the Company's adoption of the going concern basis of preparation.

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

#### **Results and dividends**

The Company recorded a profit of £1k before tax charge for the period which is pre-determined under the terms of the transaction documents. The Company paid no dividends during the period and the directors do not recommend a final dividend.

#### **Political and charitable donations**

The Company did not make any political or charitable donations during the current period.

#### **Directors**

The directors of the Company who were in office during the period up to the date of signing the financial statements were:

L.D.C. Securitisation Director No. 1 Limited (appointed on 11 August 2022)

L.D.C. Securitisation Director No. 2 Limited (appointed on 11 August 2022)

M.H.Filer (appointed on 11 August 2022 )

None of the directors who held office during the period and up to the date of this report held any beneficial interest in the share capital of the company and nor did they have any material contract or arrangement with the Company.

The Company has no employees.

## **VULCAN NO. 1 LIMITED**

### **DIRECTOR'S REPORT (CONTINUED)**

**FOR THE PERIOD FROM 11 AUGUST 2022 (DATE OF INCORPORATION) TO 31 DECEMBER 2023**

#### **Directors' indemnities**

The directors are provided by Law Debenture Corporate Services Limited under a Corporate Services Agreement which contains certain indemnities for the directors which were in place during the period and remain in force at the date of this report. Law Debenture Corporate Services Limited maintains its own insurance for the services it provides.

#### **Disclosure of information to auditor**

Each of the persons who is a director at the date of approval of this report confirms that:

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

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

BDO LLP were appointed by the directors as the first auditors of the Company during the period under review.

Signed on behalf of the Board



**Mark Filer**

For and on behalf of L.D.C. Securitisation Director No. 1 Limited  
Director  
13 June 2024



## **VULCAN NO. 1 LIMITED**

### **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

#### **FOR THE PERIOD FROM INCORPORATION ON 11 AUGUST 2022 TO 31 DECEMBER 2023**

The Directors are responsible for preparing 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that year.

In preparing these 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 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 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's 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 may differ from legislation in other jurisdictions

## INDEPENDENT AUDITOR'S REPORT TO THE DIRECTORS OF VULCAN NO.1 LIMITED

### *Opinion on the financial statements*

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2023 and of its profit for the period 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.

We have audited the financial statements of Vulcan No.1 Limited ("the Company") for the 17 month period ended 31 December 2023 which comprise Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flow 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 Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

### *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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Independence**

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.

### *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 period 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 Strategic report and Directors' 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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

## VULCAN NO. 1 LIMITED

### *Other Companies Act 2006 reporting*

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and the Directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

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 Strategic report or the Directors' report.

We have nothing to report in respect of the following matters in relation to which 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.

### *Responsibilities of Directors*

As explained more fully in the Statement of Directors Responsibilities, 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.

### *Extent to which the audit was capable of detecting irregularities, including fraud*

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:

### *Non-compliance with laws and regulations*

Based on our understanding of the Company and the industry in which it operates and inquiries with management and those charged with governance we considered the significant laws and regulations to be the United Kingdom Generally Accepted Accounting Practice and compliance with the Companies Act 2006.

Our procedures in respect of the above included:

- Review of minutes of meeting of those charged with governance for any instances of non-compliance with laws and regulations;
- Review of legal correspondence issued to the Company in connection with the issuance of loan notes;
- Review of financial statement disclosures and agreeing to supporting documentation;
- Involvement of tax specialists in the audit;

## VULCAN NO. 1 LIMITED

### *Fraud*

We assessed the susceptibility of the financial statements to material misstatement, including fraud. Our risk assessment procedures included:

- Enquiry with management and those charged with governance regarding any known or suspected instances of fraud;
- Obtaining an understanding of the Company's policies and procedures relating to:
  - Detecting and responding to the risks of fraud; and
  - Internal controls established to mitigate risks related to fraud.
- Review of minutes of meeting of those charged with governance for any known or suspected instances of fraud;
- Discussion amongst the engagement team as to how and where fraud might occur in the financial statements.

We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to manipulate financial results and management bias in accounting estimates. Based on the entity's low level of activity, we tested all balances above our performance materiality threshold to supporting documentation. We further evaluated if there were any significant transactions that were unusual or outside the normal course of business as part of our response to the risk of management override of controls. We assessed significant estimates made by management for bias by reviewing of the impairment assessment of the loan receivable.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members who were all deemed to have appropriate competence and capabilities and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

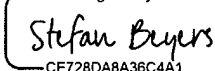
Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

### **Use of our report**

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

DocuSigned by:

  
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Stefan Beyers (Senior Statutory Auditor)  
For and on behalf of BDO LLP, Statutory Auditor  
London, UK  
13 June 2024

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

**VULCAN NO. 1 LIMITED****STATEMENT OF COMPREHENSIVE INCOME****FOR THE PERIOD FROM INCORPORATION ON 11 AUGUST 2022 TO 31 DECEMBER 2023**

		<b>11 August 2022 to 31 December 2023</b>
	<b>Note</b>	<b>£000</b>
Finance income	3	4,792
Finance expense	4	<u>(3,578)</u>
<b>Net finance income</b>		<b>1,214</b>
Administrative expenses		(610)
Impairment charge	7	<u>(603)</u>
<b>Profit from operations and before tax</b>		<b>1</b>
Tax charge	6	<u>-</u>
<b>Profit for the period</b>		<b>1</b>
<b>Other comprehensive income:</b>		
Other comprehensive income for the period, net of tax		<u>-</u>
<b>Total comprehensive profit for the period</b>		<b><u>1</u></b>

The above amounts relate exclusively to continuing operations.

The notes on pages 16 to 25 form part of these financial statements.

**VULCAN NO. 1 LIMITED****STATEMENT OF FINANCIAL POSITION****AS AT 31 DECEMBER 2023**

	Note	2023 £000
<b>NON-CURRENT ASSETS</b>		
Mortgage loans	7	<u>14,324</u>
		<b>14,324</b>
<b>CURRENT ASSETS</b>		
Mortgage loans	7	50,606
Trade and other receivables	8	1,782
Cash and cash equivalents		<u>4,962</u>
<b>TOTAL CURRENT ASSETS</b>		<b>57,350</b>
<b>CURRENT LIABILITIES</b>		
Loan notes	9	(53,617)
Trade and other payables	10	<u>(2,746)</u>
<b>NET CURRENT ASSETS</b>		<b>987</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u><b>15,311</b></u>
<b>NON-CURRENT LIABILITIES</b>		
Loan notes	9	(15,310)
<b>NET ASSETS</b>		<u><u><b>1</b></u></u>
<b>EQUITY</b>		
Share capital	12	-
Retained earnings		<u>1</u>
<b>TOTAL EQUITY</b>		<u><u><b>1</b></u></u>

The notes on pages 16 to 25 form part of these financial statements.

Approved and authorised for issue by the directors on 13 June 2024 and signed on the Company's behalf by:



Mark Filer

For and on behalf of L.D.C. Securitisation Director No. 1 Limited  
Director

**VULCAN NO. 1 LIMITED**

**STATEMENT OF CHANGES IN EQUITY**

**FOR THE PERIOD FROM INCORPORATION ON 11 AUGUST 2022 TO 31 DECEMBER 2023**

	<b>Share Capital</b>	<b>Retained earnings</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Issued share capital	-	-	-
Profit for the period	-	1	1
<b>Balance as at 31 December 2023</b>	<b>-</b>	<b>1</b>	<b>1</b>

The notes on pages 16 to 25 form part of these financial statements.

**VULCAN NO. 1 LIMITED****STATEMENT OF CASH FLOW****FOR THE PERIOD FROM INCORPORATION ON 11 AUGUST 2022 TO 31 DECEMBER 2023**

	<b>2023</b>
	<b>£000</b>
<b>Cash flows from operating activities</b>	
Profit from operations before taxation	1
Interest received	(3,933)
Interest paid	2,821
Impairment charge	603
Increase in debtors	(1,782)
Increase in creditors	1,202
<b>Net cash generated in operating activities</b>	<b>(1,088)</b>
<b>Cash flows used in investing activities</b>	
Purchase of mortgage loans	(65,533)
Interest received	3,933
<b>Net cash outflow from investing activities</b>	<b>(61,600)</b>
<b>Cash flows from financing activities</b>	
Proceeds from loan notes	68,927
Interest paid	(1,277)
<b>Cash generated from financing activities</b>	<b>67,650</b>
<b>Net increase in cash and cash equivalents</b>	<b>4,962</b>
Cash and cash equivalents at the start of the period	-
<b>Cash and cash equivalent at the end of the period</b>	<b>4,962</b>

The notes on pages 16 to 25 form part of these financial statements.



## **VULCAN NO. 1 LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE PERIOD FROM INCORPORATION ON 11 AUGUST 2022 TO 31 DECEMBER 2023**

#### **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **General information**

Vulcan No. 1 Ltd is a private company limited by share capital which was incorporated on 11 August 2022 in the United Kingdom under the Companies Act 2006. The address of its registered office is given on page 2.

The Company is a special purpose company established to act as per page 3.

##### **Significant accounting policies**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have all been applied consistently throughout the period unless otherwise stated. The financial statements are presented in Sterling (£).

##### **Basis of accounting**

These financial statements have been prepared in accordance with applicable accounting standards and in accordance with Financial Reporting Standard 102 applicable in the United Kingdom and Republic of Ireland and in accordance with the Companies Act 2006.

These financial statements are presented in British Pound Sterling.

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

##### **Going concern**

The Company has reported a £1k profit before taxation for the period and is in a net asset position as at 31 December 2023.

It is the intention of the directors of the Company to continue in its operations in accordance with the transaction documents. Ultimately due to the limited recourse nature of the loan notes, any shortfall in the proceeds of the mortgage loans will be a risk to the holders of the loan notes. If the proceeds from the mortgage loans are insufficient to pay amounts due to the holders of the loan notes, such amounts will cease to be due and payable by the Company.

World events including conflicts in Russia/Ukraine and Israel/Gaza have affected the global economic markets and is exacerbating ongoing economic challenges, including inflation, cost of living and global supply chain disruption. In March 2023, the UK and global economy was further impacted by a mini banking crisis resulting in a rapid decrease in the value of government bonds. Concerted efforts by central banks and governments around the world have so far tamed the potential impact of the crisis. The directors therefore believe that the financial market volatility caused by these events does not call into question the Company's adoption of the going concern basis of preparation.

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

##### **Finance income**

Finance income represents bank interest and other income on the mortgage loans. Finance income is accounted for on an effective interest rate ("EIR") basis, inclusive of directly attributable incremental transaction costs and fees including arrangement and broker fees, valuation and solicitor costs, discounts and premiums where appropriate. The EIR basis spreads the interest income over the expected life of each instrument.

## **VULCAN NO. 1 LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE PERIOD FROM INCORPORATION ON 11 AUGUST 2022 TO 31 DECEMBER 2023**

#### **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

##### **Finance income (continued)**

The EIR is the rate that exactly discounts expected future cash payments and receipts through the expected life of the instrument back to the initial carrying amount. When calculating the EIR, the Company estimates cash flows considering all contractual terms of the instrument (for example, prepayment options) but does not consider assets' future credit losses. All the revenue recorded in the financial statements is generated in the UK and sourced from transactions relating to mortgage loans.

##### **Finance expense**

Finance expense represents interest expense on loan notes which are accounted for on an accruals basis, inclusive of directly attributable incremental transaction costs and fees including structuring fees, uncommitted fees, and set up costs (legal fees).

##### **Administration expenses**

Administration expenses are recognised in the statement of comprehensive income on an accrual basis.

##### **Taxation**

The Company is within the permanent regime for taxation of securitisation companies, under which they are taxed by reference to their contractually retained profits (to the extent that they are realised). Taxable profits under the permanent regime will normally equal the contractual profit as defined by the transaction documentation. Consequently, neither current tax nor deferred tax will be affected by any fair value gains or losses arising on derivatives and other financial instruments.

##### **Mortgage loans**

The sale of the mortgage loans by the Seller to the Company are deemed to have achieved derecognition under FRS 102. The Seller was deemed to have transferred significantly all the risks and rewards of ownership to the Company and therefore that the mortgage loans have been recognised directly in the balance sheet of the Company.

Mortgage loans are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method.

##### **Financial Instruments**

The Company has elected to apply the provisions of Section 11 "Basic Financial Instruments" of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the Company's Statement of Financial Position when the Company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

##### **Basic financial assets**

Basic financial assets, which include trade and other receivables, cash and bank balances, and loan receivables, are initially measured at their transaction price including transaction costs and are subsequently carried at their amortised cost using the effective interest method, less any provision for impairment, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Discounting is omitted where the effect of discounting is immaterial. The Company's cash and cash equivalents, trade and most other receivables due with the operating cycle fall into this category of financial instruments.

**VULCAN NO. 1 LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (*CONTINUED*)**

**FOR THE PERIOD FROM INCORPORATION ON 11 AUGUST 2022 TO 31 DECEMBER 2023**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*CONTINUED*)**

**Impairment of financial assets**

**Financial assets are assessed for indicators of impairment at each reporting date.**

Financial assets are impaired when events, subsequent to their initial recognition, indicate the estimated future cash flows derived from the financial asset(s) have been adversely impacted. The impairment loss will be the difference between the current carrying amount and the recoverable amount.

If there is a favourable change in relation to the events surrounding the impairment loss then the impairment can be reviewed for possible reversal. The reversal will not cause the current carrying amount to exceed the original carrying amount had the impairment not been recognised. The impairment reversal is recognised in the profit or loss.

**Financial liabilities**

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after the deduction of all its liabilities.

Basic financial liabilities, which include trade and other payables, bank loans and other loans are initially measured at their transaction price after transaction costs. When this constitutes a financing transaction, whereby the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest. Discounting is omitted where the effect of discounting is immaterial.

Debt instruments are subsequently carried at their amortised cost.

Trade payables are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if the payment is due within one year. If not, they represent non-current liabilities. Trade payables are initially recognised at their transaction price and subsequently are measured at amortised cost.

**Other financial instruments**

Debt instruments that do not meet the conditions as set out in FRS 102 paragraph 11.9 are subsequently measured at fair value through the profit or loss. This recognition and measurement would also apply to financial instruments where the performance is evaluated on a fair value basis as with a documented risk management or investment strategy.

# VULCAN NO. 1 LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD FROM INCORPORATION ON 11 AUGUST 2022 TO 31 DECEMBER 2023

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Derecognition of financial instruments Derecognition of financial assets

Financial assets are derecognised when their contractual right to future cash flow expire, or are settled, or when the Company transfers the asset and substantially all the risks and rewards of ownership to another party. If significant risks and rewards of ownership are retained after the transfer to another party, then the Company will continue to recognise the value of the portion of the risks and rewards retained.

#### Derecognition of financial liabilities

Financial liabilities are derecognised when the Company's contractual obligations expire or are discharged or cancelled.

#### Segmental reporting

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

### 2. FINANCIAL RISK MANAGEMENT

The Directors have overall responsibility for the establishment and oversight of the Company's risk management framework. The risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and ensure any limits are adhered to. The Company's activities are reviewed regularly and potential risks are considered. The overall objective is to set policies that seek to reduce risk as far as possible without unduly affecting the business.

The Company has exposure to the following risks from its use of financial instruments: credit risk, liquidity risk, interest rate risk:

#### Credit risk management

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the mortgage loans and cash and cash equivalents held at banks. The Company's maximum exposure to credit risk by class of financial asset is as follows:

	2023
Assets	£ 000
Mortgage loans	64,930
Cash and cash equivalents	4,962
Trade and other receivables (excluding prepayments)	<u>1,078</u>
	<u>70,970</u>

The Company has appointed the Servicer to service the mortgage loans. They manage the Company's exposure to credit losses by assessing and monitoring a borrowers' ability to repay the mortgage loans, the borrower's risk profile, and their stability during the underwriting process. Impairments are monitored by the Servicer and provided for using statistical modelling.

The fair value of cash and cash equivalents at 31 December 2023 approximates the carrying value. Further details regarding cash and cash equivalents can be found in note 11. Credit risk relating to cash and cash equivalents is mitigated as cash and cash equivalents are held with suitably rated counterparties under the terms of the transaction documents.

## VULCAN NO. 1 LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD FROM INCORPORATION ON 11 AUGUST 2022 TO 31 DECEMBER 2023

#### 2. FINANCIAL RISK MANAGEMENT (CONTINUED)

##### *Liquidity risk management*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's ability to meet the payments on the loan notes as they fall due is dependent on the timely receipt of funds which may be delayed due to slow repayments on the mortgage loans.

In the event that the Company has insufficient funds available to pay interest and/or principal on the loan notes then it is obliged to draw on the general reserve fund to meet its obligations to the holders of the loan notes. If, on any interest payment date ("IPD"), the Company has insufficient funds to make payment in full of all interest, (other than the Senior Notes) then the Company is entitled to defer payment of that amount until the following IPD.

The Company's primary assets, the mortgage loans, are financed principally by the issuance of the loan notes. The financing policy substantially reduces the Company's liquidity by matching the maturity profile of the Company's funding to the profile of the mortgage loans at the date of acquisition. The loan notes are limited recourse in nature, meaning that if the proceeds from the mortgage loans are insufficient to pay amounts due to the holders of the loan notes, such amounts will cease to be due and payable by the Company

The tables below analyses the Company's contractual undiscounted cash flows of its financial assets and liabilities:

	Carrying amount	Gross nominal inflow/ (outflow)	Amount due within one year	Amount due between one and five years	Amount due post five years
2023	£000	£000	£000	£000	£000
<b>Financial assets</b>					
Mortgage loans	64,930	81,660	56,835	24,825	-
Trade and other receivables (excluding prepayments)	1,078	1,078	1,078	-	-
Cash and cash equivalents	4,962	4,962	4,962	-	-
<b>Financial liabilities</b>					
Loan notes	68,927	86,686	60,333	26,353	-
Trade and other payables	2,746	2,746	2,746	-	-

##### *Interest rate risk management*

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

Interest paid on the loan notes is at a fixed and floating rate and interest received on the mortgage loans is also at fixed and floating rates. The Company is not considered to have a material net interest rate risk exposure, which is further enhanced by the non-recourse nature of the transaction.

##### *Capital management*

The Company is not subject to any externally proposed capital requirements except for the minimum requirement under the Companies Act 2006 in relation to its share capital. The Company has not breached the minimum requirement.

**VULCAN NO. 1 LIMITED****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE PERIOD FROM INCORPORATION ON 11 AUGUST 2022 TO 31 DECEMBER 2023****3. FINANCE INCOME**

	11 August 2022 to 31 December 2023 £000
Interest receivable on mortgage loans	3,933
Bank interest	65
Arrangement fee	291
Exit fee	503
	<u>4,792</u>

**4. FINANCE EXPENSE**

	11 August 2022 to 31 December 2023 £000
Interest expense on loan notes	3,247
Loan servicing fee	331
	<u>3,578</u>

**5. AUDITOR'S REMUNERATION**

	11 August 2022 to 31 December 2023 £000
Fees payable to the Company's auditors for the audit of the Company's financial statements (VAT inclusive)	<u>77</u>

No non-audit services were provided in the period.

**VULCAN NO. 1 LIMITED****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE PERIOD FROM INCORPORATION ON 11 AUGUST 2022 TO 31 DECEMBER 2023****6. TAXATION**

	<b>11 August 2022 to 31 December 2023 £000</b>
<b>a) Analysis of the Company charge in the period</b>	
UK corporation tax charge on the profit for the period	-
	-
<b>b) Factors affecting the Company current tax charge for the period:</b>	
Profit on ordinary activities before tax	1
Current tax charge at 19%	
Effect of:	
Accounting profits not taxed in accordance with SI2006/3296	-
Cash retained profit taxed in accordance with SI2006/3296	-

The charge above has been calculated in accordance with the permanent regime for taxation of securitisation companies.

**7. MORTGAGE LOANS**

	<b>2023 £000</b>
Mortgage loans acquired	65,533
Mortgage loans repaid	-
Impairment	(603)
	<b>64,930</b>

During the year the company purchased a portfolio of development mortgage loans. These are provided to SMEs in the United Kingdom and financed through the issuance of asset backed notes.

**Reconciliation of impairment provision**

	<b>2023 £000</b>
As at 11 August 2022	-
Provision made during the period	(603)
<b>As at 31 December 2023</b>	<b>(603)</b>

**VULCAN NO. 1 LIMITED****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE PERIOD FROM INCORPORATION ON 11 AUGUST 2022 TO 31 DECEMBER 2023****8. TRADE AND OTHER RECEIVABLES**

	2023
	£000
Accrued arrangement fee income	291
Accrued exit fee income	624
Amounts owed from related parties	163
Prepayments	704
	<u>1,782</u>

**9. Loan notes**

	2023
	£000
Senior loan notes	38,247
Junior loan notes	30,680
	<u>68,927</u>

The company entered into a senior revolving loan note facility on 19 December 2022. Interest is charged on the facility balance at a rate of SONIA + margin. The company entered into a junior loan note facility on 19 December 2022. Interest is charged on the facility balance at a fixed rate.

Interest on the senior loan notes is payable monthly. The loan notes are secured on the mortgage loans and any other collateral security relating to those mortgage loans. If the Company does not have sufficient available funds in the payment waterfall to pay the Senior Loan Note interest on the relevant payment date, a Junior Loan Note funding drawdown will be made to cover any shortfall. Interest not paid on the Junior Loan Note at an IPD is carried forward to the next IPD for payment.

The finance obtained is limited recourse in nature and repayment is restricted to the income received by the Company on the mortgage loans acquired and is subject to a payment waterfall under the transaction documents. Furthermore, the Senior Loan Noteholder benefit from the British Business Bank plc's ENABLE Guarantee Scheme, under which the Guarantor will guarantee the punctual repayment of the mortgage loans by the SME's to the Company. The Guarantee will terminate no later than 81 months from 19 December 2022, but may terminate earlier should certain events specified in the transaction documents occur.

Net debt represents loan notes, less cash at bank and in hand, and excludes unamortised issue costs but includes accrued interest relating to the Company's third-party indebtedness. A reconciliation of net debt is shown below:

	11 August 2022	Cash flows	Other non-cash changes	31 December 2023
	£'000	£'000	£'000	£'000
<b>Cash and cash equivalents</b>				
Cash	-	4,962	-	4,962
<b>Borrowings</b>				
Debt due within one year	-	(53,617)	-	(53,617)
Debt due greater than one year	-	(15,310)	-	(15,310)
<b>Total</b>	-	(63,965)	-	(63,965)



**VULCAN NO. 1 LIMITED****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE PERIOD FROM INCORPORATION ON 11 AUGUST 2022 TO 31 DECEMBER 2023****10. TRADE AND OTHER PAYABLES**

	2023 £000
Accrued expenses	407
Other creditors	1
Amounts owed to related parties	794
Loan note interest	1,665
	<u>2,746</u>

**11. FINANCIAL INSTRUMENTS**

The principal financial instruments used by the Company, from which financial instrument risk arises, are: the mortgage loans, cash and cash equivalents, loan notes and trade and other payables.

A summary of the financial instruments held is provided below:

	2023 £000
<b>Financial asset:</b>	
Mortgage loans at amortised cost	64,930
Trade and other receivables (excluding prepayments)	1,078
Cash and cash equivalents	4,962
	<u>70,970</u>
<b>Financial liabilities:</b>	
Loan notes at amortised cost	68,927
Trade and other payables	2,746
	<u>71,673</u>

**12. SHARE CAPITAL**

	2023 £'000
Issued 1 Ordinary share of £1 each – fully paid	-
	<u>-</u>

## VULCAN NO. 1 LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD FROM INCORPORATION ON 11 AUGUST 2022 TO 31 DECEMBER 2023

#### 13. RELATED PARTY TRANSACTIONS

Law Debenture Corporate Services Limited ("Law Deb") has agreed to provide certain corporate services to the Company and charges a management fee for the provision of these services including the provision of the directors (Mark Filer, L.D.C. Securitisation Director No. 1 Limited and L.D.C. Securitisation Director No. 2 Limited). LendInvest Development Limited is the Originator, Seller and Servicer of the mortgage loans.

The related party transactions between the Company and its related parties are summarised below:

	Related party	11 August 2022 to 31 December 2023 £000
<b>Statement of comprehensive income</b>		
Loan Servicer fee	Lendinvest Development Limited	331
Corporate service fee	LawDeb	16
<b>Statement of financial position</b>		
Accrued expenses – Loan Servicer Fee	Lendinvest Development Limited	(331)
Prepayments – Corporate service fee	LawDeb	18
Amounts owed to related parties	Lendinvest Development Limited	(794)
Amounts owed from related parties	Lendinvest Development Limited	163

#### 14. ULTIMATE CONTROLLING PARTY

The entire issued share capital of the Company is held by The Law Debenture Intermediary Corporation Plc, a share trustee, which holds the entire share capital under a declaration of trust for discretionary charitable purposes.

#### 15. EVENTS AFTER THE REPORTING DATE

There have been no events of note after the reporting date.