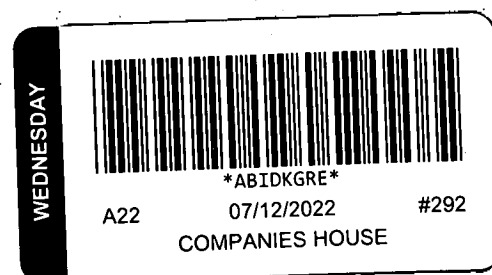


Registered number: 07999437

IDR FINANCE UK II LTD

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022**



IDR FINANCE UK II LTD

COMPANY INFORMATION

DIRECTORS

Selina Burdell
Adrian Cloake

REGISTERED NUMBER

07999437

REGISTERED OFFICE

The Peak, 2nd Floor,
5 Wilton Road
London
SW1V 1AN

INDEPENDENT AUDITOR

KPMG
Chartered Accountants
1 Harbourmaster Place
International Financial Services Centre
Dublin 1
Ireland

BANKERS

Northern Trust Company
50 Bank Street
Canary Wharf
London
E14 5NT

IDR FINANCE UK II LTD

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IDR FINANCE UK II LTD

**STRATEGIC REPORT
FOR THE YEAR ENDED 31 MARCH 2022**

INTRODUCTION

IDR Finance UK II Limited (the 'Company') was incorporated in England and Wales as TSSP Shelf Limited on 21 March 2012, as a private limited company under the Companies Act 2006. On 27 April 2012 the Company changed its name to IDR Finance UK II Limited.

The company's registered office address is The Peak, 2nd Floor, No 5 Wilton Road, London, England, SW1V 1AN. It changed from Camelford House, 89 Albert Embankment, London, SE1 7TP on 19 November 2020.

As at 31 March 2022, the Company was 100% owned by IDR Finance Ireland II Limited (the 'Holding Company'). On 13 July 2017, all the interest in IDR Finance Ireland II Limited was acquired by LC Asset 1 S.à.r.l..

BUSINESS REVIEW AND FUTURE PROSPECTS

The Company purchases consumer debt using a £200,000,000 revolving loan facility from the Holding Company. Details of the loan portfolio can be found in note 9.

No changes to the business are envisaged in the near future.

FINANCIAL KEY PERFORMANCE INDICATORS

Over the period April 2021 to March 2022, collections were strong in the UK which continues to be fuelled by the re-performing loan pools which seem locked into stable run-off at performance levels at the original business plans.

Total cash collected during the year was £13m (2021: £15m) versus an expected collection of £14m (2021: £16m), or 95% (2021:91%) of plan.

This report was approved by the board on 30 November 2022 and signed on its behalf.

Adrian Cloake

Adrian Cloake

Selina Burdell

Selina Burdell

**For and on behalf of the board
Director**

IDR FINANCE UK II LTD

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MARCH 2022**

The Directors present their report and the audited financial statements for the year ended 31 March 2022.

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £66,886 (2021: £87,763).

No dividend has been proposed by the Directors for the year ended 31 March 2022 (2021: £nil).

DIRECTORS AND THEIR INTERESTS

The Directors who served during the year were:

Selina Burdell
Adrian Cloake

No Director had any interest in the share capital of the Company or any group company at any time during the year.

POST BALANCE SHEET EVENTS

Other than those disclosed in note 17 there are no other post balance sheet events to report.

PRINCIPAL RISKS AND UNCERTAINTIES

The Company's policies towards market risk, including interest rate and currency, credit risk and liquidity risk are set out in note 13 to the financial statements.

GOING CONCERN

The Directors are satisfied that the Company has adequate resources to continue in business for the foreseeable future. In addition, the Company has not breached any loan covenants referred to in the transaction documents, nor, based on information currently available, do the Directors foresee breaching any triggering events in the next 12 months. The Directors therefore consider it appropriate to adopt the going concern basis in preparing the financial statements.

EMPLOYEES

The Company had no employees during the year.

CHARITABLE DONATIONS

The Company did not make any charitable donations during the year (2021: £nil).

IDR FINANCE UK II LTD

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MARCH 2022**

STATEMENT OF DISCLOSURE OF INFORMATION TO AUDITORS

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

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

AUDITOR

The auditor, KPMG, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 30 November 2022 and signed on its behalf.

Adrian Cloake

Adrian Cloake

Selina Burdell

Selina Burdell

For and on behalf of the board
Director

IDR FINANCE UK II LTD

**STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND
THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022**

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" 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 the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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 responsible for such internal controls as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

On behalf of the board

Adrian Cloake

Adrian Cloake
Director

Selina Burdell

Selina Burdell

30 November 2022



KPMG
Audit
1 Harbourmaster Place
IFSC
Dublin 1
D01 F6F5
Ireland

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF IDR FINANCE UK II LIMITED

Report on the audit of the financial statements

Opinion

We have audited the financial statements of IDR Finance UK II Limited ('the Company') for the year ended 31 March 2022, which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and related notes, including the summary of significant accounting policies set out in note 1. The financial reporting framework that has been applied in their preparation is UK Law and FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

In our opinion:

- the financial statements give a true and fair view of the state of the Company's affairs as at 31st March 2022 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with ethical requirements that are relevant to our audit of financial statements in the UK, including the Financial Reporting Council (FRC)'s Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Conclusions relating to going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the Company's business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period.



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF IDR FINANCE UK II LIMITED (continued)

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 the date 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.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Company will continue in operation.

Detecting irregularities including fraud

We identified the areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements and risks of material misstatement due to fraud, using our understanding of the entity's industry, regulatory environment and other external factors and inquiry with the directors. In addition, our risk assessment procedures included inquiring with the directors as to the Company's policies and procedures regarding compliance with laws and regulations and prevention and detection of fraud; inquiring whether the directors have knowledge of any actual or suspected non-compliance with laws or regulations or alleged fraud; inspecting the Company's regulatory and legal correspondence; and reading Board minutes.

We discussed identified laws and regulations, fraud risk factors and the need to remain alert among the audit team.

The Company is subject to laws and regulations that directly affect the financial statements including companies and financial reporting legislation. We assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items, including assessing the financial statement disclosures and agreeing them to supporting documentation when necessary.

The Company is not subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements.

Auditing standards limit the required audit procedures to identify non-compliance with these non-direct laws and regulations to inquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. These limited procedures did not identify actual or suspected non-compliance.

We assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. As required by auditing standards, we performed procedures to address the risk of management override of controls. On this audit we do not believe there is a fraud risk related to revenue recognition. We did not identify any additional fraud risks.



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF IDR FINANCE UK II LIMITED (continued)

In response to risk of fraud, we also performed procedures including: identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation; evaluating the business purpose of significant unusual transactions; assessing significant accounting estimates for bias; and assessing the disclosures in the financial statements.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remains a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

Other information

The directors are responsible for the other information presented in the Annual Report together with the financial statements. The other information comprises the information included in the strategic report and the directors' report. The financial statements and our auditor's report thereon do not comprise part of 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 as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Opinions on other matters prescribed by the Companies Act 2006

Based solely on our work on the other information undertaken during the course of the audit:

- we have not identified material misstatements in the directors' report or the strategic report;
- in our opinion, the information given in the directors' report and the strategic report is consistent with the financial statements;
- in our opinion, the directors' report and the strategic report have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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.

We have nothing to report in these respects.



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF IDR FINANCE UK II LIMITED (continued)

Respective responsibilities and restrictions on use

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on page 4, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; 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; 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 they 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, other irregularities or error, and to issue an opinion in an auditor's report. 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, other irregularities 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 fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities

The purpose of our audit work and to whom we owe our responsibilities

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

Brian Clavin
Senior Statutory Auditor
for and on behalf of
KPMG Statutory Auditor
1 Harbourmaster Place
IFSC
Dublin 1
Ireland

30 November 2022

IDR FINANCE UK II LTD

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2022

	Note	2022 £	2021 £
Interest Income	2	25,212,013	30,989,565
Interest expense	3	(25,128,405)	(30,879,861)
Bank expense		-	-
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		83,608	109,704
Tax on profit on ordinary activities	6	(16,722)	(21,941)
PROFIT FOR THE FINANCIAL YEAR		66,886	87,763

All amounts relate to continuing operations.

There were no recognised gains and losses for 2022 or 2021 other than those included in the Statement of Comprehensive Income.

The notes on pages 12 to 22 form part of these financial statements.

IDR FINANCE UK II LTD

STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2022

	Note	2022 £	2021 £
NON CURRENT ASSETS			
Portfolio loans receivable	9	37,819,037	45,162,933
CURRENT ASSETS			
Debtors – income due from Link Financial Outsourcing Limited		198,600	277,034
Debtors – swap receivable		1,015,796	896,804
Total return swap	8	-	11,854,733
Cash and cash equivalents		1,185,948	1,321,081
		<u>2,440,344</u>	<u>14,349,652</u>
CREDITORS: amounts falling due within one year	8, 11	<u>(22,869,703)</u>	<u>(22,281,952)</u>
NET CURRENT ASSETS		<u>(20,469,359)</u>	<u>(7,932,300)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>17,349,678</u>	<u>37,230,633</u>
CREDITORS: amounts falling due after more than one year	10	<u>(16,421,698)</u>	<u>(36,369,539)</u>
NET ASSETS		<u>927,980</u>	<u>861,094</u>
CAPITAL AND EQUITY			
Called up share capital	12	1,000	1,000
Retained earnings		<u>926,980</u>	<u>860,094</u>
TOTAL SHAREHOLDERS' FUNDS		<u>927,980</u>	<u>861,094</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 30 November 2022.

Adrian Cloake

Adrian Cloake

Selina Burdell

Selina Burdell

For and on behalf of the board
Director

The notes on pages 12 to 22 form part of these financial statements.

IDR FINANCE UK II LTD

**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2022**

	Share capital £	Retained earnings £	Total £
Balance at 1 April 2020	1,000	772,331	773,331
Profit for the year	-	87,763	87,763
Balance at 31 March 2021	1,000	860,094	861,094
Balance at 1 April 2021	1,000	860,094	861,094
Profit for the year	-	66,886	66,886
Balance as at 31 March 2022	1,000	926,980	927,980

The notes on pages 12 to 22 form part of these financial statements.

IDR FINANCE UK II LTD

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2022

	Note	2022 £	2021 £
Operating activities			
Profit before taxation		83,608	109,704
Increase in debtors		(40,558)	(99,768)
Decrease in creditors		(191,626)	(176,302)
Taxation paid		(21,941)	(29,674)
Net cash used in operating activities		(170,518)	(196,040)
Cash flow from investing activities			
Loan portfolio repaid	9	20,158,170	15,669,900
Net cash inflow from investing activities		20,158,170	15,669,900
Cash flow from financing activities			
Loans repaid	10	(20,122,785)	(15,660,612)
Net cash flow from financing activities		(20,122,785)	(15,660,612)
Net decrease in cash		(135,133)	(186,752)
Cash and cash equivalents at the beginning of the year		1,321,081	1,507,833
Cash and cash equivalents at the end of the year		1,185,948	1,321,081

The notes on pages 12 to 22 form part of these financial statements.

IDR FINANCE UK II LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022**

1. ACCOUNTING POLICIES

A summary of the principal accounting policies, all of which have been applied consistently throughout the year, is set out below:

1.1 Basis of accounting

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

These financial statements have been presented in Pounds Sterling as this is the Company's functional currency, being the currency of the primary economic environment in which the Company operates.

1.2 Interest income

Interest income represents income received from the underlying loan portfolios and the swap arrangements, and is accounted for on an accruals basis.

1.3 Interest expense

Interest expense is accounted for using the effective interest method.

1.4 Other expenses

All other expenses of the Company are borne by the limited partners.

1.5 Financial instruments

Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provision of the instrument.

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 deducting all of its liabilities.

Financial assets and liabilities

Financial assets and liabilities are only offset in the statement of financial position when, and only when there exists a legally enforceable right to set off the recognised amounts and the intention is either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Debt instruments which meet the following conditions are subsequently measured at amortised cost using the effective interest method:

a) Returns to the holder are (i) a fixed amount, or (ii) a fixed rate of return over the life of the instrument; or (iii) a variable return that, throughout the life of the instrument, is equal to a single referenced quoted or observable interest rate; or (iv) some combination of such fixed rate and variable rates, providing that both rates are positive.

b) There is no contractual provision that could, by its terms, result in the holder losing the principal amount or any interest attributable to the current period or prior periods.

IDR FINANCE UK II LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022**

1. ACCOUNTING POLICIES (continued)**1.5 Financial instruments (continued)**

c) Contractual provisions that permit the issuer to prepay a debt instrument or permit the holder to put it back to the issuer before maturity are not contingent on future events, other than to protect the holder against the credit deterioration of the issuer or a change in control of the issuer, or to protect the holder or issuer against changes in relevant taxation or law.

d) There are no conditional returns or repayment provisions except for the variable rate return described in (a) and prepayment provisions.

(e) Debt instruments that are classified as payable or receivable within one year and which meet the above conditions are measured at the undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

Other debt instruments not meeting these conditions are measured at fair value through profit or loss.

Commitments to make and receive loans which meet the conditions mentioned above are measured at cost (which may be nil) less impairment.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Company, despite having retained some significant risks and rewards of ownership, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

1.6 Portfolio loans receivable

The Company has opted to apply section 11 of FRS 102 for measurement and recognition of loans and receivables. Portfolio loan receivables are initially recognised at purchase price plus directly related transaction costs and subsequently remeasured at fair value based on emerging cash flows. Revaluation is calculated using discounted cash flow valuation models. Revaluation is recognised through the Statement of Comprehensive Income.

1.7 Loan payable

The loan payable represents an amount owed to IDR Finance Ireland II Limited. It is initially recognised at fair value plus directly related transaction costs and is classified under creditors. It is subsequently remeasured at amortised cost using the effective interest rate method.

1.8 Cash at bank

Cash at bank comprises of bank account balances held by the Company.

1.9 Total return swap

The Company has entered into a total return swap which hedges the deviations from expected returns in relation to the acquisition of a portfolio of non-performing loans. The Company receives a fixed payment on one leg to the anticipated yield on the underlying portfolio plus a spread of 12.5 basis points. It pays based on actual recoveries received from these underlying portfolios.

IDR FINANCE UK II LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022**

1. ACCOUNTING POLICIES (continued)

1.10 Taxation

Current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments, in periods different from those in which they are recognised in the financial statements.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non discounted basis.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

1.11 Critical accounting estimates and judgements

The preparation of the Company's financial statements in accordance with FRS 102 requires management to make judgements, estimates and assumptions in applying accounting policies that affect the reported amounts of assets, liabilities, income and expenses. Due to the inherent uncertainty in making estimates, actual results reported in future periods may be based upon amounts which differ from those estimates. Estimates, judgements and assumptions are continually evaluated and based on historical experience and factors, including expectations of future events that are believed to be reasonable under the circumstances.

The significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty in these financial statements, which together are deemed critical to the Company's results and financial position, are as follows:

Where the fair value of financial instruments cannot be reasonably determined through mark to market, the valuation is done using a discounted cash flow model using other observable inputs and information from the market.

IDR FINANCE UK II LTD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

2. INTEREST INCOME

	2022 £	2021 £
Interest received from portfolio loans	13,434,416	14,723,698
Interest receivable on swaps	11,777,597	16,265,867
	<u>25,212,013</u>	<u>30,989,565</u>

3. INTEREST EXPENSE

	2022 £	2021 £
Interest paid on loan	11,693,990	16,156,163
Interest payable on swaps	13,434,415	14,723,698
	<u>25,128,405</u>	<u>30,879,861</u>

4. AUDITOR'S REMUNERATION

The audit fee of €20,600 (2021: €15,000) was paid by the LC Asset 1 S.à r.l. and is not recharged. There were no non-audit fees paid during the year (2021: £nil).

5. DIRECTORS' EMOLUMENTS

There were no Directors' emoluments paid during the year ended 31 March 2022 (2021: nil).

6. TAXATION

	2022 £	2021 £
UK corporation tax charge on profit for the year	<u>16,722</u>	<u>21,941</u>

Factors affecting tax charge for the year

There were no factors that affected the tax charge for the year which has been calculated on the profits on ordinary activities before tax at the standard rate of corporation tax in the UK of 19% (2021: 19%).

7. EMPLOYEE INFORMATION

There were no persons employed by the Company during the year ended 31 March 2022 (2021: nil).

8. TOTAL RETURN SWAP

	2022 £	2021 £
Total return swap	<u>(959,542)</u>	<u>11,854,733</u>

IDR FINANCE UK II LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022**

8. TOTAL RETURN SWAP (continued)

The Company has entered into a total return swap with IDR Finance Ireland II Limited. This swap hedges the deviations from expected returns in relation to the acquisition of a portfolio of non-performing loans. The Company receives a fixed payment from IDR Finance Ireland II Limited equivalent to the anticipated yield on the portfolio at the start of the swap plus a spread of 12.5 basis points.

The Company will pay amounts to IDR Finance Ireland II Limited based on recoveries received from the underlying portfolio. The rate applicable to the swap is calculated on the anticipated yield on the portfolio at inception of the total return swap plus a margin of 12.5 basis points. The swap was extended on 14 September 2022 for a further two years, the termination date now being 18 September 2024.

As the swap is designed to ensure the full repayment of the original portfolio purchased over a defined period based on a set table, any cash flow variances between expected and actual are accrued for as they arise.

9. PORTFOLIO LOANS RECEIVABLE

	2022 £	2021 £
Portfolio loans at 1 April	45,162,933	53,344,277
Portfolio loans purchased during the year	-	-
Portfolio loans repaid during the year	(20,158,170)	(15,669,900)
Revaluation of portfolio loans during the year	12,814,274	7,488,556
Value at 31 March	<u>37,819,037</u>	<u>45,162,933</u>

The loans relate to the Company's right, title, interest and benefit in and to Qualifying Debts of seven UK Credit Institutions defined in the relevant debt sale agreements between the Company and LC Asset 1 S.á.r.l. The maturity profile of the consumer loans is considered to be substantially the same as the maturity profile of the loan payable (see notes 10 and 11).

10. CREDITORS: Amounts falling due after one year

	2022 £	2021 £
Total loan balance at 1 April	56,913,742	72,574,354
Loan raised during the year	-	-
Loan repaid during the year	(20,122,785)	(15,660,612)
Total loan balance at 31 March	<u>36,790,957</u>	<u>56,913,742</u>
Less: amounts falling due within one year (note 11)	(20,369,259)	(20,544,203)
Value at 31 March	<u>16,421,698</u>	<u>36,369,539</u>

IDR FINANCE UK II LTD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022**10. CREDITORS: Amounts falling due after one year (continued)**

The Company entered into a revolving loan facility with IDR Finance Ireland II Limited in a maximum aggregate amount at any time outstanding of £200,000,000. As at 31 March 2022 the Company had drawn down £36,790,957 (2021: £56,913,742) of this facility.

The Loan does not bear a pre-determined rate of interest. The rate of interest payable in respect of each Loan for each Interest Period shall be the percentage rate per annum which is agreed by the parties as being applicable to the relevant Loan and specified as the "Interest Rate" in paragraph 2 of the Utilisation Request delivered to Lender in relation to such Loan.

The Company shall repay each Loan on each Repayment Date relating thereto in accordance with and in the Repayment Amounts specified by the Amortisation Schedule for such Loan.

Maturity of Loans

The maturity profile of the loan payable is in line with the expected redemption profile of the principal balances of the consumer loans on which the Loan is backed. The maturity profile of the carrying amount of the Company's non-current liabilities at 31 March 2022 is estimated as follows:

	2022 £	2021 £
In more than one year but not more than two years	10,248,884	20,369,259
In more than two years but not more than five years	837,545	11,086,428
In more than five years	5,335,270	4,913,852
	16,421,698	36,369,539

**11. CREDITORS:
Amounts falling due within one year**

	2022 £	2021 £
Loan payable (note 10)	20,369,259	20,544,203
Income due to IDR Finance Ireland II Limited	1,533,071	1,724,696
Corporation tax	7,831	13,053
Total return swap	959,542	-
	22,869,703	22,281,952

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

12. SHARE CAPITAL

	2022 £	2021 £
Allotted, called up and fully paid		
1,000 - Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>

13. FINANCIAL INSTRUMENTS

The Company's financial instruments comprise the loan receivable, the total return swap and the loan payable. Cash, accrued interest income, accrued interest expense and other items arise directly from its operations.

It is and has been throughout the period, the Company's policy that no trading in financial instruments shall be undertaken.

	Financial assets loans and receivables	Financial assets at fair value through profit and loss	Financial liabilities at amortised cost	Financial liabilities at fair value through profit and loss	Total
	2022 £	2022 £	2022 £	2022 £	2022 £
Portfolio loans receivable	-	37,819,037	-	-	37,819,037
Debtors - income due from Link Financial Outsourcing Limited	198,600	-	-	-	198,600
Debtors – swap receivable	1,015,796	-	-	-	1,015,796
Total return swap	-	-	-	(959,542)	(959,542)
Cash and cash equivalents	1,185,948	-	-	-	1,185,948
Loan payable	-	-	(36,790,957)	-	(36,790,957)
Creditors due in one year	-	-	(1,540,902)	-	(1,540,902)
Total	2,400,344	37,819,037	(38,331,859)	(959,542)	927,980

IDR FINANCE UK II LTD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

13. FINANCIAL INSTRUMENTS (continued)

	Financial assets loans and receivables	Financial assets at fair value through profit and loss	Financial liabilities at amortised cost	Financial liabilities at fair value through profit and loss	Total
	2021 £	2021 £	2021 £	2021 £	2021 £
Portfolio loans receivable	-	45,162,933	-	-	45,162,933
Debtors - income due from Link Financial Outsourcing Limited	277,034	-	-	-	277,034
Debtors - swap receivable	896,804	-	-	-	896,804
Total return swap	-	11,854,733	-	-	11,854,733
Cash and cash equivalents	1,321,081	-	-	-	1,321,081
Loan payable	-	-	(56,913,742)	-	(56,913,742)
Creditors due in one year	-	-	(1,737,749)	-	(1,737,749)
Total	2,494,919	57,107,666	(58,651,491)	-	861,094

The Company has the following risks arising from its holding of financial instruments:

Interest rate risk

The Company does not believe it is subject to any material interest rate risk because it has entered into a Total Return Swap Agreement with the Holding Company to eliminate any differences in interest rates.

Under the Total Return Swap the Holding Company pays the Company a fixed amount each month in return for the Company's variable receipts under the Debt Sale Agreements.

If interest rates were to change by 50 basis points, with all other variables remaining constant the effect on net profit would be £501 (2021: £63,060).

Currency Exposure

As at 31 March 2022 the Company had no currency exposures (2021: nil). All material financial assets and liabilities are denominated in Pounds Sterling.

IDR FINANCE UK II LTD**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022****13. FINANCIAL INSTRUMENTS (continued)***Credit Risk*

The Company has no credit risk exposure to the swap because the Loan liability and the swap (from which it receives its income) are with the same counterparty - IDR Finance Ireland II Limited. There is an element of credit risk inherent in the consumer debt which the Company purchases as its primary activity, generated by exposure to the portfolio of underlying debtors. This risk is evaluated in conjunction with the master servicer during the evaluation of the portfolio prior to purchase and during its life, via reference to expected vs actual performance. The maximum exposure to credit risk on the loan portfolio is the carrying amount of £37,819,037 (2021: £45,162,933).

The financial assets are neither past due nor impaired.

Liquidity risk

The Company does not believe it is subject to any material liquidity risk because it has entered into a Total Return Swap Agreement with the Holding Company to even out any differences in interest received/paid. All other expenses are borne by the LP.

Maturity of financial assets and liabilities

The tables below analyse the liquidity of the Company's non-derivative financial assets and liabilities.

As at 31 March 2022

	Up to 1 year £	1-2 years £	2-5 years £	Over 5 years £	Total £
Financial assets					
Portfolio loans receivable and Total Return Swap	20,369,259	10,248,884	837,545	5,403,808	36,859,495
Debtors - income due from Link Financial Outsourcing Limited	198,600	-	-	-	198,600
Debtors – swap receivable	1,015,796	-	-	-	1,105,796
Cash and cash equivalents	1,185,948	-	-	-	1,185,948
	22,769,603	10,248,884	837,545	5,403,808	39,259,839
Financial liabilities					
Loan payable	20,369,259	10,248,884	837,545	5,335,270	36,790,957
Income due to IDR Finance Ireland II Limited	1,533,071	-	-	-	1,533,071
Corporation tax payable	7,831	-	-	-	7,831
	21,910,161	10,248,884	837,545	5,335,270	38,331,859
Net assets	859,442	-	-	68,538	927,980

IDR FINANCE UK II LTD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

13. FINANCIAL INSTRUMENTS (continued)

As at 31 March 2021

	Up to 1 year £	1-2 years £	2-5 years £	Over 5 years £	Total £
Financial assets					
Portfolio loans receivable and Total Return Swap	20,544,203	20,369,259	11,086,428	5,017,776	57,017,666
Debtors - income due from Link Financial Outsourcing Limited	277,034	-	-	-	277,034
Debtors - swap receivable	896,804	-	-	-	896,804
Cash and cash equivalents	1,321,081	-	-	-	1,321,081
	23,039,122	20,369,529	11,086,428	5,017,776	59,512,585
Financial liabilities					
Loan payable	20,544,203	20,369,259	11,086,428	4,913,852	56,913,742
Income due from IDR Finance Ireland II Limited	1,724,696	-	-	-	1,724,696
Corporation tax payable	13,053	-	-	-	13,053
	22,281,952	20,369,529	11,086,428	4,913,852	58,651,491
Net assets	757,170	-	-	103,924	861,094

Undiscounted contractual cash flows

The following maturity profile details the Company's expected maturity of its financial assets and liabilities. It is based on the undiscounted contractual maturities of the financial assets and liabilities including interest that will be earned on those liabilities except where the Company anticipates that the cash flow will occur in a different period. The maturity profile is the same for both the financial assets and liabilities.

	2022 £	2021 £
Within one year	25,815,892	31,816,775
In more than one year but not more than two years	11,474,704	25,815,892
In more than two years but not more than five years	856,000	12,330,704
In more than five years	-	-
	38,146,595	69,963,371

Fair value of financial assets and liabilities

The fair value of the loan receivable has been calculated using the present value of expected cash flows discounted at the effective interest rate. The fair value of the swap plus the loans receivable has been based on the fair value of the loan payable because they have similar maturities, interest rate and credit risk.

No fair values have been disclosed for current assets because their carrying amount approximates to fair value due to their short-term maturities.

IDR FINANCE UK II LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022**

13. FINANCIAL INSTRUMENTS (continued)**Fair value of financial assets and liabilities (continued)**

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

The loan receivable and total return swap are classified as level 3 (2021: level 3) because their fair values are derived from unobservable market data.

There were no movements of financial instruments between levels during the year (2021: no movement).

The fair value of each underlying investment is determined by discounting all expected future cash flows at the internal rate of return, used to price the investments at acquisition. For each underlying investment, future cash flows are only adjusted if the realised performance of the investment is substantially different to the expected cash flows.

14. CAPITAL COMMITMENTS

There were no outstanding capital commitments as at 31 March 2022 (2021: nil).

15. IMMEDIATE AND ULTIMATE PARENT UNDERTAKING

The immediate and ultimate parent Company is IDR Finance Ireland II Limited, a limited liability company incorporated in Ireland with registered number 513029 and its registered address at Georges Court, 54-62 Townsend Street, Dublin 2, Ireland. The Company is not consolidated by any other company.

16. RELATED PARTY TRANSACTIONS

The immediate and ultimate parent Company is IDR Finance Ireland II Limited. In September 2012 the Company entered into a sterling denominated revolving loan facility with IDR Finance Ireland II Limited in a maximum aggregate amount at any time outstanding of £200,000,000. As at 31 March 2022 the Company had drawn down £36,790,957 (2021: £56,913,742) of this facility. All income arising from the portfolio loan receivables are payable under the swap agreement to IDR Finance Ireland II Limited. Details in relation to all swap transactions are described in the notes to the financial statements.

17. POST BALANCE SHEET EVENTS

The revolving loan facility agreement between the Company and IDR Finance Ireland II Limited was extended on 14 September 2022 for a further two years, the termination date now being 18 September 2024.

There were no other significant events after the reporting date.