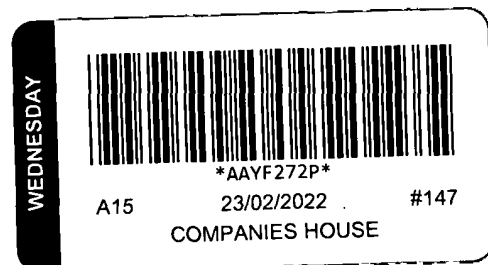


Registered number: 07999437

## **IDR FINANCE UK II LTD**

### **DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 MARCH 2021**



**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 2021**

**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 2021, 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.á.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 2020 to March 2021, 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 £15m (2020: £18m) versus an expected collection of £16m (2020: £18m), or 91% (2020:100%) of plan.

This report was approved by the board on 18 February 2022 and signed on its behalf.

*Selina Burdell*

Selina Burdell

*Adrian Cloake*

Adrian Cloake

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

**IDR FINANCE UK II LTD**

**DIRECTORS' REPORT  
FOR THE YEAR ENDED 31 MARCH 2021**

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

**RESULTS AND DIVIDENDS**

The profit for the year, after taxation, amounted to £87,763 (2020: £100,902).

No dividend has been proposed by the Directors for the year ended 31 March 2021 (2020: £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 (2020: £nil).

**IDR FINANCE UK II LTD**

**DIRECTORS' REPORT  
FOR THE YEAR ENDED 31 MARCH 2021**

**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 18 February 2022 and signed on its behalf.

*Selina Burdell*

*Adrian Cloake*

Selina Burdell

Adrian Cloake

**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 2021**

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

*Selina Burdell*

Selina Burdell

Director

*Adrian Cloake*

Adrian Cloake

18 February 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 2021, 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 31<sup>st</sup> March 2021 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)**

### ***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 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)**

### **Detecting irregularities including fraud**

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;
- 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](http://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

**18 February 2022**

|                              |
|------------------------------|
| <b>IDR FINANCE UK II LTD</b> |
|------------------------------|

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 MARCH 2021**

|  | Note | 2021<br>£      | 2020<br>£      |
|--|------|----------------|----------------|
| Interest Income                                      | 2    | 30,989,565     | 38,062,665     |
| Interest expense                                     | 3    | (30,879,861)   | (37,936,536)   |
| Bank expense   |      | -              | -              |
| <b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b> |      | <b>109,704</b> | <b>126,129</b> |
| Tax on profit on ordinary activities                 | 6    | (21,941)       | (25,227)       |
| <b>PROFIT FOR THE FINANCIAL YEAR</b>                 |      | <b>87,763</b>  | <b>100,902</b> |

All amounts relate to continuing operations.

There were no recognised gains and losses for 2021 or 2020 other than those included in the Statement of Comprehensive Income.

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

## IDR FINANCE UK II LTD

STATEMENT OF FINANCIAL POSITION  
AS AT 31 MARCH 2021

|  |      | 2021                  | 2020                  |
|--|------|-----------------------|-----------------------|
|  | Note | £                     | £                     |
| <b>NON CURRENT ASSETS</b>                                      |      |                       |                       |
| Portfolio loans receivable                                     | 9    | 45,162,933            | 53,344,277            |
| <b>CURRENT ASSETS</b>  |      |                       |                       |
| Debtors – income due from Link Financial Outsourcing Limited   |      | 277,034               | 296,258               |
| Debtors – swap receivable                                      |      | 896,804               | 777,812               |
| Total return swap  | 8    | 11,854,733            | 19,343,295            |
| Cash and cash equivalents                                      |      | 1,321,081             | 1,507,833             |
|  |      | <u>14,349,652</u>     | <u>21,925,198</u>     |
| <b>CREDITORS: amounts falling due within one year</b>          | 11   | <u>(22,281,952)</u>   | <u>(17,898,083)</u>   |
| <b>NET CURRENT ASSETS</b>                                      |      | <b>(7,932,300)</b>    | <b>4,027,115</b>      |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>                   |      | <b>37,230,633</b>     | <b>57,371,392</b>     |
| <b>CREDITORS: amounts falling due after more than one year</b> | 10   | <u>(36,369,539)</u>   | <u>(56,598,061)</u>   |
| <b>NET ASSETS</b>  |      | <u><b>861,094</b></u> | <u><b>773,331</b></u> |
| <b>CAPITAL AND EQUITY</b>                                      |      |                       |                       |
| Called up share capital  | 12   | 1,000                 | 1,000                 |
| Retained earnings  |      | <u>860,094</u>        | <u>772,331</u>        |
| <b>TOTAL SHAREHOLDERS' FUNDS</b>                               |      | <u><b>861,094</b></u> | <u><b>773,331</b></u> |

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 18 February 2022.

*Selina Burdell*

Selina Burdell

*Adrian Cloake*

Adrian Cloake

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

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

|                              |
|------------------------------|
| <b>IDR FINANCE UK II LTD</b> |
|------------------------------|

**COMPANY STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 MARCH 2021**

|                             | <b>Share<br/>capital<br/>£</b> | <b>Retained<br/>earnings<br/>£</b> | <b>Total<br/>£</b> |
|-----------------------------|--------------------------------|------------------------------------|--------------------|
| Balance at 1 April 2019     | 1,000                          | 671,429                            | 672,429            |
| Profit for the year         | -                              | 100,902                            | 100,902            |
| Balance at 31 March 2020    | 1,000                          | 772,331                            | 773,331            |
| Balance at 1 April 2020     | 1,000                          | 772,331                            | 773,331            |
| Profit for the year         | -                              | 87,763                             | 87,763             |
| Balance as at 31 March 2021 | <b>1,000</b>                   | <b>860,094</b>                     | <b>861,094</b>     |

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 2021

|   | Note | 2021<br>£           | 2020<br>£    |
|---|------|---------------------|--------------|
| <b>Operating activities</b>                             |      |                     |              |
| <b>Profit before taxation</b>                           |      | <b>109,704</b>      | 126,129      |
| Increase in debtors                                     |      | (99,768)            | 394,092      |
| (Decrease) / increase in creditors                      |      | (176,302)           | (5,370,492)  |
| Taxation paid   |      | (29,674)            | (31,141)     |
| <b>Net cash used in operating activities</b>            |      | <b>(196,040)</b>    | (4,881,412)  |
| <b>Cash flow from investing activities</b>              |      |                     |              |
| Loan portfolio repaid                                   | 9    | 15,669,900          | 12,302,611   |
| <b>Net cash inflow from investing activities</b>        |      | <b>15,669,900</b>   | 12,302,611   |
| <b>Cash flow from financing activities</b>              |      |                     |              |
| Loans repaid  | 10   | (15,660,612)        | (12,309,748) |
| <b>Net cash flow from financing activities</b>          |      | <b>(15,660,612)</b> | (12,309,748) |
| Net decrease in cash                                    |      | (186,752)           | (4,888,549)  |
| Cash and cash equivalents at the beginning of the year  |      | 1,507,833           | 6,396,382    |
| <b>Cash and cash equivalents at the end of the year</b> |      | <b>1,321,081</b>    | 1,507,833    |

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 2021**

**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 2021**

**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 2021**

**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 2021

## 2. INTEREST INCOME

|  | 2021<br>£         | 2020<br>£         |
|--|-------------------|-------------------|
| Interest received from portfolio loans | 14,723,698        | 18,429,508        |
| Interest receivable on swaps           | 16,265,867        | 19,633,157        |
|  | <u>30,989,565</u> | <u>38,062,665</u> |

## 3. INTEREST EXPENSE

|                           | 2021<br>£         | 2020<br>£         |
|---------------------------|-------------------|-------------------|
| Interest paid on loan     | 16,156,163        | 19,507,028        |
| Interest payable on swaps | 14,723,698        | 18,429,508        |
|                           | <u>30,879,861</u> | <u>37,936,536</u> |

## 4. AUDITOR'S REMUNERATION

The audit fee of €15,000 (2020: €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 (2020: £nil).

## 5. DIRECTORS' EMOLUMENTS

There were no Directors' emoluments paid during the year ended 31 March 2021 (2020: nil).

## 6. TAXATION

|  | 2021<br>£     | 2020<br>£     |
|--|---------------|---------------|
| UK corporation tax charge on profit for the year | <u>21,941</u> | <u>25,227</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% (2020: 19%).

## 7. EMPLOYEE INFORMATION

There were no persons employed by the Company during the year ended 31 March 2021 (2020: nil).

## 8. TOTAL RETURN SWAP

|                   | 2021<br>£         | 2020<br>£         |
|-------------------|-------------------|-------------------|
| Total return swap | <u>11,854,733</u> | <u>19,343,295</u> |

## IDR FINANCE UK II LTD

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

## 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 is due to mature in September 2022.

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

|  | 2021<br>£    | 2020<br>£    |
|--|--------------|--------------|
| Portfolio loans at 1 April 2020                | 53,344,277   | 62,554,698   |
| Portfolio loans purchased during the year      | -            | -            |
| Portfolio loans repaid during the year         | (15,669,900) | (12,302,611) |
| Revaluation of portfolio loans during the year | 7,488,556    | 3,092,190    |
| Value at 31 March 2021                         | 45,162,933   | 53,344,277   |

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.à.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

|   | 2021<br>£         | 2020<br>£         |
|---|-------------------|-------------------|
| Total loan balance at 1 April                       | 72,574,354        | 84,884,102        |
| Loan raised during the year                         | -                 | -                 |
| Loan repaid during the year                         | (15,660,612)      | (12,309,748)      |
| <b>Total loan balance at 31 March</b>               | <b>56,913,742</b> | <b>72,574,354</b> |
| Less: amounts falling due within one year (note 11) | (20,544,203)      | (15,976,293)      |
| Value at 31 March                                   | 36,369,539        | 56,598,061        |

|                              |
|------------------------------|
| <b>IDR FINANCE UK II LTD</b> |
|------------------------------|

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2021**

**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 2021 the Company had drawn down £56,913,742 (2020: £72,574,354) 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 2021 is estimated as follows:

|   | 2021<br>£         | 2020<br>£         |
|---|-------------------|-------------------|
| In more than one year but not more than two years   | 20,369,259        | 20,544,203        |
| In more than two years but not more than five years | 11,086,428        | 31,455,687        |
| In more than five years                             | 4,913,852         | 4,598,172         |
|   | <b>36,369,539</b> | <b>56,598,062</b> |

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

|  | 2021<br>£         | 2020<br>£         |
|--|-------------------|-------------------|
| Loan payable (note 10)                       | 20,544,203        | 15,976,293        |
| Income due to IDR Finance Ireland II Limited | 1,724,696         | 1,900,986         |
| Corporation tax                              | 13,053            | 20,804            |
|  | <b>22,281,952</b> | <b>17,898,083</b> |

## IDR FINANCE UK II LTD

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

## 12. SHARE CAPITAL

|   | 2021<br>£ | 2020<br>£ |
|---|-----------|-----------|
| <b>Allotted, called up and fully paid</b> |           |           |
| 1,000 - Ordinary shares of £1 each        | 1,000     | 1,000     |

## 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<br>loans and<br>receivables | Financial assets<br>at fair value<br>through profit<br>and loss | Financial<br>liabilities at<br>amortised cost | Total          |
|---|--|---|---|----------------|
|   | 2021<br>£                                    | 2021<br>£   | 2021<br>£                                     | 2021<br>£      |
| Portfolio loans receivable                                      | 45,162,933                                   | -   | -   | 45,162,933     |
| Debtors - income due from Link<br>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)    |
| <b>Total</b>  | <b>47,657,852</b>                            | <b>11,854,733</b>   | <b>(58,651,491)</b>                           | <b>861,094</b> |

|   | Financial assets<br>loans and<br>receivables | Financial assets<br>at fair value<br>through profit<br>and loss | Financial<br>liabilities at<br>amortised cost | Total          |
|---|--|---|---|----------------|
|   | 2020<br>£                                    | 2020<br>£   | 2020<br>£                                     | 2020<br>£      |
| Portfolio loans receivable                                      | 53,344,277                                   | -   | -   | 53,344,277     |
| Debtors - income due from Link<br>Financial Outsourcing Limited | 296,258                                      | -   | -   | 296,258        |
| Debtors – swap receivable                                       | 777,812                                      | -   | -   | 777,812        |
| Total return swap   | -  | 19,343,295  | -   | 19,343,295     |
| Cash and cash equivalents                                       | 1,507,833                                    | -   | -   | 1,507,833      |
| Loan payable  | -  | -   | (72,574,354)                                  | (72,574,354)   |
| Creditors due in one year                                       | -  | -   | (1,921,790)                                   | (1,921,790)    |
| <b>Total</b>  | <b>55,926,180</b>                            | <b>19,343,295</b>   | <b>(74,496,144)</b>                           | <b>773,331</b> |

**IDR FINANCE UK II LTD**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2021**

**13. FINANCIAL INSTRUMENTS (continued)**

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 £63,060 (2020: £100,017).

*Currency Exposure*

As at 31 March 2021 the Company had no currency exposures (2020: nil). All material financial assets and liabilities are denominated in Pounds Sterling.

*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 £45,162,933 (2020: £53,344,277).

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.

## IDR FINANCE UK II LTD

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

## 13. FINANCIAL INSTRUMENTS (continued)

Maturity of financial assets and liabilities (continued)

As at 31 March 2021

|  | Up to 1<br>year<br>£ | 1-2<br>years<br>£ | 2-5<br>years<br>£ | Over 5<br>years<br>£ | Total<br>£        |
|--|----------------------|-------------------|-------------------|----------------------|-------------------|
| <b>Financial assets</b>                                      |                      |                   |                   |                      |                   |
| 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         |
|  | <b>23,039,122</b>    | <b>20,369,529</b> | <b>11,086,428</b> | <b>5,017,776</b>     | <b>59,512,585</b> |
| <b>Financial liabilities</b>                                 |                      |                   |                   |                      |                   |
| Loan payable   | 20,544,203           | 20,369,259        | 11,086,428        | 4,913,852            | 56,913,742        |
| Income due to IDR Finance Ireland II Limited                 | 1,724,696            |                   |                   |                      | 1,724,696         |
| Corporation tax payable                                      | 13,053               |                   |                   |                      | 13,053            |
|  | <b>22,281,952</b>    | <b>20,369,529</b> | <b>11,086,428</b> | <b>4,913,852</b>     | <b>58,651,491</b> |
| <b>Net assets</b>  | <b>757,170</b>       | <b>-</b>          | <b>-</b>          | <b>103,924</b>       | <b>861,094</b>    |

As at 31 March 2020

|  | Up to 1<br>year<br>£ | 1-2<br>years<br>£ | 2-5<br>years<br>£ | Over 5<br>years<br>£ | Total<br>£        |
|--|----------------------|-------------------|-------------------|----------------------|-------------------|
| <b>Financial assets</b>                                      |                      |                   |                   |                      |                   |
| Portfolio loans receivable and Total Return Swap             | 15,976,293           | 20,554,203        | 31,455,687        | 4,711,389            | 72,697,572        |
| Debtors - income due from Link Financial Outsourcing Limited | 296,258              | -                 | -                 | -                    | 296,258           |
| Debtors – swap receivable                                    | 777,812              | -                 | -                 | -                    | 777,812           |
| Cash and cash equivalents                                    | 1,507,833            | -                 | -                 | -                    | 1,507,833         |
|  | <b>18,558,196</b>    | <b>20,554,203</b> | <b>31,455,687</b> | <b>4,711,389</b>     | <b>75,279,475</b> |
| <b>Financial liabilities</b>                                 |                      |                   |                   |                      |                   |
| Loan payable   | 15,976,293           | 20,554,203        | 31,455,687        | 4,598,171            | 72,584,354        |
| Income due from IDR Finance Ireland II Limited               | 1,900,986            |                   |                   |                      | 1,900,986         |
| Corporation tax payable                                      | 20,804               |                   |                   |                      | 20,804            |
|  | <b>17,898,083</b>    | <b>20,554,203</b> | <b>31,455,687</b> | <b>4,598,171</b>     | <b>74,506,144</b> |
| <b>Net assets</b>  | <b>660,113</b>       | <b>-</b>          | <b>-</b>          | <b>113,218</b>       | <b>773,331</b>    |



## IDR FINANCE UK II LTD

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

## 13. FINANCIAL INSTRUMENTS (continued)

## 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.

|   | 2021<br>£         | 2020<br>£          |
|---|-------------------|--------------------|
| Within one year                                     | 31,816,775        | 31,816,776         |
| In more than one year but not more than two years   | 25,815,892        | 31,816,776         |
| In more than two years but not more than five years | 12,330,704        | 38,146,595         |
| In more than five years                             | -                 | -                  |
|   | <b>69,963,371</b> | <b>101,780,147</b> |

## 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.

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 (2020: level 3) because their fair values are derived from unobservable market data.

There were no movements of financial instruments between levels during the year (2020: 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.

**IDR FINANCE UK II LTD**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2021**

**14. CAPITAL COMMITMENTS**

There were no outstanding capital commitments as at 31 March 2021 (2020: 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 2021 the Company had drawn down £56,913,742 (2020: £72,574,354) 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 21 September 2020 for a further two years, the termination date now being 19 September 2022. There were no other significant events after the reporting date.