COMPANY REGISTRATION NO: 11504910

CLI HOLDINGS II LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE PERIOD FROM 7 AUGUST 2018 TO 31 DECEMBER 2019

CLI Holdings II Limited
Content
for the period ended 31 December 2019

CLI Holdings II Limited
Company Information
for the period ended 31 December 2019

DIRECTORS:	Joint Corporate Services Limited TMF Corporate Directors Limited Nita Savjani
SECRETARY:	TMF Corporate Administration Services Limited
REGISTERED OFFICE:	TMF Group Limited 8th Floor 20 Farringdon Street London EC4A 4AB
COMPANY REGISTRATION NO.	11504910 (England and Wales)
INDEPENDENT AUDITORS:	PricewaterhouseCoopers LLP 7 More London Riverside London SE1 2RT
CASH MANAGER	TMF Group Limited 8th Floor 20 Farringdon Street London EC4A 4AB

The directors present their strategic report of CLI Holdings II Limited ("the Company"), together with the audited financial statements and independent auditors' report for the period commencing 7 August 2018 and ended 31 December 2019.

REVIEW OF THE BUSINESS

The Company was incorporated in England and Wales on 7 August 2018, as a limited company under company number 11504910.

The main purpose of the Company is to be a member of Cairn Loan Investments II LLP ("CLI II") and invest in CLI II. CLI II was established to provide collateral management services to offshore Collateralised Loan Obligation ("CLO") vehicles and invest in the most junior tranche of loan notes that are issued by these vehicles.

In order to fund its investment into CLI II, the Company issues loan notes to investors. On 5 July 2019 the Company started trading when it was appointed as a non-designated member of CLI II.

Interest on loan notes is determined based on income and gains of the Company generated from the underlying assets less losses, operating expenses and financing expenses, and after accounting for prior period losses and any holdback amount as noted in the securitisation agreement.

As per the securitisation agreement, the Company is required to retain a profit of €250 for each trading quarter.

TMF Trustee Limited as the share trustee of the Company is a controller of the Company in accordance with the definition used by the Financial Conduct Authority ("FCA")/Prudential Regulation Authority ("PRA"). A notification was submitted to the FCA as the Company entered into a Deed of Adherence in relation to the Cairn Loan Investments II LLP partnership agreement.

RESULT

The Company made a profit before tax for the period of €250 as per the securitisation agreement.

KEY PERFORMANCE INDICATORS

Due to the nature of the company the Directors believe that there are no real key performance indicators. All income and gains generated by the company are paid to the loan noteholders as interest expense after taking into account prior period losses, operating expenses, financing expenses and any hold back amount as noted in the securitisation agreement. As such profit before taxation is not indicative of the performance of the company.

During the period, the company earned €1,097,609 as investment income and incurred €1,010,012 as interest expense on loan notes issued. Details of this are presented in the Statement of Comprehensive Income on page 10

FUTURE DEVELOPMENTS

The directors consider that the period end financial position was satisfactory and do not anticipate any significant change in activities in the forthcoming year. Since the balance sheet date there has been a global outbreak of a coronavirus disease (COVID-19) which has widespread disruptions to financial markets and normal pattern of activities across the world.

Given the uncertainty raised by COVID-19, in order for the directors to be satisfied that there will continue to be sufficient funds to cover the administrative expenses and taxes of the Company, the Company has subsequently implemented a policy to ensure that cash reserves are maintained which would cover the expenses for the twelve-month period from the signing of the financial statements.

As the Investment into CLI II was funded by the loan notes and both are carried at fair value, any change in the investment has an equal and opposite impact on the valuation of the liability of the loan notes. Although there is no overall net impact on the net assets of the entity there was an impact on the absolute value of the investments and loan notes. As such it is not expected that any future potential or actual change in value of the CLO investments as a result of COVID-19 or other market factors will impact the going concern analysis of the Company in the future.

Note 9.1 describes how sensitive the fair value of the investment are to key assumptions.

FINANCIAL RISK MANAGEMENT

The Company has established a Risk and Financial Framework where its primary role is to protect the Company from events that hinder the achievements of the Company's performance. The Company is a securitisation company which has been structured so as to avoid, as far as possible, significant financial risk. Further details regarding financial risk factors and exposure of the Company to capital risk, credit risk, interest rate risk, foreign currency risk and liquidity risk are discussed below.

As discussed in the Future developments section, the recent global outbreak of COVID-19 has caused widespread disruptions to financial markets and normal pattern of activities across the world. The Company considers that the Coronavirus situation will have the potential to impact most of the risks outlined below but believes that the mitigation set out in each section remains appropriate.

Capital risk

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern. The Company is not subject to any external capital requirements except for the minimum requirement under the Companies Act 2006.

The Company has not breached the minimum requirement.

Credit risk

Credit risk reflects the risk that the underlying borrowers or other transaction parties may not meet their obligations as they fall due.

The Company mitigates credit risk by matching a significant portion of the principal amount and interest due from its investment in CLI II with the loan notes it has issued to investors. The value of CLI II depends on the value of the underlying CLOs that CLI II holds. These investments are carried at fair value based on discounted cash flow models using market derived inputs. Any change in the value of the underlying investment in CLI II has an equal impact on the value of the loan notes that the Company has issued to investors. As the interest receivable on the investment covers the interest payment obligation on the loan notes after deducting all administrative expense and given the limited recourse nature of the loan notes the Company's credit risk is mitigated.

Cash is deposited at major UK financial institutions only.

FINANCIAL RISK MANAGEMENT (continued)

As at the reporting date, the Company's maximum exposure to credit risk on its financial assets is disclosed below:

	Carrying value 31-Dec-19 €	Maximum exposure 31-Dec-19 €
Investments	25,664,961	25,664,961
Trade and other receivables	1,097,610	1,097,610
Other assets	17,897	17,897
Cash and cash equivalents	51,017	51,017
Total	**26,831,485**	**26,831,485**

Foreign currency risk

The Company's assets and liabilities are denominated in Euros. The Company does incur some administrative costs in Sterling and is therefore operationally exposed to fluctuations in the respective exchange rates. Management does not feel it is necessary to hedge against this risk by entering into exchange rate contracts as this is not seen as a significant risk.

Interest rate risk

Interest rate risk exists where assets and liabilities have interest rates set under a different basis or which reset at different times. The Company's exposure to interest rate risk is limited as the majority of the interest rate characteristics of its assets and liabilities are similar.

Liquidity risk

Liquidity risk is the risk that the Company is not able to meet its financial obligations as they fall due. In the management of liquidity risk, the Company monitors and maintains a level of cash at bank and in hand deemed adequate by management to finance the Company's operations and mitigate the effects of fluctuations in cash flows.

Given the uncertainty raised by COVID-19, in order for the directors to be satisfied that there will continue to be sufficient funds to cover the administrative expenses and taxes of the Company, the Company has subsequently implemented a policy to ensure that cash reserves are maintained which would cover the expenses for the twelve-month period from the signing of the financial statements.

Since the payment and receipt of interest on the loan notes and investment income from CLI II respectively are approximately matched there is limited liquidity risk.

GOING CONCERN

The directors have at the time of approving the financial statements, a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and at least 12 months from the date of this report. In assessing this they have considered the Company's net asset position and reviewed all available information about the future performance. They have therefore adopted the going concern basis of accounting in preparing the financial statements.

Given the uncertainty raised by COVID-19, in order for the directors to be satisfied that there will continue to be sufficient funds to cover the administrative expenses and taxes of the Company, the Company has subsequently implemented a policy to ensure that cash reserves are maintained which would cover the expenses for the twelve-month period from the signing of the financial statements.

As the Investment into CLI II was funded by the loan notes and both are carried at fair value, any change in the investment has an equal and opposite impact on the valuation of the liability of the loan notes. Although there is no overall net impact on the net assets of the entity there was an impact on the absolute value of the investments and loan notes. As such it is not expected that any future potential or actual change in value of the CLO investments as a result of COVID-19 or other market factors will impact the going concern analysis of the Company in the future.

It is not expected that any future potential or actual change in value of the CLO investments as a result of COVID-19 or other market factors will impact the going concern analysis of the Company in the future.

Isobel Coley for and on behalf of
TMF Corporate Directors Limited
Director

Date: 14 August 2020

CLI Holdings II Limited
Directors' report
for the period ended 31 December 2019

The directors present their report together with the audited financial statements on the affairs of the Company for the period commencing 7 August 2018 and ended 31 December 2019.

DIVIDENDS

The directors do not recommend the payment of a dividend for the period ended 31 December 2019.

PRINCIPAL ACTIVITIES AND FUTURE DEVELOPMENTS

The Company's principal activity is that of investing in Cairn Loan Investments II LLP. On 5 July 2019 the Company was appointed as a non-designated member of Cairn Loan Investments II LLP. The Directors do not anticipate any further future developments or changes to the principal activities of the Company.

DIRECTORS

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

- Joint Corporate Services Limited (appointed 7 August 2018)
- TMF Corporate Directors Limited (appointed 7 August 2018)
- Nita Savjani (appointed 7 August 2018)

SECRETARY

TMF Corporate Administration Services Limited (appointed secretary on 7 August 2018.)

EMPLOYEES

The Company has no employees. TMF Global Services (UK) Limited provides corporate management services to the Company.

QUALIFYING THIRD-PARTY INDEMINITY PROVISION

As permitted in the Articles of Association, the directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial period and is currently in force.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

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

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

Independent Auditors

PricewaterhouseCoopers LLP ("PwC") were appointed auditors during the period. A resolution to approve this appointment and to re-appoint PwC will be proposed at the next meeting of the board.

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

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

Isobel Coley for and on behalf of
TMF Corporate Directors Limited
Director
Date: 14 August 2020

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law, the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising 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 of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions, 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.

DIRECTORS' CONFIRMATIONS

Each of the directors, whose names and functions are listed in Directors' Report confirm that, to the best of their knowledge:

- the company financial statements, which have been prepared in accordance with United Kingdom Generally Accepted Accounting Practices (United Kingdom Accounting Standards, comprising FRS102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law), give a true and fair view of the assets, liablities, financial position and profit of the company; and
- the Directors' Report includes a fair review of the development and performance of the business and the position of the company, together with a description of the principal risks and uncertainties that it faces.

Approved by the Board of Directors and signed on behalf of the Board;

Isobel Coley for and on behalf of
TMF Corporate Directors Limited
Director
Date: 14 August 2020

Independent auditors' report to the members of CLI Holdings II Limited

Report on the audit of the financial statements

Opinion

In our opinion, CLI Holdings II Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit and cash flows for the period 7 August 2018 to 31 December 2019 (the "period");
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Statement of Financial Position as at 31 December 2019; the Statement of Comprehensive Income, the Statement of Cash Flows, the Statement of Changes in Equity for the period; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Our audit approach

Overview

- Overall materiality: €267,100, based on 1% of total assets.
- As CLI Holdings II Limited's main purpose is to be a member of Cairn Loan Investments II LLP ("CLI II"), our audit procedures focused on the valuation of Investment in CLI II.
- Key audit matters:
  - o Valuation of Investments
  - o Impact of the outbreak of COVID-19 pandemic on the financial statements

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter	***How our audit addressed the key audit matter***
Valuation of Investments *Refer to Note 3 "Summary of Significant Accounting Policies" and Note 9 "Investments" in the financial statements.* CLI Holding II Limited's only investment is as a member of CLI II. Holding this investment is the main purpose of CLI Holdings II Limited. Due to the magnitude (€25,664,961 as at 31 December 2019) and nature of the investment it has been deemed a key audit matter.	We obtained an understanding of management's process for valuing the investment in CLI II. We reviewed and considered the appropriateness of the valuation methodology for the investment as at 31 December 2019. We re-performed the calculation and agreed the inputs to evidence including the audited 31 December 2019 financial statements for CLI II. We also evaluated the audit opinion and assessed the accounting policies of CLI II to ensure we could place reliance on the CLI II financial statements. Based on the procedures performed, we found no material misstatements.
Impact of the outbreak of COVID-19 pandemic on the financial statements *Refer to the Strategic Report and Note 19 "Post Balance Sheet Events" in the financial statements.* Subsequent to the year-end 31 December 2019, there has been a global pandemic from the outbreak of COVID-19 (Coronavirus). During the preparation of the financial statements, the potential impact of COVID-19 had become significant and had caused and was continuing to cause widespread disruption to financial markets and normal patterns of business activity across the world, including in the UK. The directors have considered the impact on the financial statements and have concluded that the matter is a non-adjusting post balance sheet event, implemented a policy to ensure sufficient funds are held to cover the administrative expenses and taxes for the next twelve month period, and that the going concern basis of preparation is appropriate.	We critically assessed management's assessment of the impact of COVID-19 on the company, that the matter be treated as a non-adjusting post balance sheet event due to the pandemic occurring subsequent to the period-end date of 31 December 2019, and that the directors consider the impact to be net nil due to the offset of the investment in CLI II and the value of the loan notes. We considered: • The timing of the development of the outbreak across the world and in the UK; and • How the financial statements and business operations of the company might be impacted by the disruption. We assessed that our initial risk assessment did not need to be revised. Our procedures in respect to the COVID-19 pandemic included: • We evaluated management's going concern assessment. We challenged their policy around cash reserves which as a result has been updated to ensure sufficient funds are held to cover the administrative expenses and taxes for the next twelve-month period. • We made enquiries of management to understand the potential impact of COVID-19 on the company's financial performance and operations. • We evaluated management's assessment of COVID-19 pandemic on the company's assets and liabilities post year-end. • In addition, we considered whether, in our view, the disclosures in the financial statements relating to risk management and going concern were reasonable and supportable in light of the emergence of the COVID-19 pandemic subsequent to the year end.

Key audit matter	How our audit addressed the key audit matter
	In accordance with Section 32 FRS102, we are satisfied with management's assessment. Based on the work performed, we are satisfied that the matter has been appropriately evaluated and reflected in the financial statements and that the disclosures made by management are appropriate.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the company, the accounting processes and controls, and the industry in which it operates.

We focused on the valuation of the company's investment in CLI II. The valuation is calculated by taking the company's share of the underlying assets from the audited financial statements of CLI II.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall materiality	€267,100
How we determined it	1% of total assets.
Rationale for benchmark applied	The main purpose of CLI Holdings II Limited is to be a member of CLI II. The corresponding listed debt on The International Stock Exchange ("TISE") is purely to finance the investment in CLI II. Therefore we believe the total assets benchmark is an appropriate measure as it is based on the investments.

We agreed with the directors that we would report to them misstatements identified during our audit above €13,355 as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

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

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

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

Reporting on other information

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

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

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

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

Strategic Report and Directors' Report

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

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Sarah Chandler

Sarah Chandler (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
14 August 2020

CLI Holdings II Limited
STATEMENT OF COMPREHENSIVE INCOME
for the period ended 31 December 2019

	Notes	For the period 7 August 2018 to 31 December 2019 €
Investment Income	5	1,063,570
Interest expense	6	(975,973)
Net interest income		**87,597**
Bank charges and other expenses		(81)
Administrative expenses	7	(87,266)
Profit before taxation		**250**
Income tax expense	8	(48)
Total Comprehensive Income and Profit for the financial period		**202**

The statement of comprehensive income has been prepared on the basis that all operations are continuing operations. There was no other comprehensive income during the period.

The notes on pages 14 to 19 form part of these financial statements.

CLI Holdings II Limited
STATEMENT OF FINANCIAL POSITION
for the period ended 31 December 2019

	Notes	For the period 7 August 2018 to 31 December 2019 €
ASSETS		
NON-CURRENT ASSETS		
Investments	9	25,664,961
CURRENT ASSETS		
Trade and other receivables	10	1,097,610
Other assets	11	17,897
Cash and cash equivalents		51,017
		1,166,524
TOTAL ASSETS		26,831,485
EQUITY		
SHAREHOLDERS' EQUITY		
Called up share capital	12	1
Retained earnings		202
TOTAL EQUITY		203
LIABILITIES		
NON-CURRENT LIABILITIES		
Loan Notes Issued	13	25,765,961
CURRENT LIABILITIES		
Amounts owed to Group Undertakings		26,468
Interest payable on loan notes		1,009,714
Accruals and deferred income		29,091
Corporation Tax Payable	8	48
		1,065,321
TOTAL LIABILITIES		26,831,282
TOTAL EQUITY AND LIABILITIES		26,831,485

The notes on pages 14 to 19 form part of these financial statements.

The financial statements on pages 10 to 19 are approved and authorised for issue by the Board of Directors on 14 August 2020 and signed on its behalf by:

Director

TMF Corporate Directors Limited

Company registration number: 11504910

CLI Holdings II Limited
STATEMENT OF CHANGES IN EQUITY
for the period ended 31 December 2019

	Called up share capital €	Retained earnings €	Total equity €
Opening balance as at 7 August 2018	1	-	1
Changes in equity			
Total Comprehensive Income and Profit for the financial period	-	202	202
Balance at 31 December 2019	1	202	203

The notes on pages 14 to 19 form part of these financial statements.

CLI Holdings II Limited
STATEMENT OF CASH FLOWS
for the period ended 31 December 2019

	For the period 7 August 2018 to 31 December 2019 €
Cash flows from operating activities	
Profit before tax for the period	250
Adjustment for :	
Increase in trade and other receivables	(1,115,507)
Increase in trade and other payables	1,065,274
Net cash used in operating activities	(49,983)
Cash flows from investing activities	
Payment to acquire investments	(25,699,000)
Net cash used in investing activities	(25,699,000)
Cash flows from financing activities	
Proceeds from Loan Notes issues	25,800,000
Net cash generated from financing activities	25,800,000
Increase in cash and cash equivalents	51,017
Cash and cash equivalents at beginning of period	-
Cash and cash equivalents at end of period	51,017

The notes on pages 14 to 19 form part of these financial statements.

1. GENERAL INFORMATION

The Company is a member of CLI II and is a private company limited by shares and incorporated and domiciled in England. The Company has an office in the UK with a registered address of 8th Floor, 20 Farringdon Street, London, EC4A 4AB.

2. STATEMENT OF COMPLIANCE

The financial statements of CLI Holdings II Limited have been prepared in compliance with United Kingdom Generally Accepted Accounting Standards, including Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ('FRS 102'), and with the Companies Act 2006.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The principal accounting policies applied in the preparation of these financial statements are set out below. They have all been applied consistently throughout the current period.

The Company's financial statements have been prepared in accordance with applicable United Kingdom Generally Accepted Accounting Standards, including the Financial Reporting Standard 102 as issued by the Financial Reporting Council.

The functional currency of the Company is Euros and the financial statements are also presented to the nearest Euro.

The financial statements have been prepared on a going concern basis, under the historical cost basis except for the modification of certain financial assets and liabilities measured at fair value through profit or loss as specified in the accounting policies below.

Basis of consolidation

Under FRS 102 control is established when the Company has the power to govern the operating and financial policies of an entity. Whilst the Company owns 99.8% of CLI II, it is not involved in the operational day to day management of CLI II thus it is not deemed to have control and as such CLI II is not consolidated.

Going Concern

The financial statements have been prepared on the basis that the Company will continue as a going concern for the foreseeable future and for at least twelve months from the date of approval of these financial statements. The directors believe this basis to be appropriate.

Given the uncertainty raised by COVID-19, in order for the directors to be satisfied that there will continue to be sufficient funds to cover the administrative expenses and taxes of the Company, the Company has subsequently implemented a policy to ensure that cash reserves are maintained which would cover the expenses for the twelve-month period from the signing of the financial statements.

As the Investment into CLI II was funded by the loan notes and both are carried at fair value, any change in the investment has an equal and opposite impact on the valuation of the liability of the notes. Although there is no overall net impact on the net assets of the entity there was an impact on the absolute value of the investments and loan notes. As such it is not expected that any future potential or actual change in value of the CLO investments as a result of COVID-19 or other market factors will impact the going concern analysis of the Company in the future.

Significant accounting judgements and key sources of estimation and uncertainty

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both the current and future periods.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results which form the basis of making judgements on carrying values the asset and liability that are not readily apparent from other sources. Actual results may differ from these estimates used in the financial statements.

The items in the financial statements where these judgements and estimates have been made include:

Investments

The investment held by the Company in CLI II is carried at fair value. The fair value is calculated using the fair value of investments in the underlying Collateralised Loan Obligations ("CLOs") and excess cash held by CLI II as per the audited financial statements.

CLI II invests in the most junior tranche of loan notes issued by the Collaterisaled Loan Obligations ("CLOs") that it manages. These investments form the main basis of the value of CLI II and therefore the value of the Company's investment in CLI II. Full details of how the investments in the CLOs are valued can be found in CLI II's financial statements.

Details of fair value classification is presented in Note 16.

Loan Notes issued

As the distributions that loan noteholders receive are based on income received by the Company, the loan notes are required to be carried at fair value. As the loan notes are issued to fund the Company's investment into CLI II, the fair value of the loan notes is based on the value of the Company's investment in CLI II.

Details of fair value classification is presented in Note 16.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basic financial instruments - Financial assets/liabilities

Trade and other receivables / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and in hand and are measured at fair value.

The Company has deposits in bank accounts held in the Company's name which meet the definition of cash and cash equivalents but their use is restricted by a detailed priority of payments set out in the programme transaction agreements.

Investment income

This represents income from investments in the period and is accounted for on an accruals basis.The Company carries its Investments and loan notes at fair value. Fair value of the loan notes is based on the fair value of the investments held by the company. As a result of this, any fair value movement in investments is matched by opposite fair value movement on the loan notes. As a result, the net impact of this is nil on the Statement of Comprehensive Income and the two fair value movements have been netted off against each other and not presented separately on the Statement of Comprehensive Income.

Interest expense

This represents interest payable on loan notes issued in the period and is accounted for on an accruals basis. All income and gains generated by the company are paid to the loan noteholders as interest expense after taking into account prior period losses, operating expenses, financing expenses and any hold back amount as noted in the securitisation agreement.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the financial period. Taxable profit differs from net profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are non taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted as at the reporting date.

Deferred tax

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted as at the reporting date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

4. DIRECTORS AND EMPLOYEES

- Management charges amounting to €22,395 was earned by TMF Global Services (UK) Limited and include sums paid to third parties in respect of directors'services. It is not possible to separately identify amounts paid in respect of the directors' services (as provided in period by Nita Savjani, Joint Corporate Services Limited and TMF Corporate Directors Limited) in the aggregate of management charges.
- None of the directors had any interests in the Company at the end of the period.
- None of the directors had any material interest in any contract of significance in relation to the business of the Company in the current period.
- The Company does not have any employees.

5. INVESTMENT INCOME

	2019
	€
Investment Income	1,097,609
Movement in value during the period (Note 13.1)	(34,039)
	1,063,570

6. INTEREST EXPENSE

	2019
	€
Interest on Loan Notes	1,010,012
Movement in value during the period (Note 13.1)	(34,039)
	975,973

7. ADMINSTRATIVE EXPENSES

	2019
	€
Legal fee	933
Trustee and other related fees	7,630
CSA and Accountancy	22,395
Cash manager fees	2,436
Audit fees payable to Company's auditors	21,080
Listing Agent fees	26,468
Tax compliance fees	6,324
	87,266

8. INCOME TAX

	2019
	€
Income tax expense:	
UK Corporation tax charge for the period at an effective rate of 19%	48
Total tax charge	48

A reduction in the UK corporation tax rate from 19% to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016. In the 11 March 2020 Budget it was announced that the UK tax rate will remain at the current 19% and not reduce to 17% from 1 April 2020. This will have a consequential effect on the Company's future tax charge.

Current tax charge:	**€**
Profit before tax as per securitisation agreement	250
UK Corporation tax charge for the period at an effective rate of 19%	48
Total tax charge	48

Corporation Tax payable :

	€
As at 7 August 2018	-
Payments	-
Charge for the year	48
Balance at 31 December 2019	48

9. INVESTMENTS

	2019
	€
Investments in CLI II made during the period	25,699,000
Movement in value during the period (Note 13.1)	(34,039)
Fair value at the end of the period	25,664,961

9.1 MOVEMENT IN INVESTMENT

CLI II invests in the most junior tranches of the loan notes of the Collateralised Loan Obligations ("CLO") that it manages. These investments form the main basis of the value of CLI II and therefore the value of the Company's investment in CLI II. Full details of how the investments in the CLOs are valued can be found in CLI II's financial statements.
Changes in the values of the CLO investments in CLI II have an impact on the value of the Company's investment in CLI II. and have an equal impact on the value of the loan notes liability shown in note 13. Sensitivity analysis can be seen below:

Change if value of CLOs in CLI II decreases by 10%	€
Decrease in value of investment in CLI II	2,015,636
Decrease in value of loan notes issued to investors	2,015,636

10. TRADE AND OTHER RECEIVABLES

	2019
	€
Trade receivables	20,066
Income receivable from investment	1,077,543
Other receivables -Unpaid share capital	1
	1,097,610

11. OTHER ASSETS

	2019
	€
Prepayments and accrued income	17,897
	17,897

12. CALLED UP SHARE CAPITAL

	2019
	€
Called up, allotted and fully paid	
1 ordinary share of €1	1

There is a single class of ordinary shares. There are no restrictions on the distribution of dividends and repayment of capital.

13. LOAN NOTES ISSUED

	2019
	€
Loan notes issued during the period	25,800,000
Movement in value during the period (Note 13.1)	(34,039)
Fair value at the end of period	25,765,961

13.1. Details of nominal value of Loan notes in issue as at 31 Dec 2019

Description	**€**
Nominal value of loan notes in issue as at 31 Dec 2019	25,800,000
Value of loan notes as at 31 Dec 2019	25,765,961
Fair value movement during the period	(34,039)

14. RELATED PARTY TRANSACTIONS

The Company has identified the following transactions which are required to be disclosed under the terms of FRS 102, section 33 Related party disclosure.

The Company is a special-purpose entity controlled by its Board of Directors, which comprises of three directors: TMF Corporate Directors Limited, Joint Corporate Services Limited and Nita Savjani.

Nita Savjani is an employee of TMF Global Services (UK) Limited and Joint Corporate Services Limited and TMF Corporate Directors Limited are subsidiaries of TMF Global Services (UK) Limited, which provides corporate services to the Company.

TMF Global Services earned a total of €32,461 as fees for Cash Management,Accounting and SPV services provided to the Company during the year of which no amount was outstanding as at the end of the reporting period.

The Company also accrued €1,097,609 of investment income from CLI II, all amounts are still outstanding at 31 December 2019.

As at 31 December 2019 the Company owed CLI II €26,468 in relation to expenses paid by CLI II which were subsequently recharged to the Company.

The Company owns 99.8% of the members' capital of Cairn Loan Investments II LLP. Cairn Loan Investments II LLP's registered address is 27 Knightsbridge, London SW1X 7LY.

15. ULTIMATE CONTROLLING PARTY

The entire issued and allotted share capital of the Company is held on a discretionary trust basis by TMF Trustee Limited. TMF Trustee Limited has appointed the Board of Directors to oversee the day-to-day activities of the Company and therefore has management control of the Company. At 31 December 2019, the Company had no ultimate controlling party as TMF Trustee Limited do not receive the benefits of the Company's activities.

16. ESTIMATION OF FAIR VALUES

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**: The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.
- **Level 2**: Inputs other than quoted prices included within Level 1 that are observable (ie developed using market data) for the asset or liability, either directly or indirectly.
- **Level 3**: Inputs are unobservable (ie for which market data is unavailable) for the asset or liability.

Fair values for investments and loan notes is determined using the level 3 inputs which are based on internal valuation pricing of the instruments.

17. CAPITAL COMMITMENTS

As at 31 December 2019 the Company had an undrawn commitment of €14,301,000 to Cairn Loan Investments II LLP. The Company will issue further loan notes to investors when funding for this committment is required. The conditions of this members commitment is as set out in the LLP agreement.

18. COMPARATIVE PERIOD

The Company was incorporated on 7 August 2018 but did not start trading until 5 July 2019 and as such has opted to prepare extended first period financial statements. As such, no comparatives are disclosed.

19. POST BALANCE SHEET EVENTS

Since early January 2020, the COVID-19 outbreak has spread across the globe and has been classified by the World Health Organisation as a Pandemic. This is resulting in a global disruption to business and economic activity, and is resulting in substantial and substantive governments and central banks relief actions and support measures in many other countries to protect their respective economies.

The directors have considered the uncertainty and likely impact of the COVID-19. There was an impact on the absolute value of the investments and loan notes however, given any impact on the value of investments will be offset by the changes in the value of the liability of the loan notes, with no net impact on net assets, the directors do not consider any further disclosure necessary.

Other than that disclosed above, there were no post balance sheet events that require disclosure in these financial statements.