COMPANY REGISTRATION NUMBER: 638338

SECURITISATION ONLINE IRISH RECEIVABLES DESIGNATED ACTIVITY COMPANY

DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 26 NOVEMBER 2018 (DATE OF INCORPORATION) TO 30 JUNE 2019

CONTENTS

COMPANY INFORMATION

DIRECTORS	Stephen Healy (appointed on 26 November 2018) Martin Carr (appointed on 26 November 2018) Raja Gul (Alternate Director - appointed on 17 September 2021, resigned 17 September 2021)
ADMINISTRATOR, COMPANY SECRETARY AND REGISTERED OFFICE	TMF Administration Services Limited 3rd Floor, Kilmore House Park Lane Spencer Dock Dublin 1 Ireland
ACCOUNT BANK AND CASH MANAGER	The Bank of New York Mellon, London Branch One Canada Square London, E14 5AL United Kingdom
INDEPENDENT AUDITORS	Deloitte Ireland LLP Chartered Accountants and Statutory Audit Firm Deloitte & Touche House Earlsfort Terrace Dublin 2
ARRANGER AND FACILITY AGENT	HSBC Bank plc 8 Canada Square, London, E14 5HQ United Kingdom
SECURITY TRUSTEE	BNY Mellon Corporate Trustee Services Limited One Canada Square London, E14 5AL United Kingdom
SELLER, SERVICER AND JUNIOR NOTEHOLDER	Shop Direct Ireland Limited Cape House, Westend Office Park Blanchardstown Snugborough Road Dublin 15 Ireland
SERVICER	Shop Direct Finance Company Limited Aintree Innovation Centre Park Lane Netherton Bootle L30 1SL United Kingdom
LEGAL ADVISOR	Mason, Hayes and Curran, Barrow Street, Dublin 4, Ireland

DIRECTORS' REPORT

The directors submit their annual financial report together with the audited financial statements of Securitisation Online Irish Receivables Designated Activity Company (the "Company") for the financial period from 26 November 2018 (date of incorporation) to 30 June 2019.

PRINCIPAL ACTIVITIES

The Company is a designated activity company which was incorporated on 26 November 2018 under the laws of Ireland with limited liability with the registered number 638338.

The Company was incorporated on 26 November 2018 in accordance with the laws of Ireland with company registration number 638338. The Company operates as a special purpose vehicle with limited liability and qualifies for the regime contained in Section 110 of the Irish Taxes Consolidation Act, 1997 (the "TCA"). This provides that a qualifying company will be liable to corporation tax at the rate of 25% under Case III if Schedule D of the TCA in respect of taxable profits.

The Company has been formed for the purpose of providing a variable level of financing to Shop Direct Ireland Limited ("Seller"), the amount of which is reviewed on a weekly basis, commencing in November 2018.

In order to raise finance to enter into the loan provision transaction with Shop Direct Ireland Limited, the Company has arranged a senior loan facility (the "Senior Facility"), pursuant to the terms of the Senior Facility Agreement with HSBC Bank plc (the "Facility Agent"), and issued a junior variable funding note (the "Junior Notes") to Shop Direct Ireland Limited (the "Junior Noteholder"), pursuant to the Junior Note Instrument Agreement. The Junior note is listed on The International Stock Exchange ("TISE") in Guernsey and is of limited recourse.

The Facility Agent receives a variable return based on Libor plus a margin and the Junior Noteholder receives the residual income of the Company having provided for a transaction fee payable to the issuer of €1,000 per annum, the administration expenses in Note 5 and tax charge in Note 6.

The Company has no direct employees.

BUSINESS REVIEW AND FUTURE DEVELOPMENTS

The directors expect the current level of activity to continue in the foreseeable future.

RESULTS AND DIVIDENDS FOR THE FINANCIAL PERIOD

The results for the financial period and the Company's financial position at the end of the financial period are disclosed on pages 13 and 14. The profit after tax for the financial period is €375. The directors do not recommend the payment of a dividend.

The key performance indicators for the Company are as follows:

		30 June 2019
		€
(a)	Income received from Seller	590,086
(b)	Interest payable on senior lending facility	(439,654)
(c)	Loan advanced	37,019,368

The value of the loan as at the financial period end is €37,019,368. The loan was funded by the Senior loan facility and the Junior Notes.

DIRECTORS AND COMPANY SECRETARY

The directors of the company secretary are listed below and have served for the entire financial period:
Stephen Healy (appointed 26 November 2018)
Martin Carr (appointed 26 November 2018)

The directors and the company secretary had no material interest in any contract of significance in relation to the business of the Company other than that disclosed below. The directors and company secretary who held office on 30 June 2019 did not hold any shares, debentures or loan stock of the Company on that date or during the financial period.

DIRECTORS' REPORT (CONTINUED)

RELATED PARTY TRANSACTIONS

The related party transactions in relation to the Company are disclosed in note 19.

SIGNIFICANT SUBSEQUENT EVENTS

The directors have considered the potential impact of the COVID-19 pandemic on the Company's business. This and other significant subsequent events in relation to the Company are disclosed in note 21.

GOING CONCERN

The Company began trading in the second half of 2018 and the directors have considered the financial situation of the Company including the impact of the COVID-19 pandemic and other subsequent events as set out in note 21. The investment is expected to generate sufficient future cash flows to fund the Company's on-going operations. Hence, after making enquiries and having considered the matters described above, the Directors have a reasonable expectation that the Company will continue in operational existence for the foreseeable future. Thus, the Directors have concluded that it is appropriate to prepare the financial statements on a going concern basis.

FINANCIAL RISK MANAGEMENT

The operations of the Company are subject to various risks. Information about the financial risk management objectives and policies of the Company, along with exposure of the Company to capital risk, interest rate risk, credit risk, liquidity risk and other financial risks, are disclosed in note 17 to the financial statements.

POWERS OF DIRECTORS

The Board is responsible for managing the business affairs of the Company in accordance with the Company's Constitution. The directors may delegate certain functions to the Administrator and other parties, subject to supervision and direction by the directors. The Board consists of two directors.

ANNUAL CORPORATE GOVERNANCE STATEMENT

Introduction

The Company is subject to and complies with Irish Statute comprising the Companies Acts 2014 and the relevant listing rules. The Company does not apply additional requirements in addition to those required by the above. Each of the service providers engaged by the Company is subject to their own corporate governance requirements.

Financial reporting process

The board of directors ("the Board") is responsible for establishing and maintaining adequate internal control and risk management systems of the Company in relation to the financial reporting process. Such systems are designed to manage rather than eliminate the risk of failure to achieve the Company's financial reporting objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has established processes regarding internal control and risk management systems to ensure its effective oversight of the financial reporting process. These include appointing the Administrator to maintain the accounting records of the Company independently of Shop Direct Ireland Limited (the "Servicer"). The Administrator is contractually obliged to maintain adequate accounting records as required by the corporate services agreement. To that end the Administrator performs reconciliations of its records to those of the Servicer. The Administrator is also contractually obliged to prepare for review and approval by the Board the annual report including financial statements intended to give a true and fair view.

The Board evaluates and discusses significant accounting and reporting issues as the need arises. From time to time the Board also examines and evaluates the Administrator's financial accounting and reporting routines and monitors and evaluates the external auditors' performance, qualifications and independence. The Administrator has operating responsibility for internal control in relation to the financial reporting process and the Administrator's report to the Board.

DIRECTORS' REPORT (CONTINUED)

ANNUAL CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Risk assessment

The Board is responsible for assessing the risk of irregularities whether caused by fraud or error in financial reporting and ensuring the processes are in place for the timely identification of internal and external matters with a potential effect on financial reporting. The Board has also put in place processes to identify changes in accounting rules and recommendations and to ensure that these changes are accurately reflected in the Company's financial statements. More specifically,

- The Administrator has a review procedure in place to ensure errors and omissions in the financial statements are identified and corrected.
- Regular training on accounting rules and recommendations is provided to the accountants employed by the Administrator.

Control activities

The Administrator is contractually obliged to design and maintain control structures to manage the risks which the Board judges to be significant for internal control over financial reporting. These control structures include appropriate division of responsibilities and specific control activities aimed at detecting or preventing the risk of significant deficiencies in financial reporting for every significant account in the financial statements and the related notes in the Company's annual report.

Monitoring

The Board has an annual process to ensure that appropriate measures are taken to consider and address the shortcomings identified and measures recommended by the independent auditors.

Given the contractual obligations on the Administrator, the Board has concluded that there is currently no need for the Company to have a separate internal audit function in order for the board to perform effective monitoring and oversight of the internal control and risk management systems of the Company in relation to the financial reporting process.

Capital structure

No person has any special rights of control over the Company's share capital.

There are no restrictions on voting rights.

With regard to the appointment and replacement of Directors, the Company is governed by its Constitution, Irish Statute comprising the Companies Act, 2014 and the relevant listing rules. The Constitution themselves may be amended by special resolution of the shareholders.

Powers of directors

The board is responsible for managing the business affairs of the Company in accordance with the Constitution. The directors may delegate certain functions to the Administrator and other parties, subject to the supervision and direction by the directors. The directors have delegated the day to day administration of the Company to the Administrator.

Audit committee

The Company was established to issue debt securities and under Regulation 91(9)(d) of the European Communities (Statutory Audits) (Directive 2006/43/EC) Regulation 2010 (the "Regulations"), such a Company may avail itself of an exemption from the requirement to establish an audit committee. Given the limited recourse nature of the securities issued by the Company, the Board of Directors has concluded that there is currently no need for the Company to have a separate audit committee in order for the Board to perform effective monitoring and oversight of the internal control and risk management system of the Company in relation to the financial reporting process. Accordingly, the Company has availed itself of the exemption under Regulation 91(9)(d) of the Regulations.

DIRECTORS' REPORT (CONTINUED)

DIRECTORS' COMPLIANCE STATEMENT

The directors, in accordance with Section 225(2) (a) of the Companies Act 2014, acknowledge that they are responsible for securing the Company's compliance with its relevant obligations as defined with the Companies Act 2014 (herein after called the "Relevant Obligations").

Pursuant to Section 225(2) (b) of the Companies Act 2014, the directors confirm that:

(i) a compliance policy statement has been drawn up as required by Section 225(3) (a) of the Companies Act 2014 setting out the Company's policies (that, in the directors' opinion, are appropriate to the Company) in respect of compliance by the Company with its relevant obligations;
(ii) appropriate arrangements and structures have been put in place that, in their opinion, secure material compliance with the Company's relevant obligations, and
(iii) a review has been conducted, in the financial period, of the arrangements and structures referred to in paragraph (ii).

AUDIT COMMITTEE STATEMENT

Following consideration of Section 167 of the Companies Act 2014, the Board has decided they would not establish an Audit Committee. The Board considered that owing to the non-executive nature of the Company's directors, it is carrying out the responsibilities of an audit committee.

DISCLOSURE OF INFORMATION TO AUDITOR

So far as each of the directors in office at the date of approval of the financial statements is aware:

- There is no relevant audit information of which the Company's auditors are unaware; and
- The directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 330 of the Act.

POLITICAL DONATIONS

The Electoral Act, 1997 (as amended by the Electoral Amendment Political Funding Act, 2012) requires companies to disclose all political donations over €200 in aggregate made during a financial period. The directors, on enquiry, have satisfied themselves that no such donations in excess of this amount have been made by the Company during the Financial period ended 30 June 2019.

ACCOUNTING RECORDS

The directors are responsible for ensuring that proper accounting records, as outlined in Section 281 to 285 of the Act are kept by the Company. The measures taken by directors to ensure compliance with the Company's obligation to keep adequate accounting records are the use of appropriate systems and procedures and by ensuring that a competent service provider is responsible for the preparation and maintenance of the accounting records. The accounting records are kept at 3rd Floor, Kilmore House, Park Lane, Spencer Dock, Dublin 1, Ireland.

INDEPENDENT AUDITORS

Deloitte Ireland LLP, Chartered Accountants and Statutory Audit Firm were appointed during the period and have indicated their willingness to continue in office in accordance with Section 283(2) of the Companies Act 2014.

This report was approved by the Board and authorised for issue on 17 September 2021.

Stephen Healy
Director

Raja Gul
Alternate Director

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the directors' report and the financial statements in accordance with Irish law.

Irish law requires the directors to prepare financial statements for each financial period. Under that law the directors have prepared the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS).

Under Irish law the directors shall not approve the financial statements unless they are satisfied that they give a true and fair view of the company's assets, liabilities and financial position as at the end of the financial period and of the profit or loss of the company for the financial period.

In preparing these financial statements, the directors are required to:
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether the financial statements have been prepared in accordance with IFRS and ensure that they contain the additional information required by the Companies Act 2014; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to:
- correctly record and explain the transactions of the Company;
- enable, at any time, the assets, liabilities, financial position and profit or loss of the Company to be determined with reasonable accuracy; and
- enable the directors to ensure that the financial statements comply with the Companies Act 2014 and enable those financial statements to be audited.

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.

On behalf of the board

Stephen Healy

Stephen Healy
Director

Raja Gul
Alternate Director

17 September 2021

Deloitte.

Deloitte Ireland LLP
Chartered Accountants &
Statutory Audit Firm

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SECURITISATION ONLINE IRISH RECEIVABLES DESIGNATED ACTIVITY COMPANY

Report on the audit of the financial statements

Opinion on the financial statements of Securitisation Online Irish Receivables Designated Activity Company (the 'company')

In our opinion the financial statement:

- Give a true and fair view of the assets, liabilities and financial position of the company as at 30 June 2019 and of the profit for the financial period then ended; and
- Have been properly prepared in accordance with the relevant financial reporting framework and, in particular, with the requirements of the Companies Act 2014.

The financial statements we have audited comprise:

- the Statement of Comprehensive Income;
- the Statement of Financial Position;
- the Statement of Changes in Equity;
- the Statement of Cash Flows; and
- the related notes 1 to 22, including a summary of significant accounting policies as set out in note 2.

The relevant financial reporting framework that has been applied in their preparation is the Companies Act 2014 and International Financial Reporting Standards (IFRSs) as adopted by the European Union ("the relevant financial reporting framework").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (Ireland) (ISAs (Ireland)) and applicable law. Our responsibilities under those standards are described below 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 the ethical requirements that are relevant to our audit of the financial statements in Ireland, including the Ethical Standard issued by the Irish Auditing and Accounting Supervisory Authority (IAASA), as applied to public interest entities, 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.

Summary of our audit approach

Key audit matters	The key audit matter that we identified in the current period was: • Valuation of Loan receivable
Materiality	The materiality that we used in the current period was €751,000 which was determined on the basis of 2% of financial liabilities.
Scoping	We focused our audit scope, and the extent of our testing, based on our assessment of the risks of material misstatement and of the materiality determined.
Significant changes in our approach	There are no significant changes to our approach which we feel require disclosure.

Deloitte.

Conclusions relating to going concern

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

- the directors' use of the going concern basis of accounting in 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current financial period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, 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 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.

<table>
<tr><th colspan="2">Valuation of Loan Receivable</th></tr>
<tr><td>Key audit matter description</td><td>For the financial period ended 30 June 2019 the loan advanced is €37,019,368.

The carrying value of the loan advanced adjusted for any provision for impairment is considered a key audit matter as the determination of an appropriate impairment charge requires a significant amount of management judgment over key assumptions and relies on available data.

There is a potential risk that the loan advanced may be impaired and the provision for impairment may not represent an appropriate estimate of the losses incurred. This could have a material impact on the financial statements.

Refer also to note 2 and 7 in the financial statements.</td></tr>
<tr><td>How the scope of our audit responded to the key audit matter</td><td>We performed the following procedures over carrying values of loan advanced:

We obtained an understanding and assessed the design and implementation of the key controls that have been implemented over the valuation process for the loan advanced.

We challenged whether the impairment policy adopted for the loan and is in line with IFRS 9 and agreed the carrying value of loan recognised by management to an independent loan confirmation.

We reviewed the judgements and assumptions made by management in estimating the impairment to independently assess whether they are reasonable and supported by the available internal data and external market indicators.

We assessed that the overall impairment number is within a range we would consider reasonable.</td></tr>
</table>

Our audit procedures relating to these matters were designed in the context of our audit of the financial statements as a whole, and not to express an opinion on individual accounts or disclosures. Our opinion on the financial statements is not modified with respect to any of the risks described above, and we do not express an opinion on these individual matters.

Our application of materiality

We define materiality as the magnitude of misstatement that makes it probable that the economic decisions of a reasonably knowledgeable person, relying on the financial statements, would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

We determined materiality for the company to be €751,000 which is approximately 2% of financial liabilities. We have considered such financial liabilities designated at fair value through profit or loss to be the critical component for determining materiality because the main objective of the company is to provide investors with a long term risk adjusted return. We have considered quantitative and qualitative factors such as as understanding the company and its environment, complexity of the company and the reliabity of control environment.

We agreed with the Board of Directors (the "Board") that we would report to the Board any audit differences in excess of 5% of materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Board on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

Our audit is a risk based approach taking into account the structure of the company, types of financial instruments, the involvement of the third party service providers, the accounting processes and controls in place, and the industry in which the company operates.

We have conducted our audit based on the books and records maintained by the corporate administrator, TMF Administration Services Limited. We focused our audit scope, and the extent of our testing, based on our assessment of the risks of material misstatement and of the materiality determined. Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Directors' Report and Audited Financial Statements, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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 such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in 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 in this regard.

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view and otherwise comply with the Companies Act 2014, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (Ireland) 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.

As part of an audit in accordance with ISAs (Ireland), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the entity (or where relevant, the group) to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that the auditor identifies during the audit.

For listed entities and public interest entities, the auditor also provides those charged with governance with a statement that the auditor has complied with relevant ethical requirements regarding independence, including the Ethical Standard for Auditors (Ireland) 2016, and communicates with them all relationships and other matters that may reasonably be thought to bear on the auditor's independence, and where applicable, related safeguards.

Where the auditor is required to report on key audit matters, from the matters communicated with those charged with governance, the auditor determines those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. The auditor describes these matters in the auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, the auditor determines that a matter should not be communicated in the auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

This report is made solely to the company's members, as a body, in accordance with Section 391 of the Companies Act 2014. 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.

Report on other legal and regulatory requirements

Opinion on other matters prescribed by the Companies Act 2014

Based solely on the work undertaken in the course of the audit, we report that:

- We have obtained all the information and explanations which we consider necessary for the purposes of our audit.
- In our opinion the accounting records of the company were sufficient to permit the financial statements to be readily and properly audited.
- The financial statements are in agreement with the accounting records.
- In our opinion the information given in the directors' report is consistent with the financial statements and the directors' report has been prepared in accordance with the Companies Act 2014.

Deloitte.

Matters on which we are required to report by exception

Based on the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report.

We have nothing to report in respect of the provisions in the Companies Act 2014 which require us to report to you if, in our opinion, the disclosures of directors' remuneration and transactions specified by law are not made.

Other matters which we are required to address

The non-audit services prohibited by IAASA's Ethical Standard were not provided and we remained independent of the company in conducting the audit.

Our audit opinion is consistent with the additional report to the board of directors we are required to provide in accordance with ISA (Ireland) 260.

John McCarroll
For and on behalf of Deloitte
Chartered Accountants and Statutory Audit Firm
Deloitte & Touche House, Earlsfort Terrace, Dublin 2

20 September 2021

STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD FROM 26 NOVEMBER 2018 (DATE OF INCORPORATION) TO 30 JUNE 2019

	Note	Financial period ended 30 June 2019 €
Income received from Seller	3	590,086
Interest payable on senior lending facility	4	(439,654)
Net operating income		150,432
Administration expenses	5	(149,932)
Profit on ordinary activities before taxation		500
Corporation tax charge	6	(125)
Profit on ordinary activities after taxation		375
Other comprehensive income		-
Total comprehensive income		375

The Company has no recognised gains or losses in the financial period other than those dealt with in the Statement of Comprehensive Income. All items related to continuing operations.

There is no comparative information as the Company was incorporated in November 2018.

The notes on pages 17 to 32 form an integral part of the financial statements.

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019

	Note	As at 30 June 2019 €
Assets		
Loan receivable	7	37,019,368
Total non-current assets		37,019,368
Cash and cash equivalents	8	2,412,744
Other receivables	9	22,449
Total current assets		2,435,193
Total Assets		39,454,561
Liabilities		
Senior loan facility – designated at amortised cost	10	28,306,212
Junior funding notes issued – designated at amortised cost	11	9,254,842
Total non-current liabilities		37,561,054
Payable to Seller	12	1,492,764
Liquidity Reserve	13	318,445
Interest payable on senior loan facility	14	59,349
Expenses payable		22,448
Taxation payable	15	125
Total current liabilities		1,893,131
Total liabilities		39,454,185
Equity		
Called-up share capital	16	1
Retained earnings		375
Total shareholders' funds		376
Total liabilities and equity		39,454,561

The notes on pages 17 to 32 form an integral part of the financial statements.

There is no comparative information as the Company was incorporated in November 2018.

The financial statements were approved by the Board on 17 September 2021 and signed on its behalf:

Stephen Healy

Director

Raja Gul

Alternate Director

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD FROM 26 NOVEMBER 2018 (DATE OF INCORPORATION) TO 30 JUNE 2019

Financial period ended 30 June 2019	**Called-up share capital**	**Retained earnings**	**Total**
	€	**€**	**€**
At 26 November 2018 (date of incorporation)	-	-	-
Issued during the financial period	1	-	1
Profit on ordinary activities after taxation and total comprehensive income for the financial period	-	375	375
At 30 June 2019	1	375	376

The notes on pages 17 to 32 form an integral part of the financial statements.

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL PERIOD FROM 26 NOVEMBER 2018 (DATE OF INCORPORATION) TO 30 JUNE 2019

	Notes	Financial period ended 30 June 2019 €
Cash flows from operating activities		
Income received from Seller	3	590,086
Interest expense on senior lending facility	4	(439,654)
Administration expenses	5	(149,932)
Other receivables	9	(22,449)
Expemses payables		22,448
Accrued interest payable on senior lending facility	14	59,349
Net cash flows from operating activities		**59,848**
Cash flows from investing activities		
Payable to Seller	12	1,492,764
Liquidity Reserve	13	318,445
Loan repaid	7	49,968,019
Net cash used in investing activities		**51,779,228**
Cash flows from financing activities		
Repayment on senior lending facility	10	(36,934,332)
Redemption of junior note funding	11	(12,492,001)
Issuance of share capital	16	1
Net cash flows generated from financing activities		**(49,426,332)**
Net increase in cash and cash equivalents		2,412,744
Cash and cash equivalents at the beginning of the financial period		-
Cash and cash equivalents at the end of the financial period	8	**2,412,744**

The notes on pages 17 to 32 form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 26 NOVEMBER 2018 (DATE OF INCORPORATION) TO 30 JUNE 2019

1 Corporate Information

The Company was incorporated on 26 November 2018 in accordance with the laws of Ireland with company registration number 638338. The Company operates as a special purpose vehicle with limited liability and qualifies for the regime contained in Section 110 of the Irish Taxes Consolidation Act, 1997 (the "TCA"). This provides that a qualifying company will be liable to corporation tax at the rate of 25% under Case III if Schedule D of the TCA in respect of taxable profits.

The Company has been formed for the purpose of providing a variable level of financing to Shop Direct Ireland Limited, the amount of which is reviewed on a weekly basis, commencing in November 2018.

In order to raise finance to enter into the loan provision transaction with Shop Direct Ireland Limited, the Company has arranged a senior loan facility, pursuant to the terms of the Senior Facility Agreement with HSBC Bank plc, and issued a junior variable funding note to Shop Direct Ireland Limited, pursuant to the Junior Note Instrument Agreement. The Junior note is listed on The International Stock Exchange ("TISE") in Guernsey.

The Facility Agent receives a variable return based on Libor plus a margin and the Junior Noteholder receives the residual income of the Company having provided for a transaction fee payable to the issuer of EUR1,000 per annum, the administration expenses in Note 5 and tax charge in Note 6.

The Company has no direct employees.

2 Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are set out below.

2.1 Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRS IC) interpretations as adopted by the European Union and those parts of the Companies Act 2014 applicable to companies reporting under IFRS.

The financial statements have been prepared on a going concern basis and under the historical cost convention.

The preparation of financial statements in conformity with IFRS 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 areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the entity financial statements are disclosed in note 2.3.

2.2 Adoption of new and revised accounting standards

Standards adopted for the first time

As the Company is newly incorporated, all applicable standards have been adopted from incorporation.

New standards and interpretation not yet adopted

A brief outline of the likely impact on future financial statements of IFRSs which are issued by the IASB, but not yet effective, and have not been adopted in the financial statements are as follows:

Description	**Effective date (financial period beginning)***
Amendments to References to the Conceptual Framework in IFRS Standards	1 January 2020
Amendments to IAS 1 and IAS 8: Definition of Material	1 January 2020
Amendments to IFRS 3: Definition of Business	1 January 2020
Amendments to IFRS 17: Insurance contracts	1 January 2020
IFRS 9 *Financial Instruments (prepayment features)*	1 January 2019
IFRS 11 *Joint Arrangements*	1 January 2019
IFRS 16 *Leases*	1 January 2019
IFRIC 23 *Uncertainty over Income Tax treatments*	1 January 2019

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 26 NOVEMBER 2018 (DATE OF INCORPORATION) TO 30 JUNE 2019

2 Accounting Policies (continued)

2.2 Adoption of new and revised accounting standards (continued)

New standards and interpretation not yet adopted (continued)

Description	**Effective date (financial period beginning)***
IAS 12 *Income Taxes*	1 January 2019
IAS 19 *Employee Benefits (amendments)*	1 January 2019
IAS 23 *Borrowing Costs*	1 January 2019
IAS 28 *Investments in Associates and Joint Venture*	1 January 2019

New standards and interpretation not yet adopted (continued)

*Where new requirements are endorsed the EU effective date is disclosed. Where any of the upcoming requirements are applicable to the Company, it will apply them from their EU effective date.

The Company has not adopted any other new standards or interpretations that are not mandatory. The directors anticipate that the adoption of those standards or interpretations will have no material impact on the financial statements of the Company.

2.3 Use of estimates and judgements

The preparation of the financial statements requires the directors to make judgements, estimates and assumptions that may affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. 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 of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis by the directors. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

2.4 Foreign currency transactions

Monetary assets and liabilities denominated in foreign currency included in the Company's financial statements are measured in Euro denoted by the symbol "€" which is the Company's functional and presentation currency. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-translation at the financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income.

2.5 Interest payable

Interest expenses is recognised in the Statement of Comprehensive Income as it accrues, using the original effective interest rate of the instrument calculated at the acquisition or origination date.

The effective interest rate is the rate that exactly discounts estimated future cash payments, or receipts throughout the expected life of the financial instrument, or a shorter period where appropriate, to the net carrying amount of the financial asset or financial liability. Interest expense includes the amortisation of any discount or premium, transaction costs, or other differences between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated on an effective interest rate basis.

2.6 Cash and cash equivalents

Cash and cash in equivalents includes cash held with banks which are subject to insignificant risk of changes in their fair value, and are used by the Company in the management of its short-term commitments. Cash and cash equivalents are carried at amortised cost.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 26 NOVEMBER 2018 (DATE OF INCORPORATION) TO 30 JUNE 2019

2 Accounting policies (continued)

2.7 Income received from the seller

The Company receives income from the Seller to cover any expenses that are incurred. This includes the interest expense on the senior lending facility and any administration expenses incurred.

2.8 Other expenses

Expenses for the Company include amounts accrued such as administraion and servicer fees.

2.9 Taxation

The tax expense represents the sum of the tax payable for the current reporting financial period. The tax currently payable/recoverable is based on taxable profit for the period as calculated in accordance with Irish tax laws. The Company's liability for current tax is calculated using tax rates and laws that have been enacted or substantively enacted at the end of the reporting financial period end. Deferred income 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.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of reporting period end date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred tax assets are recognised where it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax relating to the fair value re-measurement of financial assets, which are charged or credited directly to equity, is also credited or charged directly to equity in the statement of financial position together with the deferred gain or loss.

2.10 Financial instruments

The financial instruments held by the Company include the following:

- Loan advanced
- Senior loan facility – at amortised cost
- Junior Notes – at amortised cost

The Company adopted IFRS 9, Financial Instruments: Classification and Measurement on incorporation.

Classification

In accordance with IFRS 9, the Company classifies its financial assets and financial liabilities at initial recognition into the categories of financial assets and financial liabilities discussed below.

The classification of financial assets under IFRS 9 is determined by reference to the following two criteria:

- The entity's business model for managing the financial assets
- The contractual cash flow characteristics of the financial asset

The financial asset which the Company holds as an investment is in the form of a loan made to the parent Company. The company does not trade in this investment and as such categorises the loan as Held to Collect, holding the loan to maturity and collecting all contractual principal and interest payments from the counterparty.

The Company has assessed the cash flow characteristics of its investment portfolio and has determined that all such cash flows consist solely of payments of principal and interest and as such qualify for classification as at amortised cost under IFRS 9.

In accordance with IFRS 9 the company has classified its entire investment portfolio as at amortised cost.

All financial liabilities are measured at amortised cost or other liabilities at amortised cost.

2.11 Financial instruments (continued)

The Company provides a loan to a borrower with a very high credit rating quality. Therefore, it was concluded that there would be no need for an expected credit losses provision for the period.

Expected credit loss measurement

- IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarised below:
- A financial asset that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by Management.
- If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial asset is moved to 'Stage 2' but is not yet deemed to be credit-impaired.
- If the financial asset is credit-impaired, the financial asset is then moved to 'Stage 3'.
- Financial assets in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Assets in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis.
- A required concept in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information.

A simplified breakdown of this calculation can be found in Note 17(c).

Investment in Loan

The loan provided to the Borrower is initially recognised at it's fair value and subsequently measured at amortised cost.

Notes Issued

Notes issued are initially measured at fair value. They are subsequently measured at amortised cost, less repayments, using the effective interest rate method. The effective interest rate is the rate that exactly discounts estimated future cash payments, or receipts throughtout the expected life of the financial instrument, or a shorter period where appropriate, to the net carrying amount of the financial asset or financial liability.

Recognition

The Company recognises all financial assets and financial liabilities on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

De-recognition

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the right to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in a transferred financial asset that is created or retained by the Company is recognised as a separate asset or liability.

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled or have expired.

Offsetting

Financial assets and liabilities are offset and the net amount presented in the Statement of Financial Position when, and only when, the Company has a legal right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions.

2.12 Called-up share capital

Ordinary shares are not redeemable and do not participate in the net income of the Company and are classified as equity as per the Company's Constitution.

2.13 Liquidity Reserve

The liquidity reserve amount is maintained by the cash manager and relates to the liquidity reserve required amount which is the principal amount oustanding at each settlement date of the Senior Loan Facility multiplied by EURIBOR plus a margin.

2.14 Limited recourse and receivable from/payable to Noteholder

If the net proceeds of realisation of the assets secured as collateral against the Notes are less than the aggregate amount payable by the Company to the Noteholder the obligations of the Company will be limited to such net proceeds, which shall be applied in accordance with the relevant lending agreements. In such circumstances, the other assets (if any) of the Company will not be available for payment of such shortfall which shall be borne by the Junior Noteholder, the Senior Facility Agent and the other secured parties in accordance with the underlying documentation.

2.15 Contingent Liabilities and Commitments

The unused loan commitment balance is the difference between the outstanding amount of the senior loan facility and the maximum commitment of EUR35,000,000 that is available. Contingent liabilities are assessed continually to determine whether transfers of economic benefits have become probable. Where future transfers of economic benefits change from previously disclosed contingent liabilities, provisions are recognised in the financial period in which the changes in probability occur.

NOTES TO THE FINANCIAL STATEMENTS
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3 Income received from Seller	**Financial period ended 30 June 2019**
	€
Income received from Seller	590,086
	590,086

Income earned by the company comprises reimbursements from Seller for the interest expense and other expenses incurred by the Company on behalf of the Seller.

4 Interest payable on senior lending facility	**Financial period ended 30 June 2019**
	€
Interest payable on senior lending facility	(439,654)
	(439,654)

5 Administration expenses	**Financial period ended 30 June 2019**
	€
Servicer fees	(98,899)
Corporate administrator fees	(17,832)
Bank charges	(7,447)
Listing fees	(3,306)
Audit fees	(18,450)
Tax advisor fees	(3,998)
	(149,932)

The Company has no employees. Accounting, management and corporate secretarial services have been outsourced to the Administrator. No fees were paid to directors during the financial period.

Auditors' remuneration (including VAT):

	Financial period ended 31 June 2019
	€
Audit of financial statements	(18,450)
Tax compliance services	(3,998)
	(22,448)

There are no other assurance or non-audit services provided by the independent statutory auditors.

6 Corporation tax charge	**Financial period ended 30 June 2019**
	€
Corporation tax based on profit for the financial period	125

The current corporation tax charge for the financial period is higher than the current charge that would result from applying the standard rate of Irish corporation tax to profit on ordinary activities.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 26 NOVEMBER 2018 (DATE OF INCORPORATION) TO 30 JUNE 2019

6	**Corporation tax charge (continued)**	**Financial period ended 30 June 2019**
		€
	Profit on ordinary activities before taxation	500
	Profit at standard rate of tax 12.5%	(62.5)
	Higher rate of tax applicable under Section 110 of the TCA	(62.5)
	Total tax charge for the financial period	125

The Company is a qualifying company within the meaning of Section 110 of the Taxes Consolidation Act 1997. As such the profits are chargeable to corporation tax under Case III of Schedule D at a rate of 25% but are computed in accordance with the provisions applicable to Case I of Schedule D of the TCA. There was no deferred tax during the financial period.

7	**Loan receivable**	**As at 30 June 2019**
		€
	Loan receivable	37,019,368
		37,019,368

	As at 30 June 2019
	€
Movements on loan advanced	
Opening balance	-
Original drawdown	44,314,049
Repayments	(49,968,019)
Additional drawdowns	42,673,338
	37,019,368

The original drawdown of the senior loan funding facility of €33,235,526 was paid directly from the Facility Agent to Shop Direct Ireland Limited due to administrative reasons and was therefore not deposited in the bank account of the Company. All subsequent drawdowns are deposited in the bank account of the Company. The senior loan funding constitutes 75% of the financing provided to SDI. The remaining 25% is provided by SDI itself through the purchase of the junior note issued by the Company. Given the circular nature of the transaction, where SDI provides 25% of the financing to the Company and the Company then provides the loan to SDI to purchase receceivables, these amounts are netted off against each other resulting in a zero cash movement for the 25% portion of the financing.

8	**Cash and cash equivalents**	**As at 30 June 2019**
		€
	Cash and cash equivalents	2,412,744
		2,412,744

Cash and cash equivalents include cash held with banks which are subject to insignificant risk of changes in their fair value and are used by the Company in the management of its short-term commitments. Cash and cash in hand are carried at amortised cost. The total amount of cash and cash in hand held at 30 June 2019 was €2,412,744.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 26 NOVEMBER 2018 (DATE OF INCORPORATION) TO 30 JUNE 2019

9 Other receivables

	As at 30 June 2019 €
Other receivables	22,448
Share capital receivable	1
	22,449

10 Senior loan funding facility – designated as at amortised cost

	As at 30 June 2019 €
Senior loan funding facility	28,306,212

	As at 30 June 2019 €
Movement on senior loan funding facility	
Opening balance	-
Drawdown	65,240,544
Repayment	(36,934,332)
	28,306,212

The Senior loan funding facility has priority over the Junior Notes on the payments of interest and principal on each payment date, in accordance with the priority of payments as set out in the relevant agreement. Interest is payable at a rate of EURIBOR plus 2.5% margin. The Senior loan funding facility matures on 1 December 2029 or such later date as may be agreed on or prior to such date by the Senior Facility Agent and the Servicers. Refer to note 7 regarding original drawdown of €33,235,526.

11 Junior funding notes issued

	As at 30 June 2019 €
Junior notes	9,254,842

	As at 30 June 2019 €
Movements on Junior notes	
Opening balance	-
Issuances	21,746,843
Redemptions	(12,492,001)
Junior Notes	9,254,842

The Company entered into a junior loan agreement with the Junior Noteholder. The Junior Notes mature on 1 December 2023 or such later date as may be agreed on or prior to such date by the Senior Facility Agent and the Servicers.The Junior noteholder receives a return equal to the total net income and gains arising from the investment activities funded through the note issuance proceeds, other than an amount of €1,000 profit reserved to the Company. As a result of the limited recourse nature of the notes issued, investment losses are ultimately borne by the Junior noteholder either through reductions in return or re-measurement of principal.

12 Payable to Seller

	As at 30 June 2019 €
Payable to Seller	1,492,764

This is a payment from the Company to the Seller and arises from collections on the underlying portfolio of receivables.

13 Liquidity reserve

	As at 30 June 2019 €
Liquidity reserve	318,445

This is a required deposit to be held by the Company to enable payment of the Senior Facility loan interest.

14 Interest payable on other financial liabilities

	As at 30 June 2019 €
Interest payable on senior loan facility	59,349
	59,349

15 Taxation payable

	As at 30 June 2019 €
Taxation payable	125

16 Called-up share capital

	As at 30 June 2019 €
Authorised	
1,000 ordinary shares of €1	1,000
Allotted, called up and fully paid – presented as equity	
1 ordinary shares of €1	1

The Company's share capital as at the financial period-end is best represented by the ordinary shares outstanding. The 1 share is held by TMF Management (Ireland) Limited on behalf of a charitable trust.

The Company has no externally imposed capital requirements.

17 Financial risk management

The Company's financial instruments include cash at bank, financial assets, notes issued and other accruals that arise directly from its operations. The Company is exposed to a variety of financial risks: credit risk, liquidity risk, concentration risk and market risk which includes interest rate risk, price risk and currency risk.

a. Market risk

Market risk is the potential adverse change in value caused by unfavourable movements in interest rates, foreign exchange or market prices of financial instruments. The Company's main investment is a loan to SDI which is funded by a senior loan facilty and the issuance of Junior Notes. The market risks associated with these activities are outlined below.

(i) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

17 Financial risk management (continued)

Market risk (continued)

(i) Interest rate risk (continued)

The table below provides an analysis of the interest rate profile of the Company's portfolio as at 30 June 2019:

30 June 2019

	Interest bearing Variable rate EUR	Non-interest bearing EUR	Total EUR
Financial assets			
Loan advanced	37,019,368	-	37,019,368
Cash and cash equivalents	2,412,744	-	2,412,744
Other receivables	-	22,449	22,449
	39,432,112	22,449	39,454,561
Financial liabilities			
Senior lending facility	(28,306,212)		(28,306,212)
Junior notes issued	(9,254,842)	-	(9,254,842)
Liquidity Reserve	(318,445)	-	(318,445)
Payable to Seller	-	(1,492,764)	(1,492,764)
Accrual and other payable		(81,797)	(81,797)
Corporation tax payable		(125)	(125)
	(37,879,499)	(1,574,686)	(39,454,185)
Net exposure	1,552,613	(1,552,237)	376

The interest rate gap is mitigated by the payment of a variable return on the junior note which is the residual amount that remains after all the senior items in the interest waterfall have been paid.

(ii) Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting similar financial instruments traded in the market. The Company's overall market positions are monitored on a monthly basis by the Directors upon consultation with the Servicer. The Company is not exposed to price risk due to the limited recourse nature of the Noteholder's investment.

(iii) Currency risk

The Company's financial assets and financial liabilities are both denominated in Euro and almost completely offset each other. Therefore, the Company is not exposed to material currency fluctuations. The Notes are of a limited recourse nature.

17 Financial risk management (continued)

b. Credit risk

Credit risk arises from the possibility of counterparties failing to meet their obligations to the Company and represents the most significant category of risk.

The maximum exposure to credit risk at the reporting date is as follows:

	As at 30 June 2019 EUR
Loan advanced	37,019,368
Cash and cash equivalents	2,412,744
Other receivable	22,449
	39,454,561

The servicer, Shop Direct Ireland Limited, monitors the credit quality of the counterparties to the underlying portfolio of receivables that are financed with the loan provided by the Company. The servicer prepares monthly reporting which is presented to the Facility Agent and the noteholder.

Cash is held on deposit with BNY Mellon which has a credit rating of AA- from Standard and Poor's. The Directors consider credit risk on cash and cash equivalents to be minimal.

c. Expected credit loss

The Company has been formed for the purpose of providing a variable level of financing to Shop Direct Ireland Limited. Shop Direct Ireland Limited uses the financing to invest in a portfolio of receivables.

The simplified Company's model for the impairment calculation is as follows:

- Calculation of the historical default rate on underlying portfolio of receivables which is financed by the loan advanced by the Company with the following formula:

  Bad debt expense / Average accounts receivables portfolio balance.
- Add forward-looking rate, which depends on:
  - growth of domestic product
  - unemployment rates
  - inflation indices and
  - interest rates are typical projected variables
  - economic, regulatory, technological environment e.g. industry outlook, GDP, politics
  - external market indicators
  - customer base - Forward default rate
- Review aging bucket of Aged receivables of underlying portfolio.
- Determine the default rate for the not-aged bucket.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 26 NOVEMBER 2018 (DATE OF INCORPORATION) TO 30 JUNE 2019

17. Financial risk management (continued)

d. Liquidity risk

The Company's primary source of funds is from a senior loan facility and the issuance of Junior Notes. The Company expects that its cash on hand and cash flow provided by the repayment of the loan will satisfy its liquidity needs with respect to its obligations.

Future interest on the investments and notes were not included since these will be determined on future profitabliliy and performance of the investments.

The amounts disclosed in the table are contractual undiscounted cash flows.

30 June 2019

	Carrying amount EUR	Gross contractual cash flow EUR	Within 1 year EUR	Between 2-5 years EUR	More than 5 years EUR
Senior facility drawdown	28,306,212	37,099,292	879,308	3,517,232	32,702,752
Junior note issued	9,254,842	9,254,842	-	9,254,842	-
Liquidity reserve	318,445	318,445	-	318,445	-
Payable to Seller	1,492,764	1,492,764	1,492,764	-	-
Interest payable	59,349	59,349	59,349	-	-
Expenses payable	22,448	22,448	22,448	-	-
Corporation tax payable	125	125	125	-	-
	39,454,185	48,247,265	2,453,994	13,090,519	32,702,752

Concentration risk
Concentration risk can arise from the type of assets held in the portfolio, the maturity date of assets, the concentration of sources of funding, concentration of counterparties or geographical locations. The Company is set up for a particular transaction which involves obtaining a senior lending facility and issuing a Junior Note to provide financing to enable the Borrower to purchase receivables. Concentration risk has been considered at the time of setting up the Company and is reviewed on an on-going basis.

e. Operational risk exposure

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Company's operations.

All administration functions are outsourced to TMF Administration Services Limited to mitigate the operational risk.

17. Financial risk management (continued)

f. Fair value

Fair value is the amount at which a financial instrument could be exchanged in an arm's length transaction between informed and willing parties.

Valuation of financial instruments

The Company measures fair values using the following hierarchy of methods:

- Level 1 – Quoted market price (unadjusted) in an active market for an identical instrument.
- Level 2 – Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived by prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3 – Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs could have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The following table shows the fair value hierarchy of the financial assets and liabilities that are not carried at fair value. The carrying amounts of those financial assets and liabilities recognised in the financial statements approximates their fair values.

30 June 2019

	Level 1 2019 €	Level 2 2019 €	Level 3 2019 €	Total Fair Values 2019 €
Cash and cash equivalents	2,412,744	-	-	2,412,744
Loan	-	-	37,019,368	37,019,368
Other receivables	-	22,449	-	22,449
	2,412,744	22,449	37,019,368	39,454,561
Senior loan facility funding	-	-	28,306,212	28,306,212
Junior funding notes issued	-	-	9,254,842	9,254,842
Liquidity reserve	318,445	-	-	318,445
Interest payable on other financial liabilities	-	59,349	-	59,349
Payable to Seller	1,492,764	-	-	1,492,764
Expenses payable	-	22,448	-	22,448
	1,811,209	81,797	37,561,054	39,454,060

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 26 NOVEMBER 2018 (DATE OF INCORPORATION) TO 30 JUNE 2019

17. Financial risk management (continued)

g. Fair value (continued)

The reconciliation of the Level 3 disclosures are as follows:

	As at 30 June 2019 €
Movements on loan advanced	
Opening balance	-
Original drawdown	44,314,049
Repayments	(49,968,019)
Additional drawdowns	42,673,338
	37,019,368

	As at 30 June 2019 €
Movement on senior loan funding facility	
Opening balance	-
Drawdown	65,240,544
Repayment	(36,934,332)
	28,306,212

	As at 30 June 2019 €
Movements on Junior notes	
Opening balance	-
Issuances	21,746,843
Redemptions	(12,492,001)
Junior Notes	9,254,842

18 Contingent liabilities and commitments

There is an unused loan commitment balance of €6,693,788 as at 30 June 2019. There were no contingent liabilities in the year.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 26 NOVEMBER 2018 (DATE OF INCORPORATION) TO 30 JUNE 2019

19 Related party transactions

The Administrator provides corporate services to the Company at commercial rates. TMF Administration Services Limited received €17,000 as consideration for corporate services including setup fees, accounting, company secretarial and for the making available of individuals to act as directors of the Company. The terms of the corporate services agreement in place between the Company and the Administrator provides for a single fee of €17,000 on an ongoing basis for the provision of such services (including the making available of individuals to act as Directors of the Company). The Administrator's annual fee includes a cost of €1,500 per director for the provision of directors' services. This invoice is paid by the Servicer. The individuals acting as directors do not (and will not), in their personal capacity or any other capacity, receive any fee for acting or having acted as directors of the Company. For the avoidance of doubt, notwithstanding the directors of the Company are employees of the Administrator, they each do not receive any remuneration for acting as directors of the Company. There were no other contracts of any significance in relation to the business of the Company in which the directors had any interest, as defined in the Companies Act, 2014, at any time during the year.

20 Ownership of the Company

The Company has issued 1 share to TMF Management (Ireland) Limited, the share is held on behalf of a charitable trust.

21 Significant subsequent events

On 11 March 2020, the World Health Organization officially declared COVID-19, the disease caused by novel coronavirus, a pandemic. Management is closely monitoring the evolution of this pandemic, including how it may affect the economy and the general population. Management has not yet determined the financial impact of these events.

COVID – 19

On March 11, 2020, the World Health Organization declared the outbreak of Coronavirus COVID-19 a pandemic, due to its rapid spread throughout the world, affecting more than 180 countries. Most governments took restrictive measures to contain the spread, including: isolation, confinement, quarantine, and restriction on the free movement of people, closure of public and private premises (except those of basic necessity and sanitary), closure of borders, and drastic reduction of air, sea, rail and land transport.

This situation is significantly affecting the global economy, due to the interruption or slowdown of supply chains and the significant increase in economic uncertainty, evidenced by an increase in the volatility of asset prices, exchange rates and a decrease of long-term interest rates.

In this sense, the measures announced by the European Central Bank on March 18, 2020, including the Pandemic Emergency Purchase Program of debt (PEPP) for € 750,000 million and the purchase of commercial paper from non-financial entities are relevant, being most likely that these measures are implemented in the short term and reactivate the activity again.

As the Company provides financing to a borrower that engages in online sales, the restrictive measures had limited impact and the borrower was able to continue trading throughout the period of the pandemic. Given that competitors with physical stores were closed for a period, the borrower was able to benefit from this.

As at September 2021, the restrictions are being relaxed and the online sales are still performing well.

IAS 10 defines an adjusting event as an event that provides evidence of conditions that existed at the reporting date. A non-adjusting event indicates conditions that arose after the reporting date.

In late December 2019 there was a limited number of cases of an unknown virus that had been reported to the World Health Organisation (WHO). There was no explicit evidence of human-to-human transmission at that date. The subsequent spread of the virus and its identification as the COVID-19 pandemic by the WHO does not provide additional evidence about a situation that existed at 30 June 2019, and it is therefore a non-adjusting event.

As COVID-19 is a non-adjusting event, its post year end impact has not been taken into account in the recognition and measurement of the Company's assets or liabilities at 30 June 2019.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 26 NOVEMBER 2018 (DATE OF INCORPORATION) TO 30 JUNE 2019

21 Significant subsequent events (continued)

The COVID-19 pandemic has created turbulence in financial markets and economic uncertainty, which will impact individuals and businesses. The eventual impact on the global economy and markets will largely depend upon the scale and the duration of the outbreak. As at the date on which this set of financial statements were authorised for issue the full impact is not certain at this stage and while the directors continue to monitor the effects of COVID-19 on the activities of the Company, the effect of COVID-19 could have a negative impact on the recoverability of the Company's assets. In the context of the financial asset being high quality in terms of the Servicer's ability to repay the loan, the directors do not expect COVID-19 to have a material impact on the recoverability of the financial assets.

There were no other significant subsequent events since the financial period end until the date of approving of this report that would require an adjustment to or disclosure in the financial statements.

22 Approval of financial statements

The financial statements were approved by the Board and authorised for issue on 17 September 2021.