

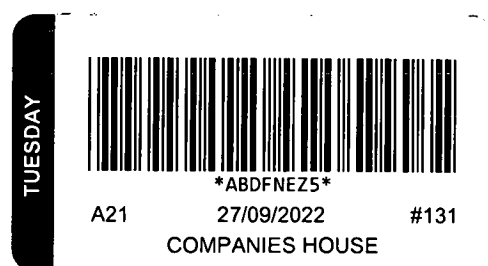


International Property Finance (Spain) Limited

(Registered number 05250305)

REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2021



International Property Finance (Spain) Limited

Table of Contents

Company Information	3
Report of the Directors	4
Independent Auditor's Report	6
Income Statement	9
Statement of Financial Position	10
Statement of Changes in Equity	11
Cash Flow Statement	12
Notes to the Financial Statements	13

International Property Finance (Spain) Limited

Company Information

Directors: C.L. Coleman
S.J. Fleming
Global Securitisation Services Limited
D.G. Oxburgh
N.D. Townson

Secretary: Global Securitisation Services Limited

Registered Office: Rock Farm
Fort Lane
Reigate Hill
Reigate
Surrey
RH2 9RN

Independent Auditor: KPMG Channel Islands Limited
Gategny Court
Gategny Esplanade
St Peter Port
Guernsey
GY1 1WR

International Property Finance (Spain) Limited

Report of the Directors

The Directors present their report and financial statements of International Property Finance (Spain) Limited ("the Company") for the year ended 31 December 2021. The Directors have taken advantage of the exemption afforded to small companies from preparing a strategic report in accordance with the Companies Act 2006.

Results and Dividends

The retained profit for the year amounted to €12 (for the year ended 31 December 2020: €15). The Directors do not propose the payment of a dividend (31 December 2020: € nil).

Principal Activities

The principal activity of the Company is to acquire, dispose of and deal in receivables derived from personal loan agreements.

Review of the Business

The Directors are satisfied with the results of the Company for the year. From time to time the Company is involved in judicial proceedings or receives claims arising from the conduct of its business. Based upon available information and legal advice, the Directors do not believe that there are any potential or actual proceedings or other claims which will have a material adverse impact on the Company's financial position.

Future Developments

The outlook for the world economy continues to be impacted by the global pandemic and ongoing geopolitical events in eastern Europe. The Directors have considered this in relation to the Company's lending book and the level of provisions thereon. The majority of these loans are either accruing zero interest or the interest is being capitalised and therefore there is minimal impact on serviceability. During the year, the loan book underwent desktop valuations and the provision made by the Company is based on these desktop valuations to which costs of sale and other factors are applied. The Directors believe the level of provisions as at 31 December 2021 remains adequate given the approach to the calculation and the strategy of seeking repayment of the loans over the medium term. The Company will continue to keep the level of provisions under review.

The Directors also continue to closely monitor the Company's progress.

Going Concern

Management has performed an assessment to determine whether there are any material uncertainties arising that could cast significant doubt on the ability of the Company to continue as a going concern. No significant issues have been noted and it was concluded that there is no impact to going concern.

Based on the assessments of the Company's financial position, the Directors have concluded that the Company has adequate resources to continue in operational existence for the foreseeable future (for a period of at least twelve months after the date that the financial statements are signed). Accordingly, they continue to adopt the going concern basis of accounting in preparing the annual financial statements as discussed in note 2.

Directors

The Directors who served during the year were as follows:

C.L. Coleman
S.J. Fleming
Global Securitisation Services Limited

D.G. Oxburgh
N.D. Townson

None of the Directors has or had during the year under review, any beneficial interest in the shares of the Company.

Secretary

The Secretary of the Company during the year was Global Securitisation Services Limited.

Auditor

Pursuant to section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG Channel Islands Limited will therefore continue in office.

International Property Finance (Spain) Limited

Report of the Directors (continued)

Directors' Responsibilities

The Directors are responsible for preparing the Report of the Directors and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

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;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with UK adopted international accounting standards;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal 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, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Statement of Disclosure of Information to Auditors

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each Director has taken all steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

By order of the board

Global Securitisation Services Limited - Secretary

10 August 2022



Independent Auditor's Report to the Members of International Property Finance (Spain) Limited

Our opinion

We have audited the financial statements of International Property Finance (Spain) Limited (the "Company"), which comprise the Statement of financial position as at 31 December 2021, the Income Statement, Statement of Changes in Equity and Cash Flow Statement for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2021 and of the Company's profit for the year then ended;
- are properly prepared in accordance with UK-adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including FRC Ethical Standards. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

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

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

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate; and
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

enquiring of management as to the Company's policies and procedures to prevent and detect fraud as well as enquiring whether management have knowledge of any actual, suspected or alleged fraud;

reading minutes of meetings of those charged with governance; and

using analytical procedures to identify any unusual or unexpected relationships.

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because the Company's revenue streams are simple in nature with respect to accounting policy choice, and are easily verifiable to external data sources or agreements with little or no requirement for estimation from management. We did not identify any additional fraud risks.

We performed procedures including

Independent Auditor's Report to the Members of International Property Finance (Spain) Limited (continued)

- Identifying journal entries and other adjustments to test based on risk criteria and comparing any identified entries to supporting documentation; and
- incorporating an element of unpredictability in our audit procedures.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general sector experience and through discussion with management (as required by auditing standards), and discussed with management the policies and procedures regarding compliance with laws and regulations.

The Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

The Company is subject to other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of litigation or impacts on the Company's ability to operate. We identified Company law as being the area most likely to have such an effect. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

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

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

The report of the directors

The directors are responsible for the report of the directors. Our opinion on the financial statements does not cover that report and we do not express an audit opinion thereon.

Our responsibility is to read the report of the directors and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the report of the directors;
- in our opinion the information given in that report for the financial year is consistent with the financial statements; and
- in our opinion that report has been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.

We have nothing to report in these respects.

Independent Auditor's Report to the Members of International Property Finance (Spain) Limited (continued)

Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 5, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

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

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



Barry Ryan (Senior Statutory Auditor)

For and on behalf of KPMG Channel Islands Limited (Statutory Auditor)

Chartered Accountants

Guernsey

10 August 2022

International Property Finance (Spain) Limited

Income Statement

For the year ended 31 December 2021

		31-Dec-21	31-Dec-20
	Notes	EUR	EUR
Revenue			
Finance Revenue	5, 13	153,289	186,734
Other Income	17	53,703	-
Total Revenue		206,992	186,734
Expenses			
Loan Impairment	5	(131,946)	(50,338)
Administrative Expenses	14	(75,031)	(136,377)
Profit on Ordinary Activities Before Taxation		15	19
Tax on Profit on Ordinary Activities	10	(3)	(4)
Profit on Ordinary Activities after Taxation		12	15

The above results relate to continuing operations of the Company.

The Company has no recognised gains or losses other than those included in the Income Statement and therefore no separate Statement of Comprehensive Income has been prepared.

The notes on pages 13 to 26 form part of these financial statements.

International Property Finance (Spain) Limited

Statement of Financial Position As at 31 December 2021

		31-Dec-21	31-Dec-20
	Notes	EUR	EUR
Current Assets			
Loans and receivables	5	12,262,705	15,487,260
Trade and other receivables	6	10,129	13,471
Cash and cash equivalents	7	2,310	2,310
Total Assets		12,275,144	15,503,041
Current Liabilities			
Amounts owed to Group undertakings	8	(12,255,652)	(15,491,590)
Trade and other payables	9	(18,030)	(10,000)
Income Tax payable	10	(3)	(4)
Total Liabilities		(12,273,685)	(15,501,594)
Net Assets		1,459	1,447
Shareholders' Equity			
Share capital	11	3	3
Retained earnings	12	1,456	1,444
Total Equity		1,459	1,447

The notes on pages 13 to 26 form part of these financial statements.

The financial statements of International Property Finance (Spain) Limited registered number 05250305 were approved by the Board of Directors on 10 August 2022.

Signed on behalf of the Board of Directors



N.D. Townson
Director

International Property Finance (Spain) Limited

Statement of Changes in Equity For the year ended 31 December 2021

	31-Dec-21	31-Dec-20
	EUR	EUR
Share Capital	3	3
	<hr/>	<hr/>
Retained earnings as at 1 January	1,444	1,429
Profit for the year	12	15
	<hr/>	<hr/>
As at 31 December	1,456	1,444
	<hr/>	<hr/>
Total Shareholders' equity	1,459	1,447
	<hr/>	<hr/>

The notes on pages 13 to 26 form part of these financial statements.

International Property Finance (Spain) Limited

Cash Flow Statement

For the year ended 31 December 2021

	Notes	31-Dec-21 EUR	31-Dec-20 EUR
Cash Flows from Operating Activities			
Profit on Ordinary Activities after Taxation		12	15
Adjustments for:			
Impairment losses	5	131,946	50,338
Interest Accrued	5	(153,289)	(186,734)
		<u>(21,331)</u>	<u>(136,381)</u>
Changes in:			
Proceeds from loans and receivables	5	3,245,898	1,033,874
Decrease in trade and other receivables		3,342	4,099
Increase in trade and other payables		8,029	133,535
Decrease in amounts owed to Group undertakings		(3,235,938)	(1,035,127)
		<u>21,331</u>	<u>136,381</u>
Net Cash generated/(used) in Operating Activities		-	-
Net Increase/(Decrease) in Cash and Cash Equivalents for the year		-	-
Cash and Cash Equivalents at Beginning of Year/Period	7	<u>2,310</u>	<u>2,310</u>
Cash and Cash Equivalents at End of Year/Period		<u>2,310</u>	<u>2,310</u>
Supplemental disclosure of cash flow information:			
Interest received		-	-
Interest paid		-	-

The notes on pages 13 to 26 form part of these financial statements.

International Property Finance (Spain) Limited

Notes to the financial statements for the year ended 31 December 2021

1. COMPANY INFORMATION

International Property Finance (Spain) Limited (the "Company") is incorporated in England and Wales. The principal activity of the Company is to acquire, dispose of and deal in receivables derived from personal loan agreements.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

Basis of preparation

These financial statements have been prepared in accordance UK adopted International Accounting Standards. The financial statements are prepared under the historical cost convention.

The Directors are responsible for preparing the Report of the Directors and the financial statements in accordance with applicable law and regulations.

The financial statements are presented in Euros, which is the Company's functional currency and presentation currency. The functional currency is the currency of the primary economic environment in which the Company operates.

The principal accounting policies set out below have been consistently applied in the presentation of the Company's financial statements.

Going Concern

The Company's objectives, its financial risk management objective and its exposures to credit, market and liquidity risk are set out in note 4 to the financial statements.

The Directors have performed an assessment to determine whether there are any material uncertainties arising due to the pandemic, geopolitical developments in eastern Europe or other factors that could cast significant doubt on the ability of the Company to continue as a going concern. No significant issues have been noted and it was concluded that there is no impact to going concern.

International Property Finance (Spain) Limited has a significant current liability position on account of the amounts payable to Shield Holdings Guernsey Limited ("SHG") under the receivable trust agreement. Due to the nature of this agreement, there is no impact on going concern.

Based on the above assessments of the Company's financial position the Directors have concluded that the Company has adequate resources to continue in operational existence for the foreseeable future (for a period of at least twelve months after the date that the financial statements are signed). Accordingly, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Adoption of new accounting standards

Interest Rate Benchmark Reform

The Company has adopted Interest Rate Benchmark Reform – Phase 2 (amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) from 1 January 2021. There were no material amendments related to these changes.

Although the reform of Inter-Bank Offered Rates ("IBOR") with alternative risk-free has commenced, the Euro Inter-Bank Offered Rates ("EURIBOR") termination date has not been confirmed. EURIBOR is the only material exposure of the Company to these changes. The Company has €15,453,965 of loans and receivables which relate to unreformed EURIBOR contracts (2020: €18,956,932). The Company continues to monitor regulatory and market developments to evaluate the impact of this on its products, services and processes. There are not expected to be any significant issues resulting from IBOR transition for the Company or its clients.

Other changes to accounting standards

The IASB has issued other amendments to IFRS effective since 1 January 2021. These revised requirements do not have any significant impact on the Company.

New standards and interpretations

A number of new standards, amendments to standards and interpretations (listed in the table overleaf) are effective for accounting periods ending after 31 December 2021 and therefore have not been applied in preparing these financial statements. None of these standards are expected to have a significant impact on the Company's financial statements in the period of initial application.

International Property Finance (Spain) Limited

Notes to the financial statements (continued)

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)

Standard	Effective date
Amendments to IAS 37 – Provisions, Contingent Liabilities and Contingent Assets: Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Annual improvements to IFRS Standards 2018-2020	1 January 2022
Amendments to IAS 16 - Property, Plant and Equipment: Proceeds before Intended Use	1 January 2022
Amendments to IFRS 3 – Business Combinations: Reference to the Conceptual Framework	1 January 2022
Amendment to IAS 1 – Presentation of Financial Statements: Classification of liabilities as current or non-current	1 January 2023
IFRS 17 - Insurance Contracts and related amendments	1 January 2023
Amendments to IAS 1 and IFRS Practice Statements 2 – Disclosure of Accounting Estimates	1 January 2023
Amendments to IAS 8 – Definition of Accounting Estimates	1 January 2023
Amendments to IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to IFRS 10 and IAS 28 – Sale of Contribution of Assets between and Investor and its Associate or Joint Venture	Available for optional adoption/effective date deferred indefinitely

3. SIGNIFICANT ACCOUNTING POLICIES

Finance revenue and finance costs

Finance revenue and finance costs are recognised in the income statement using the effective interest rate method.

The effective interest rate is the rate that exactly discounts the estimated future cash flows of a financial instrument to its net carrying amount. It is used to calculate the amortised cost of a financial asset or a financial liability and to allocate the interest over the relevant period (usually the expected life of the instrument).

When calculating the effective interest rate, the Company considers all the contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes any premiums or discounts, as well as all fees and transaction costs that are an integral part of the loan.

Other income

Other income consists of amounts receivable under the Novation and Amendment Deed in relation to the NMRCI Warehouse Facility Agreement between the Company and SHG which dictates that the Company should retain 0.01% of finance revenues. All other profits or losses should be passed to SHG. Where this amount is a net debit to the Income Statement it is presented in other administrative expenses.

Other administrative expenses

Other administrative expenses includes servicer and management fees payable to R&CoBI calculated as 25bps of the average balance of gross loans and receivables across the period.

Financial assets

IFRS 9 requires that financial assets be classified into the following categories; fair value through profit and loss, fair value through other comprehensive income or amortised cost. The Company solely holds financial assets measured at amortised cost (loans and receivables).

Financial assets at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as fair value through profit or loss:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified date to cash flows that are solely payments of principal and interest on the principal amount outstanding.

International Property Finance (Spain) Limited

Notes to the financial statements (continued)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured as described in note 4.2. Interest income from these financial assets is included in "Finance Revenue" using the effective interest method.

Business Model Assessment

The Company makes an assessment of the business model in which an asset is held at portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, the Company considers whether management's strategy focuses on earning interest revenue, maintaining a particular interest profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets; or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model and how those risks are managed;

However, the above information is not considered in isolation, but as part of an overall assessment of how the Company's stated objective for managing the financial assets is achieved and how cash flows are realised.

Assessment whether contractual cash flows are solely payments of principal and interest (SPPI)

For the purposes of this assessment "principal" is defined as the fair value of the financial asset on initial recognition. "Interest" is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as profit margin.

In assessing whether the contractual cash flows are SPPI, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Company considers:

- contingent events that would change the amounts and timing of cash flows;
- prepayment and extensions terms;
- leverage features;
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
- features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except when the Company changes its business model for managing financial assets.

Certain comparative amounts in the Income Statement, Statement of Financial Position and Cash Flow Statement have been reclassified to conform with the current year's presentation. Loan impairment has been re-classed from administrative expenses and shown as a separate line in the Income Statement. In addition, amounts due to Group undertakings in the Statement of Financial position are now presented as one amount as due to the same counterparty. These reclassifications did not affect previously reported profit / loss, comprehensive income, equity or net cashflows.

Financial liabilities

All financial liabilities are carried at amortised cost.

IFRS 9: Impairment

The Company recognises loss allowances for Expected Credit Losses ("ECL") on financial assets carried at amortised cost at the balance sheet date.

The Company measures loss allowances at an amount equal to lifetime ECL for loans and receivables.

For the trade and other receivables, the Company uses the "simplified" approach, under which impairments are calculated as lifetime expected credit losses at initial recognition, regardless of any changes in the counterparty's credit risk.

International Property Finance (Spain) Limited

Notes to the financial statements (continued)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Expected credit loss measurement

ECL is a probability-weighted estimate of credit losses. It is measured as follows:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive);
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows.

More detail on the methodology used to determine the ECL is given in note 4.

Credit-impaired assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost are credit impaired. When an asset is considered as credit impaired, it is also considered to be in default. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated cash flows of the financial assets have occurred.

Objective evidence that a financial asset or group of assets is credit impaired includes the following observable data:

- significant financial difficulty of the issuer;
- a breach of contract, such as a default or delinquency in repayment of interest or principal;
- granting to the borrower, for economic or legal reasons relating to its financial difficulty, a concession that the lender would not otherwise consider;
- it becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

A loan that has been renegotiated due to deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a retail loan that is overdue for 90 days or more is considered impaired.

Presentation of allowance for ECL in the balance sheet

Loss allowances for ECL are presented in the balance sheet as follows:

- financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets carried at amortised cost.

Write-off

The Company writes off financial assets (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Loans with renegotiated terms and the Company's forbearance policy

As refinancing and sale options are currently limited, it is generally in the lender's and borrower's interest to extend certain facilities at maturity and/or to amend the facility terms and/or not to foreclose on the collateral for certain facilities which may be in breach of covenants.

This assumes that the level of collateral is expected to be sufficient to cover the principal and any accrued interest on the facilities.

As at 31 December 2021 the value of loans in breach of covenants which were unimpaired and have not been renegotiated, extended or foreclosed was nil (31 December 2020: nil).

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and demand deposits.

Taxation

Tax payable on profits is recognised in the income statement, except to the extent that it relates to items that are recognised in equity.

International Property Finance (Spain) Limited

Notes to the financial statements (continued)

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Significant estimates and judgements

In preparing these financial statements, management have made judgements, estimates and assumptions that affect the reported amounts of the Company balance sheet, income statement, statement of changes in equity, cash flow statement and the accompanying disclosures. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

As at 31 December 2021, the Company's significant estimate and judgment relates to the Company's loans and receivables and its corresponding impairment provision as disclosed in note 5.

4. FINANCIAL RISK MANAGEMENT

4.1 Strategy in using financial instruments

The key risks arising from the Company's activities involving financial instruments are as follows:

- Credit risk - the risk of loss arising from client or counterparty default.
- Interest rate risk - exposure to changes in interest rates.

The identification, measurement and containment of risk is integral to the management of the Company's business.

4.2 Credit risk

Credit risk is the risk that a customer or counterparty will be unable or unwilling to meet a commitment that it has entered into with the Company.

Exposure to credit risk is managed by detailed analysis of client and counterparty creditworthiness prior to entering into an exposure, and by continued monitoring thereafter. A significant proportion of the Company's lending exposures are secured on investment products or other assets; the Company monitors the value of collateral obtained. For internal monitoring purposes, credit exposure on loans is measured as the principal outstanding plus accrued interest.

In addition, under the receivables trust agreement between the Company and SHG, repayment of the Company's interest bearing loans are payable only to the extent that principal and interest payments are received from the borrowers of the Company.

The directors review exposures on loans on a quarterly basis.

Under IFRS 9, the loans are classified as follows:

Category 1: The payments of interest and principal are not in doubt.

Category 2: The payments of interest and principal are not in doubt but borrower requires observation because the position is deteriorating.

Category 3: Future deterioration: the borrower requires very close observation.

Category 4: Exposure is impaired. Partial provision is required.

Category 5: Full provision made. Recovery unlikely.

ECL

IFRS 9 outlines a three-stage model for impairment based on changes in credit quality since initial recognition, as summarised below:

- A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1.
- If a significant increase in credit risk (SICR) since initial recognition is identified, the financial instrument is moved to Stage 2 but is not yet deemed to be credit impaired. See below for a description of how the Company determines when a SICR has occurred.
- If the financial instrument is credit-impaired, the financial instrument is then moved to Stage 3.
- Financial instruments 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. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis. See below for a description of inputs, assumptions and estimation techniques used in measuring the ECL.

International Property Finance (Spain) Limited

Notes to the financial statements (continued)

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

- Purchased or originated credit-impaired (POCI) financial assets are those financial assets that are credit impaired on initial recognition. Their ECL is always measured on a lifetime basis (Stage 3).

The following table discloses the maximum exposure to credit risk at the reporting date for financial assets with significant exposure to credit risk, without taking account of collateral held or other credit risk mitigation and includes the Stage classification in line with the three-stage model for impairment under IFRS 9:

	Stage 1 ECL		Stage 2 ECL		Stage 3 ECL		
	Category 1	Category 2	Category 3	Category 4	Category 5	Impairment Allowance	Total
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
At 31 December 2021							
Loans and receivables	-	-	-	15,054	400	(3,191)	12,263
Trade and other receivables	-	-	-	25	1	(14)	10
Cash & cash equivalents	2	-	-	-	-	-	2
Total	2	-	-	15,079	401	(3,205)	12,275

	Stage 1 ECL		Stage 2 ECL		Stage 3 ECL		
	Category 1	Category 2	Category 3	Category 4	Category 5	Impairment Allowance	Total
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
At 31 December 2020							
Loans and receivables	-	-	-	18,561	396	(3,470)	15,487
Trade and other receivables	-	-	-	29	1	(17)	13
Cash & cash equivalents	2	-	-	-	-	-	2
Total	2	-	-	18,590	397	(3,487)	15,502

The Company has made specific impairment allowances against stage 3 loans and receivables where the realisable value of the collateral has reduced below the amount of the loan.

The key judgements and assumptions adopted by the Company in addressing the requirements of the standard are disclosed below.

Significant increase in credit risk (SICR)

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, which are based on the Company's credit risk management process. The Company has decided that SICR is indicated if the relevant credit committee decides that the credit exposure of a financial asset is Category 2 or 3.

The Company has not used the low credit risk exemption for any financial instruments in the year.

International Property Finance (Spain) Limited

Notes to the financial statements (continued)

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

Definition of default and credit impaired assets

A financial asset that is classified as impaired has a credit rating of 4 or 5.

Measuring ECL – explanations of inputs, assumptions and estimation techniques

The Expected Credit Loss (ECL) is measured on either a 12-month (12m) or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. Expected credit losses are the discounted product of the following factors:

Expected credit losses = Probability of Default (PD) x Exposure at Default (EAD) x Loss Given Default (LGD)

The PD represents the likelihood of a borrower defaulting on its financial obligation (based on the definition of default in our accounting principles), either over the next 12 months (12m PD), or over the remaining lifetime (lifetime PD) of the obligation.

The EAD is based on the amounts the Company expects to be owed at the time of default, over the next 12 months (12m EAD) or over the remaining lifetime (lifetime EAD). The Company derives the EAD from the current exposure to the counterparty.

LGD is the percentage of the likely loss if there is a default. The Company estimates LGD parameters informed by historical recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral and recovery cost of any collateral that is provided to secure the financial asset. For loans secured by property, loan to value (LTV) ratios are a key parameter in determining LGD.

These parameters are generally derived from internally developed models and other historical data.

Grouping of instruments for losses measured on a collective basis

For expected credit loss provisions calculated on a collective basis, a grouping of exposures is performed on the basis of risk characteristics that are shared by exposures.

The following table discloses geographically the maximum exposure of the Company to credit risk on assets and liabilities:

	Loans and Receivables	Current Assets	Total Assets	Total Liabilities
	EUR '000	EUR '000	EUR '000	EUR '000
At 31 December 2021				
United Kingdom	3,264	4	3,268	-
Guernsey	-	2	2	(12,274)
Europe	8,999	6	9,005	-
Total	12,263	12	12,275	(12,274)
	Loans and Receivables	Current Assets	Total Assets	Total Liabilities
	EUR '000	EUR '000	EUR '000	EUR '000
At 31 December 2020				
United Kingdom	3,352	4	3,536	-
Guernsey	-	2	2	(15,502)
Europe	11,956	9	11,965	-
Total	15,488	15	15,503	(15,502)

International Property Finance (Spain) Limited

Notes to the financial statements (continued)

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

4.3 Market risk

Market risk arises as a result of the Company's activities in interest rate and currency markets and comprises interest rate and foreign exchange risk. During the year, exposure to market risk has been insignificant.

Currency risk

The Company has no significant foreign exchange risk.

Interest rate risk

Exposure to interest rate risk is the risk that arises when there is an imbalance between rate and non-rate sensitive assets, liabilities and off-balance sheet items. The Company's policy is to maintain the interest rate risk at a minimal level. The Company does not consider the interest rate risk to be significant as the Company's loans are match funded.

The tables below shows management's estimate of the Company's interest rate sensitivity gap as at the reporting date.

	Up to 1 month	Non-interest bearing	Total
	EUR '000	EUR '000	EUR '000
At 31 December 2021			
Assets			
Loans and receivables	12,263	-	12,263
Current assets	-	12	12
Total assets	12,263	12	12,275
Liabilities and shareholders' equity			
Amounts owed to Group undertakings	-	(12,256)	(12,256)
Other liabilities	-	(18)	(18)
Shareholders' equity	-	(1)	(1)
Total shareholders' equity and liabilities	-	(12,275)	(12,275)
Gap	12,263	(12,263)	-
Cumulative interest sensitivity gap	12,263	-	-

	Up to 1 month	Non-interest bearing	Total
	EUR '000	EUR '000	EUR '000
At 31 December 2020			
Assets			
Loans and receivables	15,487	-	15,487
Current assets	-	16	16
Total assets	15,487	16	15,503
Liabilities and shareholders' equity			
Amounts owed to Group undertakings	-	(15,492)	(14,744)
Other liabilities	-	(10)	(758)
Shareholders' equity	-	(1)	(1)
Total shareholders' equity and liabilities	-	(15,503)	(15,503)
Gap	15,487	(15,487)	-
Cumulative interest sensitivity gap	15,487	-	-

International Property Finance (Spain) Limited

Notes to the financial statements (continued)

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

4.4 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in realising assets or otherwise raising funds to meet commitments. The policy throughout the year has been to ensure liquidity by match funding the Company's assets.

The table below analyses the Company's financial assets and liabilities into relevant maturity groupings based on the remaining period, at the reporting date, to the contractual maturity date.

	Repayable on demand and past due	Up to 1 month	1-3 months	3-12 months	1-5 years	Total
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
At 31 December 2021						
Assets						
Loans and receivables	12,263	-	-	-	-	12,263
Current assets	12	-	-	-	-	12
Total assets	12,275	-	-	-	-	12,275
Liabilities						
Amounts owed to Group undertakings	(12,256)	-	-	-	-	(12,256)
Other liabilities	(18)	-	-	-	-	(18)
Total liabilities	(12,274)	-	-	-	-	(12,274)
Gap	1	-	-	-	-	
Cumulative gap	1	1	1	1	1	

	Repayable on demand and past due	Up to 1 month	1-3 months	3-12 months	1-5 years	Total
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
At 31 December 2020						
Assets						
Loans and receivables	15,487	-	-	-	-	15,487
Current assets	16	-	-	-	-	16
Total assets	15,503	-	-	-	-	15,503
Liabilities						
Amounts owed to Group undertakings	(15,492)	-	-	-	-	(15,492)
Other liabilities	(10)	-	-	-	-	(10)
Total liabilities	(15,502)	-	-	-	-	(15,502)
Gap	1	-	-	-	-	
Cumulative gap	1	1	1	1	1	

Amounts owed to Group undertakings are repayable on demand and consistent with the maturity of loans and receivables.

4.5 Capital risk management

The Company manages its capital to ensure that the Company will be able to continue as a going concern while maximising the return to shareholders through the optimisation of debt and equity balance. The Company's overall strategy remains unchanged from the prior year.

The capital structure of the Company consists of debt, which includes the borrowings disclosed in notes 8 and 9 and the equity attributable to equity holders, comprising issued capital and retained earnings as disclosed in notes 11 and 12.

International Property Finance (Spain) Limited

Notes to the financial statements (continued)

5. LOANS AND RECEIVABLES

	31-Dec-21	31-Dec-20
	EUR	EUR
Loans and receivables	15,453,965	18,956,932
Allowance for credit losses	(3,191,260)	(3,469,672)
	<u>12,262,705</u>	<u>15,487,260</u>

Allowances for Stage 3 impairment

As noted in note 4.2, all loans are treated as Stage 3 loans. The movement in loans and receivables and allowance for credit losses may be summarised as follows:

	Loans and receivables EUR	Allowance for credit losses EUR	Total EUR
Balance at beginning of year (1 January 2021)	18,956,932	(3,469,672)	15,487,260
Charges to the P&L	-	(131,946)	(131,946)
Interest	153,289	-	153,289
Repayments	(3,245,898)	-	(3,245,898)
Write-off on loan closure	(410,358)	410,358	-
Balance at end of year (31 December 2021)	15,453,965	(3,191,260)	12,262,705
Balance at beginning of year (1 January 2020)	19,804,072	(3,419,334)	16,384,738
Charges to the P&L	-	(50,338)	(50,338)
Interest	186,734	-	186,734
Repayments	(1,033,874)	-	(1,033,874)
Balance at end of year (31 December 2020)	18,956,932	(3,469,672)	15,487,260

The Company holds collateral against loans and receivables in the form of mortgage interests over property (physical collateral) and other registered securities over assets (financial collateral). Estimates of fair value of the physical collateral have been made during the year and provisions against any potential losses have been made based on these revaluations. Financial collateral is revalued on a monthly basis.

As at 31 December 2021, the market value of financial collateral held by the Company was €10,000 (31 December 2020: €1,587,458) the fair value of physical collateral after sales costs was €20,859,604 (31 December 2020: €24,486,494).

The Company has the right to sell or re-pledge collateral held in the event of default by the borrower of either interest payments or principal repayments. No physical or financial collateral has been sold or re-pledged by the Company during the period ended 31 December 2021 (31 December 2020: €nil).

Past due but not impaired loans and receivables are those for which contractual interest or principal repayments are past due, but the Company believes that impairment is not appropriate on the basis of the level of security / collateral available and / or the stage of collection of amounts owed to the Company. As at 31 December 2021, principal payments of €nil were past due but not impaired (31 December 2020: €nil).

A detailed analysis of the exposure to credit risk for financial assets is shown in note 4.2.

As at 31 December 2021, principal payments of €15,453,965 were classified as credit impaired (31 December 2020: €18,956,932) with €131,946 of net impairment to provisions during the year (31 December 2020: €50,338).

International Property Finance (Spain) Limited

Notes to the financial statements (continued)

6. TRADE AND OTHER RECEIVABLES

	31-Dec-21	31-Dec-20
	EUR	EUR
Accrued interest	<u>10,129</u>	<u>13,471</u>

7. CASH AND CASH EQUIVALENTS

	31-Dec-21	31-Dec-20
	EUR	EUR
Current accounts	<u>2,310</u>	<u>2,310</u>

8. AMOUNTS OWED TO GROUP UNDERTAKINGS

	31-Dec-21	31-Dec-20
	EUR	EUR
Due to Shield Holdings (Guernsey) Limited	(12,211,569)	(15,365,081)
Due to Rothschild & Co Bank International Limited	(44,083)	(126,509)
Amounts owed to group undertakings	<u>(12,255,652)</u>	<u>(15,491,590)</u>

The intercompany balance with SHG is secured by the Company's interest in the loans to customers. The terms of the facility are disclosed in note 4.2.

9. TRADE AND OTHER PAYABLES

	31-Dec-21	31-Dec-20
	EUR	EUR
Trade and other Payables	<u>(18,030)</u>	<u>(10,000)</u>

10. TAXATION

The tax charge for the year was €3 (2020: €4). Income tax is calculated at 19% of profit before tax (2020:19%).

International Property Finance (Spain) Limited

Notes to the financial statements (continued)

11. SHARE CAPITAL

	31-Dec-21	31-Dec-20
	GBP	GBP
Authorised share capital 100 Ordinary shares of £1 each	100	100
	EUR	EUR
Allotted and called 2 Ordinary shares of £1 each	3	3

The holders of the Ordinary shares have full voting rights.

12. RETAINED EARNINGS

	31-Dec-21	31-Dec-20
	EUR	EUR
At 1 January	1,444	1,429
Profit for the year	12	15
At 31 December	1,456	1,444

13. FINANCE REVENUE

The analysis of the finance revenue by activity is as follows:

	31-Dec-21	31-Dec-20
	EUR	EUR
Loans and receivables	153,289	186,734

14. ADMINISTRATIVE EXPENSES

	31-Dec-21	31-Dec-20
	EUR	EUR
Servicing and management fees	(44,083)	(50,725)
Auditor's remuneration	(27,975)	(10,000)
Other administrative expenses	(2,973)	(75,652)
	(75,031)	(136,377)

15. DIRECTORS AND EMPLOYEES

The Directors received no remuneration and there were no employees during the year.

International Property Finance (Spain) Limited

Notes to the financial statements (continued)

16. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an orderly transaction at the measurement date.

The methods adopted to determine the fair value of each type of financial asset or liabilities are summarised below:

For cash and cash equivalents the fair value is considered to be the same as their carrying value due to the short-term nature of the financial asset or liability.

Loans and advances to customers have been reviewed for their terms and pricing based on current market interest rates for recent similar transactions. The management estimate that where a material difference in terms and/or pricing has been observed that the fair value of the asset would be €948,198 less than the carrying value as at 31 December 2021 (31 December 2020: €1,957,840 less).

Other financial assets and liabilities - fair value is considered to be the same as carrying value for these assets.

The following table analyses financial instruments not measured at fair value at the reporting date, by the level in fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the balance sheet.

	Level 1	Level 2	Level 3	Total Fair Value	Carrying amount
	€'000	€'000	€'000	€'000	€'000
31 December 2021					
Financial assets					
Loans and receivables	-	11,315	-	11,315	12,263
Trade and other receivables	-	10	-	10	10
Cash and cash equivalents	-	2	-	2	2
Fair value of financial assets	-	11,327	-	11,327	12,275
Financial liabilities					
Amounts owed to Group undertakings	-	(12,256)	-	(12,256)	(12,256)
Other liabilities	-	(18)	-	(18)	(18)
Fair value of financial liabilities		(12,274)		(12,274)	(12,274)
31 December 2020					
Financial assets					
Loans and receivables	-	13,529	-	13,529	15,487
Trade and other receivables	-	14	-	14	14
Cash and cash equivalents	-	2	-	2	2
Fair value of financial assets	-	13,545	-	13,545	15,503
Financial liabilities					
Amounts owed to Group undertakings	-	(15,492)	-	(15,492)	(15,492)
Other liabilities	-	(10)	-	(10)	(10)
Fair value of financial liabilities		(15,002)		(15,002)	(15,002)

Level 1: Comprises financial instruments whose values are determined by quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Comprises financial instruments whose values are determined by inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Comprises financial instruments whose values are determined by inputs for the asset or liability that are not based on observable market data (unobservable inputs).

For collateral-dependent impaired loans, the fair value is measured based on financial collateral and property revaluations for physical collateral.

The Company's policy on the transfer of financial assets and liabilities is to determine the level at the end of the reporting period and record transfers at that point. There were no transfers between Level 1 and Level 2 in the year.

International Property Finance (Spain) Limited

Notes to the financial statements (continued)

17. RELATED PARTY TRANSACTIONS

Included in payables at 31 December 2021 is €12,255,652 (31 December 2020: €15,491,590) of servicing, management fees and other amounts payable under the Novation and Amendment Deed in relation to the NMRCI Warehouse Facility Agreement between the Company and SHG.

Included in current accounts are cash balances the Company has placed with Rothschild & Co Bank International Limited ("R&CoBI"). The balance at 31 December 2021 is €2,310 (31 December 2020: €2,310).

During the year the Company has incurred servicing and management fees of €44,083 with R&CoBI (31 December 2020: €50,725) and other income from SHG under the receivable trust agreement of €53,703. Included within other administrative expenses of €75,652 during the year ended 31 December 2020 is €72,806 other administrative expenses due to R&CoBI under the receivable trust agreement.

18. LEGAL PROCEEDINGS

From time to time the Company is involved in judicial proceedings or receives claims arising from the conduct of its business. Based upon available information and legal advice, the Directors do not believe that there are any potential or actual proceedings or other claims which will have a material adverse impact on the Company's financial position. As such, no provision has been made for litigations.

19. CONTROLLING PARTY

The Company is a wholly owned subsidiary undertaking of Shield Holdings (Guernsey) Limited, registered in Guernsey.

The largest group in which the results of the Company are consolidated is that headed by Rothschild & Co Concordia SAS, incorporated in France. The accounts are available on the Rothschild & Co website at www.rothschildandco.com.

20. EVENTS AFTER THE REPORTING PERIOD

There are no material events to disclose after the reporting period.