

DELAMARE CARDS FUNDING 1 LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2013
Company Number 8356551



DELAMARE CARDS FUNDING 1 LIMITED

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DELAMARE CARDS FUNDING 1 LIMITED

DIRECTORS AND ADVISERS

Directors	J C Bingham M C Schnaier
Secretary	Sanne Group Secretaries (UK) Limited Pollen House 10 Cork Street London W1S 3NP
Registered Office	Pollen House 10 Cork Street London W1S 3NP
Auditors	PricewaterhouseCoopers LLP Level 4 Atria One 144 Morrison Street Edinburgh EH3 8EX
Bankers:	HSBC Bank plc One Canada Square London E14 5AL
Cash Manager:	Tesco Personal Finance plc Interpoint Building 22 Haymarket Yards Edinburgh EH12 5BH
Servicer.	Tesco Personal Finance plc Interpoint Building 22 Haymarket Yards Edinburgh EH12 5BH

DELAMARE CARDS FUNDING 1 LIMITED

STRATEGIC REPORT

The Directors present their Strategic Report for Delamare Cards Funding 1 Limited (the Company) for the period ended 31 December 2013

BUSINESS MODEL

The Company was incorporated on 11 January 2013. The principal activity of the Company is to act within a securitisation structure for credit card receivables originated and acquired by Tesco Personal Finance plc (TPF plc). The securitisation structure has been established as a means of raising finance for TPF plc.

The credit card portfolio is held in trust for the Company and the originator, TPF plc, by Delamare Cards Receivables Trust (the "Trust"). The beneficial interest in the credit card pool is represented by a deemed loan to TPF plc. Delamare Cards Receivable Trustee Limited has been established to act as trustee of the Trust.

The activities of the Company are managed in accordance with the securitisation transaction documents (Delamare Cards Base Prospectus Dated 21 May 2014), which set out the workings of the transaction and the principal risks to holder of the Global Loan Notes. As such, these have not been reproduced in full in these financial statements.

BUSINESS PERFORMANCE

On 26 April 2013, the Company issued £1.75 billion of Global Loan Notes to Delamare Cards MTN Issuer, a fellow group undertaking. The proceeds of the issuance have been used to invest in the Trust to obtain a beneficial legal interest in credit card receivables originated by TPF plc in the United Kingdom.

During the period, the Trust made payments to the Company totalling £57,678k in relation to interest due on the Deemed Loan (note 2(n)). These payments of interest were used to meet the Company's obligations on the Global Loan Notes, payable to Delamare Cards MTN Issuer plc.

The Company has made all payments due on the Global Loan Notes in accordance with the scheduled payments dates for the period ended 31 December 2013.

The Company made a profit for the period of £0.8k. Profits for the Company are pre-defined under the securitisation transaction documents. Under the terms of these documents the Company retain the rights to £0.1k per month. This is reflected within the statement of comprehensive income on page 12.

STRATEGIC PRIORITIES

The Company will continue to seek appropriate opportunities to raise finance to support the ongoing activities of TPF Plc. The Company expects to issue more Global Loan Notes to support the investment in the Trust in the first half of 2014.

DELAMARE CARDS FUNDING 1 LIMITED

STRATEGIC REPORT (continued)

PRINCIPAL RISKS AND UNCERTAINTIES

The Company has implemented a set of policies and procedures in order to manage the risks associated with the transactions undertaken by the Company. The principal risks the Company is exposed to are detailed below.

Credit risk

Credit risk is the risk that counterparties will cause a financial loss to the Company by failing to repay the interest or capital on a loan or other financial instrument.

The Company is, therefore, exposed to credit risk via the ability of TPF plc to repay its obligations under the Deemed Loan. This is dependent on the ability of borrowers to meet their obligations as they fall due under the credit card loans held on trust by the Trust.

The Directors continually monitor the performance of the underlying credit card collateral and take into consideration any developing trends. The Directors do not consider the exposure to credit risk to be material to the Company.

Liquidity and funding risk

Liquidity risk is the risk that the Company is not able to meet its financial obligations as they fall due or can do so only at an excessive cost. Liquidity risk arises from the mismatch in the timing of cash flows generated from assets and liabilities. Funding risk is the risk that the Company does not have sufficiently stable sources of funding. Funding risk arises from the ability of the Company to issue tranches of Global Loan Notes.

The principal financial assets held by the Company comprise tranches of Deemed Loan issued by TPF plc. The main purpose of holding these financial assets, as agreed by the Directors, is to ensure appropriate liquidity, ensuring the Company's liabilities in respect of the Global Loan Notes are met as they fall due and to meet regulatory requirements in respect of liquidity management.

The principal financial liabilities of the Company are Global Loan Notes. The purpose of these financial liabilities, as agreed by the Directors, is to ensure the Company has sufficient funding.

The Directors do not consider the exposure to liquidity risk to be material to the Company as the Global Loan Notes are designed to match the maturity and repayment profile of the Deemed Loan backed by the underlying portfolio of credit card receivables.

Interest rate risk

Interest rate risk is the possibility that changes in interest rates will result in higher financing costs and/or reduced income from the Company's interest bearing financial assets and liabilities.

The Directors do not consider the exposure to interest rate risk to be material as the Company has no fixed rate assets or liabilities and the interest rates on the Global Loan Note and Deemed Loan are identical.

DELAMARE CARDS FUNDING 1 LIMITED

STRATEGIC REPORT (continued)

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

Operational risk

Operational risk is the risk that the Company will incur losses due to inadequate or failed internal processes, people and systems or from external events

Delamare Cards Receivables Trustee Limited and the beneficial owners of the trust property have retained TPF plc under the terms of the servicing agreement as the servicer of the credit card receivables

TPF plc has performed all relevant activities in its capacity as Servicer and Cash Manager. Failure of the Servicer and/or Cash Manager to carry out its services, could lead to a loss on the Notes in issue and/or early redemption of the Notes in issue

The ability of TPF plc to make the payments due in respect of any Deemed Loan to the Company is in part dependent upon the Servicer administering the credit card receivables (which form the Trust's property) and transactions affecting the credit card receivables in a prompt and accurate manner

The Directors consider the controls to be effective which together with the appointment of the successor servicer facilitator reduces the level of operational risk to minimal levels

KEY PERFORMANCE INDICATORS (KPIs)

A defined set of KPIs for the securitisation transaction are set out in the securitisation transaction documentation and published in the monthly Servicer Reports, available on www.corporate.tescobank.com

The main key performance indicator used by management in assessing the performance of the Company is the monitoring of actual cash flows against planned cash flows. In addition, performance is measured against the following KPIs to assess whether

- Excess available funds averaged over a three month period is greater than £0,
- The balance of the securitised credit card pool, which is in excess of the value of notes in issue, is greater than a minimum balance as defined within the transaction documents,
- The balance of the securitised credit card pool is greater than the value of Notes in issue

During the period ended 31 December 2013, these KPIs were met, and were reported as part of the monthly investor reporting process

Each series of Delamare Cards MTN Issuer plc's loan notes in issue were assigned a credit rating at the time of issue reflecting the likelihood of full and timely payments to the note holders of the amount due as set out in the securitisation transaction documents. A rating may be revised, suspended or withdrawn by the rating agencies if circumstances change

No downgrade in credit ratings has been applied to the Delamare Cards MTN Issuer's Notes in issue in the period under review or subsequently up to the date of approval of these financial statements

The Company has made all necessary payments on the Global Loan Notes in accordance with the scheduled repayment dates for the period ended 31 December 2013

DELAMARE CARDS FUNDING 1 LIMITED

REPORT OF THE DIRECTORS

The Directors present their Annual Report and the audited financial statements for the period ended 31 December 2013

Business review and future developments

The Company's business review and future developments are set out in the Strategic Report on pages 4 to 6

Risk management

The Company's risk management disclosures are set out in the Strategic Report on pages 5 to 6

Going concern

The Directors have completed a formal assessment of the Company's going concern status, taking into account both current and projected performance

Global Loan Notes were issued on 26 April 2013. Interest and principal will be paid on the Global Loan Notes, to the extent that funds are remitted from the financial assets to the Company in accordance with the securitisation transaction documentation. The Directors expect that the Company will continue to meet all of its obligations as they fall due during 2014.

The Directors do not anticipate any external changes in the business environment which would adversely impact the Company. This is dependent on there being no change in the performance of the Global Loan Notes, which in turn is dependent on there being no material change in performance of the credit card receivables. Additional details relating to the performance of the credit card receivables can be found in note 14.

As a result of this assessment, the Directors consider the Company to be in a satisfactory financial position and confirm that the Company has confidence that any solvency or liquidity risks can be managed effectively. Accordingly, the Directors continue to adopt the going concern basis in preparing the financial statements.

Dividends

During the period, no interim dividend has been paid. The Directors do not recommend a final dividend for the period. The Directors consider the results to be satisfactory and as expected in light of the Company's operating environment during the period.

Directors

The present Directors and Company Secretary who have served throughout the period and up to the date of signing the financial statements, except where noted below, are listed on page 3.

The initial director at incorporation was A Z Iqbal. Since incorporation, the following changes have taken place:

A Z Iqbal	(resigned 4 March 2013)
B S Patel	(appointed 4 March 2013)
B S Patel	(resigned 1 June 2013)
N D Scott	(resigned 1 June 2013)
J C Bingham	(appointed 1 June 2013)
M C Schnaier	(appointed 1 June 2013)

DELAMARE CARDS FUNDING 1 LIMITED

REPORT OF THE DIRECTORS (continued)

Employees

The Company does not have any employees

Events occurring after the reporting period

In June 2014, Delamare Cards MTN Issuer plc issued £500m of medium term notes, backed by the credit card receivables in the Receivables Trust

Auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution that they be re-appointed will be proposed at the annual general meeting

Statement of Directors' Responsibilities

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

Company law requires the Directors to prepare financial statements for each financial period. Under that law the Directors have prepared the Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 accounting estimates that are reasonable and prudent,
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements,
- 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 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 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.

Each of the Directors, whose names are listed on page 3 of the Annual Report and financial statements confirm that, to the best of their knowledge

- the financial statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Company, and
- the Strategic Report contained in the Annual Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces

DELAMARE CARDS FUNDING 1 LIMITED

REPORT OF THE DIRECTORS (continued)

Statement of Directors' Responsibilities (continued)

So far as each Director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditors in connection with preparing this report, of which the auditors are unaware. All of 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 auditors are aware of that information.

BY ORDER OF THE BOARD



J C Bingham
Director
23 September 2014

DELAMARE CARDS FUNDING 1 LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF DELAMARE CARDS FUNDING 1 LIMITED

REPORT ON FINANCIAL STATEMENTS

Our opinion

In our opinion

- The financial statements, defined below, give a true and fair view of the state of the Company's affairs as at 31 December 2013 and of its profit and cash flows for the period then ended,
- The Company financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006, and
- The financial statements have been prepared in accordance with the requirements of the Companies Act 2006

This opinion is to be read in the context of what we say in the remainder of this report

What we have audited

The financial statements, which are prepared by Delamare Cards Funding 1 Limited, comprise

- The statement of financial position as at 31 December 2013,
- The income statement and statement of comprehensive income for the period then ended,
- the statement of changes in equity and statement of cash flows for the period then ended, and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information

The financial reporting framework that has been applied in their preparation comprises applicable law and IFRSs as adopted by the European Union

In applying the financial reporting framework, the Directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) (ISAs (UK & Ireland)). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error

This includes an assessment of

- whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed,
- the reasonableness of significant accounting estimates made by the Directors, and
- the overall presentation of the financial statements

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

DELAMARE CARDS FUNDING 1 LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF DELAMARE CARDS FUNDING 1 LIMITED (continued)

Opinions on matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements

OTHER MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

Adequacy of accounting records and information and explanations received

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

- we have not received all the information and explanations we require for our audit, or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns

We have no exceptions to report arising from this responsibility

Directors' Remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of Directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility

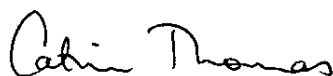
RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

Our responsibilities and those of the Directors

As explained more fully in the Statement of Directors' Responsibilities set out on pages 9 and 10, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

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



Catrin Thomas (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Edinburgh
23 September 2014

DELAMARE CARDS FUNDING 1 LIMITED

STATEMENT OF COMPREHENSIVE INCOME AS AT 31 DECEMBER 2013

	Note	11 months to 31 December 2013 £'000
Interest income	3	57,678
Interest expense	3	(13,022)
Net interest income		<u>44,656</u>
 Total income		<u>44,656</u>
 Administrative expenses	4	(44,655)
Profit before tax		<u>1</u>
 Income tax expense	5	-
 Total comprehensive income for the period		<u>1</u>

All items dealt with in arriving at the profit for the period ended 31 December 2013 related to continuing operations

There was no other comprehensive income for the period ended 31 December 2013

The notes on pages 16 to 27 form part of these financial statements

DELAMARE CARDS FUNDING 1 LIMITED

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2013

Company number 8356551

	Note	31 December 2013 £'000
Assets		
Cash and cash equivalents	6	43,892
Other receivables	7	22,884
Deemed Loan	8	1,750,000
Total assets		<u>1,816,776</u>
Liabilities		
Loan payable	9	45,441
Other payables	10	22,258
Global Loan Note	11	1,749,076
Total liabilities		<u>1,816,775</u>
Equity		
Share capital	12	-
Retained earnings		<u>1</u>
Total equity		<u>1</u>
Total liabilities and equity		<u>1,816,776</u>

The financial statements were approved and authorised for issue by the Board of Directors on 23 September 2014 and were signed on its behalf by



J C Bingham
Director

The notes on pages 16 to 27 form part of these financial statements

DELAMARE CARDS FUNDING 1 LIMITED

STATEMENT OF CHANGES IN EQUITY

AS AT 31 DECEMBER 2013

	Share capital	Retained earnings	Total
	£'000	£'000	£'000
Balance at incorporation			
11 January 2013	-	-	-
Comprehensive income			
Profit for the period and total comprehensive income	-	1	1
Balance at 31 December 2013	<u>-</u>	<u>1</u>	<u>1</u>

The notes on pages 16 to 27 form part of these financial statements

DELAMARE CARDS FUNDING 1 LIMITED

STATEMENT OF CASHFLOWS

FOR THE PERIOD ENDED 31 DECEMBER 2013

	Note	Period ended 31 December 2013 £'000
Cash flows from operating activities		
Profit before tax		1
(Increase) in operating assets		(22,258)
Increase in operating liabilities		22,258
Interest received on Deemed Loan		12,396
Net cash flows from operating activities		<u>12,397</u>
Cash flows from financing activities		
Interest paid on Global Loan Note		(12,396)
Issue costs for Global Loan Note		(1,759)
Loan facility received		45,650
Net cash flows from financing activities		<u>31,495</u>
Net increase in cash and cash equivalents		43,892
Cash and cash equivalents at beginning of the period		<u>-</u>
Cash and cash equivalents at the end of the period	13	<u>43,892</u>

The notes on pages 16 to 27 form part of these financial statements

DELAMARE CARDS FUNDING 1 LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB as endorsed by the European Union (EU), and those parts of the Companies Act 2006 applicable to companies reporting under IFRS

The preparation of financial statements in conformity with IFRS requires the use of certain estimates that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense during the reporting period

The financial statements are presented in Sterling, which is the functional currency of the Company. The figures shown in the financial statements are rounded to the nearest thousand unless otherwise stated.

2. ACCOUNTING POLICIES

(a) Accounting convention

The financial statements have been prepared under the historical cost convention. A summary of the Company's accounting policies is set out below.

(b) Standards, amendments and interpretations, which became effective in 2013 and are relevant to the Company

During the period ended 31 December 2013 the Company has adopted the following new accounting standards and amendments to standards:

- IFRS 13 'Fair value measurement'

IFRS 13 sets out a single IFRS framework for defining and measuring fair value. It defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The application of IFRS 13 has not significantly impacted the fair value measurement of any financial assets or liabilities held by the Company.

IFRS 13 has been applied prospectively.

- Annual Improvements 2009-2011

The Annual Improvements process covers minor amendments to IFRS that the IASB consider non-urgent but necessary. None of the 2009-2011 Annual Improvements have had a material impact on these financial statements.

(c) Standards and interpretations issued but not yet effective

The following standards, amendments and interpretations have been issued and are mandatory for the Company's accounting years beginning on or after 1 January 2014 or later years and are expected to be relevant to the Company.

DELAMARE CARDS FUNDING 1 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

2 ACCOUNTING POLICIES (continued)

- Amendment to IAS 32, 'Financial instruments Presentation on offsetting financial assets and financial liabilities'

This amendment is effective for annual years beginning on or after 1 January 2014. It clarifies some of the requirements for offsetting financial assets and financial liabilities on the balance sheet. This amendment is not expected to impact the Company.

- Annual Improvements 2010-2012 and Annual Improvements 2011-2013

The Annual Improvements process covers minor amendments to IFRS that the IASB consider non-urgent but necessary. The Annual Improvements 2010-2012 and 2011-2013 process resulted in twelve minor changes to standards which are effective for annual periods beginning on or after 1 July 2014. The impact of these amendments on the Company is still being assessed.

- IFRS 9, 'Financial instruments' and Amendment to IFRS 9 'Mandatory effective date and transition disclosures'

The effective date for IFRS 9 has not yet been determined by the IASB and the full standard is yet to be finalised. IFRS 9 is intended as a replacement for IAS 39 'Financial Instruments' and has been split into three separate phases. Phase 1 contains new requirements for the classification and measurement of financial assets and liabilities. Phase 2 relates to the impairment of financial assets and is likely to require the calculation of impairment on an expected loss basis rather than the current incurred loss basis required by IAS 39. Phase 3 relates to requirements for hedge accounting. The full impact of this on the Company is still being assessed.

(d) Early adoption of new standards

The Company did not early adopt any new or amended standards in the period ended 31 December 2013.

(e) Segmental reporting

The Company's activities, as considered by the Directors, constitute one segment due to the similarity of risks faced in relation to the investment of the proceeds of the issue of the Global Loan Notes. Consequently all activities are presented as such and therefore the Company is not required to produce additional segmental information.

(f) Other income

In order to allow the Company to meet expenses it incurs, and to allow it to create the profit entitled to it under the securitisation transaction documents, additional income is received by the Company. This is accounted for on an accruals basis.

(g) Administrative expenses

Administrative expenses are recognised on an accruals basis in the period in which they are incurred.

(h) Taxation

Current tax which is payable on taxable profits is recognised as an expense in the period in which the profits arise.

The Company's tax charge is based on the permanent tax regime for securitisation companies.

(i) Dividends

Dividends on ordinary shares are recognised in equity in the period in which they are approved by the Company's Directors.

DELAMARE CARDS FUNDING 1 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. ACCOUNTING POLICIES (continued)

(j) Cash and cash equivalents

For the purposes of the cashflow statement, cash and cash equivalents include cash in hand, deposits held on call with banks and any highly liquid investments which have a maturity within three months of the date of acquisition that are repayable on demand and form an integral part of the Company's cash management

(k) Financial Instruments

The Directors determine the classification of financial assets and financial liabilities at initial recognition in accordance with the substance of the contractual arrangement. Purchases and sales of financial assets are recognised on the trade date – the date on which the Company commits to purchase or sell the asset

Financial assets

The Company has classified its financial assets as loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition at fair value plus transaction costs, these assets are carried at amortised cost using the effective interest method, less any impairment

Financial liabilities

The Company measures all of its financial liabilities at amortised cost using the effective interest method, after initial recognition at fair value. Fair value is calculated as the issue proceeds, net of premiums, discounts and transaction costs incurred

(l) Fair value estimates

The fair value estimates on the Global Loan Notes are calculated using a discounted cash flow estimate appropriately adjusted to reflect credit risk. Taking account of the identical nature of the Deemed Loan, the fair values of the Deemed Loan is considered to be the same as the Global Loan Notes

(m) Impairment of financial assets

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or group of financial assets classified as loans and receivables is impaired. A financial asset or portfolio of financial assets is impaired and an impairment loss incurred if there is objective evidence of impairment as a result of an event or events since the initial recognition of the asset that have adversely affected the amount or timing of future cashflows from the asset

For assets carried at amortised cost, the Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If there is objective evidence that an impairment loss has incurred an impairment allowance is calculated based on the difference between the Directors' best estimate of the present value of future cash flows of the loan or group of loans (discounted at original EIR) and the loan or group of loans current carrying value. Impairment allowances are recorded within the statement of comprehensive income

Losses suffered by the Company in respect of the Deemed Loan (see below) to TPF plc will not cause impairment to the Company's loan with TPF plc until all credit enhancement is exhausted. Credit enhancement is represented by excess spread and reserve funds, a cash series loan issued by TPF plc, held by the Company

DELAMARE CARDS FUNDING 1 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

2 ACCOUNTING POLICIES (continued)

(n) Deemed loan

The Company originally purchased an interest in the portfolio of credit cards written by TPF plc, which was subsequently held in Trust. Under IAS 39, it is the case that although the credit card portfolio has been legally sold by TPF plc, this has not resulted in TPF plc passing substantially all the risks and rewards associated with the credit card portfolio.

Accordingly the credit card portfolio remains on TPF plc's statement of financial position and the Company instead is considered to have a deemed loan with TPF plc.

(o) Other payables

Other payables arise in the normal course of the Company's trading activities. Other payables are recorded as a payable at historical cost.

(p) Loan payable

The loan payable represented the credit enhancement passed to the Company by TPF plc in order to maximise the credit rating of the Medium Term Notes issued by Delamare Cards MTN Issuer plc, a fellow group undertaking. The loan payable is recorded as a payable at historical cost.

(q) Global loan notes

The global loan notes were issued by the Company to allow it to purchase a share in the credit card portfolio originated by TPF plc, which as stated above is recorded as a deemed loan by the Company. The Global Loan Notes are recorded as a payable at historical cost.

3. NET INTEREST INCOME

	31 December 2013 £'000
Finance income	
Interest receivable on deemed loan	57,678
Total other income	<u>57,678</u>
Finance cost	
Interest payable on Class A (2013-A) Global Loan Notes	(13,011)
Interest payable on Class D (2013-D) Global Loan Note	(11)
Total finance cost	<u>(13,022)</u>
Net interest income	<u>44,656</u>

DELAMARE CARDS FUNDING 1 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

4. ADMINSTRATIVE EXPENSES

	31 December 2013 £'000
Administration expense	17,898
Credit card default expense	26,757
	<u>44,655</u>

No emoluments were due to the Directors for their services to the Company during the period ended 31 December 2013

Audit fees of £12,500 for the Company were borne by TPF plc

5. INCOME TAX EXPENSE

	31 December 2013 £'000
Analysis of charge in the period	
Profit / (Loss) on ordinary activities before tax	1
Profit / (Loss) on ordinary activities before tax multiplied by the rate of corporation tax of 23 25%	-
	<u>-</u>
Income tax expense	<u>-</u>

The standard rate of Corporation Tax in the UK was changed from 24% to 23% with effect from 1 April 2013. This gives an overall blended Corporation Tax rate for the Company for the full period of 23 25% for UK tax purposes

DELAMARE CARDS FUNDING 1 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

6 CASH AND CASH EQUIVALENTS

	31 December 2013 £'000
Cash at bank	43,892
	<u>43,892</u>

Cash and cash equivalents are classified as current

7 OTHER RECEIVABLES

	31 December 2013 £'000
Amounts due from Delamare Cards Receivables Trustee Ltd	22,884
	<u>22,884</u>

Other receivables are classified as current

8 DEEMED LOAN

	31 December 2013 £'000
Deemed loan from Tesco Personal Finance plc	1,750,000
	<u>1,750,000</u>

On 24 April 2013 the Company made a contribution to the Trust of £1,750,000 resulting in the granting of a beneficial interest in the Trust

The Company funded its contribution to the Trust through the issuance of the Global Loan Notes to Delamare Cards MTN Issuer plc, a fellow group undertaking

Deemed Loan Principal classified as non-current

DELAMARE CARDS' FUNDING 1 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

9 LOAN PAYABLE

	31 December 2013 £'000
Loan payable to Tesco Personal Finance plc	45,441
	<u>45,441</u>

On the 24th April 2013, the Company entered into an Expense Loan Agreement with TPF plc. The initial advance of £45,650,000 is deemed to consist of three separate advances of £35,000,000, £8,750,000 and £1,900,000. Each loan repayment is made in accordance with the securitisation transaction documentation. The loan is unsecured and interest bearing at a rate of 1M LIBOR and a margin of 0.1%.

10 OTHER PAYABLES

	31 December 2013 £'000
Amounts due to Tesco Personal Finance plc	22,258
	<u>22,258</u>

Other payables are classified as current.

11. GLOBAL LOAN NOTES

	31 December 2013 £'000
Global Loan Notes	
Principal	
Class A (2013-A)	1,600,000
Class D (2013-D)	150,000
Interest	
Accrued interest on Global Loan Note	<u>625</u>
	1,750,625
Unamortised issue costs	(1,549)
	<u>1,749,076</u>

The Company issued 6 Global Loan Notes with a total nominal value of £1,750,000,000. The net proceeds from the issue of the notes were used to invest in the Trust to obtain a beneficial legal interest in credit card receivables originated by TPF plc in the United Kingdom.

DELAMARE CARDS FUNDING 1 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

The Global Loan Notes bear interest monthly in arrears. There have been no defaults in the payment of principal and interest or other breaches with respect to liabilities in the period.

12. SHARE CAPITAL

	31 December 2013
Authorised	
1 Ordinary share of £1 each	<u>Unlimited</u>
Issued and fully paid	
1 Ordinary share of £1 each	<u>1</u>

100% of the shares are beneficially owned by the parent undertaking, Delamare Cards Holdco Limited, and are fully paid as at 31 December 2013.

13 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The table below sets out the book and fair values for the Company's financial instruments.

	31 December 2013 Fair value £'000	31 December 2013 Book value £'000
Financial assets		
Deemed Loan	1,723,204	1,750,000
Cash and cash equivalents	43,892	43,892
Other receivables	22,884	22,884
	<u>1,789,980</u>	<u>1,816,776</u>
Financial liabilities		
Global Loan Notes	1,723,204	1,749,076
Loan payable	45,441	45,441
Other payables	22,258	22,258
	<u>1,790,903</u>	<u>1,816,775</u>

Due to the short re-pricing period of cash and cash equivalents, other receivables and other payables, the Directors do not consider that there is any significant difference between the fair value and book value.

14. FINANCIAL RISK MANAGEMENT

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies are reviewed regularly to reflect changes in market conditions and the Company's activities.

The activities of the Company expose it to financial risk which it manages in order to achieve its financial and corporate objectives.

DELAMARE CARDS FUNDING 1 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

14. FINANCIAL RISK MANAGEMENT (CONTINUED)

Strategy in using financial instruments

Financial instruments comprise the majority of the Company's assets and liabilities and these instruments expose the Company to financial risk. The Company does not trade in financial instruments.

Credit Risk

Credit risk is the risk that counterparties will cause a financial loss to the Company by failing to repay the interest or capital on a loan or other financial instrument.

The Company is, therefore, exposed to credit risk via the ability of TPF plc to repay its obligations under the Deemed Loan. This is dependent on the ability of borrowers to meet their obligations as they fall due under the credit card loans held on trust by the Trust.

The table below presents the arrears performance of the credit cards receivables portfolio through which the Company has a beneficial interest along with TPF plc, and is exposed to credit risk. Through the Deemed Loan, the company is exposed to a share of the credit card risks in these loans. A financial asset is past due if a counterparty has failed to make a contractual payment when due.

As at 31 December 2013	Accounts No.'000	Value £'000	% of Total
Neither past due nor impaired	2,449	2,482,850	96.19
Past due but not impaired	18	39,259	1.52
Impaired	23	59,139	2.29
	<u>2,490</u>	<u>2,581,248</u>	<u>100</u>

As at 31 December 2013	Accounts No.'000	Value £'000	% of Total
Non delinquent	2,449	2,482,850	96.19
1 month past due	12	22,667	0.88
2 months past due	3	8,391	0.32
3 months past due	3	8,201	0.32
Greater than 3 months past due	23	59,139	2.29
	<u>2,490</u>	<u>2,581,248</u>	<u>100</u>

The Directors do not consider the exposure to credit risk to be material to the Company. None of the financial assets of the Company were past due or impaired at the reporting date.

The Company has a concentration risk in relation to the originator, TPF plc. The underlying assets of the securitisation all originate in the UK market. The nature of the credit card portfolio means that there is no significant counterparty credit risk in relation to the underlying credit card pool.

DELAMARE CARDS FUNDING 1 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

14 FINANCIAL RISK MANAGEMENT (CONTINUED)

The Company assesses its counterparties for credit risk before contracting with them. Credit rating is the main method used to measure credit risk. In accordance with the criteria of the rating agencies that rate the Notes issued as part of the securitisation transaction, the securitisation transaction documentation contains various rating triggers linked to key counterparties, which require certain actions be taken if triggers are breached.

	Counterparty	Long Term Rating as at 31 Dec 2013 (Moody's/S&P/Fitch)	Long Term Rating as at date of approval of financial statements (Moody's/S&P/Fitch)
Bank account provider	HSBC Bank plc	Aa3/AA-/AA-	Aa3/AA-/AA-

Liquidity Risk

Liquidity risk is the risk that the Company is not able to meet its financial obligations as they fall due or can do so only at an excessive cost. Liquidity risk arises from the mismatch in the cash flows generated from assets and liabilities.

The table below presents the cashflows payable by the Company under non-derivative financial assets and liabilities by remaining contractual maturities at the reporting date. The amounts disclosed in the table are the earliest contractual undiscounted cash flows.

	Within 1 year £'000	Between 1 and 2 years £'000	Between 2 and 3 years £'000	Between 3 and 4 years £'000	Between 4 and 5 years £'000	Total £'000
2013						
Financial assets						
Cash and cash equivalents	-	-	-	-	43,892	43,892
Other receivables	22,884	-	-	-	-	22,884
Deemed loan						
- Principal	-	-	-	-	1,750,000	1,750,000
- Interest	21,081	30,396	48,630	58,985	26,328	185,420
Total financial assets	43,965	30,396	48,630	58,985	1,820,220	2,002,196
Financial Liabilities						
Global loan note						
- Principal	-	-	-	-	1,750,000	1,750,000
- Interest	21,081	30,396	48,630	58,985	26,328	185,420
Loan payable	751	1,023	1,481	1,580	40,876	45,711
Other payables	22,258	-	-	-	5,208	27,466
Total financial liabilities	44,090	31,419	50,111	60,565	1,822,412	2,008,597
Gap Analysis	-125	-1,023	-1,481	-1,580	-2,192	-6,401

Assets available to meet all of the liabilities as they fall due are cash and cash equivalents.

DELAMARE CARDS FUNDING 1 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

14 FINANCIAL RISK MANAGEMENT (continued)

Interest Rate Risk

Interest rate risk is the possibility that changes in interest rates will result in higher financing costs and / or reduced income from the Company's interest bearing financial assets and liabilities

The Company finances its obligations through the issue of Global Loan Notes. Five of the six Global Loan Notes in issue incur floating rates of interest. This floating rate of interest on borrowings is matched by the floating rate of interest earned on the corresponding Deemed Loan. If 1 month LIBOR moved the change in interest payable would be matched by the change in interest receivable. The sixth Global Loan Note in issue incurs a fixed 0.01% interest rate, as does its corresponding Deemed Loan tranche.

The Directors do not consider the exposure to interest rate risk to be material as the Company has no fixed rate assets or liabilities other than the fixed rate Global Loan Notes mentioned above and the interest rates on the Global Loan Notes and Deemed Loan are identical.

The interest rate profile of financial assets and financial liabilities is as follows:

As at 31 December 2013	Interest charging basis	Effective interest rate
Assets		
Interest Receivable on Deemed Loan	Interest bearing (terms match GLN)	n/a
Other receivables	Non-interest bearing	n/a
Cash and cash receivables	Interest bearing	0.22%
Liabilities		
Interest Payable on Global Loan Note Class A (2013-A)	Floating	1 Mth LIBOR +0.70%
Global Loan Note Class D (2013-D)	Fixed	0.01%
Loan Payable	Floating	1 Mth LIBOR +1.00%
Other payables	Non-interest bearing	n/a

15 CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

There were no outstanding capital commitments or contingent liabilities at the period end.

16 CONTROLLING PARTY

The Company's immediate parent is Delamare Cards Holdco Limited, which prepares consolidated financial statements. The Company's ultimate parent is Stanhope Gate Trustees Limited. The Directors' decisions and control of the entity are carried out in accordance with the securitisation transactions documents, set up for the benefit of TPF plc. As such the Company considers Tesco plc to be the ultimate controlling party.

The Company's results are included within the consolidated financial statements of Tesco plc. The financial statements of Tesco plc can be obtained from its registered office at Tesco House, Delamare Road, Cheshunt, Hertfordshire, EN8 9SL.

DELAMARE CARDS FUNDING 1 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

17 RELATED PARTY DISCLOSURE

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the party in making financial or operational decisions, or one other party controls both

The terms and conditions of any transactions with key management personnel and their related parties are no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-key management personnel related entities on an arm's length basis

State Street Administration Services (UK) Limited were paid £19k in respect of administrative fees during the period. These expenses were in accordance with the revised terms of contract. At the period end, there were no balances outstanding with State Street Administration Services (UK) Limited.

The Deemed Loan of £1.75bn was used to invest in the beneficial interest in the credit card pool held by the Trust.

During the period, the Company was paid £186,319k by the Trust in relation to the interest due on the Deemed Loan. The Company paid the Trust £11,910k in respect of servicer fee expense, £26,757k in respect of credit card default expense, and £128,641k in respect of excess spread, the latter two expenses were subsequently paid to TPF plc, and at no stage was the legal property of the Trust. During the period, the Company paid Delamare Cards MTN Issuer plc £13,097k in relation to interest due on all tranches of the Global Loan Note, administrative expenses to be met, and profit due the Note issuer.

At the period end, the Company held receivables £22,884k due from the Trust. The Company held a deemed loan of £1.75bn due from TPF plc. At the period end, the Company had obligations to TPF plc of £43,892k in respect of a loan.

On 26 April 2013, the Company issued £1.75bn of Global Loan Notes, which were purchased by Delamare Cards MTN Issuer plc. As at the period end, £625k was due to Delamare Cards MTN Issuer plc in relation to interest due on all Global Loan Notes.

Inter-Company loans have been made from TPF plc to the Company amounting to £46.6m, under an expense loan facility, which is due to be settled on the maturity of the notes.

The Company was established by TPF plc, the ultimate parent Company of which is Tesco plc, to facilitate the securitisation of credit card receivables originated by TPF plc.

Each of A Z Iqbal, B S Patel, N D Scott is or was an employee of a subsidiary of State Street Corporation ("SSC"). Affiliates of SSC provided company secretarial and administrative services to the company during the period at commercial rates.

Each of J C Bingham and M C Schnaier are directors of Sanne Group Secretaries (UK) Limited.

18. POST BALANCE SHEET EVENTS

In June 2014, Delamare Cards MTN Issuer plc issued £500m of medium term notes, backed by the credit card receivables in the Receivables Trust.