

DELAMARE CARDS FUNDING 1 LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

Company Number: 08356551



DELAMARE CARDS FUNDING 1 LIMITED

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DELAMARE CARDS FUNDING 1 LIMITED

DIRECTORS AND ADVISERS

Directors:	B M Surnam M Speight C M Warnes
Secretary:	Sanne Group Secretaries (UK) Limited Asticus Building 2nd Floor 21 Palmer Street London SW1H 0AD
Registered Office:	Asticus Building 2nd Floor 21 Palmer Street London SW1H 0AD
Independent Auditor:	Deloitte LLP Saltire Court 20 Castle Terrace Edinburgh EH1 2DB
Bankers:	HSBC Bank Plc 8 Canada Square London E14 5HQ Bank of New York Mellon, London Branch 1 Canada Square London E14 5AL Elavon Financial Services DAC UK 125 Old Broad Street London EC2N 1AR
Cash Manager:	Tesco Personal Finance Plc 2 South Gyle Crescent Edinburgh EH12 9FQ
Servicer:	Tesco Personal Finance Plc 2 South Gyle Crescent Edinburgh EH12 9FQ

DELAMARE CARDS FUNDING 1 LIMITED

STRATEGIC REPORT

The Directors present their Strategic Report for Delamare Cards Funding 1 Limited (the Company) for the year ended 31 December 2019.

The Annual Report and Financial Statements comprises the Strategic Report, the Directors' Report and the Financial Statements and accompanying notes.

BUSINESS MODEL

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). The securitisation structure has been established as a means of raising finance for TPF.

The credit card receivables are held in Trust for the Company and the originator, TPF, by Delamare Cards Receivables Trustee Limited (the Trustee). The Company's beneficial interest in the credit card receivables is represented by a Deemed Loan to TPF. The Company is incorporated and domiciled in the United Kingdom, where all of its business activities take place, and registered in England. The Company is a private limited company limited by shares.

The activities of the Company are managed in accordance with the securitisation transaction documents, which set out the workings of the transaction and the principal risks to the holder of the Global Loan Notes issued by the Company. As such, these have not been reproduced in full in these Financial Statements.

BUSINESS PERFORMANCE

During the year, the Company earned £94,956k (2018: £82,085k) from TPF in relation to interest due on the Deemed Loan (note 1(i)). Interest proceeds were used to meet the Company's obligations on the Global Loan Note, payable to Delamare Cards MTN Issuer Plc (MTN Issuer), a fellow group undertaking, and to meet the administrative costs of the Company.

The Company made a profit for the year of £1k (2018: £1k). Profits for the Company are pre-defined under the securitisation transaction documents. Under the terms of these documents the Company retains the rights to £0.1k per month. This is reflected within the Statement of Comprehensive Income on page 8.

NOTE REDEMPTION

In May 2019, MTN Issuer settled a £350m 2014-1 Class A Medium Term Note. At the same time, the Company settled a Global Loan Note tranche of the same amount, reducing the Company's beneficial interest in the Trust.

Overall, the Company's beneficial interest in the Trust decreased by £350m as a result of the above cash transactions. The Company's Deemed Loan with TPF decreased by an equivalent amount.

STRATEGIC PRIORITIES

The Company will continue to seek appropriate opportunities to raise finance to support the ongoing activities of TPF.

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 a borrower will default on a debt or obligation by failing to make contractually obligated payments, or that the Company will incur losses due to any other counterparty failing to meet their financial obligations.

The Company is, therefore, exposed to credit risk via the ability of TPF to repay its obligations under the terms of the Deemed Loan. This is dependent on the ability of borrowers to meet their obligations as they fall due under the credit card receivables held by the Trust in which the Company has an investor beneficial interest.

The Directors continually monitor the performance of the underlying credit card receivables, taking into consideration any developing trends, but given the Delamare structure and the current and historic performance of the underlying pool of credit card receivables, the Directors do not consider the exposure to credit risk to be material to the Company.

DELAMARE CARDS FUNDING 1 LIMITED

STRATEGIC REPORT (Continued)

Liquidity and funding risk

Liquidity risk is the risk that the Company is not able to meet its obligations as they fall due. 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 and diverse sources of funding. Funding risk arises from the ability of the Company to issue tranches of the Global Loan Note.

The principal financial asset held by the Company is the Deemed Loan issued to TPF. The main purpose of holding this financial asset is to enable appropriate liquidity, ensuring the Company's liabilities in respect of the tranches of Global Loan Note are met as they fall due and to meet regulatory requirements in respect of liquidity management.

The principal financial liabilities of the Company are the aggregate outstanding Global Loan Note tranches and accrued interest thereon. A purpose of these financial liabilities 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 Note is designed to align to the maturity and repayment profile of the Deemed Loan backed by the 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 in respect of the Company's interest bearing financial assets and financial liabilities.

The Directors do not consider exposure to interest rate risk to be material as the Company has no material fixed rate assets or liabilities and the originator of the Deemed Loan can amend its pricing to reflect changes in interest rates on the tranches of Global Loan Note.

Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

The Trustee and the beneficial owners of the Trust property have retained TPF under the terms of the servicing agreement as the Servicer of the credit card receivables.

TPF has performed all relevant activities in its capacity as Servicer and Cash Manager. Failure of the Servicer/Cash Manager to carry out its services could lead to a loss on the tranches of Global Loan Note and/or early redemption of the tranches of Global Loan Note.

The ability of TPF 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 Sanne Group as the successor servicer facilitator, reduces the level of operational risk to minimal levels.

KEY PERFORMANCE INDICATORS (KPIs)

The Company's Directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of the Company. However, 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.bank.tescopl.com.

DELAMARE CARDS FUNDING 1 LIMITED

STRATEGIC REPORT (Continued)

The primary KPI 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 £nil;
- The balance of the securitised credit card receivables is greater than a minimum balance as defined within the securitisation transaction documents; and
- The principal balance of the Trust's securitised credit card receivables is greater than the aggregate total amount of Delamare Cards MTN Issuer Plc's Notes in Issue.

The Company has made all necessary payments on the Global Loan Note in accordance with the scheduled payment dates for the year ended 31 December 2019.

S172 STATEMENT BY THE DIRECTORS

S172 Companies Act 2006 requires a director of a company to act in the way he or she considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole. In doing so, s172 requires a director to have regard, amongst other matters, to the:

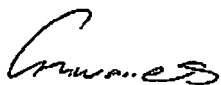
- likely consequences of any decisions in the long-term;
- interests of the company's employees;
- need to foster the company's business relationships with suppliers, customers and others;
- impact of the company's operations on the community and environment;
- desirability of the company maintaining a reputation for high standards of business conduct; and
- need to act fairly between members of the company.

In discharging its s172 duties, the Board has regard to the factors set out above.

The Board delegates authority for the day-to-day running of the business to TPF Senior Management to set, approve and oversee execution of the Company's strategy and related policies. The TPF Board reviews matters relating to financial and operational performance; business strategy; key risks; stakeholder-related matters; compliance; and legal and regulatory matters, over the course of the financial year.

The Company's key stakeholder is TPF. As the activities of the Company are managed in accordance with the securitisation transaction documents, the Board has not made any key strategic decisions during the year.

BY ORDER OF THE BOARD



C M Warnes
Director
7 April 2020

DELAMARE CARDS FUNDING 1 LIMITED

DIRECTORS' REPORT

The Directors present their Annual Report, the Financial Statements and the Independent Auditor's Report for the year ended 31 December 2019.

BUSINESS REVIEW AND FUTURE DEVELOPMENTS

The Company's business review and future developments are set out in the Strategic Report on pages 2 to 4.

RISK MANAGEMENT

The Company's risk management policies are set out in the Strategic Report on pages 2 to 3.

EVENTS AFTER THE REPORTING DATE

Details of events occurring after the reporting date are discussed in note 18 to the Financial Statements.

GOING CONCERN

The Directors have made an assessment of going concern, taking into account the structure of the Delamare securitisation programme, current and projected cash flows and the impact of the Covid-19 pandemic.

Whilst it is impossible to accurately estimate the impact of Covid-19, it is possible to determine the securitisation programme's protections from such impact. The limited recourse nature of the Global Loan Notes should be considered when assessing the Company's exposure to changing underlying receivable behaviour. If, for any reason, lower receipts of principal and revenue are received, to the extent that the Company is unable to settle the Global Loan Note liabilities, being coupon payments and/or principal repayments, following the application of the relevant credit enhancements, the Company will not be liable for any shortfall. Interest and principal will be paid on the tranches of Global Loan Note only to the extent that funds are received by the Company in accordance with the securitisation transaction documents. The securitisation documentation also sets out that following the Final Redemption Date of the Global Loan Note tranche any shortfalls cease to be due and payable.

The Directors expect that the Company will continue to meet all of its obligations as they fall due for a period of at least 12 months from the date of these Financial Statements.

The Directors do not anticipate any other 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 Delamare programme, which in turn is dependent on there being no material failure in performance of the securitisation contracts. Additional details relating to the performance of the credit card receivables can be found in note 13. Information relating to Management's assessment of impairment relating to the Company's financial assets is set out at note 1(f) to the Financial Statements.

As a result of this assessment, the Directors consider the Company to be in a satisfactory financial position and confirm that any solvency or liquidity risks can be managed effectively. Accordingly, the Directors consider that it is appropriate to adopt the going concern basis of accounting in preparing the Financial Statements.

ENGAGING WITH STAKEHOLDERS

The Company's key stakeholder is TPF. As the activities of the Company are managed in accordance with the securitisation transaction documents, the Board has not engaged with any other key stakeholders during the year.

DIVIDENDS

During the year, no interim dividend has been paid (2018: £nil). The Directors do not recommend a final dividend for the year (2018: £nil). The Directors consider the results to be satisfactory and as expected in light of the Company's operating environment during the year.

DIRECTORS

The present Directors, who have served throughout the year and up to the date of signing the Financial Statements, are listed on page 1.

EMPLOYEES

The Company does not have any employees (2018: none).

DELAMARE CARDS FUNDING 1 LIMITED

DIRECTORS' REPORT (Continued)

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

Where this document contains forward-looking statements, these are made by the Directors in good faith based on the information available to them at the time of their approval of this report. These statements should be treated with caution due to the inherent risks and uncertainties underlying any such forward-looking information. The Company cautions users of these Financial Statements that a number of factors, including matters referred to in this document, could cause actual results to differ materially from those contained in any forward-looking statement. Such factors include, but are not limited to, those discussed under 'Principal risks and uncertainties' on pages 2 to 3 of this Annual Report.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The following should be read in conjunction with the responsibilities of the independent auditor as set out in their report on page 28.

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 such financial statements for each financial year. Under that law the Directors have prepared the Financial Statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU). 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 year.

In preparing these Financial Statements, the Directors are required to:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

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 1 of the Annual Report and Financial Statements confirms 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;
- 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; and
- the Annual Report and Financial Statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for the Company's shareholder to assess the Company's position, performance, business model and strategy.

DELAMARE CARDS FUNDING 1 LIMITED

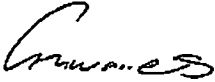
DIRECTORS' REPORT (Continued)

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

Independent Auditor

The Auditor, Deloitte LLP, has indicated its willingness to continue in office and a resolution that Deloitte LLP be re-appointed will be proposed at the annual general meeting.

BY ORDER OF THE BOARD

A handwritten signature in black ink, appearing to read 'C M Warnes', is written over a horizontal line.

C M Warnes
Director
7 April 2020

DELAMARE CARDS FUNDING 1 LIMITED

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

		31 December 2019 £'000	31 December 2018 £'000
	Note		
Interest and similar income	2	94,956	82,085
Interest expense	2	(25,654)	(23,505)
Net interest income		<u>69,302</u>	<u>58,580</u>
Administrative expenses	3	(69,301)	(58,579)
Profit before tax		<u>1</u>	<u>1</u>
Income tax charge	4	–	–
Profit and total comprehensive income for the year		<u>1</u>	<u>1</u>

All items dealt with in arriving at the profit for the year ended 31 December 2019 related to continuing operations (2018: continuing operations).

There was no other comprehensive income for the year ended 31 December 2019 (2018: £nil).

DELAMARE CARDS FUNDING 1 LIMITED

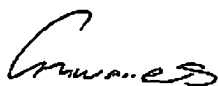
STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

Company number 08356551

	Note	31 December 2019 £'000	31 December 2018 £'000
Assets			
Cash and cash equivalents	5	45,023	158,335
Other receivables	6	18,437	69,192
Deemed Loan	7	2,012,162	2,212,162
Total assets		2,075,622	2,439,689
Liabilities			
Loan payable	8	46,983	58,482
Other payables	9	17,734	22,067
Global Loan Note	10	2,010,897	2,359,133
Total liabilities		2,075,614	2,439,682
Equity			
Share capital	11	–	–
Retained earnings		8	7
Total equity		8	7
Total liabilities and equity		2,075,622	2,439,689

The Financial Statements on pages 8 - 27 were approved by the Board of Directors and authorised for issue on 7 April 2020 and were signed on its behalf by:



C M Warnes

Director

DELAMARE CARDS FUNDING 1 LIMITED

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Share Capital £'000	Retained Earnings £'000	Total Equity £'000
Balance at 1 January 2019	–	7	7
Comprehensive Income			
Profit and total comprehensive income for the financial year	–	1	1
Balance at 31 December 2019	<u>–</u>	<u>8</u>	<u>8</u>

	Share Capital £'000	Retained Earnings £'000	Total Equity £'000
Balance at 1 January 2018	–	6	6
Comprehensive Income			
Profit and total comprehensive income for the financial year	–	1	1
Balance at 31 December 2018	<u>–</u>	<u>7</u>	<u>7</u>

DELAMARE CARDS FUNDING 1 LIMITED

STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	Note	31 December 2019 £'000	31 December 2018 £'000
Cash flows from operating activities			
Profit before tax		1	1
Interest received on Deemed Loan		(25,654)	(23,505)
Interest paid on Global Loan Note		25,654	23,505
Decrease/(increase) in other receivables		50,304	(970)
(Decrease)/increase in other payables		(2,054)	1,220
Net cash flows generated from operating activities		48,251	252
Cash flows from investing activities			
Investment in Deemed Loan		–	(272,162)
Reduction in Deemed Loan		200,000	300,000
Interest received on Deemed Loan		26,107	23,505
Net cash flows generated from investing activities		226,107	51,343
Cash flows from financing activities			
Global Loan Note issued		–	272,162
Global Loan Note redeemed		(350,000)	(300,000)
Issuance costs		(2,035)	(1,452)
Interest paid on Global Loan Note		(26,107)	(23,505)
Loan facility received		–	9,943
Loan facility paid		(9,528)	(7,500)
Net cash flows (used in) financing activities		(387,670)	(50,352)
Net (decrease)/increase in cash and cash equivalents		(113,312)	1,242
Cash and cash equivalents at beginning of the year		158,335	157,093
Cash and cash equivalents at the end of the year	5	45,023	158,335

DELAMARE CARDS FUNDING 1 LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

Basis of Preparation

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

The Financial Statements have been prepared under the historical cost convention.

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.

New and amended accounting standards adopted by the Company in the year are set out in note 17.

Going Concern

The Directors have made an assessment of going concern, taking into account the structure of the Delamare securitisation programme, current and projected cash flows and the impact of the Covid-19 pandemic.

Whilst it is impossible to accurately estimate the impact of Covid-19, it is possible to determine the securitisation programme's protections from such impact. The limited recourse nature of the Global Loan Notes should be considered when assessing the Company's exposure to changing underlying receivable behaviour. If, for any reason, lower receipts of principal and revenue are received, to the extent that the Company is unable to settle the Global Loan Note liabilities, being coupon payments and/or principal repayments, following the application of the relevant credit enhancements, the Company will not be liable for any shortfall. Interest and principal will be paid on the tranches of Global Loan Note only to the extent that funds are received by the Company in accordance with the securitisation transaction documents. The securitisation documentation also sets out that following the Final Redemption Date of the Global Loan Note tranche any shortfalls cease to be due and payable.

The Directors expect that the Company will continue to meet all of its obligations as they fall due for a period of at least 12 months from the date of these Financial Statements.

The Directors do not anticipate any other 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 Delamare programme, which in turn is dependent on there being no material failure in performance of the securitisation contracts. Additional details relating to the performance of the credit card receivables can be found in note 13. Information relating to Management's assessment of impairment relating to the Company's financial assets is set out at note 1(f) to the Financial Statements.

As a result of this assessment, the Directors consider the Company to be in a satisfactory financial position and confirm that any solvency or liquidity risks can be managed effectively. Accordingly, the Directors consider that it is appropriate to adopt the going concern basis of accounting in preparing the Financial Statements.

DELAMARE CARDS FUNDING 1 LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES (Continued)

Principal Accounting Policies

A summary of the Company's accounting policies is set out below. These policies have been consistently applied to all of the years presented, unless otherwise stated.

(a) 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 issue of the tranches of Global Loan Note. Consequently all activities are presented as such and therefore the Company is not required to produce additional segmental information.

All of the Company's activities were undertaken in the United Kingdom (UK) therefore no geographic analysis is presented.

(b) Revenue recognition

Interest and similar income and interest expense for all financial instruments measured at amortised cost are recognised using the effective interest rate (EIR) method.

The EIR method is a method of calculating the amortised cost of a financial asset or financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the expected life of the financial asset or financial liability. The EIR is the rate that exactly discounts estimated future cash flows to the instrument's initial carrying amount. Calculation of the EIR takes into account fees receivable that are an integral part of the instrument's yield, premiums or discounts on acquisition or issue, early redemption fees and transaction costs. All contractual and behavioural terms of a financial instrument are considered when estimating future cash flows.

(c) Administrative expenses

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

(d) Taxation

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted by the reporting date and is recognised as an expense in the period in which profits arise.

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

(e) Cash and cash equivalents

Cash and cash equivalents comprise demand deposits with banks and any highly liquid investments which meet the criteria set out in the securitisation transaction documents.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1. ACCOUNTING POLICIES (Continued)

(f) Financial instruments

The Company classifies a financial instrument as a financial asset, financial liability or an equity instrument in accordance with the substance of the contractual arrangement. An instrument is classified as a liability if it creates a contractual obligation to deliver cash or another financial asset, or to exchange financial assets or financial liabilities on potentially unfavourable terms. An instrument is classified as equity if it evidences a residual interest in the assets of the Company after the deduction of liabilities.

Financial assets

• **Classification and measurement**

The Company classifies its financial assets at amortised cost.

Management determine the classification of the Company's financial assets at initial recognition. 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.

All financial assets are measured at initial recognition at fair value plus transaction costs.

Classification and subsequent measurement of financial assets depend on:

- The Company's business model for managing the financial asset; and
- The cash flow characteristic of the financial asset.

The business model reflects how the Company manages its financial assets in order to generate cash flows and is determined by whether the Company's objective is solely to collect contractual cash flows from the assets or to collect both contractual cash flows and cash flows arising from the sale of assets. If neither of these models applies, the financial assets are classified at fair value through profit and loss.

In determining the business model, the Company considers past experience in collecting cash flows, how the performance of these financial assets is evaluated and reported to Management and how risks are assessed.

The Company's business model is to hold financial assets to collect contractual cash flows. The Company assesses whether cash flows associated with its financial assets represent solely payments of principal and interest (the SPPI test). When making this assessment, the Company considers whether the contractual cash flows are consistent with a basic lending arrangement.

Financial assets at amortised cost

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are classified and subsequently measured at amortised cost. The carrying value of these financial assets is adjusted by any impairment loss allowance recognised and measured as described below.

• **Impairment**

The Company assesses on a forward-looking basis the expected credit losses (ECLs) associated with its financial assets carried at amortised cost. The Company recognises a loss allowance for such losses at each reporting date.

The measurement of ECLs reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

DELAMARE CARDS FUNDING 1 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1. ACCOUNTING POLICIES (Continued)

In reaching the following conclusions, Management has also had regard to the potential impact of Brexit and the Coronavirus pandemic on the Company's financial assets.

Management has applied the low credit risk exemption available under IFRS 9 in its assessment of ECLs on the Deemed Loan. This is subject to the credit risk of the Deemed Loan not increasing significantly since origination. To assess the probability of default (PD) for the Deemed Loan, Management has used Standard & Poor's weighted long-term average PD data when applied to the AAA rated Medium Term Notes in Issue. The 12-month PD on AAA rated assets was determined to be nil. Therefore, the associated 12-month ECL for the Deemed Loan has been determined to be £nil (2018: £nil).

The AAA rating exists for all Medium Term Notes except for the unrated £290m D Note. While this note is unrated, there are a number of credit enhancements available to protect noteholders from suffering any losses. Credit enhancement is represented by excess spread (Deemed Loan receipts remaining following payment of Company liabilities) and cash reserves (a cash series loan issued by TPF and a programme reserve) from which Global Loan Note shortfalls can be drawn. Given the absence of any indications that the Delamare Cards structure is at risk of default, the PD and hence the ECLs for the portion of the Deemed Loan related to the unrated D Note is determined to be £nil (2018: £nil).

Management has also applied the low credit risk exemption available under IFRS 9 in its assessment of ECLs on amounts included in other receivables. This is subject to the credit risk of the other receivables not increasing significantly since origination which, given the nature of the balances, occurs each month. Given the absence of any indications that the Delamare Cards structure is at risk of default, the PD and hence the ECLs for the other receivables balance is determined to be £nil (2018: £nil).

Financial liabilities

• Classification and measurement

All of the financial liabilities held by the Company are classified and measured at amortised cost using the EIR method after initial recognition at fair value. Fair value is calculated as the issue proceeds, net of premiums, discounts and transaction costs incurred.

Derecognition

Financial assets are derecognised when the contractual rights to receive cash flows have expired or where substantially all of the risks and rewards of ownership have been transferred and the transfer qualifies for derecognition. Financial liabilities are derecognised when they have been redeemed or otherwise extinguished.

(g) Fair value estimates

The fair value estimates are calculated using a discounted cash flow estimate appropriately adjusted to reflect credit risk. Taking account of their identical nature, the fair values for the tranches of Global Loan Note were considered to be the same as the Notes in Issue which have been issued by Delamare Cards MTN Issuer (MTN Issuer).

(h) Deemed Loan

The Company used the proceeds of the Global Loan Note to purchase a beneficial interest in a pool of credit card receivables originated by TPF and held in Trust by Delamare Cards Receivables Trustee Limited (the Trustee). These credit card receivables have been equitably assigned by TPF to the Trustee. However, this has not resulted in TPF passing on substantially all the risks and rewards associated with the credit card receivables. Accordingly, the credit card receivables remain on TPF's Statement of Financial Position and the Company has recognised a Deemed Loan with TPF.

(i) Other payables

Other payables arise in the normal course of the Company's trading activities. Other payables are carried at amortised cost.

DELAMARE CARDS FUNDING 1 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1. ACCOUNTING POLICIES (Continued)

(j) Loan payable

The loan payable represents the credit enhancement (note 1(f)) passed to the Company by TPF, a fellow group undertaking. The loan payable is carried at amortised cost.

(k) Global Loan Note

The tranches of Global Loan Note were issued by the Company to allow it to purchase a share in the credit card receivables originated by TPF, which as stated above is recorded as a Deemed Loan. The tranches of Global Loan Note are carried at amortised cost. The costs related to the issuance of tranches of Global Loan Note and the related Notes in Issue by MTN Issuer are capitalised and amortised over the life of the Notes in Issue.

(l) Critical accounting judgements and estimates

The Directors consider the accounting for the Deemed Loan to be a critical accounting judgement. Further information is disclosed in note 1(h). There are no areas of estimation uncertainty affecting the Company.

2. NET INTEREST INCOME

	31 December 2019 £'000	31 December 2018 £'000
Finance income		
Interest receivable on Deemed Loan	94,932	82,085
Bank interest	24	–
Interest and similar income	<u>94,956</u>	<u>82,085</u>
Finance cost		
Class A Global Loan Note	(25,625)	(23,479)
Class D Global Loan Note	(29)	(26)
Interest expense	<u>(25,654)</u>	<u>(23,505)</u>
Net interest income	<u>69,302</u>	<u>58,580</u>

3. ADMINISTRATIVE EXPENSES

	31 December 2019 £'000	31 December 2018 £'000
Administration expense	24,554	25,763
Loan note holder default expense	44,747	32,816
	<u>69,301</u>	<u>58,579</u>

The loan note holder default expense represents the investors share of card default expenses.

No emoluments were due to the Directors for their services to the Company during the year ended 31 December 2019 and up to the date of this report (2018: £nil).

The Company does not have any employees (2018: none).

Audit fees for the year were £14,860 (2018: £13,648), all of which related to the audit of the Company's Financial Statements.

DELAMARE CARDS FUNDING 1 LIMITED**NOTES TO THE FINANCIAL STATEMENTS (Continued)****4. INCOME TAX CHARGE**

The standard rate of corporation tax in the UK was 19% for the year (2018: 19%).

	31 December 2019 £'000	31 December 2018 £'000
Analysis of charge in the year		
Profit on ordinary activities before tax	1	1
Profit on ordinary activities before tax multiplied by the rate of corporation tax of 19% (2018: 19%)	-	-
Income tax charge	-	-

5. CASH AND CASH EQUIVALENTS

	31 December 2019 £'000	31 December 2018 £'000
Cash at bank	45,023	158,335
	45,023	158,335

Cash and cash equivalents are classified as current (2018: current).

6. OTHER RECEIVABLES

	31 December 2019 £'000	31 December 2018 £'000
Amounts due from Delamare Cards Receivable Trustee Limited	18,437	69,192
	18,437	69,192

Other receivables are non-interest bearing and classified as current (2018: current).

DELAMARE CARDS FUNDING 1 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

7. DEEMED LOAN

	31 December 2019 £'000	31 December 2018 £'000
Amounts due from TPF	2,012,162	2,212,162
	<u>2,012,162</u>	<u>2,212,162</u>

During the year, the Company made a net divestment of funds out of the Trust of £200m, resulting in a decrease in the beneficial interest in the Trust. The Deemed Loan is classified as non-current (2018: non-current).

At 31 December 2018, £200m was classified as current in respect of the redemption by the Company in May 2019 of the £350m Class A (2014-1) notional tranche of the Global Loan Note.

At 31 December 2018, £100m of cash in respect of this redemption had been retained by the Company, with a further £50m receivable from the Trustee at that date. The Deemed Loan in the prior year was reduced by £150m in respect of these transactions.

8. LOAN PAYABLE

	31 December 2019 £'000	31 December 2018 £'000
Amounts due to TPF	46,983	58,482
	<u>46,983</u>	<u>58,482</u>
Current	14,443	9,528
Non-current	32,540	48,954

9. OTHER PAYABLES

	31 December 2019 £'000	31 December 2018 £'000
Amounts due to Delamare Cards Receivables Trustee Limited	7,208	6,463
Amounts due to TPF	10,404	13,202
Other payables	7	7
Issuance costs payable	115	2,395
	<u>17,734</u>	<u>22,067</u>

Other payables are classified as current (2018: current).

DELAMARE CARDS FUNDING 1 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

10. GLOBAL LOAN NOTE

	Contractual Maturity Date	Scheduled Redemption Date	31 December 2019 £'000	31 December 2018 £'000
Global Loan Note tranches				
<u>Principal</u>				
Class A (2014)	2019-21	2017-19	–	350,000
Class D (2014)	2033	2028	290,000	290,000
Class A (2017)	2022-24	2020-22	1,450,000	1,450,000
Class A (2018)	2025	2020	272,162	272,162
<u>Interest</u>				
Accrued interest on the Global Loan Note			824	1,277
			2,012,986	2,363,439
Unamortised issue costs			(2,089)	(4,306)
			2,010,897	2,359,133

Reconciliation to Cashflow Statement

	At 1 January 2019 £'000	Financing Cash flows £'000	Non-cash movements Fair value change £'000	Accrued Interest £'000	Other £'000	At 31 December 2019 £'000
Global Loan Note	(2,359,133)	387,217	–	(25,654)	(13,327)	(2,010,897)
Total liabilities from financing activities	(2,359,133)	387,217	–	(25,654)	(13,327)	(2,010,897)

	At 1 January 2018 £'000	Financing Cash flows £'000	Non-cash movements Fair value change £'000	Accrued Interest £'000	Other £'000	At 31 December 2018 £'000
Global Loan Note	(2,360,578)	50,352	–	(23,505)	(25,402)	(2,359,133)
Total liabilities from financing activities	(2,360,578)	50,352	–	(23,505)	(25,402)	(2,359,133)

During the year, the Company settled one tranche of Global Loan Note with a total nominal value of £350m. This was a cash transaction.

Each notional tranche of the Global Loan Note bears 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 year (2018: no defaults or other breaches).

The £300m Class A (2017-1) Loan Note is expected to be redeemed at the scheduled redemption date in October 2020 and £272.2m Class A (2018-1) Loan Note is expected to be redeemed at the scheduled redemption date in November 2020. At the prior year end, £350m of the Class A (2014-1) Loan Note was expected to be redeemed at its scheduled redemption date in May 2019.

The remaining tranches of the Global Loan Note are classified as non-current, with accrued interest on all tranches of Global Loan Note classified as current.

DELAMARE CARDS FUNDING 1 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11. SHARE CAPITAL

	31 December 2019 £	31 December 2018 £
Authorised		
Ordinary shares of £1 each	Unlimited	Unlimited
Allocated, called up and fully paid		
1 Ordinary share of £1 each	1	1

100% of the issued share capital is beneficially owned by the parent undertaking, Delamare Cards Holdco Limited.

12. FINANCIAL INSTRUMENTS

Classification of financial assets and financial liabilities

All of the Company's financial assets and financial liabilities are classified at amortised cost.

Fair values of financial assets and financial liabilities

The Directors consider that the carrying values of cash and cash equivalents and other payables and receivables recorded on the Statement of Financial Position are approximately equal to their fair values due to their short-term nature.

The fair values of the Deemed Loan, the Global Loan Note and the loan payable are not materially different to their carrying values. Based on the method used to establish their fair values they are all considered to be Level 3 in the fair value hierarchy.

The valuation techniques and inputs used to derive fair values at the year end are described below, and remain unchanged since 31 December 2018.

Fair value is 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. Where an active market is considered to exist, fair values are based on quoted prices. For instruments which do not have active markets, fair value is calculated using present value models, which take individual cash flows together with assumptions based on market conditions and credit spreads, and are consistent with accepted economic methodologies for pricing financial instruments.

In each case the fair value is calculated by discounting future cash flows using benchmark observable market interest rates. This is kept under review.

There are three levels to the hierarchy as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (for example, as prices) or indirectly (for example, derived from prices).

Level 3 – Inputs for the asset or liability are not based on observable market data (unobservable inputs).

There were no transfers between levels in the year to 31 December 2019 (2018: no transfers).

DELAMARE CARDS FUNDING 1 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

13. 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 Company is exposed to financial risks which it manages to achieve its financial and corporate objectives.

Strategy in using financial instruments

Financial instruments comprise the majority of the Company's financial assets and financial 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 a borrower will default on a debt or obligation by failing to make contractually obligated payments, or that the Company will incur losses due to any other counterparty failing to meet their financial obligations.

The Company is, therefore, exposed to credit risk via the ability of TPF 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 receivables held in Trust by the Trustee.

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

31 December 2019	Accounts No.'000	Value £'000	% of Total
Neither past due nor impaired	2,293	3,619,700	96.35
Past due but not impaired	18	61,373	1.64
Impaired	17	75,693	2.01
	2,328	3,756,766	100.00

31 December 2019	Accounts No.'000	Value £'000	% of Total
Non delinquent	2,293	3,619,700	96.35
1 month past due	11	32,515	0.87
2 months past due	4	15,322	0.41
3 months past due	3	13,536	0.36
Greater than 3 months past due	17	75,693	2.01
	2,328	3,756,766	100.00

DELAMARE CARDS FUNDING 1 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

13. FINANCIAL RISK MANAGEMENT (Continued)

31 December 2018	Accounts No.'000	Value £'000	% of Total
Neither past due nor impaired	2,716	3,309,837	96.52
Past due but not impaired	17	58,325	1.70
Impaired	15	61,130	1.78
	2,748	3,429,292	100.00

31 December 2018	Accounts No.'000	Value £'000	% of Total
Non delinquent	2,716	3,309,837	96.52
1 month past due	11	32,653	0.96
2 months past due	3	13,545	0.39
3 months past due	3	12,127	0.35
Greater than 3 months past due	15	61,130	1.78
	2,748	3,429,292	100.00

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

The Company assesses its counterparties for credit risk before contracting with them. Credit rating is the main method used to measure credit risk. The securitisation transaction documents contain various rating triggers linked to key counterparties, which require certain actions be taken if triggers are breached.

		Long Term Rating as at 31 December 2019 and date of approval of Financial Statements	Long Term Rating as at 31 December 2018
Counterparty		(Moody's/S&P/Fitch)	(Moody's/S&P/Fitch)
Bank account provider	HSBC Bank plc	Aa3/AA-/A+	Aa3/AA-/AA-
Bank account provider	Bank of New York Mellon	Aa2/AA-/AA	Aa3-/A/A+
Bank account provider	Elavon DAC UK Plc	A1/AA-/AA-	N/A

DELAMARE CARDS FUNDING 1 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

13. FINANCIAL RISK MANAGEMENT (Continued)

Liquidity Risk

Liquidity risk is the risk that the Company is not able to meet its obligations as they fall due. Liquidity risk arises from the mismatch in the timing of cash flows generated from assets and liabilities.

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

31 December 2019	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	Beyond 5 years £'000	Total £'000
Financial Assets							
Cash and cash equivalents	45,023	–	–	–	–	–	45,023
Other receivables	18,437	–	–	–	–	–	18,437
Deemed Loan							
Principal	572,162	–	1,150,000	–	–	290,000	2,012,162
Interest	18,382	14,724	13,840	29	29	114	47,118
Total financial assets	654,004	14,724	1,163,840	29	29	290,114	2,122,740
Financial Liabilities							
Global Loan Note							
Principal	572,162	–	1,150,000	–	–	290,000	2,012,162
Interest	18,382	14,724	13,840	29	29	114	47,118
Loan payable	16,902	855	29,508	26	1,461	–	48,752
Other payables	17,734	–	–	–	–	–	17,734
Total financial liabilities	625,180	15,579	1,193,348	55	1,490	290,114	2,125,766

DELAMARE CARDS FUNDING 1 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

13. FINANCIAL RISK MANAGEMENT (Continued)

31 December 2018	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	Beyond 5 years £'000	Total £'000
Financial Assets							
Cash and cash equivalents	158,335	–	–	–	–	–	158,335
Other receivables	69,192	–	–	–	–	–	69,192
Deemed Loan							
Principal	200,000	572,162	–	1,150,000	–	290,000	2,212,162
Interest	21,676	24,148	21,310	18,441	29	12	85,616
Total financial assets	449,203	596,310	21,310	1,168,441	29	290,012	2,525,305
Financial Liabilities							
Global Loan Note							
Principal	350,000	572,162	–	1,150,000	–	290,000	2,362,162
Interest	21,676	24,148	21,310	18,441	29	12	85,616
Loan payable	12,901	10,218	7,835	19,627	33	1,464	52,078
Other payables	22,067	–	–	–	–	–	22,067
Total financial liabilities	406,644	606,528	29,145	1,188,068	62	291,476	2,521,923

Interest Rate Risk

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

The Company finances its obligations through the issue of Global Loan Note tranches. Five of the six tranches of Global Loan Note in issue incur floating rates of interest. This floating rate of interest on borrowings is offset by interest earned on the corresponding Deemed Loan, bank account interest and securitisation credit enhancement. Should one month LIBOR move markedly, the originator could amend its pricing to ensure that the change in its funding costs would be largely offset by the change in interest receivable which in turn would benefit the Company. The sixth tranche of the Global Loan Note incurs a minimal fixed 0.01% interest rate.

The Directors do not consider exposure to interest rate risk to be material as the Company has no material fixed rate assets or liabilities, it has a large excess of revenue and the originator of the Deemed Loan can amend its pricing to reflect marked changes in interest rates.

DELAMARE CARDS FUNDING 1 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

13. FINANCIAL RISK MANAGEMENT (Continued)

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

As at 31 December 2019	Interest charging basis	Effective interest rate
Assets		
Interest Receivable on:		
Deemed Loan	Interest bearing	n/a
Other receivables	Non-interest bearing	n/a
Liabilities		
Interest Payable on:		
Class D Global Loan Note (2014)	Fixed	0.01%
Class A Global Loan Note (2017)	Floating	1 Mth GBP LIBOR + 0.53% - 0.65%
Class A Global Loan Note (2018)	Floating	1 Mth GBP LIBOR + 0.836%
Loan payable	Floating	1 Mth GBP LIBOR + 1.00%
Other payables	Non-interest bearing	n/a
As at 31 December 2018		
Assets		
Interest Receivable on:		
Deemed Loan	Interest bearing	n/a
Other receivables	Non-interest bearing	n/a
Liabilities		
Interest Payable on:		
Class A Global Loan Note (2014)	Floating	1 Mth GBP LIBOR +0.65%
Class D Global Loan Note (2014)	Fixed	0.01%
Class A Global Loan Note (2017)	Floating	1 Mth GBP LIBOR + 0.53% - 0.65%
Class A Global Loan Note (2018)	Floating	1 Mth GBP LIBOR + 0.836%
Loan payable	Floating	1 Mth GBP LIBOR + 1.00%
Other payables	Non-interest bearing	n/a

14. CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

There were no outstanding capital commitments or contingent liabilities at the year end (2018: £nil).

DELAMARE CARDS FUNDING 1 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

15. CONTROLLING PARTY

The entire share capital of the Company is held by Delamare Cards Holdco Limited, a company incorporated in the UK and registered in England. Copies of the Financial Statements of Delamare Cards Holdco Limited may be obtained from its registered office at Asticus Building, 2nd Floor, 21 Palmer Street, London, SW1H 0AD.

The Directors' decisions and control of the entity are carried out in accordance with the securitisation transaction documents set up for the benefit of Tesco Personal Finance Plc. Therefore the Company's immediate parent company is Tesco Personal Finance Plc, a company incorporated in the UK and registered in Scotland. The smallest group into which the Company is consolidated is Tesco Personal Finance Plc. Copies of the consolidated Financial Statements of Tesco Personal Finance Plc can be obtained from its registered office at 2 South Gyle Crescent, Edinburgh, EH12 9FQ.

The Company's ultimate parent undertaking and controlling party is Tesco PLC, a company incorporated in the UK and registered in England. Tesco PLC is the largest group into which the Company is consolidated. Copies of the consolidated Financial Statements of Tesco PLC can be obtained from its registered office at Tesco House, Shire Park, Kestrel Way, Welwyn Garden City, AL7 1GA.

16. 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 or related entities on an arm's length basis.

During the year, the Company paid the Trust £33,151k in respect of servicer fee expenses, administrative expenses and Company profit amount (2018: £34,538k). At year end, £7,208k was due to Delamare Cards Receivables Trustee Limited (2018: £6,463k).

The Company received £246,389k from the Trust (2018: £236,437k) in respect of finance collections.

In line with the Company's obligations under the securitisation transaction documents, the Company paid £195,705k to the Trust in respect of finance collections which were subsequently received by the Trust, and at no stage were the legal property of the Trust (2018: £187,637k). At year end, £18,437k was due from the Trust as part of these obligations (2018: £19,192k).

During the year, the Company paid the Trust £26,560k in relation to interest due on all tranches of the Global Loan Note, administrative expenses and Company profit amount (2018: £23,072k).

The Company held a Deemed Loan of £2,012.2m due from TPF (2018: £2,212.2m). At the year end, the Company had obligations to TPF of £10,404k in respect of finance collections (2018: £13,202k) and £46,983k in respect of loans (2018: £58,482k).

During the year, the Company settled one tranche of Loan Note with a total nominal value of £350m.

During the previous year, the Company issued a tranche of Global Loan Note with a total nominal value of £272.2m and increased its Class D Loan Note by £27.8m. All of the Loan Notes issued or increased were purchased by MTN Issuer. The Company also settled one tranche of Loan Note with a total nominal value of £300m.

At year end, £824k was due to MTN Issuer in relation to interest due on the Global Loan Note (2018: £1,277k).

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

B M Surnam, M Speight and C M Warnes are directors of Sanne Company Secretaries (UK) Limited.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

17. ADOPTION OF NEW AND AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS

Standards, amendments and interpretations which became effective in the current year

During the year to 31 December 2019, the Company has not adopted any new standards or amendments to standards which have impacted the Company.

Standards, amendments and interpretations issued but not yet effective

There are no new standards and amendments to standards which have been issued and are mandatory for accounting periods beginning on or after 1 January 2020 or later periods which are expected to impact the Company.

Early adoption of new standards

The Company did not early adopt any new or amended standards in the year ended 31 December 2019.

18. EVENTS AFTER THE REPORTING DATE

Covid-19

Since the year end significant economic and social disruption has arisen from the Covid-19 pandemic. The Company considered this to be a non-adjusting event after the reporting date. Further information on the Company's going concern assessment in respect of the Covid-19 pandemic is set out on page 5.

DELAMARE CARDS FUNDING 1 LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DELAMARE CARDS FUNDING 1 LIMITED **Report on the audit of the financial statements**

Opinion

In our opinion the financial statements of Delamare Cards Funding 1 (the 'Company'):

- give a true and fair view of the state of the Company's affairs as at 31st December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and IFRSs as issued by the International Accounting Standards Board (IASB); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the Statement of Comprehensive Income;
- the Statement of Financial Position;
- the Statement of Changes in Equity;
- the Statement of Cash Flows; and
- the related notes 1 to 18.

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs(UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the Financial Statements section of our report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the Financial Statements in the UK, including the Financial Reporting Council's (the FRC's) Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

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

We have nothing to report in respect of these matters.

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

Other information

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

In connection with our audit of the Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

DELAMARE CARDS FUNDING 1 LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DELAMARE CARDS FUNDING 1 LIMITED (continued) **Report on other legal and regulatory requirements**

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

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

Matters on which we are required to report by exception

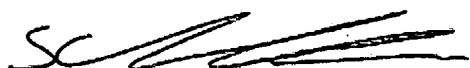
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- 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.

We have nothing to report in respect of these matters.

Use of our report

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 the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Stephen Williams, ACA (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Edinburgh, United Kingdom

07 April 2020