# MSD UK HOLDINGS LIMITED
(Registered company number 12701276)

Annual Report and Financial Statements for the year ended 31 December 2021

# MSD UK HOLDINGS LIMITED

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# MSD UK HOLDINGS LIMITED

## OFFICERS AND PROFESSIONAL ADVISERS

| | | Appointed | Resigned |
|---|---|---|---|
| DIRECTORS | John Licciardello | 30 June 2020 | 12 July 2021 |
| | Marcello Liguori | 30 June 2020 | N/A |
| | Michael Robert Platek | 30 June 2020 | N/A |
| | Charles Leahy | 4 January 2021 | 24 February 2021 |
| | Tina May Westwood | 24 February 2021 | N/A |

SECRETARY

7SIDE Secretarial Limited
Churchill House,
Churchill Way,
Cardiff,
United Kingdom, CF10 2HH.

REGISTERED OFFICE

C/O Legalinx Limited Churchill House,
Churchill Way,
Cardiff,
United Kingdom, CF10 2HH.

ADMINISTRATOR

Citco Fund Services (Cayman Islands) Limited,
Camana Bay,
P.O. Box 31105,
Grand Cayman KY1-1205,
Cayman Islands.

AUDITOR

Deloitte LLP,
Gaspé House,
66-68 Esplanade,
St Helier,
Jersey JE2 3QT.

# MSD UK HOLDINGS LIMITED

## STRATEGIC REPORT

The Directors present their strategic report of MSD UK Holdings Limited (the "Company") for the year ended 31 December 2021.

**Incorporation**

The Company is a private company limited by shares incorporated on 29 June 2020 in the United Kingdom under the Companies Act 2006 and is registered in England and Wales.

**Activities, objective, business model and review of the year**

The Company's primary business model is to provide loans to UK entities. During the current year, the Company had provided loans to UK football teams that participate in the English Premier League ("EPL") or the Championship League. The Company received substantially all of its funds from MSD UK Holdings, Ltd, a Cayman Islands Limited Company (the "Offshore Fund") through promissory notes listed on The International Stock Exchange ("TISE").

**Results**

The results for the period are set out on page 15. The Directors do not recommend the payment of a dividend for the period under review.

**Key performance indicators**

The key performance indicators ("KPIs") of the business are considered to be the payment and receipt of interest. The Directors have monitored the actual receipts and payments of interest to and from the Company to ensure these obligations are met. The Directors believe that all conditions of the underlying loan arrangements are reasonable and acceptable.

**Non-key performance indicators**

There are no non-financial KPIs due to the nature of the business.

**Principal risks and uncertainties**

The Board has overall responsibility for the Company's internal control system which encompasses all risks faced by the Company including business, operational and compliance risks. The Board is responsible for approving the Company's risk management strategy and the level of acceptable risks. The principal risks and uncertainties for the Company are primarily credit, interest rate and liquidity risks; these are set out in further detail in Note 4 to the financial statements.

The Directors have considered the nature and structure of the Company and are satisfied that there is sufficient capital in relation to the business activities of the Company and levels of planned financial performance.

**Future developments**

The Directors expect the general level of activity to remain consistent with 2021 in the forthcoming year. This is a result of continuing to build the Company's reputation in this business strategy as well as the Company's relationships with the other UK football teams within the EPL & Championship League. The Directors believe that the Company's exposure to new opportunities will grow over the upcoming years. Events that are outside the Company's control, such as the Russia/Ukraine conflict and the COVID-19 pandemic, will be monitored.

**Coronavirus Disease Risk**

The impact of the coronavirus disease ("COVID-19") outbreak on the financial performance of the Company's investments will depend on future developments, including the duration and spread of the outbreak and related advisories and restrictions. These developments and the impact of COVID-19 on the financial markets and the overall economy are highly uncertain and cannot be predicted. The Directors will continue to monitor the impacts to the financial markets and/or overall economy for an extended period.

**LIBOR Transition Risk**

The Company's loan agreement includes a variable interest element based on 3-month London Interbank Offered Rate ("LIBOR"). From 1 January 2022, publication of most LIBOR settings ended; however, the settings linked to the Company's loans, that is, 3-month GBP LIBOR and 3-month USD LIBOR are available for the duration of 2022. The Company structured its investments in a manner so that LIBOR plays a negligible role when calculating interest rate exposure. The Company's loan agreements include a clause that provides guidance to all parties on the replacement of LIBOR. If LIBOR ceases to become available or it is no longer deemed an appropriate reference rate upon which to determine the interest rate on Loans, a benchmark rate which is, in the opinion of the Company, generally accepted in the loan marker shall be used as an alternative to LIBOR. The Directors will continue to monitor the availability of the LIBOR settings and will make changes as and when necessary.

**Russia/Ukraine Conflict Risk**

In February 2022, a number of countries (including the US, UK and EU) imposed sanctions against certain entities and individuals in Russia and Belarus as a result of the official recognition of the Donetsk People Republic and Luhansk People Republic by the Russian Federation. Announcements of potential additional sanctions have been made following military operations initiated by Russia against the Ukraine on 24 February 2022.

The ongoing conflict in Ukraine and the related sanctions targeted against Russia have had an impact on the European and global economies. The Company does not have any significant direct exposure to Ukraine, Russia or Belarus. The Directors are actively monitoring the situation and will assess any impact as it is deemed to arise. The Directors recognise that the overall impact of the conflict may not yet be apparent and do not underestimate the inevitable effect it will have on global financial markets, including any potential adverse impact on the Company.

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

Name: Marcello Liguori
Date: 26 August 2022

C/O Legalinx Limited Churchill House,
Churchill Way,
Cardiff,
United Kingdom, CF10 2HH.

# MSD UK HOLDINGS LIMITED

## DIRECTORS' REPORT

The Directors present their annual report on the affairs of the Company, together with the financial statements and auditor's report for the year ended 31 December 2021.

**Going concern**

The Directors have, at the time of approving the financial statements, a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future being at least for the next twelve months from the approval of these financial statements. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements. See further detail within Note 2(c).

**Subsequent events**

Subsequent events have been disclosed in Note 12.

**Donations**

There were no charitable or political donations made during the current and previous year.

**Directors**

The Directors who served throughout the year and up to the date of this report are set out on page 1. The Directors have no interests in the shares of the Company.

**Secretary**

The secretary who served throughout the year and up to the date of this report is set out on page 1.

**Auditor**

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

(1) so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and

(2) the director has taken all the steps that he/she ought to have taken as a director in order to make him/her aware of any relevant audit information and to establish that the Company's auditor is aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Deloitte LLP have expressed their willingness to continue in office. Appropriate arrangements have been put in place for them to be deemed re-appointed as auditor.

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

Name: Marcello Liguori
Date: 26 August 2022

**Directors' responsibilities statement**

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. United Kingdom adopted international accounting standards and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB). 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, International Accounting Standard 1 requires that Directors:

- 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 are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity'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.

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MSD UK HOLDINGS LIMITED

## Report on the audit of the financial statements

### 1. Opinion

In our opinion the financial statements of MSD UK Holdings Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its profit for the year then ended;

- have been properly prepared in accordance with United Kingdom adopted international accounting standards and International Financial Reporting Standards (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:

- Statement of financial position;
- Statement of comprehensive income;
- Statement of changes in equity;
- Statement of cashflows; and
- the related notes 1 to 13.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom adopted international accounting standards and IFRSs as issued by the IASB.

### 2. 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 as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### 3. Summary of our audit approach

| | |
|---|---|
| **Key audit matters** | The key audit matter that we identified in the current year is:<br>• Loan loss provisioning of loan investments at amortised cost |

| | |
|---|---|
| | Within this report, key audit matters are identified as follows:<br><br>Similar level of risk |
| **Materiality** | The materiality that we used in the current year was USD3,500,000 which was determined on the basis of a percentage of total assets. |
| **Scoping** | Our audit was scoped by obtaining an understanding of the entity and its environment, including internal control, and assessing the risks of material misstatement. The company is a 100% owned investment of a US Fund that is audited by Deloitte New York. Therefore, audit work to respond to the risks of material misstatement was performed by the audit engagement team with the involvement of Deloitte New York. |
| **Significant changes in our approach** | There are no significant changes to the audit approach from prior period. |

## 4. Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- Evaluating the cash flow needs and available liquidity including financing facilities.
- Evaluating the plan to repay loan note holders in the event of impairment of the assets held by the Company.
- Evaluating the continued impact of COVID-19, Russia-Ukraine conflict and macro-economic factors on the going concern of the company and how this has been reflected in the disclosures.
- Assessing the appropriateness of the going concern disclosures in the financial statements.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

## 5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

5.1. **Loan loss provisioning of loan investments at amortised cost.**

| | |
|---|---|
| **Key audit matter description** | The key balance within the financial statements is the loan investments in four UK Football Clubs which are measured at amortised cost amounting to USD224m (2020: 208m) as at year end. This is highly material to the Company and accounts for 95% of total assets at year end.<br><br>The company's portfolio consists of 4 Loan investments. In the current year management have determined that the credit risk on 2 of the investments in the loan portfolio has not increased significantly up to the reporting date.<br><br>One of the underlying borrowers associated with a USD31,162,084 (2020: USD 20,152,679) loan entered into administration , and was sanctioned by the football governing body resulting in points being deducted and the borrower being relegated from the league. Following these events , management determined that the credit risk of the loan had deteriorated and classified the loan as Stage 3.<br><br>One of the underlying borrowers was deemed to have a high possibility of relegation as at year end. This loan with a carrying amount of USD87,260,001 (2020: USD 87,534,691) as at 31 December 2021 was deemed to have experienced an increase in credit risk and was classified as stage 2.<br><br>Significant estimation is required in assessing the level of loan loss provision recorded against the value of loan investments especially in determining whether there has been a significant deterioration to the credit risk assigned to the loan investment. The main component of the Expected Credit Loss (ECL) model that is susceptible to potential management bias is the determination of the loss given default as the Directors conclude that the loans are highly collateralised against any downside therefore loan loss provisioning is not material under all loan loss provision scenarios.<br><br>Further details are included within note 2 to the financial statements. |
| **How the scope of our audit responded to the key audit matter** | In response to this, we:<br><br>• obtained an understanding of the relevant controls around loan investment valuation put in place by the company;<br>• identified and obtained an understanding of relevant controls over management's review of the loan loss model;<br>• challenged the judgements (including qualitative and quantitative criteria) taken by management to determine the relevant credit stage under IFRS 9 by analysing the macro-economic forecasts and impact to changes in credit risk in the context of management's definition of significant increase in credit risk and the definition of default;<br>• evaluated the reasonableness of estimates applied including the application of the ECL model under IFRS 9;<br>• evaluated whether the entity has a secured interest in the collateral pledged as security by reviewing supporting security agreements; |

| | |
|---|---|
| | • evaluated management's valuation of the collateral pledged on each of the loans including an assessment of contradictory evidence associated with valuation of collateral; and<br>• evaluated subsequent information assessing if any of the information was available at year end including impact of these to the impairment assessment. |
| **Key observations** | Based on our audit work, we have concluded that the key judgements and resulting estimate of expected credit losses and the associated loan valuation are appropriate. |

## 6. Our application of materiality

### 6.1. Materiality

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

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

| | |
|---|---|
| **Materiality** | USD3,500,000 (2020: USD4,250,000) |
| **Basis for determining materiality** | 1.5% of total assets (2020: 2% of total assets)<br>2021 materiality balance has been determined as 1.5% of the total assets. The materiality factor has been reduced by 0.5%. This has been driven by the deterioration in the credit quality of 2 of the loan investments which creates increased risk of management bias in the assessment of the loan loss provisioning. |
| **Rationale for the benchmark applied** | The primary users of the financial statements (being the loan notes holder) mainly focus on the valuation and recoverability of their investment in loan investments and receivables. We have therefore used the total assets balance to determine materiality. |

### 6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Performance materiality was set at 70% of materiality for the 2021 audit (2020: 60%). In prior period we set a lower performance materiality as this was a first-year audit. In determining performance materiality, we considered the following factors:

a. Our risk assessment, including our assessment of the Company's overall control environment;
b. our past experience of the audit, which has indicated a low number of corrected and uncorrected misstatements identified in prior periods.

### 6.3. Error reporting threshold

We agreed with the directors that we would report to the directors all audit differences in excess of USD175,500 (2020: USD212,500), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Board of Directors on disclosure matters that we identified when assessing the overall presentation of the financial statements.

## 7. An overview of the scope of our audit

### 7.1. Scoping

Our audit was scoped by obtaining an understanding of the entity and its environment, including internal control, and assessing the risks of material misstatement. The company is a 100% owned investment of a US Fund that is audited by Deloitte New York. Therefore, audit work to respond to the risks of material misstatement was performed by the audit engagement team with the involvement of Deloitte New York.

### 7.2. Our consideration of the control environment

We did not take a controls reliance approach on the general IT controls during the audit of the company due to the simple control environment and financial reporting system. We obtained an understanding of the relevant controls over the loan investments at amortised cost and the financial reporting processes.

### 7.3. Working with other auditors

The engagement team involved Deloitte New York audit team (Deloitte New York) to complete work investment cost and fair value testing, interest receivable and interest payables of the Company. Throughout the audit process, the engagement team held meetings with Deloitte New York to discuss the testing approach and findings. The engagement team reviewed all of Deloitte New York's completed audit documentation.

## 8. Other information

The other information comprises the information included in the annual report , other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

## 9. 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.

## 10. 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.

## 11. Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

### 11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the company's performance targets;
- results of our enquiries of management and their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the company's documentation of their policies and procedures relating to:
  - identifying, evaluating, and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected, or alleged fraud ;
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following areas:

- Loan loss provisioning of loan investments at amortised cost.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory framework that the company operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act and tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty.

### 11.2. Audit response to risks identified

As a result of performing the above, we identified loan loss provisioning on loan investments at amortised cost as a key audit matter related to the potential risk of fraud. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to that key audit matter.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management and the Board of Directors concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance;
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

# Report on other legal and regulatory requirements

## 12. 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 or the directors' report.

## 13. Matters on which we are required to report by exception

### 13.1. Adequacy of explanations received and accounting records

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, 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 nothing to report in respect of these matters.

### 13.2. Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made.

We have nothing to report in respect of this matter.

## 14. 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.

Marc Cleeve, FCA (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

St Helier, Jersey

26 August 2022

# MSD UK HOLDINGS LIMITED

## STATEMENT OF FINANCIAL POSITION
**(Expressed in United States Dollars)**
**As at 31 December 2021**

| | Note | 31 December 2021 USD$ | 31 December 2020 USD$ |
|---|---|---|---|
| **Assets** | | | |
| **Non-Current Assets** | | | |
| Loan investments at amortised cost | 6 | 224,450,257 | 208,194,317 |
| **Current Assets** | | | |
| Cash and cash equivalents | 5 | 10,103,055 | 410,206 |
| Interest receivable | | 2,427,346 | 4,015,200 |
| Other assets | | 25,700 | – |
| **Total Assets** | | 237,006,358 | 212,619,723 |
| **Liabilities** | | | |
| **Non-Current Liabilities** | | | |
| Loans payable at amortised cost | 7 | 213,356,503 | 208,175,806 |
| **Current Liabilities** | | | |
| Interest payable | 2 | 22,812,051 | 3,949,660 |
| Accrued expenses and other liabilities | | 222,765 | 44,202 |
| **Total Liabilities** | | 236,391,319 | 212,169,668 |
| **Equity** | | | |
| Share capital | | 137 | 137 |
| Retained earnings | | 614,902 | 449,918 |
| **Total Equity** | | 615,039 | 450,055 |
| **Total Equity and Liabilities** | | 237,006,358 | 212,619,723 |

These financial statements were approved and signed on 26 August 2022 on behalf of the Board of Directors of MSD UK Holdings Limited, registered company number 12701276, by:

Signed on behalf of the Board

Director Name: Marcello Liguori

The notes on pages 18 to 37 form an integral part of these financial statements

# MSD UK HOLDINGS LIMITED

## STATEMENT OF COMPREHENSIVE INCOME
**(Expressed in United States Dollars)**
**For the year ended 31 December 2021**

| | Note | 2021 USD$ | 2020 USD$ |
|---|---|---|---|
| **Investment income** | | | |
| Net gain/(loss) on foreign currency translation | | (1,891,506) | 446,397 |
| Interest income | 6 | 21,559,223 | 5,080,850 |
| Other income | | 1,317,558 | – |
| **Total investment income** | | 20,985,275 | 5,527,247 |
| **Expenses** | | | |
| Interest expense | 7 | 20,515,788 | 4,996,799 |
| Professional fees | | 104,809 | 49,895 |
| Administration fee | | – | 14,665 |
| **Total expenses** | | 20,620,597 | 5,061,359 |
| **Profit before tax** | | 364,678 | 465,888 |
| **Income tax** | 11 | 199,694 | 15,970 |
| **Profit after tax and total comprehensive income** | | 164,984 | 449,918 |

All results are derived from continuing operations from current period. There are no items representing other comprehensive income for current or prior periods.

The notes on pages 18 to 37 form an integral part of these financial statements

# MSD UK HOLDINGS LIMITED

## STATEMENT OF CHANGES IN EQUITY
**(Expressed in United States Dollars)**
**For the year ended 31 December 2021**

| | Share Capital USD$ | Retained Earnings USD$ | Total USD$ |
|---|---|---|---|
| **Opening at 29 June 2020 (incorporation date)** | – | – | – |
| Issuance of Share Capital | 137 | – | 137 |
| Total comprehensive income | – | 449,918 | 449,918 |
| **Closing at 31 December 2020** | 137 | 449,918 | 450,055 |
| **Opening balances at 1 January 2021** | 137 | 449,918 | 450,055 |
| Total comprehensive income | – | 164,984 | 164,984 |
| **Closing balances at 31 December 2021** | 137 | 614,902 | 615,039 |

The notes on pages 18 to 37 form an integral part of these financial statements

# MSD UK HOLDINGS LIMITED

## STATEMENT OF CASH FLOWS
**(Expressed in United States Dollars)**
**For the year ended 31 December 2021**

| | 31 December 2021 USD$ | 31 December 2020 USD$ |
|---|---|---|
| **Cash flows from operating activities** | | |
| Profit/(loss) after tax | 164,984 | 449,918 |
| *Non-cash adjustment* | | |
| Net (gain)/loss on foreign currency translation | 1,891,506 | (446,398) |
| Tax expense | 199,694 | 15,970 |
| Net interest | (1,043,435) | (84,051) |
| (Increase)/decrease in interest receivable | – | (4,015,200) |
| (Increase)/decrease in other assets | (25,700) | – |
| Increase/(decrease) in interest payable | – | 3,949,660 |
| Increase/(decrease) in accrued expenses and other liabilities | 178,563 | 44,202 |
| **Cash utilised in operations** | 1,365,612 | (85,899) |
| Acquisition of loan investments | (47,914,849) | (200,905,492) |
| Proceeds from settlement of loan investments | 29,511,821 | – |
| Interest received | 20,393,792 | 496,104 |
| Interest paid | – | – |
| **Net cash provided by/(used in) operating activities** | 1,990,764 | (200,495,287) |
| **Cash flows from financing activities** | | |
| Proceeds from issuing loans | 36,493,830 | 200,905,493 |
| Proceeds used to paydown loans | (30,157,357) | – |
| **Net cash from financing activities** | 6,336,473 | 200,905,493 |
| Net change in cash and cash equivalents | 9,692,849 | 410,206 |
| Net gain on foreign currency translation | – | – |
| Cash and cash equivalents at beginning of year | 410,206 | – |
| **Cash and cash equivalents at end of year** | 10,103,055 | 410,206 |

(1) Acquisition of investments has been shown under operating activities as the Company's core business is lending to UK entities.

### 1. ORGANISATION AND BUSINESS

MSD UK Holdings Limited (the "Company"), is a company incorporated on 29 June 2020 under the laws of England and Wales to operate as a private company, limited by shares. The address of the Company's registered office is shown on page 1. The Company focuses on investing all of its investable assets in originating and holding loans related to UK entities. For the year ended 31 December 2021, the Company primarily focused on loans with UK football teams. The principal activities of the Company and the nature of the Company's operations are set out in the strategic report on page 2.

The Company has an administration agreement with Citco Fund Administration (Cayman Islands) Limited (the "Administrator"). The Administrator performs certain administrative, registrar, transfer agent, accounting and investor services for the Company. For its services, the Administrator receives a fee. The Company incurred an administration fee of USD$nil and USD$14,665 for the years ended 31 December 2021 and 2020, respectively, which is included in the Statement of Comprehensive Income.

### 2. SIGNIFICANT ACCOUNTING POLICIES

**(a) Statement of Compliance**
The financial statements are prepared in accordance with United Kingdom adopted international accounting standards and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB).

**New standards and amendments to existing standards effective after 1 January 2022 and not adopted**
The following standards and amendments to existing standards (which are applicable to the operations of the Company) have not been applied in the financial statements but were in issue and are not yet effective. The Directors plan to adopt these standards and amendments when they become effective.

- Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets (effective 1 January 2022)
- Annual Improvements to the IFRS Standards 2018-2020 cycle (effective 1 January 2022);
- Amendments to IAS 1 Presentation of Financial Statements (effective 1 January 2023);
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2 (effective 1 January 2022)

The Directors are currently assessing the potential impact of the adoption of the above named standards and amendments to the financial statements of the Company.

**(b) Basis of Preparation**
The financial statements have been prepared on the historical cost basis, as explained in the accounting policies overleaf.

**(c) Going Concern**
The Directors has made an assessment of the Company's ability to continue as a going concern and are satisfied that the Company has the resources to continue in business for the foreseeable future being at least 12 months from the date of approval of these financial statements. The Directors, having considered all the relevant information, have satisfied themselves that the Company is in a sound financial position and meets its working capital requirements through receipt of interest income from its lending business. Cash from receipt of interest income will be used to pay interest on loans issued to the Offshore Fund. The Directors received a letter of comfort from the Offshore Fund that it will not recall its loans to the Company in the event of the Company having insufficient liquid assets to settle the obligation. Furthermore, the Directors are not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. The Directors have assessed the impact of COVID-19 on going concern. See Note 4 for further details. Therefore, the financial statements continue to be prepared on the going concern basis.

### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

**(d) Critical Accounting Judgements and Key Sources of Estimation Uncertainty**

The preparation of financial statements in conformity with IFRS requires the Directors to make critical judgements, estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. The Directors believe that the estimates utilised in preparing its financial statements are reasonable and prudent. Actual results could differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

**Critical Accounting Judgments and Key Sources of Estimation Uncertainty**

**(i) Business Model Assessment**

The preparation of the Company's financial statements requires the Directors to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily available from other sources. Estimates, underlying assumptions and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Classification and measurement of financial assets depends on the results of the SPPI and the business model test (please see financial assets section of Note 2(e)(i)). The Directors determine the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated.

The Directors consider that the loan assets are held within a business model whose objective is to hold those assets to collect the contractual cashflows. There is no active intention to market/sell these assets and no sales of loan assets have occurred to date.

In terms of the SPPI test under IFRS 9, the Directors have assessed that all cash flows from the loan assets are either payments of principal or interest in nature. Whilst there are early repayment penalties, the Directors consider the penalty to be materially equivalent to the lost interest that would have been received, but would highlight that this is an area of judgement.

The Directors monitor financial assets measured at amortised cost that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Directors' continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets. No such changes were required during the period presented.

**(ii) Significant Increase in Credit Risk**

As explained in Note 2(e)(i), Expected Credit Losses ("ECL") are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Directors take into account qualitative and quantitative reasonable and supportable forward-looking information as discussed in more detail within Note 4. We also consider the performance of the loan arrangement in terms of payments on time and any deterioration of LTV.

**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(d) Critical Accounting Judgements and Key Sources of Estimation Uncertainty (continued)**

**Key Sources of Estimation Uncertainty**

**(i) Calculation of Loss Allowance**
When measuring ECL the Directors use reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions ad expectations of future conditions.

The Directors performed an ECL analysis in which three scenarios were considered. Specific weightings and default rate probabilities are discussed in more detail within Note 2(e)(i) and Note 4.

**(e) Financial Instruments**

**(i) Classification**
In accordance with IFRS 9, 'Financial Instruments' ("IFRS 9"), the Company classifies its financial assets and liabilities at initial recognition or initial application into the categories of financial assets and liabilities discussed below.

The Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other operations ("OCI") or through profit or loss); and
- those to be measured at amortised cost.

The classification depends on the business model for managing the financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI.

**Financial Assets and Financial Liabilities Measured at Fair Value Through Profit or Loss ("FVPL")**
A financial asset is measured at FVPL if:

- Its contractual terms do not give rise to cash flows on specified dates that are solely payments of principal and interest ("SPPI") on the principal amount outstanding;
- It is not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell; or
- At initial recognition, it is irrevocably designated as measured at FVPL when doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (e) Financial Instruments (continued)

#### (i) Classification (continued)

**Financial Assets and Financial Liabilities Measured at Fair Value Through Profit or Loss ("FVPL") (continued)**
A financial liability is measured at fair value through profit or loss if it meets the definition of held for trading. A financial liability is considered to be held for trading if:

- It is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- On initial recognition, it is part of a portfolio of identified financial instruments that are managed together and for which, there is evidence of a recent actual pattern of short-term profit-taking; or
- It is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

There are no financial liabilities measured at FVPL or FVOCI as at 31 December 2021 and 31 December 2020.

**Financial Assets and Financial Liabilities Measured at Amortised Cost**
The Company measures financial assets at amortised cost if both of the following conditions are met:

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

The Company includes in this category investments, cash and cash equivalents, and other receivables.

All financial liabilities not held at FVPL are held at amortised cost. The Company categorised loans payable, interest payable, administration fee payable and other payables and accrued expenses as financial liabilities measured at amortised cost.

The Company recognises loss allowances for ECL on financial assets measured at amortised cost. The expected credit losses on these financial assets are estimated using a credit loss model and provision matrix based on the Company's historical credit loss experience, adjusted for the factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

The Company recognises ECL impairments outlined by IFRS 9 in a 'three-stage' model to the changes in credit quality for credit counterparties since initial recognition. The company holds loan investments with UK football teams as at year end. During the year, one of the football teams' loan investment with a carrying amount of USD$31,292,411 as at 31 December 2021 (2020: USD$20,498,516) entered into administration and as a result the loan was reclassified into Stage 3. From an analysis of the expected cashflows from this loan and in light of the strong value of collateral held by the Company on this loan the Directors concluded that no loss is expected to be incurred and therefore no ECL has been recognised as at year end. This loan was fully paid off (principal and accrued interest) subsequent to 31 December 2021, see Note 12 for further details.

At 31 December 2021, another of the borrowers was deemed to have a high possibility of relegation. The Directors concluded that this loan (carrying amount of USD$87,283,078 as at 31 December 2021 (2020: USD$88,887,500)) has experienced an increase in credit risk; although the directors consider it to be fully collateralized. As a result this loan has been reclassified to Stage 2. See Note 12 for further details relating to this loan including partial repayment received subsequent to year end.

### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (e) Financial Instruments (continued)

#### *(i) Classification (continued)*

**Financial Assets and Financial Liabilities Measured at Amortised Cost (continued)**
The remaining loans investments with a carrying amount of USD$105,874,768 as at 31 December 2021 (2020: USD$98,808,301) have not experienced an increase in credit risk and therefore are classified as Stage 1. In completing the ECL assessment, the Directors have performed a weighted scenario based assessment as discussed below:

- The first scenario is our base case scenario considers the current environment in which all UK football teams have confirmed solvency within the European governing body, UEFA, for an 18 month period.

- The second scenario assumes the UK football teams cannot pay a portion of the balance due at maturity. Additionally, cash flows and the value of the investments fluctuate depending on the investments' current sporting performance and financial situation. In this scenario, the UK football team finishes the season in the bottom two/three spots of their national league and relegated to a lower division, which has implications on team revenues. The Company would require sale of the collateral in an orderly fashion and review comparable market transactions to support.

- The final scenario assumes the UK football teams cannot pay any portion of the loan (interest / principal). The UK football team finishes the season in the bottom two/three spots of their national league and demoted to a lower division, which has implications on team revenues. The Company would require a sale of the collateral at discounted prices from current comparable transactions.

The measurement of ECL is a function of Probability of Default ("PD"), Loss Given Default ("LGD") and Exposure at Default ("EAD"). ECL measurement is performed at the level of the underlying portfolio held by the Company on a loan by loan basis. This is on a basis that the Company's credit risk is inextricably linked to the credit risk of each underlying loan directly impacting the performance/recoverability of the receivable from the loan held by the Company. The PD is assessed by considering the credit quality of the underlying borrower for each loan; the LGD are based on the quality of the security associated with each underlying loan agreement; the EAD is equated using the current drawn balances on each loan at amortised cost. The undrawn balances for the years ended 31 December 2021 and 31 December 2020 were USD$18,051,702 and USD$nil, respectively.

The Company considers the following an event of default: when there is a breach of financial covenants by the borrower or when information developed internally or obtained from external sources indicates that the borrower is unlikely to pay its creditors. Irrespective of the above, the Company considers that default has occurred when a financial asset is more than 90 days past due unless the Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

The Company's measurement of ECL reflects an unbiased and probability-weighted amount that is determined by evaluating the range of possible outcomes as well as incorporating the time value of money. The Company has also considered reasonable and supportable forecasts for future economic conditions when measuring ECL.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (e) Financial Instruments (continued)

#### (i) Classification (continued)

**Financial Assets and Financial Liabilities Measured at Amortised Cost (continued)**
**(a) Measurement of ECLs**
ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). In order to account for the additional stresses brought about by the COVID-19 pandemic, increased weightings were assigned to higher stress scenarios and captured in probabilities of default events and estimates of losses given a default.

ECLs are discounted at the effective interest rate of the financial asset.

**(b) Significant Increase in Credit Risk**
In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Company's debtors operate, including the collateral associated with the Company's underlying investments, obtained from economic expert reports, financial analysts, governmental bodies, relevant think tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Company's core operations. The Company also assesses the borrowers' exposure to relegation and loan agreement covenants.

**(c) Credit-impaired Financial Assets**
At each reporting date, the Company assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset cash flows is credit-impaired includes observable data about the following events:

i) significant financial difficulty of the issuer or the borrower;
ii) breach of contract, such as a default or 90 days past due;
iii) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; and/or
iv) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

#### (ii) Initial Measurement
Purchases and sales of financial instruments are accounted for at trade date. Financial instruments categorised at FVPL are measured initially at fair value, with transaction costs for such instruments being recognised in the statement of comprehensive income. Financial instruments (other than those classified as at FVPL) are measured initially at their fair value plus any directly attributable incremental costs of acquisition or issue.

#### (iii) Subsequent Measurement
After initial measurement, the Company measures financial instruments which are classified as at FVPL, at their fair values. The fair value of financial instruments is based on their quoted market prices on a recognised exchange or sourced from a reputable broker/counterparty, in the case of non-exchange traded instruments, at the statement of financial position date without any deduction for estimated future selling costs. Subsequent changes in the fair value of financial instruments at FVPL are recognised in the statement of comprehensive income.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (e) Financial Instruments (continued)

**(iii) Subsequent Measurement (continued)**

Financial assets, other than those classified as at FVPL, are measured at amortised cost using the effective interest method less any allowance for impairment. Gains and losses are recognised in profit or loss when the debt instruments are derecognised or impaired, as well as through the amortisation process.

Financial liabilities, other than those classified as at FVPL, are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, as well as through the amortisation process.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts throughout the expected life of the financial instrument, or, when appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability.

When calculating the effective interest rate, the Company estimates the future cash flows from the instrument considering all contractual terms but does not consider ECL. The calculation includes all fees, transaction costs and other amounts paid between parties to the contract which constitute an integral part of the instrument.

**(iv) Derecognition**

A financial asset is derecognised when the rights to receive cash flows from the financial asset have expired or the Company has transferred substantially all of the risks and rewards of ownership.

The Company derecognises a financial liability when the obligation under the liability is discharged, cancelled or expired.

### (f) Offsetting Financial Instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

### (g) Fair Value Measurement

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.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or, in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to the Company. See Note 3, Fair Value Measurements, for further discussion relating to the Company's investments.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (h) Foreign Currency Translation

**(i) Functional and Presentation Currency**
Items included in the Company's financial statements are measured and presented using the United States Dollar ("USD" or "USD$") as this is the presentational currency chosen to align with the functional currency of both the Company's immediate and ultimate controlling party. The presentational currency differs from the functional currency. The primary economic environment in which the Company operates (the "functional currency"). The Company invests in loans denominated in GBP and EURO currencies and the financing activities in place between the Company and the Offshore Fund are in the same currency denominations as the assets they have financed. The Directors considers GBP as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions; with the majority of investing and financing activities occurring in GBP.

**(ii) Foreign Currency Transactions**
Monetary assets and liabilities denominated in currencies other than USD are translated into USD at the closing rates of exchange at the end of each reporting period. Transactions during the period, including purchases and sales of securities, income and expenses, are translated at the rate of exchange prevailing on the date of the transaction. Foreign currency transaction gains and losses are included in the statement of comprehensive income.

### (i) Taxation
The Company is a private company under the laws of England and Wales and will be treated as a separate taxable entity for income or chargeable gains tax purposes.

**(i) Current Tax**
The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

A provision is recognised for those matter for which the tax determination is uncertain but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of tax professionals within the Company supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice.

**(ii) Deferred Tax**
Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (i) Taxation (continued)

**(ii) Deferred Tax (continued)**
Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the assets is realised based on tax laws and rates that have been enacted or substantively enacted at the reporting date.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

#### (j) Cash and Cash Equivalents
Cash comprises cash on hand and demand deposits. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant changes in value, and are held for the purpose of meeting short-term cash commitments rather than for investments or other purposes.

#### (k) Loans Payable
Loans payable consists of loan note instruments between the Company and the Offshore Fund that directly correspond to the underlying investments held by the Company. The Loans are registered with TISE. Loans are recognised at amortised cost, which is discussed further in Note 2(e)(i).

#### (l) Interest Income and Expense
Interest income and expense are recognised in the statement of comprehensive income for all interest bearing financial instruments using the effective interest method.

#### (m) Expenses
All expenses are recognised in the statement of comprehensive income on an accrual basis. All expenses are recognised in the statement of comprehensive income on an accrual basis. The audit fees for the years ended 31 December 2021 and 31 December 2020 were USD$55,000 and USD$55,000, respectively, and there are no non-audit services provided during the year. All audit fees were paid by the Offshore Fund.

### 3. FAIR VALUE MEASUREMENT

**Fair Value of Financial Assets and Financial Liabilities**
IFRS 13 Fair Value Measurement ("IFRS 13") require certain financial assets that are not measured at fair value to disclose their fair values determined in accordance with IFRS 13. The terms "fair value measurement" or "fair value" in the disclosure below shall be interpreted as "fair value for disclosure purposes only". Consistent with IFRS 13, the Company has classified fair value using a hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- 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 assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 – Inputs for assets or liabilities that are not based on observable market data (i.e. unobservable inputs).

### 3. FAIR VALUE MEASUREMENT (continued)

**Fair Value of Financial Assets and Financial Liabilities (continued)**
The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement calculation. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. For example, if a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is classified a Level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement and the consideration of factors specific to the asset or liability.

The determination of what constitutes observable requires significant judgement by the Directors of the Company. The Directors of the Company consider observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, and provided by independent sources that are actively involved in the relevant market.

In determining fair value, the objective is to estimate the price at which an orderly transaction to sell an asset or to transfer a liability would take place between market participants at the measurement date under current market conditions.

Some of the factors that the Directors considered when selecting the most appropriate valuation technique(s) include (not exhaustive):

a) The information that is reasonably available;
b) The existing market conditions;
c) The investment horizon and investment type; and
d) Purchase price of similar instruments being acquired in the market.

The fair value of loan investments at amortised cost are calculated as the present value of the revised estimated future cash flows discounted using a discount rate which in the Directors' opinions are the best representative of the bid price for the debt portfolios as at the reporting date.

The fair value of the borrowings is calculated using the present value of all estimated future payments discounted using current market rates of similar financial instruments. This represents the best available objective estimate of the fair value of the borrowing.

The Directors make various assumptions in estimating cash flow forecasts and other market participants which may calculate different carrying values and fair values. Also as forecasted cash flows used in determining the carrying values and fair values are based on estimation techniques, the actual cash flow received from the loans are likely to be different from the forecasted amounts and these differences could be material and impact the ultimate net realisable value generated from the debt portfolios.

**(Expressed in United States Dollars)**

### 3. FAIR VALUE MEASUREMENT (continued)

**Fair Value of Financial Assets and Financial Liabilities (continued)**
The fair values of the Company's financial instruments are disclosed below:

| 2021 | Carrying Value USD$ | Fair Value USD$ |
|---|---|---|
| **Assets** | | |
| Loan investments at fair value | 224,450,257 | 227,048,009 |

| 2020 | Carrying Value USD$ | Fair Value USD$ |
|---|---|---|
| **Assets** | | |
| Loan investments at fair value | 208,194,317 | 211,445,670 |

| 2021 | Quoted Prices in Active Markets for Identical Assets/ (Liabilities) (Level 1) USD$ | Significant Other Observable Inputs (Level 2) USD$ | Significant Unobservable Inputs (Level 3) USD$ |
|---|---|---|---|
| **Assets** | | | |
| Loan investments at fair value | – | – | 227,048,009 |

| 2020 | Quoted Prices in Active Markets for Identical Assets/ (Liabilities) (Level 1) USD$ | Significant Other Observable Inputs (Level 2) USD$ | Significant Unobservable Inputs (Level 3) USD$ |
|---|---|---|---|
| **Assets** | | | |
| Loan investments at fair value | – | – | 211,445,670 |

## 4. FINANCIAL RISK MANAGEMENT

Risk is inherent in the Company's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risks limits and other controls. The process of risk management is critical to the Company's continuing profitability.

The Company is exposed to market risk (which includes currency risk, interest rate risk and price risk), credit risk and liquidity risk arising from the financial instruments it holds.

**Risk Management Structure**
The Directors are ultimately responsible for identifying and controlling risks.

**Risk Measurement and Reporting System**
The Company's risks are measured using a method which reflects both the expected loss likely to arise in normal circumstances and unexpected losses, which is an estimate of the ultimate actual loss based on statistical models. The model makes use of the probabilities derived from historical experience, adjusted to reflect the economic environment.

Monitoring and controlling risks is primarily performed on the basis of set limits established by the Directors. These limits reflect the business strategy and market environment of the Company as well as the level of the risk that the Company is willing to accept. In addition, the Company monitors and measures the overall risk bearing capacity in relation to the aggregate risk exposure across all risks type and activities.

**Market Risk**
Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices and includes interest rate risk, foreign currency risk and "other price risk", such as equity price risk.

The investment methodology of the Company involves a constant assessment of market risk. Before a security is added to the portfolio there is extensive work done by the investment analysts to evaluate market risk over a two to three year period. However, market risk cannot be completely eliminated as it is this exposure that also gives rise to the Company's profits. All assets, with the exception of cash and debtors are exposed to some degree of market risk.

**Price Risk**
As at 31 December 2021 or during the year of these financial statements, the Company did not hold any securities which would expose it to other price risk.

**Interest Rate Risk**
Interest rate risk is the risk that the fair value of future cash flows of interest bearing financial instruments will fluctuate because of changes in interest rates. The Company is exposed to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its assets and liabilities.

Financial instruments with a fixed interest rate are exposed to fair value interest rate risk. Financial instruments with a floating interest rate that resets as market rates change are exposed to cash flow interest rate risk.

The Company is not significantly exposed to interest rate risk as a significant portion of the loan agreement is fixed interest, the variable element is based on 3-month LIBOR. Due to the insignificant exposure to variable interest, the Directors have decided not to perform a sensitivity of changes assessment.

**(Expressed in United States Dollars)**

### 4. FINANCIAL RISK MANAGEMENT (continued)

**Interest Rate Risk (continued)**
The following tables analyse the Company's interest rate risk exposure. The Company's assets and liabilities are categorised by the earlier of contractual repricing or maturity dates.

| 2021 | < 1 Year USD$ | Up to 5 Years USD$ | Non-interest Bearing USD$ | Total USD$ |
|---|---|---|---|---|
| **Assets** | | | | |
| Loan investments at amortised cost | – | 224,450,257 | – | 224,450,257 |
| Interest receivable | – | – | 2,427,346 | 2,427,346 |
| **Total assets** | – | 224,450,257 | 2,427,346 | 226,877,603 |
| **Liabilities** | | | | |
| Loans payable at amortised cost | – | 213,356,503 | – | 213,356,503 |
| Interest payable | – | – | 22,812,051 | 22,812,051 |
| **Total liabilities** | – | 213,356,503 | 22,812,051 | 236,168,554 |

| 2020 | < 1 Year USD$ | Up to 5 Years USD$ | Non-interest Bearing USD$ | Total USD$ |
|---|---|---|---|---|
| **Assets** | | | | |
| Loan investments at amortised cost | – | 208,194,317 | – | 208,194,317 |
| Interest receivable | – | – | 4,015,200 | 4,015,200 |
| **Total assets** | – | 208,194,317 | 4,015,200 | 212,209,517 |
| **Liabilities** | | | | |
| Loans payable at amortised cost | – | 208,175,806 | – | 208,175,806 |
| Interest payable | – | – | 3,949,660 | 3,949,660 |
| **Total liabilities** | – | 208,175,806 | 3,949,660 | 212,125,466 |

**Currency Risk**
Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. See the table below for a summary of foreign currency exposure as at 31 December 2021.

| | GBP£ | USD$ |
|---|---|---|
| Gross Financial Asset Exposure | 165,964,402 | 224,450,257 |
| Gross Financial Liability Exposure | (157,761,389) | (213,356,503) |
| **Net Exposure** | 8,203,013 | 11,093,754 |
| 10% Fluctuation - Gross Financial Asset Exposure | 16,596,440 | 22,445,026 |
| 10% Fluctuation - Gross Financial Liability Exposure | (15,776,139) | (21,335,650) |
| 10% Net Fluctuation Exposure | 820,301 | 1,109,375 |

**(Expressed in United States Dollars)**

### 4. FINANCIAL RISK MANAGEMENT (continued)

**Liquidity Risk**
Liquidity risk is defined as the risk that the Company may not be able to settle or meet its obligations on time or at a reasonable price. Because shareholders generally may not redeem any amount from the Company, the Company does not employ liquidity risk management procedures.

Notwithstanding the foregoing, the Directors will maintain liquidity management systems and procedures that are intended to allow the Directors to manage the Company's illiquid assets and address any related valuation issues.

The following tables analyse the Company's financial liabilities as at 31 December 2021 and 31 December 2020 into relevant maturity groupings based on the remaining period to the maturity date:

| 2021 | < 1 month USD$ | 1-3 months USD$ | 3 months-1 year USD$ | 1-5 years USD$ | Over 5 years USD$ | Total USD$ |
|---|---|---|---|---|---|---|
| **Liabilities** | | | | | | |
| Loans payable at amortised cost | – | – | – | 213,356,503 | – | 213,356,503 |
| Interest payable | 22,812,051 | – | – | – | – | 22,812,051 |
| Accrued expenses and other liabilities | 222,765 | – | – | – | – | 222,765 |
| **Total liabilities** | 23,034,816 | – | – | 213,356,503 | – | 236,391,319 |

| 2020 | < 1 month USD$ | 1-3 months USD$ | 3 months-1 year USD$ | 1-5 years USD$ | Over 5 years USD$ | Total USD$ |
|---|---|---|---|---|---|---|
| **Liabilities** | | | | | | |
| Loans payable at amortised cost | – | – | – | 208,175,806 | – | 208,175,806 |
| Interest payable | 3,949,660 | – | – | – | – | 3,949,660 |
| Accrued expenses and other liabilities | 44,202 | – | – | – | – | 44,202 |
| **Total liabilities** | 3,993,862 | – | – | 208,175,806 | – | 212,169,668 |

**Credit Risk**
Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The Company's approach to managing credit risk recognises that there is a risk of adverse financial impact resulting from fluctuations in credit quality of third parties including default, rating transition and credit spread movements. The Company's credit risks arise principally through exposures to loans and bank deposits. The maximum exposure to credit risk is therefore equal to the statement of financial position carrying value of the loans and interest receivable.

As at 31 December 2021 and 31 December 2020, the Company held investments in loans valued at USD$224,450,257 and USD$208,194,317, respectively.

The key risk relating to each of these loans is the possibility that the borrower will not repay the interest and principal relating to the loan in full. To protect the Company against this possibility of default, security is sought from the borrower over assets worth more than the value of the loan outstanding.

**(Expressed in United States Dollars)**

### 4. FINANCIAL RISK MANAGEMENT (continued)

***Credit Risk (continued)***

Below is a summary of the scenarios considered by directors in assessing ECL for loan investments at amortised cost:

| Category | Description | Basis for recognising expected credit losses |
|---|---|---|
| Base Case | The debtor has a 100% repayment at maturity, a 0% risk of default and does not have any past-due amounts. | 12-month ECL |
| Stress Case | The debtor has a 50% repayment at maturity and a 25% risk of default. | Lifetime ECL |
| Extreme Stress Case | The debtor has a 0% repayment at maturity and a 60% risk of default. | Lifetime ECL |
| Write-off | There is evidence indicating that the debtor is in severe financial difficulty and the Company has no realistic prospect of recovery. | Amount is written off |

The Company did not recognise an ECL during the year ended 31 December 2021 given that there are no scenarios to the underlying loan arrangements that would result in a material loss.

Below is a summary of the stage within the Company's ECL analysis for each investment held as at 31 December 2021, which is categorized based on the Directors' determination as noted in Note 2(e)(i):

| | External Credit Rating | Internal Credit Rating | 12 Months or Lifetime ECL | Gross Carrying Amount (USD$) | Loss Allowance (USD$) | Net Carrying Amount (USD$) |
|---|---|---|---|---|---|---|
| **STAGE 1 - INVESTMENT AT AMORTISED COST** | | | | | | |
| As at 1 January 2021 | N/A | N/A | 12 Months | 208,194,317 | – | 208,194,317 |
| As at 31 December 2021 | N/A | N/A | 12 Months | 105,874,768 | – | 105,874,768 |
| **STAGE 2 - INVESTMENT AT AMORTISED COST** | | | | | | |
| As at 1 January 2021 | N/A | N/A | Lifetime | – | – | – |
| As at 31 December 2021 * | N/A | N/A | Lifetime | 87,283,078 | – | 87,283,078 |
| **STAGE 3 - INVESTMENT AT AMORTISED COST** | | | | | | |
| As at 1 January 2021 | N/A | N/A | Lifetime | – | – | – |
| **As at 31 December 2021 **** | N/A | N/A | Lifetime | 31,292,411 | – | 31,292,411 |

* During the year, the loan investment was reclassified from Stage 1 to Stage 2.

** During the year, the loan investment was reclassified from Stage 1 to Stage 3.

The Company did not recognise an ECL during the year ended 31 December 2021. This is based on the strength in value of the collateral held by the Company against each of the loan investment which provides significant protection against losses given default.

(Expressed in United States Dollars)

## 4. FINANCIAL RISK MANAGEMENT (continued)

**LIBOR Transition Risk**

The Company's loan agreement includes a variable interest element based on 3-month LIBOR. From 1 January 2022, publication of most LIBOR settings ended; however, the settings linked to the Company's loans, that is, 3-month GBP LIBOR and 3-month USD LIBOR are available for the duration of 2022. The Company structured its investments in a manner so that LIBOR plays a negligible role when calculating interest rate exposure. The Company's loan agreements include a clause that provides guidance to all parties on the replacement of LIBOR. If LIBOR ceases to become available or it is no longer deemed an appropriate reference rate upon which to determine the interest rate on Loans, a benchmark rate which is, in the opinion of the Company, generally accepted in the loan marker shall be used as an alternative to LIBOR. The Directors will continue to monitor the availability of the LIBOR settings and will make changes as and when necessary.

**Russia/Ukraine Conflict Risk**

In February 2022, a number of countries (including the US, UK and EU) imposed sanctions against certain entities and individuals in Russia and Belarus as a result of the official recognition of the Donetsk People Republic and Luhansk People Republic by the Russian Federation. Announcements of potential additional sanctions have been made following military operations initiated by Russia against the Ukraine on 24 February 2022.

The ongoing conflict in Ukraine and the related sanctions targeted against Russia have had an impact on the European and global economies. The Company does not have any significant direct exposure to Ukraine, Russia or Belarus. The Directors are actively monitoring the situation and will assess any impact as it is deemed to arise. The Directors recognise that the overall impact of the conflict may not yet be apparent and do not underestimate the inevitable effect it will have on global financial markets, including any potential adverse impact on the Company.

**Coronavirus Disease Risk**

The impact of the COVID-19 outbreak on the financial performance of the Company's investments will depend on future developments, including the duration and spread of the outbreak and related advisories and restrictions. These developments and the impact of COVID-19 on the financial markets and the overall economy are highly uncertain and cannot be predicted. The Directors will continue to monitor the impacts to the financial markets and/or overall economy for an extended period.

## 5. Cash and Cash Equivalents

The Company considers unrestricted cash balances held at banks as cash, which totalled USD$10,100,581 and USD$410,206 as at 31 December 2021 and 31 December 2020, respectively. In addition, the Company has short-term highly liquid investments in money market funds with original maturities of 90 days or less when acquired to be cash equivalents. This is valued at net asset value at the end of each reporting period.

| | 2021 Fair Value | % of Share Capital |
|---|---|---|
| JPM USD Liquidity Sweep C Share Fund | 2,474 | 0.40% |
| **Total Cash Equivalents** | 2,474 | 0.40% |

(Expressed in United States Dollars)

## 6. Loan Investments at Amortised Cost

The Company had issued debt investments in UK entities. Below is a reconciliation of activity for the years ended 31 December 2021 and 31 December 2020:

| | 31 December 2021 USD$ | 31 December 2020 USD$ |
|---|---|---|
| **Opening Balance** | 208,194,317 | – |
| Additions | 47,914,849 | 200,905,492 |
| Paydowns | (29,511,821) | – |
| Interest income | 21,559,223 | 5,080,850 |
| Payments received | – | (496,104) |
| Unrealised exchange gain/(loss) | (23,706,311) | 2,704,079 |
| **Ending Balance** | 224,450,257 | 208,194,317 |

The effective interest rate related to the loan investments at amortised cost ranges from 8.91% to 13.01%. During the life of the investment, interest is received quarterly and principal is received upon paydown.

## 7. Loans Payable at Amortised Cost

The Company has issued loans with the Offshore Fund in the form of Sterling Notes. Below is a reconciliation of activity for the years ended 31 December 2021 and 31 December 2020:

| | 31 December 2021 USD$ | 31 December 2020 USD$ |
|---|---|---|
| **Opening Balance** | (208,175,806) | – |
| Additions | (36,493,830) | (200,905,492) |
| Interest expense | (20,515,788) | (4,996,799) |
| Payments received | 30,157,357 | – |
| Unrealised exchange gain/(loss) | 21,671,564 | (2,273,515) |
| **Ending Balance** | (213,356,503) | (208,175,806) |

The effective interest rate related to the loans payable at amortised cost ranges from 8.77% to 9.76%. During the life of the loan, interest is accrued quarterly and principal is paid upon paydown.

As at 31 December 2021 and 31 December 2020, the Company incurred interest expense resulting in interest payable amounts of USD$22,812,051 and USD$3,949,660, respectively.

(Expressed in United States Dollars)

## 8. SHARE CAPITAL

| | 31 December 2021 USD$ |
|---|---|
| Authorised: | |
| 10,000 ordinary shares of GBP 0.01 each | – |
| | |
| Issued and fully paid: | |
| **At 1 January 10,000 ordinary shares of GBP 0.01 each** | 137 |
| Issued during the year | – |
| Own shares acquired in the year | – |
| **At 31 December 10,000 ordinary shares of GBP 0.01 each** | 137 |

| | 31 December 2020 USD$ |
|---|---|
| Authorised: | |
| 10,000 ordinary shares of GBP 0.01 each | – |
| | |
| Issued and fully paid: | |
| **At 29 June 10,000 ordinary shares of GBP 0.01 each** | – |
| Issued during the year | 137 |
| Own shares acquired in the year | – |
| **At 31 December 10,000 ordinary shares of GBP 0.01 each** | 137 |

The Company has one class of ordinary shares with voting rights but which carry no right to fixed income.

## 9. RELATED PARTIES

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

The Directors have not received compensation during the year ended 31 December 2021.

As at 31 December 2021, the Offshore Fund is the only related party to the Company, which advanced debt of USD$227,340,776 during the year ended 31 December 2021. At 31 December 2021, the Company has a payable to the Offshore Fund of USD$22,812,051 relating to accrued interest and USD$213,356,503 relating to loans payable at amortised cost, which is included on the statement of financial position.

As at 31 December 2021, the Offshore Fund paid expenses on the Company's behalf totaling USD$111,878.

As at 31 December 2020, the Offshore Fund is the only related party to the Company, which advanced debt of USD$200,905,492 during the period from 29 June 2020 (incorporation date) to 31 December 2020. At 31 December 2020, the Company has a payable to the Offshore Fund of USD$3,949,660 relating to accrued interest and USD$208,175,806 relating to loans payable at amortised cost, which is included on the statement of financial position.

## 10. CONTROLLING PARTY

The Company's immediate controlling party is the Offshore Fund and the ultimate controlling party is MSD Partners, LP.

**(Expressed in United States Dollars)**

### 11. INCOME TAX

| | 31 December 2021 USD$ | 31 December 2020 USD$ |
|---|---|---|
| Corporation income tax: | | |
| Current year | 199,694 | 15,970 |

The standard rate of corporation tax applied to reported profit is 19%.

The Tax charge for the year can be reconciled to profit in the Statement of Comprehensive Income as follows:

| | 31 December 2021 USD$ | 31 December 2020 USD$ |
|---|---|---|
| Profit before tax | 364,678 | 465,889 |
| Tax at the corporation tax rate of 19% | 69,289 | 88,519 |
| Tax effect of expenses that are not deductible in determining taxable profit | 130,405 | – |
| Tax effect of income not taxable for determining taxable profit | – | 72,549 |
| **Tax expense for the year** | 199,694 | 15,970 |

***Factors that may affect future tax charges***
On 3 March 2021, the 2021 UK budget was announced and included the government's planned changes to UK Corporation tax for the coming years. The Corporation tax main rate (for all profits except ring fenced profits) is expected to stay at 19% for years starting 1 April 2020 and 2021 and then expected to be increased to 25% for the year starting 1 April 2023.

### 12. SUBSEQUENT EVENTS

The Company's loan agreement includes a variable interest element based on 3-month LIBOR. From 1 January 2022, publication of most LIBOR settings ended; however, the settings linked to the Company's loans, that is, 3-month GBP LIBOR and 3-month USD LIBOR are available for the duration of 2022. The Company structured its investments in a manner so that LIBOR plays a negligible role when calculating interest rate exposure. The Company's loan agreements include a clause that provides guidance to all parties on the replacement of LIBOR. If LIBOR ceases to become available or it is no longer deemed an appropriate reference rate upon which to determine the interest rate on Loans, a benchmark rate which is, in the opinion of the Company, generally accepted in the loan marker shall be used as an alternative to LIBOR. The Directors will continue to monitor the availability of the LIBOR settings and will make changes as and when necessary.

In February 2022, a number of countries (including the US, UK and EU) imposed sanctions against certain entities and individuals in Russia and Belarus as a result of the official recognition of the Donetsk People Republic and Luhansk People Republic by the Russian Federation. Announcements of potential additional sanctions have been made following military operations initiated by Russia against the Ukraine on 24 February 2022.

### 12. SUBSEQUENT EVENTS (continued)

The ongoing conflict in Ukraine and the related sanctions targeted against Russia have had an impact on the European and global economies. The Company does not have any significant direct exposure to Ukraine, Russia or Belarus. The Directors are actively monitoring the situation and will assess any impact as it is deemed to arise. The Directors recognise that the overall impact of the conflict may not yet be apparent and do not underestimate the inevitable effect it will have on global financial markets, including any potential adverse impact on the Company.

Subsequent to 31 December 2021, one of the underlying borrowers associated with a 65,000,000 GBP loan investment with a carrying amount of USD$ 87,283,078 as at 31 December 2021, was relegated. This loan was classified as Stage 2 (refer to Note 4). The Company holds collateral well in excess of the loan's outstanding principal and interest. The Company and its Directors are currently in discussion with the underlying borrower and there is no indication there is a need to impair the loan's value.

Subsequent to 31 December 2021, the Company received a full paydown on one loan investment resulting in proceeds totaling 25,257,714 GBP and partial paydowns from two investments resulting in proceeds totaling 28,342,438 GBP, respectively. This loan investment had a carrying amount of USD$ 31,292,411 and was classified as Stage 3.

### 13. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue to the Investors of the Directors on 26 August 2022.

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