

STUDIO FINANCING LIMITED

Annual Report and Financial statements

For the period from incorporation on 26 October 2018 to 30 March 2020

Company registration number: 11644219

STUDIO FINANCING LIMITED

Financial statements for the period from incorporation on 26 October 2018 to 30 March 2020

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Officers and professional advisors

Directors	Mark Filer (appointed 26 October 2018) L.D.C. Securitisation Director No.1 Limited (appointed 26 October 2018) L.D.C. Securitisation Director No.2 Limited (appointed 26 October 2018)
Secretary	Law Debenture Corporate Services Limited
Company number	11644219
Registered office	8th Floor, 100 Bishopsgate, London EC2N 4AG
Auditors	Mazars, Tower Bridge House, St Katharine's Way, London E1W 1DD
Bankers	HSBC Bank Plc, 8 Canada square London, E14 5HQ

STUDIO FINANCING LIMITED

Financial statements for the period from incorporation on 26 October 2018 to 30 March 2020

Strategic report

The directors present their strategic report for Studio Financing Limited (the “Company”) for the period from incorporation on 26 October 2018 to 30 March 2020.

General company information

The Company was incorporated in England and Wales on 26 October 2018 as a Private Company limited by shares, with the registered number of 11644219. As this is its first accounting period there are no comparative figures.

Principal activities and review of business

The principal activity of the Company is that of a securitisation vehicle established to acquire a portfolio of trade receivables from Studio Retail Limited (formerly Express Gifts Limited) (“The seller”, “Studio Retail”) and to procure financing for that activity.

On 23 November 2018 the Company entered into a receivables Sales Agreement, to allow it to finance and acquire certain receivables originated by Studio Retail. The purchase of the receivables was financed by the issue of Variable Funding Notes (the “Notes”) which are listed on the International Stock Exchange (“TISE”).

The Notes are limited recourse in nature and repayment is restricted to the income receivable by the Company on the underlying receivables acquired. The Notes are secured against the right, title and interest in the receivables with The Law Debenture Trust Corporation Plc acting as Security Trustee. All payments made by the Company are subject to a payment waterfall as set out in the transaction documents. HSBC Bank Plc is the facility agent and cash manager.

Details of the Notes at the period end are as follows:

Programme limit	Notes in issue at period end	Interest base rate	Margin	Commitment fee	Expected maturity date
£215,000,000	£212,591,076.20	Sterling LIBOR	2.25% per annum	0.75% of undrawn amount	31 December 2028

At 30 March 2020 £200,000,000 of the Note facility was provided by HSBC Bank plc as the Senior Note Purchaser and £15,000,000 provided by Studio Retail Limited as the Mezzanine Note Purchaser.

As part of the transaction the Company has entered into a servicing agreement with Studio Retail to service and administer the underlying receivables for which they receive a servicing fee.

Legal ownership of the receivables acquired under the transaction fails the recognition criteria because Studio Retail retains all the risks and rewards of ownership. It is entitled to any residual cash flows after payment of all other expenses of the Company. Accordingly, the beneficial interest in the receivables is recognised as a deemed loan to Studio Retail in the Company’s financial statements and the receivables remain on the balance sheet of Studio Retail.

Corporate Governance

As a special purpose vehicle, the Company has no physical presence or operations and accordingly has minimal impact on the community and the environment, human rights issues and wider social matters. The company has no employees and so at the SPV level there is also no anti bribery and corruption implications. Further information on the policies of the originator of the transaction (Studio Retail) for these issues can be found on their individual company website.

Performance in the period

The Company paid out £488,855,583 deferred consideration to Studio Retail after payment of all Company expenses and £38,890,396 was accrued at period end.

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Financial statements for the period from incorporation on 26 October 2018 to 30 March 2020

Strategic report (continued)

Future outlook

The Company intends to continue with its securitisation programme.

The UK exited the European Union (Brexit) on 31st January 2020, with a transition period that expired on 31st December 2020. It is expected the Company may face some risks in the future from the impact of Brexit, however at the date of reporting there has been no noticeable difference on the collections income received from underlying receivables. This leads us to conclude that Brexit is unlikely to have much more than a minimal impact upon the Company. In any case, further impacts of this will not necessarily affect the Company's ability to continue as a going concern due to the limited recourse nature of the transaction.

The COVID-19 pandemic, emerging in March 2020, poses a potential threat to the business. It could result in some borrowers of the underlying receivables losing their jobs and defaulting on their obligations to Studio Retail, which could in turn reduce the cash flows that the Company receives on its deemed loan to Studio Retail. The impact of the pandemic on the Company thus far remains difficult to quantify up to the beginning of 2021, given the continued government support that is to be provided to businesses and employees in the UK throughout the pandemic (payment holidays, furlough scheme). This support is expected to somewhat dilute the economic shock of the pandemic and as such there has not been a noticeable effect on the income the Company has received from the deemed loan to Studio Retail following the year-end date. It is therefore considered unlikely that the pandemic will have more than a minimal effect on the Company. In any case, further impacts of the pandemic will not necessarily affect the Company's ability to continue as a going concern due to the limited recourse nature of the transaction.

Financial risk management

The main risks that could affect the Company's ability to continue as a going concern are credit risk, liquidity risk, market risk, and capital management risk. These include the correct and timely receipt of interest and principal on the deemed loan.

Credit risk management

Credit risk is the risk that the Company will not receive cash as a result of Studio Retail not being able to meet its obligations on the deemed loan as they fall due.

The major asset of the Company is a deemed loan to Studio Retail. The recoverability of the deemed loan is linked to the performance of the underlying receivables. This means that whilst the credit risk to the Company is Studio Retail not meeting deemed loan obligations, the ultimate credit risk is with the end Studio Retail customer defaulting on their obligations.

The underlying receivables are required to adhere to specific lending criteria and are subject to regular reviews by Studio Retail (the originator and servicer of the receivables) to ensure credit risks are identified on a timely basis and losses are minimised. The servicer also produces weekly portfolio performance reports which are reviewed by management.

Liquidity risk management

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity risk is driven by the payment waterfall agreed in the initial transaction documents. All payments are made in strict order using a payment waterfall set out in the transaction documents. The funding raised by the Company is limited recourse in nature which means that it is only obliged to pay amounts falling due to the extent that it has received income from the receivables underlying the deemed loan. The Company also maintains a reserve fund which can be utilised in case of a liquidity shortfall.

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Strategic report (continued)

Financial risk management (continued)

Market risk management

Market risk is the risk of reductions in earnings and/or value, from unfavourable market movements. The Company manages market risk by matching interest rates for assets and liabilities.

Capital risk management

The Company considers its capital to comprise of its share capital plus retained profits. The Company's objectives when maintaining capital are to safeguard its ability to continue as a going concern, so that it can continue to provide returns to Note holders and shareholders.

Key performance indicators (KPIs)

The recoverability of the Company's deemed loan is linked to the performance of the underlying receivables and therefore the net profit and performance of the underlying receivables are key performance indicators. The servicer produces weekly servicer reports that contain a range of data on the performance of the receivables portfolio including payment arrears and restructured receivables. There are no alternative performance measures used.

Approved and signed on behalf of the board:



Mark Filer
Director
24 March 2021

STUDIO FINANCING LIMITED

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Directors' Report

The directors present their report and the audited financial statements of the Company for the period from incorporation on 26 October 2018 to 30 March 2020. The Company was incorporated in England and Wales on 26 October 2018 as a Private Company limited by shares with 1 ordinary share issued to Law Debenture Intermediary Corporation plc in its capacity as Share Trustee.

Results and dividends

Under the terms of the securitisation transaction, the Company is entitled to a pre-determined retained profit of £750 per annum. The profit before tax for the period ended 30 March 2020 amounted to £563. The Company paid no dividends during the period and the directors do not recommend a final dividend.

Directors

The directors of the Company who were in office during the period and for the period up to the date of signing the financial statements were:

Mark Filer (appointed 26 October 2018)

L.D.C. Securitisation Director No.1 Limited (appointed 26 October 2018)

L.D.C. Securitisation Director No.2 Limited (appointed 26 October 2018)

None of the directors who held office during the period and up to the date of this report held any beneficial interest in the share capital of the Company and nor did they have any material contract or arrangement with the Company.

The directors received no emoluments in respect of their services to the Company during the period.

The Company has no employees.

Future outlook

See strategic report.

Financial risk management

See strategic report.

Going concern

Due to the way in which the transaction underlying the sole purpose of the Company has been structured, the Company is only required to repay the funding to the extent that it receives income from the receivables underlying the deemed loan.

After reviewing the latest performance of the underlying receivables, and discussing the outlook with Studio Retail, the directors are satisfied that the Company will have adequate resources to continue in business for the foreseeable future and that it is appropriate to adopt the going concern basis in preparing the financial statements.

Events after the reporting date

The UK exited the European Union (Brexit) on 31st January 2020, with a transition period that expired on 31st December 2020. It is expected the Company may face some risks in the future from the impact of Brexit, however at the date of reporting there has been no noticeable difference on the collections income received from underlying receivables. This leads us to conclude that Brexit is unlikely to have much more than a minimal impact upon the Company, however a precise estimate of the financial impact cannot be made.

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Financial statements for the period from incorporation on 26 October 2018 to 30 March 2020

Directors' Report (continued)

Events after the reporting date (continued)

The COVID-19 pandemic, emerging in March 2020, poses a potential threat to the business. It could result in some borrowers of the underlying receivables losing their jobs and defaulting on their obligations to Studio Retail, which could in turn reduce the cash flows that the Company receives on its deemed loan to Studio Retail. An estimate of the financial impact of the pandemic on the Company cannot be made, however up to the beginning of 2021 it appears to be minimal, given the continued government support that has been provided to businesses and employees in the UK throughout the pandemic (payment holidays, furlough scheme). This support is expected to somewhat dilute the economic shock of the pandemic and as such there has not been a noticeable effect on the income the Company has received from the deemed loan to Studio Retail following the year-end date. It is therefore considered unlikely that the pandemic will have more than a minimal effect on the Company. In any case, further impacts of the pandemic will not necessarily affect the Company's ability to continue as a going concern due to the limited recourse nature of the transaction.

On 1 July 2020 the Company entered into a side letter agreement to make certain commercial amendments in relation to Covid-19. The business model has been, and will continue to be, appropriately adjusted to reflect the level of risk in the economy by Studio Retail.

On 18 September 2020 the Company redeemed all of the outstanding Senior Notes held by HSBC Bank plc and issued new Senior Notes of equivalent value to HSBC UK Bank plc.

Directors' indemnities

The directors are provided by Law Debenture Corporate Services Limited under a Corporate Services Agreement which contains certain indemnities for the directors which were in place during the year and remain in force at the date of this report. Law Debenture Corporate Services Limited maintains its own insurance for the services it provides.

Statement of Disclosure to Auditor

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

Auditors

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

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware;
- and
- each director has taken all the steps he/she ought to have taken as a director in order to make himself/herself 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 s418 of the Companies Act 2006.

Signed on behalf of the board:



Mark Filer
Director
24 March 2021

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Statement of directors' responsibilities in respect of the Strategic report, the Directors' report and the financial statements

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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 its profit or loss for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a Strategic Report and a Directors' Report that complies with that law and those regulations.

Independent auditor's report to the members of Studio Financing Limited

Opinion

We have audited the financial statements of Studio Financing Limited (the 'Company') for the period from 26 October 2019 (the date of incorporation) to 30 March 2020 which comprise the statement of profit and loss and other comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 March 2020 and of its profit for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities 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 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.

Conclusions relating to going concern

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

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material

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misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We summarise below the key audit matters in forming our audit opinion above, together with an overview of the principal audit procedures performed to address each matter and, where relevant, key observations arising from those procedures. These matters, together with our findings, were communicated to those charged with governance through our Audit Completion Report.

Accounting treatment of the deemed loan	
<p>The accounting policy is set out in Note 1 (1.9) of the financial statements.</p> <p>Note 1 (1.11) sets out the critical accounting judgements applied in determining the treatment of the deemed loan.</p> <p>The Company recognises a deemed loan asset on the balance sheet in relation to the underlying receivables agreement entered into.</p> <p>Studio Retail Limited (“Studio Retail”), as originator, retains substantially all the risks and reward from the receivables purchased by the Company. Management has deemed that the receivables should not be derecognised from the Studio Retail financial statements, and instead, the Company should recognise a deemed loan asset receivable from Studio Retail.</p> <p>The treatment of the deemed loan, including the initial consideration as to whether exposure to the returns remains with Studio Retail, and determination of the initial recognition value of the deemed loan is complex and requires management judgement to reach the appropriate conclusion.</p>	<p>We have assessed the accounting treatment of the deemed loan as follows:</p> <ul style="list-style-type: none"> - Obtained an understanding of the control processes in operation over the accounting treatment of key transactions at the Company; - Critically assessed the underlying transaction documentation to challenge whether management’s assessment of the transaction structure is appropriate; - Assessed the accounting treatment applied by management against the principles set out in FRS 102; and - Reviewed the disclosures included in the financial statements for the appropriateness of disclosure on the judgements and accounting treatments applied.
<p>We did not identify issues from the procedures performed with the accounting treatment applied.</p>	

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Deemed loan impairment provisioning Deemed loan: £207.5m, loan impairment provision £nil	
<p>The accounting policy is set out in Note 1 (1.9) of the financial statements.</p> <p>Note 1 (1.11) sets out the critical accounting estimates applied in determining the impairment of the deemed loan.</p> <p>The recoverability of the deemed loan is set out in note 7 of the financial statements.</p> <p>The major asset of the Company is a deemed loan repayable from Studio Retail. The underlying receivables are required to adhere to specific lending criteria and are subject to regular reviews by Studio Retail, to ensure credit risks are identified on a timely basis and losses are minimised.</p> <p>Given the nature of the transaction we note that the recourse for the receivables is with Studio Retail, who retain the variability of returns, and as such are responsible for repayment of the deemed loan to the Company upon maturity.</p> <p>Management judgement exists when assessing the credit worthiness of Studio Retail, and consideration of the underlying receivable portfolio at the period-end date.</p>	<p>We assessed whether any impairment is required against the deemed loan asset through performing the following procedures:</p> <ul style="list-style-type: none"> - Obtained an understanding of the controls in place in relation to the impairment review; - Assessed the performance of the assets underlying the deemed loan, obtaining evidence from post year end cash collections; and - Performed test of details throughout the period on the process undertaken by management to review the receivable portfolio for impairment triggers.
We found the impairment approach taken to be appropriate as at the period-end.	

Our application of materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and on the financial statements as a whole. Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall materiality	£1,063,000
How we determined it	0.5% of total assets
Rationale for benchmark applied	We consider total assets to be the primary measure used by the users of the financial statements to assess the performance of the Company.
Performance materiality	£744,000
Reporting threshold	£31,800

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An overview of the scope of our audit, including extent to which the audit was considered capable of detecting irregularities, including fraud

As part of designing our audit, we determined materiality and assessed the risk of material misstatement in the financial statements, whether due to fraud or error, and then designed and performed audit procedures responsive to those risks. In particular, we looked at where the directors made subjective judgements such as making assumptions on significant accounting estimates.

We tailored the scope of our audit to ensure that we performed sufficient work to be able to give an opinion on the financial statements as a whole. We used the outputs of a risk assessment, our understanding of the company, its environment, controls and critical business processes, to consider qualitative factors in order to ensure that we obtained sufficient coverage across all financial statement line items.

Our audit procedures were designed to respond to those identified risks, including non-compliance with laws and regulations (irregularities) and fraud that are material to the financial statements.

In identifying and assessing risks of material misstatement in respect to irregularities including non-compliance with laws and regulations, our procedures included but were not limited to:

- at planning stage, we gained an understanding of the legal and regulatory framework applicable to the company, the industry in which it operates and considered the risk of acts by the company which were contrary to the applicable laws and regulations;
- we discussed with the directors the policies and procedures in place regarding compliance with laws and regulations;
- We discussed amongst the engagement team the identified laws and regulations, and remained alert to any indications of non-compliance; and
- during the audit, we focused on areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussions with the directors (as required by auditing standards), from inspection of the company's regulatory and legal correspondence and review of minutes of directors' meetings in the period.

Our procedures in relation to fraud included but were not limited to:

- inquiries of management whether they have knowledge of any actual, suspected or alleged fraud;
- gaining an understanding of the internal controls established to mitigate risk related to fraud;
- discussion amongst the engagement team regarding risk of fraud such as opportunities for fraudulent manipulation of financial statements, and determined that the principal risks were related to management bias through judgements and assumptions in significant accounting estimates, in particular in relation to deemed loan accounting and impairment, and significant one-off or unusual transactions.

The primary responsibility for the prevention and detection of irregularities including fraud rests with both those charged with governance and management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

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As a result of our procedures, we did not identify any “Key audit matters” relating to irregularities.

Other information

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

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

We have nothing to report in this regard.

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 period 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.

Matters on which we are required to report by exception

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

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- the company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors’ remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the directors’ responsibilities statement set out on page 8, 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

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Financial statements for the period from incorporation on 26 October 2018 to 30 March 2020

such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Other matters which we are required to address

We were appointed by the Board of Directors on 24 March 2021 to audit the financial statements for the period ended 30 March 2020 and subsequent financial periods. The period of total uninterrupted engagement is 1 year, covering the period ended 30 March 2020.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the company and we remain independent of the company in conducting our audit.

Our audit opinion is consistent with the additional report to the Board of Directors.

Use of the audit 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.



David Allen (Senior Statutory Auditor)

for and on behalf of Mazars LLP

Chartered Accountants and Statutory Auditor

Address: Tower Bridge House, St Katharine's Way, London E1W 1DD

Date: 24/03/2021

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STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

For the period from incorporation on 26 October 2018 to 30 March 2020

		26 October 2018 to 30 March 2020
	Note	£000
Interest income	3	11,102
Interest expense		<u>(7,656)</u>
Net finance cost		3,446
Administrative expenses	4	<u>(3,445)</u>
Profit on ordinary activities before taxation	5	1
Tax charge	6	<u>-</u>
Profit for the period		<u><u>1</u></u>

All amounts relate to continuing activities. There is no other comprehensive income.

The notes on pages 19 to 29 form part of these financial statements.

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Financial statements for the period from incorporation on 26 October 2018 to 30 March 2020

STATEMENT OF FINANCIAL POSITION

As at 30 March 2020

	Note	As at 30 March 2020 £'000
Current Assets		
Loans and receivables	7	207,471
Debtors: Amounts falling due within one year	8	16
Cash at bank	9	<u>5,158</u>
Total current assets		212,645
Liabilities		
Amounts falling due within one year	10	<u>(53)</u>
Net current assets		212,592
Amounts falling due after more than one year	11	<u>(212,591)</u>
Net assets		<u>1</u>
Capital and reserves		
Share capital	12	-
Retained earnings		<u>1</u>
Shareholders' funds		<u>1</u>

The financial statements of Studio Financing Limited (company registration number 11644219) were approved by the Board of directors and authorised for issue on 24 March 2021 and signed on behalf of the Board of directors by:



Mark Filer
Director

The notes on pages 19 to 29 form part of these financial statements.

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STATEMENT OF CHANGES IN EQUITY

For the period from incorporation on 26 October 2018 to 30 March 2020

	Ordinary share capital	Profit and loss account	Total
	£'000	£'000	£'000
Balance as at 26 October 2018	-	-	-
Issue of shares	-	-	-
Profit for the period	-	1	1
Balance as at 30 March 2020	-	1	1

The notes on pages 19 to 29 form part of these financial statements.

STUDIO FINANCING LIMITED**Financial statements for the period from incorporation on 26 October 2018 to 30 March 2020****STATEMENT OF CASH FLOWS****For the period from incorporation on 26 October 2018 to 30 March 2020**

	Note	26 October 2020 to 30 March 2020 £'000
Operating activities		
Profit on ordinary activities before taxation		1
Interest income		(11,102)
Interest expense		7,656
Increase in debtors	8	(16)
Increase in creditors	10	53
Cash used in operating activities		(3,408)
Tax paid		-
Cash used in operating activities after tax		(3,408)
Cash flows used in investing activities		
Deemed loan advanced	7	(207,471)
Interest received		11,102
Net cash outflow from investing activities		(196,369)
Cash flows from financing activities		
Notes issued	11	243,305
Notes repaid	11	(30,714)
Interest paid		(7,656)
Cash generated from financing activities		204,935
Net increase in cash and cash equivalents		5,158
Cash and cash equivalents at the start of the period		-
Cash and cash equivalent at period end	9	5,158

The notes on pages 19 to 29 form part of these financial statements.

STUDIO FINANCING LIMITED

Financial statements for the period from incorporation on 26 October 2018 to 30 March 2020

NOTES TO THE FINANCIAL STATEMENTS

1. Basis of preparation

1.1 General information

Studio Financing Limited was incorporated on 26 October 2018 in the United Kingdom under the Companies Act 2006. It is a Private Company limited by shares and registered in England and Wales. The address of its registered office is given on page 2.

The Company was established purely to acquire a portfolio of trade receivables from Studio Retail Limited and to procure financing for that activity under a securitisation transaction.

1.2 Basis of accounting

The financial statements have been prepared under the historical cost convention, in accordance with FRS 102, the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland and in accordance with applicable United Kingdom law.

1.3 Going concern

Due to the way in which the transaction underlying the sole purpose of the Company has been structured, the Company is only required to repay the funding to the extent that it receives income from the receivables underlying the deemed loan.

After reviewing the latest performance of the underlying receivables, and discussing the outlook with Studio Retail, the directors are satisfied that the Company will have adequate resources to continue in business for the foreseeable future and that it is appropriate to adopt the going concern basis in preparing the financial statements.

1.4 Functional and presentation currency

These financial statements are presented in pounds sterling, rounded to the nearest thousand pounds, which is the Company's functional currency.

1.5 Interest income

The company's principal source of income is interest receivable. Interest receivable represents interest on the deemed loan. Interest receivable is accounted for on an effective interest rate ("EIR") basis. The EIR basis spreads the interest income over the expected life of each instrument.

1.6 Interest expense

Finance expense represents interest expense on financial liabilities which are accounted for on an EIR basis, inclusive of directly attributable incremental transaction costs and fees.

1.7 Deferred consideration

Studio Retail is the seller within the transaction, selling receivables to Studio Financing Limited. It retains the risk and rewards of ownership of the receivables and receives any residual income after payment of all the Company's expenses. Deferred consideration arises where there is a surplus remaining from collections income after all company expenses have been paid through the payment waterfall. As the seller of the receivables, Studio Retail is entitled to this amount and is paid accordingly.

1.8 Administration expenses

Administration expenses are recognised in the statement of comprehensive income on an accrual basis.

1.9 Cash and cash equivalents

Cash and cash equivalents comprise cash, short-term bank deposits and the reserve bank account.

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. Basis of preparation (continued)

1.9 Financial instruments

The principal financial instruments used by the Company, from which financial instrument risk arises, are: the deemed loan, trade and other receivables, cash and cash equivalents, loans and borrowings and trade and other payables.

Financial assets and financial liabilities are recognised in the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets and liabilities are only offset in the statement of financial position when, and only when there exists a legally enforceable right to set off the recognised amounts and the Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously

Financial assets

In applying FRS 102 the Company has made an accounting policy choice by applying the recognition and measurement requirements of IAS 39 instead of Section 11 and 12 of FRS 102. Accordingly the deemed loan to Studio Retail is classified as loans and receivables and is initially recognised at fair value and then carried at amortised cost.

Financial assets are de-recognised only when the contractual rights to the cash flows from the financial assets expire or the Company transfers substantially all risks and rewards of ownership.

Deemed loan

The Company entered into a receivables Sales Agreement, to allow it to finance and acquire certain receivables originated by Studio Retail. The purchase of the receivables was financed by the issue of Notes which are listed on The International Stock Exchange ("TISE"). Studio Retail Limited continues to recognise the receivables on its own balance sheet because it retains exposure to variability of cashflows. The purchase of the receivables is reflected in the Company accounts as a deemed loan repayable to Studio Retail.

The deemed loan is initially recorded at fair value with subsequent measurement including subsequent Note funding and weekly repayments and refinancing.

The Company assesses at each reporting date whether there is any objective evidence of impairment. If such evidence exists, the Company estimates the present value of future cash flows and the asset will be written down if the recoverable amount is lower than its carrying value. The impairment loss will be recognised in the statement of profit and loss and other comprehensive income.

Financial statements for the period from incorporation on 26 October 2018 to 30 March 2020

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. Basis of preparation (continued)

1.9 Financial instruments (continued)

Financial Liabilities

In applying FRS 102 the Company has made an accounting policy choice by applying the recognition and measurement requirements of IAS 39 instead of Section 11 and 12 of FRS 102. Accordingly the Notes issued are also initially recognised at fair value and subsequently measured at amortised cost.

Financial liabilities are de-recognised when the obligations under the liabilities are discharged or cancelled or expire.

Impairment of financial assets

Assets are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in the Deemed Loan. For financial assets carried at amortised cost, the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using a rate that reflects current market assessments of the time value of money and the risk specific to those assets.

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

1.10 Taxation

The Company is within the permanent regime for taxation of securitisation companies, under which they are taxed by reference to their contractually retained profits (to the extent that they are realised). Taxable profits under the permanent regime will normally equal the contractual profit as defined by the original transaction documentation. Consequently, neither current tax nor deferred tax will be affected by any fair value gains or losses arising on derivatives and other financial instruments.

1.11 Critical accounting estimates and judgements

The preparation of these financial statements in accordance with FRS 102 requires the use of estimates. It also requires management to exercise judgement in applying the accounting policies. Actual results may differ from these estimates.

The key accounting judgements and estimations of uncertainties are set out below.

Critical accounting judgements - Treatment of the deemed loan

Management has applied judgement in respect of the underlying receivables. As Studio Retail retains exposure to variability of cashflow, management has deemed that the receivables should not be de-recognised from the Studio Retail' financial statements, but instead, the Company should recognise a deemed loan asset receivable from Studio Retail. More details can be found in Note 6.

STUDIO FINANCING LIMITED

Financial statements for the period from incorporation on 26 October 2018 to 30 March 2020

NOTES TO THE FINANCIAL STATEMENTS (continued)

1.11 Critical accounting estimates and judgements (continued)

Critical accounting estimates - Deemed loan impairment provisioning

In accordance with the accounting policy, the key assumptions included in the measurement of impairment are the present value of estimated future cash flows, discounted at a rate that reflects current market assessments of the time value of money and the risk specific those assets. These assumptions are based on observed historical data as well as the credit enhancement provided by the reserve fund, and are updated as management considers appropriate to reflect current conditions. The accuracy of the impairment provision would therefore be affected by unexpected changes in these assumptions. During the year, impairment for the deemed loan was nil.

2. Segmental analysis

The directors consider that the Company has one operating segment due to the similarity of risks faced in relation to the investment of the funding raised in the underlying receivables and therefore is not required to produce additional segmental disclosure.

3. Interest income

	As at 30 March 2020
	£'000
Interest on receivables	11,062
Bank interest	40
	<hr/>
	11,102
	<hr/>

4. Administrative expenses

Included in administrative expenses are audit fees of £52,800, including VAT.

5. Directors' remuneration

The directors received no emoluments in respect of their services to the Company during the period. Law Debenture Corporate Services Limited ("Law Deb") is a corporate service provider to the Company. It charges a management fee for the provision of a range of services including provision of the directors, company secretary and registered office. The corporate service fee charged for the period was £23,349 including VAT.

STUDIO FINANCING LIMITED

Financial statements for the period from incorporation on 26 October 2018 to 30 March 2020

NOTES TO THE FINANCIAL STATEMENTS (continued)

6. Taxation

	As at 30 March 2020 £'000
Tax expense	
Current tax	-
Total tax charge	-

Factors affecting the tax charge for the current period:

	As at 30 March 2020 £'000
Profit on ordinary activities before tax	1
Current tax charge at 19%	-
Effects of:	
Accounting loss not taxed in accordance with SI 2006/3296	-
Borrower profit taxed in accordance with SI 2006/3296	-
	-

The charge above has been calculated in accordance with the permanent regime for taxation of securitisation companies.

7. Loans and receivables

	As at 30 March 2020 £'000
Deemed loan to Studio Retail	
Initial deemed loan advanced	185,000
Less deemed loan withheld to pay arrangement fee	(324)
Less deemed loan withheld as reserve fund	(1,480)
	183,196
Further deemed loan advanced	58,306
	241,502
Less Deferred consideration payable	(34,031)
	207,471

The Company has provided security to its Note holders by granting charges over its rights to receive principal and profit on the receivables underlying the deemed loan.

STUDIO FINANCING LIMITED**Financial statements for the period from incorporation on 26 October 2018 to 30 March 2020****NOTES TO THE FINANCIAL STATEMENTS (continued)****8. Debtors – Amounts falling due within one year**

	As at 30 March 2020
	£'000
Prepayments	16
	<hr/>
	16
	<hr/>

9. Cash at bank

	As at 30 March 2020
	£'000
Cash at bank	3,558
Reserve funds	1,600
	<hr/>
	5,158
	<hr/>

The reserve funds are restricted funds and can only be used to fund cash shortfalls.

10. Financial liabilities: Amounts falling due within one year

	As at 30 March 2020
	£'000
Accruals	53
	<hr/>

11. Financial liabilities: Amounts falling due after more than one year

	As at 30 March 2020		
	£'000		
	Senior	Mezzanine	Total
	Notes	Notes	
	£'000	£'000	£'000
Balance at 26 October 2018	-	-	-
Drawdowns during the period	228,305	15,000	243,305
Repayments during the period	(30,714)	-	(30,714)
Balance at 30 March 2020	<hr/> 197,591	<hr/> 15,000	<hr/> 212,591

The Company issued Senior Notes to HSBC Bank plc and the Mezzanine Notes to Studio Retail. The Notes pay interest two business days following each calculation date, which is the Wednesday of each calendar week.

STUDIO FINANCING LIMITED

Financial statements for the period from incorporation on 26 October 2018 to 30 March 2020

NOTES TO THE FINANCIAL STATEMENTS (continued)

11. Financial liabilities: Amounts falling due after more than one year (continued)

	Programme facility	Notes in issue at period end	Interest base rate	Margin	Commitment fee	Expected maturity date
Senior Note	£215,000,000	£197,591,076	Sterling LIBOR	2.25% per annum	0.75% of undrawn amount	31 December 2028
Mezzanine Note	£15,000,000	£15,000,000	Nil	Nil	Nil	31 December 2028

The Notes are secured on the receivables underlying the deemed loan and any other collateral security relating to those receivables. The Notes are limited recourse in nature and repayment is restricted to the income received by the Company on the underlying receivables acquired and is subject to a payment waterfall under the transaction documents.

The reserve fund was funded from the proceeds of the Notes and will be used to pay any revenue and principal shortfalls.

12. Share capital

	As at 30 March 2020
Issued 1 ordinary share of £1 each	£1

The share capital consists of one £1 fully paid ordinary share held by Law Debenture Intermediary Corporation plc under a declaration of trust for discretionary charitable purposes.

13. Financial Instruments

The principal financial instruments used by the Company, from which financial instrument risk arises, are: the deemed loan, cash and cash equivalents, long term liabilities and trade and other payables. A summary of the financial instruments held is provided below:

	As at 30 March 2020 £'000
Financial assets at amortised costs	
Cash and cash equivalents	5,158
Deemed loan	207,471
Total financial assets	212,629
Financial liabilities at amortised cost	
Financial liabilities: Amounts falling due after more than one year	212,591
Total financial liabilities	212,591

STUDIO FINANCING LIMITED

Financial statements for the period from incorporation on 26 October 2018 to 30 March 2020

NOTES TO THE FINANCIAL STATEMENTS (continued)

13. Financial Instruments (continued)

The Company has exposure to the following risks from its use of financial instruments: credit risk, liquidity risk, interest rate risk and capital management risk.

Credit risk management

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's deemed loan and cash and cash equivalents held at banks. The Company's maximum exposure to credit risk by class of financial asset is as follows:

	30 March 2020
Assets	£'000
Deemed loan	207,471
Cash and cash equivalents	5,158
	<hr/>
	212,629
	<hr/>

The Company has appointed Studio Retail Limited to Service the receivables underlying the deemed loan. Assets are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in the Deemed Loan. For financial assets carried at amortised cost, the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using a rate that reflects current market assessments of the time value of money and the risk specific to those assets.

The balance of the eligible receivables as at 30 March 2020 was £261,520,736. The servicer of the underlying receivables (Studio Retail) calculates the value of eligible receivables on a weekly basis. As seen in the table below, this is the value of the total receivable pool, less delinquent and defaulted receivables, which are defined by the number of missed payments on the underlying receivables as disclosed below.

The table below shows the analysis of the underlying receivables at the last collection period in the period, being 28 March 2020.

	£'000
Current not past due (0-1 missed payments)	261,521
Delinquent (2-3 missed payments)	18,022
Defaulted (4 missed payments)	23,009
Other (suspended/ineligible accounts)	173
	<hr/>
	302,725
	<hr/>

Credit risk relating to cash and cash equivalents is mitigated by having the balances held with suitably rated counterparties.

Interest rate risk management

Interest rate risk exists where assets and liabilities have interest rates set under different bases or which reset at different times. The Company manages interest rate risk by ensuring the interest rate on receipts from receivables is higher than the interest rate payable on loan notes, therefore there is no interest rate risk.

STUDIO FINANCING LIMITED

Financial statements for the period from incorporation on 26 October 2018 to 30 March 2020

NOTES TO THE FINANCIAL STATEMENTS (continued)

13. Financial instruments (continued)

Liquidity risk management

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity risk is driven by the payment waterfall agreed in the initial transaction documents. All payments made by the Company are made in strict order using a payment waterfall set out in the transaction documents.

Liquidity risk management (continued)

The funding raised by the Company is limited recourse in nature which means that it is only obliged to pay amounts falling due to the extent that it has received income from the receivables underlying the deemed loan. The Company also maintains a reserve fund which can be utilised in case of a liquidity shortfall. The tables below show the contractual principal cash flows of the Company's financial assets and liabilities:

As at 30 March 2020	Carrying amount £'000	Amount due within 1 year	Amount due within 1-5 years	Amount due after 5+ years £'000
Financial assets				
Cash and cash equivalents	5,158	5,158	-	-
Debtors: Amounts falling due within one year	16	16	-	-
Deemed loan	207,471	-	207,471	-
Financial liabilities				
Financial liabilities: Amounts falling due after more than one year	212,591	-	-	212,591
Financial liabilities: Amounts falling due within one year	53	53	-	-

Capital management

The Company considers its capital to comprise of its share capital plus retained profits. The Company's objectives when maintaining capital are to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns to noteholders and shareholders.

14. Related party transactions

Law Debenture Corporate Services Limited ("Law Deb") is a corporate service provider to the Company. It charges a management fee for the provision of a range of services including provision of the directors (Mark Filer, L.D.C. Securitisation Director No. 1 Limited and L.D.C. Securitisation Director No. 2 Limited).

The entire issued share capital of the Company is held to Law Debenture Intermediary Corporation plc, under a declaration of trust for discretionary charitable purposes.

Studio Retail is the originator and servicer of the underlying receivables and the beneficial title holder of the receivables.

STUDIO FINANCING LIMITED

Financial statements for the period from incorporation on 26 October 2018 to 30 March 2020

NOTES TO THE FINANCIAL STATEMENTS (continued)

14. Related party transactions (continued)

The related party transactions between the Company and its related parties are summarised below.

	Related party	26 October 2018 to 30 March 2020 £'000
Statement of comprehensive income		
Corporate service fee	LawDeb	23
Interest on receivables	Studio Retail	11,062
Statement of financial position		
Deemed loan	Studio Retail	241,502
Accrued deferred purchase price	Studio Retail	(34,031)

15. Ultimate controlling party

The entire issued share capital of the Company is held by Law Debenture Intermediary Corporation Plc, under a declaration of trust for discretionary charitable purposes.

In the opinion of the directors, Studio Retail Limited is the controlling party. Studio Retail Group plc is the parent Company to Studio Retail Limited and is considered to be the Ultimate controlling party. Studio Financing Limited's results are included in the consolidated Studio Retail Group Plc financial statements. Copies of these can be obtained from Church Bridge House, Henry Street, Accrington BB5 4EE.

16. Events after the reporting date

The UK exited the European Union (Brexit) on 31st January 2020, with a transition period that expired on 31st December 2020. It is expected the Company may face some risks in the future from the impact of Brexit, however at the date of reporting there has been no noticeable difference on the collections income received from underlying receivables. This leads us to conclude that Brexit is unlikely to have much more than a minimal impact upon the Company, however a precise estimate of the financial impact cannot be made.

The COVID-19 pandemic, emerging in March 2020, poses a potential threat to the business. It could result in some borrowers of the underlying receivables losing their jobs and defaulting on their obligations to Studio Retail, which could in turn reduce the cash flows that the Company receives on its deemed loan to Studio Retail. An estimate of the financial impact of the pandemic on the Company cannot be made, however up to the beginning of 2021 it appears to be minimal, given the continued government support that has been provided to businesses and employees in the UK throughout the pandemic (payment holidays, furlough scheme). This support is expected to somewhat dilute the economic shock of the pandemic and as such there has not been a noticeable effect on the income the Company has received from the deemed loan to Studio Retail following the year-end date. It is therefore considered unlikely that the pandemic will have more than a minimal effect on the Company. In any case, further impacts of the pandemic will not necessarily affect the Company's ability to continue as a going concern due to the limited recourse nature of the transaction.

STUDIO FINANCING LIMITED

Financial statements for the period from incorporation on 26 October 2018 to 30 March 2020

NOTES TO THE FINANCIAL STATEMENTS (continued)

Events after the reporting date (continued)

On 1 July 2020 the Company entered into a side letter agreement to make certain commercial amendments in relation to Covid-19. The business model of has been, and will continue to be, appropriately adjusted to reflect the level of risk in the economy by Studio Retail. An estimate of the financial impact of this event cannot be made.

On 18 September 2020 the Company redeemed all of the outstanding Senior Notes held by HSBC Bank plc and issued new Senior Notes of equivalent value to HSBC UK Bank plc. Given all outstanding notes were redeemed and new notes of equivalent value issued, this impact caused no financial impact.