Company Registration No. 09168088 (England and Wales)

TEMESE FUNDING 2 PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

TEMESE FUNDING 2 PLC

COMPANY INFORMATION

Directors	Intertrust Directors 1 Limited Intertrust Directors 2 Limited D M R Jaffe
Secretary	Intertrust Corporate Services Limited
Company number	09168088
Registered office	1 Bartholomew Lane London EC2N 2AX
Auditor	Ernst & Young LLP 25 Churchill Place London E14 5EY
Solicitors	Baker & Mckenzie LLP 100 New Bridge Street London EC4V 6JA

CONTENTS

TEMESE FUNDING 2 PLC

STRATEGIC REPORT

FOR THE YEAR ENDED 31 MARCH 2020

The directors present the strategic report for Temese Funding 2 Plc (the "Company") together with the audited financial statements for the year ended 31 March 2020.

Promoting the success of the company
Section 172 of the Companies Act 2006 requires a director of a company to act in the way he or she considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole. In doing this, section 172 requires a director to have regard, among other matters, to:

- the likely consequences of any decision in the long term;
- the impact of the company's operations on the community and the environment;
- the desirability of the company maintaining a reputation for high standards of business conduct; and
- the need to act fairly with members of the company.

The directors give careful consideration to the factors set out above in discharging their duties under section 172. The board recognises that building strong relationships with our stakeholders will help us to deliver our strategy in line with our long-term values, and operate the business in a sustainable way. The board is committed to effective engagement with all of its stakeholders. Depending on the nature of the issue in question, the relevance of each stakeholder group may differ and, as such, as part of its engagement with stakeholders, the board seeks to understand the relative interests and priorities of each group and to have regard to these, as appropriate, in its decision making.

Review of the business
The Company was established as a special purpose company to raise funding by the issue of lease receivables-backed fixed rate notes due in 2031 (the "Notes") with the objective of obtaining access to the Bank of England funding, and to apply the proceeds of such issuance to acquire portfolios of lease receivables (the "Receivables") on a revolving basis from Investec Asset Finance plc and CF Corporate Finance Limited, secured by first charges over lease receivables in the United Kingdom. The Notes are listed on the Euronext Dublin (previously known as the Irish Stock Exchange).

As the significant economic risks and rewards associated with these lease receivables remain with Investec Asset Finance plc and CF Corporate Finance Limited, these receivables are not deemed to have been transferred to the Company for accounting purposes. Accordingly, the Company accounts for the transaction as loans to Investec Asset Finance plc and CF Corporate Finance Limited. The loans to Investec Asset Finance plc and CF Corporate Finance Limited are secured on the beneficial interest in a portfolio of lease receivables of Investec Asset Finance plc and CF Corporate Finance Limited.

During the year, lease receivables totalling £296,004,743 (2019: £287,086,418) had been purchased. At the year end the net lease receivables underlying the loans to the originator were £572,635,149 (2019: £591,305,436). The estimated weighted average life of the lease receivables underlying the loans to the originator is 1.60 (2019: 1.66) years.

These receivables of the Company provide security against the nominal amount of A and B notes in issue totalling £650,000,000 as at 31st March 2020. After considering performance to date together with anticipated bad debts and future income streams associated with the receivables, over and above the principal figure, the Directors consider the receivables together with other related assets of the Company such as cash, to be adequate collateral against the loan notes in issue. The Notes pay a fixed coupon with a weighted average funding cost of 1.30% as at 31 March 2020 (2019: 1.30%).

	Current balance £'000	Number of loans
As at 31 March 2020		
Net lease receivables (see note 9)	572,635	52,116
Total	572,635	52,116

Details of the principal risks and uncertainties faced by the company are detailed in note 18.

The receivables exhibited the following arrears profile for non delinquent accounts:

	£'000	%
Current	568,810	99.34%
>= 0.5 < 1 month	67	0.01%
>= 1 < 2 months	1,041	0.18%
>= 2 < 3 months	1,671	0.29%
>= 3 < 4 months	583	0.10%
>= 4 months	463	0.08%
	572,635	100.00%

Residual revenue represents interest owed to C note holders, this accrues monthly in the profit and loss account under the original terms of the loan purchase agreement as amounts are expected to become payable to C note holders as a result of the underlying performance of acquired receivables. Under the terms of the waterfall of payments, residual revenue is paid monthly after interest payments on A and B notes and other expenses have been satisfied, and cash flow projections have been performed to determine the extent to which residual revenue will be payable.

The directors have considered the impact of COVID-19 and the impact of holiday payments provided to customers on liquidity and have included a COVID-19 related provision overlay within the expected credit losses to capture the risks not yet identified in the IFRS 9 models.

On behalf of the board

Helena Whitaker
For and on behalf of
Intertrust Directors 1 Limited
Director

29 September 2020

Results and dividends
The results for the year are set out on page 14.

The directors do not recommend payment of an ordinary dividend (2019: £nil).

No preference dividends were paid. The directors do not recommend payment of a final dividend.

Directors
The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Intertrust Directors 1 Limited
Intertrust Directors 2 Limited
D M R Jaffe

No director holding office at 31 March 2020 had any direct beneficial interest in the shares of the company during the year. None of the directors above are directors of Investec plc.

Directors' indemnities
The company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the reporting date.

Future developments
The Directors expect the business will continue to hold investments in loans to originator backed by lease receivables financed by the issuing of a series of lease receivable backed fixed rate notes for the foreseeable future. The business is subject to a number of risks, noting the potential impact of COVID-19 on the wider UK economy, described in the Strategic Report above, which could adversely affect the business in future years and the Directors will continue to monitor and manage these risks.

Auditor
The auditor, Ernst and Young LLP, have confirmed their willingness to continue in office until the next annual general meeting. Pursuant to section 489 of the Companies Act 2006, a resolution for the re-appointment of Ernst and Young LLP will be proposed at the forthcoming annual general meeting of the Company.

Statement of directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

Going Concern

The directors have considered the impact of COVID-19 on the company including the impact of providing holiday payments to customers and the liquidity impact this could have and have concluded that there is no significant impact on the company.

On the basis of current financial projections the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future and accordingly the going concern basis is adopted in the preparation of the financial statements

On behalf of the board

Helena Whitaker
For and on behalf of
Intertrust Directors 1 Limited
Director

29 September 2020

CORPORATE GOVERNANCE STATEMENT

FOR THE YEAR ENDED 31 MARCH 2020

The Directors have been charged with governance in accordance with the transaction documents describing the structure and operation of the transaction (the "Transaction Documents"). The governance structure of the Company is such that the key policies have been predetermined at the time of issuance and the operational roles have been assigned to third parties with their roles strictly governed by the Transaction Documents. The Transaction Documents provide for procedures that have been designed for safeguarding assets against unauthorised use or disposition, for maintaining proper accounting records, and for the reliability and usefulness of financial information used within the business or for publication. Such procedures are designed to manage rather than eliminate the risk of failure to achieve business objectives whilst enabling them to comply with the regulatory obligations.

Due to the nature of the securities which have been issued on the Euronext Dublin the Directors are therefore satisfied that there is no requirement to publish a corporate governance statement and that the Company is largely exempt from the disclosure requirements of The Irish Corporate Governance Annex and that the provisions of the UK Corporate Governance Code do not apply to the Company.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF TEMESE FUNDING 2 PLC

Opinion
We have audited the financial statements of Temese Funding 2 plc for the year ended 31 March 2020 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 19, 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 (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'.

In our opinion the financial statements:
- give a true and fair view of the company's affairs as at 31 March 2020 and of its profit for the year 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 below. 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, 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.

Overview of our audit approach

Key audit matters
Revenue recognition in relation to the amortisation of finance income and the potential risk of management override.

Impairment of finance receivables.

Impact of COVID-19

Materiality
Overall materiality of £3.3m which represents 0.5% of total assets.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period 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 our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition in relation to the amortisation of finance income and the potential risk of management override (2020: £56.2m, 2019: £57.8m)

Refer to the Accounting policies (page 19); and Note 3 of the Financial Statements (page 22)

We have considered where financial statement risk exists in relation to revenue in accordance with ISA(UK) 240. In our view the greatest financial statements risk is the revenue recognition in relation to the amortisation of finance income. Application of an incorrect effective interest rate can result in material misstatement of the amount of income recognised.

The level of risk has not materially changed from the prior year.

<u>Our response to the risk</u>

We performed the following procedures in response to the identified risk:

• Assessed the design effectiveness and tested the operating effectiveness of key controls over finance income.

• Tested the reasonableness of finance income earned over the year through substantive analytical procedures.

• Selected a sample from the entire population of new, existing and terminated finance leases, hire purchase and loan receivables and agreed the terms of each of the sample to signed contracts and we recalculated the amortisation of finance income during the year based on these terms.

• Recalculated the effective interest rates for each of the finance leases, hire purchase and loan receivables selected for testing.

<u>Key observations communicated to those charged with governance</u>

We did not identify any evidence of material misstatement in the finance income recognised for the year.

Impairment of finance receivables (2020: £13.6m, 2019: £9.0m)

Refer to the Accounting policies (page 20); and Notes 5 and 9 of the Financial Statements (pages 23 and 25 respectively).

The appropriateness of the allowance for expected credit losses ("ECL") is highly subjective and judgmental. Given the subjective nature of the calculation of ECL there is a heightened risk that the timing and extent of allowances could be misstated.

The impact of COVID-19 has increased the level of risk this year.

Our response to the risk
To address the significant judgments and estimates we focused on:

• Assessing the design effectiveness of key controls, focusing on model governance, including the design, build, testing, review and approval of models.

• We performed a benchmarking exercise over the lease administrator's provisioning policy to ensure its reasonableness when compared to those applied in the wider leasing industry.

• We engaged our financial modelling specialists to assess and review the ECL outputs generated by the credit provisioning models. We checked key inputs used within the provision model to source documentation.

• We reviewed the impact of Covid-19, including the Covid-19 ECL provision overlays recorded to recognise the appropriate provision at year-end.

• For a sample of finance receivables not in arrears, we inspected the latest instance of cash received to ensure no impairment was indicated.

Key observations communicated to those charged with governance

We did not identify any evidence of material misstatement in the balance sheet provisions and the related income statement charges recognised for the year.

Impact of COVID-19

Refer to Note 1.2 (Page 19) and Note 17 (Page 31) which outline the uncertainties arising from the recent COVID-19 outbreak and their impact on the Company's ability to continue as a going concern.

COVID-19 was declared as a pandemic by the World Health Organization (WHO) in March 2020. The UK Government has taken various steps to reduce the spread of the virus including lockdown for an extended period. This has resulted in many businesses not being able to operate at their full capacity and the ability of the employees to work, impacting those businesses' financial, liquidity and capital positions. The areas of our audit most impacted by COVID-19 include:

Going Concern:

Whilst there remains significant uncertainty regarding the future development of the pandemic and timing and size of the future economic recovery, the Company's financial statements are prepared on the going concern basis of accounting. This basis is dependent on the Company's ability to meet its liabilities as they fall due. The directors are required to determine the appropriateness of preparing the financial statements on a going concern basis.

The directors have considered the potential impacts on the Company and its financial statements that have been caused by the pandemic. The directors focused on the fact that the Note liabilities are only payable if cash is available, as well as considering the net current assets and net assets position at year-end.

Events after the balance sheet date:

COVID-19 was an evolving crisis as at 31 March 2020 year end. As a result, judgements were made by management to determine and evidence the conditions that existed at the balance sheet date and in determining whether events occurring after that date were adjusting or non-adjusting events.

Management undertook a review of events that had occurred after the balance sheet date and concluded that there were none that required adjustment to the year-end position as at 31 March 2020. They also considered the adequacy of disclosure and determined there were no events occurring after the balance sheet date which warranted disclosure in the financial statements.

The impact of COVID-19 is a new risk for the current year.

Our response to the risk

Going Concern

We performed the following procedures:

Our approach focused on:

• Obtaining an understanding of management's process for assessing the impact on the Company posed by COVID-19.

• Reviewing the directors' assessment of going concern.

• Understanding the structure of the entity and its commitments to Note holders.

• Assessing the recoverability, on demand, of the amount receivable for the immediate parent undertaking.

• Assessing the company's liquidity and net asset position.

• Assessing the adequacy of the going concern disclosures by evaluating whether they are consistent with management's assessment and in compliance with the relevant reporting requirements.

Events after the balance sheet date

We performed the following procedures;

We reviewed all available, relevant management information, as well as key meeting minutes, and held discussions with management.

We evaluated the completeness and appropriateness of the financial statement disclosures as they pertain to events after the balance sheet date in relation to the impact of COVID-19.

Key observations communicated to those charged with governance

We concluded that the Directors have an appropriate basis on which to make the assessment that COVID-19 does not give rise to material uncertainty over the going concern of the Company.

We concluded that the disclosures in notes 1.2 and 17 are appropriate and in compliance with the Accounting Standards

An overview of the scope of our audit

Tailoring the scope
Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for the company. This enables us to form an opinion on the financial statements. We take into account size, risk profile, the organisation of the company and effectiveness of controls, including controls and changes in the business environment when assessing the level of work to be performed. All audit work was performed directly by the audit engagement team.

Changes from the prior year
There were no changes in scope from the prior year.

Our application of materiality
We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality
The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the company to be £3.3 million (2019: £3.3 million), which is 0.5% (2019: 0.5%) of total assets. We believe that the use of total assets appropriately reflects the intentions and the purpose for the entity as a special purpose vehicle established to hold finance receivables.

Performance materiality
The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the company's overall control environment, our judgement was that performance materiality was 75% (2019: 75%) of our planning materiality, namely £2.5m (2019: £2.5m). We have set performance materiality at this percentage due to minimal misstatements identified in the prior year.

Reporting threshold
An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the directors that we would report to them all uncorrected audit differences in excess of £0.164m (2019: £0.167m), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

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.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this 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 the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error..

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

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud
The objectives of our audit, in respect to fraud, are; to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and to respond appropriately to fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and the lease administrator.

Our approach was as follows:

• We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are the Companies Act 2006.

• We understood how Temese Funding 2 plc is complying with this framework through making enquiries of the lease administrator and reviewing the board minutes.

• We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur, through discussions with the lease administrator and obtaining an understanding of their business controls, systems and processes.

• Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved inquiries of the lease administrator, testing the design and operating effectiveness of business controls, systems and processes, and the inspection of Board minutes. In addition we performed procedures to identify any significant items inappropriately held in suspense and also any significant inappropriate adjustments made to the accounting records.

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

Other matters we are required to address
• We were appointed by the company on 14 May 2015 to audit the financial statements for the year ending 31 March 2015 and subsequent financial periods.

• The period of total uninterrupted engagement including previous renewals and reappointments is 6 years, covering the years ending 31 March 2015 to 31 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 the audit.

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.

Kenneth Eglinton
(Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP
London
30 September 2020

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 MARCH 2020

	Notes	2020 £'000	2019 £'000
Finance Income	3	56,198	57,842
Finance Cost		(47,312)	(50,274)
Gross profit		8,886	7,568
Operating expenses		(8,881)	(7,563)
Operating profit		5	5
Tax on profit on ordinary activities	8	(1)	(1)
Profit for the financial year		4	4

The profit and loss account has been prepared on the basis that all operations are continuing operations.

TEMESE FUNDING 2 PLC

BALANCE SHEET

AS AT 31 MARCH 2020

	Notes	2020 £'000	2019 £'000
Non current assets			
Loans to originator due after one year	**9**	362,453	379,336
		362,453	379,336
Current assets			
Loans to originator due within one year	**9**	210,182	211,969
Other debtors	**10**	1,402	274
Cash at bank and in hand		81,003	65,815
		292,587	278,058
Creditors: amounts falling due within one year			
Trade creditors and other payables	**14**	4,864	7,221
Taxation and social security		3	4
Deferred income		139	139
		5,006	7,364
Net current assets		287,581	270,694
Total assets less current liabilities		650,034	650,030
Creditors: amounts falling due after more than one year			
Loans and overdrafts	**11**	650,000	650,000
Net assets		34	30
Capital and reserves			
Called up share capital	**15**	13	13
Retained earnings		21	17
Total equity		34	30

Company Registration No. 09168088

BALANCE SHEET (CONTINUED)

AS AT 31 MARCH 2020

The accompanying notes on pages 18 to 33 are an integral part of the financial statements.
The financial statements on pages 14 to 33 were approved by the Board of directors and authorised for issue on 29 September 2020.

Signed on its behalf by:

....

Helena Whitaker
For and on behalf of
Intertrust Directors 1 Limited
Director

Company Registration No. 09168088

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2020

	Share capital £'000	Retained earnings £'000	Total £'000
Balance at 1 April 2018	13	13	26
Total comprehensive income for the year	-	4	4
Balance at 31 March 2019	13	17	30
Total comprehensive income for the year	-	4	4
Balance at 31 March 2020	13	21	34

1 Accounting policies

1.1 Accounting convention

The financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest thousand (£'000) except otherwise where indicated.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

The company has taken advantage of the following disclosure exemptions under FRS 101 where applicable to the company.

- the requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share based Payment;
- the requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64 (o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 Business Combinations;
- the requirements of paragraph 33 (c) of IFRS 5 Non current Assets Held for Sale and Discontinued Operations;
- the requirements of IFRS 7 Financial Instruments: Disclosures;
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement;
- the requirements of the second sentence of paragraph 110 and paragraphs 113 (a), 114, 115, 118, 119 (a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers;
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of: (i) paragraph 79(a) (iv) of IAS 1, (ii) paragraph 73(e) of IAS 16 Property Plant and Equipment (iii) paragraph 118 (e) of IAS 38 Intangibles Assets, (iv) paragraphs 76 and 79(d) of IAS 40 Investment Property and (v) paragraph 50 of IAS 41 Agriculture;
- the requirements of paragraphs 10(d), 10(f), 16, 38A to 38D, 40A to 40D ,111 and 134-136 of IAS 1 Presentation of Financial Statements;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures;
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member ; and
- the requirements of paragraphs 103 (f) (ii) and 130 (f) (iii), 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

Where required, equivalent disclosures are given in the group accounts of Investec Bank plc. The group accounts of Investec Bank plc are available to the public and can be obtained as set out below.

Temese Funding 2 plc is a wholly owned subsidiary of Temese Funding 2 Holdings Limited. The entire issued share capital of Temese Funding 2 Holdings Limited is held by Intertrust Corporate Services Limited which is registered in England and Wales, on a discretionary trust basis for charitable purposes under a declaration of trust.

The smallest group in which the results of the company are consolidated is Investec Bank plc and the results of Temese Funding 2 plc are included in the consolidated financial statements of Investec Bank plc which are available from 30 Gresham Street, London, EC2V 7QP.

1 Accounting policies **(Continued)**

1.2 Going concern

On the basis of current financial projections the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future and as noted previously the Directors consider the receivables and related assets of the Company to provide adequate collateral against the loan notes in issue. Funding for the Company is provided by loan notes, which are committed until 2031 (see note 11). The Issuer, Temese Funding 2 plc, has a call option on the notes on any Interest Payment Date subject to the conditions laid down in the prospectus. The Directors do not anticipate exercising the call option within the next 12 months from the audit report signing date.

The Directors have also considered the impact of COVID-19 and have included a COVID-19 related provision overlay within the expected credit losses to capture the risks not yet identified in the IFRS9 models.

On the basis of current financial projections the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, for at least 12 months from the date of signing, and accordingly the going concern basis is adopted in the preparation of the financial statements.

1.3 Revenue

Interest income on lease receivables underlying the loan to originator, together with the interest expense on the receivables backed notes, is recognised in the Profit and Loss Account on an Effective Interest Rate ("EIR") basis. The EIR recognises revenue and expenses equivalent to the rate that effectively discounts estimated future cash flows through the estimated life to the net carrying value of the receivables.

1.4 Fair value measurement

IFRS 13 establishes a single source of guidance for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The company is exempt under FRS 101 from the disclosure requirements of IFRS 13.

1.5 Financial instruments

Financial assets and liabilities measured at amortised cost

Financial assets that are held to collect the contractual cash flows and that contain contractual terms that give rise to cash flows that are solely payments of principal and interest, such as most loans and advances to banks and customers and some debt securities, are measured at amortised cost. In addition, most financial liabilities are measured at amortised cost.

The group may commit to provide a loan which has not yet been drawn. When the loan that arises from the lending commitment is expected to meet the criteria to be measured at amortised cost the undrawn commitment is also considered to be and is included in the impairment calculation below.

The carrying value of these financial assets at initial recognition includes any directly attributable transactions costs. If the initial fair value is lower than the cash amount advanced, such as in the case of some leveraged finance and syndicated lending activities, the difference is deferred and recognised over the life of the loan through the recognition of interest income, unless the loan is credit impaired.

1 Accounting policies (Continued)

Financial assets measured at fair value through other comprehensive income (FVOCI)

Financial assets held for a business model that is achieved by both collecting contractual cash flows and selling and that contain contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest are measured at FVOCI. They are recognised on the trade date when the group enters into contractual arrangements to purchase and are normally derecognised when they are either sold or redeemed.

They are subsequently remeasured at fair value and changes therein (except for those relating to impairment, interest income and foreign currency exchange gains and losses) are recognised in other comprehensive income until the assets are sold. Upon disposal, the cumulative gains or losses in other comprehensive income are recognised in the income statement as 'Gains less losses arising from derecognition of debt instruments measured at fair value through other comprehensive income'.

Financial assets measured at FVOCI are included in the impairment calculations set out below and impairment is recognised in profit or loss.

Business model assessment

For financial assets, IFRS 9 requires that a business model assessment is carried out which reflects how the group manages the assets in order to generate cash flows. The assessment is at a portfolio level, being the level at which the portfolio is managed. Factors considered by the group in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the assets' performance is evaluated and reported and how risks are assessed and managed.

The standard sets out different types of business model

• Hold to collect: it is intended to hold the asset to maturity to earn interest, collecting repayments of principal and interest from the customer. These assets are accounted for at amortised cost.

• Hold to collect and sell: this model is similar to the hold to collect model, except that the entity may elect to sell some or all of the assets before maturity to achieve the objectives of the business model. These assets are accounted for at FVOCI.

• Hold to sell/managed on a fair value basis: the entity originates or purchases an asset with the intention of disposing of it in the short or medium term to benefit from capital appreciation or the portfolio is managed on a fair value basis. These assets are accounted for at FVPL.

However, the group may make the following irrevocable election/ designation at initial recognition of a financial asset on an asset- by-asset basis:

• elect to present subsequent changes in fair value of an equity investment that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 applies, in OCI; and

• a debt instrument that meets the amortised cost or FVOCI criteria as measured at FVPL if doing so eliminates or significantly reduces an accounting mismatch (referred to as the fair value option).

The classification into one of these categories is based on the entity's business model for managing the assets and the contractual cash flow characteristics of the assets.

Impairment of financial assets held at amortised cost or FVOCI

At each balance sheet date each financial asset or portfolio of advances categorised at amortised cost or at fair value through other comprehensive income, issued financial guarantee and loan commitment is measured for ECL impairment. Loss allowances are forward-looking, based on 12-month expected credit losses where there has not been a significant increase in credit risk rating, otherwise allowances are based on lifetime expected credit losses.

Expected credit losses are a probability-weighted estimate of credit losses. The probability is determined by the risk of default which is applied to the cash flow estimates. On a significant increase in credit risk, credit losses are rebased from 12-month to lifetime expectations. A change in credit risk is typically but not necessarily associated with a change in the expected cash flows.

The costs of loss allowances on assets held at amortised cost and at FVOCI are presented as impairments in the income statement. Allowances in respect of financial guarantees and instruments are classified as held-for-trading when they are held with the intention of short-term disposal, held with the intention of generating short-term profit, or are derivatives which are not designated as part of effective hedges. Financial instruments designated as held at fair value through profit or loss are designated as such on initial recognition of the instrument and remain in this classification until derecognition.

1 Accounting policies **(Continued)**

Derecognition of financial assets

Under IFRS 9 - Financial Instruments: Recognition and Measures, in accordance with the terms of the Lease Receivables Sale Agreement, derecognition of the lease receivables from the financial statements of the originator is considered to be inappropriate because the originator has retained the significant risks, in the form of credit enhancements paid it to by the company and rewards, in the form of deferred consideration in relation to the leased assets. Where a transfer of a financial asset does not qualify for de-recognition, the transferee does not recognise the transferred asset for financial reporting purposes as its asset. The transferee derecognises the cash or other consideration paid and recognises a receivable from the transferor. The company's financial statements are therefore prepared on the basis that its acquisitions of beneficial interests in lease receivables are recognised as a collateralised non-recourse loan to the originator.

1.6 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

Current tax is provided on the amount expected to be payable on accounting profit at rates that are enacted or substantively enacted and applicable to the relevant period.

Deferred tax

Deferred taxation is provided using the balance sheet method on temporary differences between the carrying amount of an asset or liability in the balance sheet and its tax base, except where such temporary differences arise from:

- The initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction has no effect on the income statement or taxable profit.
- In respect of temporary timing differences associated with the investments in subsidiaries or interests in associated undertakings, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets or liabilities are measured using the tax rates that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deferred tax asset can be utilised.

Items recognised directly in other comprehensive income are net of related current and deferred taxation.

For UK corporation tax purposes, the Company has been considered as a securitisation company under the 'Taxation of Securitisation Companies Regulations 2006 (SI 2006/3296)'. Therefore, the Company is not required to pay corporation tax on its accounting profit or loss. Instead, the Company is required to pay tax on its retained profits as specified in the documentation governing the transaction.

1.7 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the company's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the company's net investment outstanding in respect of leases.

1 Accounting policies **(Continued)**

1.8 Deferred consideration

Deferred consideration represents further amounts payable relating to the acquisition of lease receivables from Investec Asset Finance plc and CF Corporate Limited, affiliated companies.

1.9 Residual revenue

An accrual is made for residual revenue within the financial statements as amounts are expected to become payable to C note holders as a result of the performance of acquired receivables. As the amount payable is limited to the excess cash flows as defined in the lease receivables sale agreement, the carrying value is adjusted as expected cash flows are revised upwards or downwards.

2 Key management assumptions

In the preparation of the annual financial statements the company makes estimations and applies judgement that could affect the reported amount of assets and liabilities within the next financial year. Key areas in which judgement is applied include:

- The determination of impairments against assets that are carried at amortised cost and impairments relating to available for sale financial assets involves the assessment of future cash flows which is judgemental in nature.
- Determination of interest income and interest expense using the effective interest method involves judgement in determining the timing and extent of future cash flows.

3 Revenue

An analysis of the company's revenue is as follows:

	2020 £'000	2019 £'000
Interest on loan to originator	55,847	57,641
Other interest	351	201
	56,198	57,842

Geographical market

	2020 £'000	2019 £'000
UK	56,198	57,842

4 Directors' emoluments

None of the directors received any emoluments during the period for their services to the Company nor received any benefits from the Company. The directors are employed and remunerated by Intertrust Management Limited in respect of their services to the Company. Intertrust Management Limited who are the appointed corporate service provider as per the offering document were paid a corporate fee of £15,798 (2019 : £16,577) as a whole, and it is considered that there is no appropriate basis on which they can apportion part of this fee applicable to director's services to the Company.

5 Profit for the year

	2020	2019
	£'000	£'000
Profit for the year is stated after charging/(crediting):		
Interest payable and similar charges	47,312	50,274
Bad debts written off	3,430	7,466
Expected credit loss	4,598	(746)
Administration fees	853	864

	2020	2019
Interest payable and similar charges	£'000	£'000
On lease receivable backed A and B loan notes	8,471	8,450
Amortisation of capitalised issue costs	103	79
C note interest payable (residual revenue)	38,738	41,745
	47,312	50,274

6 Auditor remuneration

The analysis of auditor's remuneration is as follows:

	2020	2019
	£'000	£'000
Fees payable to the company's auditors for the audit of the company's annual accounts	15	7

Statutory information for other services provided by the company's auditor is given in the consolidated financial statements of its ultimate parent company which are publicly available. There were no non-audit services provided to the company during the year and in the prior year.

7 Employees

The company has no employees (2019: nil). Administration of lease receivables is carried out by Investec Asset Finance plc. Investec Bank plc acts as a cash bond administrator.

8 Income tax expense

	2020 £'000	2019 £'000
Corporation tax		
Current year	1	1
Total tax charge	1	1

	2020 £'000	2019 £'000
Profit before taxation on continued operations	5	5
Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 19.00%	1	1
Taxation impact of factors affecting tax charge:		
Tax charge for the year	1	1
Tax charged in the financial statements	1	1

The Finance Act 2015 reduced the main rate of corporate taxation to 19% with effect from 1 April 2017. In addition, the bank corporation tax surcharge of 8% effective from 1 January 2016 was enacted in November 2015. On 16 March 2016, the Chancellor of the Exchequer announced a further reduction of the corporation tax rate to 17% effective from 1 April 2020 but this reduction was reversed in the Finance Bill 2020 and given statutory effect under the provision of the Provisional Collection of Taxes Act 1968.

9 Finance lease receivables

Lease receivables underlying the loans to originator - net balances

	Loans to originator £'000	Expected credit loss £'000	Net loan balance £'000
At 31 March 2019	600,334	(9,029)	591,305
Movement in period	(14,072)	(4,598)	(18,670)
At 31 March 2020	586,262	(13,627)	572,635

Analysis of finance leases

The Company has purchased portfolios of lease receivables from Investec Asset Finance plc and CF Corporate Finance Limited. However, as significant economic risks and rewards associated with these lease receivables remain with Investec Asset Finance plc and CF Corporate Finance Limited, these receivables are not deemed to have been transferred to the Company for accounting purposes. Accordingly, the Company accounts for the transaction as a non-recourse loan to Investec Asset Finance plc and CF Corporate Finance Limited.

The loans to Investec Asset Finance plc and CF Corporate Finance Limited is denominated in Sterling and is secured on the beneficial interest in a portfolio of lease receivables. It bears interest based upon the characteristics and performance of the underlying lease receivables. Repayment of the loans will be serviced by the returns generated from the portfolio of lease receivables.

The performance of the loans and underlying lease receivables is as follows:

	2020 £'000	2019 £'000
Loans to originator due within one year	223,809	220,998
Expected credit loss	(13,627)	(9,029)
Loans to originator due within one year	210,182	211,969
Loans to originator due after one year	362,453	379,336
	572,635	591,305

The pool of underlying lease receivables are finance leases and hire purchase contracts, equal in value to the loans to originator as at 31 March 2020. The weighted average term to maturity is 1.60 years with a weighted average interest rate of 9.21% per annum.

The lease receivables are held as security against the loan notes referred to in Note 11.

10 Debtors

	2020 £'000	2019 £'000
Other receivables	1,402	274

Other receivables disclosed above are measured at amortised cost.

11 Loans and overdrafts

	2020 £'000	2019 £'000
Other loans	650,000	650,000

Analysis of loans and overdrafts
Borrowings are classified based on the amounts that are expected to be settled within the next 12 months and after more than 12 months from the reporting date, as follows:

	2020 £'000	2019 £'000
Due after one year liabilities	650,000	650,000

Amounts falling due after one year	2020 £'000	2019 £'000
GBP Denominated Lease Receivable backed loan notes due 2031 - Class A	520,000	520,000
GBP Denominated Lease Receivable backed loan notes due 2031 - Class B	130,000	130,000
GBP Denominated Lease Receivable backed loan notes due 2031 - Class C	-	-
	650,000	650,000

The lease receivables backed fixed rate notes due in 2031 are secured over a portfolio of lease receivables secured by finance lease and hire purchase contracts in the United Kingdom (note 9). The Issuer has a call option on the notes on any Interest Payment Date subject to the conditions laid down in the prospectus.

The lease receivables were purchased from Investec Asset Finance plc and CF Corporate Finance Limited. Administration of the lease receivables is outsourced to Investec Asset Finance plc.

(Continued)

11 Loans and overdrafts

Interest on the notes is payable monthly in arrears at the following annual rates

Class A	Sterling fixed coupon of 1.2%
Class B	Sterling fixed coupon of 1.7%
Class C	Residual

12 Fair value of financial liabilities

At 31st March 2020 the fixed rate financial liabilities £650,000,000 (2019: £650,000,000) are held at amortised cost and collateralised by lease receivables. The fair value hierarchy used was level 3.

Fair value equates to the carrying value of £650,000,000 as loan notes can be called at short notice.

	2020
	£'000
Lease receivable backed loan notes due 2031	650,000

The fair value of the Notes has been based upon their quoted prices, where available, or prices interpolated using latest available market data where not.

13 Financial Instruments

As explained in the Directors' report the company uses financial instruments in its normal course of business. The following analysis gives an indication of the significance of these instruments to the company.

Interest rate risk profile of financial assets:

	Total	Total variable rate	Total fixed rate	Weighted average interest rate %	W. ave time for which rate is fixed
2020	**£'000**	**£'000**	**£'000**	**%**	**Years**
Loans to originator	572,635	-	572,635	9.21	1.60
Cash in call account	81,003	-	81,003	0.54	-
2019					
Loans to originator	591,305	-	591,305	9.23	1.66
Cash in call account	65,815	-	65,815	0.43	-

Interest rate risk profile of financial liabilities:

	Total	Total variable rate	Total fixed rate	Swap paying rate	Swap receiving rate	Weighted average interest rate %	W. ave time for which rate is fixed
	£'000	**£'000**	**£'000**	**%**	**%**	**%**	**Years**
2020							
Receivable backed notes	650,000	-	650,000	-	-	1.30	3.17
2019							
Receivable backed notes	650,000	-	650,000	-	-	1.30	3.17

All lease receivables are written at fixed rates, and are thus not subject to interest rate risk.

13 Financial Instruments **(Continued)**

Fair value of other financial assets

	Book value	Fair value	Book value	Fair value
	2020	**2020**	**2019**	**2019**
On balance sheet	**£'000**	**£'000**	**£'000**	**£'000**
Loans to originator	572,635	572,635	591,305	591,305
Cash at bank and in hand				
Reserve and contingency funds	17,209	17,209	17,209	17,209
Other cash balances	63,794	63,794	48,606	48,606
	81,003	81,003	65,815	65,815

The Directors have considered the fair values of the Company's main financial assets and liabilities, which are lease receivables underlying the loans to originator and non-recourse lease receivable backed loan notes (note 12).

The fair value of the Lease Receivables has been considered with reference to the yields achievable on new business written at current rates. Due to the nature of the receivables, it is considered that the fair value is equal to the book value.

14 Creditors

	2020	**2019**
	£'000	**£'000**
Trade creditors	59	50
Amounts due to fellow group undertakings	4,235	6,601
Deferred consideration	570	570
	4,864	7,221

15 Share capital

	2020	**2019**
	£	**£**
Ordinary share capital		
Authorised and issued		
49,999 ordinary shares of 25p each	12,500	12,500
1 ordinary share of £1 each	1	1
	12,501	12,501
Issued and fully paid		
1 ordinary share,100% called and fully paid	1	1

16 Balances held with related parties

The Company has taken advantage of the exemption under paragraph 8(k) of FRS 101 not to disclose transactions with fellow wholly owned subsidiaries. As at 31st March 2020 the company held the following balances with related parties:

	Amounts due from related party £'000	**Amounts due to related party £'000**
2020	572,635	(654,944)
2019	591,305	(666,339)

17 Events after the reporting date

The significant judgements and estimates applied to prepare the financial statements as at 31 March 2020 reflected the impact of COVID-19 and the resulting lockdown as at the balance sheet date.

These judgements, specifically those relating to the impairment of loans and advances and valuation of fair value instruments, were determined by considering a range of economic scenarios including the adverse impact of the lockdown and by applying the guidance issued by various international regulators and standard-setting bodies.

The action of various governments and central banks, in particular in the United Kingdom, provides an indication of the potential severity of the downturn and that the recovery environment could be significantly different from past crises with a duration which is also difficult to predict.

Subsequent to the balance sheet date, extensions to lockdown periods have been announced and there has been further deterioration in certain macro-economic forecasts. In the UK previously launched schemes have been extended in an attempt to mitigate the economic impact of COVID-19.

The UK market in which this special purpose company has issued lease receivable-backed fixed rate notes is now showing signs of recovery, lockdown rules have eased since the UK government announced it on the 23rd March 2020 and economic activity is starting to increase slightly. The company believes that the significant judgements and estimates made at the balance sheet date took account of the impact of COVID-19 and the results of subsequent event procedures performed by management up to September 2020, did not identify additional information that requires these judgements and estimates to be updated. The company has also considered the impact of subsequent events that would be considered non-adjusting, such as any changes in the key management assumptions which are detailed in the accounting policies. Management is satisfied that there were no such items of sufficient significant to warrant additional disclosure. However, should the COVID-19 crisis cause disruption to UK economic activity for a longer period than forecasted, this could put further upward pressure on the companies ECLs. Management have performed an assessment of events after the reporting period and any consequent potential impact on the annual financial statements and concluded that the financial statement disclosure was appropriate.

COVID-19 has not had, and is not expected to have, any impact on the liquidity of the company.

The company is not aware of any other events after the reporting date as defined by IAS 10 Events after the Reporting Period, that would require the financial statements to be adjusted or that would require additional disclosures.

18 Risk management

As an entity which is consolidated by Investec Bank plc, the company falls under Investec Bank plc Group's Risk Management Framework which is set out in the combined Investec plc and Investec Limited 2020 financial statements, Risk Management and Corporate Governance report.

Risks specific to the company's activities are associated with its financial instruments and are credit, interest rate and liquidity risk.

Financial instruments:
The financial instruments held by the Company comprise of loans to originator which is collateralised with the beneficial interest in a portfolio of lease receivables, borrowings, cash and various other items (such as trade debtors, trade creditors, etc) that arise directly from its operations.

It is, and has been throughout the year under review, the Company's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Company's financial instruments are credit risk, interest rate risk and liquidity risk. The Directors review and agree policies for managing each of these risks and they are summarised below.

Credit risk
Credit risk is the risk that lessees of the lease receivables underlying the loans to the originator will not be able to meet their obligations as they fall due. All receivables purchased by the Company are required to adhere to specific lending criteria. The ongoing credit risk of the receivables portfolio (and particularly in respect of accounts in arrears) is closely monitored by the Directors.

This performance is closely monitored and any relevant corrective action will be taken as appropriate. Arrears management and recovery processes have been maintained during the year to attempt to minimise the impact of market conditions on the business. The Directors expect the market pressures on the performance of the portfolio to persist for the foreseeable future.

Interest rate risk
Interest rate risk arises where assets and liabilities have interest rates set under different bases or which reset at different times. The Company minimises its exposure to interest rate risk by ensuring that the interest rate characteristics of its assets and liabilities are similar. Where this is not possible the Company considers the use of derivative financial instruments, such as basis rate swaps, to mitigate any residual interest rate risk. During the year the company uses no such derivative financial instruments.

Liquidity risk
The Company's policy is to manage liquidity risk by matching cash payments due on the loan notes to cash receipts from lease receivables. In addition the Company holds a minimum cash balance to manage short term liquidity requirements which can be used in certain circumstances.

19 Ultimate parent undertaking

The Company's parent undertaking is Temese Funding 2 Holdings Limited, which is registered and operates in England and Wales.

The entire issued share capital of Temese Funding 2 Holdings Limited is held by Intertrust Corporate Services Limited, which is registered in England and Wales, on a discretionary trust basis for the benefit of certain charities.

The Company's operations are administered by Investec Asset Finance plc, who retain an interest in the cash flows and profits of the Company.

The largest and smallest groups in which the results of the Company are consolidated are Investec plc and Investec Bank plc respectively. Both companies are registered in England and Wales. The consolidated accounts are available to the public from Investec plc at 30 Gresham Street, London EC2V 7QP.