Orchard in brief

Orchard Funding Group plc, ("the company" or "the group") is an Alternative Investment Market ("AIM") listed company which, through its wholly-owned subsidiaries Bexhill UK Limited ("Bexhill"), Orchard Funding Limited ("Orchard Funding") and Orchard Finance Limited ("Orchard Finance"), (all making up "the group") specialises in insurance premium finance and the professional fee funding market. The group is unique in providing insurance brokers with the ability to operate their own funding companies and in providing a high level personal service to all its clients. For those brokers and professional firms who prefer to act as introducers, it offers competitive products for their clients.

> "Orchard Funding has greatly benefited our practice as an aid to cash flow management. It gives us certainty and flexibility….."

Table of contents

Group financial highlights

	2017	2016	2015
Lending volume	£63.35m	£48.56m	£43.81m
Revenue	£4.56m	£3.47m	£3.41m
Gross profit	£4.15m	£3.15m	£2.46m
Profit before tax[1]	£1.64m	£1.27m	£1.29m
Profit after tax[1]	£1.34m	£1.00m	£1.03m
EPS (pence)[2]	6.26	4.70	8.77
DPS (pence)[3]	3.00	2.81	1.17
Return on capital employed[4]	6.73%	6.41%	8.24%
Return on equity	10.16%	8.14%	8.89%

1. Costs associated with the parent are included in the profit before and after tax above. These are not reflected in the information on subsidiaries shown below.
2. There are no factors which would dilute earnings therefore fully diluted earnings per share are identical.
3. Dividends per share are based on interim dividends paid in the year and proposed final dividend for the year.
4. See page 8 and 9 of the Group strategic report for further information on key performance indicators ("KPIs").

Information on segments

	2017	2016	2015
Insurance premium funding			
Lending volume	£43.04m	£32.79m	£28.28m
Revenue	£3.06m	£2.26m	£2.13m
Gross profit	£2.66m	£1.94m	£1.71m
Profit before tax	£1.56m	£1.06m	£0.99m
Profit after tax	£1.37m	£0.94m	£0.77m
Return on capital employed	9.15%	7.79%	9.04%
Professional fee funding			
Lending volume	£20.31m	£15.77m	£15.53m
Revenue	£1.50m	£1.21m	£1.28m
Gross profit	£1.49m	£1.21m	£0.75m
Profit before tax	£0.68m	£0.73m	£0.36m
Profit after tax	£0.57m	£0.58m	£0.29m
Return on capital employed	8.91%	11.55%	7.64%

The information given above relates to the main subsidiaries. Orchard Finance is not included as its results in terms of income, expenditure, assets and liabilities are negligible (gross assets were £8.3k and total liabilities £7.5k, giving net assets of £0.8k at 31 July 2017 (£0.07k at 31 July 2016).

Chairman's statement

Orchard Funding Group plc has had a very satisfactory year. I am pleased to report that this success has been driven by a significant increase in overall lending volumes, which grew by 30.5% to £63.35m. This in turn fed through to an increase in group revenues of 31.4% to £4.56m, a record for the group. The position at the year end showed a 6.7% increase in shareholders' equity from £12.34m to £13.17m.

Investment in staff and systems meant that administrative costs in the business grew by 33.3% to £2.51m. This was a little ahead of the growth rates seen in both lending and revenue but your board considers these investments to be important and necessary to ensure that the business continues to support and delight our customers and continue to provide them with the levels of service that they have, rightly, come to expect of us.

The group's profit before tax rose by 29.1% to £1.64m, ahead of market commentators' expectations. Group earnings per share rose by 33.2% to 6.26p, a more than respectable outcome for the year.

The level and growth of dividends announced by any company is often seen as a mark of the confidence that the directors have in the future of the business in question. It is no different for Orchard Funding Group and we are happy to propose a 6.76% increase in the annual dividend (including the interim dividend) to 3.00p.

The group's main focus of operations is the insurance premium finance market, currently an area growing well and showing every sign of continuing to so do. The best of that growth for the Orchard Group, we believe, will come from the direct insurance side of the business. Although the professional fee funding market is an important part of the group's profit stream, the rates of growth expected from this area by your board are likely to be more modest by comparison.

The macro background remains generally favourable for the group. Interest rates in the UK remain low but should they rise in the future the group is well placed to react quickly. Loans are generally for a 10 month period and none are longer than 12 months in duration.

However, if conditions are of benefit to the group then they are inevitably also helpful to our competitors. We have seen strong competition in some areas of our focus with pressure being put upon rates. The largest players in the insurance premium finance market continue to aggressively protect their market positions. We are seeing increasing examples of insurance brokers entering into 2-3 year exclusivity agreements and receiving substantial advance commission payments in return for introducing their business to certain insurance premium finance providers. That said, we believe that we are in a strong position to continue to grow our lending volumes at acceptable rates without needing to resort to such tactics.

Your board remains focussed on the cost of our own borrowing and continually looks to seek out new ways in which to keep this as low as possible. Potential sources of liquidity for the group are always examined and we continue to keep all our options under review.

During the year we acquired Orchard Finance which operated Orchard Lending Club, a peer-to-peer initiative. It is still early days but we believe that this is the first product in the insurance premium/professional fee funding space to be introduced in the UK market, and has attracted considerable interest in the financial press.

As we reported at the interim stage the new consumer credit application regime has led to delays in applications as the FCA is inundated. To try and avoid these delays, we have created structures to enable brokers to rely on our regulatory permissions whilst still obtaining the benefits of lending without the regulatory burden. Interest in this approach remains considerable and we believe we are the only providers of such a service in the UK at present.

As shareholders would expect, the board continues to assess markets adjacent to our current areas of business where we are able to bring our expertise, products and solutions to bear for the benefit of these markets. We will, of course, report on any developments as and when the occasion arises.

I am also very pleased to report that the board of Orchard Funding Group has been strengthened with the appointment of Mr. Iacovos Koumi as a non-executive director. Iac brings many years of experience in matters of finance and banking and we have already benefitted from his wisdom in our deliberations. We welcome him warmly.

The board is very satisfied with the progress of the group to date. We will continue to examine all appropriate strategic avenues for the group and will also continue to make the appropriate investments necessary to ensure continuing success while, at the same time, remaining focussed on the cost of our borrowing, the rates returned and the size and quality of the loans we provide.

We look to the future with confidence.

David A. Clark

David A Clark
Chairman

16 October 2017

Chief executive's review

We are pleased to report that we continue to build on the progress we made last year.

Our lending and our pipeline of new clients continues to grow in all the markets in which we operate.

Our two key competitors are still the largest suppliers of premium funding and professions finance in the UK market. Both companies continue aggressively to protect their multi-billion pound patch, but our focused sales effort continues to win us new business.

We have also significantly improved the liquidity available to the group, by renewing our £15m facility with our existing bankers for a further 12 months and obtaining a new banking facility from another banking institution.

Our investors are aware that we have been working on obtaining a bank licence. I am pleased to report that this process is moving forward in a positive direction and gaining momentum. We will continue to update investors with our progress on this exciting development to the business.

We remain a small, lean, hardworking and profitable finance company in a huge financial services market. We are passionate about our business and have now operated in our market for nearly 17 years. We will continue to work as hard as we can and to the best of our abilities. We are confident that this will result in an increased share of our market.

Insurance premium finance and professional fee finance is a multi-billion pound market, which is dominated by two large and well managed companies. We will continue to work hard to take a very small portion of the market for the group. We have the capital, liquidity and a great team to achieve our conservative plans and projections for the business and are looking forward to our continued growth over the coming years.

We paid a dividend of 1.405p per share in December and an interim of 1p per share in April. I am happy to announce that the board will declare a final dividend of 2p per share to be paid in December 2017.

Ravi Takhar
Chief executive officer

16 October 2017

Group strategic report

Strategy and objectives

The group's principal objective is to increase our profitability in a prudent, sustainable manner. The reason for this is that our stakeholders (employees, shareholders, partners, other customers, creditors and government) will all benefit from profit growth in the group.

We have two main financial strategies for doing this:

- to grow our lending book profitably. In the short to medium term, the directors believe that the group's aims will be achieved first by increasing the number of our insurance broker and professional firm clients and secondly, by increasing the volume of business from our insurance broker and professional firm partners. This will come from a dedicated sales team who have achievable targets and by additional funding. Growth in our book also requires further increasing our capital base which will enable us to support higher levels of borrowing, leading to better liquidity and economies of scale;
- to obtain a bank licence. This will enable us to increase our liquidity further and reduce our reliance on commercial lenders.

Our financial strategy is bolstered by our non-financial strategies. First, we consider those brokers and professional firms with whom we work as our partners. We provide them with the tools they require to run their own finance businesses or we directly provide their customers with finance. We have found that in this way these businesses become supportive participants in our objectives because they see how this will assist them in achieving theirs. Our sales team are given support in meeting the targets set for them by finding these target partners, arranging prospect meetings and, where required, making use of senior personnel to help them close the deal. Care of our partners is of paramount importance in our business culture and this aspect is a constant part of training for all staff. Feedback from our partners in this area has been positive. Performance targets set for our staff (for example, answering partner enquiries promptly) have all been met.

The aim going forward is to build strongly on our core markets. The board does consider complementary markets to augment the group's core businesses but will only enter these if, after detailed analysis, it will assist in achieving the overall objectives.

Our business model

The group has two main businesses:

- Providing credit to limited companies, partnerships and consumers to enable them to spread the cost of their insurance premiums, both through premium funding companies, owned by independent insurance intermediaries, and directly on behalf of other independent insurance intermediaries; (mainly conducted by Bexhill) and
- Providing credit to entities similar to those dealt with by Bexhill to enable them to spread the cost of their professional fees (conducted by Orchard).

Bexhill

Bexhill borrows up to 75% of the amount advanced to each of its clients from its bankers. The balance is provided by Bexhill from its own resources. Its capital and reserves were £2.94m as at 31 July 2017. Barclays has renewed Bexhill's facility each year since 2002. Bexhill's current facility is £15.0 million. Barclays performs regular reviews and supplements these with an audit every six months by external independent auditors. Bexhill has operated within a disciplined lending environment since its inception. Insurance broker borrowing limits are set based on financial information, credit reports, regulatory requirements and other qualitative factors obtained from the broker. In addition, an annual review process, including regulatory permissions and credit checks, is conducted and each broker is monitored monthly for the company's financial exposure to that broker.

Bexhill's external cost of finance was approximately 3.4% in the financial year to 31 July 2017.

Orchard

Orchard borrows through Orchard Finance (badged under Orchard Lending Club), the peer to peer lender which was set up last year. At 31 July 2017 Orchard's capital and reserves were £0.68m. In the past Orchard's business was subject to regular audits by its finance supplier. That led to Orchard developing a highly disciplined approach. The directors also set credit limits on professional firms and obtain credit reports as part of the underwriting process. In addition, Orchard performs an annual review process and monitors exposure to each accountancy and professional firm monthly.

Orchard's external cost of finance was, on average, 4.06% in the financial year to 31 July 2017.

As stated in the second paragraph above, a bank licence will increase our liquidity and reduce reliance on third party financing.

With both companies it is the simplicity of the premise which is the greatest strength - borrow money at one rate and lend it at a higher rate. Cash flow is good and overhead is well controlled.

The business environment

The insurance premium finance market in which the group operates is still expected by the board to grow over the next five years in line with the general insurance market. We believe that most of our premium finance growth will come from the direct insurance side rather than from broker premium funding companies, although the premium funding company activities will remain the largest part of the business for the foreseeable future (see our business model above). The market for professional fee finance is also expected to grow, although growth in this area is not expected to match the insurance premium funding side.

In June 2016 the UK voted to leave the European Union. This has created a situation of uncertainty for business generally. Given our market, the board believes that the direct effect of Brexit on Orchard will be minimal in the short term. Conditions arising from this process (e.g. a fall in sterling) appear to have had little impact on us so far.

In August 2016 the Bank of England cut its base rate to 0.25%. Recent statistics regarding the rate of inflation indicate that rates will remain low in the very short term but are likely to rise as inflation and debt rises. Even if rates do increase, the nature of the business will allow fairly quick reaction to this (our business is short term loans - ten months on average and none over twelve months). The board believes that further opportunities will present themselves as liquidity becomes more important to businesses and individuals (for borrowers our service is an additional line of liquidity).

The business environment has certainly provided some challenges this year (e.g. the uncertainty over Brexit and increased competition) but it still affords a real opportunity for the group, with a growing market for its products and, currently, relatively stable interest rates.

Principal risks and uncertainties

The group's activities expose it to a variety of financial risks;

- credit risk;
- liquidity risk; and
- cash flow interest rate risk.

The group's overall risk management programme focuses on reducing the effect of these risks on the group's financial performance. A regular assessment of the principal risks affecting the group is carried out by the board of directors. It identifies, evaluates and mitigates financial risks and has written policies for credit risk and liquidity risk.

The principal risks, an explanation of what they are, their impact on the group and how they are mitigated, are shown in ***Table 1*** on page 7. Our sole business is lending money and therefore the risks apply to this area (although we have segmented these for reporting purposes).

There are other risks associated with general financial uncertainty in this business (or in any other business), e.g. loss of staff and insurance risk. These have been reviewed but are not key or principal risks.

Table 1 principal risks

Risk	Explanation of risk	Impact on the group	Assessment of change in risk year-on-year	Mitigation of risk
Credit risk	The risk that debtors will default.	A major loss could have a serious effect on group profit. Although loans to insurance broking finance companies can be substantial, we have a claim on the underlying agreements which are considerably smaller. For this reason any losses are likely to come from relatively small debts, therefore these would have little impact on liquidity or solvency.	This is an ongoing situation. There has been no change in this risk.	Money is only lent for periods up to one year through regulated introducers who guarantee the loans. Borrowing limits are set based on prudent underwriting principles. Impairment reviews are regularly conducted to identify potential problems early.
Liquidity risk	A lack of funding to finance our business.	If our funding had been halved for the whole of the 2017 year, and there had been no changes in overheads, there would still have been a pre-tax profit of approximately £0.7m. There is no threat to solvency or own liquidity through a reduction in funding.	This is an ongoing situation. There has been no change in this risk.	Our bankers have supported us since 2002 and last year increased our funding by 50%. They have renewed our facility for another year and have indicated, so far as they are able, that they have no wish to withdraw that support. Other lines of credit have since been opened to us and we have our own resources to draw on which were £13.2m at 31 July 2017.
Cash flow interest rate risk	An increase in bank rate means that loans already made need to be covered by new borrowing at a higher rate.	Loans already made will be effectively charged at a lower margin for part of the borrowing term. In any realistic scenario, liquidity and solvency would not be significantly affected.	This is an ongoing situation. There has been no change in this risk.	Management is in regular contact with its bankers and routinely reviews the financial situation in the economy. Loans made are relatively short term (no more than twelve months with the average at ten) so any increase is likely to have a fairly short term impact.
IT risk	Disruption to or failure of our IT systems.	Persistent failures would have an enormous impact on our business and could lead to its collapse. Clearly, this would affect solvency. However, our controls are such that even a minor disruption is very quickly picked up and action taken. We have never had this type of failure.	This is an ongoing situation. There has been no change in this risk.	There are in place business continuity procedures and security measures in the event of IT failures or disruption, including backup IT systems for business critical systems. These are reviewed with our providers at least annually but more frequently if work is being carried out on the system.

In summary:

- credit risk is reduced by a robust system of checks on borrowers and by third party guarantees;
- liquidity risk has been alleviated by a new source of funding from another bank and should be further eased by obtaining a bank licence;
- cash flow interest rate risk is mitigated by the fact that loans are short term and by regular interaction with our bankers; and
- risk from disruption of the IT system is avoided by thorough business continuity procedures.

Our internal control systems ensure that the incidence of fraud or error is kept to a minimum. Much of the process is automated and provided and maintained by a third party.

The nature of the business is that loans are made either to introducer finance companies or to clients of our introducing partners. Although there is high concentration when lending to finance companies (at 5 October 2017 the largest nominal exposure was 21.93% of our loans), the individual debts making up these loans are assigned to us in the event of default. The reality, therefore, is that our exposure is low. At 5 October 2017, (the latest date of review), total outstanding loans were £27.95m, of which the highest was £0.49m, representing 1.75% of the outstanding amounts. This was the level of our highest exposure at that date. The situation was similar throughout the year and is expected to remain so for the foreseeable future.

We have experienced late payments in the past. The majority of these are through clients of our introducers (or the introducers themselves) changing banking details. Where there are other issues which cause late payment we investigate these. During the year to 31 July 2017 there was one situation which arose causing a loss of £52,681 (see note 17). Because of the size of the individual repayments. any impact on our business through late payments would be negligible.

Development and performance of the business

The fundamental function of the business (whether the insurance side or fee funding side) is to lend money safely. To do this the group has relied on obtaining funding to provide loans to clients of its partners (insurance intermediaries and professional firms). The ability to provide this money is crucial to the business and availability of funds is a key area to enable future growth. For this reason the bank licence is being applied for.

The ability to find borrowers is also key to the business. This has been discussed at the beginning of the Group strategic report on page 5. The more formal and extensive marketing plan, launched in the previous year, has now reaped benefits. Our recruits to the sales team are contributing substantially to the growth of the group.

Our margin is another key area. Upward changes in base rate could erode our margins (but only in the short term). Should rates increase, our rates would also increase to reflect this. Our own analysis indicates that the influence on our business would be negligible. Indeed, there was a reduction in bank rate during the year which has had very little impact.

Overheads in this business are relatively stable. We have increases resulting from an increased sales function, increasing our bank borrowings and enhancements to our IT systems. Other overheads have not altered significantly.

The board has identified the following financial KPIs:

- Lending.
- Gross rate on loans made.
- Borrowing and other capital resources.
- Cost of borrowing.

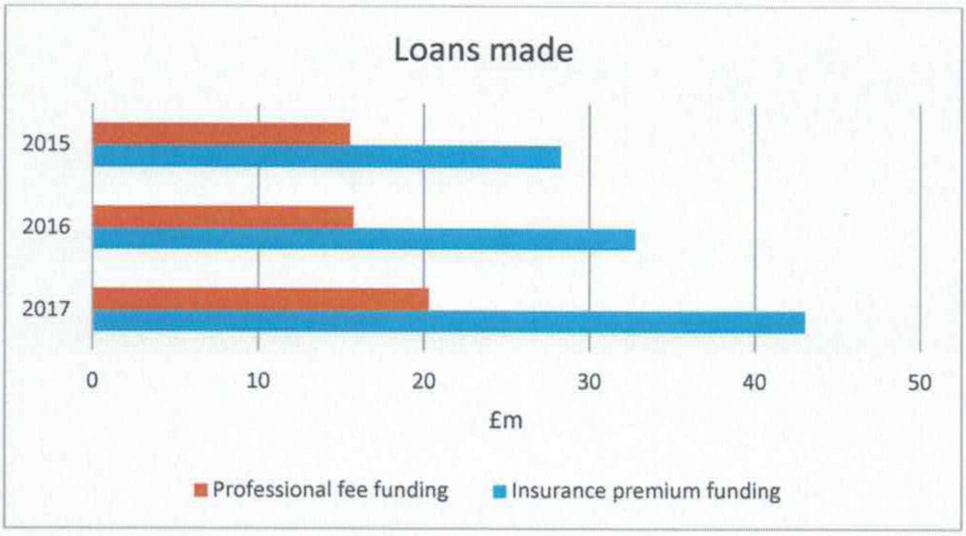
The tables below gives a breakdown of our KPIs on a group basis and by segment.

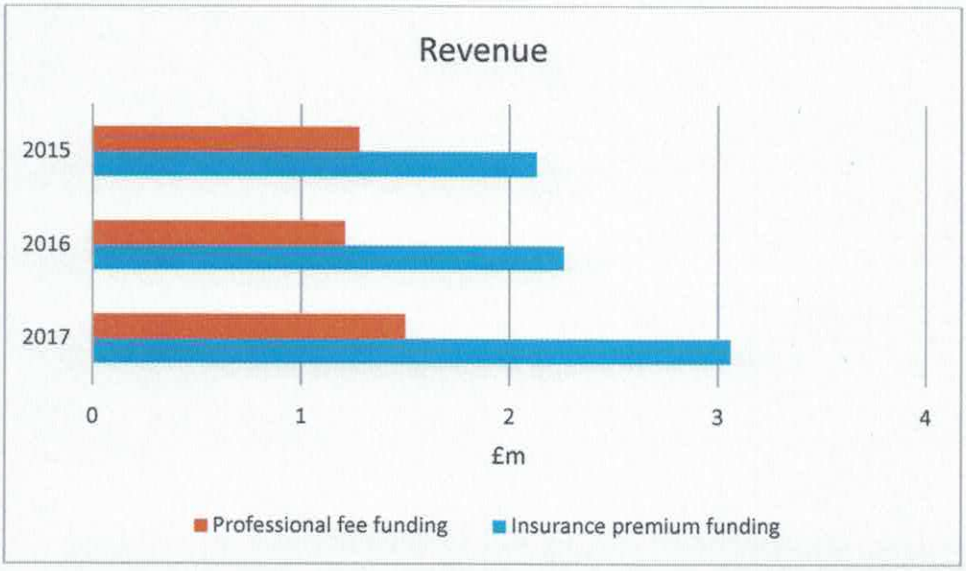
	2017	2016	2015
Group			
Loans made in the year	£63.35m	£48.56m	£43.81m
Average gross rate on loans made	6.06%	6.22%	7.41%
Level of borrowing	£13.79m	£9.24m	£7.06m
Own capital resources	£13.17m	£12.34m	£11.64m
Cost of borrowing	£0.33m	£0.24m	£0.85m

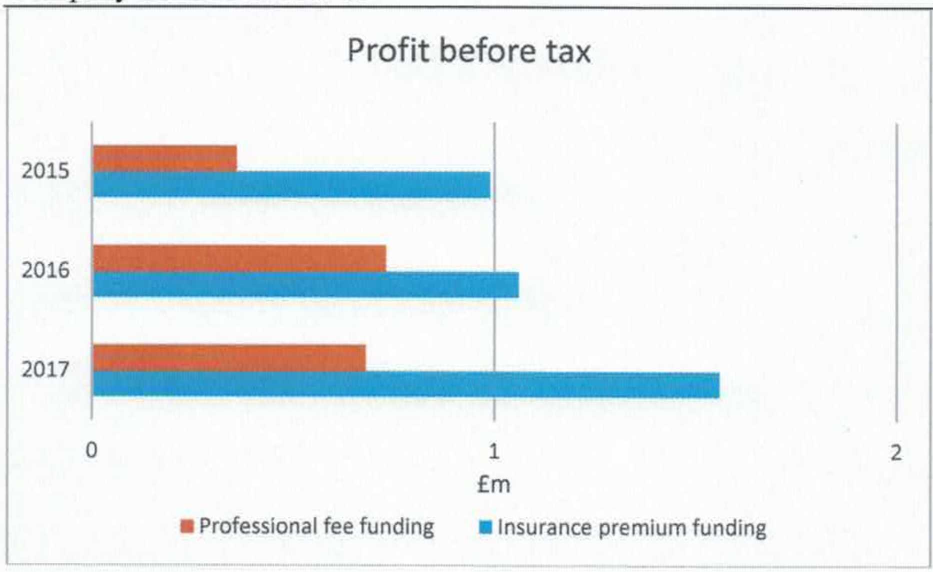
Insurance premium funding			
Loans made in the year	£43.04m	£32.79m	£28.28m
Average gross rate on loans made	5.49%	5.64%	6.05%
Level of borrowing	£13.54m	£9.2m	£7.06m
Own capital resources	£2.94m	£2.42m	£2.28m
Cost of borrowing	£0.32m	£0.24m	£0.33m

Professional fee funding			
Loans made in the year	£20.31m	£15.77m	£15.53m
Average gross rate on loans made	7.27%	7.44%	8.11%
Level of borrowing	£0.25m	£0.04m	£0.00m
Own capital resources	£0.68m	£0.52m	£0.54m
Cost of borrowing	£0.01m	£0.00m	£0.52m

The following charts are pictorial representations of loans made, revenue and PBT for the past three years.







In 2015 Orchard was funding its business through Bracken Holdings Limited at an average cost of 12%. Profit was therefore disproportionately low in 2015.

In terms of non-financial indicators, the most important of these is quality of management and staff.

Our senior members of staff have a substantial number of years of experience between them working in the business. Because, over the years, they have taken on additional responsibilities, they know each area of the business well.

All our staff are fully trained for the role which they take. Customer care is of paramount importance in our business culture and this aspect is a constant part of training for all staff members. Feedback from our partners in this area has been very positive. Performance targets set for our staff have all been met.

People are happy to contribute towards our success and their views are always listened to by senior management. In many cases ideas which come forward are put into action and in all cases explanations are given when this does not happen.

Going concern

The financial statements have been prepared on a going concern basis which assumes that the group will be able to continue its operations for the foreseeable future.

The directors continually assess the prospects of the group. Forecasts are prepared for a three year period, on a rolling basis. These are also subject to sensitivity analysis, the main aspect of which is the value of loans made. In all scenarios, there is no indication that there will be a problem in continuing as a going concern. However, it is important to appreciate that the further away in time the estimate, the less reliable it is. The forecasts are prepared on the basis that bank base rate will remain where it is. This is clearly highly unlikely in the longer term. However, should rates from the bank rise we are in a position to react (as mentioned in the section on cash flow interest rate risk on page 6), within a short period of time, with relatively little impact on our margins.

The key assumptions and bases used in the forecasts are:

- Loans through our partners will grow from circa £64m in 2017 to circa £120m in 2020;
- Liquidity will be available to fund those loans;
- Margins will remain stable on both corporate and direct business;
- Overhead will increase at the rate of inflation with stepped increases at certain points (when capacity constraints are hit);
- The funding system will be able to accommodate the increased business.

The consolidated statement of financial position on page 22 shows the situation at the year end in detail.

The two subsidiaries have traded for a number of years and have grown at a rate commensurate with finance available at a given point in time.

The directors have prepared and reviewed financial projections for the 12 month period from the date of signing of these financial statements. Based on the level of existing cash and the projected income and expenditure, the directors have a reasonable expectation that the company and group have adequate resources to continue in business for the foreseeable future. Accordingly the going concern basis has been used in preparing the financial statements.

Environmental, social responsibility, community, human rights issues and gender diversity

The group is a small group. The impact of the group on the environment consists of power used in an office environment and fuel used for getting to and from work. Environmental issues are therefore negligible.

The group operates out of an office in Luton. Most of our employees are based in the local area. We therefore contribute to the economy of the local community. None of our employees earn less than £10 per hour (before any bonuses). We provide health club membership and childcare for any staff who wish it. We review the background of our suppliers and will not use any supplier which, as far as we are aware, breaches our own high standards as regards human rights.

The main board of directors is currently all male. The main reason for this situation is that the group took in outside board members who were best suited to the positions. The board of the two subsidiaries consist of one male and two females each. Males make up 41.67% of the employees in total (36.00% in 2016).

Approved by the directors and signed by order of the board

Liam McShane,
Company secretary

16 October 2017

Directors' report

The directors present their annual report together with the audited accounts of the group and the company for the year ended 31 July 2017.

Results and dividends
The group profit for the year after taxation was £1,337,783 (2016 £1,004,077). This is shown on page 21. The directors consider that the going concern basis is appropriate, supported by the profitability of the group and the significant cash balances. During the year the group paid dividends amounting to £513,568 (note 13 on page 36) to shareholders (2016 £300,026). The board is pleased to propose a final dividend of 2 pence per share to be paid on 22 December 2017 to shareholders on the register on 8 December 2017, with an ex-dividend date of 7 December 2017. The final dividend is subject to shareholder approval at the company's upcoming annual general meeting on 16 December 2017.

Future developments
Future developments and a fuller business review are contained in the chairman's statement, the chief executive's review and the strategic report on pages 3 to 11.

Directors and their interests
The directors who served during the year and their beneficial interests in the share capital of the company are shown in the remuneration report on page 14. There is a directors and officers indemnity insurance policy in existence. There were no other third party indemnity provisions for the directors.

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

Company law requires the directors to prepare group and company financial statements for each financial year. The directors are required by the AIM rules of the London Stock Exchange to prepare group financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and have elected under company law to prepare the company financial statements in accordance with IFRS as adopted by the EU.

The financial statements are required by law and IFRS adopted by the EU to present fairly the financial position of the group and the company and the financial performance of the group; the Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

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 group and the company and of the profit or loss of the group for that period.
In preparing each of the group and company financial statements, the directors are required to:

a) select suitable accounting policies and then apply them consistently;
b) make judgements and accounting estimates that are reasonable and prudent;
c) state whether they have been prepared in accordance with IFRSs adopted by the EU;
d) prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the company will continue in business.

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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Orchard Funding Group plc website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Research and development
During the financial year nothing was spent on research and development which would fall to be capitalised.

Employees
The group is an equal opportunity employer and makes every effort to ensure disabled people are not discriminated against on the grounds of their disabilities. In the event of staff becoming disabled, every effort is made to ensure that employment continues and that appropriate training is arranged. Employees are kept informed regarding the group's affairs and are consulted regularly through staff meetings and on an individual basis.

Environment
The activities of the group do not pose environmental hazards. The group monitors energy consumption and ensures that all legal and regulatory environmental requirements are complied with.

Statement as to disclosure of information to auditor
The directors who were in office on the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant audit information of which the auditor is unaware. Each of the directors have confirmed that they have taken all of the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditor
A resolution to reappoint RSM UK Audit LLP as auditor for the ensuing year will be proposed at the forthcoming annual general meeting.

Approved by the directors and signed by order of the board

Liam McShane,
Company secretary

16 October 2017

Remuneration report

Remuneration policy is set by the chairman of the remuneration committee, Jonathan Shearman and chairman of the company, David Clark with assistance from the company secretary ("the remuneration committee").

Policy statement

The remuneration committee sets the remuneration and all other terms of employment of the executive directors. Remuneration levels are set by reference to individual performance, experience and market conditions with a view to providing a package which is appropriate for the responsibilities involved. It is the chairman's intention to seek to align the interests of the executive directors with those of the shareholders.

Service contracts

Service contracts for the executive directors of any companies in the group are determinable within a period not exceeding one year. Therefore, no payment can be made for predetermined compensation which exceeds more than one year's salary, benefits in kind and pension contributions.

Directors' interests

The interests of the directors at 31 July 2017 and 31 July 2016 in the shares of the company were as follows:

2017	Number of ordinary shares held	Percentage of issued ordinary share capital
R Takhar	11,458,333	53.66%
D Clark	10,416	0.05%
L McShane	-	-
J Shearman	-	-
I Koumi	-	-

2016	Number of ordinary shares held	Percentage of issued ordinary share capital
R Takhar	11,458,333	53.66%
D Clark	10,416	0.05%
L McShane	-	-
J Shearman	-	-

Non-executive directors

The remuneration of the non-executive directors is considered by the executive directors. The non-executive directors do not have contracts of service, but the current term of appointment is ongoing subject to three months' notice.

Board meetings

The board of directors met six times during the year. All directors attended all meetings.

Directors' remuneration

2017	Fees and salary £	Taxable benefits £	Total £
Executive directors			
R Takhar	251,340	16,606	267,946
L McShane	60,240	-	60,240
Non-executive directors			
D Clark	30,000	-	30,000
J Shearman	30,000	-	30,000
I Koumi	14,000	-	14,000
Total directors' remuneration	385,580	16,606	402,186

2016	Fees and salary £	Taxable benefits £	Total £
Executive directors			
R Takhar	258,040	11,131	269,171
L McShane	60,240	-	60,240
Non-executive directors			
D Clark	30,000	-	30,000
J Shearman	30,000	-	30,000
Total directors' remuneration	378,280	11,131	389,411

The above information relates to the parent.

I Koumi was appointed on 31 January 2017 by the board. He offers himself for election at the annual general meeting to be held on 6 December 2017. His biography is shown on page 16.

Jonathan Shearman,
Remuneration committee chairman

16 October 2017

Board of directors and secretary

Short biographies of the group's senior management and details of their roles are set out below:

David Andrew Clark – Independent Non-executive Chairman (age 52)

Mr David Clark previously served as an independent non-executive director of Constellation Health Technology plc, an AIM listed company, where he was also a member of the audit and compensation committees. Prior to that, Mr Clark was a fund manager for 25 years and began his career with six years at Scottish Mutual as a senior investment analyst before joining Ignis Asset Management (formerly Resolution) where he worked from 1994 until September 2014. At Ignis he was responsible for the UK Smaller Companies quoted investments across all sectors. His performance resulted in him being ranked number two Fund Manager in the UK (2009) across all sectors by Citywire. Mr Clark graduated from Glasgow University with a Bachelor of Accountancy Degree and also holds an MSc in Investment Analysis from Stirling.

Rabinder ("Ravi") Singh Takhar – Chief Executive Officer (age 52)

Mr Ravi Takhar has over 25 years' experience in the acquisition, growth, financing and disposal of financial businesses. Mr Takhar joined Bexhill UK Limited in 2002 and has led the growth of its business to its current size. Prior to creating the group, Ravi was an investment banker and head of Financial Services investment at Nikko, the Japanese investment bank, from 1998 to 2002 as well as chairman of Mortgages PLC, the mortgage lender. Mr Takhar was also head of Mortgage Principal Finance at Investec Bank PLC from 2005 to 2008. He qualified as a banking solicitor at Clifford Chance, a leading international law firm, and has an MA from the University of Oxford.

William ("Liam") Leo McShane – Part-time Chief Financial Officer and Company Secretary (age 59)

Mr Liam McShane has over 25 years' experience as a chartered certified accountant and is responsible for all internal accounting and treasury management, as well as all monthly and annual accounting for the group. He has been involved in providing tax and financial advice to Bexhill UK Limited since 2000, from 2002 as a partner in McShane Wright Chartered Certified Accountants. Prior to McShane Wright, Mr McShane became a partner at Clifford Roberts in 1998, having qualified as a chartered certified accountant with Towers Rockall, a local accountancy practice in Northamptonshire, in 1994. From 1989 until its merger with the British Insurance Brokers Association in 2012, he advised the Institute of Independent Insurance Brokers, an association for professional insurance intermediaries, providing tax and financial advice to the Institute, its members and professional advisers. Mr McShane is a Fellow of the Association of Chartered Certified Accountants.

Jonathan Paul David Shearman – Independent Non-executive Director (age 47)

Currently, Mr Jonathan Shearman serves as an independent non-executive director of Trifast plc, a company listed on the Main Market of the London Stock Exchange, being a member of the audit and nominations committee and chairman of the remuneration committee. Mr Shearman has over 20 years' experience of public equity markets having started his career in equity research at James Capel in 1993, before working in equity sales at Williams de Broë and KBC Peel Hunt. He worked as an equity analyst at Gartmore Investment Management (2006 to 2008) followed by a role as strategic consultant to Altium Group (a pan European Investment Bank).

Iacovos Koumi (age 60)

Mr Iacovos Koumi has over 30 years of senior-level experience in banking and finance. From 1999 to 2015 he served as CEO and previously CFO at Bank of Cyprus UK, a focused business and retail bank, where he led the conversion of the firm from an EEA passported branch to a UK authorised and incorporated bank. Before that he was CFO of Ansbacher, a City-based investment and private banking group. He is a Fellow of the Institute of Chartered Accountants in England & Wales, having qualified with KPMG in London, and has a First Class Honours Degree in Mathematics from the University of Warwick. Mr Koumi's other appointments include serving as non-executive director of NETinfo Plc, a developer of digital banking and mobile payment systems, which is listed on the Emerging Companies Market of the Cyprus Stock Exchange.

Corporate governance report

Compliance

Corporate governance defines the decision-making systems and structure through which shareholders directly or indirectly control the company. Orchard Funding Group plc is a public limited company registered in England and Wales and listed on AIM.

The governance of Orchard Funding Group plc vests in the board of directors of the holding company, according to the laws and regulations for an AIM listed company extant in the UK.

As the company is listed on AIM, it is not required to comply with the provisions set out in the 2016 UK Corporate Governance Code. However, the company complies with the QCA Corporate Governance Code so far as it is appropriate for a company of this size. The following information is provided which describes how the company applies principles of corporate governance that the directors consider appropriate.

Directors

The company supports the concept of an effective board leading and controlling the company. The board is responsible for approving company policy and strategy. It meets every two months and has a schedule of matters specifically reserved to it for decision. Management supply the board with appropriate and timely information and the directors are free to seek any further information they consider necessary. All directors have access to advice from the company secretary and independent professionals at the company's expense. The board consists of two executive directors, who hold key operational positions in the company, and three non-executive directors who bring a breadth of experience and knowledge. The current board members are described on page 16.

All directors are subject to election at the first Annual General Meeting (AGM) after their appointment. They are then subject to re-election every three years.

Relations with shareholders

The directors meet with the company's institutional and other major shareholders, at their request, in order to communicate mutual understanding of objectives. The company intends at its AGMs to communicate with private investors and encourage their participation.

Each year shareholders will receive a full annual report and an interim report. These are available on the group's website.

Audit committee

Membership of the audit committee comprises David Clark and Jonathan Shearman (two of the non-executive directors) and is chaired by the group chairman. By invitation, the chief financial officer also attends. The audit committee will meet formally not less than two times every year and otherwise as required. The audit committee is responsible for ensuring that the financial performance of the group is properly measured and reported, for measuring and assessing risk and for reviewing reports from the auditor relating to the group accounts and the group's internal control systems.

Internal controls

The board is responsible for ensuring that the group maintains a system of internal financial controls including suitable monitoring procedures. The objective of the system is to safeguard group assets, ensure proper accounting records are maintained and that the financial information used within the business and for publication is reliable.

Internal financial control monitoring procedures undertaken by the board include the review of monthly financial reports and monitoring of performance, setting of annual budgets and monthly forecasts and the prior approval of all significant expenditure.

Going concern

After making appropriate enquiries, the directors have a reasonable expectation that the group and the company have adequate resources to continue in operational existence for the foreseeable future. At 31 July 2017 the group had cash and cash equivalents of £1.73m and undrawn bank facilities of £1.48m. The group owns a portfolio of loans which are subject to low risk of impairment (see section on credit risk in the group strategic report on pages 6 and 7). These receivables amount to £28.41m. There are total financial liabilities of £16.71m. Total costs for the year were just under £2.92m. There is therefore substantial financial headroom going forward. Based on this and the projected results (see page 12), the directors have a reasonable expectation that the group has adequate resources to continue in business for the foreseeable future. Accordingly, the directors consider the going concern basis in preparing the consolidated financial statements to be appropriate.

Independent auditor's report to the members of Orchard Funding Group plc

Opinion
We have audited the financial statements of Orchard Funding Group plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 July 2017 which comprise the consolidated income statement, consolidated and company statements of financial position, consolidated and company statement of changes in equity, consolidated and company 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 International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 July 2017 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the Companies Act 2006; and
- the financial statements 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 group 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 group's or the parent 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 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) 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. We have determined that there are no key audit matters to communicate in our report.

Our application of materiality
When establishing our overall audit strategy, we set certain thresholds which help us to determine the nature, timing and extent of our audit procedures and to evaluate the effects of misstatements, both individually and on the financial statements as a whole. During planning we determined a magnitude of uncorrected misstatements that we judge would be material for the financial statements as a whole (FSM). During planning FSM was calculated as £272,000, which was not changed during the course of our audit. We agreed with the Audit Committee that we would report to them all unadjusted differences in excess of £3,000, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit

The audit was scoped to ensure that we obtained sufficient and appropriate audit evidence in respect of:

- The significant business operations of the Group
- Other operations which, irrespective of size, are perceived as carrying a significant level of audit risk whether through susceptibility to fraud, or for other reasons
- The appropriateness of the going concern assumption used in the preparation of the financial statements.

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 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 group and the parent 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 parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent 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 12, 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 group's and the parent 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 group or the parent 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: http://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's 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.

RSM UK Audit LLP.

Geoff Wightwick (Senior Statutory Auditor)
for and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered accountants
Portland,
25 High Street
Crawley
West Sussex
RH10 1BG

Date 16 October 2017.

Consolidated income statement

	Notes	2017 £	2016 £
Continuing operations			
Revenue	5	4,559,966	3,468,864
Finance costs	8	(329,478)	(238,079)
Other operational costs	6	(77,550)	(76,025)
Gross profit		4,152,938	3,154,760
Administrative expenses	6	(2,511,941)	(1,884,030)
Operating profit and profit before tax	9	1,640,997	1,270,730
Tax	10	(303,214)	(266,653)
Profit for the year from continuing operations		1,337,783	1,004,077
Other comprehensive income		-	-
Total comprehensive income for the year attributable to the owners of the parent		1,337,783	1,004,077
Earnings per share attributable to the owners of the parent during the year (pence)			
Basic and diluted	11	6.26	4.70

The notes on pages 28 to 42 are an integral part of these consolidated financial statements

Consolidated statement of financial position

	Notes	2017 £	2016 £
Assets			
Non-current assets			
Property, plant and equipment	14	76,567	95,058
Intangible assets	15	74,914	43,873
Trade and other receivables	17	22,720	-
		174,201	138,931
Current assets			
Trade and other receivables	17	28,523,011	22,003,868
Cash and cash equivalents:			
Bank balances and cash in hand	18	1,728,484	1,390,098
		30,251,495	23,393,966
Total assets		30,425,696	23,532,897
Equity and liabilities			
Equity attributable to the owners of the parent			
Called up share capital	19	213,542	213,542
Share premium		8,691,910	8,691,910
Merger reserve		890,725	890,725
Retained earnings		3,369,664	2,545,449
Total equity		13,165,841	12,341,626
Liabilities			
Non-current liabilities			
Borrowings	20	57,458	27,318
Deferred tax	21	7,482	10,078
		64,940	37,396
Current liabilities			
Trade and other payables	22	3,181,938	1,657,030
Borrowings	20	13,733,504	9,207,927
Tax payable		279,473	288,918
		17,194,915	11,153,875
Total liabilities		17,259,855	11,191,271
Total equity and liabilities		30,425,696	23,532,897

The financial statements on pages 21 to 42 were approved, and authorised for issue, by the board of directors on 16 October 2017and were signed on its behalf by:

R Takhar
Chief executive officer

The notes on pages 28 to 42 are an integral part of these consolidated financial statements

Company statement of financial position

	Notes	2017 £	2016 £
Assets			
Non-current assets			
Investments	16	2,807,374	2,801,374
		2,807,374	2,801,374
Current assets			
Trade and other receivables	17	9,558,407	9,422,246
		9,558,407	9,422,246
Total assets		12,365,781	12,223,620
Equity and liabilities			
Equity attributable to the owners of the parent			
Called up share capital	19	213,542	213,542
Share premium		8,691,910	8,691,910
Merger reserve		2,691,999	2,691,999
Retained earnings		728,346	584,159
Total equity		12,325,797	12,181,610
Current liabilities			
Trade and other payables	22	39,984	42,010
Borrowings	20	-	-
Tax payable		-	-
Total liabilities		39,984	42,010
Total equity and liabilities		12,365,781	12,223,620

The company's profit and total comprehensive income for the year was £657,755 (2016 £885,839).

The financial statements on pages 21 to 42 were approved, and authorised for issue, by the board of directors on 16 October 2017and were signed on its behalf by:

R Takhar
Chief executive officer

The notes on pages 28 to 42 are an integral part of these consolidated financial statements

Consolidated statement of changes in equity

	Called up share capital £	Retained earnings £	Share Premium £	Merger reserve £	Total equity £
Balance at 1 August 2015	213,542	1,841,398	8,691,910	890,725	11,637,575
Changes in equity					
Total comprehensive income	-	1,004,077	-	-	1,004,077
Transactions with owners:					
Dividends paid	-	(300,026)	-	-	(300,026)
Balance at 31 July 2016	213,542	2,545,449	8,691,910	890,725	12,341,626
Changes in equity					
Total comprehensive income	-	1,337,783	-	-	1,337,783
Transactions with owners:					
Dividends paid	-	(513,568)	-	-	(513,568)
Balance at 31 July 2017	213,542	3,369,664	8,691,910	890,725	13,165,841

Retained earnings consist of accumulated profits and losses of the group. They represent the amounts available for further investment in group activities. Only the element which constitutes profits of the parent company are available for distribution (see page 25).

The share premium account arose on the IPO on 1 July 2015 at a premium of 95p per share. Costs of the IPO have been deducted from the account as permitted by IFRS.

The merger reserve arose through the formation of the group on 23 June 2015 using the capital reorganisation method as shown in note 2.3 on page 28.

The notes on pages 28 to 42 are an integral part of these consolidated financial statements

Company statement of changes in equity

	Called up Share Capital £	Retained earnings £	Share premium £	Merger reserve £	Total equity £
Balance at 1 August 2015	213,542	(1,654)	8,691,910	2,691,999	11,595,797
Changes in equity					
Total comprehensive income	-	885,839	-	-	885,839
Transactions with owners:					
Dividends paid	-	(300,026)	-	-	(300,026)
Balance at 31 July 2016	213,542	584,159	8,691,910	2,691,999	12,181,610
Changes in equity					
Total comprehensive income	-	657,755	-	-	657,755
Transactions with owners:					
Dividends paid	-	(513,568)	-	-	(513,568)
Balance at 31 July 2017	213,542	728,346	8,691,910	2,691,999	12,325,797

Retained earnings consist of accumulated profits and losses of the parent company. They represent the amounts available for further investment in group activities and are available for distribution.

The share premium account arose on the IPO on 1 July 2015 at a premium of 95p per share. Costs of the IPO have been deducted from the account as permitted by IFRS.

The merger reserve arose through the formation of the group on 23 June 2015 using the capital reorganisation method as shown in note 2.3 on page 28.

The notes on pages 28 to 42 are an integral part of these consolidated financial statements

Consolidated statement of cash flows

	Notes	2017 £	2016 £
Cash flows from operating activities:			
Profit before tax		1,640,997	1,270,730
Adjustment for depreciation and amortisation		47,913	20,521
Hire purchase interest		2,376	1,466
		1,691,286	1,292,717
Increase in trade and other receivables		(6,541,863)	(4,088,870)
Increase/(decrease) in trade and other payables		1,524,908	(178,878)
		(3,325,669)	(2,975,031)
Tax paid		(315,256)	(253,245)
Net cash absorbed by operating activities		(3,640,925)	(3,228,276)
Cash flows from investing activities			
Purchases of property, plant and equipment		(1,706)	(61,924)
Purchase of intangible fixed assets		(58,757)	(50,949)
Net cash absorbed by investing activities		(60,463)	(112,873)
Cash flows from financing activities			
Dividends paid		(513,568)	(300,026)
Net proceeds from borrowings		4,564,919	2,185,099
Borrowings repaid		(11,577)	(8,627)
Net cash generated by financing activities		4,039,774	1,876,446
Net increase/(decrease) in cash and cash equivalents		338,386	(1,464,703)
Cash and cash equivalents at the beginning of the year		1,390,098	2,854,801
Cash and cash equivalents at the end of year	18	1,728,484	1,390,098

The notes on pages 28 to 42 are an integral part of these consolidated financial statements

Company statement of cash flows

	Notes	2017 £	2016 £
Cash flows from operating activities:			
Profit before tax		657,755	885,839
Finance income		(1,250,000)	(1,400,000)
		(592,245)	(514,161)
Decrease/(increase) in trade and other receivables		33,178	(27,380)
(Decrease)/increase in trade and other payables		(2,026)	2,387
		(561,093)	(539,154)
Tax paid		-	-
Funding by subsidiaries		561,093	539,154
Net cash absorbed by operating activities		-	-
Net increase/(decrease) in cash and cash equivalents		-	-
Cash and cash equivalents at the beginning of the year		-	-
Cash and cash equivalents at the end of year		-	-

The notes on pages 28 to 42 are an integral part of these consolidated financial statements

Notes to the consolidated financial statements

1. General information

Orchard Funding Group plc ("the company") and its subsidiaries (together "the group") provide funding and funding support systems to insurance brokers and professional firms through the trading subsidiaries. The group operates in the United Kingdom.

The company is a public company listed on the Alternative Investment Market of the London Stock Exchange, incorporated in England and Wales and domiciled in the United Kingdom. The address of its registered office is 1st Floor, 721 Capability Green, Luton, Bedfordshire LU1 3LU.

The principal activities of the group and the nature of its operations are set out in the strategic report on pages 5 to 11.

2. Summary of significant accounting policies

The principal accounting policies applied in the presentation of these consolidated financial statements are set out below.

2.1 Basis of preparation

The consolidated financial statements of Orchard Funding Group plc have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

2.2 Going concern

The financial statements have been prepared on a going concern basis which assumes that the group will be able to continue its operations for the foreseeable future.

The directors have prepared and reviewed financial projections for the 12 month period from the date of signing of these financial statements. Based on the level of existing cash and the projected income and expenditure, the directors have a reasonable expectation that the company and group have adequate resources to continue in business for the foreseeable future. Accordingly, the going concern basis has been used in preparing the financial statements. This is discussed more fully in the Group strategic report on page 10.

2.3 Consolidation

Subsidiaries are entities over which the group has control. The group controls an entity when the group has rights to, or is exposed to, variable returns from its involvement with, and has the ability to affect those returns through its power over, the entity.

The business combination originally giving rise to the group is one in which companies which were under the control of R Takhar combined under a holding company which is also controlled by R Takhar. As such the combination is outside the scope of IFRS 3 and is accounted for using the "pooling of interests method". This is a capital reorganisation which treats the merged companies as if they had been combined throughout the current and comparative accounting periods. The accounting principles for these combinations gave rise to a merger reserve in the consolidated statement of financial position, being the difference between the nominal value of new shares issued by the company for the acquisition of the shares of the subsidiaries and each subsidiary's own share capital.

The merger reserve is also used where more than 90% of the shares in a subsidiary are acquired and the consideration includes the issue of new shares by the company, thereby attracting merger relief under the Companies Act 2006.

On 1 August 2016, the company obtained control of another company, Orchard Finance Limited, by acquiring 100% of the share capital. Details of this company are shown in note 16.1. No adjustments were necessary to its financial statements to bring its accounting policies in line with the group's accounting policies.

2.4 Financial assets

The group has one class of financial asset – loans and receivables.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets except for those that mature more than 12 months after the end of the reporting period. These are classified as non-current assets. The group's loans

Notes to the consolidated financial statements

and receivables comprise "trade and other receivables" and "cash and cash equivalents" in the balance sheet (notes 2.5 and 2.6).

(a) Impairment

The group assesses at the end of each financial reporting period whether there is objective evidence that any financial assets are impaired. Impairment losses are incurred only if there is objective evidence that impairment occurred after the initial recognition of the asset (a "loss event") and the impact of that loss event, or events, on the future cash flows of the financial asset or assets can be reliably estimated.

Evidence of impairment may include indications that the debtors are experiencing significant financial difficulties (including default or delinquency in interest or principal payments) and where observable data indicates that there is a measurable decrease in the estimated future cash flows.

For loans and receivables, the amount of loss is measured as the difference between the asset's carrying value and the present value of future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement.

If in a subsequent period the amount of the impairment loss decreases, and the decrease can be related objectively to an event occurring after the impairment was recognised, a reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

2.5 Trade receivables

Trade receivables are amounts due from borrowers for monies loaned, or services provided, to them. If collection is expected wholly within one year they are classified as current assets. If not, they are presented as non-current assets. Trade receivables are initially recognised at fair value and subsequently recognised at amortised cost using the effective interest rate method, less provision for impairment.

2.6 Cash and cash equivalents

Cash and cash equivalents include cash in hand and bank current accounts. It includes bank overdrafts where they are repayable on demand and form an integral part of the group's cash management.

2.7 Share capital

Ordinary shares are classified as equity and any cost of issue are deducted from the proceeds received. No other class of shares exists in the group.

2.8 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently at amortised cost using the effective interest method.

2.9 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred.

Borrowings are subsequently carried at amortised cost; any difference between the proceeds and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest rate method.

Fees paid on the establishment of loan facilities are treated as a balance sheet item and amortised over the period of the facility to which it relates.

Where the facility is not fully utilised and there is a non-utilisation charge, this is recognised as a transaction cost.

2.10 Current and deferred taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case it is recognised in other comprehensive income or in equity respectively.
The current tax charge is calculated on the basis of tax laws enacted in the United Kingdom, where the group exclusively operates.

Notes to the consolidated financial statements

Deferred tax is recognised on temporary differences arising between the tax based assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax is determined using tax rates that are expected to apply when the liability or asset reverses.
Deferred tax liabilities are recognised in respect of all timing differences that exist at the reporting date. Timing differences are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in different periods from their recognition in the financial statements. Deferred tax assets are recognised only to the extent that it is probable that they will be recovered by the reversal of deferred tax liabilities or other future taxable profits.

Current and deferred tax is charged or credited in profit or loss, except when it relates to items charged or credited to other comprehensive income or equity, when the tax follows the transaction or event it relates to and is also charged or credited to other comprehensive income, or equity.

Current tax assets and current tax liabilities and deferred tax assets and deferred tax liabilities are offset, if and only if, there is a legally enforceable right to set off the amounts and the entity intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.11 Employee benefits

Two of the subsidiaries in the group operate a defined contribution pension scheme. Contributions payable are charged to the income statement in the period to which they relate. There are no other post-employment benefits.

A defined contribution plan is a pension plan under which the group pays fixed contributions (based on salary) into a separate entity. The group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

2.12 Revenue recognition

Interest arising from funding activities is recognised using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life or duration of the financial instrument to the net carrying amount of the financial asset.

Income arising from the provision of funding systems is recognised as each licence becomes due for payment. Licences are charged on a monthly basis to the user.

2.13 Leases

Rentals paid under operating leases are charged to the income statement on a straight line basis over the period of the lease. Rent free periods are amortised over the period of the lease.

Assets obtained under hire purchase contracts or finance leases are capitalised in the balance sheet. Those held under hire purchase contracts are depreciated over their estimated useful lives. Those held under finance leases are depreciated over their estimated useful lives or the lease term, whichever is the shorter.

The interest element of these obligations is charged to the profit and loss account over the relevant period using the effective interest rate method.

2.14 Property, plant and equipment

(a) Cost

Property, plant and equipment are stated at historical cost less depreciation. Historical cost consists of expenditure that is directly attributable to the acquisition of the items.

(b) Depreciation

Depreciation is calculated using the following rates:

Office equipment and fixtures	20.00% straight line
Computer equipment	33.33% straight line
Motor vehicles	25.00% reducing balance

Notes to the consolidated financial statements

2.15 Intangible assets

(a) Cost

Intangible assets are stated at historical cost less amortisation. Historical cost consists of expenditure that is directly attributable to the acquisition of the items.

(b) Amortisation

Software development costs are amortised over 3 years on a straight line basis.

2.16 Interest payable

Interest payable is the cost of borrowing funds to lend on to customers. For this reason, it is included in cost of sales and therefore forms part of operating results.

2.17 Dividend distribution

Dividend distribution to the company's shareholders is recognised as a liability in the group's financial statements:

- in the case of an interim dividend in the period in which this is recommended by the directors and paid;
- in the case of a final dividend in the period in which the dividend is approved by the company's shareholders.

2.18 Financial reporting standards adopted during the year ended 31 July 2017

The following standards have been adopted during the current year:

(a) IAS 1 Presentation of financial statements - amendments to deal with the concept of materiality in financial statements. The amendments clarify that an entity need not provide a specific disclosure required by an IFRS if the information required by that disclosure is immaterial. However, the entity should consider providing additional disclosures when compliance with the specific requirements of an IFRS is insufficient to enable the users of financial statements to understand the impact of particular transactions, events and conditions on the entity's financial position and financial performance. The amendments also address the structure of financial statements by providing examples of systematic ordering or grouping of the notes. The adoption of these amendments has not resulted in any impact on the group's financial position or financial performance.

(b) IAS 16 and IAS 38 Clarification of acceptable methods of depreciation and amortisation – these standards establish the principle for depreciation that the expected pattern of consumption of the future economic benefits of an asset should be the basis for the charge – not a revenue based system. The group already depreciates property, plant and equipment, and amortises intangible assets, on a straight line basis therefore adoption of these amendments has had no impact on the group's consolidated financial statements.

2.19 Financial reporting standards in issue but not yet effective

The following standards were in issue but not yet effective, and not applied in these financial statements, at the date of their authorisation:

(a) IFRS 9 Financial Instruments (as revised in 2014) - specifies the requirements for the classification and measurement of financial assets and liabilities, impairment methodology and general hedge accounting. The number of categories of financial assets is reduced and all recognised financial assets within the scope of IAS 39 will be subsequently measured at amortised cost or fair value. Expected credit losses as opposed to incurred credit losses are to be accounted for. General hedge accounting requirements of IFRS 9 are retained.

(b) IFRS 15 Revenue from contracts with customers – sets out the principle that entities must recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration to which the entity expects to be entitled in exchange for those goods or services. It also includes enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements.

Notes to the consolidated financial statements

(c) IFRS 16 Leases – removes the distinction between operating leases and finance leases for lessees. All leases except short term leases (those with a lease term of 12 months or less) and low value leases, are brought "on balance sheet". Lease payments are divided between an expense forming part of the operating profit and calculated on a straight line basis; and interest calculated using the constant rate of return method.

(d) IAS 7 Disclosure Initiative (Amendments to IAS 7) – specifies that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. It requires that the following changes in liabilities arising from financing activities are disclosed (to the extent necessary):

(i) changes from financing cash flows;
(ii) changes in fair values; and
(iii) other changes.

Liabilities arising from financing activities are defined as liabilities "for which cash flows were, or future cash flows will be, classified in the statement of cash flows as cash flows from financing activities". These new disclosure requirements also relate to changes in financial assets if they meet the same definition. The amendments state that changes in liabilities arising from financing activities must be disclosed separately from changes in other assets and liabilities.

The directors anticipate that the adoption of these standards in future periods will not have a material impact on the financial statements of the group.

3. Financial risk management

3.1 Financial risk factors

The group's activities expose it to a variety of financial risks; credit risk, liquidity risk and cash flow interest rate risk. The group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise the effect on the group's financial performance. Risk management is carried out by the board of directors. They identify, evaluate and mitigate financial risks. The board provides written policies for credit risk and liquidity risk. These risks are dealt with in detail in the strategic report on pages 6,7 and 8.

(a) Credit risk

This is the risk that customers will not repay their loans and is mitigated by a system of credit checks, other financial and qualitative factors and a system of third party guarantees from the introducing firms.

(b) Liquidity risk

This is the risk that the company will have insufficient funds to conduct its business. This has been substantially mitigated by an injection of capital through a share issue which has enabled the group to increase its borrowings at better rates leading to the ability to lend more. The group has negotiated a £15m facility with its bankers. At 31 July 2017 there was £1.48m still available to draw.

(c) Cash flow interest rate risk

This arises from money borrowed from our bankers which is lent on to customers. There is a risk that loans already made and which need to be covered will be effectively charged at a lower margin for part of the borrowing term. This is mitigated by regular contact with our bankers and regular reviews of the financial situation in the economy. In addition, loans are made for a relatively short time so any increase in rates is likely to have a fairly short term impact.

3.2 Capital management

Capital consists of net debt (borrowings less cash and cash equivalents) plus total equity. The group's objective when managing capital is to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

To maintain or adjust the capital structure, the board may adjust the amount of dividends paid, return capital to shareholders issue new shares or sell assets to reduce debt.

Consistent with market practices the group monitors capital on the basis of Return on Capital Employed ("ROCE"). This is calculated as earnings before interest, tax, depreciation and amortisation divided by capital as defined above.

Notes to the consolidated financial statements

The table below shows the ROCE at 31 July 2017 and 31 July 2016:

	2017 £	2016 £
EBITDA	1,697,803	1,294,124
Capital employed:		
Capital and reserves (including current year)	13,165,841	12,341,626
Bank borrowings (net of cash held)	11,791,029	7,783,946
Other borrowings	271,449	61,200
Total capital and borrowings	25,228,319	20,186,772
ROCE	6.73%	6.41%

4. Critical accounting estimates and judgements

The group makes estimates and assumptions concerning the future. The resulting accounting estimates will seldom equal the related actual results. However, because of the nature of the group, in the opinion of the board there are no judgemental areas, or accounting estimates, where there is a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year.

5. Segment information

The group operates wholly within the United Kingdom therefore there is no meaningful information that could be given on a geographical basis. It does have, however, two discrete operating segments – insurance premium funding and professional fee funding.
The board assesses the performance of each sector based on operating profit (before tax and exceptional items, but after interest which is a cost of sale). The relative revenues, operating costs and operating profit are shown below. Segmental assets and liabilities are provided to the board and the CEO (the chief operating decision maker) and are not therefore disclosed further.

2017	Total £	Central £	Insurance premium funding £	Professional fee funding £
Revenue	4,559,966	-	3,058,044	1,501,922
Interest payable	(329,478)	-	(321,117)	(8,361)
Operational costs and administrative expenses	(2,583,564)	(592,245)	(1,176,579)	(814,740)
Goodwill on consolidation written off	(5,927)	-	-	-
Operating profit/(loss) before tax	1,640,997	(592,245)	1,560,348	678,821
Current tax expense	(303,214)	-	(189,971)	(113,243)
Profit/(loss) for the year after tax	1,337,783	(592,245)	1,370,377	565,578

2016	Total £	Central £	Insurance premium funding £	Professional fee funding £
Revenue	3,468,864	-	2,259,577	1,209,287
Interest payable	(238,079)	-	(238,079)	-
Operational costs and administrative expenses	(1,960,055)	(514,161)	(961,771)	(484,123)
Operating profit/(loss) before tax	1,270,730	(514,161)	1,059,727	725,164
Current tax expense	(266,653)	-	(121,831)	(144,822)
Profit/(loss) for the period after tax	1,004,077	(514,161)	937,896	580,342

Notes to the consolidated financial statements

6. Expenses by nature

		2017	2016
		£	£
Interest payable in cost of sales		329,478	238,079
Employee costs (including directors)	(note 7)	1,072,259	838,544
Advertising and selling costs		218,855	151,791
Bank fees		437,566	353,577
Other expenses		860,811	616,143
Total cost of sales, other operational costs and administrative expenses		2,918,969	2,198,134

7. Employee costs

	2017		2016	
	Group	Company	Group	Company
	£	£	£	£
Wages and salaries (including directors)	952,172	385,580	759,810	378,280
Social security costs	108,543	41,580	76,597	41,480
Pension costs – defined contribution plans	11,544	-	2,137	-
	1,072,259	427,160	838,544	419,760

The average number of persons employed by the group was:

	2017		2016	
	Group	Company	Group	Company
	No.	No.	No.	No.
Directors	5	5	4	4
Administration	12	-	11	-
Total	17	5	15	4

Directors' remuneration

2017	Fees and salary	Taxable benefits	Total	Employer's NIC	Total
	£	£	£	£	£
Total directors' remuneration	385,580	16,606	402,186	41,580	443,766

2016	Fees and salary	Taxable benefits	Total	Employer's NIC	Total
	£	£	£	£	8£
Total directors' remuneration	378,280	11,131	389,411	41,480	430,891

R Takhar was the highest paid director during the year earning £267,946 including taxable benefits (2016 269,171). Details are shown in the Remuneration report on page 15.

Key management personnel are considered to be the directors (executive and non-executive).
No director is accruing benefits under a pension scheme.

Notes to the consolidated financial statements

8. Finance income and costs

The group's income comes from making loans.
Interest payable on borrowings to finance these loans is therefore included as a cost of sale. The amount included was £329,478 (2016 £238,079).

9. Operating profit

This is stated after charging:

	2017	2016
	£	£
Depreciation of owned property, plant and equipment	14,249	9,484
Depreciation of property, plant and equipment held under hire purchase contracts	5,948	3,960
Amortisation of intangible assets	27,716	7,076
Operating lease rentals – land and buildings	27,270	71,580
Auditor's remuneration:		
Audit fees – parent company and consolidation	22,470	21,600
Audit fees – subsidiaries	40,000	36,655

The group rents its premises under an operating lease starting on 11 February 2016, for a five year period. There is a break clause which is exercisable, with no less than 9 months' notice, on 11 February 2018. Notice was not given by 11 May 2017 therefore the group's minimum lease payment commitments within the non-cancellable period of the operating lease is as follows:

	2017		2016	
	Group	Company	Group	Company
	£	£	£	£
Within one year	27,270	-	27,270	-
Later than one year but no later than five	69,184	-	96,454	-

10. Tax expense

10.1 Current year tax charge:

	2017	2016
	£	£
Current tax expense	331,050	250,616
Adjustment re previous year tax expense	(25,240)	6,549
Deferred tax expense relating to the origination and reversal of temporary differences	(2,596)	9,488
	303,214	266,653

Notes to the consolidated financial statements

10.2 Tax reconciliation

The tax assessed for the year differs from the main corporation tax rates in the UK (19% and 20%, 2016 - 20%).
The differences are explained below.

	2017	2016
	£	£
Profit before tax for the financial year	1,640,997	1,270,730
Applicable rate – 19.67% (2016 20%)	19.67%	20.00%
Tax at the applicable rate	322,784	254,146
Effects of:		
Expenses not deductible for tax	5,263	7,737
Adjustment re previous year tax expense	(25,240)	6,549
Reduced rate of tax (17%) on reversing timing differences	407	(1,779)
Tax charge for the period	303,214	266,653

11. Earnings per share

Earnings per share is based on the profit for the year of £1,337,783 (2016 £1,004,077) and the weighted average number of ordinary shares in issue during the year of 21,354,167 (2016 21,354,167). There are no options or other factors which would dilute these therefore the fully diluted earnings per share is identical.

12. Profit of the parent company

As permitted by Section 408 of the Companies Act 2006, the statement of comprehensive income of the parent is not presented as part of these financial statements. The parent company's profit for the year was £657,755 (2016 £885,839).

13. Dividends

	2017	2016
	£	£
Amounts recognised as distributions to equity holders in the period:		
Final dividend for the year ended 31 July 2016 of 1.405p (2015 Nil) per share	300,026	-
Interim dividend for the year ended 31 July 2017 of 1p (2016 1.405p) per share	213,542	300,026
	513,568	300,026
Proposed final dividend for the year ended 2017 of 2p (2016 1.405p) per share	427,083	300,026

Notes to the consolidated financial statements

14. Property, plant and equipment

	Office equipment and fixtures £	Computer equipment £	Motor vehicles £	Total £
Cost				
At 1 August 2015	840	38,143	-	38,983
Additions	50,619	11,305	42,151	104,075
At 31 July 2016	51,459	49,448	42,151	143,058
Additions	510	1,196	-	1,706
At 31 July 2017	51,969	50,644	42,151	144,764
Depreciation				
At 1 August 2015	840	33,716	-	34,556
Charged to administrative expenses in the consolidated statement of income	4,634	4,850	3,960	13,444
At 31 July 2016	5,474	38,566	3,960	48,000
Charged to administrative expenses in the consolidated statement of income	10,197	4,052	5,948	20,197
At 31 July 2017	15,671	42,618	9,908	68,197
Net book value at 31 July 2017	36,298	8,026	32,243	76,567
Net book value at 31 July 2016	45,985	10,882	38,191	95,058

Motor vehicles are all held under hire purchase contracts. Other assets are not financed.

15. Intangible assets

	Software development costs £
Cost	
At 1 August 2015	-
Additions	50,949
At 31 July 2016	50,949
Additions	58,757
At 31 July 2017	109,706
Amortisation	
At 1 August 2015	-
Charged to administrative expenses in the consolidated statement of income	7,076
At 31 July 2016	7,076
Charged to administrative expenses in the consolidated statement of income	27,716
At 31 July 2017	34,792
Net book value at 31 July 2017	74,914
Net book value at 31 July 2016	43,873

Notes to the consolidated financial statements

16. Investments

16.1 Subsidiaries

	Shares in subsidiaries £
Cost and net book value	
At 31 July 2015 and 31 July 2016	2,801,374
Additions	6,000
At 31 July 2017	2,807,374

Details of the subsidiaries are:

Name	Country of incorporation and place of business	Nature of business	Proportion of ordinary shares held directly by the parent
Bexhill UK Limited	England and Wales	Finance provider	100%
Orchard Funding Limited	England and Wales	Finance provider	100%
Orchard Finance Limited	England and Wales	Finance provider	100%

Orchard Finance Limited was acquired on 1 August 2016 when the net assets of that company were £72, at a cost of £6,000. The goodwill on consolidation has all been written off in the year. The directors believe that the net assets equate to the fair value of the assets acquired (taking account of intangibles such as the brand). Given the small number of transactions, and following the guidance in IAS 1, no further disclosures are necessary in respect of this company.

All subsidiaries are included in the consolidation. The registered office of each subsidiary is that of the parent, 1st Floor, 721 Capability Green, Luton, Bedfordshire LU1 3LU.

17. Trade and other receivables

	2017		2016	
	Group £	Company £	Group £	Company £
Non-current				
Other receivables	22,720	-	-	-
	22,720	-	-	-
Current				
Trade receivables	28,412,738	-	21,799,397	-
Intercompany receivables	-	9,557,766	-	9,388,427
Other receivables	86,321	-	170,947	19,892
Prepayments	23,952	641	33,524	13,927
	28,523,011	9,558,407	22,003,868	9,422,246

Standard credit terms for trade receivables are based on the length of the loan but payments are due on a monthly basis. The directors consider that the carrying amount of trade and other receivables approximates their fair value. There are impaired debts at the year end amounting to £52,681 (2016 £Nil). Provision has been made in full for these. The value of debts which were past due but not impaired at the year end was £Nil (2016 £Nil).

Notes to the consolidated financial statements

18. Cash and cash equivalents

	2017		2016	
	Group	Company	Group	Company
	£	£	£	£
Amounts held at banks	1,728,384	-	1,389,798	-
Cash in hand	100	-	300	-
	1,728,484	-	1,390,098	-

Cash and cash equivalents consists of cash in hand and bank balances.

19. Called up share capital

Allotted, issued and fully paid at 31 July 2017 and 31 July 2016

Number	Class	Nominal value	£
21,354,167	Ordinary shares	1p	213,542

On 23 June 2015, the company issued 10,937,500 ordinary shares in exchange for all the share capital of Bexhill UK Limited and Orchard Funding Limited plus £500,000 in cash. On 1 July 2015, a further 10,416,667 shares were issued for cash of £10,000,001. Costs of the issue amounting to £1,203,924 were expensed through the share premium account.

20. Borrowings

	2017		2016	
	Group	Company	Group	Company
	£	£	£	£
Non-current:				
Other loans	41,170	-	1,100	-
Hire purchase contracts	16,288	-	26,218	-
	57,458	-	27,318	-
Current:				
Bank loan	13,519,513	-	9,174,044	-
Other loans	204,490	-	25,110	-
Hire purchase contracts	9,501	-	8,773	-
	13,733,504	-	9,207,927	-

20.1 Terms and debt repayment schedule:

The bank loan is due within one year.
The other loans fall due as follows:

	2017		2016	
	Group	Company	Group	Company
	£	£	£	£
Within 1 year	204,490	-	25,110	-
Later than 1 year but no later than 3	40,170	-	100	-
Later than 3 years but no later than 5	1,000	-	1,000	-
	245,660	-	26,210	-

Notes to the consolidated financial statements

The minimum payments under hire purchase contracts are as follows:

	2017		2016	
	Group	Company	Group	Company
	£	£	£	£
Within 1 year	11,036	-	11,036	-
Later than 1 year but no later than 5	17,568	-	29,144	-
	28,604	-	40,180	-
Future finance charges	(2,815)	-	(5,189)	-
	25,789	-	34,991	-

The present value of hire purchase liabilities are as follows:

Within 1 year	9,501	-	8,773	-
Later than 1 year but no later than 5	16,288	-	26,218	-
Future finance charges	25,789	-	34,991	-

Bank borrowings are secured by a fixed and floating charge over all the assets of Bexhill UK Limited, bear interest at rates of 2.90% above LIBOR plus any associated costs, and are repayable within one year of the advances. The maximum drawdown facility is currently £15m therefore at 31 July 2017 £1,480,487 was undrawn.

Other borrowings are unsecured and bear interest at varying rates between 4.00% and 6.25%.

Hire purchase liabilities are secured on the assets that they finance and bear interest at varying rates.

21. Deferred tax

The deferred tax balance relates wholly to capital allowances.

22. Trade and other payables

	2017		2016	
	Group	Company	Group	Company
	£	£	£	£
Trade payables	2,832,827	-	1,469,707	-
Other payables	40,028	-	33,584	-
Other tax and social security costs	42,623	15,858	34,187	15,786
Accrued expenses	266,460	24,126	119,552	26,224
	3,181,938	39,984	1,657,030	42,010

The directors consider that the carrying value of trade and other payables approximates to their fair value.

Notes to the consolidated financial statements

23. Financial instruments

The company is exposed to the risks that arise from its use of financial instruments. The objectives, policies and processes of the company for managing those risks and the methods used to measure them are detailed in note 3.

23.1 Principal financial instruments

The principal financial instruments used by the company, from which financial instrument risk arises, are as follows:

- Cash and cash equivalents
- Trade and other receivables
- Trade and other payables
- Borrowings

23.2 Financial instruments by category

The group held the following financial assets at the reporting date:

	2017		2016	
	Group	Company	Group	Company
	£	£	£	£
Loans and receivables:				
Trade and other receivables: non-current	22,720	-	-	-
Trade and other receivables: current	28,499,059	9,557,766	21,970,344	9,408,319
Cash and cash equivalents:				
Bank balances and cash in hand	1,728,484	-	1,390,098	-
	30,250,263	9,557,766	23,360,442	9,408,319

The group held the following financial liabilities at the reporting date:

	2017		2016	
	Group	Company	Group	Company
	£	£	£	£
Other financial liabilities at amortised cost:				
Interest bearing loans and borrowings:				
Borrowings payable: non-current	57,458	-	27,318	-
Borrowings payable: current	13,733,504	-	9,207,927	-
Trade and other payables	3,139,315	24,126	1,622,843	26,224
	16,930,277	24,126	10,858,088	26,224

23.3 Fair value of financial instruments

The fair values of the financial assets and liabilities are not materially different to their carrying values due to the short-term nature of the current assets and liabilities.

23.4 Financial risk management

The company's policies for financial risk management are outlined in note 3 on page 32.

24. Related party transactions

24.1 Ultimate controlling party

The ultimate controlling party is considered to be R Takhar who owns 53.66% of the issued share capital.

Notes to the consolidated financial statements

24.2 Group companies

The following transactions took place between group companies during the year, all of which were considered to be at arm's length:

Bexhill – the parent company was repaid £1,567,000 by Bexhill (2016 loaned £100,000 to Bexhill). Bexhill made payments on behalf of the parent company amounting to £452,820 (2016 £372,336) and paid dividends to the parent company amounting to £850,000 (2016 £800,000). At the year end Bexhill owed the parent company £1,102,248 (2016 £2,272,068). The loan is unsecured, interest free and repayable on demand. Orchard Funding paid expenses on behalf of Bexhill in the previous year amounting to £267,762. This amount was still outstanding at the year end (2016 £267,762).

Orchard Funding – the parent company loaned £1,003,458 (2016 £Nil) to Orchard Funding. Orchard Funding made payments on behalf of the parent company amounting to £70,000 (2016 £566,842) and paid dividends to the parent company amounting to £400,000 (2016 £600,000). At the year end Orchard Funding owed the parent company £8,461,518 (2016 £7,128,060). The loan is unsecured, interest free and repayable on demand. Orchard Funding paid expenses on behalf of Bexhill in the previous year. Details are shown above.

Orchard Finance – Orchard Funding Group plc acquired all the shares in Orchard Finance on 1 August 2016. Details of the acquisition are shown in note 16. During the year funds received from investors by Orchard Finance in the previous year were legally transferred to Orchard Funding Limited. These amounted to £168,090 (2016 £Nil). Orchard Funding Limited paid expenses on behalf of Orchard Finance amounting to £7,207 (2016 £11,024). This amount has been written off by Orchard Funding Limited. At the year end Orchard Funding Group plc owed Orchard Finance £6,000 (2016 £Nil).

24.3 Other entities

The group is related to the following parties with whom it had activity during the period, all of which is considered to be at arm's length:

Name of related party	Nature of the relationship
Mr D Clark	Chairman of, and shareholder in, the company
Mr R Takhar	CEO of, and shareholder in, the company
McShane Wright	A firm in which a director, L McShane, is a partner

Mr D Clark – during the year Mr Clark received dividends amounting to £250 (2016 £146).

Mr R Takhar - during the year Mr Takhar (including connected shareholdings) received dividends amounting to £275,574 (2016 £160,990). In the previous year the group paid expenses on behalf of Mr Takhar, which he repaid after the balance sheet date, amounting to £36,648. There were none this year. On 1 August 2016 Orchard Funding Group purchased the whole of the share capital in Orchard Finance Limited from Mr R Takhar for the share nominal value of £6,000.

McShane Wright - during the year the firm of McShane Wright provided the group with accountancy and associated services. The charge made for these was £48,638 (2016 £50,537). Of this £48,240 (2016 £48,240) is shown as part of directors' remuneration in note 7 and £398 (2016 £2,297) is shown under administrative expenses. At the year end it was owed £Nil (2016 £Nil).

25. Treatment of borrowings

The group borrows money from its bankers and lends this on, together with its own funds, to its customers. Any increase in activity leads to an increase in debtors and an associated increase in borrowings. If the company was one which bought and sold goods or services the money borrowed would be similar to the company's stock in trade and the change in creditors would be shown as part of operating cash flows. However, accounting standards require cash flows from financing to be shown separately and this means that there appears to be a large outflow of cash from the company's operations which is then covered by borrowings. For reasons stated above this is not the case.

26. Major non-cash transactions

In the previous year the group purchased vehicles under hire purchase contracts. The amount financed was £42,151. This was not included in the cash flow under either investing activities or financing activities as it did not involve a cash transaction. There were no such transactions this year.

Company and advisers information

Registered office
1st Floor,
721 Capability Green
Luton
Bedfordshire
LU1 3LU

Solicitors
Michelmores LLP
Woodwater House
Pynes Hill
Exeter
EX2 5WR

Registered number
09618919 (England and Wales)

Nominated adviser
finnCap Ltd.
60 New Broad Street
London
EC2M 1JJ

Principal bankers
Barclays Bank plc
1 Churchill Place
London
E14 5HP

Broker
finnCap Ltd.
60 New Broad Street
London
EC2M 1JJ

Independent auditor
RSM UK Audit LLP
Portland
25 High Street
Crawley
West Sussex
RH10 1BG

Registrar
Neville Registrars
Neville House
18 Laurel Lane
Halesowen
B63 3DA

Reference to online information
Website www.orchardfundinggroupplc.com