Company registration number 07365926 (England and Wales)

ORCHARD BOND FINANCE PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2023

ORCHARD BOND FINANCE PLC

COMPANY INFORMATION

Directors	Mr R Takhar Miss E Stratford Mr L McShane Ms T Korenkova
Secretary	Mr L McShane
Company number	07365926
Registered office	222 Armstrong Road Luton Bedfordshire UK LU2 0FY
Auditor	RSM UK Audit LLP 25 Farringdon Street London EC4A 4AB

ORCHARD BOND FINANCE PLC

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ORCHARD BOND FINANCE PLC

STRATEGIC REPORT

FOR THE YEAR ENDED 31 JULY 2023

The directors present the strategic report for the year ended 31 July 2023.

Strategy, objectives and business review

The company issued a retail bond on 2 March 2022 which raised £3.9m against which there were costs of £0.2m. The company received £3.7m. The retail bond is listed on the London Stock Exchange. The retail bond bears interest at 6.25% per annum and is due to mature on 2 June 2027.

The company's principal objective is to lend out the money raised through the bond issue, either directly or through other group companies, in a profitable, responsible manner and one which takes account of the risks involved in lending. The type of lending will be as stated in the prospectus - secured and unsecured loans.

The business model is a "hold to collect" model in which financial assets are held to maturity to collect cashflows rather than holding the assets for sale. As the group now has longer term lending, the five year bond enables these loans to be matched with borrowings.

During the year the company made loans externally amounting to £19.37k for insurance premium funding. In addition it made loans to group companies amounting to £3.21m, the balance being used for costs. Loans to the group are interest free and repayable on demand. These are shown as non-current as the company does not intend to call these in within a period of one year from the balance sheet date. It is the intention of the board to increase external lending to a level sufficient to service and, ultimately, repay the bonds. The rate charged on external loans was in excess of the rate of interest payable on the bonds.

Principal risks and uncertainties

The company's principal risks and uncertainties are aligned with those of the group headed by Orchard Funding Group plc and are explained in more detail in that company's annual report which is available from its registered office at 222 Armstrong Road, Luton, Bedfordshire, UK, LU2 0FY and on its website at http://www.orchardfundinggroupplc.com.

The company's overall risk management programme focuses on reducing the effect of these risks on its financial performance. As with all lending within the group, a risk appetite (the level at which risk is accepted by the company before action needs to be taken) is established for the key risk areas. A regular assessment of the principal risks affecting the company, based on a traffic light classification, is carried out by the directors. The board identifies, evaluates and mitigates financial risks and there are written policies for all major risk areas. A risk register is maintained in which any instances of the key risks are recorded and, where necessary, acted upon.

The principal risks are:

Credit risk. This is the risk that debtors or guarantors will default leading to credit losses or even the whole of the debt. This is the first year of this risk. There is mitigation in that money is only loaned for 10 months and there is recourse to the partner broker.

Non-use risk - this is the risk that money raised from the bond issue will not be put to sufficient use to pay the interest. This risk, although still existing, is lower than it was last year. The risk is mitigated by the fact that fellow subsidiaries are all trading companies currently with a number of sources of funding. Bond money could replace that borrowing if needed.

Non-repayment risk - the risk that there will be insufficient funds to repay bondholders. There is no change in this risk since last year. The bonds are five year bonds and this gives enough time for the group to build up sufficient cash to repay them.

Conduct risk. This is the risk that actions by the company could lead to unfair customer outcomes or adversely effect market stability or competition. There is no change in risk since last year. Standard setting, training and monitoring by the board helps mitigate this risk.

Future developments
The bond issue was made to ensure that the group had sufficient funding availability. During the year the company began lending externally. It is the intention of the board to continue lending for the purposes stated in the prospectus - secured and unsecured lending both directly and indirectly via the company's fellow subsidiaries - in a prudent and profitable manner.

Key performance indicators (KPIs)
Financial KPIs

The company will use the following KPIs to monitor performance as the loan book grows:

- lending volumes
- interest receivable
- net interest margin
- operating costs

Non-financial KPIs

The most important of these is quality of lending. The group has a sound underwriting procedure to assess customers and introducers and these processes are applied to lending.

Promoting the success of the company
Section 172(1) requires a director of a company to act in the way he or she considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard to:

(a) the likely consequences of any decision in the long term,

(b) the interests of the company's employees,

(c) the need to foster the company's business relationships with suppliers, customers and others,

(d) the impact of the company's operations on the community and the environment,

(e) the desirability of the company maintaining a reputation for high standards of business conduct, and

(f) the need to act fairly as between members of the company.

The company has no employees and has a minimal number of suppliers. The decision to issue the bond was one which was taken by the group board and this company was used as the vehicle for that issue. As with other companies in the group, the company will follow the standards set by the main board and have compliance with them monitored. Further details are disclosed in the 2023 annual report of Orchard Funding Group plc.

The company has, so far, engaged with its bondholders via group's website at orchardfundinggroupplc.com. It will do so in future in the same way as the parent does with its major shareholders - by meeting, telephone call or website.

On behalf of the board

Mr L McShane
Director

26 June 2024

ORCHARD BOND FINANCE PLC

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 JULY 2023

The directors present their annual report and financial statements for the year ended 31 July 2023.

Results and dividends
The results for the year are set out on page 12.

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

Directors
The directors who held office during the year and up to the date of signature of the financial statements were as follows. There were no third party indemnity provisions for directors.

Mr R Takhar
Miss E Stratford
Mr L McShane
Ms T Korenkova

Financial instruments
The company's financial instruments comprise loans to customers, borrowings through the retail bond, cash held at the bank and amounts owed by the parent.

The risks associated with these financial instruments are discussed in the Strategic Report on page 1.

Research and development
During the financial period nothing was spent on research and development.

Future developments
Future developments are contained in the Strategic Report on page 1.

Corporate governance

Corporate governance defines the decision-making systems and structure through which shareholders directly or indirectly control the company. The company is part of the Orchard Funding Group plc corporate governance regime and details of corporate governance are detailed in the 2023 annual report of that company.

In brief, governance 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. The board believes that a sound and well understood governance structure is essential to maintain the integrity of the group in all its actions, to enhance performance and to impact positively on our all our stakeholders.

Orchard Funding Group plc and its subsidiaries follow the QCA Corporate Governance Code ("the Code"), as the benchmark for measuring our adherence to good governance principles. These principles provide the board with a clear framework for assessing performance as a board and as a group. These principles, and their application by the group, are laid out fully on our website at http://www.orchardfundinggroupplc.com/governance/chairmans-governance-report/.

The group has established a strategy and business model both of which promote long-term value for shareholders of the parent and security for its other stakeholders (staff, customers, suppliers and government). In summary, the company has borrowed from its bondholders and has used this to lend to its external customers directly and indirectly via its fellow subsidiaries. There is a strict underwriting procedure, recourse arrangements, levels of lending decision making commensurate with the skill and seniority of each staff member with, where necessary, the final lending decision being made by the board. This has meant that stakeholder assets are given a high level of protection. The board continues with the evolution in control, monitoring and risk management.

Audit committee

The board has not established an audit committee for the company as it believes that the audit committee of Orchard Funding group plc provides appropriate corporate governance over the group as a whole, which includes the company.

Significant shareholdings, special rights and other matters

The company is 100% owned by Orchard Funding Group plc, which is controlled by R Takhar, a director of both companies, who holds 54.19% of the ordinary share capital of Orchard Funding Group plc.

None of the company's securities carry any special rights with regard to the control of the company. There are no known restrictions on voting rights.

The rules about the appointment and replacement of directors are contained in the company's Articles of Association. Changes to the Articles of Association must be approved by the shareholders in accordance with the legislation in force at the time.

The powers of the directors and authority to issue and allot ordinary shares are determined by UK legislation and the Memorandum and Articles of Association of the company in force from time to time. Subject to UK legislation the directors are empowered by the Articles to authorise the company to purchase its own shares.

Risk and internal controls

The board is responsible for ensuring that the company maintains a system of internal financial controls including suitable monitoring procedures. The objective of the system is to safeguard company 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 financial reports and monitoring of performance, setting of annual budgets and forecasts and the prior approval of all significant expenditure.

Streamlined Energy and Carbon Reporting (SECR)

The directors believe that the company is exempt from reporting under the SECR framework as its energy use is below the threshold for reporting.

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with UK-adopted international accounting standards.

The financial statements are required by law and UK-adopted International Accounting Standards to present fairly the financial position and performance of the company. 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.

In preparing those financial statements the directors are required to:-

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with UK adopted international accounting standards;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

The directors confirm that

- the financial statements, prepared in accordance with company law and UK-adopted international accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company; and
- the strategic report includes a fair review of the development and performance of the business and the position of the company, together with a description of the principal risks and uncertainties that they face.

Statement of disclosure to auditor

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

On behalf of the board

Mr L McShane
Director

26 June 2024

ORCHARD BOND FINANCE PLC

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBER OF ORCHARD BOND FINANCE PLC

Opinion

We have audited the financial statements of Orchard Bond Finance plc (the 'company') for the year ended 31 July 2023 which comprise the statement of comprehensive income, statement of financial position, statement of changes in equity, the statement of cash flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK-adopted International Accounting Standards.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 July 2023 and of its loss for the year then ended;
- have been properly prepared in accordance with UK-adopted International Accounting Standards ; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, 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.

Summary of our audit approach

Key audit matters	• None
Materiality	• Overall materiality: £102,000 (2022: £111,000) • Performance materiality: £76,900 (2022: £83,700)
Scope	Our audit procedures covered 100% of revenue, total assets and loss before tax.

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

We have determined that there are no key audit matters to communicate in our report in relation to our audit of the company's financial statements.

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. When evaluating whether the effects of misstatements, both individually and on the financial statements as a whole, could reasonably influence the economic decisions of the users we take into account the qualitative nature and the size of the misstatements. Based on our professional judgement, we determined materiality as follows:

Overall materiality	£102,000 (2022: £111,000)
Basis for determining overall materiality	3.0% (2022: 3.0%) of total assets
Rationale for benchmark applied	The company has minimal operations, so we consider that the company's total assets remains the key benchmark
Performance materiality	£76,900 (2022: £83,700)
Basis for determining performance materiality	75% (2022: 75%) of overall materiality
Reporting of misstatements to the Board	Misstatements in excess of £5,130 and misstatements below that threshold that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit

The company has been subject to a full scope audit.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.
Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- understanding how the parent company's group cash flow forecasts for the going concern period have been prepared and the assumptions adopted;
- considering the reasonableness of the parent company group's forecasts against current year results; and
- considering the letter of financial support provided by the parent to the company and the ability of the parent company to provide financial support.

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

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

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

The extent to which the audit was considered capable of detecting irregularities, including fraud
Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the audit engagement team:

- obtained an understanding of the nature of the industry and sector, including the legal and regulatory framework that the company operates in and how the company is complying with the legal and regulatory framework;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud having obtained an understanding of the effectiveness of the control environment.

The most significant laws and regulations were determined as follows:

Legislation / Regulation	Additional audit procedures performed by the audit engagement team included:
UK-adopted International Accounting Standards, Companies Act 2006 and Listing Rules	Review of the financial statement disclosures and testing to supporting documentation; and Completion of disclosure checklists to identify areas of non-compliance.
FCA Compliance	Inspection of compliance documentation, including reviewing regulatory returns and correspondence with the FCA; Considering whether the company has acted within its FCA permissions; and Enquiry of management, including directors, as to whether the company is in compliance with these laws and regulations.

The areas that we identified as being susceptible to material misstatement due to fraud were:

Risk	Audit procedures performed by the audit engagement team:
Management override of controls	Testing the appropriateness of a sample of general ledger journal entries and other adjustments made in the preparation of the financial statements; Reviewing accounting estimates and judgements made by management and assessing whether they are indicative of a potential bias; and Evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

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.

Other matters which we are required to address

We were appointed by the Board of Directors on 29 September 2022 to audit the financial statements for the period ending 31 July 2022 and subsequent financial periods.

The period of total uninterrupted consecutive appointments is 2 years, covering the periods ended 31 July 2022 and 31 July 2023.

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

Our audit opinion is consistent with the additional report to the audit committee in accordance with ISAs (UK).

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

As required by the Financial Conduct Authority (FCA) Disclosure Guidance and Transparency Rules, these financial statements will form part of the Annual Financial Report prepared in Extensible Hypertext Markup Language (XHTML) format and filed on the National Storage Mechanism of the UK FCA. This auditor's report provides no assurance over whether the annual financial report has been prepared in XHTML format.

Richard Coates

RICHARD COATES (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
25 Farringdon Street
London
EC4A 4AB

Date: 04/07/2024

ORCHARD BOND FINANCE PLC

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 JULY 2023

	Notes	Year ended 31 July 2023 £	Period ended 31 July 2022 as restated £
Interest receivable and similar income		501	-
Administrative expenses		(40,086)	(28,431)
Operating loss		(39,585)	(28,431)
Investment income	5	3,290	38
Finance costs	6	(271,644)	(110,171)
Loss before taxation	3	(307,939)	(138,564)
Tax on loss	7	-	-
Loss for the financial year		(307,939)	(138,564)

The income statement has been prepared on the basis that all operations are continuing operations.

The notes on pages 16 to 24 form part of these financial statements.

ORCHARD BOND FINANCE PLC

STATEMENT OF FINANCIAL POSITION

AS AT 31 JULY 2023

	Notes	31 July 2023 £	31 July 2022 £
ASSETS			
Non-current assets			
Intercompany receivables	9	3,212,537	-
Current assets			
Loans to customers and prepayments	9	14,854	5,552
Intercompany receivables		-	2,636,550
Cash and cash equivalents		193,578	1,109,935
Total assets		3,420,969	3,752,037
EQUITY			
Equity			
Called up share capital	12	50,000	50,000
Retained earnings		(446,503)	(138,564)
Total equity		(396,503)	(88,564)
LIABILITIES			
Non-current liabilities			
Borrowings	11	3,744,395	3,702,244
Current liabilities			
Trade and other payables	10	73,077	138,357
Total equity and liabilities		3,420,969	3,752,037

The notes on pages 16 to 24 form part of these financial statements.

The financial statements were approved by the board of directors and authorised for issue on 26 June 2024 and are signed on its behalf by:

Mr L McShane
Director

Company Registration No. 07365926

ORCHARD BOND FINANCE PLC

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 JULY 2023

	Share capital £	Retained earnings £	Total £
Balance at 1 October 2021	50,000	-	50,000
Period ended 31 July 2022:			
Loss and total comprehensive income for the period	-	(138,564)	(138,564)
Balance at 31 July 2022	50,000	(138,564)	(88,564)
Year ended 31 July 2023:			
Loss and total comprehensive income for the year	-	(307,939)	(307,939)
Balance at 31 July 2023	50,000	(446,503)	(396,503)

The notes on pages 16 to 24 form part of these financial statements.

ORCHARD BOND FINANCE PLC

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 JULY 2023

	Notes	2023 £	2023 £	2022 as restated £	2022 as restated £
Cash flows from operating activities					
Cash absorbed by operations	15		(690,154)		(2,519,676)
Interest paid			(229,493)		(94,250)
Net cash outflow from operating activities			(919,647)		(2,613,926)
Investing activities					
Interest received		3,290		38	
Net cash generated from investing activities			3,290		38
Financing activities					
Proceeds from issue of shares		-		37,500	
Proceeds from bond issue (net of issue costs of £210,752)		-		3,686,323	
Net cash generated from financing activities			-		3,723,823
Net (decrease)/increase in cash and cash equivalents			(916,357)		1,109,935
Cash and cash equivalents at beginning of year			1,109,935		-
Cash and cash equivalents at end of year			193,578		1,109,935

The notes on pages 16 to 24 form part of these financial statements.

1 Accounting policies

Company information

Orchard Bond Finance plc is a public company limited by shares incorporated in England and Wales. The registered office is 222 Armstrong Road, Luton, Bedfordshire, UK, LU2 0FY.

The financial statements of the company are consolidated into the financial statements of Orchard Funding Group plc.

The consolidated financial statements of Orchard Funding Group plc are available from its registered office, 222 Armstrong Road, Luton, Bedfordshire, UK, LU2 0FY.

1.1 Reporting period

In the previous period the company shortened its accounting period from 30 September 2022 to 31 July 2022. This was to bring its accounting year end in line with the parent and rest of the group.

For the above reason, comparative amounts are not directly comparable.

1.2 Accounting convention

The financial statements of the company have been prepared in accordance with UK adopted International Accounting Standards.

The financial statements have been prepared on a historical cost basis.

1.3 Going concern

The company has an excess of liabilities over assets which, in isolation, would indicate an inability to continue as a going concern. However, the company has received a letter of financial support from the parent indicating that it will provide financial support in enabling the company to meet its liabilities as they fall due for the period until at least 31 July 2025.

At the time of approving the financial statements, the directors have therefore a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

1.4 Income recognition

Interest arising from funding activities (interest income from financial assets at amortised cost) is the primary source of revenue for the company. It is calculated using the effective interest method and recognised in the income statement. 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 carrying amount of the instrument.

Interest income is calculated by applying the effective interest rate to the carrying amount of a financial asset before any allowance for expected credit losses except for credit impaired assets in stage 3.

All cancellations after the year end are provided for in full.

1 Accounting policies **(Continued)**

1.5 Financial instruments

Financial assets

Under IFRS 9 financial assets are classified and measured as:

- amortised cost;
- fair value through other comprehensive income; or
- fair value through profit or loss;

on the basis of both the business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

Fair value is the price a willing buyer and willing seller would exchange an asset. It assumes that both parties have the same understanding of the transaction that they are entering into (one party does not have information that the other does not) and they enter into it freely.

In most cases initial cost will be a fair estimate of fair value.

The financial assets of the company consist of cash at bank, loans to customers and intercompany receivables.

Loans to customers

The company's business model is to hold financial assets to collect cashflows, being payments of interest and capital. Financial assets are not held for resale. The contractual characteristics of the financial assets are that both interest and capital are due from the borrower during the life of the asset.

Loans to customers are amounts due from borrowers for monies loaned to them. They are therefore contractual payments of interest and capital. If collection is expected wholly within one year they are classified as current assets. If not, the elements which are due after one year are presented as amounts falling due after more than one year by way of note. Trade receivables are initially recognised at fair value and subsequently recognised at amortised cost using the effective interest rate method, less provision for impairment.

1 Accounting policies **(Continued)**

Impairment of financial assets

Impairment reviews are carried out using the expected credit loss (ECL) approach. ECLs are the probability-weighted estimate that the present value of all cash flows expected to be received fall short of those actually contracted to be received. An ECL occurs even if the full amount is received but later than contractually due. No loss event is needed for an impairment allowance to be recognised.

The company uses the general approach to ECLs. This means that the credit risk for each group of financial assets is assessed at each reporting date and an impairment allowance calculated and provided as necessary. Calculations are made using the probability of default method. A probability is applied to the exposure at default, under three different scenarios, to arrive at a weighted probability of default. The scenarios used are estimates of the likelihood of losses taking account of macro-economic forecasts (unemployment, interest rates, inflation and house prices), our current arrears and other factors which would influence collectability in the future (e.g. poor credit rating for a customer). Taking account of the above, a first scenario is set. A second is then set based on a deterioration of the general business environment which would lead to credit losses being twice what they would in the first. A third scenario is based on credit losses of four times the first. To each of the above a weighting is applied. Management has judged this to be a 65% probability of the first scenario, 20% of the second and 15% of the third.

A three-stage model for calculating ECLs is used, based on changes in credit quality since initial recognition. IFRS 9 also requires either 12 month (stage 1) or lifetime ECLs (stages 2 and 3) to be recognised depending on which of the three stages to which the asset is assigned. While ECLs are applied to all financial assets, in this company the assets to which they apply are loans to customers and intra group receivable balances.

- Stage 1. When a financial asset is first recognised it is assigned to stage 1. If there is no significant increase in credit risk since initial recognition the financial asset remains in stage 1. Stage 1 also includes financial assets where the credit risk has improved and the financial asset has been reclassified back from stage 2.
- Stage 2. When a financial asset shows a significant increase in credit risk from initial recognition it is moved to stage 2. Stage 2 also includes financial assets where the credit risk has improved and the financial asset has been reclassified back from stage 3.
- Stage 3. When there is objective evidence of impairment and the financial asset is considered to be in default, or otherwise credit impaired, it is moved to stage 3.

The assessment process for evaluating the quality of financial assets is ongoing to enable early identification of credit impairment. These assets are reclassified if there has been any change in credit quality and, where necessary, they are moved to another stage.

Any loans outstanding for a period of up to 30 days are not considered to be suffering from an increase in credit risk. Such advances are included in Stage 1 of the credit assessment outlined above. A significant increase in credit risk is determined by management, based on their experience and judgement. Any loans falling into this category are included in Stage 2. A loan to a customer will only be considered credit impaired if it is in default of contractual terms, 90 days past due, or there is other objective evidence of impairment. Where a financial asset is classified as credit impaired it will be moved into stage 3. 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 Statement of Comprehensive Income. All credit impaired loans are provided for in full, unless there are circumstances which would indicate that a lower amount should be provided for.

All loans to customers are in Stage 1 in these financial statements.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

1 Accounting policies **(Continued)**

Financial liabilities
Under IFRS 9 financial liabilities are classified as:
- measured at amortised cost;
- measured at fair value through profit or loss; or
- designated at fair value through profit or loss.

The company has one principal class of financial liabilities: borrowings from bond isue.

Borrowings from bond issue
Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. After initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in profit or loss over the period of the borrowings on an effective interest basis.

Charges consist of interest payable and are recognised as interest payable in the Statement of Comprehensive Income.

Derecognition of financial liabilities
Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

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

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

Deferred tax
Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

2 Change in accounting policy

In the previous year £15,921 of amortised bond issue costs were recognised in administrative expenses in the Statement of Comprehensive Income. For the 2023 accounts, these costs are recognised in the Statement of Comprehensive Income as finance costs and the 2022 comparatives have been reclassified for consistency.
The impact of these on comprehensive income for that period is that the amount shown as administrative expenses is now £28,431 compared to £44,352 as previously shown. The amount shown as finance costs is now £110,171 compared to £94,250 as previously shown.
The same adjustment has been made in the Statement of Cash Flows leading to a reduction in net cash generated from financing activities from £3,739,744 to £3,723,823 and the net cash outflow from operating activities reducing from £2,629,847 to £2,613,926.
There is no impact on the loss before taxation or on any balance sheet item.

3 Loss before taxation

	31 July 2023	31 July 2022
Loss before taxation for the year is stated after charging:	£	£
Fees payable to the company's auditor for the audit of the company's financial statements	33,066	24,000

4 Directors' remuneration

No remuneration was paid to the directors.

5 Investment income

	31 July 2023	31 July 2022
	£	£
Interest income		
Interest on bank deposits	3,290	38

6 Finance costs

	31 July 2023	31 July 2022
	£	£ as restated
Interest on financial liabilities measured at amortised cost:		
Bond interest	271,644	110,171

Bond interest includes an amount of £42,150 (2022 £15,921) in respect of amortised bond issue costs.

7 Taxation

Expenses in the company were in excess of its income for this year and the previous period. There is therefore no tax payable for either this year or the previous period. Tax losses are surrendered to fellow subsidiaries so there is no deferred tax asset to recognise.

8 Financial instruments

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

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

- Loans to customers and intercompany receivables
- Cash and cash equivalents
- Trade payables
- Borrowings

All financial assets and liabilities are at classified as at amortised cost. None are at fair value through comprehensive income.

9 Loans to customers, prepayments and intercompany receivables

Non-current	31 July 2023 £	31 July 2022 £
Amounts owed by group undertakings	3,212,537	-

Current	£	£
Loans to customers	14,854	-
Amounts owed by group undertakings	-	2,636,550
Prepayments and accrued income	-	5,552
	14,854	2,642,102

Total loans to customers, prepayments and other intercompany receivables	3,227,391	2,642,102

Amounts shown as owed by group undertakings are interest free and repayable on demand.

Loans to customers
Standard credit terms for loans to customers are based on the length of the loan but repayments are due on a monthly basis. The expected credit losses on receivables not past due have been assessed as negligible and therefore no expected credit loss provision is needed.

10 Trade and other payables

	31 July 2023 £	31 July 2022 £
Trade payables	1,448	-
Accruals and deferred income	71,629	138,357
	73,077	138,357

11 Borrowings

	31 July 2023 £	31 July 2022 £
Retail bonds	3,744,395	3,702,244
Payable after one year	3,744,395	3,702,244

11 Borrowings (Continued)

The retail bonds are stated net of unamortised costs amounting to £152,905 (2022 £195,056). They are secured by a floating charge over the company's assets and are supported by a guarantee from the parent amounting to 10% of the amount invested.

The bonds are five year bonds, are tradeable on the London Stock Exchange and bear interest at a rate of 6.25% per annum.

The market value of the bonds at 31 July 2023 was £3,897,300 (29 July 2022, the last trading day in the previous year - £3,994,655).

12 Share capital

	31 July 2023	31 July 2022	31 July 2023	31 July 2022
Ordinary share capital	**Number**	**Number**	**£**	**£**
Issued and fully paid				
Ordinary of £1 each	50,000	50,000	50,000	50,000

13 Related party transactions

The company raised £3,897,075 from its issue of retail bonds in the previous year. Until 7 April 2022 cash received from this went through a fellow subsidiary as the company had no bank account at that time. The amount paid in was £2,797,300. Costs associated with the issue were paid by the fellow subsidiary. These costs amounted to £210,750.

During the year the company loaned £600,000 (2022 £Nil) to the parent and had expenses paid on its behalf amounting to £24,000 (2022 £Nil).

At the year end the company was owed £3,212,537 (2022 £2,636,550) by the parent.

14 Ultimate controlling party

Orchard Funding Group plc is regarded by the directors as being the company's ultimate parent company.

The ultimate controlling party is R Takhar who owns 54.19% of the issued share capital of the ultimate parent company.

15 Cash absorbed by operations

	31 July 2023 £	31 July 2022 £ as restated
Loss for the year after tax	(307,939)	(138,564)
Adjustments for:		
Finance costs	271,644	110,171
Investment income	(3,290)	(38)
Movements in working capital:		
(Increase)/decrease in trade and other receivables	(9,302)	6,948
Increase in intercompany receivables	(575,987)	(2,636,550)
(Decrease)/increase in trade and other payables	(65,280)	138,357
Cash absorbed by operations	(690,154)	(2,519,676)

16 Reconciliation of liabilities arising from financing activities

	1 August 2022 £	Cash flows £	Other non-cash changes £	31 July 2023 £
Retail bonds	(3,702,244)	-	(42,151)	(3,744,395)

On issue of the bonds, costs were incurred which are amortised over the issue period. Other non-cash changes are the amortised costs charged to comprehensive income this year.