

Company registration number 07365926 (England and Wales)

ORCHARD BOND FINANCE PLC
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2024

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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	Macalvins 15 Half Moon Street Mayfair London W1J 7DZ

ORCHARD BOND FINANCE PLC

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ORCHARD BOND FINANCE PLC

STRATEGIC REPORT

FOR THE YEAR ENDED 31 JULY 2024

The directors present the strategic report for the year ended 31 July 2024.

Strategy, objectives and business review

The company was set up as a vehicle to raise finance via a bond issue in March 2022. The purpose of this issue was to increase liquidity for the group to make it less reliant on other sources of finance.

The company lends money either directly to external borrowers or through other group companies. The board endeavours to do so in a profitable, responsible manner 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 £45.79k for insurance premium funding. No new loans were made to other group companies during the year. Loans to the group have been interest free and repayable on demand, although the board will review this policy. These group loans are shown as non-current because 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](http://www.orchardfundinggroupplc.com).

The group'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 group and thereby 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 - the risk that debtors or guarantors will default leading to credit losses or even the whole of the debt. There has been no significant change in this risk between last year and this. There is mitigation in that money is only loaned for 10 months and there is recourse to the partner broker.

Non-use risk - 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 because of the increase in external lending. 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. Forecasts prepared for the group indicate this to be the case.

Conduct risk - 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.

ORCHARD BOND FINANCE PLC

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2024

Future developments

The bond issue was made to ensure that the group had sufficient funding availability. During the previous year the company began lending externally and has increased this during the year. 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 intends to use the following KPIs to monitor performance as the loan book grows: To date these are not significant other than operating costs. Net interest margin is negative given the small amount of external lending and the fact that, at present, no interest is charged to group entities.

- 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 ensure that compliance with them is monitored. Further details are disclosed in the 2024 annual report of Orchard Funding Group plc.

The company has, so far, engaged with its bondholders via group's website at orchardfundinggroupplc.com and by supplying them with the annual financial statements. 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

29 November 2024

ORCHARD BOND FINANCE PLC

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 JULY 2024

The directors present their annual report and financial statements for the year ended 31 July 2024.

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

Mr R Takhar is the CEO of the company. His role is to propose, implement and report on the strategic direction of the company; prepare and deliver the strategic and operating plans supported by financial estimates to support these; review risk and examine how it is mitigated; represent the company in dealings with bondholders and other stakeholders.

Ms T Korenkova and Mr L McShane are responsible for control and management of the finances of the company. In particular T Korenkova deals with all aspects of the day to day running of the finances, from discussions with lenders to preparing the financial statements.

Miss E Stratford is the operations director. Her role is to manage all the operations of the company and ensure that regulatory requirements are adhered to.

The directors did not meet in person during the year but dealt with matters by e-mail. The main e-mail sent was to confirm the accounts for the year ended 31 July 2024 on 25 November 2024.

The company has no non-executive directors. The main board which has two non-executive directors acts as an oversight board for the company.

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.

ORCHARD BOND FINANCE PLC

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2024

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.

ORCHARD BOND FINANCE PLC

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2024

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.

Strategic report

The company has chosen in accordance with Companies Act 2006, s. 414C(11) to set out in the company's strategic report information required by Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch. 7 to be contained in the directors' report. It has done so in respect of risks associated with financial instruments and future developments as noted earlier.

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

29 November 2024

ORCHARD BOND FINANCE PLC

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2024

We have audited the financial statements of Orchard Bond Finance Plc for the year ended 31 July 2024 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the 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 the preparation of the financial statements is applicable law and International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) and as adopted in the United Kingdom..

In our opinion:

- the financial statements give a true and fair view of the state of the company's affairs as at 31 July 2024 and of the company's loss for the year then ended;
- the financial statements have been properly prepared in accordance with IFRSs as adopted by the IASB; and
- the financial statements have been prepared in accordance with the requirements of Companies Act 2006.

Basis for opinion

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

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:

- Confirm our understanding of the directors' going concern assessment process, including the controls over the review and approval of the budget and plan. We have obtained a copy of management's assessment of going concern and evidence that the assessment was approved by the Board;
- Assessing the appropriateness of the duration of the going concern assessment period to 31 July 2028 and considering the existence of any significant events or conditions beyond this period based on our procedures on the company's plans and knowledge arising from other areas of the audit;
- Review and verification of the inputs and assumptions used in the board approved working capital forecasts, identifying the key assumptions and evaluating the appropriateness of these assumptions;
- Evaluating management's historical forecasting accuracy and the consistency of the going concern assessment with information obtained from other areas of the audit, such as our audit procedures on the company's plans;
- Testing the mechanical accuracy of the going concern analysis;
- Confirming the existence and availability of financing for the company's operations;
- Obtained a letter of support from the company's immediate parent company Orchard Funding Group Plc;
- Evaluated the ability of the immediate parent company and group to provide continued support;
- Performing independent sensitivity analysis on management's assumptions including applying adverse cashflow sensitivities and evaluating the appropriateness of mitigating actions available to management for example deferring expenditure; and
- Evaluating the disclosures on going concern.

Our key observations arising with respect to our evaluations were:

- At the balance sheet date the company recorded cash and cash equivalents of £5,797 and current liabilities in excess of current assets in the amount of £43,333;
- The company's working capital forecasts indicate that the company is relying on financial support from its group;
- The group's working capital forecasts indicate that the group will have adequate resources to provide continued support to the company.

ORCHARD BOND FINANCE PLC

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2024

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of time and efforts of the engagement team and directing the audit procedures undertaken. The identification and adjustment of the expenditure referred to in the key audit matters above were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters and did not change our assessment of key audit matters during the performance of the audit.

Key audit matter	Audit response to key matter	Findings
Fraud in revenue recognition	<p>Presumed risk under ISA 240: Incorrect treatment of income under IFRS.</p> <p>We performed relevant audit procedures and specific tests to evaluate if income had been omitted from the financial statements for the current year. Our procedures included the following:</p> <ul style="list-style-type: none"> - Review of Company Bank Statements: - Our review of the company's bank statements did not reveal evidence of income which had been omitted and not accurately reflected in the financial statements. - Tests of loan income - The company's income derives from interest on loans to third parties. We obtained a sample of loan agreements and tested that the revenue recognition of the in accordance with IFRS. 	Based on our audit procedures performed we have not identified any instances of incorrect revenue recognition.

Other information

Key audit matter	Audit response to key matter	Findings
Management override of controls	<p>Presumed risk under ISA 240: Risk of management using their position in the company to manipulate financial results and misappropriate assets.</p> <p>In addition to the procedures described in the "Auditor's responsibilities for the audit of the financial statements" of the Audit report, we audited to higher risk all areas requiring judgement, performed tests on a sample basis of journal entries exhibiting unusual characteristics, journals relating to areas of significant audit interest and incorporated unpredictability in our substantive testing procedures.</p> <p>We assessed the appropriateness of liabilities and transactions to related parties, reviewing management's review of contracts, their identification and estimation of performance obligations, including ratification of such obligations by the board and reviewing appropriate supporting documentation.</p>	Based on our audit procedures performed we have not identified any instances of management override of controls.
Going concern	<p>Risk of incorrect use of the going concern assumption based on the company's financial position arising from obligations to repay the interest on the bond, company's operating losses and cash balances</p> <p>We performed procedures to test and assess the significant assumptions used in the working capital forecasts, including performing sensitivity analysis as detailed in the going concern section of the audit report.</p>	Based on the result of our audit procedures we consider the Orchard Group has sufficient resources to support the company to at least 30 November 2025.

ORCHARD BOND FINANCE PLC

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2024

Key audit matter	Audit response to key matter	Findings
Accounting disclosures	<p>Risk that IFRS and UK Corporate Governance Code are not compliant or omitted.</p> <p>We thoroughly reviewed the accounts' disclosures to ensure that all required information was included utilising appropriate industry standard IFRS disclosure checklist and the UK corporate governance code checklist. The latter encompassed compliance with Listing rules, Disclosure and Transparency Rules pertaining to audit committees and corporate governance statements, the 2018 version of the UK Corporate Governance Code issued by the FRC, FRC Guidance on Risk Management/Internal Controls, the 2016 FRC guidance on Audit Committees, the 2018 FRC guidance on Board Effectiveness, and the FRC Minimum Standards for 2023 concerning Audit Committees and external audit.</p> <p>Furthermore, we conducted a review of the LSE listing for company to identify any essential information requiring disclosure.</p>	<p>All disclosure adjustments or omissions assessed as material have been corrected by management.</p> <p>We have concluded the financial statements are materially compliant with IFRS, the UK Corporate Governance Code, the Listing Rules and other relevant regulation.</p>

Our application of materiality

Overall materiality	£95,000
Benchmark applied	3% of total assets
Rationale for benchmark	<p>The company's purpose is to hold the bond raised by the Group and the funds have been lent to other companies within the Orchard Group.</p> <p>Therefore total assets was determined as the most appropriate benchmark.</p>
Performance materiality	<p>Performance materiality is set to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements in the financial statements exceeds materiality for the financial statements as a whole.</p> <p>We set performance materiality at £66,500, which represents 70% of overall materiality</p>
Triviality threshold	<p>We agreed with the directors that we would report to them misstatements identified during our audit above £4,750 as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.</p>

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

ORCHARD BOND FINANCE PLC

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2024

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 of the directors' remuneration disclosure within the directors' remuneration report has been properly prepared in accordance with 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 company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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

- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- the company financial statements and the part of the directors' remuneration report to be audited 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.

Corporate governance statement

Our obligation is to review the directors' statement in relation to going concern and viability of the company and review the Corporate Governance Statement relating to the company's compliance with the provisions of the UK Corporate Governance Code specified in The Listing Rules.

We have concluded, based on the work undertaken as part of our audit, that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit:

- Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified in their statement;
- Directors' explanation as to its assessment of the company's prospects, the period this assessment covers and why the period is appropriate set out in their statement;
- Director's statement on whether it has a reasonable expectation that the company will be able to continue in operation and meets its liabilities set out in their statement;
- Directors' statement on accountability, diversity and other matters set out in their statement;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out in their statement;
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out in their statement; and;
- The section describing the work of the Audit and Risk Committee set out in their statement.

ORCHARD BOND FINANCE PLC

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2024

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 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 our procedures are capable of detecting irregularities, including fraud is detailed below: In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the company's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management about their own identification and assessment of the risks of irregularities;
- identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
- detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
- the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations; and
- Addressing the risks of fraud through management override of controls by performing journal entry testing.

These matters were discussed among the audit engagement team regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

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

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management. As with any audit, there remains a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

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

ORCHARD BOND FINANCE PLC

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBER OF ORCHARD BOND FINANCE PLC

Other matters which we are required to address

Independence

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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.

We have provided no other non-audit services during the year ended 31 July 2024.

Use of the audit report

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

Macalvin Ltd.

Pankaj Rajani
(Senior Statutory Auditor)
For and on behalf of Macalvins Limited, Statutory Auditor
Bank House
7 St John's Road
Harrow
HA1 2EY

29 November 2024

ORCHARD BOND FINANCE PLC

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 JULY 2024

	Notes	31 July 2024 £	31 July 2023 £
Interest receivable and similar income		2,697	501
Administrative expenses		(24,569)	(40,086)
Operating loss		(21,872)	(39,585)
Investment income	5	1,505	3,290
Finance costs	6	(286,232)	(271,644)
Loss before taxation	3	(306,599)	(307,939)
Tax on loss	7	-	-
Loss for the financial year		(306,599)	(307,939)

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 2024

	Notes	31 July 2024 £	31 July 2023 £
ASSETS			
Non-current assets			
Intercompany receivables	9	3,126,776	3,212,537
Current assets			
Loans to customers and prepayments	9	23,692	14,854
Cash and cash equivalents		5,797	193,578
Total assets		3,156,265	3,420,969
EQUITY			
Equity			
Called up share capital	12	50,000	50,000
Retained earnings		(753,102)	(446,503)
Total equity		(703,102)	(396,503)
LIABILITIES			
Non-current liabilities			
Borrowings	11	3,786,545	3,744,395
Current liabilities			
Trade and other payables	10	72,822	73,077
Total equity and liabilities		3,156,265	3,420,969

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 29 November 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 2024

	Share capital £	Retained earnings £	Total £
Balance at 1 August 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)
Year ended 31 July 2024:			
Loss and total comprehensive income for the year	.	(306,599)	(306,599)
Balance at 31 July 2024	50,000	(753,102)	(703,102)

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 2024

	Notes	2024 £	£	2023 £	£
Cash flows from operating activities					
Cash generated from/(absorbed by) operations	15		54,796		(690,154)
Investing activities					
Interest received		1,505		3,290	
Net cash generated from investing activities			1,505		3,290
Financing activities					
Repayment of borrowings		-		-	
Finance costs		(244,082)		(229,493)	
Net cash absorbed by financing activities			(244,082)		(229,493)
Net decrease in cash and cash equivalents			(187,781)		(916,357)
Cash and cash equivalents at beginning of year			193,578		1,109,935
Cash and cash equivalents at end of year			5,797		193,578

Cash and cash equivalents consist of cash held on current account

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

ORCHARD BOND FINANCE PLC

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2024

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 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.

Effect of new, or changes to financial reporting standards

At the date of authorisation of these financial statements, all of the new or amended Accounting Standards and Interpretations issued by the International Accounting Standards Board ('IASB') that are mandatory for the current reporting period and are relevant to the company's operations have been applied.

Financial reporting standards, amendments and interpretations in issue but not yet effective

There are a number of new standards, amendments and interpretations that have been issued but are not effective for these financial statements. They are not expected to impact the financial statements as either they are not relevant to the company's activities or are consistent with accounting policies already followed by the company.

1.2 Going concern

The company has an excess of liabilities over assets. 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 2026. Three other fellow subsidiaries have borrowing facilities of £25.00m, £5.00m and £20.00m of which £20.48m, £2.50m and £13.45m respectively were drawn. Together with the bond debt on this company total group indebtedness was £40.33m at the balance sheet date. At the same date group loans to customers net of impairment provision amounted to £66.98m of which £57.94m was due within one year. This buffer, together with that fact that there is no indication from lenders that they will not renew the group facilities, indicates that the group has sufficient financial resources for the parent to make this promise of support.

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.

1.3 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.

ORCHARD BOND FINANCE PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2024

1 Accounting policies

(Continued)

1.4 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.

Intercompany receivables

Intercompany receivables are amounts due from the parent to the company. They are interest free, unsecured and repayable on demand. However, there is a requirement to present amounts owed from group companies as current only where they are expected to be received within 12 months or within the company's normal operating cycle. Although these amounts are repayable on demand, there is no expectation to receive them within 12 months therefore the amounts owed by the parent are classified as non-current.

ORCHARD BOND FINANCE PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2024

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.

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.

All loans to customers fall within stage 1 and there have been no movements from one stage to another from the previous reporting date. Amounts owed by customers are low in value as is the ECL.

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.

ORCHARD BOND FINANCE PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2024

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 the bond issue.

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.

1.5 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.

ORCHARD BOND FINANCE PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2024

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

The company has a very small amount of income which is recognised under FCA rules and detailed in note 1.3. There is a small amount of ECL but even if it were 100% there would be little impact on these financial statements. Expenses are also minimal with the exception of interest on the bonds and audit fees. Measurement and recognition of bond costs are detailed in note 1.4 and audit fees are provided by our auditor. There are therefore no material judgements, estimates or assumptions which would impact the amounts disclosed for assets or liabilities in these financial statements or which would have an impact going forward.

3 Loss before taxation

	31 July 2024	31 July 2023
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	19,978	33,066

4 Directors' remuneration

No remuneration was paid to the directors by the company as they are paid by other companies in the group.

5 Investment income

	31 July 2024	31 July 2023
Interest income	£	£
Interest on bank deposits	1,505	3,290

6 Finance costs

	31 July 2024	31 July 2023
Interest on financial liabilities measured at amortised cost:	£	£
Bond interest	286,232	271,644

Bond interest includes an amount of £42,150 (2023 £42,151) in respect of amortised bond issue costs.

ORCHARD BOND FINANCE PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2024

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
- Borrowings

There are also trade payables but the amounts are immaterial and risk is negligible.

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

Loans to customers are wholly repayable within 12 months of the balance sheet date.

Intercompany receivables are interest free and repayable on demand. However, although these amounts are repayable on demand, there is no expectation to receive them within 12 months therefore the amounts owed by the parent are classified as non-current.

Borrowings consist of amounts owed to bondholders. Details are set out in note 11.

ORCHARD BOND FINANCE PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2024

9	Loans to customers, prepayments and intercompany receivables	31 July 2024	31 July 2023
		£	£
	Non-current		
	Amounts owed by group undertakings	3,126,776	3,212,537
		<u> </u>	<u> </u>
	Current	£	£
	Loans to customers	23,692	14,854
		<u> </u>	<u> </u>
	Total loans to customers, prepayments and other intercompany receivables	3,150,468	3,227,391
		<u> </u>	<u> </u>

Amounts shown as owed by group undertakings are currently 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 the expected credit loss provision is negligible. All loans are repayable within 12 months of the balance sheet date.

10	Trade and other payables	31 July 2024	31 July 2023
		£	£
	Trade payables	1,748	1,448
	Accruals and deferred income	71,074	71,629
		<u> </u>	<u> </u>
		72,822	73,077
		<u> </u>	<u> </u>

ORCHARD BOND FINANCE PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2024

11 Borrowings

	31 July 2024 £	31 July 2023 £
Retail bonds	3,786,545	3,744,395
Payable after one year	3,786,545	3,744,395
Redemption amount	3,897,075	3,897,075
Amortised costs carried forward	110,530	152,680
Carrying value	3,786,545	3,744,395

The retail bonds are stated net of amortised costs carried forward. 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, payable twice a year and are wholly repayable in March 2027.

The market value of the bonds at 31 July 2024 was £3,838,840 (31 July 2023 - £3,897,300).

12 Share capital

	31 July 2024 Number	31 July 2023 Number	31 July 2024 £	31 July 2023 £
Ordinary share capital Issued and fully paid				
Ordinary of £1 each	50,000	50,000	50,000	50,000

13 Related party transactions

During the year the company was repaid £63,700 by the parent. In the previous year it loaned £600,000 to the parent. That loan was interest free and repayable on demand. It also had expenses paid on its behalf amounting to £22,061 (2023 £24,013).

At the year end the company was owed £3,126,776 (2022 £3,212,537) by the parent. This is shown as part of non-current loans to customers, prepayments and intercompany receivables.

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.

ORCHARD BOND FINANCE PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2024

15 Cash generated from/(absorbed by) operations

	31 July 2024 £	31 July 2023 £
Loss for the year after tax	(306,599)	(307,939)
Adjustments for:		
Finance costs	286,232	271,644
Investment income	(1,505)	(3,290)
Movements in working capital:		
Decrease/(increase) in trade and other receivables	76,923	(585,289)
Decrease in trade and other payables	(255)	(65,280)
Cash generated from/(absorbed by) operations	<u>54,796</u>	<u>(690,154)</u>

16 Reconciliation of liabilities arising from financing activities

	1 August 2023 £	Cash flows £	Other non- cash changes £	31 July 2024 £
Retail bonds	(3,744,395)	-	(42,150)	(3,786,545)
	<u>(3,744,395)</u>	<u>-</u>	<u>(42,150)</u>	<u>(3,786,545)</u>

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.