



Prospectus dated 9 February 2022

# ORCHARD BOND FINANCE PLC

(public limited company incorporated in England and Wales with registered number 07365926)

*Offer of sterling denominated bonds by Orchard Bond Finance PLC at a fixed interest rate of **6.25%** per annum with a partial guarantee from Orchard Funding Group PLC (limited to 10% of the face value of the outstanding bonds)*

## **Arranger and Lead Manager**

Convexity Capital

(a trading name of Strata Global Limited)

**AN INVESTMENT IN THE BONDS INVOLVES CERTAIN RISKS. POTENTIAL INVESTORS SHOULD HAVE REGARD TO THE FACTORS DESCRIBED IN THE SECTION HEADED "*RISK FACTORS*" OF THIS PROSPECTUS.**

**INVESTORS SHOULD ALSO READ CAREFULLY THE SECTION HEADED "*OFFERING INFORMATION*".**

## IMPORTANT NOTICE

This document (the "**Prospectus**") has been prepared in accordance with Commission Delegated Regulation (EU) 2019/980 supplementing Regulation (EU) 2017/1129 of the European Parliament and of the Council as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**EUWA**") (the "**UK Prospectus Regulation**") and constitutes a prospectus in accordance with the Prospectus Regulation Rules of the FCA made under section 73A of the Financial Services and Markets Act 2000 (the "**FSMA**").

This Prospectus relates to the offer by Orchard Bond Finance PLC (the "**Issuer**") of its Sterling denominated 6.25% bonds due 2 June 2027 (the "**Bonds**") to be issued at a price of 100% of their nominal amount. The Issuer's payment obligations under the Bonds are guaranteed, subject to a limit of payments under the guarantee equal to 10% of the face value of the Bonds then in issue (the "**Partial 10% Guarantee**"), by the Issuer's parent company Orchard Funding Group PLC (the "**Guarantor**"). The Guarantor is the AIM-listed holding company of the Orchard group of companies and with the Issuer and its other subsidiaries, Orchard Funding Limited, Orchard Finance Limited, Cherry Orchard Funding Limited and Bexhill UK Limited which together comprise the "**Group**".

This Prospectus has been approved by the United Kingdom Financial Conduct Authority (the "**FCA**"). The FCA only approves the Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the UK Prospectus Regulation. Such approval should not be considered as an endorsement of either the Issuer or the Guarantor or the quality of the Bonds that are the subject of the Prospectus and investors should make their own assessment as to the suitability of investing in the Bonds.

The Bonds are freely transferable debt instruments and are due to be issued by the Issuer on or around 2 March 2022. The nominal amount of each Bond (being the amount which is used to calculate payments made on each Bond) is £100. The Bonds will rank pari passu without any preference amongst themselves and will be secured by way of a floating charge over all the assets of the Issuer. The aggregate nominal amount of the Bonds (and Retained Bonds, if any) to be issued will be specified in the Sizing Announcement expected to be published by the Issuer via the Regulatory News Service of the London Stock Exchange PLC ("**RNS**") on or around 23 February 2022, following the end of the offer period. The offer period is expected to end at 12 noon (London time) on 23 February 2022.

This Prospectus contains important information about the Issuer, the Group, the Bonds, the Partial 10% Guarantee and details of how to apply for the Bonds. This Prospectus also describes certain risks relevant to the Issuer, the Guarantor and the Group and their business and risks relating to an investment in the Bonds generally. You should read and understand fully the contents of this Prospectus before making any investment decisions relating to the Bonds.

### **Responsibility for the information contained in the Prospectus**

Each of the Issuer and the Guarantor accepts responsibility for the information contained in this Prospectus. To the best of the knowledge of the Issuer and the Guarantor the information contained in this Prospectus is in accordance with the facts and the Prospectus makes no omission likely to affect its import.

The auditor's reports in respect of the financial statements of the Issuer for the years ended 30 September 2020 and 30 September 2021, which are incorporated by reference into the Prospectus as set out on page 87, have been produced at the Issuer's request by Cheney & Co, a firm of chartered accountants and statutory auditors, whose business address is 310 Wellingborough Road, Northampton NN1 4EP, and who are independent of the Issuer. These reports have been included in the Prospectus with the consent of Cheney & Co who have authorised the contents of those reports in accordance with Prospectus Regulation Rule 5.3.5(2)(f), for the purposes of the Prospectus. Cheney & Co accept responsibility for the information contained in the audit reports and, to the best of its knowledge, such information is in accordance with the facts and the audit reports make no omission likely

to affect their import. With the exception of these audit reports, Cheney & Co does not accept any liability in relation to the information contained in this Prospectus or any other information provided by the Issuer in connection with the issue of the Bonds.

#### **Use of defined terms in the Prospectus**

Certain terms or phrases in this Prospectus are defined in double quotation marks and subsequent references to that term are designated with initial capital letters.

In this Prospectus, references to the "**Issuer**" are to Orchard Bond Finance PLC, which is the issuer of the Bonds. References to the "**Guarantor**" are to Orchard Funding Group PLC, which has provided a partial guarantee of the Issuer's obligations under the Bonds limited to 10% of the face value of the Bonds. The Issuer is a wholly-owned subsidiary of the Guarantor, which is the ultimate holding company of the Group. All references to the "**Group**" are to the Guarantor and its subsidiaries taken as a whole.

#### **The Bonds are not protected by the Financial Services Compensation Scheme**

The Bonds are not protected by the Financial Services Compensation Scheme (the "**FSCS**"). As a result, neither the FSCS nor anyone else will pay compensation to you upon the failure of the Issuer or the Guarantor.

#### **MIFID II Product Governance**

Solely for the purposes of the manufacturers' product approval process, the target market assessment in respect of the Bonds has led to the conclusion that: (i) the target market for the Bonds is eligible counterparties, professional clients and retail clients, each as defined in Directive 2014/65/EU (as amended, "**MiFID II**") and (ii) all channels for distribution of the Bonds are appropriate, subject to the distributor's suitability and appropriateness obligations under MiFID II, as applicable. Any person subsequently offering, selling or recommending the Bonds (a "**distributor**") should take into consideration the manufacturers' target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Bonds (by either adopting or refining the manufacturer target market assessment) and determining appropriate distribution channels, subject to the distributor's suitability and appropriateness obligations under MiFID II, as applicable.

#### **UK MiFIR Product Governance**

Solely for the purposes of the manufacturers' product approval process, the target market assessment in respect of the Bonds has led to the conclusion that: (i) the target market for the Bonds is eligible counterparties, professional clients and retail clients, each as defined in Regulation (EU) 600/2014 as it forms part of domestic law by virtue of the EUWA ("**UK MiFIR**") or the FCA Handbook Conduct of Business Sourcebook ("**COBS**") as relevant and (ii) all channels for distribution of the Bonds are appropriate, subject to the distributor's suitability and appropriateness obligations under the FCA Handbook Product Intervention and Product Governance Sourcebook (the "**UK MiFIR Product Governance Rules**"). Any **distributor** should take into consideration the manufacturers' target market assessment; however, a distributor subject to UK MiFIR Product Governance Rules is responsible for undertaking its own target market assessment in respect of the Bonds (by either adopting or refining the manufacturer target market assessment) and determining appropriate distribution channels, subject to the distributor's suitability and appropriateness obligations under UK MiFIR Product Governance Rules, as applicable.

#### **PRIIPs / No Key Information Document**

The Bonds pay a fixed rate of return and are to be redeemed at a fixed redemption amount. Accordingly, the Issuer has not prepared a key information document (within the meaning of Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**")).

**How to apply**

Applications to purchase Bonds cannot be made directly to the Issuer, the Guarantor or any other member of the Group. Bonds will be issued to you in accordance with the arrangements in place between you and your stockbroker or other financial intermediary, including as to application process, allocations, payment and delivery arrangements. You should approach your stockbroker or other financial intermediary to discuss any application arrangements that may be available to you.

**Further information**

If you have any questions regarding the content of the Prospectus or the actions you should take, you should seek advice from your independent financial adviser or other professional adviser before making any investment decisions.

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## SUMMARY

*This summary includes the key information that investors need in order to understand the nature and the risks of the Issuer, the Guarantor and the Bonds, and is to be read together with the other parts of this Prospectus to aid prospective investors when considering whether to invest in the Bonds.*

### SECTION 1: INTRODUCTION

This Prospectus relates to a proposed issue of Sterling denominated 6.25% bonds due 2 June 2027 (the "**Bonds**") to be issued by Orchard Bond Finance PLC (the "**Issuer**") and subject to a partial guarantee, limited to 10% of the face value of the Bonds, from the Issuer's parent company, Orchard Funding Group PLC (the "**Guarantor**").

The International Securities Identification Number ("**ISIN**") for the Bonds is GB00BMBV8F68.

The Issuer's legal entity identifier ("**LEI**") number is 213800412WSV8YLS2903. The Guarantor's LEI number is 213800U4K2POJCSQYR97.

The registered address of the Issuer and the Guarantor is 721 Capability Green, Luton LU1 3LU, England and their telephone number is 01582 346 291.

The Prospectus has been approved on 9 February 2022 by the United Kingdom Financial Conduct Authority as competent authority under Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018. The FCA may be contacted at 12 Endeavour Square, London E20 1JN.

**Warning:** This summary should be read as an introduction to the Prospectus. Any decision to invest in the securities described therein should be based on a consideration of the Prospectus as a whole by the prospective investor. Investors could lose all or part of the invested capital. Civil liability attaches to those persons who have tabled the Summary including any translation thereof, but only if the Summary is misleading, inaccurate or inconsistent when read together with other parts of the Prospectus or it does not provide, when read together with other parts of the Prospectus, key information in order to aid Investors when considering whether to invest in the Bonds.

### SECTION 2: KEY INFORMATION ON THE ISSUER AND THE GUARANTOR

#### **Who is the Issuer of the securities?**

The issuer of the Bonds is Orchard Bond Finance PLC, a public limited company incorporated on 6 September 2010 (with the name CRM Associated Limited) and domiciled in England and Wales with registered number 07365926. The Issuer re-registered as a public limited company on 29 September 2021.

The guarantor of the Bonds is Orchard Funding Group PLC, a public limited company incorporated on 2 June 2015 and domiciled in England and Wales with registered number 09618919 (the "**Guarantor**"). The Issuer is a wholly owned subsidiary of the Guarantor. The Guarantor is an AIM listed company which, through its wholly-owned subsidiaries Bexhill UK Limited, Orchard Funding Limited, Orchard Finance Limited, Cherry Orchard Funding Limited and the Issuer, (together "**the Group**") specialise in insurance premium finance, professional fee funding and finance for other service fees.

The Issuer is ultimately controlled by Mr Rabinder (Ravi) Singh Takhar who owns 53.66% of the issued share capital of the Guarantor which, in turn, owns all the shares in the Issuer.

The Issuer became a wholly owned subsidiary of the Guarantor on 10 December 2021, having previously been

owned directly by Mr Takhar. Mr Takhar is also a director of the Issuer and the Guarantor. The other directors of the Issuer are Emmia Louise Stratford, the Head of Operations and Credit for the Orchard Group and William (Liam) McShane. William (Liam) McShane is company secretary to the Issuer and the Guarantor and director of the Guarantor. Mr Takhar, Ms Stratford and Mr McShane are the key personnel responsible for the operations of the Issuer.

The Guarantor's non-executive directors are Steven Hicks (chairman) and Ketan Malde.

The auditors of the Group, now including the Issuer, are RSM UK Audit LLP of 6<sup>th</sup> Floor, 25 Farringdon Street, London EC4A 4AB.

### **What is the key financial information regarding the Issuer and the Group?**

The following summary historical financial data has been extracted, without any material adjustment, from the Guarantor's audited consolidated financial statements for the years ended 31 July 2019, 31 July 2020 and 31 July 2021.

The Issuer has not undertaken any trading activities since its incorporation and, as such, the Issuer's balance sheets for each financial year since its incorporation shows only its initial issued share capital of £1 (increased to £50,000 in the year ended 30 September 2021 to facilitate its re-registration as a PLC). Accordingly, the Issuer's historic accounts have not been reproduced for the purposes of this summary but are incorporated by reference into the Prospectus.

<b>Guarantor's consolidated statement of financial position – Assets</b>			
	Audited year ended 31/07/21	Audited year ended 31/07/20	Audited year ended 31/07/19
	£'000	£'000	£'000
<b>Non-current assets</b>			
Property, plant and equipment	23	39	29
Rights of use assets	56	96	58
Intangible assets	4	16	42
Deferred tax asset	-	6	10
Investment at FV through profit and loss	81	6	6
Loans to customers	2,257	-	-
Other receivables	-	7	12
<b>Current Assets</b>			
Loans to customers	27,616	27,300	32,141
Other receivable and prepayments	233	120	156
Cash and equivalents: Bank balances	2,170	2,300	2,139
<b>Total Assets</b>	<b>32,440</b>	<b>29,890</b>	<b>34,593</b>

<b>Guarantor's consolidated statement of financial position – Liabilities and equity</b>			
	Audited year ended 31/07/21	Audited year ended 31/07/20	Audited year ended 31/07/19
	£'000	£'000	£'000
<b>Current liabilities</b>			
Trade and other payables	4,182	2,939	3,015
Borrowings	11,439	11,004	16,218

Tax payable	138	273	370
<b>Non-current liabilities</b>			
Borrowings	878	72	15
Deferred tax liabilities	3	-	5
<b>Total Liabilities</b>	<b>16,640</b>	<b>14,288</b>	<b>19,623</b>
<b>Equity attributable to owners of the Guarantor</b>			
Called up share capital	214	214	214
Share premium	8,692	8,692	8,692
Merger reserve	891	891	891
Retained earnings	6,003	5,805	5,173
<b>Total Equity</b>	<b>15,800</b>	<b>15,602</b>	<b>14,970</b>
<b>Total Equity and Liabilities</b>	<b>32,440</b>	<b>29,890</b>	<b>34,593</b>

**Guarantor's consolidated income statement**

	Audited year ended 31/07/21	Audited year ended 31/07/20	Audited year ended 31/07/19
	£'000	£'000	£'000
<b>Continuing operations</b>			
Interest receivable and similar income	3,783	4,558	4,856
Interest payable and similar charges	(559)	(624)	(704)
Other trading income	817	722	625
Other direct costs	(603)	(533)	(455)
<b>Net total income</b>	<b>3,438</b>	<b>4,123</b>	<b>4,322</b>
Other operating costs	(2,516)	(2,436)	(2,197)
Net impairment losses on financial assets	131	(130)	(111)
<b>Operating profit</b>	<b>1,053</b>	<b>1,557</b>	<b>2,020</b>
Interest receivable	-	6	5
Interest payable	(3)	(2)	(4)
<b>Profit before tax</b>	<b>1,050</b>	<b>1,561</b>	<b>2,021</b>
Tax	(211)	(288)	(387)
<b>Profit for the year from continuing operations attributable to the owners of the Guarantor</b>	<b>839</b>	<b>1,273</b>	<b>1,634</b>
<b>Earnings per share attributable to owners of the Guarantor during the year (pence)</b>	<b>3.91</b>	<b>5.96</b>	<b>7.66</b>



<b>Guarantor's consolidated cash flow statement</b>			
	Audited year ended 31/07/21	Audited year ended 31/07/20	Audited year ended 31/07/19
	£'000	£'000	£'000
<b>Cash flows from operating activities</b>			
Operating profit	1,053	1,557	2,020
Depreciation and amortisation	71	86	83
Decrease/(increase) in loans to customers, other receivables and prepayments	(2,679)	4,882	(1,211)
(Decrease)/increase in trade and payables	1,243	(76)	970
Tax paid	(337)	(387)	(364)
<b>Net cash (absorbed)/generated by operating activities</b>	<b>(649)</b>	<b>6,062</b>	<b>1,498</b>
<b>Net cash absorbed by investing activities</b>	<b>(78)</b>	<b>(14)</b>	<b>(108)</b>
<b>Cash flows from financing activities</b>			
Dividends paid	(641)	(641)	(641)
Net receipts from borrowings	12,245	1,000	684
Borrowings repaid	(10,977)	(6,207)	(541)
Lease repayments	(30)	(39)	(39)
<b>Net cash generated/(absorbed) by financing activities</b>	<b>597</b>	<b>(5,887)</b>	<b>(537)</b>
<b>Net increase in cash and cash equivalents</b>	<b>(130)</b>	<b>161</b>	<b>853</b>
Cash and cash equivalents at the beginning of the year	2,300	2,139	1,286
<b>Cash and cash equivalents at the beginning of the year</b>	<b>2,170</b>	<b>2,300</b>	<b>2,139</b>

As noted above, the Issuer became a wholly owned subsidiary of the Guarantor on 10 December 2021, having previously been owned directly by Mr Takhar and, accordingly, the Guarantor's consolidated group accounts to be published in respect of the year ending 31 July 2022 will include reference to the Issuer as part of the Group.

#### **What are the key risks that are specific to the Issuer?**

- The Issuer was incorporated in 2010 but not yet undertaken any substantive trading activity to date. The Issuer's only source of income, therefore, will be monies received from customers either as fees, interest or the return of principal in relation to monies advanced. Consequently, the Issuer, and therefore payments by the Issuer in respect of the Bonds, will be subject to the credit risk of its customers.
- The Issuer's obligations to Bondholders in respect of payments of amounts in respect of the Bonds will be supported by the partial guarantee, limited to 10% of the face value of the Bonds, to be given by the Guarantor and the security granted over the Issuer's assets in favour of the Security Trustee but neither of these removes all risk of non-payment of interest or capital to Bondholders.

- The Issuer can give no assurance as to how long it will take it to invest any or all of the net proceeds from issuance of any Bonds and the longer the period the greater the likely adverse effect on the Issuer's ability to meet payments (of capital or interest) due under the Bonds.
- The Issuer has no employees other than its Directors (who are also Directors of the Guarantor) and is therefore substantially reliant upon the strategy decided and acted upon by the Group and on the retention of its key managers which cannot be guaranteed.
- General market conditions, including further falls in lending activity due to COVID-19 and other macro-economic factors, may mean the Issuer's income may fall and it may not be able to meet its interest and principal payments when they fall due.

### SECTION 3: KEY INFORMATION ON THE SECURITIES

#### What are the main features of the securities?

The Bonds are freely transferable, fixed rate debt securities. The Bonds will be issued in registered form on or around 2 March 2022 (the "**Issue Date**") and they will mature and fall due to be repaid on 2 June 2027 (the "**Maturity Date**"). The currency of the Bonds is pounds sterling, the nominal amount of each Bond (being the amount which is used to calculate payments made on each Bond) is £100 and the Bonds can be bought and sold in multiples of £100, subject to a minimum subscription per investor of £2,000 of Bonds.

The Bonds will be initially issued and sold at 100% of their nominal amount (i.e. their par value) and, whether they fall due to be repaid early or on the Maturity Date, the Bonds will be repayable at 100% of their nominal amount.

The total amount of Bonds to be issued and admitted to trading on the regulated market will depend on demand received for the Bonds during a period of book-building which commences on the date of this Prospectus and is expected to end at 12 noon (London time) on 23 February 2022 (the "**Offer Period**").

The total nominal amount of the Bonds to be issued will be specified in an announcement (the "**Sizing Announcement**") to be published by the Issuer via the regulatory news service ("**RNS**") operated by the London Stock Exchange PLC at the end of the Offer Period.

The Bonds will accrue interest from and including the Issue Date at the fixed rate of 6.25% per annum. The first interest payment of £4.6875, per £100 in nominal amount of the Bonds, is payable on 2 December 2022, nine months after the Issue Date, and thereafter interest is payable semi-annually in equal instalments of £3.125 on 2 June and 2 December in each year (or, if any such date does not fall on a Business Day, the immediately preceding Business Day) with the final payment made on the Maturity Date.

The obligations of the Issuer to pay Interest to Bondholders and to redeem Bonds will be secured by a floating charge over the assets of the Issuer (the "**Charge**"). The Charge has been granted to City Partnership Trustee Limited, a limited company incorporated in England and Wales with registered company number 08909187 whose registered office is Suite 2 Park Valley House c/o The City Partnership (UK) Ltd, Park Valley Mills, Meltham Road, Huddersfield, United Kingdom, HD4 7BH acting as the security trustee (the "**Security Trustee**"). The Security Trustee holds the security created by the Charge for the benefit of all Bondholders pursuant to the terms of the Charge. The Charge creates security for Bondholders because on the distribution of the proceeds of a winding up of the Issuer, the Charge grants priority to the Security Trustee (on behalf of Bondholders), save as mentioned below, for payment of all monies due in respect of their Bonds over other creditors of the Issuer who do not have a charge over the assets of the Issuer or whose charge ranks behind the security created by the

Charge. The Charge contains a negative pledge forbidding the Issuer from granting any security which ranks in priority to the Security Trustee's (acting for the Bondholders) interest under the Charge without the prior consent of the Bondholders.

On a winding up of the Issuer, payments to Bondholders will rank behind the expenses of the liquidation (including any fees, costs and expenses and other liabilities owing to the Security Trustee) and any proceeds due to any preferential creditors (though there are expected to be none) but ahead of any unsecured creditors or creditors who hold lower ranking security.

#### **Where will the securities be traded?**

Application will be made to the FCA for the Bonds to be admitted to its Official List and to the London Stock Exchange PLC for such Bonds to be admitted to trading on its regulated market and through its Order Book for Fixed Income Securities ("OFIS") market. It is expected that admission to trading will occur on or about 2 March 2022.

#### **Is there a guarantee attached to the securities?**

The Bonds will benefit from a partial guarantee of the Issuer's obligations under the Bonds, limited to 10% of the face value of the Bonds in issue, from the Guarantor (the "**Partial 10% Guarantee**"). This means that if Bonds with a nominal value of £10 million are in issue, the Guarantor will guarantee the obligations of the Issuer to Bondholders up to a sum of £1 million in the event that the Issuer is unable to make interest or capital payments to those Bondholders when they fall due. The Partial 10% Guarantee is unsecured insofar as the Guarantor has not granted a charge over its assets to the Issuer or the Security Trustee. The Partial 10% Guarantee contains certain standard warranties and undertakings given by the Guarantor including, inter alia, as to its solvency and ability to enter into the Partial 10% Guarantee.

#### **What are the key risks that are specific to the securities?**

- The Financial Services Compensation Scheme (FSCS) deposit protection does not apply to Bonds so neither the FSCS nor anyone else will pay compensation to Bondholders in the event of the failure (such as the insolvency) of the Issuer or where all or part of an investment in the Bonds is lost.
- If interest rates were to rise then the income payable on the Bonds might become less attractive in comparison to an investment the interest rate of which tracked an index and the price that you could realise on a sale of the Bonds may fall. Additionally, if inflation were to increase, this would reduce the real value of the Bonds over time.
- Investors will not become shareholders or have any ownership stake in the Issuer and will not be entitled to participate in its the Group's profits beyond the fixed return applicable to the Bonds.
- A Bondholders' resolution may be passed against the wishes of an individual Bondholder and that Bondholder will have to accept such Bondholders' resolution.

## **SECTION 4: KEY INFORMATION ON THE OFFER OF SECURITIES TO THE PUBLIC**

### **Under which conditions and timetable can I invest in this security?**

The Offer Period commences upon publication of this Prospectus and will close at 12.00 noon (London time) on 23 February 2022, or such earlier time and date as may be agreed amongst the Issuer and the Arranger and announced via RNS.

Applications to purchase Bonds cannot be made directly to the Issuer or the Guarantor. Bonds will be issued in accordance with the arrangements in place between you and your stockbroker or other financial intermediary, including as to application process, allocations, payment and delivery arrangements. You should approach your stockbroker or other financial intermediary to discuss any application arrangements that may be available to you. It is important to note that the Issuer and the Guarantor will not be party to such arrangements between you and your relevant financial intermediary. You must therefore obtain this information from your financial intermediary and the Issuer and Guarantor will have no responsibility to you for this information.

You will be notified by the relevant financial intermediary of your allocation of Bonds and instructions for delivery of and payment for the Bonds. You may not be allocated all (or any) of the Bonds for which you apply. The Bonds will be issued at the issue price (which is 100% of the nominal amount of the Bonds) and the aggregate nominal amount of the Bonds to be issued will be specified in the Sizing Announcement expected to be published by the Issuer via RNS after the end of the Offer Period.

The minimum subscription amount per investor is for a nominal amount of £2,000 of the Bonds. Thereafter, Bonds can be bought and traded in integral multiples of £100 in excess of £2,000.

The expected total expenses of the Offer to the Issuer are 4-5% of the amount raised. None of the Issuer, the Guarantor or the Lead Manager will charge applicants any expenses relating to the issue of the Bonds.

### **Why is this prospectus being produced?**

The Offer is being made and its proceeds will be used to enable the Group to further pursue its principal business activities as set out above under the heading *Who is the Issuer of the securities?*

The offering of the Bonds will not be underwritten and, so far as the Issuer and the Guarantor are aware, there are no conflicts of interest which are material to the offering of the Bonds or to the application for admission to trading.

The Prospectus has been produced for the purposes of offering the Bonds for sale in the United Kingdom and applying for such Bonds to be admitted to trading on the regulated market of the London Stock Exchange PLC.

The aggregate amount of Bonds to be issued will not be known until the end of the Offer Period and will be specified in the Sizing Announcement expected to be published by the Issuer via RNS shortly after the end of the Offer Period. The Sizing Announcement will also disclose the estimated net proceeds of the Bonds (taking account of fees and commissions payable in offering and distributing the Bonds).

## **RISK FACTORS**

*The following section sets out certain risk relating to an investment in the Bonds, including 1) Risks that may affect the Issuer's ability to fulfil its obligations under or in connection with the Bonds, 2) Regulatory and data privacy risks relating to the Orchard Group's business, 3) Risks relating to the business and operations of the Group, 4) Risks relating to the Bonds, 5) Risks relating to the market generally.*

*You should carefully consider the risks described below and all other information contained in this document and reach your own view before making an investment decision. The factors described below represent the principal risks and uncertainties which may affect the ability of Orchard Bond Finance PLC (the "**Issuer**"), and Orchard Funding Group PLC (the "**Guarantor**") to fulfil their respective obligations under the Bonds and the Partial 10% Guarantee. It is not possible to identify all such factors or to determine which factors are most likely to occur, as the Issuer and the Guarantor may not be aware of all relevant factors and certain factors which they currently deem not to be material may become material as a result of the occurrence of events outside the Issuer's and the Guarantor's control. If any of the following risks, as well as other risks and uncertainties that are not yet identified or that the Issuer and Guarantor think are immaterial at the date of this Prospectus, actually occur, then these could have a material adverse effect on the Issuer's and/or Guarantor's ability to fulfil their respective obligations to pay interest, principal or other amounts in connection with the Bonds.*

*Risks relating to the Issuer, the Bonds and the Guarantor's business have been classified into the following categories:*

- 1. Risks that may affect the Issuer's ability to fulfil its obligations under or in connection with the Bonds*
- 2. Regulatory and data privacy risks relating to the Orchard Group's business*
- 3. Risks relating to the business and operations of the Group*
- 4. Risks relating to the Bonds*
- 5. Risks relating to the market generally*

### **Risks that may affect the Issuer's ability to fulfil its obligations under or in connection with the Bonds**

#### ***The Issuer has limited sources of income***

The Issuer was incorporated in 2010 but not yet undertaken any substantive trading activity to date. The Issuer's sole purpose going forward will be the raising of finance for deployment into loans of the type that Orchard Group currently makes, including those on which it has historically focused as well as newer growth markets, and which are described in this Prospectus. The Issuer's only source of income, therefore, will be monies received from customers either as fees, interest or the return of principal in relation to monies advanced. Consequently, the Issuer, and therefore payments by the Issuer in respect of the Bonds, will be subject to the credit risk of its customers.

The Group has been lending money since 2002 and this has enabled it to develop systems to establish the credit risk of customers and the market risk associated with the type of lending that the Group provides. The Group intends to deploy the same group-wide risk management processes in respect of lending by the Issuer. These processes are expected to control the risk associated with the Issuer's lending and to identify any non-payment by customers in a timely manner. If the Issuer's customers were to fail to pay fees, interest or other payments in full on a timely basis, the Issuer would take action to recover the debt. However, there can be no assurances that the Issuer will be able to recover any such owed monies and this may have an impact on the Issuer's ability to fulfil its obligations under the Bonds.

If the Issuer does not have enough money to pay Bondholders when interest payments or the return of principal are due, then the Issuer may default on the Bonds and Bondholders may lose some or all of the money invested in the Bonds.

***The existence of the Partial 10% Guarantee and the Security may not remove all risk of non-payment***

The Issuer's obligations to Bondholders in respect of payments of amounts in respect of the Bonds will be supported by the Guarantee to be given by the Guarantor, as well as the Security. However, potential investors should note the following points.

*1. Condition attaching to the Guarantee*

The coverage provided by the Partial 10% Guarantee is limited to a maximum amount equal to 10% of the face value of the Bonds in issue at the point at which the demand is made under the Partial 10% Guarantee. Therefore, if, at a point in time when there were £10 million of Bonds in issue, the Issuer failed to make one of its a bi-annual payment of interest in respect of the Bonds of £337,500, the Security Trustee could compel the Guarantor to make that payment on behalf of the Issuer. Following that payment under the Partial 10% Guarantee, the Partial 10% Guarantee would cover further such interest (and capital) payments of up to a further £662,500. Alternatively, if no interest payments had been missed by the Issuer during the life of the Bonds but, on the Maturity Date, the Issuer was only able to make a redemption payment of £8 million (due to a 20% fall in the value of Issuer's loan book), the Guarantor would be required to make an additional £1 million payment to Bondholders, but Bondholders would still be £1 million short of their full entitlement to redemption of the Bonds and would consequently suffer a loss (*pari passu* to their holdings as a proportion of the total issuance).

It should be noted that had the Orchard Group had an equivalent third party guarantee in place since it commenced operations in 2002, it would never had been called upon and historical defaults on loans made by the Group have been less than 1% per annum on average.

*2. Resources of the Guarantor*

The ability of the Guarantor to make payments under the Partial 10% Guarantee will depend upon resources being available to it to do so and this ability may be affected by any of the risk factors described below under "*Risks relating to the business and operations of the Group*".

Although the Guarantor currently has no secured creditors, any claims of Bondholders under the Partial 10% Guarantee will rank as unsecured obligations of the Guarantor on the winding-up or liquidation of the Guarantor and consequently will (i) be subordinated to (i.e. rank behind) the claims of all secured creditors of the Guarantor and any creditors which are preferred by law and (ii) rank alongside all other senior unsecured obligations of the Guarantor.

In addition, the Guarantor's assets include its holding of shares in its subsidiaries and, accordingly, the right to participate in a distribution of any of its subsidiaries' assets as a shareholder upon their liquidation, re-organisation or insolvency will be subordinated to (i.e. rank behind) any claims made against such subsidiaries, including their creditors such as any lending bank and trade creditors.

For example, Bexhill UK Limited has granted first ranking fixed and floating charges in favour of Toyota Financial Services (UK) PLC over all its assets in connection with a facility agreement entered into 15 June 2021.

The obligations of the Guarantor under the Partial 10% Guarantee are therefore structurally subordinated to any liabilities of the Guarantor's subsidiaries. Structural subordination in this context means that, in the event of a winding-up or insolvency of any of the Guarantor's subsidiaries, any creditors of that subsidiary would have preferential claims to the assets of that subsidiary ahead of any creditors of the Guarantor (i.e. including Bondholders). After satisfying preferential claims, the Guarantor may not have available to it the resources to meet some or all of any claim under the Partial 10% Guarantee and this may contribute to a partial or total loss of any investment made in the Bonds.

### *3. The floating charge security granted by the Issuer*

The Bonds will be secured by way of a first floating charge over the whole of the undertaking and all property, assets and rights, both present and future, of the Issuer as described in this Prospectus (the "**Security**"). Consequently, the ability of the Security Trustee (on behalf of the Bondholders and the other secured creditors) to recover sufficient sums to satisfy payments to Bondholders upon enforcement of the Security will depend, among other things, on the quality of the Issuer's assets and any claims from preferential creditors. The Issuer's assets are only likely to be the Portfolio Loans it originates or purchases from other Group companies and the net proceeds from any issuances of Bonds (less such sums which are lent as Portfolio Loans) and there can be no assurance that (i) the Issuer will be able to originate Portfolio Loans or purchase Portfolio Loans from other Group companies, (ii) borrowers will not default on Portfolio Loans or (iii) the Issuer will be able to recover sufficient sums following enforcement of the security relating to a defaulted Portfolio Loan to satisfy, on a timely basis, the obligations of the borrower. As a result, there can be no assurance that the Security Trustee (on behalf of the Bondholders and the other secured creditors) will be able to recover sufficient sums to satisfy the claims of Bondholders on the enforcement of the Security.

Upon an enforcement of the Security by the Security Trustee pursuant to the Terms and Conditions of the Bonds, the Bondholders will have the right to be paid amounts due to them only after payment of, firstly, the remuneration, costs, expenses and liabilities due and payable to the Security Trustee, including costs incurred by it (or any receiver appointed by it) in the enforcement of the Security and, secondly, remuneration, costs, expenses and liabilities due and payable to the Paying Agents, Transfer Agents and Calculation Agents appointed in respect of the Bonds. Any such payments may result in Bondholders not receiving all amounts outstanding under the Bonds, in the event that the Issuer has insufficient remaining cash and assets to satisfy their claims.

It should also be noted that while the Security includes a "negative pledge" forbidding the Issuer from granting any security which ranks in priority to the Security Trustee's (acting for the Bondholders) interest without the prior consent of the Bondholders, the Issuer may grant security which ranks *pari passu* with Bondholders' security without such prior consent. Other creditors ranking equally with Bondholders (just as Bondholders rank equally amongst themselves) would have equal claim on the Issuer's assets in the event of a default and this could contribute to a shortfall.

If the surplus proceeds from the sale of assets following enforcement of the Security proved to be insufficient to cover all amounts due and payable to Bondholders in respect of the Bonds (and to any other equal ranking creditors in respect of their debts), then Bondholders would be dependent on being able to receive any shortfall in money from the Guarantor (pursuant to the Partial 10% Guarantee, limited to 10% of the face value of the Bonds) for satisfaction of any outstanding amounts, which would be subject to the risks described above.

### ***The Issuer can give no assurance as to how long it will take to invest the proceeds of the Bonds***

The Orchard Group is constantly identifying and evaluating loan opportunities and sources of capital to fund these types of loans. However, until such time as the Issuer secures funding via the issue of the Bonds, the Issuer will not commit to or enter into any agreement to lend. The Issuer will not therefore own any such loans on the date of this Prospectus.

Upon receipt of net proceeds from the issuance of Bonds, cash will be held by the Issuer in a dedicated account in anticipation of future deployment and to meet the running costs of the Issuer. While the Issuer currently expects to utilise the net proceeds of the issuance of Bonds shortly after the close of the Offer Period, market conditions may change and this may mean that the Issuer could take up to 12 months to deploy those proceeds. The Issuer can give no assurance as to how long it will take it to invest any or all of the net proceeds from issuance of any Bonds and the longer the period the greater the likely adverse effect on the Issuer's ability to meet payments (of capital or interest) due under the Bonds.

***Impact of COVID-19 on the Issuer's ability to generate enough loan interest to pay interest on the Bonds***

On 11 March 2020, the World Health Organization declared the outbreak of a strain of novel coronavirus disease, COVID-19, a global pandemic. The UK and other governments worldwide have taken steps designed to contain the outbreak, including advising self-isolation, travel restrictions, quarantines and cancellations of gatherings and events. The effect on the UK and global economies will be significant.

To indicate the level of risk attached to COVID-19 and the potential risk should there be a continuation of the pandemic or a new pandemic, the Group's lending volumes for the first six months of the Group's 2020 financial year (to the end of February 2020) had increased by 4.04% compared to the same period for the prior year, with gross revenue up by 3.25% and net income up by 4.49%. The Group's move last year into school fees and static caravan fees was showing signs of growth until the COVID-19 pandemic began. The impact of COVID-19 (beginning in mid-March 2020) resulted in the Group's lending volumes for the 2020 year being below 2018 levels and gross and net income approximately 4% down on the previous year.

The macro background remains as uncertain for the Orchard Group as it does for the rest of the world. While the Group believes that lending volumes will return to normal level over time, and that the expected re-opening of the UK's economy will drive demand for a normalisation of lending in the Group's core markets and new lending in the static caravan lending market and other growth areas, the risk exists that a re-occurrence of COVID-19 or any other similar pandemic may have an impact on the Group's and the Issuer's operating performance. If this happens, the Issuer's lending volumes and income may fall and the Issuer may not be able to meet its own interest and principal payments when they fall due.

***The Issuer and the other operating subsidiaries are each funded separately***

The Issuer, Bexhill UK Limited and Orchard Funding Limited are all funded separately. The Issuer intends to fund itself with the net proceeds of the Bonds. Bexhill UK Limited was until recently funded by way of a £17 million facility provided by Barclays Bank PLC which during 2021, was refinanced by a new £15 million facility provided by Toyota Financial Services (UK) PLC.

In addition, Orchard Funding Limited has until recently been funded by a £2 million facility provided by Conister Bank but, as announced on 26 April 2021, this facility has been replaced with a larger £5 million facility provided by the National Westminster Bank PLC. The other Group company, Orchard Finance Limited, provides finance to customers of who purchase insurance products from car dealerships and has available to it a £7.5 million facility also provided by Toyota Financial Services (UK) PLC.

While subsidiary funding as described above is typical for a lending business such as the Orchard Group, this does not prevent the risk that a financial problem occurring at one of the existing subsidiaries might impact the Issuer. Financial problems occurring at one or more of the Group's existing subsidiaries could result in damage to the reputation of both subsidiary and the Group as a whole. Reputational damage is a significant risk for the Group and its occurrence at either the Issuer or the other existing operating businesses may result in the loss of business and income across the whole Group and this may prevent the Group and the Issuer and/or Guarantor being able to meet its financial obligations, leading to potential losses for Bondholders.



***The Issuer has no employees and is reliant on the performance of the Orchard Group and other third party providers***

The Issuer has no employees other than its Directors who are also Directors of the Guarantor. The Guarantor directs the strategy for each of the Orchard Group companies and the Issuer will adopt the business model of the Orchard Group.

The Issuer is therefore substantially reliant upon the strategy decided and acted upon by the Directors of the Orchard Group. The Issuer therefore relies on those same Directors to successfully manage the Issuer's lending book and the operation of the Issuer. Failure by the Guarantor, or any other service provider, to carry out its obligations to the Issuer in accordance with the terms of its appointment could have a materially detrimental impact on the operation of the Issuer. Since the purpose of the Issuer is to raise capital for deployment according to the Group's lending strategy, the Directors of the Guarantor are not required to commit all of their resources to the Issuer's affairs. Insofar as the Guarantor devotes resources to its responsibilities to other business interests, its ability to devote resources and attention to the Issuer's affairs will be limited. This could adversely affect the Issuer's ability to achieve its objectives and ultimately to service and redeem the Bonds. The departure of key members of the Guarantor's management team without adequate replacement may also have a material adverse effect on the Issuer's performance. Notwithstanding that the Issuer has delegated some key decision-making powers to the Guarantor, Bondholders will have no direct contractual relationship with the Guarantor and no direct recourse to the Guarantor in the event that some or all of their investment is lost.

The Issuer's third-party service providers are themselves subject to operational risks, which can arise from inadequate or failed processes, systems or resources or from external factors affecting these. The information technology and other systems of such service providers, or their business processes and procedures on which the Issuer may depend, may not perform as expected, including recovery from unanticipated disruptions to their business. Any such inadequacies or failures could have a potentially adverse effect on its ability to account to Bondholders for interest, principal or other amounts in connection with the Bonds. The termination of the Issuer's relationship with any other third-party service provider, or any delay in appointing a replacement for such service provider, could disrupt the Issuer's business materially and could have a material adverse effect on the Issuer's financial condition, performance and prospects.

**Regulatory and data privacy risks relating to the Orchard Group's business**

***The Group is subject to regulatory scrutiny of its lending activities***

The sole regulator for consumer credit businesses in the UK is the Financial Conduct Authority ("**FCA**"). Each of Bexhill UK Limited, Orchard Funding Limited, Orchard Finance Limited and the Issuer require, and currently hold, the requisite permissions from the FCA to conduct regulated activities related to consumer credit.

The FCA has broad regulatory powers dealing with all aspects of financial services, including the authority to grant, and in specific circumstances to vary or cancel, permissions and to regulate marketing and sales practices, advertising and the maintenance of adequate financial resources. The FCA has undertaken greater regulatory scrutiny of the financial institutions it regulates over recent years, and it is expected that this will continue for the foreseeable future, particularly given the change to the regulation of consumer credit businesses.

The FCA and other regulators have in the past and may in the future make enquiries of companies operating within their jurisdiction regarding compliance with regulations governing the conduct of business or the operation of a regulated business (including the degree and sufficiency of supervision of the business by the Guarantor) and the handling and treatment of clients, or conduct investigations where it is alleged that regulations (including insider trading legislation) have been breached.

Should such enquiries be made, the FCA and/or other regulators could conclude that the Group and/or its employees have breached applicable regulations or regulatory principles and/or have not undertaken corrective action as required and commence regulatory proceedings which could result in a public reprimand to and/or fines or other regulatory sanctions being imposed upon one or more entities with the Group or any of its Directors or employees. Regulatory proceedings could result in adverse publicity or negative perceptions regarding the Group, restrictions on business activities and/or key personnel and/or fines and other penalties, any of which could result in a loss of revenue, as well as diverting the attention of the Group's management from the day-to-day management of the Group. A significant regulatory action against a member of the Group or any of its Directors could have a material adverse effect on the Group's business, results of operations, financial condition, growth prospects and its ability to meet financial obligations such as those relating to the payment of interest and principal on the Bonds.

***Loss of reputation as a result of the actions of competitors***

The Group could also be indirectly at risk from a loss of reputation of its peers. Any loss of reputation of comparable companies, or businesses that operate in the same sector, could adversely affect the reputation of the Group by association, which in turn could negatively affect the financial performance and prospects of the Group including the Issuer.

***The Group operates in an evolving regulatory environment***

Any change in the laws and regulations governing the Group's business or in the interpretation or application thereof by the FCA or other regulators in the UK or other jurisdictions, or by a court or other relevant person, could affect the products and services which the Group is able to offer and/or to whom, and where it may offer them or the fees it is able to charge for such products and services.

The Directors are not, however, currently aware of any changes in regulations that may affect the regulatory capital requirements applicable to the Group in the short to medium term.

However, any regulatory change may increase the Group's regulatory compliance costs and other costs of doing business. Changes in: (i) the extent of the FCA's oversight of the Group's business; (ii) the FCA's interpretation or application of the current rules in respect of regulatory capital; (iii) the Group's regulatory capital requirements (including increases in the amount of regulatory capital required to be held), could, in the longer term, impact upon the Group's surplus working capital and have a material adverse effect on the Group's business, results of operations, financial condition, growth prospects and its ability to service its own financial obligations including payments on the Bonds.

***The Group may be subject to privacy or data protection failures and cyber-theft***

The Group is subject to regulation regarding the use of personal customer data. The Group processes personal customer data (including name, address and bank details) as part of its business and therefore, must comply with strict data protection and privacy laws. Such laws restrict the Group's ability to collect and use personal information relating to customers and potential customers, including the use of that information for marketing purposes. The Group is also at risk of cyber-theft, a risk common to others in the financial services sector. The Group seeks to ensure that procedures are in place to ensure compliance with the relevant data protection regulations by its employees and any third party service providers, and also implements security measures to help prevent cyber-theft.

Notwithstanding such efforts, the Group is exposed to the risk that data could be wrongfully appropriated, lost or disclosed, stolen or processed in breach of data protection regulations. If the Group or any of the third party service providers on which it relies fails to store or transmit customer information in a secure manner, or if any loss of personal customer data were otherwise to occur, the Group could face liability under data protection laws. Any of these events could also result in the loss of the goodwill of its customers and deter new customers,

which could have a material adverse effect on the Group's business, financial condition, results of operations and its ability to service its own financial obligations including payments due under the Bonds.

***The Group is dependent on IT systems, which are subject to potential disruption or failure***

The Group's operations are dependent on IT systems, which could potentially suffer significant disruptions or even failure. The Group has developed a bespoke software system, Lend XP, which incorporates systems, procedures and documentation needed by an insurance broker or professional service firm to introduce its clients to the Group and conduct finance business. The Group relies on the system to manage finance agreements, calculate funding requirements and perform day to day accounting and administrative tasks of the Group.

Although the Group believes these IT systems, and specifically Lend XP, have been developed to allow the Group to scale its business, there can be no assurance that such IT systems are or will continue to be able to support a significant increase in business as the Group's customer base grows. Although the Group has in place business continuity procedures and security measures in the event of IT failures or disruption, including backup IT systems for business-critical systems, these backup systems are not, and are not intended to be, a full duplication of the Group's operational systems. Should any of these procedures and measures not anticipate, prevent or mitigate a network failure or disruption, should an incident occur for which there is no duplication or should such systems be unavailable for use by Group for whatever reason, the Group could experience a material adverse effect on its business, financial condition, results of operations, prospects and its ability to service its own financial obligations including payments due under the Bonds.

**Risks relating to the business and operations of the Group**

***The Issuer intends to make loans into new sectors which have not historically been a focus for the Orchard Group***

While the Issuer will always apply the Group's prevailing credit, underwriting and affordability criteria to any loans it writes, it is the Issuer's intention to apply the proceeds of the issue of the Bonds, ultimately, to make loans to borrowers operating in other market sectors which it considers to be attractive but which may not be the same sectors as have traditionally been lent to by the other Group companies. Accordingly, the Group's commensurately reduced experience of these sectors may increase the risk of bad debts which may not be ultimately offset by any increased profits generated by lending to those sectors, with the end result of increased risk to Bondholders in terms of the Issuer's ability to pay interest and repay capital on the Bonds as they fall due.

***The Issuer may make loans secured against residential property and land the value of which could decline due to a change in demand for the underlying property or a deterioration in the property market conditions in England and Wales***

The Issuer is permitted to may make a variety of secured and unsecured loans subject to satisfaction of eligibility criteria. Secured loans that are secured against property are inherently exposed to the valuation of the underlying property when (i) a loan is provided, (ii) during the life of the loan and (iii) also when the borrower comes to repay the loan to the Issuer. Sudden changes in the demand and supply of properties in the wider market can cause valuations and prices to fall and this can make it more difficult for a borrower to refinance its loan with the Issuer when it chooses to (for example, if the borrower repays ahead of maturity), or must do (for example, when the loan matures). If a borrower is not able to repay its loan with the Issuer when the time comes to do so, the Issuer may attempt to recover the amount owed to it through enforcement of the secured assets to repay in full the amounts outstanding under the loan. If the borrower is unable to refinance its loan to the Issuer in its entirety or if the Issuer is not able to recover the full amount owed to it following enforcement, then the Issuer may lose capital and any such reduction would reduce the amount of capital available to the Issuer to

redeploy into new loans and this may further impede the income generating ability of the Issuer and could ultimately impact the Issuer's ability to meet its own obligations to pay interest and repay capital to Bondholders.

***The Issuer may make unsecured personal loans that are subject to the underlying borrower's continuing ability to make contracted payments***

The Issuer is permitted to may make a variety of secured and unsecured loans subject to the eligibility criteria. Unsecured personal loans can be higher risk than secured loans because the borrower does not pledge any assets against the money that is borrowed that could be liquidated to repay the lender. As such, the repayment of interest and principal related to unsecured personal loans is dependent on the borrower's ability to fund the interest payments and to repay the loan on the terms agreed at the outset. It is therefore important that an unsecured lender is confident in both (i) its underwriting skills (that is, its skills to be able to determine that a particular borrower is an acceptable credit risk) and (ii) that affordability has been considered as part of the decision-making process to ensure that the loan is affordable to the borrower.

The Orchard Group has established underwriting standards that have been successfully developed and employed over the last 20 years but there can be no assurance given that in the future the Group and the Issuer will not take decisions in relation to certain loans that result in the loss of interest income and principal due to underperforming loans. As a regulated business lending to consumers, the Group is also obliged to assess the affordability of every loan that it makes including unsecured loans. Accordingly, not only must the Group assess each borrower of an unsecured loan for credit risk (through its underwriting procedures), it must also assess and be confident that the borrower can afford the loan based on known information and an informed assessment of the likely ability of the borrower to be able to meet payments in the future. However, there can be no assurance given by the group or the Issuer that all (if any) of the Issuer's unsecured borrowers will be able to meet their scheduled interest and principal payments because individual and corporate borrowers may, for example, lose established sources of income that had formed the basis of the underwriting and affordability assessments. Loss of income could result for example from the unexpected loss of employment, through the loss of business (for example, as a result of a COVID-19 type lock-down) or through ill health.

If the Issuer provides an unsecured loan and if the underlying borrower is unable to meet the scheduled interest and principal payments then there exists the risk that the Issuer may generate less income than expected (because of a reduction in interest income). Also, if there is a capital loss (because the borrower fails to repay the principal in full, or at all) and if the Issuer is unable to recoup any such shortfall through legally permitted recourse, then this may also result in the Issuer having less capital to redeploy into new loans the result of which, should many such loans fail in the same way, could be that the Issuer defaults on its own obligations to Bondholders.

***The Group is reliant on its reputation and the appeal of its brands to its customers. Any damage to the Group's reputation and appeal could harm the Group's business***

The Group considers a loss of reputation to be a significant risk to a business operating in the financial services sector. The Group believes that the risk to its reputation would arise as a result of a failure to manage the Group's other risks. The Group places the highest importance on risk management and integrity in all its activities and in the course of its business activities, the Group is exposed to a variety of risks, including credit risk, market risk, liquidity risk, operational risk and regulatory risk. Although the Group invests substantial time and effort in risk management strategies and techniques, it might nevertheless fail to manage risk adequately in some circumstances and the result could be a loss of reputation. The loss of reputation in the market with customers, with the regulator (the FCA) or with peers, could result in the loss of revenue, increased costs, the inability to originate new business and alone or in combination, they could have a material and negative impact on the Group's and the Issuer's financial performance.

***The Group relies on the knowledge and skills of its senior management team and its ability to recruit suitable staff to support its growth***

The Group's business, development and prospects are dependent upon the continued services and performance of its Directors, in particular the CEO of the Group Mr Ravi Takhar, and other key personnel. The experience and commercial relationships of the Directors and other key personnel help provide the Group with a competitive edge.

The Directors believe that the loss of services of any existing key executives or key personnel, for any reason, or failure to attract and retain necessary personnel, could adversely impact the development of the Group's and Issuer's business, the financial condition of the Group and its subsidiaries including the Issuer, the results of operations and overall, the prospects of the Group (including the Issuer) could deteriorate. Whilst the Group has entered into service agreements or contracts of employment with Directors and senior employees with the aim of securing their services, the retention of their services cannot be guaranteed.

As a public company whose shares are admitted to AIM and traded on the London Stock Exchange, the Group believes that it is an attractive proposition for skilled and talented potential employees. However, there can be no assurance that competition or a changing labour market will not prevent the Group from securing staff to ensure the continued operations of the business. Any significant loss of staff, or an inability to attract new staff, may result in the disruptions that could lead to a loss of business, a deterioration in the financial performance of the Group and potentially, this may impact the Issuer's ability to meet its obligations to Bondholders.

The Group currently maintains key man insurance for Mr Ravi Takhar but there can be no assurance that it will always be possible to maintain this or other adequate key man insurance on reasonable commercial terms and so this insurance coverage may not be maintained.

***Availability of debt funding to the Group***

Since inception in 2002, the Group has been supported with debt funding from a number of banking partners. During 2021 the Group sought successfully to refinance a £17 million facility provided by Barclays Bank PLC and a £2 million facility provided by Conister Bank. As announced on 26 April 2021, the Conister facility has been replaced by a £5 million facility provided by National Westminster Bank PLC and the Barclays facility was refinanced with a new £15 million line provided by Toyota Financial Services (UK) PLC. In addition, Toyota Financial Services (UK) PLC has provided the Group with a £7.5 million limited facility to fund insurance products sold through car dealerships.

The Group has not had any bank debt with a term longer than 12 months on any of its facilities since it started business in 2002. The Directors believe it is standard practice in the banking market of lending to provide finance facilities to companies such as the Group on terms not exceeding 12 months. The Group does not believe that it will have any difficulty refinancing its existing facilities but there is no guarantee in the future that the Group will be able to refinance or renew those facilities or that it will be able to refinance on similar or more favourable terms.

In the event that the Group is unable to refinance existing banking facilities on or before they fall due, it will be required to repay all or part of its borrowings which will require it to wind down or decrease the level of its lending in the relevant subsidiary. This may significantly impact the financial performance of the Group, it may impact the reputation of the Group and it may also divert management's time towards the wind-down and away from developing the business of the other subsidiaries. Singularly or in combination, these effects may result in the Issuer's business being negatively impacted which may lead to the Issuer's inability to meet its obligations to Bondholders.

***The Group faces concentration risks relating to the macroeconomic environment in the UK, which could in turn reduce demand for the Group's lending products and have a material adverse effect on the Group***

The Group's operations are based entirely in the UK and its revenue is derived from UK-based customers, in particular in the South-East of England. In the event of a disruption to the UK credit markets or general economic conditions in the UK or macroeconomic conditions generally (including increased interest rates and/or unemployment in regions where the Group has significant customer presence), this concentration risk could cause the Group to experience a deterioration in earnings and reduced business activity.

Adverse economic conditions in the UK could have a negative impact on the financial circumstances of the Group's customers, such as through increased unemployment (or inability to earn as a result of the impact of COVID-19 or any other such pandemic), which may affect borrowers' ability to repay their loans. This in turn could lead to an increase in non-payment, arrears and forbearance as well as an increase in the Group's (including the Issuer's) impairment charges. If the circumstances of the Group's customers change significantly in such number that the Issuer's revenue from interest and fees falls, or if borrower's default and if the Issuer is unable to recover owed monies, then the result may be that the Issuer may fail to meet its own payment obligations under the Bonds.

***Credit risk of the Group's and the Issuer's customers***

Credit risk arises when the possibility exists of a counterparty defaulting on its obligations – the counterparties to the Group's lending include individuals and small businesses. This risk applies both to borrowers in the Group's existing primary sectors of operation as well as those in newer growth markets to whom it may increasingly lend over time. Bad debts may arise in the future as a result of deterioration in the quality of the Group's loan portfolio to these types of customers. This may occur for a number of reasons, such as a slowdown in economic growth and other adverse macroeconomic trends that may cause operational, financial and liquidity problems for the Group's customers.

While the Group has established risk management and underwriting standards that are applied across the whole Group, and which will be utilised by the Issuer, there is always the risk that despite underwriting standards and processes being met, the underlying borrowers may not meet their obligations at all, on time, or in full. Disruptions of this kind to the expected cash flows of the Issuer may inevitably lead to similar difficulties for the Issuer to meet its payments under the Bonds due to a reduction in the Issuer's income, or capital losses.

***Liquidity Risk***

The Group monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times to prevent the Group from breaching borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and, if applicable, external regulatory or legal requirements.

The Group retains cash balances in order to allow repayment of obligations on time, without taking into account any factors that it cannot predict. In the event that such unforeseen factors occur, they may have a material adverse effect on the Group's cash reserves. A number of factors (including conditions in the credit, debt and equity markets and general economic conditions) may make it difficult for the Group to obtain additional financing or raise capital on favourable terms or at all. If, in the longer term, the Group, which includes the parent Guarantor, fails to raise additional funds when needed, which may include funds required to meet any obligation under the Partial 10% Guarantee, or to obtain such funds on favourable terms, it could have a material adverse effect on the Group's business, results of operations, financial condition and its ability to meet its financial obligations including the financial obligations of the Issuer.

***The Group's risk management framework, systems and processes may prove inadequate to manage its risks, and any failure to properly assess or manage such risks could harm the Group***

The Group's approach to risk management requires senior management to make complex judgements, including decisions (based on assumptions about economic factors) about the level and types of risk that the Group is willing to accept in order to achieve its business objectives. These also include the maximum level of risk the Group can assume before breaching constraints determined by liquidity needs and its regulatory and legal obligations, including, among others, from a conduct and prudential perspective. Given these complexities, and the dynamic environment in which the Group operates, the decisions made by senior management may not be appropriate or yield the results expected. In addition, senior management may be unable to recognise emerging risks for the Group quickly enough to take appropriate action in a timely manner.

While the Group has guidelines, policies and contingency plans to manage such risks, they may not prove to be adequate in practice and this may impact the Issuer, other group businesses and the Group as a whole. If the Group is unable to effectively manage the risks it faces, its reputation, business, financial condition, results of operations, its prospects and ability to meet the financial liabilities of any of its subsidiaries including the Issuer, and the parent Guarantor, could be materially and adversely affected.

***The Group is subject to risks relating to fraudulent activity carried out by customers and inaccurate or misleading information provided by customers***

Due to the nature of the Group's business, it has exposure to many different customers. The Group's selection and screening processes with respect to its lending customers, as well as its internal relationship management processes, may be ineffective if the Group's customers engage in fraudulent activity. Examples of such activity may include the creation and financing of fictitious credit agreements. If the Group is unable to screen out or prevent fraud, its reputation, business, financial condition, results of operations, its prospects and ability to meet the financial liabilities of any of its subsidiaries, including the Issuer and the Guarantor, could be materially and adversely affected. This risk applies both to borrowers in the Group's existing primary sectors of operation as well as those in newer growth markets to whom it may increasingly lend over time.

The Group is also reliant on the accuracy and completeness of information it receives from its credit reference agencies and customers. If the Group receives inaccurate or misleading financial statements, credit reports or other financial information relating to its borrowers, it may lend to borrowers which are more likely to default on their obligations to the Group, which could have a material adverse effect on the Group's business, financial condition, results of operations, its prospects and ability to meet its own financial liabilities.

***The competitive environment in which the Group operates may negatively affect the Group's ability to maintain and continue to grow its lending book***

A core element of the Group's business strategy is to maintain and continue to grow its lending book by addressing smaller customers who may be poorly served by the larger lenders in the market and by providing them with a higher quality service. If other competitors target the same markets as the Group, the Group may lose its differentiating position and be unable to grow in line with projected volumes. This risk applies both to the Group's existing primary sectors of operation as well as those in newer growth markets into which it may expand over time.

The Group faces competition from other existing specialist lenders, notably Premium Credit Limited and Close Brothers, which have greater scale and financial resources, stronger brand recognition, broader product offerings and more extensive distribution networks than the Group. While the Directors believe that more traditional lenders may be less willing or able to address the insurance premium finance and the professions fee finance markets, and that customer preferences have created significant opportunities in these markets, these factors are subject to change, which could adversely affect the Group's business.

It is possible that companies other than the Group may have projects which are not known to the Group, and which could render the Group's services less competitive or obsolete. New entrants to the sector may emerge, including companies comprised of a person or persons previously employed by the Group, and competitors may develop more effective and more cost-competitive services than, or may offer products superior to, those of the Group.

Existing competitors or future competitors may also engage in enhanced marketing activities which may result in the Group's customers borrowing from competitors rather than the Group.

Whilst the Directors believe that the Group has developed strong and established relationships with its customer base and intends to grow its lending book, there are no assurances that the Group will win any additional market share from its competitors or maintain its existing market share. The inevitable result of not being able to compete effectively in the future may be a material fall in revenues, increased marketing costs, lower income and potentially, higher risk lending which may lead to financial distress and the risk that the Group or the Issuer may not be able to meet its own debt payments of interest and principal to its creditors, including banks and Bondholders, as they fall due.

### **Risks relating to the Bonds**

#### ***The Bonds are not protected by the Financial Services Compensation Scheme***

Unlike many bank deposits, the Bonds are not protected by the FSCS. As a result, neither the FSCS nor anyone else will pay compensation to Bondholders upon the failure of the Issuer, the Guarantor or the Group as a whole. If the Issuer or either Guarantor were to go out of business or become insolvent, the Bondholders may lose all or part of their investment in the Bonds.

#### ***Modification, waiver and substitution***

The Terms and Conditions of the Bonds contain provisions for calling meetings of Bondholders to consider matters affecting their interests generally. These provisions permit majorities of certain sizes to bind all Bondholders, including Bondholders who did not attend and vote at the relevant meeting and Bondholders who voted in a different manner than the majority did. Whilst Bondholders are asked to vote on such amendments, modifications and waivers usually change the original terms and conditions as outlined in this Prospectus. There exists the risk that any such changes are viewed as weakening the initially intended structure of the transaction. Amendments may increase the perceived credit risk of the Issuer and the price of the Bonds in the secondary market may fall to reflect the increased risk. If the price of the Bonds falls due to the announcement or the process of any such amendment or the outcome of any such amendment, then the Bondholder may suffer a loss if they sell their Bonds at a lower price than they paid for them.

The Terms and Conditions of the Bonds also provide that the Security Trustee may, without the consent of Bondholders, agree to: (a) any modification of any of the provisions of the Trust Deed that in the opinion of the Security Trustee is of a formal, minor or technical nature or is made to correct a manifest error; or (b) any other modification of, and any waiver or authorisation of any breach or proposed breach of, any of the provisions of the Trust Deed if, in the opinion of the Security Trustee, it is not materially prejudicial to the interests of Bondholders.

#### ***Trustee indemnity***

In certain circumstances, the Bondholders may be dependent on the Security Trustee to take certain actions in respect of the Bonds, in particular if the Security granted by the Issuer in respect of such Bonds becomes enforceable or if there is a need to call upon the Partial 10% Guarantee in the event the Issuer fails to meet a payment obligation.



Prior to taking such action, pursuant to the Terms and Conditions of the Bonds, the Security Trustee may require to be indemnified and/or secured and or pre-funded to its satisfaction. In the first instance, the Security Trustee's costs in taking enforcement action will be met by the Issuer from the pool of secured assets over which the security has been granted and the Issuer has granted the Security Trustee an indemnity in this regard for its costs and expenses. As such, it is only in extreme circumstances where the Issuer's residual assets might be insufficient to meet the Security Trustee's expected cost and accordingly an indemnification or pre-funding by Bondholders might be required (or where the same would lead to an actual payment obligation).

However, Bondholders should note that in certain circumstances, and where the Security Trustee is not indemnified and/or secured and/or pre-funded to its satisfaction, it may decide not to take such action and such inaction will not constitute a breach by it of its obligations under the Trust Deed. Consequently, the Bondholders would have to either provide such indemnity and/or security and/or pre-funding or accept the consequences of such inaction by the Security Trustee. Bondholders should be prepared to bear the costs associated with any such indemnity and/or security and/or pre-funding and/or the consequences of any potential inaction by the Security Trustee. Such inaction by the Security Trustee will not entitle Bondholders to take action directly against the Issuer or the Guarantor to pursue remedies for any breach by any of them of terms of the Trust Deed or the Bonds unless the Security Trustee having become bound to act has failed within a reasonable time to do so and such failure is continuing.

The Trust Deed provides that, when determining whether an indemnity or any security or pre-funding is satisfactory to it, the Security Trustee shall be entitled (i) to evaluate its risk in any given circumstances by considering the worst-case scenario and (ii) to require that any indemnity or security given to it by the Bondholders or any of them be given on a joint and several basis and be supported by evidence satisfactory to it as to the financial standing and creditworthiness of each counterparty and/or as to the value of the security and an opinion as to the capacity, power and authority of each counterparty and/or the validity and effectiveness of the security.

***Lower or higher than expected subscriptions for the Bonds***

No assurance can be given over the amount of Bonds that investors will subscribe for. The Issuer will not accept subscriptions for more Bonds than it believes that it can comfortably deploy and while it expects to issue up to £10 million of Bonds, not including Retained Bonds, there is no certainty that market conditions at the time the Bonds are launched will be supportive. During the offer period, a number of factors could impact subscriptions for the Bonds.

Without limitation, factors that could impact demand for the Bonds may include: a change in market interest rates; a change in the demand for fixed income securities due to some external market or societal change (including the effects of COVID-19 or any other pandemic); a change in the demand for Bonds relating to the Issuer or the market in which the Issuer operates.

If subscriptions are lower than anticipated, demand in the secondary market for the Bonds may be limited and this may affect the ease and the ability of an investor to sell or buy Bonds. If subscriptions are higher than anticipated, investors face the risk that they may get 'scaled-back' which means that an investor may not receive all of the Bonds that they may have subscribed for although potential investors should note that they will not pay for Bonds that they are not allocated.

## **Risks relating to the market generally**

Set out below is a brief description of the principal market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

### ***There may not be a liquid secondary market for the Bonds and their market price may be volatile***

The Bonds may have no established trading market when issued, and one may never develop. If a market does develop, it may not be very liquid. Therefore, Bondholders may not be able to sell their Bonds easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary (i.e. after the issue date) market. The Bonds are sensitive to interest rate, currency or market risks. This lack of liquidity may have a severely adverse effect on the market value of Bonds.

Where Bonds are tradable on the London Stock Exchange PLC's Order Book for Fixed Income Securities (OFIS), a registered market-maker will be appointed in respect of the relevant Bonds from the date of admission of those Bonds to trading. Market-making means that a person will quote prices for buying and selling securities during trading hours. However, the market-maker may not continue to act as a market-maker for the life of the relevant Bonds. If a replacement market-maker was not appointed in such circumstances, this could have an adverse impact on your ability to sell the relevant Bonds.

### ***Realisation from sale of Bonds***

If investors choose to sell their Bonds in the secondary market at any time prior to their maturity, the price they receive from a purchaser could mean that they get back less than their original investment when they sell them. Factors that will influence the price include, but are not limited to, market appetite, inflation, the time of redemption, interest rates and financial position of the Issuer at the relevant time.

### ***Changes in interest rates or inflation rates may adversely affect the value of the Bonds***

The Bonds bear interest at a fixed rate rather than by reference to an underlying index. Accordingly, Investors should note that if interest rates rise, then the income payable on the Bonds might become less attractive and the price that they could realise on a sale of the Bonds may fall. However, the market price of Bonds has no effect on the interest payable and the total income an Investor will receive on maturity of the Bonds if they hold the Bonds until the relevant maturity date.

Further, inflation will reduce the real value of the Bonds over time, which may affect what an Investor could buy with their investment in the future and may make the Bonds less attractive in the future, again affecting the price that an Investor could realise on a sale of the Bonds prior to maturity. If the market price of the Bonds falls because of the impact of interest rates and, or inflation, and if an Investor sell the Bonds at a price below that which they paid for the Bonds, they will incur a loss.

## INFORMATION ABOUT THE BONDS


The following section summarises the key features of the Bonds. The full terms and conditions of the Bonds are contained in the section "Terms and Conditions of the Bonds". It is important that you read the entirety of this Prospectus, including the Terms and Conditions of the Bonds, before deciding to invest in the Bonds. If you have any questions, you should seek advice from your financial adviser or other professional adviser before taking any investment decision.


<p><b>What are the Bonds?</b></p>	<p>The Bonds are freely transferable, fixed rate debt securities which:</p> <ol style="list-style-type: none"> <li>1. are due to be issued on 2 March 2022 (the "<b>Issue Date</b>");</li> <li>2. mature and fall due to be repaid on 2 June 2027 (the "<b>Maturity Date</b>");</li> <li>3. are denominated in pounds sterling with a nominal amount of £100 and the minimum subscription is £2,000 per investor;</li> <li>4. entitle Bondholders to receive interest of 6.25% per annum, with the first such payment due on 2 December 2022, nine months after the Issue Date, and payments due thereafter on 2 June and 2 December in each year (or, if any such date does not fall on a Business Day, the immediately preceding Business Day) with the final payment falling due on the Maturity Date;</li> <li>5. benefit from a partial guarantee from the Issuer's parent company which is limited to 10% of the face value of the Bonds in issue;</li> <li>6. are intended to be admitted to trading on the London Stock Exchange PLC's regulated market, and through its OFIS market.</li> </ol> <p>Further detailed information is set out in the section headed "<i>Terms and Conditions of Bonds</i>".</p>
<p><b>Who is issuing the Bonds?</b></p>	<p>The issuer of the Bonds is Orchard Bond Finance PLC (company number: 07365926) (the "<b>Issuer</b>").</p>
<p><b>Who is guaranteeing the Bonds?</b></p>	<p>The Issuer's parent Company, Orchard Funding Group PLC (company number: 09618919) (the "<b>Guarantor</b>") is providing a partial guarantee of the Issuer's obligations to pay interest and capital to Bondholders, the condition being that amounts which may be paid under the guarantee are limited to 10% of the amount face value of the Bonds in issue at the time the demand under the guarantee is made.</p> <p>See also "<i>What will Bondholders receive on a winding up of the Issuer and/or the Guarantor?</i>"</p>
<p><b>What is the "Group"?</b></p>	<p>The Guarantor is a parent company with five wholly-owned subsidiaries: (1) the Issuer, (2) Orchard Funding Limited (company number: 06656377), (3) Orchard Finance Limited (company number: 07074570) (4) Bexhill UK Limited (company number: 03987793) and (4) Cherry Orchard Funding Limited (company number: 12502698), which together comprise the "<b>Group</b>". The structure of the Group is shown below:</p>

	<pre> graph TD     OFG["Orchard Funding Group plc (AIM: ORCH) (co/no. 09618919)"]     BUK["Bexhill UK Limited (co/no. 03987793)"]     OFL["Orchard Funding Limited (co/no. 06656377)"]     OFB["Orchard Bond Finance plc (The Issuer) (co/no. 07365926)"]     COFL["Cherry Orchard Funding Limited (co/no. 12502698)"]     OFI["Orchard Finance Limited (co/no. 07074570)"]      OFG -- 100% --&gt; BUK     OFG -- 100% --&gt; OFL     OFG -- 100% --&gt; OFB     OFG -- 100% --&gt; COFL     OFG -- 100% --&gt; OFI </pre>
<p><b>How will the Bonds be secured?</b></p>	<p>The Bonds will be secured by a first floating charge upon the whole of the undertaking and all property, assets and rights, both present and future, of the Issuer.</p> <p>The benefit of the security will be held on trust by City Partnership Trustee Limited (in its role as Security Trustee).</p> <p>A "floating charge" enables a chargee (i.e. the Security Trustee) to take security over assets whilst at the same time enabling the chargor (i.e. the Issuer) to continue to operate its business without the restrictions that would follow from granting fixed charges over those assets and/or interests in them.</p> <p>The assets subject to a floating charge can generally be dealt with by the chargor company in the ordinary course of its business (including sale of such assets and/or interests in them). A floating charge effectively "hovers" over a shifting pool of assets. However, on the occurrence of certain events (notably if a receiver or an administrator is appointed to take enforcement action against the chargor company or if there is a default in the Issuer's obligations in relation to the Bonds) the floating charge "crystallises" and will effectively be converted into a fixed charge with respect to the assets and/or interests in them which are at that point in time owned by the Issuer, and prohibit it from disposing of any assets and/or interests in it going forwards without the Security Trustee's prior consent.</p> <p>The Terms and Conditions of the Bonds prohibit the Issuer, other than with the consent of Bondholders, from granting any further security, other than the floating charge which secures the Bonds and any other security which ranks <i>pari passu</i> with or behind Bondholders' security. As such, although the Issuer has not commenced trading activity and has no other assets, the restrictions on its activities contained in the Terms and Conditions of the Bonds (including this limitation on the granting of further security, and the requirement that the net proceeds of issuance of any Bonds are solely used to originate and purchase loans which fulfil the eligibility criteria contained in the section headed "<i>Terms and Conditions of the Bonds</i>" ("<b>Portfolio Loans</b>")), mean that there should not be any other prior ranking interests from other parties if the floating charge over the Issuer's assets is enforced.</p> <p>The ability of the Security Trustee (on behalf of the Bondholders and the other Secured Creditors) to recover sufficient sums to satisfy payments to Bondholders upon enforcement of the Security will depend, among other things, on the quality of the Issuer's assets and any claims from preferential creditors. The Issuer's assets are only likely to be the Portfolio Loans it originates or purchases from other entities within the Group and the net proceeds from any issuances of Bonds (less such sums which are lent as Portfolio Loans) and there</p>

	<p>can be no assurance that (i) the Issuer will be able to originate Portfolio Loans or purchase Portfolio Loans from Group companies, (ii) borrowers will not default on Portfolio Loans or (iii) the Issuer will be able to recover sufficient sums following enforcement of the security relating to a defaulted Portfolio Loan to satisfy, on a timely basis, the obligations of the borrower. As a result, there can be no assurance that the Security Trustee (on behalf of the Bondholders) will be able to recover sufficient sums to satisfy the claims of Bondholders on the enforcement of the Security.</p>
<p><b>What will Bondholders receive on a winding up of the Issuer and/or the Guarantor?</b></p>	<p>In the event of the Issuer’s insolvency, the Bondholders, acting through the Security Trustee, will have recourse to the secured assets, which are secured for the benefit of the Security Trustee as described above.</p> <p>The floating charge granted over the secured assets shall become enforceable by the Security Trustee for and on behalf of itself, the Paying Agents, Transfer Agents and Calculation Agents under the Bonds and the Bondholders, at the Security Trustee’s discretion and in respect of all costs, claims and liabilities to or for which it may, in its opinion, thereby become liable upon an event of default occurring.</p> <p>As described above in the context of "floating charges", if the security becomes enforceable, the Security Trustee would typically be entitled to take possession of the relevant assets or interest and/or procure their sale (or else the Security Trustee could appoint a receiver to do these things on its behalf). Any proceeds would be held on trust for distribution to the Security Trustee, the Paying Agents, Transfer Agents and Calculation Agents appointed with respect to the Bonds and the Bondholders (in priority to claims of any other creditors of the Issuer and/or the Guarantor, as the case may be). Any cash remaining, after Bondholders had been paid in full, would be available to other unsecured creditors of the Issuer.</p> <p>As noted above, the ability of the Security Trustee (on behalf of the Bondholders and the other Secured Creditors) to recover sufficient sums to satisfy payments to Bondholders upon enforcement of the Security will depend, among other things, on the quality of the Issuer’s assets and any claims from preferential creditors. The Issuer’s assets are only likely to be the Portfolio Loans it originates or purchases from other Funding Entities and the net proceeds from any issuances of Bonds (less such sums which are lent as Portfolio Loans) and there can be no assurance that borrowers will not default on Portfolio Loans or that the Issuer will be able to originate Portfolio Loans or purchase Portfolio Loans from other Funding Entities. As a result, there can be no assurance that the Security Trustee (on behalf of the Bondholders and the other Secured Creditors) will be able to recover sufficient sums to satisfy the claims of Bondholders on the enforcement of the Security.</p>

A simplified diagram illustrating the expected ranking of the Bonds compared to the Issuer's other creditors is set out below. **Bondholders claims in respect of the Bonds will fall within the area shaded grey in this diagram:**

	Type of obligation	Examples of obligations
Higher ranking	Proceeds of fixed charged assets	Currently none
	Expenses of the liquidation or administration	Remuneration due to the administrator, liquidator or administrative receiver, together with fees and expenses
	Preferential creditors	Currently none
	Proceeds of floating charge assets	First, the Issuer's obligations to make payment to the Security Trustee, and then second, the Issuer's obligations to make payment to the Bondholders in relation to the Bonds
	Unsecured obligations, including guarantees in respect of them	Trade creditors and other unsecured obligations such as banking facilities and other financings
Lowest ranking	Shareholders	Ordinary Shareholders



However, if the surplus proceeds from the sale of assets following an enforcement event proved to be insufficient to cover all amounts due and payable to Bondholders in respect of the Bonds, then Bondholders would be dependent on being able to receive any shortfall in money from the Guarantor (pursuant to the Partial 10% Guarantee, limited to 10% of the face value of the Bonds as noted below) for satisfaction of any outstanding amounts.

The Guarantor has guaranteed that if the Issuer does not pay any sum payable by it under the Bonds by the time and date required by the Conditions of the Bonds (whether on the original due date, on acceleration or otherwise) then the Guarantor will pay that sum, subject to a limit of payments under the Partial 10% Guarantee equal to 10% of the face value of the Bonds in issue at the time that the demand for payment under the Partial 10% Guarantee is made by the Security Trustee.

The claims of Bondholders, acting through the Security Trustee, under the Partial 10% Guarantee will rank as senior unsecured obligations of the Guarantor on the winding-up or liquidation of the Guarantor.


Consequently, the claims of Bondholders under the Partial 10% Guarantee will (i) be subordinated to (i.e. rank behind) the claims of all secured creditors of the Guarantor and


any creditors which are preferred by law and (ii) rank alongside all other senior unsecured obligations of the Guarantor.

As a result, there can be no assurance that the Security Trustee (on behalf of the Bondholders and the other Secured Creditors) will be able to recover sufficient sums to satisfy the claims of Bondholders on the enforcement of the Partial 10% Guarantee on the winding-up or liquidation of the Guarantor as the claims of all secured creditors will need to be satisfied first.

As at the date of this Base Prospectus, neither the Issuer nor the Guarantor has any secured creditors.

A simplified diagram illustrating the expected ranking of the Bonds compared to the Guarantor's other creditors is set out below. **Bondholders claims in respect of the Partial 10% Guarantee will fall within the area shaded grey in this diagram:**

	Type of obligation	Examples of obligations
Higher ranking	Proceeds of fixed charged assets	Currently none
	Expenses of the liquidation or administration	Remuneration due to the administrator, liquidator or administrative receiver, together with fees and expenses
	Preferential creditors	Remuneration due to employees
	Proceeds of floating charge assets	Currently none
	Unsecured obligations, including guarantees in respect of them	Guarantor's obligations to make payment to the Security Trustee / Bondholders under the Guarantee, trade creditors and other unsecured obligations such as banking facilities and other financings
Lowest ranking	Shareholders	Ordinary Shareholders



Structural subordination in the context of the Bonds

The Guarantor's assets include its holding of shares in its subsidiaries and, accordingly, the right to participate in a distribution of any of its subsidiaries' assets as a shareholder upon their liquidation, re-organisation or insolvency will be subordinated to (i.e. rank behind) any claims made against such subsidiaries, including their creditors such as any lending bank and trade creditors.

The obligations of the Guarantor under the Partial 10% Guarantee are therefore structurally subordinated to any liabilities of the Guarantor’s subsidiaries. Structural subordination in this context means that, in the event of a winding-up or insolvency of any of the Guarantor’s subsidiaries, any creditors of that subsidiary would have preferential claims to the assets of that subsidiary ahead of any creditors of the Guarantor (i.e. including Bondholders).

A simplified diagram illustrating the structural subordination of the Guarantor’s obligations under the Partial 10% Guarantee to any liabilities of the Guarantor’s subsidiaries referred to above is set out below by way of example by reference to a subsidiary of the Guarantor. **Bondholders claims in respect of the Partial 10% Guarantee on the winding up or liquidation of the Guarantor will fall within the area shaded grey in this diagram:**

	Type of obligation	Examples of obligations
Higher ranking	Proceeds of fixed charged assets	Secured loan facilities with fixed charges
↑	Expenses of the liquidation or administration	Remuneration due to the administrator, liquidator or administrative receiver, together with fees and expenses
	Preferential creditors	Remuneration due to employees
	Proceeds of floating charge assets	Secured loan facilities with floating charges
	Unsecured obligations, including guarantees in respect of them	Trade creditors and other unsecured obligations such as banking facilities and other financings
Lowest ranking	Shareholders	Ordinary Shareholders (i.e. the Guarantor as its 100% owner)

For example:

- (a) Bexhill UK Limited has granted first ranking fixed and floating charges in favour of Toyota Financial Services (UK) PLC over all its assets in connection with a facility agreement entered into on 15 June 2021; and
- (b) Orchard Funding Limited has granted first ranking fixed and floating charges in favour of National Westminster Bank PLC over all its assets in connection with a senior revolving facility agreement entered into on 21 April 2021.



<b>What is the interest rate?</b>	The interest rate payable on the Bonds will be fixed until the Maturity Date at 6.25% per year.
<b>Can the interest rate be changed?</b>	No, the interest rate payable on the Bonds is fixed for the life of the Bonds.
<b>How will interest payments on the Bonds be funded?</b>	Interest payments in respect of the Bonds will be paid from the cash flow generated from the Issuer's lending activities. A worked example of how this might be achieved is set out on pages 41 to 43.
<b>How is the amount of interest payable calculated?</b>	The Issuer will pay a fixed rate of 6.25% interest per year in respect of the Bonds. A first interest payment will be payable nine months from the Issue Date and, thereafter, interest will be payable in two semi-annual instalments with a final payment on the Maturity Date. Therefore, if you buy the minimum amount of Bonds of £2,000 on 2 March 2022, for instance, you will receive £93.75 on 2 December 2022 and £62.50 on each 2 June and 2 December thereafter (or, if any such date does not fall on a Business Day, the immediately preceding Business Day) with the final payment on the Maturity Date (unless you sell the Bonds or they are repaid by the Issuer before the Maturity Date).
<b>Will I be able to trade the Bonds?</b>	<p>The Issuer will make an application for the Bonds to be admitted to trading on the London Stock Exchange PLC, on its regulated market and through its Order Book for Fixed Income Securities (OFIS) market. If this application is accepted, the Bonds are expected to commence trading on or around 2 March 2022.</p> <p>Once admitted to trading, the Bonds may be purchased or sold through a broker. The market price of the Bonds may be higher or lower than their initial issue price depending on, among other things, the level of supply and demand for the Bonds, movements in interest rates and the financial performance of the Group. See the section headed "<i>Risk Factors – Risks related to the market generally – There may not be a liquid secondary market for the Bonds and their market price may be volatile</i>" for further information.</p>
<b>Do the Bonds have a credit rating?</b>	No, the Bonds will not, when issued, be rated by any credit rating agency. The Issuer currently does not have any intention of applying for a credit rating from any credit rating agency.
<b>When will the Bonds be repaid?</b>	<p>The Issuer must repay all the Bonds on the Maturity Date (unless repaid earlier), which is 2 June 2027. The repayment price under such circumstances will be equal to the nominal amount of the Bonds.</p> <p>The Issuer may repay all or any part of the Bonds prior to the Maturity Date in the event that a change in United Kingdom tax law results in the Issuer becoming obliged to increase the amounts payable under the Bonds. If the Issuer repays the Bonds under such circumstances, the repayment price will be the nominal amount of the Bonds plus any accrued interest.</p>

<b>Do I have voting rights as a Bondholder?</b>	Bondholders have certain rights to vote at meetings of the Bondholders but are not entitled to vote at any meeting of shareholders of the Issuer, the Guarantor or any other member of the Group.
<b>Who represents the interests of Bondholders?</b>	The Security Trustee has been appointed to act on behalf of the Bondholders throughout the life of the Bonds. The main obligations of the Issuer and the Guarantor (such as the obligation to pay and observe the various covenants in the Conditions) are owed to the Security Trustee. These obligations are enforceable by the Security Trustee only, not the Bondholders directly. Although the entity chosen to act as Security Trustee is chosen and appointed by the Issuer, the Security Trustee's role is to act for and on behalf of (and, where relevant, at the direction of) the Bondholders in accordance with the terms of the Trust Deed.
<b>How do I apply for Bonds?</b>	Details on how to apply for the Bonds are set out in " <i>How to Apply for the Bonds</i> " starting on page 35.
<b>What if I have further questions?</b>	If you are unclear in relation to any matter, or uncertain if the Bonds are a suitable investment for your circumstances, you should seek professional advice from your broker, solicitor, accountant or other independent financial adviser before deciding whether or not to invest.

## HOW TO APPLY FOR THE BONDS

The following section sets out what you must do if you wish to apply for any Bonds.

<p><b>How and on what terms will Bonds be allocated to applicants</b></p>	<p>Applications to purchase Bonds cannot be made directly to the Issuer or the Guarantor. Bonds will be issued to applicants in accordance with the arrangements in place between them and their stockbroker or other financial intermediary, including as to application process, allocations, payment and delivery arrangements. Applicants should approach their stockbroker or other financial intermediary to discuss any application arrangements that may be available to them.</p>
<p><b>How many Bonds will be issued to investors?</b></p>	<p>The total amount of the Bonds to be issued may depend on (i) the amount of Bonds for which indicative offers to purchase Bonds are received during the Offer Period (as defined below).</p> <p>This total amount will be specified in an announcement which the Issuer intends to published via Regulatory News Service ("<b>RNS</b>") operated by the London Stock Exchange PLC (<a href="http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html">www.londonstockexchange.com/exchange/news/market-news/market-news-home.html</a>) on or about 23 February 2022 (the "<b>Sizing Announcement</b>").</p>
<p><b>How and when must applicants pay for their allocation and when will that allocation be delivered to them?</b></p>	<p>Applicants will be notified by the relevant financial intermediary of their allocation of Bonds (if any) and the arrangements for the Bonds to be delivered to them in return for payment.</p>
<p><b>Is the offer of the Bonds conditional on anything else?</b></p>	<p>The issue of the Bonds is conditional upon the Subscription Agreement being signed by the Issuer, the Guarantor and the Lead Manager.</p> <p>The Subscription Agreement will include certain conditions customary for transactions of this type (including such legal opinions and auditor comfort letters as the Lead Manager may reasonably request). If these conditions are not satisfied or waived, the Lead Manager may be released from their obligations under the Subscription Agreement before the issue of the Bonds. For further information on the Subscription Agreement, see the section headed "<i>Subscription and Sale</i>".</p>
<p><b>Is it possible that applicants may not be issued with the number of Bonds they apply for? Will they be refunded for any excess amounts paid?</b></p>	<p>Applicants may not be allocated all (or any) of the Bonds for which they apply. This might happen for example if the total amount of orders for the Bonds exceeds the number of Bonds that are issued. There will be no refund as they will not be required to pay for any Bonds until any application for Bonds has been accepted and the Bonds have been allocated to them.</p>

<p><b>Is there a minimum or maximum amount of Bonds that applicants can apply for?</b></p>	<p>The minimum application amount for each investor is £2,000. The Issuer has not specified a maximum aggregate nominal amount of the Bonds that any one applicant may apply for.</p>
<p><b>How and when will the results of the offer of the Bonds be made public?</b></p>	<p>The results of the offer of the Bonds will be made public in the Sizing Announcement, which will be published by the Issuer via RNS prior to the Issue Date. The Sizing Announcement is currently expected to be made on or around 23 February 2022.</p>
<p><b>Who can apply for the Bonds? Have any Bonds been reserved for certain countries?</b></p>	<p>Subject to certain exceptions, Bonds may only be offered by the authorised distributors in the United Kingdom, Guernsey, Jersey and/or the Isle of Man during the Offer Period (and to the extent that the relevant authorised distributor is appropriately authorised to make offers in the relevant jurisdiction(s), in accordance with all applicable laws, rules and regulations). No Bonds have been reserved for certain countries.</p>
<p><b>When and how will applicants be told of how many Bonds have been allotted to them?</b></p>	<p>Applicants will be notified by the relevant financial intermediary of their allocation of Bonds (if any) in accordance with the arrangements in place between them and their appointed financial intermediary.</p>
<p><b>What is the amount of any expenses and taxes specifically that will be charged to applicants?</b></p>	<p>None of the Issuer, the Guarantor or the Lead Manager will charge applicants any expenses relating to the issue of the Bonds.</p> <p>The Bonds will be issued at the issue price (which is 100% of the nominal amount of the Bonds), and the aggregate nominal amount of the Bonds to be issued will be specified in a Sizing Announcement to be published by the Issuer by RNS at the end of the Offer Period. Authorised distributors may offer the Bonds at the issue price (i.e. 100% of the nominal amount of the Bonds) or, if such financial intermediary charges applicants any expenses, then it may offer them the Bonds at a corresponding amount more than the issue price. For example, if their stockbroker or financial adviser charges them total dealing expenses of, for instance, 1% then he or she would offer the Bonds to them at 101% of the nominal amount of the Bonds (i.e. a price to you of £101 per £100 Bond). Applicants must check with their stockbroker or financial adviser what expenses he or she will charge to them, and therefore what the offer price to them will be. Any such expenses charged by their financial intermediary are beyond the control of the Issuer, the Guarantor and the Lead Manager, are not knowable by the Issuer or Guarantor, and must be disclosed to any potential investor by the relevant financial intermediary at the relevant time.</p> <p>The expected total expenses of the Offer to the Issuer are 4-5% of the amount raised.</p>

<p><b>What are the names and addresses of those distributing the Bonds?</b></p>	<p>As of the date of this Prospectus, the persons listed below are the persons known to the Issuer and the Guarantor who intend to offer and distribute the Bonds during the Offer Period:</p> <p><b>Lead Manager</b></p> <p><b>Convexity Capital</b> (a trading name of Strata Global Limited) (registered office: Basildon House, 7-11 Moorgate, London, England, EC2R 6AF)</p> <p><b>Initial Authorised Offerors</b></p> <ul style="list-style-type: none"> <li>• <b>AJ Bell Securities Limited</b> (registered office: 4 Exchange Quay, Salford Quays, Manchester M5 3EE)</li> <li>• <b>Arnold Stansby &amp; Co. Limited</b> (registered office: 30 Queen Street, Manchester M2 5JJ)</li> <li>• <b>Equiniti Financial Services Limited (trading as Selftrade, Shareview and/or Saga Share Direct)</b> (registered office: Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA)</li> <li>• <b>Guy Butler Limited</b> (registered office: 21 Great Winchester Street, London EC2N 2JA)</li> <li>• <b>Hedley &amp; Company Stockbrokers Limited</b> (registered office: Aspect House, 19 Trident Park, Blackburn BB1 3NU)</li> <li>• <b>iDealing.com Ltd</b> (registered office Suite A, 6 Honduras Street, London EC1Y 0TH)</li> <li>• <b>Interactive Investor Services Limited</b> (registered office: 201 Deansgate, Manchester M3 3NW)</li> <li>• <b>PrimaryBid Limited</b> (registered office: 21 Albemarle Street, London W1S 4BS)</li> </ul> <p>Each of the Issuer and the Guarantor has granted consent to the use of this Prospectus by the persons listed above and other relevant stockbrokers and financial intermediaries in the United Kingdom and Ireland during the Offer Period on the basis of and so long as they comply with the conditions described in the section headed "<i>Offering Information - Consent</i>". None of the Issuer, the Guarantor or the Lead Manager has authorised, nor will they authorise, the making of any other offer of the Bonds in any other circumstances.</p>
<p><b>Will a registered market-maker be appointed?</b></p>	<p>At least one market maker will be appointed as a registered market-maker through the London Stock Exchange's Order Book for Fixed Income Securities (OFIS) market in respect of the Bonds from the date on which the Bonds are admitted to trading on the London Stock Exchange PLC's regulated market. Market-making means that a person will quote prices for buying and selling the Bonds during trading hours.</p>

## DESCRIPTION OF THE ISSUER

*This section sets out information about the Issuer.*

### **Incorporation and Status of the Issuer**

The Issuer was incorporated and registered in England and Wales on 6 September 2010 under the Companies Act 2006 as a private limited company with registered number 07365926 under the name of CRM Associated Limited. The principal legislation under which the Issuer operates is the Companies Act 2006.

On 29 September 2021, the Issuer re-registered as a public limited company and changed its name to its current name, Orchard Bond Finance PLC.

The Issuer's registered office is 721 Capability Green, Luton, England, LU1 3LU and its telephone number is 01582 346291.

As of the date of this Prospectus, the total authorised share capital of the Issuer is £50,000 and the total allotted, issued and fully paid share capital of Issuer is £50,000 divided into 50,000 ordinary shares of £1 each, all of which are held by the Orchard Funding Group PLC, a public limited company incorporated and registered in England and Wales with registered number 09618919 which is the parent of the Orchard Group and which is listed on the AIM segment of the London Stock Exchange. The Issuer is ultimately controlled by Mr Rabinder (Ravi) Singh Takhar who owns 53.66% of the issued share capital of the Guarantor which, in turn, owns all the shares in the Issuer.

The Issuer became a wholly owned subsidiary of the Guarantor on 10 December 2021, having previously been owned directly by Mr Takhar. Mr Takhar is also a director of the Issuer and the Guarantor. The other directors of the Issuer are Emmia Louise Stratford, the Head of Operations and Credit for the Orchard Group and William (Liam) McShane, who is company secretary to the Issuer and the Guarantor and a director of the Guarantor. Mr Takhar, Ms Stratford and Mr McShane are the key personnel responsible for the operations of the Issuer.

The Legal Entity Identifier of the Issuer is 213800412WSV8YLS2903.

The website of the Orchard Group is [www.orchardfundinggroupplc.com](http://www.orchardfundinggroupplc.com). Any information contained in any website specified in this Prospectus does not form part of this Prospectus, except where that information has been incorporated by reference into this Prospectus.

### **Principal activities and funding structure**

The Issuer's objects and purposes are unrestricted. The Issuer's sole purpose is to raise money to make loans originated by the Orchard Group.

Since its incorporation, the Issuer has not engaged in material activities other than those incidental to:

- (a) its obtaining authorisation from the FCA under Part IV of FSMA to undertake the regulated activities of credit broking, debt administration, entering into regulated credit agreements as lender and exercising/having right to exercise lender's rights and duties under a regulated credit agreement; and
- (b) re-registration as a public limited company under the Companies Act 2006;
- (c) preparatory activities related to the future issue of the Bonds.

The Issuer has no employees and no subsidiaries.

It is expected that the Issuer's only material expenses and liabilities will be those related to the Bonds and the Issuer will finance such expenses from the proceeds of the Bond issue with the net amount available for deployment into Portfolio Loans.

Other than its role as the issuer of the Bonds, the Issuer does not have any external financing arrangements.

### **Directors and Company Secretary**

The directors of the Issuer are:

- *Rabinder ("Ravi") Singh Takhar*
- *Emmia Louise Stratford*
- *William ("Liam") Leo McShane*

Mr McShane is also the Issuer's company secretary.

Emmia Stratford has been with the Orchard Group since 2004. Emmia has extensive knowledge of the business and was made a director of the Orchard Funding Limited and Bexhill UK Limited in 2015 and Orchard Finance Limited in 2016. She is Head of Operations and Credit across Orchard's different product lines and is a member of the ExCo and Credit Committee for the Group. With over 15 years' experience, Emmia is responsible for day to day operations of the business, systems and credit for Orchard's lending companies.

For details of the backgrounds and other principal activities of Mr Takhar and Mr McShane, please see "*Business of the Orchard Group*".

The business address of each of the above persons is 721 Capability Green, Luton, England, LU1 3LU.

Ravi Takhar is also a director of Urban Exposure Services Limited and a designated member of Urban Exposure Investment Management LLP, neither of which are currently trading.

There are no potential conflicts of interest between the private interests or other duties to third parties of the directors of the Issuer and their duties to the Issuer.

### **Dependence within the Group**

The Issuer is dependent on the Guarantor and the wider Orchard Group for providing the infrastructure, IT systems and personnel to enable it to pursue its lending business. Conversely, the Guarantor conducts all of its operations through its subsidiaries and is dependent on the financial performance of its subsidiaries and payments of dividends and inter-company payments from these subsidiaries to meet its debt obligations including any payments it might be required to make under the partial guarantee provided by the Guarantor, limited to 10% of the face value of the Bonds. Both the Issuer and the Guarantor are therefore ultimately dependent on the performance of the wider Group.

### **Corporate governance**

The Issuer is subject to certain obligations under the Companies Act 2006 but as it is not a company with a primary equity listing it is not required to comply with formal corporate governance standards applicable to listed companies. However, the Issuer is a direct wholly-owned subsidiary of Orchard Funding Group PLC and accordingly adheres to the corporate governance policies applied by Orchard Funding Group PLC to all of its subsidiaries.

### **Regulation**

The Issuer is authorised and regulated by the FCA in respect of its consumer lending activities. The Issuer's firm reference number is 733619. As a regulated entity, the Issuer must conduct credit and affordability checks in

respect of all its consumer customers, ensure that all its consumer customers are treated fairly and abide by all other relevant rules governing the conduct and operation of FCA authorised firms.

### **Borrowing Powers**

As set out in its articles of associations, the Board may exercise all powers of the Issuer to borrow money, to guarantee, to indemnify, to mortgage or charge its undertaking, property, assets (present and future) and uncalled capital, and to issue debentures and other securities whether outright or as collateral security for any debt, liability or obligation of the Issuer or of any third party. Subject to those imposed from time to time at Group level, there are no restrictions on the ability of the Issuer to borrow.

### **Use of proceeds**

The Issuer will use the proceeds from the Issue of Bonds (i) to meet the necessary offering expenses of the Issuer, expected to be 4-5% of the amount raised (and to be specified in the Sizing Announcement) being primarily the fees payable to the Lead Manager (see "*Subscription and Sale*" on page 79), the Issuer's legal advisers and the FCA (ii) to purchase existing loans from within the Group and (iii) to make new loans originated by the Group to borrowers in those markets set out in the 'Sector focus' section starting on page 52. At the date of this Prospectus, the net proceeds to be deployed into new lending is expected to be deployed across lending categories outlined in the "*Lending criteria and lending allocation policy*" in the section headed "*Business of the Orchard Group*".

The expected split of net proceeds between the four categories set out in the 'Sector focus' section starting on page 52 by percentage are:

- (i) in the event that no other identified markets with similar credit characteristics to the Group's core lending markets or which otherwise fulfil its prevailing credit, affordability and underwriting criteria (and which may include markets into which the Group has not made significant inroads or even lent to before at all and which may include secured property and unsecured personal loans sectors) ("**New Markets**") can be identified is expected to be finance company lending (40%), service fee finance (30%), static caravan/lodge/general vehicle lending (30%); and
- (ii) in the event that sufficient opportunities in New Markets can be identified which meet the prevailing credit, affordability and underwriting criteria of the Group, up to 100% of the net proceeds of the issuance may be invested into those sectors over the lifetime of the Bonds.

It should be noted by investors that no assurance can be provided in respect of the final allocation of the net proceeds between these categories and these may fluctuate over the lifetime of the Bonds.

Where the Issuer uses net proceeds to acquire existing Group loans, the split is expected to reflect the current lending book within the Group of approximately 50% finance company lending and 50% service fee financing, however it should be noted by investors that no assurance can be given of the actual split of the lending book acquired by the Issuer from the Group and these may fluctuate over the lifetime of the Bonds. Further details of the existing book are set out on page 44.

No Group loan which is not performing will be available to the Issuer to purchase.

While the ultimate purpose of the issuance is to fund new lending opportunities, it remains within the Issuer's power to apply up to 100% of the proceeds initially in the acquisition of existing Group loans. This allows the Issuer the flexibility to deploy funds quickly if there is any delay in the origination programme with the attendant



benefit for Bondholders of avoiding cash drag. Newly originated loans are expected over time to entirely replace these original loans as they reach maturity and funds are returned.

### **Discussion on how the Issuer will generate cashflows to pay interest and principal on the Bonds**

#### *(1) Making new loans originated by the Group*

The Group has a 20-year track record of borrowing short-term debt funding (via two operating subsidiaries of the Guarantor, Bexhill UK Limited and Orchard Funding Limited) from its banks at a lower rate than the rate that it lends to its clients at. This lending strategy has proven both profitable and cash generative: profitable since the Group lends money at a rate higher (the average being 11.66%) than the c. 5.0% at which it borrows and cash generative since loans repay both principal and interest on a monthly basis. The strategy of the Group with respect to the Issuer is to lend at higher rates than the interest rate of 6.25% which is due on the Bonds where those loans also generate cash flows from the payment of principal and interest to the Issuer.

To facilitate a better understanding of how the Issuer intends to generate income to make interest and principal payments on the Bonds, an example output of a five-year cash flow model is provided below. In deriving this model, and as is typical of any model, certain assumptions have been made which may or may not hold true. Prospective investors should ensure they understand these assumptions and if in any doubt about the implications of them, should seek independent financial advice before making any investment decision.

The key assumptions of this example of the model's output are as follows:

- The initial portfolio is £5 million of assets (which assumes £5 million, after expenses, of Bonds are issued). The actual amount of Bonds issued will be dependent on investor demand and outside of the control of the Issuer.
- The Issuer re-invests returned capital as borrowers make repayments of principal and interest in the same way as the rest of the Group. The ability of the Issuer to reinvest proceeds in a timely fashion will be partially dependent on the Group's ability to source lending opportunities and partially dependent on market demand. The purpose of re-investment is to continually maintain deployment of the Bond proceeds and to reduce the impact of investable cash sitting idle and not earning interest.
- The Bond matures in five years and pays 6.25% interest which amounts to £312,500 per year assuming £5 million of Bonds are issued. Annual interest payments are assumed for the model for the sake of comprehensibility.
- All new lending occurs exactly at the beginning of the month and all cash inflows occurring exactly in the following month. The actual timing of lending and receipt will vary and fall throughout each month. The exact timing of payments and receipts will be partially within the Group's control as to the taking of lending decisions and partially dependent on market factors, counterparty timing and other factors.
- Market conditions remain viable for new lending and demand for the Issuer's and Group's lending products remains at least constant. Actual market conditions and demand will be outside of the control of the Issuer and, if they are less favourable than has been the case historically, could materially change the outcome of the model below.

	YR1	YR2	YR3	YR4	YR5	COMMENT
Lending	£5,500,000	£2,000,000	£2,000,000	£1,000,000	£1,500,000	Lending is higher than the £5m Bond proceeds in Year 1 due to amortisation and re-investment of sub-12 month loan book
Net income from lending	£235,830	£319,276	£357,851	£399,646	£474,624	Net income from the loan book is Gross Loan Book Income less Bond Interest. It increases as Portfolio matures
Loan book	£4,919,748	£5,467,890	£5,779,844	£6,138,949	£6,540,831	The loan book grows over time because there is re-investment of amortising loans into new loans
Bond liability	£5,000,000	£5,000,000	£5,000,000	£5,000,000	£5,000,000	£5m Bond is the liability of the Issuer (the amount the Issuer must repay at maturity)
Reserves	£168,664	£404,085	£670,365	£970,082	£1,313,781	Reserves build up from income from the loan book after payment of the Bond interest
Bond utilisation	£4,733,230	£4,987,096	£4,966,199	£4,877,776	£4,922,916	The Parent and Issuer manages the Bond proceeds to maximise the loan book
Bond interest	£312,500	£312,500	£312,500	£312,500	£312,500	The Bond interest, 6.25% per annum is paid semi-annually

CASH FLOW	YR1	YR2	YR3	YR4	YR5	COMMENT
Gross loan book income	£548,330	£631,776	£670,351	£712,146	£787,124	This is the income earned in the form of interest from the assets
Bond interest	£312,500	£312,500	£312,500	£312,500	£312,500	This is the interest cost associated with the Bonds
Net income from lending	£235,830	£319,276	£357,851	£399,646	£474,624	This is the profit earned by the Issuer after paying the Bond interest and before tax
Gross loan book interest to bond interest ratio	1.75x	2.02x	2.14x	2.27x	2.51x	This ratio compares the interest earned (Gross Loan Book Income) to the interest paid (the Bond interest)

Important observations of the example model output include the following:

- Total Income on the Portfolio exceeds the interest payable on the Bond:** portfolio income is derived from aggregate interest earned on the assets in the Portfolio. The more assets the Issuer generates through increased lending through re-investment of capital, the greater the income the Issuer can earn and the more cash the Issuer will have available to re-invest. The ratio of Gross Loan Book Income to Bond Interest at the end of Year 1 is 1.75x (income is 175% of bond interest costs) and 2.51x at the end of Year 5.
- The Issuer generates Profit after paying Bond interest and before tax:** the Profit Before Tax line in the model shows the profit that the Issuer makes after paying Bondholder interest. The model indicates that Profit before tax at the end of Year 1 is £235,830 and this increases to £474,624 at the end of Year 5.
- The output of the model also indicates that total asset value increases from £5.5 million at the end of Year 1 to £6.5 million at the end of Year 5:** at the beginning of the model, the Issuer has £5 million available to invest and with re-investment of returned principal and interest, lending volume in Year 1 is £5.5 million. Additional lending volumes in Years 2-5 are also attributable to re-investment of capital (principal and interest). Increased lending volumes enables the portfolio asset value to increase from c.

£5 million in Year 1 to c. £6.5 million in Year 5. Assuming a performing portfolio with a valuation of £6.5 million against a liability of £5 million (being the amount the Issuer must repay to Bondholders), the model assumes that the Issuer would most likely refinance the Portfolio in order to return capital to Bondholders as this would be most efficient. Refinancing (or repayment) may be in the form of:

- *a new bond, new bank debt or another source of debt funding*: typically, the refinancing would be planned for and executed ahead of the maturity date in order to reduce refinancing risk associated with changing market conditions in the financial markets. Refinancing risk always exists on fixed rate bonds with fixed maturities because there can be no certainty known today about the financial markets in the future. To mitigate refinancing risk, the Issuer expects to examine market conditions ahead of the Bond's maturity and plan for the refinancing of the Bonds
- *an asset sale*: the model indicates that the value of the Portfolio (£6.5 million) exceeds the liability of the Bond (assumed £5 million). As such, the Issuer may choose to sell the Portfolio to refinance Bondholders
- *winding down of the portfolio*: the Issuer ceases new lending and lets loans pay-back and mature. In so doing, the Issuer uses returned monies to build-up cash to repay Bondholders (rather than re-lending).

***To the extent possible, the above worked example has been compiled and prepared on a basis which is comparable with the historical financial information included herein and consistent with the Issuer's accounting policies. However, Investors should note that the above is a simplified worked example included for information purposes only and should not be relied upon for making an investment decision. This simplified worked example includes assumptions which in practice will be difficult to replicate. In practice and subject to market demand for different products with different terms including different maturities, the Issuer's loan book will diverge from this simplified example. Investors should not rely on this simplified example as being the exact make-up of the Issuer's loan portfolio in the future in coming to an investment decision.***

***If you are in any doubt about how finance businesses such as Orchard raise capital at lower interest rates than those at which they lend to their customers in order to generate a profit, if you do not understand how loans generate cash flows in the form of interest payments and principal repayments or if you have any questions regarding the content of this simplified example model output, the Prospectus and/or the Bonds or the actions you should take, you should seek advice from your independent financial adviser or other professional adviser before making any investment decisions.***

(2) *Acquiring existing loans from within the Group*

At a recent practicable date prior to the publication of this Prospectus, the Group's unaudited loan portfolio was broken down as follows:

Finance Company Lending	45%
Direct Insurance	37%
Pitch Fees	7%
Professional Fees	7%
Leisure	2%
School Fees	1%
Working Capital	1%

Average APR	12%
Average Loan	£1,153
Average Term	17 months

As noted above, the Directors of the Issuer and Orchard Funding Group PLC retain the discretion to apply some or all of the Bond proceeds in the acquisition of parcels of existing loans from other Group companies to the extent they consider be the most efficacious way of minimising cash drag in the Issuer in the period immediately following the Closing Date. Where the Issuer does acquire such existing loans, the portfolio acquired would be expected to reflect the above sector splits, but no assurance can be given on the final splits of loans acquired by the Issuer from the Group.

**Financial information**

Since the date of its incorporation, the Issuer has not commenced operations. The historical financial statements of the Issuer are limited to balance sheets showing the Issuer's subscribed share capital. These financial statements for the last three financial years of the Issuer ended 30 September 2021 for which financial information has been published are incorporated by reference into this Prospectus as set out on page 87. Also incorporated by reference into this Prospectus are the audited year end statements of the Guarantor for the previous three financial years.

The Issuer expects to shorten its accounting referencing date from 30 September to 31 July to fall in line with that of its parent company, the Guarantor. As the Issuer has recently become a wholly owned subsidiary of the Guarantor, the Guarantor's consolidated accounts for the year ended 31 July 2022 will include financial information relating to the Issuer.

Reports and accounts published by the Issuer will be available for inspection during normal office hours at its business address set out above and within the "Retail Bonds" section of the Orchard Group's website, being [www.orchardfundinggroupplc.com](http://www.orchardfundinggroupplc.com).

The Issuer and the Orchard Funding Group PLC have each appointed RSM UK Audit LLP of 6<sup>th</sup> Floor, 25 Farringdon Street, London EC4A 4AB, as their respective statutory auditors. RSM UK Audit LLP is registered to carry on audit work in the UK by the Institute of Chartered Accountants of Scotland.

**Recent developments**

There have been no recent events particular to the Issuer that are, to a material extent, relevant to the evaluation of the Issuer's solvency.

## BUSINESS OF THE ORCHARD GROUP

*This section sets out information about the Orchard Group and its business.*

The Bonds will be issued by the Issuer and secured by a floating charge over the assets and undertaking of the Issuer granted in favour of the Security Trustee, acting on behalf of Bondholders.

The Issuer's obligations under the Bonds are supported by a partial guarantee given by the Issuer's parent company, Orchard Funding Group PLC (the "**Guarantor**") which is limited to 10% of the face value of the Bonds.

The security and guarantee arrangements are each described in more detail in the sections headed "*Information about the Bonds*" and "*Terms and Conditions of the Bonds*".

The following section describes the business of the Guarantor and the Orchard Group and the proposed uses of funds raised by the Issuer pursuant to the issue of the Bonds.

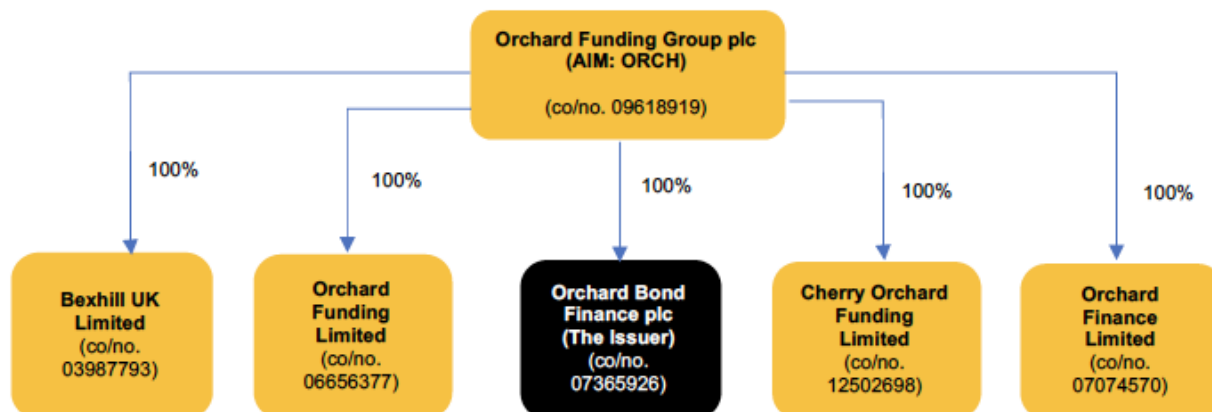
### Information about Orchard Funding Group PLC

Orchard Funding Group PLC (was incorporated and registered in England and Wales on 2 June 2015 under the Companies Act 2006 as a public limited company with registered number 09618919. The principal legislation under which it operates is the Companies Act 2006. The Legal Entity Identifier of the Guarantor is 213800U4K2POJCSQYR97.

The Guarantor's registered office and principal place of business is 721 Capability Green, Luton, England, LU1 3LU, its telephone number is 01582 346291 and its website is the same as that of the Group's, being [www.orchardfundinggroupplc.com](http://www.orchardfundinggroupplc.com). Any information contained in any website specified in this Prospectus does not form part of this Prospectus, except where that information has been incorporated by reference into this Prospectus.

### Group Structure Chart

The following chart sets out the structure of the Group:



## **Principal activities and Funding Structure of the Group**

### ***Overview of the Group***

The Guarantor's objects and purposes are unrestricted. The Guarantor is the ultimate holding company and is responsible for the overall business strategy and performance of the Group. The "Group" comprises the Guarantor and its subsidiaries (including the Issuer), together with the Funding Entities, taken as a whole. References in this Prospectus to "Funding Entities" are to any subsidiary of the Guarantor which grants or makes loans to third party borrowers. As at the date of this Prospectus, the Issuer, Bexhill UK Limited ("**Bexhill**"), Orchard Funding Limited ("**Orchard Funding**"), Orchard Finance Limited ("**Orchard Finance**") and Cherry Orchard Funding Limited ("**Cherry Orchard**") were Funding Entities.

The Group is a finance company that has specialised in insurance premium finance, the professional fee funding market and more recently other specialist lending markets where the management believes that there is excess return achievable as a result in the dislocation of traditional funding sources.

The Group has been trading since 2002 and operates an efficient business model, with 17 non-director staff. The Group has developed its own bespoke software, now called Lend XP, to enable it to conduct day-to-day funding operations. The Group was shortlisted as finalist for "Business Partner of the Year 2013" by Insurance Times and shortlisted "Service Provider of the Year 2013" by British Insurance Awards.

The Guarantor has established the Issuer as a wholly-owned funding subsidiary, the purpose of which is to raise capital to deploy across its existing markets and also newer markets that may require longer dated funding that the existing lenders to the Group are not able to provide. The Bonds will have a maturity of five years, compared to the revolving 12-month facilities provided by the current lenders. The longer dated nature of the Bonds means that the Issuer and the Group will not need to renegotiate the terms of the Bonds every year and this will reduce the cost and time that is often associated with refinancing bank facilities.

Further details on the Group's loan book, lending volumes and funding lines are outlined below and contained in the Group's audited annual reports and accounts which are incorporated by reference into this Prospectus as set out on page 87, in particular in the sections headed 'Strategy and objectives' and 'Our business model' (pages 5 to 6 of the annual report and accounts for the year ended 31 July 2021) and 'Development and performance of the business' (pages 10 to 13).

The total principal amount of loans provided by the Group between FY2016 to FY2021 was c. £380 million. Since first lending in 2002, the Group has lent over c. £680 million. The lending volume for the most recent complete full year (to 31 July 2021) was £61.02 million compared with £65.53 million to 31 July 2020 and £72.99m to 31 July 2019. The fall in lending in 2020 and 2021 is attributed by the Group to the impact of COVID-19.

### ***The Orchard Funding Group PLC share placing on AIM***

In 2015, the Guarantor raised £10.0 million (before expenses) by the issue of 10,416,667 Ordinary Shares pursuant to a placing programme and AIM listing. The net proceeds of the placing were used to provide capital for lending to its clients and to optimise the Group's existing capital structure through the repayment of a c.£5.0m debt facility. Trading commenced in the Guarantor's Ordinary Shares on 1 July 2015.

**Summary Group Consolidated Financials table: FY2016 - FY2021**

<b>Key Performance Indicators</b> (in £millions unless otherwise stated)	<b>Full Year 2021</b>	<b>Full Year 2020</b>	<b>Full Year 2019</b>	<b>Full Year 2018</b>	<b>Full Year 2017</b>	<b>Full Year 2016</b>
Lending volume	£61.02	£65.53	£72.99	£68.73	£63.35	£48.56
Average interest earning assets*	£28.59	£29.72	£31.54	£29.68	£25.11	£19.79
Total revenue	£4.60	£5.28	£5.48	£5.17	£4.55	£3.46
Average External Funding	£9.28	£12.82	£14.35	£13.16	£11.49	£8.11
Costs of external funds	£0.56	£0.62	£0.70	£0.63	£0.49	£0.43
Cost of funds/funds ratio	6.03%	4.84%	4.88%	4.79%	4.26%	5.30%
Operating costs	£2.52	£2.44	£2.20	£1.92	£2.01	£1.54
Return on average equity	5.35%	8.31%	11.24%	11.10%	10.51%	8.34%
Own resources (net current financial assets)	£14.15	£15.50	£14.82	£13.94	£13.03	£12.21

**History and Background**

In addition to the Issuer, the Orchard Group consists of four subsidiaries; Bexhill, which provides financing for insurance premiums for clients of insurance brokers; Orchard Funding, which provides financing for professional fees for clients of professional service firms such as accountants and lawyers and other consumer and non-consumer lending; Orchard Finance which provides finance to customers who purchase insurance products from car dealerships; and Cherry Orchard which is a recently established bridging lender.

Bexhill was established in 2002 and has operated in the insurance premium finance market since that date. Bexhill experienced consistent revenue growth between 2002 and 2007. However, due to the global financial crisis, Bexhill's funding became significantly restricted in 2008. Bexhill continued to trade through the global financial crisis despite limitations on its business due to the scarcity of capital available.

Orchard Funding was established in 2010 in order to exploit the withdrawal of one of the largest funders in the market for smaller professional practices. Orchard's lending book has been able to grow despite its limited and expensive capital base.

To date, the Group's business has been primarily financed by the founder and Chief Executive Officer, Mr Ravi Takhar, with the support of debt from banks and other financial institutions. Since 2002, the Group through its subsidiaries has lent over £680 million of which, £380 million was lent between FY2016 and FY2021.

The Directors believe the Group's lending structure to be an innovative business model that facilitates the provision of reasonably priced, unsecured short-term credit to individuals and business, whilst at the same time ensuring an excellent arrears and loss history in its lending book. Historical defaults on loans made by the Group have been less than 1% per annum on average.

The Group's key objective is to continue to position itself as a leading provider of professional fee finance and insurance premium finance while introducing new lending markets in sectors where traditional lenders have pulled back and in so doing, have created a lending opportunity for new entrants.

### Overview of the Group's funding

The Group funds itself with a mix of facilities and its own financial assets. Subject to a successful bond transaction, the Group's funds will be further diversified.

#### Current Group Funding

£15m Toyota Financial Services general facility
£7.5m TFS restricted facility
£5m NatWest facility
£14.2m own net current financial assets

#### Post Bond Issuance Group funding

<b>Proposed £10m Bond</b>
£15m Toyota Financial Services general facility
£7.5m TFS restricted facility
£5m NatWest facility
£14.2m own net current financial assets

During the financial year to 31 July 2021 the Group successfully refinanced and lowered the cost of its two borrowing facilities that had been provided by Barclays Bank PLC and Conister Bank. As announced on 26 April 2021, the National Westminster Bank PLC provided a £5 million facility to the Group subsidiary Orchard Funding Limited in replacement of a £2 million facility previously in place from Conister Bank. As announced on 16 June 2021 the Barclays Bank facility provided to Bexhill was refinanced by Toyota Financial Services (UK) PLC. The total amount of available banking facilities to the Company is now £20m.

Currently, the Guarantor does not provide a guarantee to any of the Funding Entities. Upon successful placement of the proposed bonds, the Guarantor will provide a guarantee to the Issuer as described above.

In addition, Toyota Financial Services (UK) PLC has provided the Group with a limited facility to fund insurance products only through Orchard Finance. At the date of this Prospectus, the Directors are confident that in the future they will retain access to the same or similar bank facilities.

The balance of lending is provided from group resources. At 31 July 2021 the group had net current financial assets (receivables plus cash in hand less current liabilities) amounting to £14.15 million.

The group's average cost of finance was 6.03% of funds borrowed in the financial year to 31 July 2021 (4.84% on the same basis in the year to 31 July 2020). Cost of funds includes arrangement and legal fees payable for access to funding and fees for non-use of the facility. The 6.03% cost of funds is distorted in 2021 as costs were incurred for a facility which was not used by the year end. If only interest were included in cost of finance the percentages would be 3.03% for 2021 and 3.63% for 2020.



As at the date of this Prospectus, none of the Funding Entities had defaulted on payments of principal, interest or other amounts or breached the terms of the relevant loan agreement to which it is a party.

The Issuer intends the net proceeds of the Bonds (and any future Bonds) to be the fourth external source of debt funding for the Group's loan portfolio. Whereas the Group's current banking facilities are short-dated, require refinancing every year and are generally deployed into short-dated lending, the net proceeds of the Bonds, with a maturity of five years, will allow the Group to deploy the capital, via the Issuer, into longer-dated lending. The Group believes that being able to provide longer dated lending will provide it with a competitive edge in some of the markets where the Directors expect to earn higher returns.

There have been no material changes in the Guarantor's or the Group's borrowing or funding structure since the end of its last financial year or recent events particular to the Group which are relevant to an evaluation of the Guarantor's solvency.

### ***Overview of FY 2021 (to 31 July 2021)***

Orchard suffered the effects of COVID-19 in the period up to 31 July 2020 and the 2021 financial year began in the same vein. There was an easing of lockdown in July 2020 but this quickly led to further out-breaks of the disease resulting in a full lockdown by January 2021. This has effectively remained through most of the rest of the Group's 2020/21 financial year. However, Orchard has seen increases in lending towards the end of the financial year and forecasts indicate that this is likely to continue.

An improvement in lending volumes will be dependent on the economy remaining open. One outcome of the restrictions was that Government debt replaced non-mortgage, personal debt. A research publication by the Commons Library published in July 21, quotes figures from the Bank of England showing that unsecured debt fell in each month between March 2020 and May 2021. This impacted Orchard's lending since individuals who might in the past have financed insurance premiums were not borrowing to do so.

The 2021 financial year began in the same vein as 2020 ended, with reductions in lending in every month when compared to the equivalent month in the previous year. This situation continued until March 2021 after which lending began to rise again on the same basis. Product lines already introduced are reviewed regularly to evaluate the impact they are having on the business. To date that impact has been encouraging. The Group continues to use the same disciplined approach when evaluating potential new markets and has started lending into longer term markets. The Group intends to develop these markets further and is assessing new sources of finance to do so. It remains the Group's intention to increase sales in existing markets, expand into adjacent markets, maintain good cost control commensurate with plans and secure further sources of funding.

Group's business model proved resilient during the global financial crisis in 2008 and again proved resilient in the Covid19 pandemic, which was even deeper and more-wide ranging than the 2008 crisis. The Group supported its staff and ensured that not a single employee was put on furlough. The Group supported all of its clients, who suffered no interruption to their liquidity requirements during the Crisis.

The Group also supported borrowers, including those with payment difficulties throughout the pandemic. During 2021 and despite the pandemic, the Group worked hard to ensure that there was a constant and cost-effective supply of liquidity for its businesses. The Group re-financed Barclays Bank PLC, with funding from Toyota Financial Services PLC and Conister Bank with National Westminster Bank PLC. Against a very difficult backdrop, the Group was able to execute refinancing which is more flexible and cost effective than its historic facilities.

As expected, the Group traded through 2021 with a lower level of lending than in the year ending July 2020. Despite market conditions, the Group managed to lend over £60m and maintained its lending in the insurance sector, whilst seeing falls in lending in professional fee funding and site fee funding. Looking ahead, the Group's sales team is focused on the recovery of lost lending and is working hard to achieve this as the market returns to

normal levels. As well as its core markets, the Group continues to test adjacent markets to its current products. Following the introduction of its site fee lending product, the Group launched a Hire Purchase product, which enables customers to acquire static caravans. The Group is now lending in this market and it is well placed to grow its market share due to our existing relationships with Park Operators.

Through entry into new markets, the Group continues to demonstrate its pro-active approach to business but only by lending into markets that share the credit characteristics of the Group's historic lending. The Group continues to develop its own bespoke IT system, Lend XP. As well as supporting its own business, Lend XP is now used by all of the Group's finance company clients. Lend XP enables the Group to integrate effectively and efficiently with 3rd party IT systems and has continued to increase operational efficiency and the Group's ability to conduct business with introducers, for whom IT integration is a pre-condition to doing business.

Investing in IT development is a fundamental part of the business and during 2021, investment in IT enabled the Group to lend into the Hire Purchase market quickly and on a cost-effective basis. The Group has also made a FinTech investment into an Open Banking platform, which enables analysis of a customer's bank statements on a real time basis. The open-banking solution will offer benefits to Orchard before it enters new markets as the real-time solution will ensure that credit offered to borrowers is supported by effective underwriting.

### **Financial performance of the Group**

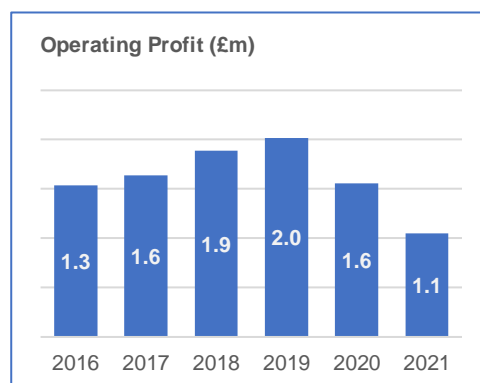
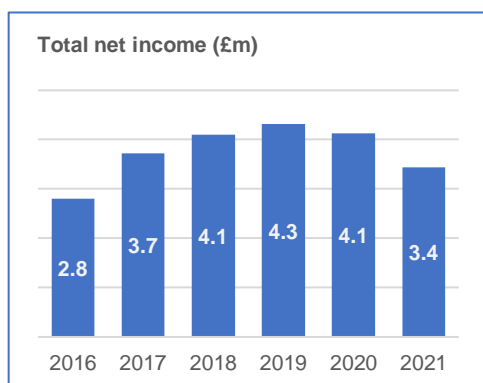
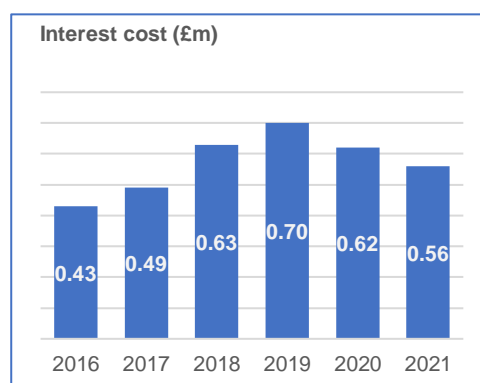
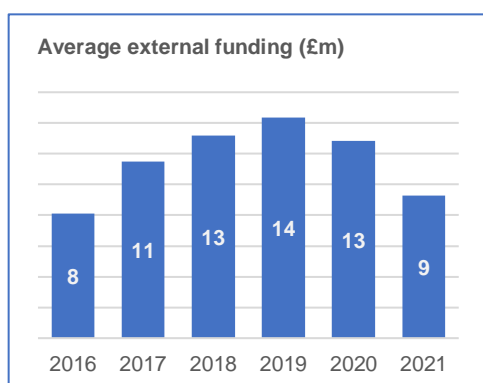
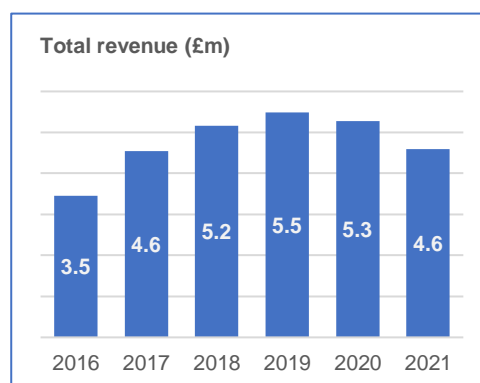
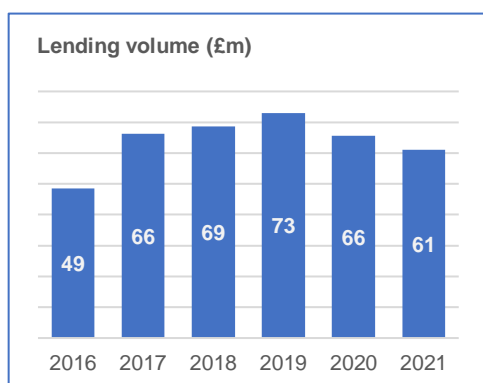
The Group parent has an accounting reference date of 31 July. The auditor of the Group parent is RSM UK Audit LLP of 6<sup>th</sup> Floor, 25 Farringdon Street, London EC4A 4AB. RSM UK Audit LLP is registered to carry on audit work in the UK by the Institute of Chartered Accountants of Scotland. Reports and accounts published by the Group (now including the Issuer) will, when published, be available for inspection during normal office hours at its business address set out above and within the "retail bonds" section of the Group's corporate website being [www.orchardfundinggroupplc.com](http://www.orchardfundinggroupplc.com).

### **Summary Group Consolidated Financials: FY2016 - FY2021**

Between 2015 and 2019 Orchard grew its lending year on year. In the latter part of the year to July 2020 the Group felt the impact of COVID-19 and as a result, lending volumes fell. This fall continued into the first eight months of the 2021 financial year after which lending began to grow again. Overall, loans made in the year to July 2021 are lower than in the year to July 2020 by around 6.9%. Despite this situation, lending in the insurance premium funding market has grown and the Group has commenced lending into the asset finance market.

Since the Group's first year of financial performance following its listing on AIM, Group has grown consistently, except for the very recent impact of COVID-19, as shown in some of the group's Key Performance Indicators below. Compounded annual growth to the end of the full year of 2019 (ending on 31 July 2019) is stronger in all measurements shown below, compared to the period ending 31 July 2021 since the latter period includes the effects of the COVID-19 pandemic.

<b>Selected Group Key Performance Indicators</b>	<b>Growth 2016-2019</b>	<b>Growth 2016-2021</b>
Lending volume	50%	26%
Average interest earning assets	59%	44%
Average external funding	77%	14%
Total revenue	58%	33%
Total net income	54%	23%
Operating profit	59%	-17%



### Business environment and recent developments

The economic backdrop made 2021 a challenging year for the group. The ongoing COVID-19 restrictions have impacted on consumer demand and there has been continued aggressive competition for business from the established players in the market. This led to an inevitable impact on the Group's results resulting in new lending volumes falling by 6.9% and total revenue declining by 12.9%.

The Group believes that there are several positives to take from this year. The Group's business has proved to be resilient, and it is in a good position to grow as the economy recovers and consumer demand returns post-pandemic. Core business has continued to perform, and the majority of our staff have been able to work from home with no impact on our customers or partners.

**New borrowing facilities:** Importantly, the Group has secured new funding from Toyota Financial Services PLC and National Westminster Bank PLC replacing our historical Barclays Bank PLC and Conister Bank facilities. The

Group believes that its ability to refinance at lower interest rates and with greater flexibility while under pressure from extraneous events is an important show of confidence in its business model.

The Group continues to pilot lending into new markets where it can compete on the basis of our experienced staff, underwriting processes and supporting systems. Whilst insurance premium funding will remain its core activity, the Group aims to fund growth into new markets with new sources of capital and to grow its revenue. Despite a difficult trading environment resulting from COVID-19 and the lock-down which reduced demand for borrowing across the Group’s markets. Coming out of lock-down, the Group expects to resume normalise lending in its core markets, whilst growing lending in new markets.

**Next steps for the Group’s business**

It is the intention of the board to grow the business by i) continuing to develop its core markets and ii) to develop markets that require longer term lending where the company can utilise its established business processes, business connections, underwriting skill-set and IT systems. The issuance of the Bonds, which will have a maturity of 5 years, will facilitate lending into markets that require longer dated loans. For example, recently, the board conducted a limited pilot of longer-term lending into the static caravan market as a result of some established lenders withdrawing from the market to concentrate on their own core strategies. The Board considers that this market provides a risk-adjusted return commensurate with its core lending. As usual, protection of its stakeholders is of paramount importance and the Group shall apply the same strict underwriting procedures as it does in other markets.

**Lending criteria and lending allocation policy**

<p><i>Sector focus</i></p>	<p>The Issuer will lend to borrowers in the following market sectors:</p> <ul style="list-style-type: none"> <li>• finance companies</li> <li>• service fee finance market</li> <li>• static caravan, lodge and general vehicle market</li> </ul> <p>and</p> <ul style="list-style-type: none"> <li>• other identified markets with similar credit characteristics to the Group's core lending markets</li> </ul> <p>or</p> <ul style="list-style-type: none"> <li>• which otherwise fulfil its prevailing credit, affordability and underwriting criteria (and which may include markets into which the Group has not made significant inroads or even lent to before at all and which may include secured property and unsecured personal loans sectors).</li> </ul>
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<p><i>Borrower profile and existing book</i></p>	<p>The Issuer's borrowers will typically be:</p> <ul style="list-style-type: none"> <li>• Corporates</li> <li>• Non-corporates/consumer</li> <li>• At the date of this Prospectus, the breakdown of the Group's lending is split between corporate and non-corporate/consumer. Consumer lending includes partnerships of less than four partners.</li> <li>• The Group's loan book at a recent practicable date prior to the date of this Prospectus was 62% corporates (c. 2,000 agreements) and 38% to non-corporate/consumer (c. 36,000 agreements). There is no expectation of any significant change to these percentage splits.</li> <li>• Loans to corporates average 10 months in duration. The average to consumers is 17 months (which reflects the inclusion of 36-month insurance agreements). Hire purchase loan agreements have a maximum duration of 84 months and other loan agreements have a maximum duration of 36 months. The minimum duration of all types of loan is 3 months.</li> <li>• The weighted average on the Group's loan book as at a recent practicable date prior to the date of this Prospectus was 11.66%.</li> </ul>
<p><i>Borrower limit</i></p>	<p>The Issuer's policy is not to make a loan to a single Borrower in excess of £1 million in the case of a finance company and in excess of £500,000 in the case of a limited company, partnership or a consumer.</p>
<p><i>Identity of Client and credit history</i></p>	<p>Borrowers will be subject to credit and affordability checks in accordance with the Issuer's underwriting criteria and regulatory requirements.</p>
<p><i>Security</i></p>	<p>Loans made by the Issuer will generally be unsecured although:</p> <ul style="list-style-type: none"> <li>• loans made to finance companies will be secured by the underlying receivables of the finance company and a debenture over the finance company;</li> <li>• loans made to finance services will generally be guaranteed by the introducing service provider; and</li> </ul>

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|--|---|
|  | <ul style="list-style-type: none"> <li>• loans made in respect of static caravans, lodges and other vehicles will be on a HP/conditional sale purchase basis.</li> <li>• loans which typically require security to be granted by the borrower will benefit from such security.</li> </ul> |
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## Examples of the types of loans to be provided by the Issuer

### Finance company lending

The provision of finance to finance providers has been one of the Group's core markets for over 20 years.

The Issuer will continue the Group's operations in this sector by lending to finance companies to enable those companies to lend to their consumer and/or non-consumer customers. The Issuer will take security over the receivables of the finance company, a debenture over the finance company's assets and undertaking and in certain cases further guarantees from the principals of the finance company. The finance company may be required to use the Group's software, Lend XP, and the Group may control and manage the collection of the receivables of the finance company. The Issuer may also acquire such receivables from other members of the Group.

### Service fee finance

Service fee finance is another core market in which the Group has operated successfully for over 20 years.

The Issuer will provide finance to consumers and non-consumers to finance the payment for services or goods acquired by the borrower and, in some cases, will provide finance to the service or goods providers directly. The Issuer will in certain cases, where the credit analysis of the borrower requires it, take guarantees from third parties in respect of the borrower's obligations. The Issuer may also acquire such receivables from other members of the Group.

The Directors set introducer limits and conduct credit and affordability checks on all its service providers as well as the underlying customers of the service providers. In addition, the Group performs an annual review process and monitors exposure to each service firm which introduces business to it.

### Static caravan, lodge and general vehicle lending

The Group's newer growth markets including static caravan, lodge and vehicle finance.

The Issuer will provide finance to consumers acquiring a static caravan, lodge or vehicle. Finance is provided through a Hire Purchase or Conditional Sale Agreement, which ensures that title to the static caravan, lodge or vehicle remains with the Issuer until the borrower pays for the asset. The Issuer may in certain cases, where the credit of the borrower requires, take guarantees from third parties, such as park operators, for the borrower's obligations. The Issuer may also acquire such receivables in relation to these types of financing from other members of the Group.

There are over 2,000 park home operators in the UK and the top 12 have circa 72,000 sites between them. A typical static caravan costs £30,000, with a finance requirement of around £25,000 following a typical 10% deposit. The typical customer profile is prime or near prime with high credit scores.

### **Lending limits and security**

Lending limits to the Issuer's customers are set by reference to financial information (credit reports, regulatory and other requirements) and by reference to other qualitative information for finance companies, service providers and for the end borrowers. The Issuer will not make a loan to a single borrower in excess of £1 million in the case of a finance company and in excess of £500,000 in the case of a trading limited company, partnership or a consumer.

In addition, an annual review process, including regulatory permissions and credit checks, is conducted for each finance company and service provider and each such entity is monitored monthly for the Group's financial exposure to that entity. The Group's finance company lending is secured by the receivables written by the finance company and a debenture over the finance company. The Group's service fee lending generally allows recourse to the introducing service provider, and service providers are often operating in regulated markets such as insurance. The Group's HP and conditional sale lending is effectively secured on the asset that is being financed. The Issuer's loans must, in all cases, fulfil its prevailing credit, affordability and underwriting criteria.

### **Credit Risk Management**

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in financial loss to the company. Credit risk arises principally from the company's trade and other receivables.

The Issuer will give careful consideration to which organisations and consumers it will provide funding to in order to minimise credit risk.

The Group has an established credit policy under which each new borrower is analysed for creditworthiness and affordability. This policy includes income and expenses assessments by reference to affordability indicators, bankruptcy and CCJ checks, identity and credit conduct checks and uses a combination of manual underwriting and automated and technology-driven processes developed over the Group's 20 year history.

### **Strategy of the Group**

The Group's principal objective is to increase its profitability in a prudent, sustainable manner, having due regard for the interests of all stakeholders (employees, shareholders, partners, other customers, creditors, regulators, the local and wider community and other parts of government). The interests of one class of stakeholder may, in some instances, conflict with those of another (for example, it would be better for shareholders to receive higher dividends at the cost of employees having lower wages). The board is responsible for ensuring that all stakeholders are treated fairly and it bears this in mind during the decision making process. The Group has six strategic drivers behind its objective of increasing profitability:

1. to differentiate the Group's business from that of its competitors, based on service excellence, correct pricing and robust underwriting procedures;
2. to increase lending in a responsible manner;
3. to preserve sources of liquidity;
4. to innovate;

5. to continually improve IT systems; and
6. to support the Group's sales team in their work.

The Directors believe in a two-pronged approach to lending – to increase the number of partners who fit in with the Group's business values (brokers, accountants and other third party introducers) as well as to increase the volume of business from each of these partners.

The Group submitted a banking licence application on 30 April 2020. Since then, the major effect that COVID-19 has had on all businesses has been apparent. The Board reached the point where, to progress the licence, a substantial amount of time and investment was needed to ensure the success of the application. The board determined that in this uncertain economic environment, all efforts should be focused on the core activities of the business and that the banking licence application process should be put on hold. The application was therefore withdrawn on 19 October 2020 and will be revisited when there is some return to normality in the market.

As far as innovation is concerned, the Group constantly strives to examine markets and product lines which can be serviced based on the Group's philosophy of safe lending and sensible returns. Those markets in which the Group began investing last year have begun to produce results, albeit the COVID-19 issue has somewhat subdued these over the past year.

The Group's IT system is now predominantly in-house, providing stability for its future business, the ability to increase lending in core markets where IT system integration is required and the ability to enter new markets, as well as giving much more control over, and thereby reducing risks in, the development of the system.

The Group's sales team are its first line in dealing with partners, arranging prospect meetings and, where required, making use of senior personnel to help them close a deal. Care of its partners is of paramount importance in the Group's business culture and this aspect is a constant part of training for all staff. Feedback from partners in this area has been positive. The Group's aim is to continue to build strongly on both core markets and those which assist in achieving its principal objective.

### **The business model**

The Group provides credit to businesses and consumers to enable them to spread the cost of their insurance premiums, professional fees or other service fees over a period of up to one year. The Group's business model is a "hold to collect" model in which assets are held to maturity to collect cash flows of principal and interest, rather than holding assets for sale.

The nature of the Group's products are so similar in terms of risk, reward and processes that any segregation would not give meaningful information to users of the financial statements. The Group's underwriting and debt management procedures are so similar that it has not disaggregated results arising from its several markets, believing that to do so would obscure material information and reduce the understandability of the financial statements. The Group therefore still reports a single trading segment – lending. Lending limits to customers is set by reference to financial information (credit reports, regulatory and other requirements) and by reference to other qualitative information for both the introducing partners and for the end borrowers. In addition, an annual review process, including regulatory permissions and credit checks, is conducted for each introducing partner and each partner is monitored monthly for the group's financial exposure to that entity. Much of the Group's lending gives it recourse to the introducing partner, is through regulated introducers and no cash is passed over until at least the first repayment is received. In the case of insurance, the customer can have their cover withdrawn for non-payment with any refunds being paid to Orchard.



Bexhill borrows a percentage of the amount advanced to each of its clients from its funding partners. Funding is governed by lending covenants which Bexhill has always complied with. Orchard also has recently agreed a borrowing facility of £5 million with National Westminster Bank PLC in replacement of previous facilities made available by Conister Bank. The balance of lending is provided by the subsidiaries from their resources.

At 31 July 2021, the Group had net current financial assets (receivables plus cash in hand less current liabilities) amounting to £14.15 million. Both subsidiaries have operated within a disciplined lending environment since they began trading. The group's average cost of finance was 6.03% of funds borrowed in the financial year to 31 July 2021 (4.86% on the same basis in the year to 31 July 2020). Cost of funds includes arrangement and legal fees payable for access to funding and fees for non-use of the facility. There is some distortion in 2021 as costs were incurred for a facility which was not used by the year end. If only interest were included in cost of finance the percentages would be 3.03% for 2021 and 3.63% for 2020.

## **Corporate governance of the Guarantor as a public limited company listed on AIM**

### ***Corporate governance***

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

The governance of Orchard Funding Group PLC vests in the board of directors of the holding company, according to the laws and regulations for an AIM listed company extant in the UK. We believe 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 shareholders, staff, customers, suppliers and other stakeholders.

Orchard Group has followed the QCA Corporate Governance Code (the "**Code**") since September 2018, as the benchmark for measuring its adherence to good governance principles (having previously used the Code as a guide). These principles provide a clear framework for assessing the performance of the board and the company. These principles, and their application by the Guarantor, are laid out fully on the Group's website at <http://www.orchardfundinggroupplc.com/governance/chairmans-governance-report/>.

The board, led by the chairman, who has responsibility for corporate governance policies and implementation, has established a strategy and business model both of which promote long-term value for shareholders and security for its other stakeholders (staff, customers, suppliers and government). In summary, Orchard Funding Group PLC model is to borrow from its bankers (and subject to the successful placement of the Bonds, from Bondholders) and uses this together with its own reserves, to lend to its customers. 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. Despite the withdrawal of the banking licence application, the board will continue with the evolution in control, monitoring and risk management.

### ***Overview of the Board***

The board of the Guarantor currently consists of two executive and two independent, non-executive directors. The executives take no part in the audit or remuneration committees to ensure the independence of those bodies. All directors have the experience necessary to carry out their functions. Before appointment by the board, each applicant produces a full CV and is interviewed to establish if he has the necessary skills and will fit in with the ethos of the group. Directors ensure that they keep up to date with relevant regulation and legislation through courses, reading and interaction with those making the rules. Before final appointment to the board, full satisfactory references are required and full checks conducted, the results of which are checked and approved by the board. Currently, given the size of the group, director evaluations are informal, consisting of discussions at

board meetings. This does not strictly comply with the requirements of the Code but the board believes that it is appropriate for the existing structure.

The Group supports the concept of an effective board leading and controlling the Guarantor as the Group's parent company. The Directors are responsible for approving company policy and strategy. In the past it has met formally approximately every two months but since the onset of COVID-19 contact has been by e-mail, telephone or video communication. It has a schedule of matters specifically reserved to it for decision (see website at <http://www.orchardfundinggroupplc.com/governance/matters-reserved-for-the-board/>). Management supply the board with appropriate and timely information and the directors are free to seek any further information they consider necessary. All Directors have access to advice from the company secretary and independent professionals at the Group's expense.

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

### ***Relations with shareholders***

The CEO and/or CFO meet with the Guarantor's institutional and other major shareholders twice a year and explain what is happening with the Group, getting valuable feedback on how investors view the Group's plans. In addition, details of financial reports and AGM details are sent to all shareholders and these, together with results of votes are included on the website at <http://www.orchardfundinggroupplc.com/annual-report-and-accounts/> and <http://www.orchardfundinggroupplc.com/agm-notice/>. The CEO and/or CFO propose to extend the same access to information to Bondholders.

### **Directors and Company Secretary of the Guarantor**

#### ***Steven Hicks – Chairman (appointed 7 October 2020)***

Mr Steven Hicks has more than 40 years' experience in Retail and Commercial Banking, has worked at Board level since 2007 and has extensive governance, risk management and compliance knowledge. His previous Board roles were as Chief Operating Officer and Head of Risk at Arbutnot Latham & Co Limited and CEO at Gentoo Genie Limited where he is now the Chairman. He is currently an Independent Non-Executive Director (INED) and Chair of The Board Risk Committee at the State Bank of India UK Limited and an INED and Chair of The Board Risk Committee at Al Rayan Bank PLC.

#### ***Rabinder ("Ravi") Singh Takhar – Chief Executive Officer***

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

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

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

***Ketan Jayantilal Malde – Independent Non-executive Director (appointed 1 September 2019)***

Mr Ketan Malde has more than 30 years' Board level experience in the retail and specialist banking arena. Until April 2017, he was the Executive Board Director and Chief Financial Officer of Hampshire Trust Bank PLC. His previous Board roles were as Chief Operating Officer and Finance Director of Heritable Bank PLC and Finance Director of Sun Bank PLC. He is the Chairman of the Audit Committee and member of the Remuneration committee.

Ketan is a Fellow of the Chartered Association of Certified Accountants and a graduate of the University of Leeds.

***IT to be a key differentiator and driver of new business***

During 2021, the Group continued development of its own bespoke IT system, Lend XP which the Group has invested in by entering into a venture where the Group holds a 30% stake in a new open-banking software company that now has obtained FCA approval to trade.

This IT system is important for a number of reasons the main one being that regulatory rules require affordability assessments to be conducted in respect of each borrower. We believe the only way to conduct effective affordability assessments is through a review of a borrower's bank statements. This is usually impractical for short-term point of sale financing and can only be achieved through sophisticated IT solutions. Orchard's open-banking venture will provide this ability in real time and form a key part of Orchard's underwriting process. This solution will be invaluable to Orchard but will also be an attractive service to other lenders, who have already expressed interest in conducting trials on Orchard's open-banking solution. The open-banking solution will offer benefits to Orchard before it enters new markets by way of live market-wide transactional intel as the real-time solution will ensure that credit offered to borrowers is supported by effective underwriting.

Lend XP enables the Group to integrate effectively and efficiently with 3rd party IT systems and has continued to increase operational efficiency and the Group's ability to conduct business with introducers, for whom IT integration is a pre-condition to doing business. Lend XP is a key part of the Group's philosophy of spending and investing money prudently and only in the best interests of the business and its stakeholders.

## TERMS AND CONDITIONS OF THE BONDS

*This section sets out the terms and conditions which apply to the Bonds. It is important that you read the entirety of this Prospectus, including these Terms and Conditions of the Bonds, before deciding to invest in the Bonds. If you have any questions, you should seek advice from your financial adviser or other professional adviser before making any investment decision.*

*The following are the Terms and Conditions of the Bonds which will be incorporated by reference into each Global Bond (as defined below) and each definitive Bond, in the latter case only if permitted by the relevant stock exchange or other relevant authority (if any) and determined by the Issuer at the time of issue but, if not so permitted and agreed, such definitive Bond will have endorsed thereon or attached thereto such Terms and Conditions*

The issue of the sterling denominated 6.25% bonds due 2 June 2027 (the "**Bonds**") was authorised by a resolution of the Board of Directors of Orchard Bond Finance PLC (the "**Issuer**") passed on 19 January 2022. A partial guarantee of the Bonds, limited to 10% of the face value of the Bonds, was authorised by a resolution of the Board of Directors of Orchard Funding Group PLC (the "**Guarantor**") passed on 19 January 2022.

The Bonds are constituted by a Trust Deed (the "**Trust Deed**") to be dated on or around 9 February 2022 (the "**Issue Date**") between the Issuer, the Guarantor and City Partnership Trustee Limited (acting in its capacity as "**Security Trustee**" and which expressions shall include all persons for the time being the Security Trustee or trustees, or the security trustee or security trustees, under the Trust Deed as applicable) as trustee for the holders of the Bonds (the "**Bondholders**") and as security trustee in relation to the Secured Liabilities (as defined below).

These terms and conditions (the "**Conditions**") include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the Bonds. Security for the Secured Liabilities is created by the deed of charge dated on or around the Issue Date between the Issuer and the Security Trustee (the "**Charge**"). Copies of the Trust Deed, the Charge and of an agency agreement dated on or around the Issue Date relating to the Bonds between, inter alios, the Issuer and Neville Registrars Limited in its capacity initial principal paying agent and registrar (the "**Agency Agreement**"), are available for inspection during usual business hours by appointment at the specified office of the Security Trustee, presently at Suite 2, Park Valley House, Park Valley Mills, Meltham Road, Huddersfield, HD4 7BH. The Bondholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and the Charge and are deemed to have notice of those provisions applicable to them of the Agency Agreement.

### 1. Form, Denomination and Title

- (a) **Form and denomination:** The Bonds are in registered form without coupons and in denominations of £100 each (the "**Specified Denomination**").
- (b) **Bonds to be held outside US:** The Bonds will be issued outside the US in reliance on the exemption from registration provided by Regulation S under the Securities Act ("**Regulation S**").
- (c) **Global Bond:** The Bonds will initially be represented by a global bond in registered form (a "**Global Bond**"). The Global Bond will be deposited with and registered in the name of a common nominee of, a common depositary for, Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream, Luxembourg**").
- (d) **Payments to person on Register:** Payments of principal, interest and any other amount in respect of the Global Bond will be made to or to the order of the person shown on the Register (as defined in this Condition 1 as the registered holder of the Global Bond). None of the Issuer, any Paying Agent, the Security Trustee or the Registrar will have any responsibility or liability for any aspect of the records relating to or payments or deliveries made on account of beneficial ownership interests in the Global Bond or for maintaining, supervising, investigating, monitoring or reviewing any records relating to such beneficial ownership interests.

- (e) **Payments to Designated Account:** Payments of principal in respect of each Bond represented by the Global Bond will be made against presentation and surrender of the Global Bond at the specified office of the Registrar or the Paying Agent. Such payments will be made by transfer to the Designated Account (as defined below) of the holder (or the first named of joint holders) of the Global Bond appearing in the Register at the close of business on the business day (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar is located) before the relevant due date. For these purposes, "**Designated Account**" means the account maintained by a holder with a Designated Bank and identified as such in the Register, and "**Designated Bank**" means a bank in London.
- (f) **Exchange for definitive Bonds:** Interests in the Global Bond will be exchangeable (free of charge), in whole but not in part, for definitive Bonds without receipts, interest coupons or talons attached only upon the occurrence of an Exchange Event. For these purposes, "**Exchange Event**" means that (i) an Event of Default has occurred and is continuing, (ii) the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no successor clearing system satisfactory to the Security Trustee is available or (iii) the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Bonds represented by the Global Bond in definitive form and a certificate to such effect signed by two Directors of the Issuer is given to the Security Trustee. The Issuer will promptly give notice to Bondholders in accordance with Condition 17 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Global Bond) may give notice to the Registrar requesting exchange and, in the event of the occurrence of an Exchange Event as described in part (iii) of the definition of "**Exchange Event**" above, the Issuer may also give notice to the Registrar requesting the exchange. Any such exchange shall occur not later than 10 days after the date of receipt of the first relevant notice by the Registrar.
- (g) **Effect of exchange:** In the event that the Global Bond is required, in accordance with its terms, to be exchanged for definitive Bonds, such amendments shall be made to these Conditions, the Trust Deed and the Agency Agreement to reflect the exchange into definitive form as the Security Trustee may approve or require.
- (h) **Title to pass on registration:** Subject as set out below, title to the Bonds will pass upon registration of transfers in the register of holders maintained by the Registrar (the "**Register**") in accordance with the provisions of the Agency Agreement. The Issuer, the Security Trustee and the Paying Agent and the Registrar will (except as otherwise required by law) deem and treat the registered holder of any Bond as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes but, in the case of the Global Bond, without prejudice to the provisions set out in the next succeeding paragraph.
- (i) **Records of Euroclear and Clearstream:** For as long as any of the Bonds is represented by the Global Bond held on behalf of Euroclear and/or Clearstream, Luxembourg, each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular nominal amount of such Bonds (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of such Bonds standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, the Security Trustee and the Paying Agent and the Registrar as the holder of such nominal amount of such Bonds for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Bonds, for which purpose the registered holder of the Global Bond shall be treated by the Issuer, Trustee, Paying Agent and the Registrar as the holder of such nominal amount of such Bonds in accordance with and subject to the terms of the Global Bond and the expressions "**Bondholder**" and "**holder of Bonds**" and related expressions shall be construed accordingly.

- (j) **Transfers in book-entry form:** Bonds which are represented by the Global Bond will be transferable only in book-entry form in Euroclear and Clearstream, Luxembourg in accordance with the rules and procedures for the time being of Euroclear and Clearstream, Luxembourg, as the case may be. References to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system in which the Bonds may be cleared from time to time and approved by the Issuer, the Paying Agent and the Security Trustee.
- (k) **Entitlement to nominal amount of Bonds:** In determining whether a particular person is entitled to a particular nominal amount of Bonds as aforesaid, the Security Trustee may rely on such evidence and/or information and/or certification as it shall, in its absolute discretion, think fit and, if it does so rely, such evidence and/or information and/or certification shall, in the absence of manifest error, be conclusive and binding on all concerned.
- (l) **Retained Bonds:** The Retained Bonds (if any) will be purchased by and held by or for the account of the Issuer following issue and may be sold or otherwise disposed of in whole or in part by private treaty at any time, and shall cease to be Retained Bonds to the extent of and upon such sale or disposal.
- (m) **Rights relating to Retained Bonds:** Any Retained Bonds shall, pending sale or disposal by the Issuer, carry the same rights and be subject in all respects to the same Conditions as the other Bonds, except that such Retained Bonds will not be treated as outstanding for the purposes of determining quorum or voting at meetings of Bondholders or of considering the interests of the Bondholders save as otherwise provided in the Trust Deed. Bonds which have ceased to be Retained Bonds shall carry the same rights and be subject in all respects to the same Conditions as the other Bonds.

## 2. Status of the Bonds and the Partial 10% Guarantee

- (a) **Status of Bonds:** The Bonds constitute direct, unconditional secured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves.
- (b) **Partial 10% Guarantee:** The Guarantor has irrevocably guaranteed the due payment of all sums expressed to be payable by the Issuer under the Bonds, and the Transaction Documents pursuant to a conditional guarantee contained in the Trust Deed (the "**Partial 10% Guarantee**"). The sole condition attaching to the Partial 10% Guarantee is that the liability of the Guarantor thereunder (the "**Guarantee Sum**") is limited to 10% of the aggregate amount of the face value of the Bonds in issue at the time at which a claim is made by the Security Trustee under the Partial 10% Guarantee prior to the Maturity Date and the Guarantee Sum as so determined shall be reduced by each payment made by the Guarantor under the Partial 10% Guarantee.
- (c) **Status of Partial 10% Guarantee:** The obligations of the Guarantor under the Partial 10% Guarantee are direct, unsecured obligations and shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 4(a), at all times rank at least equally with its other present and future unsecured obligations from time to time outstanding.

## 3. Charge

**First Floating Charge:** The Issuer covenants that it will on or before the Issue Date execute the Charge to create a first floating charge over all of the undertaking, property, assets, rights and revenues, both present and future, wheresoever situated, of the Issuer. The Charge will be granted by the Issuer in favour of the Security Trustee, on trust for and on behalf of itself, the Bondholders and the other Secured Creditors on the terms of the Trust Deed and the Charge, as security for the Secured Liabilities. The Security Trustee, the Bondholders and the other Secured Creditors will share in the benefit of the Charge.

**Security Trustee not liable for Security:** The Security Trustee will not be liable for any failure to make any investigations in relation to the undertaking, property, assets, rights or revenues which are the subject of the Charge, and they shall not be bound to enquire into or be liable for any defect or failure in the right or title of the Issuer to the Secured Property, whether such defect or failure was known to the Security Trustee or might have been discovered upon examination or enquiry or whether capable of remedy or not, nor will they have any liability for the limitation on the Security Trustee's ability to enforce or for any other restrictions or limitations or for the validity, sufficiency, priority or enforceability of the Charge whether as a result of any failure, omission or defect in registering or filing or otherwise protecting or perfecting such Charge or otherwise.

#### **4. Restrictions on the Issuer**

- (a) *Negative Pledge:* So long as any Bond remains outstanding, the Issuer will not create, permit to subsist or have outstanding any Security Interest, other than a Permitted Security Interest, upon the whole or any part of its present or future undertaking, assets or revenues (including any uncalled capital) to secure any indebtedness or to secure any guarantee or indemnity in respect of any Financial Indebtedness.
- (b) For the purposes of Condition 4(a), "**Permitted Security Interest**" means:
- (i) any Security Interest which ranks lower than, or *pari passu* with, the Security Interest which secures the Bonds;
  - (ii) any Security Interest arising by operation of mandatory provisions of law;
  - (iii) any Security Interest in existence prior to the Issue Date;
  - (iv) any cash management, netting or set off arrangement entered into in the ordinary course of banking arrangements for the purpose of netting debit and credit balances;
  - (v) any Security Interest securing indebtedness represented by the Bonds and the other Secured Liabilities; and
  - (vi) any Security Interest that has been approved by an Extraordinary Resolution of the Bondholders.
- (c) *Dividend restriction:* For so long as any of the Bonds are outstanding, the Issuer shall not (save as provided for in the Transaction Documents or with the prior written consent of the Security Trustee) at any time that an Event of Default or any Potential Event of Default (as defined in the Trust Deed) has occurred and is continuing, pay any dividend or make any other distribution (other than, for the avoidance of doubt, for the purposes of the origination or purchase of Portfolio Loans from time to time) to any person.
- (d) *Other restrictions:* For so long as any of the Bonds are outstanding, the Issuer shall not (save as provided for in the Transaction Documents or with the prior written consent of the Security Trustee):
- (i) engage in any activity which is not incidental to or necessary in connection with any of the activities which these Conditions and the Transaction Documents provide or envisage that the Issuer will engage in; and
  - (ii) acquire, dispose of or transfer any Portfolio Loan (or any part thereof) the effect of which would be to increase the level of arrears of the portfolio at the time of the relevant acquisition, disposal or transfer.

#### **5. Application of Moneys (Post-Enforcement Priority of Payments)**

All moneys received by the Security Trustee in respect of the Bonds or recovered by the Security Trustee

or any Receiver following the enforcement of the Charge or the Partial 10% Guarantee, despite any appropriation of all or part of any such moneys by the Issuer, the Guarantor or any other member of the Orchard Group (including any moneys which represent principal or interest in respect of Bonds which have become void under the Conditions) shall be held by the Security Trustee, as the case may be, on trust to apply them in the following order of priority pursuant to the terms of the Trust Deed:

- (i) *first*, in or towards satisfaction of (i) the costs, expenses, fees or other remuneration and indemnity payments (if any) and any other amounts incurred by or payable to the Security Trustee under the Transaction Documents and (ii) the costs, expenses, fees or other remuneration and indemnity payments (if any) and any other amounts payable to any Receiver, including in either case the costs of enforcing and/or realising any security;
- (ii) *second*, in or towards satisfaction of the costs, expenses, fees or other remuneration and indemnity payments (if any) and any other amounts payable to the Agents under the Transaction Documents;
- (iii) *third*, in or towards payment of all arrears of interest remaining unpaid in respect of the Bonds (including Further Issues) and all principal moneys due on or in respect of the Bonds (including Further Issues); and
- (iv) *fourth*, the balance (if any) in payment to the Guarantor, or Issuer (as the case may be).

## 6. Financial and Other Covenants

- (a) **Consolidated Interest Cover Covenant:** So long as any Bond remains outstanding, the Issuer may only incur additional debt if, after giving pro-forma effect to such incurrence and the proposed application of the borrowed proceeds, the Consolidated Interest Cover Ratio is at least 1.5.
- (b) **Financial Reporting:** Within (i) four months of its most recent financial year-end, the Guarantor shall send to the Security Trustee, and at the same time procure publication on the Orchard Funding Group's website of, a copy of its audited annual Consolidated Financial Statements for such financial year, together with the report thereon of the Guarantor's independent auditors; and (ii) three months of the end of the first half of each financial year, the Guarantor shall send to the Security Trustee, and at the same time procure publication on the Group's website of, a copy of its semi-annual Consolidated Financial Statements as at, and for the period ending on, the end of such period.
- (c) **Compliance Certificate:** The Guarantor shall, concurrently with the delivery of each of the annual and interim Consolidated Financial Statements referred to in Condition 6(d), provide to Security Trustee a certificate or certificates signed by two Directors of the Guarantor confirming compliance with each of the covenants contained in this Condition 6 as at (or in respect of the relevant period ended, as applicable) the most recent Reporting Date or, if not compliant with such conditions, setting out the details of such non-compliance and any proposed action to be taken in connection therewith; upon which certificate the Security Trustee may rely absolutely without any liability to any person for so doing or further enquiry being required.
- (d) **Calculation Adjustment:** In the event that UK GAAP changes from UK GAAP applicable as at the Issue Date, the relevant line items in the Consolidated Financial Statements shall (for the purposes of the calculations in this Condition 6) be adjusted so that the relevant amounts are determined on the same basis as if UK GAAP as at the Issue Date were still applicable. So long as any Bond remains outstanding, the Guarantor shall prepare and publish, in its Consolidated Financial Statements, the breakdown of specific line items that are referred to in Condition 21 and are otherwise necessary in order to calculate the amounts and ratios described in this Condition 6.



## 7. Transfer of Bonds

- (a) Transfers of interests in the Global Bond: Transfers of beneficial interests in the Global Bond will be effected by Euroclear or Clearstream, Luxembourg, as the case may be, and, in turn, by other participants and, if appropriate, indirect participants in such clearing systems acting on behalf of transferors and transferees of such interests. Bonds, including beneficial book- entry interests in the Global Bond, will, subject to compliance with all applicable legal and regulatory restrictions, be transferable only in whole multiples of the Specified Denomination and only in accordance with the rules and operating procedures for the time being of Euroclear or Clearstream, Luxembourg, as the case may be, and in accordance with the terms and conditions specified in the Trust Deed and the Agency Agreement.
- (b) Costs of Registration: Bondholders will not be required to bear the costs and expenses of effecting any registration of transfer of Bonds acquired by them save for any costs or expenses of delivery other than by regular uninsured mail and any costs that the Issuer or the Paying Agent or Registrar may require the payment of a sum sufficient to cover any stamp duty, tax or other governmental charge that is imposed in relation to the registration.

## 8. Interest

The Bonds bear interest from and including the Issue Date at the rate of 6.25% per annum. The first interest payment of £4.6875, per £100 in nominal amount of the Bonds, is payable on 2 December 2022, nine months after the Issue Date, and thereafter interest is payable semi-annually in equal instalments of £3.125 on 2 June and 2 December in each year (or, if any such date does not fall on a Business Day, the immediately preceding Business Day) with the final payment to be made on the Maturity Date. Each date on which interest is payable is an "**Interest Payment Date**". Each Bond will cease to bear interest from the due date for redemption unless, upon due presentation, payment of principal is improperly withheld or refused. In such event it shall continue to bear interest at such rate (both before and after judgment) until whichever is the earlier of: (a) the day on which all sums due in respect of such Bond up to that day are received by or on behalf of the relevant holder, and (b) the day seven days after the Security Trustee or the Paying Agent has notified Bondholders of receipt of all sums due in respect of all the Bonds up to that seventh day (except to the extent that there is failure in the subsequent payment to the relevant holders under these Conditions).

Where interest is to be calculated in respect of a period which is shorter than an Interest Period (as defined below), the day-count fraction used will be the number of days in the relevant period, from and including the date from which interest begins to accrue to but excluding the date on which it falls due, divided by the product of (1) the number of days in the Interest Period in which the relevant period falls (including the first such day but excluding the last) and (2) two.

In these Conditions, the period beginning on and including the Issue Date and ending on but excluding the first Interest Payment Date and each successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date is called an "**Interest Period**".

Interest in respect of any Bond shall be calculated per £100 in nominal amount of the Bonds. The amount of interest payable per £100 for any period shall, save as provided above in relation to equal instalments, be equal to the product of 6.25%, £100 and the day-count fraction for the relevant period as described above, rounding the resulting figure to the nearest penny (half a penny being rounded upwards).

## 9. Redemption and Purchase

- (a) **At Maturity:** Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their nominal amount on the Maturity Date.
- (b) **Early redemption:** The Bonds may not be redeemed at the option of the Issuer or the Bondholder other than in accordance with this Condition 9.
- (c) **Redemption for taxation reasons:** The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Bondholders in accordance with Condition 19 (which notice shall be irrevocable), at their nominal amount, (together with interest accrued to but excluding the date fixed for redemption), if (i) the Issuer satisfies the Security Trustee immediately prior to the giving of such notice that it (or, if the Partial 10% Guarantee were called, the Guarantor) has or will become obliged to pay additional amounts as provided or referred to in Condition 11 as a result of any change in, or amendment to, the laws or regulations of the United Kingdom, or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the Issue Date, and (ii) such obligation cannot be avoided by the Issuer (or the Guarantor, as the case may be) taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer (or the Guarantor, as the case may be) would be obliged to pay such additional amounts were a payment in respect of the Bonds (or the Partial 10% Guarantee, as the case may be) then due. Prior to the publication of any notice of redemption pursuant to this Condition 9(c), the Issuer shall deliver to the Security Trustee a certificate signed by two Directors of the Issuer (or the Guarantor, as the case may be) stating that the obligation referred to in (i) above cannot be avoided by the Issuer (or the Guarantor, as the case may be) taking reasonable measures available to it and (ii) an opinion of independent legal advisers of recognised standing to the effect that the Issuer (or the Guarantor, as the case may be) has or will become obliged to pay such additional amounts and the Security Trustee shall be entitled to accept such certificate and legal opinion as sufficient evidence of the satisfaction of the conditions precedent set out in (i) and (ii) above, in which event it shall be conclusive and binding on the Bondholders.
- (d) **Notice of redemption:** All Bonds in respect of which any notice of redemption is given under this Condition 9 shall be redeemed on the date specified in such notice in accordance with this Condition 9.
- (e) **Purchase:** Each of the Issuer, the Guarantor and their respective Subsidiaries may at any time purchase Bonds in the open market or otherwise at any price (provided that, if they should be cancelled under Condition 9(f) below, they are purchased together with all interest relating to them). The Bonds so purchased, while held by or on behalf of the Issuer, either Guarantor or any such Subsidiary, shall not entitle the holder to vote at any meetings of the Bondholders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of the Bondholders or for the purposes of these Conditions.
- (f) **Cancellation:** All Bonds which are purchased by the Issuer, the Guarantor or any of their respective Subsidiaries may be held and/or subsequently resold or surrendered to the Paying Agent for cancellation. Any Bonds which are redeemed or otherwise surrendered to the Paying Agent for cancellation shall forthwith be cancelled, and accordingly cannot be held, reissued or sold.

## 10. Payments

- (a) **Method of Payment:** Subject as provided in Conditions 1(d) and 1(e) in relation to the Global Bond, payments will be made by credit or transfer to a Sterling account maintained by the payee with a bank in London or by cheque in Sterling drawn on a bank in London
- (b) **Payments subject to Laws:** Payments will be subject in all cases to (i) any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 11 and (ii)

any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or any law implementing an intergovernmental approach thereto. No commissions or expenses shall be charged to the Bondholders in respect of such payments.

- (c) **Payments on business days:** A Bond may only be presented for payment on a day which is a business day in the place of presentation (and, in the case of payment by transfer to a sterling account, a Business Day as defined above). No further interest or other payment will be made as a consequence of the day on which the relevant Bond may be presented for payment under this Condition 10 falling after the due date.
- (d) **Paying Agents:** The initial Paying Agent and their initial specified offices are listed below:

*Initial Paying Agent:* Neville Registrars Limited

*Address:* Neville House, Steelpark Road, Halesowen, West Midlands, United Kingdom, B62 8HD

The Issuer and the Guarantor reserve the right at any time with the approval in writing of the Security Trustee to vary or terminate the appointment of any Paying Agent and appoint additional or other Paying Agents, provided that they will maintain (i) a principal Paying Agent and (ii) a Paying Agent having a specified office in London and/or any other major European city approved by the Security Trustee. Notice of any change in the Paying Agents or their specified offices will promptly be given to the Bondholders in accordance with Condition 19.

## 11. Taxation

All payments of principal and interest by or on behalf of the Issuer or the Guarantor in respect of the Bonds or under the Partial 10% Guarantee, as applicable, shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature ("**Taxes**") imposed, levied, collected, withheld or assessed by the United Kingdom or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. In the event that any such deduction is made, neither the Issuer, nor any Paying Agent, will be required to pay additional amounts to cover the amounts so deducted or withheld.

Any reference in these Conditions to principal and/or interest shall be deemed to include any additional amounts which may be payable under this Condition 11 or any undertaking given in addition to or substitution for it under the Trust Deed.

## 12. Events of Default

If any of the following events occurs the Security Trustee at its discretion may, and (subject to it being indemnified and/or secured and/or prefunded to its satisfaction) if so requested by holders of at least one half in nominal amount of the Bonds then outstanding (as defined in the Trust Deed) or if so directed by an Extraordinary Resolution shall, give notice (an "**Acceleration Notice**") to the Issuer that the Bonds are, and they shall immediately become, due and payable at their nominal amount together (if applicable) with accrued interest:

- (a) **Non-Payment:** any default is made in the payment of any principal of or interest on any of the Bonds and such default continues for a period of 14 days; or
- (b) **Breach of Other Obligations:** the Issuer or the Guarantor does not perform or comply with any one or more of its other obligations in the Bonds, the Trust Deed or the Charge which default is in the opinion of the Security Trustee incapable of remedy or, if in the opinion of the Security Trustee capable of remedy, is

not in the opinion of the Security Trustee remedied within 30 days after notice of such default shall have been given to the Issuer or the Guarantor by the Security Trustee; or

- (c) **Enforcement Proceedings:** a distress, attachment, execution or other legal process is levied, enforced or sued out on or against any part of the property, assets or revenues of the Issuer, the Guarantor or any Material Subsidiary and is not discharged or stayed within 30 days; or
- (d) **Insolvency:** the Issuer, the Guarantor or any Material Subsidiary is (or is, or could be (other than where a demand is made for less than £50,000 under Section 123(1)(a) of the Insolvency Act 1986), deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts, stops, suspends or threatens to stop or suspend payment of all or (in the opinion of the Security Trustee) a material part of (or of a particular type of) its debts, proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared or comes into effect in respect of or affecting all or any part of (or of a particular type of) the debts of the Issuer, the Guarantor or any Material Subsidiary; or
- (e) **Winding-up:** an administrator is appointed, an order is made or an effective resolution passed for the winding-up or dissolution or administration of the Issuer, the Guarantor or any Material Subsidiary, or the Issuer or the Guarantor ceases or threatens to cease to carry on all or substantially all of its business or operations, except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation (i) on terms approved by the Security Trustee or by an Extraordinary Resolution of the Bondholders, or (ii) in the case of a Material Subsidiary, whereby the undertaking and, assets of the Material Subsidiary are transferred to or otherwise vested in the Issuer or the Guarantor (as the case may be) or another of their respective Subsidiaries; or
- (f) **Ownership:** the Issuer ceases to be directly or indirectly wholly-owned and controlled by Orchard Funding Group PLC; or
- (g) **Authorisation and Consents:** any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order (i) to enable the Issuer and the Guarantor lawfully to enter into, exercise their respective rights and perform and comply with their respective obligations under the Bonds and the Transaction Documents, (ii) to ensure that those obligations are legally binding and enforceable and (iii) to make the Bonds and the Transaction Documents admissible in evidence in the courts of England and Wales is not taken, fulfilled or done; or
- (h) **Illegality:** it is or will become unlawful for the Issuer or the Guarantor to perform or comply with any one or more of its respective obligations under any of the Bonds or the Transaction Documents; or
- (i) **Security:** the Charge, at any time after its execution and delivery in accordance with Condition 3(a), is not in full force and effect or does not create the first floating charge which it is expressed to create with the ranking and priority that it is expressed to have; or
- (j) **Guarantee:** the Partial 10% Guarantee is not (or is claimed by a Guarantor not to be) in full force and effect; or
- (k) **Analogous Events:** any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in any of the foregoing paragraphs of this Condition 12,

provided that, in the case of paragraphs (b), (g) and (h) and so far as it relates to any of the paragraphs specifically mentioned in this proviso, paragraph (k) and, in respect of Subsidiaries of the Guarantor only, paragraphs (c), (d) and (e), the Security Trustee shall have certified that in its opinion such event is materially prejudicial to the interests of Bondholders.

The Charge shall become enforceable upon the delivery of an Acceleration Notice by the Security Trustee.

**13. Time limit on claims**

Claims in respect of principal and interest will become void unless presentation for payment is made as required by Condition 10 within a period of 10 years in the case of principal and five years in the case of interest from the appropriate Relevant Date.

**14. Replacement of Bonds**

If any Bond is lost, stolen, mutilated, defaced or destroyed it may be replaced at the specified office of the Paying Agent in London subject to all applicable laws and stock exchange or other relevant authority requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer and the Guarantor may require (provided that the requirement is reasonable in the light of prevailing market practice). Mutilated or defaced Bonds must be surrendered before replacements will be issued.

**15. Meetings of Bondholders, modification, waiver and substitution**

- (a) **Meetings of Bondholders:** The Trust Deed contains provisions for convening meetings of Bondholders to consider matters affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of these Conditions or any provisions of the Transaction Documents. Such a meeting may be convened by the Issuer, a Guarantor, the Security Trustee or by Bondholders holding not less than 10% in nominal amount of the Bonds for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution will be two or more persons holding or representing a clear majority in nominal amount of the Bonds for the time being outstanding, or at any adjourned meeting two or more persons being or representing Bondholders whatever the nominal amount of the Bonds held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to modify the maturity of the Bonds or the dates on which interest is payable in respect of the Bonds, (ii) to reduce or cancel the nominal amount of, or interest on, the Bonds, (iii) to change the currency of payment of the Bonds, or (iv) to time being outstanding. Any Extraordinary Resolution duly passed shall be binding on all Bondholders (whether or not they were present at the meeting at which such resolution was passed).

The Trust Deed provides that a resolution in writing signed by or on behalf of the holders of not less than 75% in nominal amount of the Bonds outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Bondholders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Bondholders.

- (b) **Modification and waiver:** The Security Trustee may agree, subject to being indemnified and/or secured and/or prefunded to its satisfaction and without the consent of the Bondholders, to (i) any modification of any of the provisions of the Transaction Documents that is in the opinion of the Security Trustee of a formal, minor or technical nature or is made to correct a manifest error, and (ii) any other modification (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Transaction Documents that is in the opinion of the Security Trustee not materially prejudicial to the interests of the Bondholders. Any such modification, authorisation or waiver shall be binding on the Bondholders and, if the Security Trustee so requires, such modification shall be notified to the Bondholders as soon as practicable in accordance with Condition 19.
- (c) **Substitution:** The Trust Deed contains provisions permitting the Security Trustee to agree, subject to such amendment of the Trust Deed and such other conditions as the Security Trustee may require, but without the consent of the Bondholders, to the substitution of certain other entities in place of the Issuer or a Guarantor, or of any previous substituted company, as principal debtor or guarantor under the Trust Deed and the Bonds if requested in writing to do so by the Issuer or the Guarantor (or any previously substituted

company). In the case of such a substitution the Security Trustee may agree, without the consent of the Bondholders, to a change of the law governing the Bonds and/or the Trust Deed, provided that such change would not in the opinion of the Security Trustee be materially prejudicial to the interests of the Bondholders.

- (d) **Entitlement of the Security Trustee:** In connection with the exercise of its functions (including but not limited to those referred to in this Condition 15) the Security Trustee shall have regard to the interests of the Bondholders as a class and shall not have regard to the consequences of such exercise for individual Bondholders and the Security Trustee shall not be entitled to require the Issuer or the Guarantor, nor shall any Bondholder be entitled to claim, from the Issuer, the Guarantor or the Security Trustee any indemnification or payment in respect of any tax consequence of any such exercise upon individual Bondholders.

## 16. Enforcement

- (a) At any time after the Bonds become due and payable, the Security Trustee may, at its discretion and without further notice, institute such proceedings or take such steps or actions against the Issuer and/or the Guarantor as it may think fit to enforce the terms of the Transaction Documents, the Bond and, at any time after the Charge has become enforceable the Security Trustee, may in its discretion and without further notice, take such steps, actions and proceedings as it may see fit to enforce the Charge, but it need not take any such steps, actions and proceedings unless (a) it shall have been so directed by an Extraordinary Resolution or so requested in writing by Bondholders holding at least one half in nominal amount of the Bonds outstanding, and (b) it shall have been indemnified and/or secured and/or prefunded to its satisfaction. No Bondholder may proceed directly against the Issuer or the Guarantor (including without limitation enforcing the Charge) unless the Security Trustee, having become bound so to proceed, fails to do so within a reasonable time and such failure is continuing.
- (b) Only the Security Trustee may enforce the Charge, in accordance with and subject to the terms of the Charge and the Trust Deed.

## 17. Indemnification

The Trust Deed contains provisions for the indemnification of the Security Trustee and for its relief from responsibility in certain circumstances including provisions relieving it from instituting proceedings to enforce repayment unless indemnified to its satisfaction.

The Security Trustee may rely without liability on a report, confirmation or certificate or any advice of any accountants, financial advisers, financial institution or any other expert, whether or not addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto entered into by the Security Trustee or in any other manner) by reference to a monetary cap, methodology or otherwise. The Security Trustee may accept and shall be entitled to rely on any such report, confirmation or certificate or advice and such report, confirmation or certificate or advice shall be binding on the Issuer, the Security Trustee and the Bondholders.

## 18. Further Issues

The Issuer may from time to time without the consent of the Bondholders create and issue further securities (any such issue, a "**Further Issue**") guaranteed (or not) by the Guarantor (and which such guarantee being subject to any conditions or none as the Guarantor and the Issuer may agree) and secured by the Charge and either having the same terms and conditions as the Bonds in all respects (or in all respects except for the first payment of interest on them), and so that such Further Issue shall be consolidated and form a single series with the outstanding securities of any series (including the Bonds),

or otherwise upon such terms as the Issuer may determine at the time of their issue.

References in these Conditions to the Bonds include (unless the context requires otherwise) any other securities issued pursuant to this Condition 18 and forming a single series with the Bonds. Any further securities forming a single series with the outstanding securities of any series (including the Bonds) constituted by the Trust Deed or any deed supplemental to it shall, and any other securities may (with the consent of the Security Trustee), be constituted by a deed supplemental to the Trust Deed. The Trust Deed contains provisions for convening a single meeting of the Bondholders and the holders of securities of other series where the Security Trustee so decides.

**19. Notices**

Notices required to be given to Bondholders pursuant to these Conditions shall be mailed to them at their respective in the Register and be deemed to have been given on the fourth weekday (being a day other than a Saturday or Sunday) after the date of mailing. Notwithstanding the foregoing, for so long as the Bonds are represented by a Global Bond which is held by Euroclear and/or Clearstream, Luxembourg or any such alternative clearing system, notices required to be given to Bondholders may be given by delivery of the relevant Notice to Euroclear or to Clearstream, Luxembourg or to any such alternative clearing system and such notices shall be deemed to have been given to Bondholders on the date of delivery to Euroclear and/or Clearstream, Luxembourg and/or any alternative clearing system.

**20. Contracts (Rights of Third Parties) Act 1999**

No person shall have any right to enforce any term or condition of the Bonds under the Contracts (Rights of Third Parties) Act 1999.

**21. Governing Law**

The Trust Deed, the Charge, the Partial 10% Guarantee, the Bonds and any non-contractual obligations arising out of or in connection with them are governed by and shall be construed in accordance with English law.

**22. Definitions**

**"Aggregate Bond Payments"** means in respect of each Reporting Date, the aggregate amount of principal and interest paid by the Issuer (or, to the extent that not paid, accrued) in respect of the Bonds and the Trust Deed (including any further bonds issued pursuant to the Trust Deed) for the twelve month period ending on (and including) such date (but excluding, for the avoidance of doubt, the Reporting Date falling on or around the beginning of such twelve month period).

**"Business Day"** means a day on which commercial banks and foreign exchange markets are open for business in London.

**"Consolidated EBITDA"** means the EBITDA of the Group by reference to the most recently published Consolidated Financial Statements.

**"Consolidated Interest Cover Ratio"** means in respect of each Reference Date:

- (a) Consolidated EBITDA divided by
- (b) Cost of External Funds

**"Consolidated Financial Statements"** means the Guarantor's audited annual consolidated financial

statements or its half-year consolidated financial statements (which may be unaudited), as the case may be, including the relevant accounting policies and notes to the accounts and in each case prepared in accordance with UK GAAP, consistently applied (and, if there has been a change in accounting practices since the Issue Date, the relevant Consolidated Financial Statements shall be accompanied by a description of any change necessary in order to enable calculations contained or referred to in Condition 5 to be made as if UK GAAP as at the Issue Date remained applicable).

**"Cost of External Funds"** means the costs of external funds of the Group by reference to the most recently published Consolidated Financial Statements and including interest payments made in respect of the Bonds

**"Extraordinary Resolution"** has the meaning given to it in the Trust Deed.

**"Financial Indebtedness"** means any indebtedness for or in respect of:

- (a) moneys borrowed;
- (b) any amount raised by acceptance under any acceptance credit facility or dematerialised equivalent;
- (c) any amount raised pursuant to any purchase facility or the issue of bonds, notes, debentures, loan stock or any similar instrument;
- (d) the amount of any liability in respect of any lease or hire purchase contract which would, in accordance with UK GAAP, be treated as a finance or capital lease;
- (e) receivables sold or discounted (other than any receivables to the extent they are sold on a non-recourse basis);
- (f) any amount raised under any other transaction (including any forward sale or purchase agreement) having the commercial effect of a borrowing;
- (g) any derivative transaction entered into in connection with protection against or benefit from fluctuation in any rate or price (and, when calculating the value of any derivative transaction, only the marked to market value (or, if any actual amount is due as a result of the termination or close-out of that derivative transaction, that amount) shall be taken into account);
- (h) any amount raised by the issue of shares which are expressed to be redeemable (other than at the option of the issuer thereof) before the Maturity Date or are otherwise classified as borrowings under UK GAAP;
- (i) any counter-indemnity obligation in respect of a guarantee, indemnity, bond, standby or documentary letter of credit or any other instrument issued by a bank or financial institution; and
- (j) the amount of any liability in respect of any guarantee or indemnity for any of the items referred to in paragraphs (a) to (i) above.

**"Further Issue"** has the meaning given in Condition 17.

**"Material Subsidiary"** shall, at any time, mean a Subsidiary of the Guarantor whose reported turnover (as shown in its most recent annual audited financial statements and consolidated in the case of any Subsidiary which ordinarily produces consolidated accounts) represent not less than 10% of the reported turnover of the Orchard Funding Group; and the Security Trustee shall be entitled to rely upon a certificate signed by a director of the Guarantor that, in their opinion, a Subsidiary of the Guarantor is or is not or was or was not at any particular time or throughout any specified period a Material Subsidiary.

**"Maturity Date"** means 2 June 2027.

**"Orchard Funding Group"** means the Guarantor and its Subsidiaries taken as a whole.



**"person"** means an individual, corporation, partnership, limited liability company, joint venture, association, joint stock company, trust, government, or any agency or subdivision thereof or any other entity.

**"Receiver"** means a receiver and manager or other receiver appointed under the Charge by the Security Trustee in respect of all or part of any Secured Property and shall, if allowed by law, include an administrative receiver.

**"Related Rights"** means, in relation to any asset:

- (a) all rights under any licence, agreement for sale or agreement for lease or other use in respect of all or any part of that asset;
- (b) all rights, powers, benefits, claims, contracts, warranties, remedies, covenants for title, security, guarantees or indemnities in respect of any part of that asset;
- (c) the proceeds of sale, transfer or other disposal, lease, licence, or agreement for sale, transfer or other disposal, lease or licence of all or any part of that asset;
- (d) any other moneys paid or payable in respect of that asset;
- (e) any awards or judgments in favour of the Issuer or a Guarantor in relation to that asset; and
- (f) any right against any clearance system and any right under any custodian or other agreement.

**"Relevant Date"** means whichever is the later of (i) the date on which such payment first becomes due and (ii) if the full amount payable has not been received in London by the Principal Paying Agent or the Security Trustee on or prior to such due date, the date on which, the full amount having been so received, notice to that effect shall have been given to the Bondholders.

**"Reporting Date"** means 31 July and 31 January in each year or such other dates as at which the Guarantor for the time being prepares its annual audited Consolidated Financial Statements or semi-annual Consolidated Financial Statements, as the case may be.

**"Retained Bonds"** means Bond which, immediately following their issue, are purchased by the Issuer for future sale or cancellation.

**"Secured Creditors"** means each of (a) the Bondholders, (b) the Security Trustee, (c) any Receiver appointed by the Security Trustee, (d) the Agents and (e) the holders of any Further Issue (including any bond, coupon, talon, receipt in relation thereto or the person in whose name the relevant bond is registered, as the case may be).

**"Secured Liabilities"** means all present and future moneys, debts and liabilities due, owing or incurred by the Issuer and/or the Guarantor, to the Secured Creditors under or in connection with the Bonds, any Transaction Document and any Further Issue (in each case, whether alone or jointly, or jointly and severally, with any other person, whether actually or contingently and whether as principal, guarantor, surety or otherwise).

**"Secured Property"** means the undertaking, property, assets, rights and revenues from time to time subject, or expressed to be subject, to the Charge or any part of those undertaking, assets or revenues and any Related Rights.

**"Security Interest"** means any mortgage, lien, charge, assignment, hypothecation or security interest or any other arrangement having a similar effect under the laws of any applicable jurisdiction.

**"Subsidiary"** means a subsidiary or a subsidiary undertaking within the respective meanings of section 1159 and 1162 of the Companies Act 2006.

**"Transaction Documents"** means the Trust Deed, the Charge and the Agency Agreement.

**"UK GAAP"** means the generally accepted accounting practice and principles in the United Kingdom applicable to the business that the Orchard Funding Group conducts.

## OFFERING INFORMATION

*For the purposes of this section a "Public Offer" means an offer of Bonds that is not within an exemption from the requirement to publish a prospectus under Article 1(4) of the Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("EUWA") (the "UK Prospectus Regulation").*

This Prospectus has been prepared on a basis that permits Public Offers in the United Kingdom. Any person making or intending to make a Public Offer of Bonds on the basis of this Prospectus must do so only with the Issuer's and Guarantor's consent – see "Consent given in accordance with Article 5(1) of the UK Prospectus Regulation" below.

### Consent given in accordance with Article 5(1) of the UK Prospectus Regulation

In the context of any Public Offer of the Bonds, each of the Issuer and the Guarantor accepts responsibility for the content of this Prospectus in relation to any person (an "Investor") who purchases any Bonds in a Public Offer made by the Lead Manager or an Authorised Offeror (as defined below) during the Offer Period (as defined below).

Except in the circumstances described below, neither the Issuer nor the Guarantor have authorised the making of any offer by any offeror and neither the Issuer nor the Guarantor have consented to the use of this Prospectus by any other person in connection with any offer of the Bonds in any jurisdiction. Any offer made without the consent of the Issuer is unauthorised and none of the Issuer, the Guarantor nor, for the avoidance of doubt, the Lead Manager accept any responsibility or liability in relation to such offer or for the actions of the persons making any such unauthorised offer.

Only the following persons have consent to use this Prospectus in connection with one or more public offers of the Bonds to which this Prospectus relates:

- Convexity Capital (a trading name of Strata Global Limited) (the "Lead Manager");
- AJ Bell Securities Limited, Arnold Stansby & Co. Limited, Equiniti Financial Services Limited, Guy Butler Limited, Hedley & Company Stockbrokers Limited, iDealing.com Ltd, Interactive Investor Services Limited and PrimaryBid Limited (each an "Initial Authorised Offeror"); and
- those financial intermediaries authorised to make such offers under of Regulation (EU) No 600/2014 on markets in financial instruments as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("EUWA") ("UK MiFIR") who have satisfied the Authorised Offeror Terms (as defined below under "Consent") and accordingly publish the Acceptance Statement set out below on their website.

The persons referred to above have only been given consent to use this Prospectus:

- during the Offer Period; and
- in the United Kingdom.

Other than as set out above, neither the Issuer nor the Guarantor has authorised the making of any public offer by any person and neither the Issuer nor any Guarantor has consented to the use of this Prospectus by any other person in connection with any public offer. Any offer made without the consent of the Issuer and the Guarantor is unauthorised and none of the Issuer, the Guarantor or, for the avoidance of doubt, the Lead Manager accepts any responsibility or liability in relation to any such offer or for the actions of the persons making any such unauthorised offer.

## Consent

The Issuer and the Guarantor consent, and (in connection with sub-paragraph 3 below) offers to grant their consent, to the use of this Prospectus in connection with any Public Offer of Bonds in the United Kingdom during the period commencing on the date of this Prospectus to 12 noon (London time) on 23 February 2022 (the "**Offer Period**") by:

### *Specific Consent*

1. the Lead Manager;
2. the Initial Authorised Offerors; and

### *General Consent*

3. any other financial intermediary which (a) is authorised to make such offers under UK MiFIR and (b) accepts such offer by publishing on its website the following statement (with the information in square brackets duly completed with the relevant information) during the Offer Period (the "**Acceptance Statement**"):

*"We, [specify name of financial intermediary], refer to the offer of 6.25% Bonds due 2 June 2027 (the "**Bonds**") described in the Prospectus dated 9 February 2022 (the "**Prospectus**") published by Orchard Bond Finance PLC (the "**Issuer**"). In consideration of the Issuer and the Guarantor named in the Prospectus offering to grant their consent to our use of the Prospectus in connection with the offer of the Bonds in the United Kingdom during the Offer Period in accordance with the Authorised Offeror Terms (as specified in the Prospectus), we hereby accept the offer by the Issuer and the Guarantor. We confirm that we are authorised under UK MiFIR to make, and are using the Prospectus in connection with, the Public Offer accordingly. Terms used in this paragraph and otherwise not defined shall have the same meaning as given to such terms in the Prospectus."*

Each Initial Authorised Offeror and the financial intermediaries referred to in sub-paragraph 3 above are together referred to herein as the "**Authorised Offerors**".

The "**Authorised Offeror Terms**" are that the relevant financial intermediary:

- (a) acts in accordance with all applicable laws, rules, regulations and guidance of any applicable regulatory bodies (the "**Rules**"), including the Rules published by the FCA (including, but not limited to, its guidance for distributors in "*The Responsibilities of Providers and Distributors for the Fair Treatment of Customers*" and its sourcebook for "*Product Intervention and Product Governance*") from time to time including, without limitation and in each case, Rules relating to both the target market for the Bonds and the appropriateness or suitability of any investment in the Bonds by an Investor and disclosure to any potential Investor;
- (b) complies with the restrictions set out under the section headed "*Subscription and Sale*" in this Prospectus which would apply as if the relevant financial intermediary were the Lead Manager;
- (c) considers the relevant manufacturer's target market and distribution channels identified under the "UK MiFIR Product Governance" legend set out in this Prospectus;
- (d) ensures that any fee, commission, benefits of any kind, rebate received or paid by that financial intermediary in relation to the offer or sale of the Bonds does not violate the Rules and is fully and clearly disclosed to Investors and potential Investors;

- (e) holds all licences, consents, approvals and permissions required in connection with solicitation of interest in, or offers or sales of, the Bonds under the Rules, including authorisation under FSMA;
- (f) complies with, and takes appropriate steps in relation to, all applicable anti-money laundering, anti-bribery, prevention of corruption and "know your client" Rules (including, without limitation, taking appropriate steps, in compliance with such Rules, to establish and document the identity of each potential Investor prior to the initial investment in any Bonds by the Investor), and does not permit any application for Bonds in circumstances where the financial intermediary has any suspicions as to the source of the application monies;
- (g) retains investor identification records for at least the minimum period required under applicable Rules, and shall, if so requested and to the extent permitted by the Rules, make such records available to the Lead Manager, the Issuer and the Guarantor or directly to the appropriate authorities with jurisdiction over the Issuer, the Guarantor and/or the Lead Manager in order to enable the Issuer, the Guarantor and/or the Lead Manager to comply with anti-money laundering, anti-bribery, anti-corruption and "know your client" Rules applying to the Issuer, the Guarantor and/or the Lead Manager;
- (h) does not, directly or indirectly, cause the Issuer, the Guarantor or the Lead Manager to breach any Rule or subject the Issuer, the Guarantor or the Lead Manager to any requirement to obtain or make any filing, authorisation or consent in any jurisdiction;
- (i) immediately gives notice to the Issuer, the Guarantor and the Lead Manager if at any time such Authorised Offeror becomes aware or suspects that it is or may be in violation of any Rules or these Authorised Offeror Terms, and takes all appropriate steps to remedy such violation and comply with such Rules and these Authorised Offeror Terms in all respects;
- (j) does not give any information other than that contained in this Prospectus (as may be amended or supplemented by the Issuer from time to time) or make any representation in connection with the offering or sale of, or the solicitation of interest in, the Bonds;
- (k) not convey or publish any information that is not contained in or entirely consistent with this Prospectus;
- (l) does not, without the prior written consent of the Issuer, the Guarantor or the Lead Manager (as applicable), use the legal or publicity names of the Issuer, Guarantor or Lead Manager or any other name, brand or logo registered by an entity within their respective groups or any material over which any such entity retains a proprietary interest;
- (m) ensure that no holder of Bonds or potential Investor in Bonds shall become an indirect or direct client of the Issuer, the Guarantor or the Lead Manager for the purposes of any applicable Rules from time to time, and to the extent that any client obligations are created by the relevant financial intermediary under any applicable Rules, then such financial intermediary shall perform any such obligations so arising;
- (n) agrees and undertakes to indemnify each of the Issuer, the Guarantor and the Lead Manager (in each case on behalf of such entity and its respective directors, officers, employees, agents, affiliates and controlling persons) against any losses, liabilities, costs, claims, charges, expenses, actions or demands (including reasonable costs of investigation and any defence raised thereto and counsel's fees and disbursements associated with any such investigation or defence) which any of them may incur or which may be made against any of them arising out of or in relation to, or in connection with, any breach of any of the foregoing agreements, representations, warranties or undertakings by such financial intermediary, including (without limitation) any unauthorised action by such financial intermediary or failure by such financial intermediary to observe any of the above restrictions or requirements or the making by such financial intermediary of any

unauthorised representation or the giving or use by it of any information which has not been authorised for such purposes by the Issuer, the Guarantor or the Lead Manager, as applicable;

- (o) agrees and accepts that the Lead Manager will, pursuant to the Contracts (Rights of Third Parties) Act 1999, be entitled to enforce those provisions of the Authorised Offeror Contract which are, or are expressed to be, for its benefit, including the agreements, representations, undertakings and indemnity given by each financial intermediary pursuant to the Authorised Offeror Terms;
- (p) agrees and accepts that any contract between the Issuer, the Guarantor and the financial intermediary formed upon acceptance by the financial intermediary of the Issuer and the Guarantor's offer to use this Prospectus with its consent in connection with the relevant public offer (the "**Authorised Offeror Contract**"), and any non-contractual obligations arising out of or in connection with the Authorised Offeror Contract, shall be governed by, and construed in accordance with, English law; and
- (q) agrees and accepts that the courts of England are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Authorised Offeror Contract (including a dispute relating to any non-contractual obligations arising out of or in connection with the Authorised Offeror Contract) and accordingly submits to the exclusive jurisdiction of the English courts.

**Any Authorised Offeror falling within sub-paragraph (3) (*General Consent*) above who wishes to use this Prospectus in connection with a Public Offer as set out above is required, for the duration of the Offer Period, to publish on its website the Acceptance Statement.**

**Arrangements between an Investor and the financial intermediaries who will distribute the Bonds**

None of the Issuer, the Guarantor nor, for the avoidance of doubt, the Lead Manager has any responsibility for the actions of any Authorised Offeror, including compliance by an Authorised Offeror with applicable conduct of business rules or other local regulatory requirements or other securities law requirements in relation to such offer.

**An Investor intending to acquire or acquiring any Bonds from an Authorised Offeror will do so and offers and sales of the Bonds to such Investor by an Authorised Offeror will be made, in accordance with any terms and other arrangements in place between such Authorised Offeror and such Investor including as to price, allocations and settlement arrangements. Neither the Issuer nor the Guarantor will be a party to any such arrangements with any Investor in connection with the offer or sale of the Bonds and, accordingly, this Prospectus does not contain such information. The information relating to the procedure for making applications will be provided by the relevant Authorised Offeror to the relevant Investor(s) at the relevant time. None of the Issuer, the Guarantor or the Lead Manager or other Authorised Offerors has any responsibility or liability for such information.**

## SUBSCRIPTION AND SALE

*This section contains a description of the material provisions of the Subscription Agreement entered into between the Issuer and the Lead Manager which includes the principal selling restrictions applicable to any Bonds that may be offered under this Prospectus.*

The Lead Manager, pursuant to subscription agreement expected to be dated on or about 9 February 2022 (the "**Subscription Agreement**"), will agree to procure subscribers for the Bonds in consideration of arrangement fees payable by the Issuer. The Lead Manager will receive fees of up to 3.0% of the nominal amount of the Bonds issued (other than Retained Bonds). From the Lead Manager's fee, certain authorised distributors may be eligible to receive a distribution fee of up to 0.5% of the nominal amount of the Bonds allotted to and paid for by them.

The Issuer has also agreed reimburse the Lead Manager in respect of certain of its expenses incurred in connection with the offer and issue of the Bonds. The Subscription Agreement may be terminated in certain circumstances prior to the issue of the Bonds. The issue of the Bonds will not be underwritten by the Lead Manager, the Authorised Offerors or any other person.

### **Selling restrictions**

Under the terms of the Subscription Agreement, the Issuer, the Guarantor and the Lead Manager will agree to comply with the selling restrictions set out below. The Authorised Offerors will also be required to comply with these restrictions during the Offer Period under the Authorised Offeror Terms. See the section headed "*Offering Information – Consent*".

### **United Kingdom**

The Lead Manager will represent and agree that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 ("**FSMA**")) received by it in connection with the issue or sale of any Bonds in circumstances in which section 21(1) of FSMA would not apply to the Issuer or the Guarantor; and
- (b) it has complied and will comply with all applicable provisions of FSMA with respect to anything done by it in relation to any Bonds in, from or otherwise involving the United Kingdom.

### **Jersey**

The Lead Manager will represent and agree that there will be no circulation in Jersey of any offer for subscription, sale or exchange of the Bonds unless such offer is circulated in Jersey by a person or persons authorised to conduct investment business under the Financial Services (Jersey) Law 1998, as amended and (a) such offer does not for the purposes of Article 8 of the Control of Borrowing (Jersey) Order 1958, as amended, constitute an offer to the public; or (b) an identical offer is for the time being circulated in the United Kingdom without contravening FSMA and is, *mutatis mutandis*, circulated in Jersey only to persons similar to those to whom, and in a manner similar to that in which, it is for the time being circulated in the United Kingdom.

### **Guernsey**

The Lead Manager will represent and agree that:

- (a) the Bonds cannot be marketed, offered or sold in or to persons resident in Guernsey other than in compliance with the licensing requirements of the Protection of Investors (Bailiwick of Guernsey) Law 1987, as amended, and the regulations enacted thereunder, or any exemption therefrom;

- (b) this Prospectus has not been approved or authorised by the Guernsey Financial Services Commission for circulation in Guernsey; and
- (c) this Prospectus may not be distributed or circulated, directly or indirectly, to any persons in the Bailiwick of Guernsey other than:
  - (i) by a person licensed to do so under the terms of the Protection of Investors (Bailiwick of Guernsey) Law 1987, as amended; or
  - (ii) to those persons regulated by the Guernsey Financial Services Commission as licensees under the Protection of Investors (Bailiwick of Guernsey) Law 1987, as amended, the Banking Supervision (Bailiwick of Guernsey) Law 1994, the Insurance Business (Bailiwick of Guernsey) Law 2002 or the Regulation of Fiduciaries, Administration Business and Company Directors etc. (Bailiwick of Guernsey) Law 2000.

#### **Isle of Man**

The Lead Manager will represent and agree that any offer for subscription, sale or exchange of the Bonds within the Isle of Man shall be made by (i) an Isle of Man financial services licenceholder licensed under Section 7 of the Financial Services Act 2008 to do so or (ii) in accordance with any relevant exclusion contained within the Regulated Activities Order 2011 or exemption contained in the Financial Services (Exemptions) Regulations 2011.

#### **United States**

The Bonds and the Guarantee have not been and will not be registered under the United States Securities Act of 1933 the ("**Securities Act**") and the Bonds are subject to U.S. tax law requirements. Subject to certain exceptions, the Bonds and the Guarantee may not be offered, sold or delivered within the United States. The Lead Manager will agree that it will not offer, sell or deliver any Bonds or the Guarantee within the United States.

In addition, until 40 days after the commencement of the offering of the Bonds and the Guarantee, an offer or sale of the Bonds or the Guarantee within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

#### **Public offer selling restriction under the Regulation (EU) 2017/1129 (the "Prospectus Regulation")**

In relation to each Member State of the European Economic Area, the Lead Manager will represent and agree that it has not made and will not make an offer of Bonds which is the subject of the offering contemplated by this Prospectus to the public in that Member State, except that it may make an offer of Bonds to the public in that Member State:

- (a) to any legal entity which is a qualified investor as defined in the Prospectus Regulation;
- (b) to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Regulation), subject to obtaining the prior consent of the Lead Manager nominated by the Issuer for any such offer; or
- (c) in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

provided that no such offer of Bonds referred shall require the Issuer or the Lead Manager to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation.

For the purposes of this provision, the expression an "offer of Bonds to the public" in relation to any Bonds in any Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Bonds to be offered so as to enable an investor to decide to purchase or subscribe for the Bonds.



**General**

None of the Issuer, the Guarantor, the Security Trustee or the Lead Manager represents that Bonds may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale. No action has been or will be taken by the Issuer, the Guarantor, the Security Trustee or the Lead Manager in any jurisdiction other than the United Kingdom that would, or is intended to, permit a public offer of the Bonds in any country or jurisdiction where any such action for that purpose is required. Accordingly, the Lead Manager will agree, to the best of its knowledge and belief, to comply in all material respects with all applicable laws and regulations in each jurisdiction in which it acquires, offers, sells or delivers Bonds or has in its possession or distributes this Prospectus or any amendment or supplement thereto or any other offering material, in all cases at its own expense.

## **TAXATION**

*This section provides a brief outline of certain taxation implications regarding the Bonds that may be issued pursuant to this Prospectus. You should read this section and discuss the taxation consequences with your tax, financial or other professional adviser before taking any investment decision.*

### **General**

The information contained in this section is a general summary of the Issuer's current understanding of United Kingdom tax law as applied by HM Revenue & Customs ("**HMRC**") relating to certain aspects only which are relevant to withholding tax, chargeable gains, stamp duty and inclusion in an individual savings account. This summary is not intended to be exhaustive and potential Bondholders, including but not limited to those who may also be subject to taxation in a jurisdiction other than the United Kingdom, are recommended to seek their own independent, professional tax advice in relation to the acquisition, holding and disposal of the Bonds or if they are in any doubt as to their own tax position. The summary is intended as a general guide only and is not intended to be, nor should it be construed to be, legal or tax advice and none of the Issuer, the Guarantor or the Lead Manager give any warranty or representation as to its accuracy. The United Kingdom tax treatment of prospective Bondholders depends on their individual circumstances and may be subject to change in the future.

### **United Kingdom**

#### ***Interest on the Bonds***

##### *Withholding tax on the Bonds*

Payments of interest on the Bonds may be made without deduction of or withholding on account of United Kingdom income tax provided that the Bonds continue to be listed on a "recognised stock exchange" within the meaning of section 1005 of the Income Tax Act 2007 (the "**ITA**") and therefore constitute "quoted Eurobonds" within the meaning of section 987 of the ITA. The London Stock Exchange is a recognised stock exchange for these purposes. Securities will be treated as listed on the London Stock Exchange if they are included in the Official List, within the meaning of and in accordance with the provisions of Part 6 of FSMA, and admitted to trading on the London Stock Exchange. Provided, therefore, that the Bonds carry a right to interest and are and remain so listed, interest on the Bonds will be payable without withholding or deduction on account of United Kingdom income tax.

If the Bonds cease to be listed, the Issuer must generally withhold an amount from payments of interest on the Bonds on account of United Kingdom income tax at the basic rate (currently 20%) subject to the availability of other reliefs.

##### *Income tax*

Interest on the Bonds constitutes United Kingdom source income for tax purposes and, as such, may be subject to income tax by direct assessment even where paid without withholding, irrespective of the residence of the Bondholder. Bondholders who are either individuals or trustees and are resident for tax purposes in the United Kingdom or who carry on a trade, profession or vocation in the United Kingdom through a branch or agency to which the Bonds are attributable will generally be liable to United Kingdom income tax on the amount of any interest received in respect of the Bonds.

##### *Payments in respect of the Partial 10% Guarantee*

The United Kingdom withholding tax treatment of payments by the Guarantor under the terms of the Guarantee in respect of interest on the Bonds (or other amounts due under the Bonds other than the repayment of amounts subscribed for the Bonds) is uncertain. In particular, such payments by the Guarantor may not be eligible for the exemption from withholding on account of United Kingdom income tax in respect of bonds listed on a recognised stock exchange described above in relation to payments of interest by the Issuer. Accordingly, if the Guarantor make any such payments, these may be subject to United Kingdom withholding tax at the basic rate (currently 20%).

#### *Corporation tax*

In general, Bondholders which are within the charge to United Kingdom corporation tax (including non-resident Bondholders whose Bonds are used, held or acquired for the purposes of a trade carried on in the United Kingdom through a permanent establishment) will be subject to tax as income on all returns, profits or gains on, and fluctuations in value of, the Bonds (whether attributable to currency fluctuations or otherwise) broadly in accordance with their statutory accounting treatment so long as the accounting treatment is in accordance with generally accepted accounting practice as that term is defined for tax purposes.

#### *Transfer and redemption*

The Bonds will constitute "qualifying corporate bonds" within the meaning of section 117 of the Taxation of Chargeable Gains Act 1992. Accordingly, a disposal by a Bondholder of a Bond will not give rise to a chargeable gain or an allowable loss for the purposes of United Kingdom taxation of chargeable gains.

#### *Accrued income scheme*

On a transfer of a Bond by a Bondholder, any interest which has accrued since the last interest payment date may be chargeable to tax as income under the rules of the accrued income scheme as set out in Part 12 of the ITA, if that Bondholder is either an individual or a trustee and is resident for tax purposes in the United Kingdom or carries on a trade, profession or vocation in the United Kingdom through a branch or agency to which the Bonds are attributable.

#### *Individual Savings Accounts*

The Bonds will be qualifying investments for the stocks and shares component of an account (an "ISA") under the Individual Savings Account Regulations 1998 (the "ISA Regulations") provided that the Bonds are listed on the official list of a recognised stock exchange within the meaning of section 1005 of the ITA. The London Stock Exchange is a recognised stock exchange for these purposes. Individual Bondholders who acquire or hold their Bonds through an ISA and who satisfy the requirements for tax exemption in the ISA Regulations will not be subject to United Kingdom tax on interest or other amounts received in respect of the Bonds.

The opportunity to invest in Bonds through an ISA is restricted to individuals. Individuals wishing to purchase the Bonds through an ISA should contact their professional advisers regarding their eligibility.

#### *Stamp duty and Stamp Duty Reserve Tax*

No United Kingdom stamp duty or stamp duty reserve tax is payable on the issue or transfer by delivery of a Bond or on its redemption.

## **ADDITIONAL INFORMATION RELATING TO THE BONDS**

*This section sets out further information on the Issuer, the Guarantor and the Bonds which the Issuer and Guarantor are required to include under applicable rules. These include the availability of certain relevant documents for inspection, certain confirmations from the Issuer and the Guarantor and details relating to the listing of the Bonds.*

### **Authorisation**

The issue of the Bonds has been duly authorised by a resolution of the directors of the Issuer dated 19 January 2022.

The giving of Partial 10% Guarantee has been duly authorised a resolution of the directors of the Guarantor dated 19 January 2022.

The Issuer and the Guarantor have obtained all necessary consents, approvals and authorisations in England and Wales in connection with the issue and performance of the Bonds, the giving of the Partial 10% Guarantee and (in the case of the Issuer) the granting of the floating charge over its assets to the Security Trustee.

### **Listing of the Bonds**

It is expected that the admission of the Bonds (including any Retained Bonds) to the Official List of the FCA and to trading on the London Stock Exchange PLC's main market (and on its sub-market OFIS) will occur on or about 2 March 2022, after the publication of the Sizing Announcement relating to the Bonds. The whole class of the Bonds (including any Retained Bonds) will be the subject of the application for listing. The minimum market capitalisation of the Bonds will be £200,000 in accordance with Listing Rule 2.2.7(1).

The estimated amount of expenses related to the admission to trading of the Bonds will be specified in the Sizing Announcement. The expected total expenses of the Offer to the Issuer are 4-5% of the amount raised.

The London Stock Exchange PLC's main market is a UK regulated market for the purposes of Regulation (EU) No 600/2014 on markets in financial instruments as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (as amended, "UK MiFIR").

### **Significant or material change statement**

The Issuer was incorporated on 6 September 2010 but has undertaken no substantive trading activity since its incorporation. There has been no significant change in the financial performance or financial position of the Issuer, and there has been no material adverse change in the prospects of the Issuer, in either case 30 September 2021 (being the date of the last audited financial statements of the Issuer for the financial year ended on that date).

There has been no significant change in the financial performance or the financial position of the Guarantor, and there has been no material adverse change in the prospects of the Guarantor, in either case since 31 July 2021 (being the date of the last audited financial statements of the Group for the financial year ended on that date).

### **Government, legal and arbitration statement**

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer or the Guarantor is aware) during the 12 month period preceding the date of this Prospectus which may have, or have had in the recent past, significant effects on the Issuer's or the Guarantor's financial position or profitability.

### **Clearing systems information**

The Bonds have been accepted for clearance through Clearstream, Luxembourg and Euroclear (which are the entities in charge of keeping the records).

In addition, the Bonds will be accepted for settlement in CREST via the CDI mechanism. Interests in the Bonds may also be held through CREST through the issuance of CDIs representing the underlying Bonds. You should note that the CDIs are the result of the CREST settlement mechanics and are not the subject of this Prospectus.

The ISIN for the Bonds is GB00BMBV8F68.

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels, the address of Clearstream, Luxembourg is Clearstream Banking S.A., 42 Avenue JF Kennedy, L-1855 Luxembourg and the address of CREST is Euroclear UK & Ireland, 33 Cannon Street, London EC4M 5SB.

### **Third party information**

Where information appearing in this Prospectus has been sourced from third parties, the information has been accurately reproduced and, as far as the Issuer and the Guarantor are aware and able to ascertain from the information published by such third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading.

Where third party information has been used in this Prospectus, the source of such information has been identified.

### **Profit forecasts**

Neither the Issuer nor the Guarantor have not made public any profit forecast or profit estimate.

### **Documents available for inspection**

For so long as any Bond remains outstanding, copies of the following documents will, when published, be available for inspection on the Orchard Group website: <https://www.orchardfundinggroupplc.com/bonds>

- (a) this Prospectus (and any supplemental prospectuses issued from time to time in relation to this Prospectus);
- (b) the documents incorporated by reference into this Prospectus as set out on page 87;
- (c) the memorandum of association and articles of association of each of the Issuer and the Guarantor; and
- (d) the Trust Deed.

## **Auditors**

The consolidated financial statements of the Guarantor and the Group for the financial years ended 31 July 2019, 2020 and 2021 have been audited without qualification in accordance with Directive 2014/56/EU and Regulation (EU) No 537/2014 by RSM UK Audit LLP, which is registered to carry on audit work in the UK by the Institute of Chartered Accountants of Scotland.

## **Material conflicts of interest**

So far as the Issuer and the Guarantor are aware, no person involved in the offer of the Bonds has an interest material to the offer. There are no conflicts of interest which are material to the offer of the Bonds.

## **Material Contracts**

Neither the Issuer nor the Guarantor, nor other members of the Orchard Group, have entered into any material contracts outside the ordinary course of the Orchard Group's business which could result in any member of the Orchard Group being under an obligation or entitlement that is material to the Issuer's, or the Guarantor's, as the case may be, ability to meet its respective obligations to Bondholders in respect of the Bonds being issued.

## **Yield**

The yield of the Bonds is 6.25% on an annual basis. This yield is calculated as at the date the Bonds are issued on the basis of the issue price (being 100% of the nominal amount of the Bonds). It is not an indication of future yield.

## **Maximum**

The Issuer will not issue in excess of £10 million in aggregate nominal amount of the Bonds (not including Retained Bonds of which the Issuer may issue up to a further £5 million); however, this maximum nominal amount of securities being offered is not intended to be indicative of how many Bonds will be issued, and the nominal amount of Bonds to be issued will depend in part on the demand from investors during the Offer Period. The final nominal amount of Bonds to be issued may be significantly less than this. The aggregate nominal amount of the Bonds (and Retained Bonds, if any) to be issued will be specified in the Sizing Announcement expected to be published by the Issuer via the Regulatory News Service of the London Stock Exchange PLC).

## DOCUMENTS INCORPORATED BY REFERENCE

*This section sets out the information that is deemed to be incorporated by reference into this Prospectus. This Prospectus should be read together with all information which is deemed to be incorporated into this Prospectus by reference as set out below.*

The following documents which have previously been published shall be deemed to be incorporated in, and to form part of, this Prospectus:

1. the consolidated financial statements and independent auditors report of Orchard Funding Group PLC for the year ended 31 July 2021 which is available from:  
<https://www.orchardfundinggroupplc.com/bonds>
2. the consolidated financial statements and independent auditors report of Orchard Funding Group PLC for the year ended 31 July 2020 which is available from:  
<https://www.orchardfundinggroupplc.com/bonds>
3. the consolidated financial statements and independent auditors report of Orchard Funding Group PLC for the year ended 31 July 2019 which is available from:  
<https://www.orchardfundinggroupplc.com/bonds>
4. the financial statements of Orchard Bond Finance PLC (previously named CRM Associated Limited) for the year ended 30 September 2021 and accompanying auditor's report which is available from:  
<https://www.orchardfundinggroupplc.com/bonds>
5. the financial statements of Orchard Bond Finance PLC (previously named CRM Associated Limited) for the year ended 30 September 2020 and accompanying auditor's report which is available from:  
<https://www.orchardfundinggroupplc.com/bonds>

save that any statement contained herein or in a document which is deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Prospectus to the extent that a statement contained in any document which is subsequently incorporated by reference herein by way of a supplement prepared in accordance with Article 23 of the UK Prospectus Regulation modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not, except as so modified or superseded, constitute part of this Prospectus.

Any documents themselves incorporated by reference in the document incorporated by reference in this Prospectus shall not form part of this Prospectus.