SME Credit Realisation Fund Limited

(in Members' voluntary liquidation)

Annual Report and Consolidated Financial Statements

for the year ended 31 March 2023

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FORWARD-LOOKING STATEMENTS

This report includes statements that are, or may be considered, “forward-looking statements”. The forward-looking statements can be identified by the use of forward-looking terminology, including the terms “believes”, “estimates”, “anticipates”, “expects”, “intends”, “may”, “will” or “should” or, in each case, their negative, or other variations or comparable terminology. These statements are made by the Directors in good faith based on the information available to them up to the time of their approval of this report and such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward-looking information.

FINANCIAL HIGHLIGHTS

- Total comprehensive income for the year amounted to £6.39 million (2022: comprehensive income of £13.13 million) which included a release of impairment loss on Credit Assets of £2.82 million (2022: £7.34 million) and a gain on the movement in fair value of the Credit Assets of £1.37 million (2022: £2.25 million loss) as presented in the consolidated statement of comprehensive income.
- Aggregate annualised dividends of 3.94 pence per Ordinary share* declared during the year ended 31 March 2023 (2022: 5.25 pence).
- The Company redeemed a total of 46,460,978 (2022: 82,414,359) shares for a total amount of £50,729,251 (2022: £76,199,759) during the year.
- In December 2022, the Company completed the sale of all its Credit Assets. Following completion of the portfolio sales, an Extraordinary General Meeting ("EGM") was held on 24 March 2023 whereby the shareholders voted in favour of cancelling the listing of the Company's ordinary shares and appointing liquidators for the Company and its subsidiaries. The shares were cancelled with effect from 27 March 2023.

The information below is presented for the year ended 31 March 2023 or as at 31 March 2023 unless expressly stated to cover a different period.

NAV per Ordinary share	Total Net Assets	Aggregate Dividends per	NAV Total Return (inception to date)
124.99p	£6.61mil	3.94p	87.79%

*3.94p is based on aggregate payments per share made in Q1, Q2 and Q3 of the financial year and ceasing in Q4 after the sale of loans. For the period under which dividends were paid the annualised rate is 5.25p

SUMMARY INFORMATION

About the Company

SME Credit Realisation Fund Limited (in Members' voluntary liquidation) (the "Company" or the "Fund") is a closed-ended investment company incorporated with liability limited by shares in Guernsey under The Companies (Guernsey) Law, 2008 (as amended), on 22 July 2015.

The 31 March 2023 Annual Report and Consolidated Financial Statements are unaudited, hereafter any financial statements required will be provided by the joint liquidators.

Group Structure

The Company held a number of its investments in loans through Special Purpose Vehicles ("SPVs"). This annual report for the year ended 31 March 2023 (the "Annual Report") includes the results of Basinghall Lending Designated Activity Company ("Basinghall"), Tallis Lending Designated Activity Company ("Tallis"), and Queenhithe Lending Designated Activity Company ("Queenhithe"). The Company, Basinghall, Tallis, and Queenhithe are collectively referred to in this report as the "Group".

Queenhithe transferred its remaining portfolio of Credit Assets to Basinghall during the year ended 31 March 2021 and liquidators were formally appointed and commenced proceedings to wind up the entity in an orderly manner. Queenhithe was put into liquidation in December 2020. The proceedings for Queenhithe are still ongoing at the time of signing of these consolidated financial statements.

Basinghall and Tallis sold their remaining portfolio of Credit Assets to a third party during the year ended 31 March 2023 and liquidators were formally appointed in March 2023 and commenced proceedings to wind up the entities in an orderly manner. The proceedings for Basinghall and Tallis are still ongoing at the time of signing these consolidated financial statements.

Capital Management

As at 31 March 2023 the total number of shares in issue was 5,289,585 (2022: 51,750,563).

The Group has been conducting a managed wind-down of its operations since 2019, and has been in the process of returning capital through compulsory redemptions of shares and distributions of dividends, as the Group's portfolio of Credit Assets amortised. Following the sale of the Company's remaining Credit assets during the year ended 31 March 2023, and the distribution of the majority of the proceeds of the sale, cash has been withheld to cover foreseeable costs through to final liquidation of the Group and to support time limited costs related to indemnities associated with the sale. The Company's liquidators will distribute available cash to shareholders in a cost effective and orderly manner as the time period associated with the indemnities amortises to the end of 2023 and as there is more certainty related to other costs and contingencies.

The Company has redeemed a total of 46,460,978 (2022: 82,414,359) shares for a total amount of £50,729,251 (2022: £76,199,759) throughout the year. All shares redeemed throughout the year were redeemed at the prevailing NAV per share at the date of declaration.

CHAIRMAN'S STATEMENT

Dear Shareholders,

I am pleased to write to you to provide an update on the Group's progress for the year ended 31 March 2023. The Group continued to conduct a managed wind-down of its activities, with the objective of returning capital to shareholders promptly, whilst seeking to maximise returns and agreements were signed in December and all remaining Credit Assets of the Group were sold, a significant milestone for the Group. The Board is very pleased with the outcome from the sales of the Group's remaining loan pools, which represents a successful end to our realisation strategy. We presented our proposals for liquidation and delisting to shareholders in March 2023 which were overwhelmingly approved and as a result joint liquidators were appointed for the Company and its subsidiaries and the Company was delisted.

As a result of the appointment of the liquidators, I and the majority of my fellow directors have tendered notice of our resignations which are effective on 30 June 2023. We will continue to be at the disposal of the liquidators should the need arise through to the final liquidation of the Group.

As noted in our previous communications, the liquidators will focus on winding down the Company and its subsidiaries and appropriate cash was withheld from our distributions to cover prudent accruals for ongoing costs through to final liquidation, and to support the indemnity provisions associated with the sale of the loans along with other contingency for potential tax obligations. As the indemnities related to the loan sale amortise, and as there is certainty related to remaining liabilities, the liquidators will seek to make distributions to shareholders in an orderly and cost effective way, with the expectation that the majority if not all future distributions will be after the end of the indemnity period. To date, at the time of writing we have had no material claims on the indemnities that were offered.

Performance Review and Net Asset Value ("NAV")

This report presents the financial position of the Company as at 31 March 2023.

Following the appointment of liquidators and the sale of the assets, quarterly NAV reporting and factsheets have ceased in light of no major updates as the indemnities unwind and you will have noted the last announcement made by the Company in the notice of EGM circular disclosing the Company's NAV at 28 February 2023 at £6.65 million (31 December 2022: £23.1 million) and NAV per Share at that date at 116.02 pence (31 December 2022: 116.02 pence). The NAV at 31 March 2023 was £6.61 million and the NAV per share was 124.99 pence. Understandably this has moved little since February's update and the December NAV in light of the majority of costs through to final liquidation having been accrued in December's NAV.

The net NAV return for the Company for the 6 month period to 31 March 2023 was 4.30% (6 month period to 30 September 2022 20.32%).

Return of Capital

You will note that the Company's net asset value has reduced from £53 million at 30 March 2022 to £6.6 million at 31 March 2023, primarily as a result of the sale of the remaining credit assets and a substantial distribution to shareholders. In the 6 month period to 31 March 2023, £25.53 million was distributed to shareholders through compulsory share redemptions and £0.26 million through dividend payments.

In light of the sale and appointment of liquidators, subsequent distributions will occur as cash becomes available from funds set aside to back indemnity provisions associated with the sold loans, which amortise through to December 2023. As the assets have been sold with no ongoing income to the Group, it is anticipated there will be no further dividend distributions, in line with the resolutions approved at our latest AGM and the EGM in March.

Portfolio Sale, Delisting and Appointment of Liquidators

As previously reported at the time of our interim reporting, agreements were signed to sell all remaining loan portfolios with an economic cut-off date of 30 September 2022 at a price net of anticipated costs and deductions that is materially aligned with the value of the loans held at 30 September 2022 and this was executed in December 2022. This was considered a good outcome for shareholders in a challenging economic environment. Following the sale the majority of the proceeds were distributed to shareholders in Q1 2023 and proposals were circulated for approval by shareholders at an EGM in March for the delisting of the Company and theappointment of liquidators. These resolutions were passed and as a result Andrea Frances Alice Harris and Benjamin Alexander Rhodes of Grant Thornton were appointed joint liquidators on 24 March 2023 with the suspension of listing and trading of shares onthe same date.

The Group is required to hold back cash equating to the value of certain indemnities related to the assets which have been sold whichis standard practice in transactions of this nature of c.£5.3 million (made up of £3.9m, €1.2m and $0.5m). The cash set aside for these indemnities will be held within the respective currencies of the assets to which they relate to in order that unfavourable fluctuations in foreign exchange rates do not erode the ability of the Group to meet its obligations should the indemnity

CHAIRMAN'S STATEMENT

provisions be drawn upon. The Group has previously hedged its exposure to assets held in foreign currency with the use of forward foreign exchange contracts. With the relatively small remaining exposure and uncertainty related to the extent to which claims could potentially be made against the indemnity provisions, and with the intention of simplifying operations and reducing the Group 's cost base through to liquidation, it is considered that the cost of hedging the remaining exposure is likely to outweigh the risk of currency fluctuations which could occur, and the Group intended to cease its hedging program and policy from the end of 2022. As a result the cash set aside in relation to these indemnities may be more than is eventually distributed to shareholders in the event that the purchaser makes a claim against the indemnities or to the extent that there are unfavourable movements in foreign exchange rates between the Sale Date and the eventual distribution of residual cash to shareholders as the indemnity period unwinds.

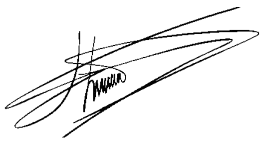
As outlined in the proposals in the notice of the EGM Circular, these financial statements have not been audited given approval of the proposals, and in light of the appointment of liquidators. This followed consultation with major shareholders and written support from the majority of shareholders.

Conclusion

As the Company has now appointed liquidators and approaches the end of its life, the wind down process nears its completion and the liquidators will provide notice of any future distributions to shareholders as the indemnity provisions amortise and as there is certainty achieved regarding the remaining accruals and contingencies provided for.

My thanks go particularly to the Funding Circle team for their focus and diligence, and I would also like to thank my fellow directors, both past and present, and our service providers and advisers for their support and wise counsel over the years to get us to this point

Yours faithfully



FREDERIC HERVOUET

Chairman of the Board of Directors

22 June 2023

STRATEGIC REPORT

Strategy and Business Model

The Group was established to provide shareholders with a sustainable and attractive level of dividend income, primarily by way of investment in Credit Assets originated both directly through the platform operated by Funding Circle and indirectly, in each case as detailed in the Company's original investment policy. The Group identified the Funding Circle platform as a leader in the growing direct lending space to small and medium sized enterprises ("SMEs") with its established infrastructure, scale of origination volumes and expertise in accurately assessing loan applications.

On 11 June 2019, the Company changed its Investment Objective and Policy to facilitate a managed wind-down of the Company in a prudent manner consistent with the principles of good investment management as required by the Listing Rules.

Following the sale of the remaining Credit Assets of the Group in December 2022, an Extraordinary General Meeting ("EGM") was held on 24 March 2023 where shareholders voted to appoint joint liquidators for the Company and its subsidiaries and to delist the Company from the main market listing on the London stock exchange.

Investment Objective and Policy

In order to implement the managed wind-down, it was necessary to amend the Company's Investment Objective and Policy to reflect the objective of realising the Company's portfolio, as follows:

> *"The Company will be managed with the intention of realising all remaining assets in the portfolio in a prudent manner which achieves a balance between maximising the value from the realisation of the Company's investments and making timely returns of capital to shareholders."*

The managed wind-down is being effected with a view to the Company realising all of its investments in accordance with the Investment Objective. Such realisations will comprise natural amortisation of the Company's investments in Credit Assets as well as potentially opportunistic portfolio sales.

As a result of the Company's change in investment objective and policy, for the purposes of accounting, the Company's business model changed from "hold to collect" to "hold to collect and sell" during the year ended 31 March 2020. The Company therefore reclassified the valuation of Credit Assets from amortised cost to fair value through other comprehensive income ("FVTOCI") from 1 April 2020.

The Company continued to explore opportunities for the disposal of its performing and non-performing loan portfolios as a whole, in light of the rapidly reducing size of the performing portfolios through natural loan amortisation. The Company sold the remaining Credit Assets in December 2022.

The Company no longer allocates capital to Credit Assets, directly or indirectly via Leveraged Transactions or SPVs, or undertakes capital expenditure except where necessary in the reasonable opinion of the Board in order to protect or enhance the value of any existing investments or to facilitate orderly disposals.

During the year ended 31 March 2023, the Company held indirect investments in Credit Assets through the following investing companies:

Investing Company	Jurisdiction of Loans
Basinghall	**United Kingdom**
Tallis	**Germany, the Netherlands and Spain**

Basinghall, Tallis and Queenhithe were formed solely in connection with the implementation of the previous investment policy of the Company. Loans acquired by Basinghall, Tallis and Queenhithe were funded, in whole or in part, by advances made by the Company under the note programmes.

The notes issued by Basinghall, Tallis and Queenhithe to the Company are listed on the Euronext Dublin.

The assets held by each of Basinghall, Tallis and Queenhithe are ring-fenced from other entities or SPV's and there is no cross-collateralisation between the SPV's in which the Company invests.

Investment Objective and Policy – (continued)

Borrowing Limitation

All of the Group's leverage facilities have been fully repaid as at 31 March 2023 and the loans that were previously held indirectly through the Fund's interest in the EIB SPV have been transferred to the Group's balance sheet at fair value in satisfaction of the Company's investment in the transaction SPV and are now consolidated directly.

Principal Risks and Risk Management

The Board of Directors has overall responsibility for risk management and internal control within the context of achieving the Company's objectives. The Board agrees the strategy for the Company, approves the Company's risk appetite and monitors the risk profile of the Company. The Company also maintains a risk register to identify, monitor and control risk concentration, which was updated to reflect the managed wind-down, sale of credit assets and commencement of liquidation of the Company.

There were a number of present and emerging risks and uncertainties which could have had a material impact on the Group's actual results which may differ materially from expected and historical results. These risks were disclosed in the Half Yearly financial report and condensed consolidated financial statements for the sixth month period ended 30 September 2022 along with the anticipated impacts from the pending loan sale at that time. The majority of these risks have been reduced on an ongoing basis as a result of the sale of the remaining Credit Assets held by the Group and as a result these have not been repeated here. However, there remains some principal risks related to the timing and extent of returns of capital over the remaining life of the Group through to final liquidation which were outlined in the Circular ahead of the EGM in March 2023.

Timing and extent of future distributions:

While the majority of the net proceeds from the sales and the remaining NAV of the Group has been distributed in February 2023, the timing and extent of future distributions may be uncertain. The Group has set aside cash related to indemnities provided to the purchasers of the loans of c.£5.3 million. To the extent these indemnities are claimed against, the remaining cash distributable to shareholders after the indemnity period has expired may be lower than that initially set aside. This cash is additionally to be held in the currency of the associated loans and may be exposed to foreign exchange gains and losses. To the extent foreign exchange rates move unfavourably this may reduce the amount of cash available to distribute to shareholders. Following the sales, the Group accrued an estimate for all ongoing expected costs through to the final liquidation of the Company and its subsidiaries, and to the extent these costs are greater than estimated this may reduce the cash available to shareholders as the indemnity period amortises.

The provision of indemnities is standard in asset sale transactions of this nature and provides the purchaser with assurances which in turn have contributed to a positive purchase price on the assets. The Board have negotiated indemnities at a level so as to provide sufficient cover to support a good outcome in the purchase price while balancing the intention to liquidate the Group and return cash to shareholders within a reasonable time frame. The indemnity provisions are therefore on an amortising basis up to 12 months from the Sale Date.

While the extent to which these indemnities may be claimed upon is unknown, the team at Funding Circle have assisted the Board and the purchaser with advanced due diligence in order to minimise the risk of claims on the indemnities offered. The Board has made prudent estimates of the ongoing costs through to final liquidation and will seek to minimise the ongoing cost base where possible, while balancing the necessary costs of the administrative and legal requirements of an orderly liquidation process of the Group.

Taxation

As outlined in the Circular for the EGM, Ireland introduced its interest limitation rule to apply to Irish companies with respect to accounting periods commencing on or after 1 January 2022. The interest limitation rule provides that where an entity has exceeding borrowing costs of more than EUR 3,000,000 it may only deduct such costs up to an amount equal to 30.0 per cent of its earnings before interest, tax, depreciation and amortisation ("EBITDA"), in the year in which they are incurred. For these purposes, "exceeding borrowing costs" mean the amount by which an entity's borrowing costs exceed "interest revenues and other equivalent taxable revenues". Accordingly, an entity will not be restricted from deducting its interest expenses to the extent that it funds such interest expenses from interest or "interest equivalent revenues".

Principal Risks and Risk Management (continued)

Taxation (continued)

In connection with the liquidation of the Company, subsidiaries which are established in Ireland disposed of loans and recognised an improvement in the fair value and reversal of impairment of those loans relative to prior years in which those loans were impaired. There remains some uncertainty as to whether this income recognised as a result of the revised fair valuation or impairment reversal may be treated as interest or equivalent income for the purposes of the interest limitation rule. This may result in the relevant Irish subsidiary having taxable profits in Ireland. To manage the uncertainty on this point the Group has decided to maintain a liquidity reserve of £1.2 million to provide for any contingent tax liabilities as a result of the interest limitation rule until such time as the position is more certain. Following tax advice received, the Corporation tax returns of the subsidiaries have been submitted on the basis that the exceeding borrowing costs are below the EUR 3,000,000 de minimis threshold and are not expected to have a significant taxable income.

Once the tax returns have been subjected to appropriate review and clearance by the Irish tax authorities, the reserve will be released to the extent it is not utilised. This may impact the amount and timing of future distributions to shareholders.

Hedging

The Board's policy was to seek to fully hedge currency exposure between Sterling and any other currency in which the Group's assets are denominated. During the year, the Company entered into forward foreign exchange contracts to minimise the risk of loss due to fluctuation of the Sterling to US Dollar exchange rate and the Sterling to Euro exchange rate in pursuance of this policy. The interest rate differential between Sterling and US Dollars moved favourably in the period while the hedging instrument offset some of this impact in order to reduce volatility in the Group's results.

Foreign currency hedging activity was carried out by a specialist third party on behalf of the Group, in accordance with the hedging policy that the Board maintained.

With the relatively small remaining exposure and uncertainty related to the extent to which claims could potentially be made against the indemnity provisions, and with the intention of simplifying operations and reducing the Group's cost base through to liquidation, it was considered that the cost of hedging the remaining exposure is likely to outweigh the risk of currency fluctuations which could occur, and the Group ceased its hedging program and policy from the end of 2022. As a result the cash set aside in relation to loan sale indemnities may be more than is eventually distributed to shareholders to the extent that there are unfavourable movements in foreign exchange rates between the date of sale and the eventual distribution of residual cash to shareholders as the indemnity period unwinds.

Financial Performance

The key transactions and events that had an impact on the Group's performance are set out in the Directors' Report.

The Board continues to monitor the following which are considered as the Group's alternative performance measures in the context of the managed wind-down:

- NAV total return
- Dividend per share
- Fair value movements on Credit Asset

Refer to the definitions of each of the above included on pages 45 to 47.

The Board notes that some or all of the key performance indicators used in the past are less relevant now that the Company has started the process of the managed wind-down and now that the Credit Assets of the Group have been sold.

Financial Performance (continued)

Dividend per share

The Board declared dividends during the year totalling an annualised 5.25 (2021: 5.25) pence per Ordinary share for the performance period up until 30 September 2023 being the economic cut off date of the sale of the Credit Assets.

Following the sale of all the remaining Credit Assets, the Company ceased dividend distributions in light of receiving no ongoing source of income and as approved by shareholders in the last AGM and EGM.

Credit losses

Since the year ended 31 March 2022 until the point the loans were sold, the assumptions utilised in the ECL model have been refreshed to take account of lower levels of defaults and higher levels or repayment and recovery observed than previously expected. The forecast probability of default has been impacted by an update in particular to the expected timing and quantum of defaults. Previously, a shorter but sharper peak in default stress was expected over 2022 normalising in 2023, reflecting a lagged impact of Covid-19, inflationary pressures and supply chain disruption exacerbated by the events in the Ukraine. Following stronger than expected performance and taking into account latest macro-economic expectations, the default stress is now expected to occur later and increase more gradually peaking by 2024, however also lasting longer than previous assumptions. The impact of this change in assumptions occurring later and increasing more gradually on a swiftly amortising book with a short weighted average life is a reduction in the impairment allowance, in particular of stage 1 and stage 2 loans where the default stress is applied to a smaller forecast outstanding balance, and so the level of expected defaults is lower.

For further information on the movement in credit losses, refer to note 4 of the consolidated financial statements.

Employees, Social, Human Rights and Environmental Issues

The Company has no employees and the Board comprises five non-executive Directors, all of whom, except Anthony Nicol and previously Sachin Patel, are independent of Funding Circle. As an investment company, the Company has no direct impact on the community and as a result does not maintain specific policies in relation to these matters.

The Company operates by outsourcing significant parts of its operations to reputable professional companies, who are required to comply with all relevant laws and regulations and take account of social, environmental, ethical and human rights factors, where appropriate.

The Company's directors acknowledge the importance of operating responsibly and support the objectives of the Paris Agreement 2020 to substantially reduce greenhouse gas emissions. The Company has no greenhouse gas emissions to report from its operations, nor does it have responsibility for any other emissions-producing sources, including those within its underlying investment portfolio.

In carrying out its investment activities and in relationships with suppliers, the Company aims to conduct itself responsibly, ethically and fairly.

Diversity and Inclusion

The Board of Directors of the Company comprises of male directors set out in the Directors Report on page 12.

The Remuneration and Nominations Committee and the Board are committed to diversity at Board level and is supportive of increased gender and ethnic diversity but recognises that it may not always be in the best interest of shareholders to prioritise this above other factors. The Remuneration and Nominations Committee regularly reviews the structure, size and composition required of the Board, taking into account the challenges and opportunities facing the Company.

In considering future candidates, appointments will be made on merit, including taking account of the specific skills, experience, independence, and knowledge needed to ensure a rounded Board and the diversity benefits each candidate can bring to the overall Board composition. The commencement of the managed wind-down is inevitably limiting in the Board's ability to implement enhanced diversity and inclusion strategies, given the limited future life of the Company.

STRATEGIC REPORT

Stakeholder Engagement

The AIC Code requires that matters set out in section 172 of the Companies Act, 2006 (“s172 of the Companies Act”) are reported notwithstanding the Company is incorporated in Guernsey. As an investment company, the Company does not have any employees and conducts its core activities through third-party service providers. Each service provider is subjected to oversight and control, is required to have in place suitable policies to ensure they maintain high standards of business conduct, treat customers fairly, and employ corporate governance best practice. The Board considers the view of the Company’s other key stakeholders as part of its discussions and decision making process. The Board’s commitment to maintaining the high-standards of corporate governance recommended in the AIC Code, combined with the directors’ duties incorporated into The Companies (Guernsey) Law, 2008, the constitutive documents, the Disclosure Guidance and Transparency Rules, and Market Abuse Regulation, ensures that shareholders are provided with frequent and comprehensive information concerning the Company and its activities. Whilst the primary duty of the Directors is owed to the Company as a whole consideration being given, the Board considers as part of its decision making process the interests of all stakeholders. Particular to the continued alignment between the activities of the Company and those that contribute to delivering the Board’s strategy, which include the Portfolio Administrator. The Board respects and welcomes the views of all stakeholders. Any queries or areas of concern regarding the Company’s operations can be raised with the Company Secretary and Administrator.

The Directors present their annual report and consolidated financial statements for the year ended 31 March 2023 In the opinion of the Directors, the annual report and consolidated financial statements are fair, balanced and understandable and provide the information necessary for Shareholders to assess the Group’s performance, business model and strategy

DIRECTORS REPORT

Incorporation

The Company is a limited liability company registered in Guernsey under The Companies (Guernsey) Law, 2008 (as amended) with registered number 60680.

Activities and business review

The Company was a registered and closed-ended collective investment scheme in Guernsey pursuant to The Protection of Investors (Bailiwick of Guernsey) Law, 1987, as amended. Prior to the amendment of the Company's Investment Objective and Policy, the primary activity of the Company was investment in loans to small and medium sized enterprises in the United Kingdom, the United States and Continental Europe, in order to seek to provide shareholders with a sustainable and attractive level of dividend income. Following the result of the EGM on 11 June 2019, the Company has ceased investment into Credit Assets as the Company's Investment Objective and Policy were updated to facilitate the managed wind-down of the Company.

Business review

The Strategic Report includes further information about the Company's principal activities, financial performance during the year and indications of likely future developments.

Portfolio Sales

The Group signed agreements on 2 December 2022 for the US and 9 December 2022 (together the "Sale Date") for the UK and CE to sell all remaining Credit Assets with an economic cut-off date (see glossary) of 30 September 2022. The transactions were settled on 5 December 2022 and 12 December 2022 respectively net of collections between the economic cut-off date and the Sale Date. Net of directly associated selling costs such as legal fees and collection charges, the proceeds received on the combined portfolio sales were £24m, which is materially consistent with the £23 million value of which the loans are held at 30 September 2022.

The gross proceeds of the sales were €6,065,348, £19,307,736 and $4,099,133 for CE, the UK and US respectively or approximately £28.3 million using 30 September 2022 foreign exchange rates. Direct deductions for legal costs associated with the transactions, broker costs and collection charges and legal cost reimbursement to the servicer related to the sales were £4.3 million. This results in a net profit on sales of £1.0 million before considering any potential claims against warranties and indemnities associated with the sales or the accrual of running and liquidation costs over the remaining life of the Group as detailed below.

As is industry practice, the Group as seller has offered certain warranties and indemnities to the buyers of the loans which will inhibit the Group's ability to distribute all cash to shareholders immediately and fully liquidate the Group until such time as the indemnity period has finished. This period will be 12 months from the Sale Date and amortisation will commence after six months and c.£5.3 million of cash (made up of £3.9m, €1.2m and $0.5m) has been set aside to cover the indemnities from the combined transactions. To the extent the indemnity provisions are not called upon, this cash will be returned to shareholders over a period from six to twelve months from the Sale Date. During this period the operations of the Group will be simplified and cost base reduced, with appropriate accruals withheld to cover the reduced but ongoing running costs and all foreseeable costs for liquidation of the Group.

Update on listing and collective investment scheme registration

Following the completion of the portfolio sales, the Board published a circular on 6 March 2023 setting out details of, and convening a general meeting to seek shareholder approval for, the proposals to delist SME Credit Realisation Fund Limited (in Members' voluntary liquidation), and the plan related to liquidation. At the Extraordinary General Meeting on 24 March 2023, the shareholders voted in favourof cancelling the listing of the Company's ordinary shares from the premium segment of the Official List of the Financial Conduct Authority and from trading on the Main Market of the London Stock Exchange. The shares were cancelled with effect from 27 March 2023 and therefore all reporting requirement applicable to main market premium listed companies are no longer required.

On 24 March 2023, the Company has been deregistered as a collective investment scheme in Guernsey. The Directors sought confirmation of no objection from the Guernsey Financial Services Commission (the "Commission") for the Companyto prepare unaudited financial statements for the year ended 31 March 2023.

DIRECTORS REPORT

Results and dividends

The total comprehensive income for the year, determined under International Financial Reporting Standards ("IFRS"), amounted to £6.39 million (2022: £13.13 million). The payment of any dividend by the Company is subject to the satisfaction of a solvency test as required by The Companies (Guernsey) Law, 2008 (as amended). Dividends declared during the year are disclosed in note 13.

Going concern

The Directors have considered the financial performance of the Group and the impact of market conditions at the financial year end date and subsequently.

The Group has been conducting a managed wind-down of its operations since 2019, and has been in the process of returning capital through compulsory redemptions of shares and distributions of dividends, as the Group's portfolio of Credit Assets amortised. Following the sale of the Company's remaining Credit assets during the year ended 31 March 2023, and the distribution of the majority of the proceeds of the sale, cash has been withheld to cover foreseeable costs through to final liquidation of the Group and to support time limited costs related to indemnities associated with the sale. The Company's liquidators will distribute available cash to shareholders in a cost effective and orderly manner as the time period associated with the indemnities amortises to the end of 2023 and as there is more certainty related to other costs and contingencies.

The Directors note that following the appointment of the liquidators and sale of the remaining credit assets of the Group, the use of the going concern basis in preparing the financial statements of the Group is not appropriate. As such, the financial statements have been prepared on a basis other than that of a going concern, under which the assets are measured at their net realisable value. The Directors confirm that they have a reasonable expectation that the Company will continue to be able to pay its liabilities as they fall due over the period of the managed wind-down

Alternative Investment Fund Managers Directive ("AIFMD")

The AIFMD requires Alternative Investment Fund Managers ("AIFM") to comply with certain disclosure, reporting and transparency obligations for Alternative Investment Funds ("AIF") that it markets in the EU. The Company is a self-managed AIF for the purposes of the AIFMD and therefore has to comply with the disclosure requirements of the AIFMD.

The Company regularly publishes updates on the website in the form of factsheets. These, along with the regular announcements made through the Regulatory News Service ("RNS") of the FCA, cover the disclosures required by AIFMD.

The Directors consider that any change in respect of which a reasonable investor, becoming aware of such information, would reconsider its investment in the Company, including because the information could impact on the investor's ability to exercise its rights in relation to its investment, or otherwise prejudice that investor's (or any other investor's) interest in the Company should be considered material. In setting this threshold, the Directors have had regard to the current risk profile of the Company which outlines the relevant measures to assess the Company's exposure or potential exposure to those risks. As required by the Listing Rules, any material change to the investment policy of the Company will be made only with the approval of the shareholders and as such, shareholders' approval was sought at the EGM on 11 June 2019 to implement the modification of the Company's Investment Objective and Policy as noted in the Strategic Report.

The AIFMD also requires the Company to disclose the remuneration of its investment manager (if any) providing analysis between fixed and variable fees along with the information of how much of such remuneration was paid to senior management at the investment manager and how much was paid to members of staff. As a self-managed AIF, the Company has no investment manager and thus has no information to report.

The Company ceased marketing and has been deregistered in February 2023.

United States of America Foreign Account Tax Compliance Act ("FATCA")

Guernsey has entered into an Intergovernmental Agreement ("IGA") with the US Treasury in order to comply with FATCA and has also entered into an IGA with the UK in order to comply with the UK's requirements for enhanced reporting of tax information in accordance with FATCA principles. Under such IGAs, the Company is regarded as a Foreign Financial Institution ("FFI") resident in Guernsey. The Board continues to monitor developments in the rules and regulations arising from the implementation of FATCA in conjunction with its tax advisors.

Common Reporting Standard ("CRS")

On 13 February 2014, the Organisation for Economic Co-operation and Development released the Common Reporting Standard ("CRS") designed to create a global standard for the automatic exchange of financial account information, similar to the information to be reported under FATCA. On 29 October 2014, 51 jurisdictions signed the multilateral competent authority agreement ("Multilateral Agreement") that activates this automatic exchange of FATCA-like information in line with the CRS.

DIRECTORS REPORT

Common Reporting Standard ("CRS") (continued)

Pursuant to the Multilateral Agreement, certain disclosure requirements may be imposed in respect of certain investors in the Company who are, or are entities that are controlled by one or more, residents of any of the signatory jurisdictions.

It is expected that, where applicable, information that would need to be disclosed will include certain information about investors, their ultimate beneficial owners and/or controllers, and their investment in and returns from the Company and its subsidiaries. Guernsey, along with 60 other jurisdictions, including some EU Member States, has adopted the CRS with effect from 1 January 2016, with the first reporting completed in 2017. The Group continues to comply with the requirements of CRS.

Corporate governance

The Company has been fully compliant with the AIC code of corporate governance throughout the year which is publicly available at https://www.theaic.co.uk/aic-code-of-corporate-governance**.**

In light of the delisting of the Group and appointment of the joint liquidators, there are reduced disclosure requirements and the Corporate governance report and committee reports have been reduced accordingly.

Directors

The Directors who held office during the financial year end and up to the date of approval of this report were:

	Date of appointment	Date of resignation
Frederic Hervouet	**12 August 2015**	
Jonathan Bridel	**19 August 2015**	
Richard Boléat	**19 August 2015**	**19 October 2022**
Richard Burwood	**12 August 2015**	
Sachin Patel	**18 May 2017**	**6 September 2022**
Anthony Nicol	**19 October 2022**	

Sachin Patel resigned as director on 6 September 2022. Anthony Nicol was appointed as a Director of the Company effective from 19 October 2022. Tom Parachini, Global Head of Legal and Regulatory at Funding Circle, was previously appointed as Alternate Director for Sachin Patel and subsequently has resigned following Sachin Patel's resignation.

As at the Annual General Meeting ("AGM") held on 19 October 2022 insufficient votes were received in order to re-elect Richard Boléat as a Director. As a result, he has stepped down as Chairman of the Board of Directors and Frederic Hervouet was appointed as Chairman.

All remaining Directors save for Anthony Nicol, submitted notice of their resignation on 31 March 2023 with a 3 month notice period resulting in an effective date of resignation of 30 June 2023

Joint Liquidators

Following the results of the Extraordinary General Meeting ("EGM") held on 24 March 2023, the Company appointed joint liquidators who remained in appointment during the year and up to the date of the approval of this report:

	Date of Appointment
Andrea Frances Alice Harris (Grant Thornton)	**24 March 2023**
Benjamin Alexander Rhodes (Grant Thornton)	**24 March 2023**

Directors' shares and interests

The appointment and replacement of Directors is governed by the Company's Articles of Incorporation, The Companies (Guernsey) Law 2008 (as amended) and related legislation. The Articles of Incorporation themselves may be amended by special resolution of the Shareholders.

As at 31 March 2023, the Directors and/or their connected parties held the following Ordinary shares of the Company:

	2023	2022
Frederic Hervouet	**3,915**	**35,504**
Jonathan Bridel	**2,789**	**25,286**
Richard Boléat	**577**	**5,231**
Richard Burwood	**1,479**	**13,409**
Sachin Patel	**—**	**—**
Anthony Nicol	**—**	**—**
	8,760	**79,430**

During the year, no Director had a material interest in a contract to which the Company was a party (other than his own letter of appointment). Mr. Patel was and Anthony Nicol is an employee of Funding Circle Ltd.

Movement in the number of shares held by each of the directors and/or connected parties during the year relates to the redemptions paid by the Company.

Significant agreements

The Company is not a party to any significant agreements which take effect after or terminate upon a change of control of the Company, nor has the Company entered into any agreements with its Directors to provide for compensation for loss of office as a result of a takeover bid.

As noted an agreement was signed and executed to sell the remaining Credit assets of the Group and liquidators were appointed following the EGM.

Information to be disclosed in accordance with UK Listing Rule 9.8.4

As a result of the delisting of the Company, the requirements to prepare the financial statements in accordance with the UK Listing Rule are no longer applicable.

Independent Auditor

PricewaterhouseCoopers CI LLP ("PwC CI") served as independent auditor in previous year ended 31 March 2022.

Following the delisting of the entity, appointment of the liquidator, and as outlined in our EGM resolutions supported by shareholders, the financial statements have not been subject to independent audit.

Company Secretary

The Company Secretary is Apex Group (Guernsey) Limited (formerly Sanne Group (Guernsey))
1 Royal Plaza, Royal Avenue, St. Peter Port, Guernsey, GY1 2HL

Taxation

The Company is subject to taxation under The Income Tax (Exempt Bodies) (Guernsey) Ordinance 1989 act and the investing companies are subject to taxation in Ireland under the Irish Finance Act 2019. As outlined above in principle risks and uncertainties the Interest Limitation rules have come into effect in Ireland, however based on tax advice received this is not anticipated to impact the Group, although appropriate cash has been set aside in light of the infancy of interpretations and conventions surrounding these rules. See note 11 for further information.

DIRECTORS REPORT

Investor Relations and contacts

All shareholders have the opportunity to attend and vote, in person or by proxy, at the AGM or other meetings of shareholders. The notice of the AGM, which is sent out at least fourteen days in advance, sets out the business of the meeting. Shareholders are encouraged to attend the AGM and to participate in proceedings. The Chairman of the Board and the Directors, together with representatives of Funding Circle, will be available to answer shareholders' questions at the AGM.

Shareholders and other interested parties are able to contact the Company through a dedicated investor relations function. Contact details are as follows:

Email: ir@smecreditrealisation.com

Shareholders are also able to contact the Company via the Chairman or Company Secretary as follows:

Frederic Hervouet

Tel:+44 (0) 1481 716 100

Email: fred_hervouet@hotmail.com

Apex Group (Guernsey) Limited

Tel: +44 (0) 1481 739 810

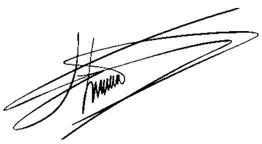
Email: smecreditrealisation@sannegroup.com

Joint Liquidators

Andrea Frances Alice Harris and Benjamin Alexander Rhodes,

Grant Thornton Limited

Email: Corporate.Recovery@gt-ci.com



On behalf of the Board

FREDERIC HERVOUET

Chairman of the Board of Director

STATEMENT OF DIRECTORS' RESPONSIBILITIES

IN RESPECT OF THE FINANCIAL STATEMENTS

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

The Companies (Guernsey) Law, 2008 (as amended) requires the Directors to prepare financial statements for each financial year and under that law they have elected to prepare the consolidated financial statements in accordance with IFRS as issued by the International Accounting Standards Board ("IASB").

The consolidated financial statements are required by law to give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that year.

In preparing these consolidated financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the consolidated financial statements; and
- Prepare the consolidated financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business. As explained in note 2 to the financial statements, the Directors do not believe the going concern basis to be appropriate for the preparation of the financial statements of the Group and accordingly the financial statements of the Group have not been prepared on a going concern basis. Provision has been made for the costs of winding up the Company and has been charged to the Consolidate Statement of Comprehensive Income.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and to enable them to ensure that the consolidated financial statements comply with The Companies (Guernsey) Law, 2008 (as amended). They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Directors confirm that they have complied with the above requirements in preparing the consolidated financial statements and that to the best of their knowledge and belief:

- This annual report includes a fair review of the development and performance of the business and the position of the Group together with a description of the principal risks and uncertainties that the Group faces;
- The consolidated financial statements, prepared in accordance with IFRS issued by the IASB and interpretations issued by the IFRS Interpretations Committee, give a true and fair view of the assets, liabilities, financial position and results of the Group; and
- The annual report and consolidated financial statements, taken as a whole, provide the information necessary to assess the Group's position and performance, business model and strategy and is fair, balanced and understandable.

Frederic Hervouet
Chairman
22 June 2023

Jonathan Bridel
Chairman of the Audit Committee
22 June 20

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2023

	Notes	2023 £	2022 £
Operating income			
Interest income on loans advanced	4	1,589,511	6,398,665
Income on Finch Class B Note	5	-	1,691,666
Net realised gain on financial assets at fair value through profit or loss		-	560,098
Bank interest income		32,624	3,452
Gain on sale of loans		962,576	-
Realised foreign exchange gain	16	3,119,320	1,057,767
Total operating income		**5,704,031**	**9,711,648**
Operating expenditure			
Reversal of impairment of loans	4	(2,822,032)	(7,342,224)
Loan servicing fees	15	141,217	596,575
Corporate services fees	15	44,026	91,257
Company administration and secretarial fees	15	327,597	215,303
Directors' remuneration and expenses	14	175,919	160,425
Audit and audit-related fees	15	69,010	210,448
Legal fees and professional fees		269,725	16,014
Liquidation charge		48,462	-
Corporate Broker Services		-	35,000
Registrar fees		-	75,516
Regulatory fees		-	51,141
Other operating expenses		795,293	218,779
Total operating expenditure		**(950,783)**	**(5,671,766)**
Operating income for the year before taxation		6,654,814	15,383,414
Taxation for the year	11	(500)	(500)
Operating income after taxation for the year		6,654,314	15,382,914
Other comprehensive income:			
Items that may be reclassified to profit or loss			
Recycling of Other reserves to Profit and Loss		(259,514)	(2,248,378)
Total other comprehensive income for the year		**6,394,800**	**13,134,536**

Other comprehensive income

The other comprehensive income recognised above relates to the unrealised gain on the movement in fair valuation of the Group's portfolio of loans advanced. This was recycled to operating income on sale of the loans during the year.

There were no other items of other comprehensive income in the current or prior period.

The Notes on pages 20 to 43 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2023

	Notes	31 Mar 2023 £	31 Mar 2022 £
ASSETS			
Cash and cash equivalents	7	7,668,945	15,183,371
Other receivables and prepayments		3	23,550
Loans advanced	4	-	37,403,665
TOTAL ASSETS		**7,668,948**	**52,610,586**
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	10	30,584,138	81,313,389
Retained earnings		(23,972,590)	(29,500,141)
Other reserves		-	259,514
TOTAL SHAREHOLDERS' EQUITY		**6,611,548**	**52,072,762**
LIABILITIES			
Fair value of currency derivatives		-	191,363
Accrued expense and other liabilities	9	1,057,400	346,461
TOTAL LIABILITIES		**1,057,400**	**537,824**
TOTAL EQUITY AND LIABILITIES		7,668,948	52,610,586
NAV per share outstanding		**124.99p**	**100.62p**

The consolidated financial statements on pages 16 to 43 were approved and authorised for issue by the Board of Directors on 22 June 2023 and were signed on its behalf by:

Frederic Hervouet

Chairman of the Board

Jonathan Bridel

Chairman of the Audit Committee

The Notes on pages 20 to 43 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEAR ENDED 31 MARCH 2023

	Notes	Share capital £	Other reserves £	Retained deficit £	Total £
Balance at 1 April 2022		81,313,389	259,514	(29,500,141)	52,072,762
Operating profit after taxation		-	-	6,654,314	6,654,314
Other comprehensive gain	4	-	(1,374,490)	-	(1,374,490)
Transactions with owners in their capacity as owners:					
Dividends declared	13	-	-	(1,126,763)	(1,126,763)
Redemption of ordinary shares	10	(50,729,251)	-	-	(50,729,251)
Recycling of Other reserves to Profit and Loss		-	1,114,976	-	- 1,114,976
Balance as at 31 March 2023		**30,584,138**	**-**	**(23,972,590)**	**6,611,548**
Balance at 1 April 2021		157,513,148	2,507,892	(40,782,264)	119,238,776.00
Operating profit after taxation		-	-	15,382,914	15,382,914.00
Other comprehensive loss	4	-	(2,248,378)	-	(2,248,378.00)
Transactions with owners in their capacity as owners:					
Compulsory redemption of ordinary shares	10	(76,199,759)	-	-	(76,199,759.00)
Dividends declared	13	-	-	(4,100,791)	(4,100,791.00)
Balance as at 31 March 2022		**81,313,389**	**259,514**	**(29,500,141)**	**52,072,762**

The Notes on pages 20 to 43 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2023

	Notes	2023 £	2022 £
Operating activities			
Operating income for the year before taxation		6,654,314	15,383,414
Adjustments for:			
Foreign exchange gain/ (loss)	16	395,411	(3,731,985)
Interest income on loans advanced	4	(1,589,511)	(6,398,665)
Interest income on class B notes	5	-	(1,691,666)
Net gain/ (loss) on financial assets at fair value through profit or loss		1,374,490	(560,098)
Reversal of impairment/impairment of loans	4	(2,822,032)	(7,342,224)
Fair value movement of currency derivatives	16	(197,222)	960,327
Operating cash flows before movements in working capital		3,815,450	(3,380,897)
Loans advanced		-	-
Principal and interest collections on loans advanced	4	44,536,683	64,543,722
Principal and interest collections on financial asset at fair value through profit or loss	5	-	1,568,666
Decrease/ (Increase) in other receivables and prepayments		23,547	(13,682)
Increase/ (Decrease) in accrued expense and other liabilities		710,939	(475,476)
Net cash generated from operating activities		**49,086,619**	**62,242,333**
Financing activities			
Dividends paid	13	(1,126,763)	(4,100,791)
Compulsory redemption of shares	10	(50,729,251)	(76,199,759)
Net cash used in financing activities		**(51,856,014)**	**(80,300,550)**
Net decrease in cash and cash equivalents		(2,769,395)	(18,058,217)
Cash and cash equivalents at beginning of the year		15,183,371	30,784,718
Exchange gain/(loss) on cash and cash equivalents		(4,745,031)	2,456,870
Cash and cash equivalents at end of the year		7,668,945	15,183,371

Reconciliation of movement in net debt

	Liabilities	Cash	Net debt
Opening balance as at 1st April 2022	-	15,183,371	15,183,371
Cash movement during the year	-	(7,514,426)	(7,514,426)
Closing balance as at 31st March 2023	**-**	**7,668,945**	**7,668,945**

The Notes on pages 20 to 43 form part of these consolidated financial statements.

1. GENERAL INFORMATION

The Company is a closed-ended limited liability company incorporated under The Companies (Guernsey) Law, 2008 (as amended) with registration number 60680. The Company is a registered and closed ended investment scheme in Guernsey and admitted to trading on the London Stock Exchange's Main Market and listed on the United Kingdom Listing Authority ("UKLA's") premium segment. The Company's home member state for the purposes of the EU Transparency Directive is the United Kingdom. As such, the Company is subject to regulation and supervision by the Financial Conduct Authority, being the financial markets supervisor in the United Kingdom. The registered office of the Company is De Catapan House, Grange Road, St Peter Port, Guernsey GY1 2QG.

The Company was established to provide shareholders with sustainable and attractive levels of dividend income, primarily by way of investment in loans originated both directly through the Platforms operated by Funding Circle and indirectly, in each case as detailed in the investment policy. The Company identified Funding Circle as a leader in the growing Platform lending space with its established infrastructure, scale of origination volumes and expertise in accurately assessing loan applications.

On 21 May 2019, the Company published a circular and notice of extraordinary general meeting ("EGM") which sets out details of, and sought shareholder approval for, certain Proposals. The Proposals involved modifying the Company's Investment Objective and Policy to reflect a realisation strategy and amending its Articles to include a mechanism to enable the Company to redeem shares in the Company compulsorily so as to return cash to shareholders.

The shareholders of the Company held an extraordinary general meeting ("EGM") on the 24th of March 2023 in which the liquidation of the Company was approved. Following the delisting of the entity, appointment of the liquidator, and as outlined in our EGM resolutions supported by shareholders, the financial statements have not been subject to independent audit.

The Company publishes net asset value statements on its website at www.smecreditrealisation.com.

2. BASIS OF PREPARATION

a) Statement of compliance

The consolidated financial statements, which give a true and fair view, have been prepared in accordance with International Financial Reporting Standards ("IFRS") as promulgated by the International Accounting Standards Board and are in compliance with The Companies (Guernsey) Law, 2008 (as amended).

The Directors of the Company have elected to only prepare consolidated financial statements for the year under Section 244 of The Companies (Guernsey) Law 2008 (as amended).

Assets and liabilities of the Group have been presented in the Statement of Financial Position in their order of liquidity as permitted by International Accounting Standard 1, Presentation of Financial Statements.

On 5 April 2019, the Company announced that following consultation with shareholders accounting for over two thirds of the register, the Board acknowledged their preference to cease investment in new Credit Assets and commence a process to return capital in an orderly and expeditious manner with the objective of optimising returns to shareholders.

As noted above, the Company published a circular and notice of EGM which sets out details of, and sought shareholder approval for, certain Proposals. On 11 June 2019, the shareholders approved the Proposals which resulted in, amongst other things, the change to the Company's Investment Policy and Objective to achieve a managed wind-down of the Company.

As a result of the Company's managed wind-down and exploration of portfolio sales, for the purposes of accounting, the Company's business model was deemed to have changed from hold to collect to hold to collect and sell during the prior financial year. The Company is therefore required to report under fair value accounting for the valuation of Credit Assets from 1 April 2020. This change in methodology is discussed further in note 16.

Following the delisting of the entity, appointment of the liquidator, and as outlined in our EGM resolutions supported by shareholders, the financial statements have not been subject to independent audit.

The Directors have considered the state of the wind-down and the average remaining contractual term of the loan portfolio and determined that the use of the going concern basis in preparing the financial statements of the Group is no longer appropriate. Please refer to note 2(c) for further detail on the conclusion reached above.

2. BASIS OF PREPARATION (CONTINUED)

a) Statement of compliance (continued)

New Accounting Standards, amendments to existing Accounting Standards and/or interpretations of existing Accounting Standards (separately or together, "New Accounting Requirements") adopted in the current year

In the Directors' opinion, all non-mandatory New Accounting Requirements are either not yet permitted to be adopted or would have no material effect on the reported performance, financial position or disclosures of the Group and consequently have neither been adopted nor listed.

b) Basis of measurement and consolidation

These consolidated financial statements have been prepared on a historical cost basis, as modified by the valuation of derivative financial instruments and the Company's investment in the EIB transaction at fair value through profit or loss and for the period

beginning 1 April 2020, the loans advanced at fair value through other comprehensive income. The methods used to measure fair value are further disclosed in note 16.

The Company owns 100% of the Profit Participating Notes issued by Basinghall, Tallis and Queenhithe. Basinghall, Tallis and Queenhithe are companies incorporated in the Republic of Ireland.

Basinghall used to own the Notes issued by Lambeth and Queenhithe. In 2020, both Lambeth and Queenhithe transferred their portfolios of Credit Assets to Basinghall for amounts equal to the outstanding amount of principal and accrued interest, with EUR 1 principal amount outstanding on the class B Notes issued. The liquidation process was completed for Lambeth in July 2021 whilst this remains ongoing for Queenhithe as at 31 March 2023. Any residual cash remaining after the settlement of all outstanding liabilities for each entity is payable to Basinghall.

The Directors believe that the Company's ownership of the Profit Participating Notes issued by Basinghall, Tallis and Queenhithe constitute control as it exposes the Company to variability of returns from its involvement with the financial and operating activities of these entities. Therefore, these financial statements have been prepared on a consolidated basis.

Intercompany transactions including intercompany gains and losses on currency translation between the Company and its subsidiaries were eliminated in the consolidation process.

c) Going concern

The Directors note that following the appointment of the liquidators and sale of the remaining credit assets of the Group, and determined that the use of the going concern basis in preparing the financial statements of the Group is not appropriate. As such, the financial statements have been prepared on a basis other than that of a going concern, under which the assets are measured at their net realisable value.

There were no adjustments made to the carrying values of the assets and liabilities of the Group in the current year as a result of this change in basis of preparation. The Directors consider the carrying values to be a reasonable approximate of their net realisable values.

Provisions and accruals for winding up costs were recognised in the current financial year following the sale of the credit assets, representing the best estimate of all ongoing costs through to final liquidation of the Group.

d) Functional and presentation currency

These consolidated financial statements are presented in Pound Sterling, which is the functional currency of each of the entities in the Group and the presentation currency of the Group. In the Directors' opinion, Pound Sterling is the functional currency of the Company, Basinghall, Lambeth and Queenhithe because substantially all their financing and operating activities are carried out in Pound Sterling. The Directors believe that the functional currency of Tallis is Pound Sterling as its operations are carried out as an extension of the Company's operations. The Group hedges the projected cash flows from its US dollar and Euro investments such that its principal exposure is to Pound Sterling.

2. BASIS OF PREPARATION (CONTINUED)

e) Use of estimates and judgements

The preparation of financial statements in accordance with IFRS requires the Board to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities and income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on a quarterly basis by the Board. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements are included in the following:

Judgements

- Note 2(b) – The assumption that the Company's business model of holding Credit Assets to collect is no longer deemed appropriate. As a result of the Company's managed wind-down and potential portfolio disposals, the Company's business model has changed from hold to collect to hold to collect and sell from 1 April 2020.
- Note 2(b) – The accounting treatment of Queenhithe as consolidated subsidiary based on the assessment that the Company still maintains an element of control following the transfer of the entity's loan portfolio to Basinghall and still maintains the right to variability of returns from its involvement with the financial and operating activities indirectly of Queenhithe throughout the process of liquidation.
- Note 2(c) – The basis of preparation being that other than going concern.

Estimates

- Note 2(b) - The Company has reported under fair value accounting for the valuation of Credit Assets from 1 April 2020. Therefore, these portfolios are recognised at fair value through other comprehensive income and have been estimated by discounting future cash flows expected to be received from the Credit Assets (note 16).
- Note 3(b) – The estimation of impairment of loans requires judgement based on the model set out above. This utilises a macroeconomic scenario developed specifically for COVID-19 and consistent with portfolio modelling. Additionally, multipliers are applied to individual loan PDs such that overall gross losses for the portfolio are anchored to portfolio model expectations.
- Note 16 – The determination of fair value of the Group's investment in the EIB transaction requires estimation of future cash flows and judgement on the appropriate market discount rate to apply. The fair value of the EIB transaction had been estimated by discounting future cash flows expected from the investment (note 16). However the EIB transaction was fully settled during the prior financial year.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently throughout the year and the prior year.

a) Foreign currencies

Transactions in foreign currencies are initially translated at the foreign currency exchange rate ruling at the date of the transaction. Monetary assets and monetary liabilities denominated in foreign currencies are retranslated to Pound Sterling at the foreign currency closing exchange rate ruling at the reporting date.

None of the Group entities have a functional currency different to presentation currency.

IFRS 9 requires financial assets to be classified into the following measurement categories: (i) those measured at fair value through profit or loss; (ii) those measured at fair value through other comprehensive income; and, (iii) those measured at amortised cost. The determination is made at initial recognition. Unless the option to designate a financial asset as measured at fair value through profit or loss is applicable, the classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) Financial instruments

i) Classification and measurement

The Group classifies its financial instruments in the following measurement categories:

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

The Group holds debt instruments and derivative financial instruments. Debt instruments are those that meet the definition of a financial liability from the issuer's perspective, such as the Group's loans advanced, investment in the EIB structured finance transaction and loans payable. Classification and subsequent measurement of these debt instruments depend on:

- the Group's business model for managing the instrument; and
- cash flow characteristics of the instrument.

Derivative financial instruments relate to the Group's forward foreign exchange transactions that are covered in more detail later in this note.

Amortised cost

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ("SPPI"), and that are not designated at fair value through profit or loss, are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance measured as described below. Interest income from these financial assets is included in the 'interest income on loans advanced'.

The Group's cash and cash equivalents and other receivables are included in this category.

Fair value through other comprehensive income

Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at fair value through profit or loss, are measured at fair value through other comprehensive income. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortised cost which are recognised in profit or loss.

Disposal

On disposal of any financial asset measured at FVTOCI, any related balance within the FVTOCI reserve is reclassified to other gains/(losses) within profit or loss.

i) Fair value through profit or loss

Assets that do not meet the criteria for amortised cost or fair value through other comprehensive income are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss within 'net income on financial asset at fair value through profit or loss'. Interest income from these financial assets is included within the same line using the effective interest rate method.

The Group's investment in the EIB structured finance transaction falls within this category and has been measured at fair value through profit or loss as this investment has exposure to returns that is affected by the profitability of the underlying SPV. The Directors believe that the contractual cash flows are not solely linked to payments of principal and interest consistent with a basic lending arrangement.

ii) Impairment of financial assets

At initial recognition, an impairment allowance is required for expected credit losses ("ECL") on financial assets measured at amortised cost and debt instruments measured at FVOCI resulting from possible default events within the next 12 months.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) Financial instruments (continued)

ii) Impairment of financial assets (continued)

When an event occurs that increases the credit risk of the counterparty, an allowance is required for ECL for possible defaults over the term of the financial instrument. The change in credit risk of the counterparty will also have an impact on the recognition of income on the financial asset.

The model for estimating impairment losses calculates the ECL on either a 12-month or lifetime basis depending on whether significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired.

These metrics used to calculate the 12-month and lifetime expected credit losses are forecast for each loan for the next 12 months and to maturity, then a 12-month and lifetime expected credit loss can be calculated. These future losses are discounted at the Effective Interest Rate (EIR) individually for each loan.

Probability of default scores are not updated for individual loans post origination and thus cannot be used to indicate a significant increase in credit risk, therefore stage 2 criteria is based on loan payment performance. As a result, lifetime expected credit losses are taken as an impairment for loans which have missed a single payment within the last 6 months and are less than 91 days late.

The Group classifies that loans are 91 or more days late as credit impaired or defaulted for which lifetime expected loss is taken as an impairment charge. Stage 3 includes loans that have fallen 91 or more days late as a result of forbearance measures introduced in April 2020 as a response to COVID-19, which have not been contractually defaulted. The treatment of defaulted loans is the same as the Group's policy before adoption of IFRS 9 on 1 April 2018.

If, in a subsequent year, the amount of the default allowance decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised default allowance is recognised in the Consolidated Statement of Comprehensive Income.

Where a loan is not recoverable, it is written off within the related provision for loan impairment. Subsequent recoveries of amounts previously written off are reflected against the impairment losses recorded in the Consolidated Statement of Comprehensive Income.

Use of forward-looking information

Forecast Probability of Default ("PD") for loans are adjusted to take into account the current and future macroeconomic environment. This method was previously based on a modelled relationship with key macroeconomic variables, with forecasts for a base case scenario and for multiple alternative scenarios.

iii) Financial asset at fair value through profit or loss

The Group's investment in the EIB structured finance transaction was classified as a financial asset at fair value through profit or loss. This investment had exposure to returns that were affected by the profitability of the underlying SPV.

This investment was measured initially and subsequently at fair value with changes in fair value recognised in the Consolidated Statement of Comprehensive Income. During the year, the Group's investment in the EIB structure was settled after the leverage in the structure was paid down and was settled through consideration of the transfer of the loan assets at their fair value to the Group, which are subsequently measured at FVTOCI.

iv) Derivative financial instruments

The Group holds derivative financial instruments to minimise its exposure to foreign exchange risks. Derivatives are classified as financial assets or financial liabilities (as applicable) at fair value through profit or loss. They are initially recognised at fair value with attributable transaction costs recognised in the Consolidated Statement of Comprehensive Income when incurred. Subsequent to initial recognition, derivatives are measured at fair value and changes therein are recognised in the Consolidated Statement of Comprehensive Income. The fair values of derivative transactions are measured at their market prices at the reporting date.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) Financial instruments (continued)

v) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported within assets and liabilities where there is a legally enforceable right to set-off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

vi) Derecognition of financial instruments

Financial assets, or a portion thereof, are derecognised when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either (i) the Group transfers substantially all the risks and rewards of ownership, or (ii) the Group neither transfers nor retains substantially all the risks and rewards of ownership and the Group has not retained control.

There may be instances when the Group renegotiates or otherwise modifies the contractual cash flows of loans to customers. When this happens, the Group assesses whether or not the new terms are substantially different to the original terms. If the terms are substantially different, the Group derecognises the original financial asset and recognises a 'new' asset initially at fair value and recalculates a new effective interest rate for the asset.

Financial liabilities and derivative financial instruments are derecognised when they are extinguished or when the obligation specified in the contract is discharged, cancelled or expired.

vii) Financial liabilities

In both the current and prior year, the Group's loans payable and accrued expenses and other liabilities are classified as subsequently measured at amortised cost. The Group does not hold any financial liabilities that meet the criteria for subsequent measurement at fair value through profit or loss.

c) Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand and highly liquid interest-bearing securities with original maturities of three months or less.

d) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of Ordinary shares are recognised as a deduction from the proceeds.

Shares purchased by the Company during the year are held in Treasury until cancelled and formally withdrawn on a quarterly basis throughout the year.

e) Treasury shares

Treasury shares are classified as equity and are measured at cost.

f) Earnings per share

The Company presents basic and diluted earnings per share ("EPS") data for its Ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to Ordinary shareholders by the weighted average number of Ordinary shares outstanding during the year. The diluted EPS is calculated by adjusting the profit or loss attributable to Ordinary shareholders for the effects of all dilutive potential Ordinary shares. For further details, see note 12.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g) Income

Income on loans held at FVTOCI (2020: amortised cost) is recognised under the effective interest rate method, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the loan to its net carrying amount on initial recognition.

In calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees received and paid and costs borne that are an integral part of the effective interest rate and all premiums or discounts above or below market rates.

Bank interest and other income receivable are accounted for on an accrual basis.

h) Expenses and fees

Expenses are accounted for on an accrual basis, including wind down costs through to the final liquidation and are recognised in the Consolidated Statement of Comprehensive Income.

i) Taxation

The Company is classified as exempt for taxation purposes under the Income Tax (Exempt Bodies) (Guernsey) Ordinance, 1989 (as amended) and as such incurs a flat fee (presently £1,200 per annum). No other taxes are incurred in Guernsey.

Basinghall, Tallis, Lambeth and Queenhithe are Irish resident companies that are subject to corporation tax in Ireland at a rate of 25% on their profits.

The tax currently payable by Basinghall, Tallis, Lambeth and Queenhithe is based on the taxable profit of the companies for the year. Taxable profit differs from net profit as reported in the Consolidated Statement of Comprehensive Income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the reporting date.

Deferred tax is the tax expected to be payable or recoverable on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the liability method. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax rates that have been enacted or substantively enacted at the Consolidated Statement of Financial Position date.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

j) Dividends payable

Dividends payable on the Company’s shares are recognised in the Consolidated Statement of Changes in Shareholders’ Equity when declared by the Directors or, where applicable, when approved by the Shareholders. The Directors consider declaration of a dividend on a quarterly basis, having regard to various considerations, including the financial position of the Company.

The payment of any dividend by the Company is subject to the satisfaction of a solvency test as required by The Companies (Guernsey) Law, 2008 (as amended).

k) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses. The Group has three operating segments based on jurisdiction: UK, US and CE.

4. LOANS ADVANCED

	31 March 2023 At FVTOCI £	31 March 2022 At FVTOCI £
Balance at the beginning of the year	37,403,665	83,355,445
Additions from settlement of EIB transaction	-	5,824,315
Interest income	1,589,511	6,398,665
Principal and interest collections	(44,536,683)	(64,543,722)
Impairment release for the year	2,822,032	7,342,224
Foreign exchange gains	3,133,390	1,275,116
Movement in fair value through other comprehensive income	(1,374,490)	(2,248,378)
Realised gain on sale of loans	962,576	-
Balance at the end of the year	**-**	**37,403,665**

The Group predominantly made unsecured loans in previous years and prior to the modification of the Company's investment policy in 2021. The carrying value of loans secured by charges over properties are valued at nil in the current and prior years.

Information about the gain recognised on the movement of the loans at FVTOCI and information about the methods and assumptions used in determining the fair value is provided in note 16.

Each loan had a contractual payment date for principal and interest. The Group classified loans that were 91 or more days late as credit impaired or defaulted for which lifetime expected loss was taken as an impairment charge.

The table below shows an analysis of the principal and interest of the loans along with the amount recognised as an impairment allowance analysed by the stages described within IFRS 9 at 31 March 2022 as all loans were sold as at 31 March 2023.

	31 March 2022	
	Principal and interest £	Impairment allowance £
Stage 1 – 1 to 30 days late and no missed payments	27,732,405	2,704,168
Stage 2 – 31+ days late/missed a payment in last 6 months	6,945,481	767,111
Stage 3 – Legally defaulted & 90+ days late	72,685,086	67,375,887
	107,362,972	**70,847,166**

Stage 3 includes loans that have fallen 91 or more days late as a result of forbearance measures introduced in April 2020 as a response to COVID-19, which have not been contractually defaulted.

Since the year ended 31 March 2022, the assumptions utilised in the ECL model were refreshed to take account of lower levels of defaults and higher levels or repayment and recovery observed than previously expected. The forecast probability of default was impacted by an update in particular to the expected timing and quantum of defaults. Previously, a shorter but sharper peak in default stress was expected over 2022 normalising in 2023, reflecting a lagged impact of Covid-19, inflationary pressures and supply chain disruption exacerbated by the events in the Ukraine.

Following stronger than expected performance and taking into account latest macro-economic expectations, the default stress was expected to occur later and increase more gradually peaking by 2024, however also lasting longer than previous assumptions.

The impact of this change in assumptions occurring later and increasing more gradually on a swiftly amortising book with a short weighted average life was a reduction in the impairment allowance, in particular of stage 1 and stage 2 loans where the default stress is applied to a smaller forecast outstanding balance, and so the level of expected defaults was lower.

The Group signed agreements on 2 December 2022 for the US and 9 December 2022 (together the "Sale Date") for the UK and CE to sell all remaining Credit Assets with an economic cut-off date of 30 September 2022. The transactions were settled on 5 December 2022 and 12 December 2022 respectively net of collections between the economic cut-off date and the Sale Date.

4. LOANS ADVANCED (CONTINUED)

Net of directly associated selling costs such as legal fees and collection charges, the proceeds received on the combined portfolio sales were £24,024,327 being the fair value of the loans as at 30 September 2022 of £23,061,751 and the gain on sale of £962,576, excluding the impact of FX. The gross proceeds of the sales were €6,065,348, £19,307,736 and $4,099,133 for CE, the UK and US respectively or approximately £28.3 million using 30 September 2022 foreign exchange rates. Direct deductions for legal costs associated with the transactions, broker costs and collection charges and legal cost reimbursement to the servicer related to the sales were £4.3 million. This resulted in the net profit on sales of £962,576 before considering any potential claims against warranties and indemnities associated with the sales or the accrual of running and liquidation costs over the remaining life of the Group.

5. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 March 2023	31 March 2022
	£	£
Balance at the beginning of the year	-	5,141,217
Interest collections	-	(1,691,666)
Net gain on the change in fair value of financial asset at fair value through profit or loss during the year*	-	2,251,764
Cash left in Finch vehicle for liquidation	-	123,000
Non-cash repayment	-	(5,824,315)
	-	-

*Presented gross of interest distributions of class B note of £1,691,666.

In June 2016, the Company entered into a structured finance transaction with the European Investment Bank (the “EIB transaction”). The transaction involved the Company participating in the financing of an Irish domiciled special purpose vehicle (“EIB SPV”). The Company invested £25 million into the junior Class B Note issued by the EIB SPV whilst the European Investment Bank (“EIB”) committed £100 million in a senior loan to the EIB SPV.

On 29 July 2020, the EIB SPV entered into an agreement with the EIB and the Company (amongst other parties) which altered the order of repayment of the principal and interest amounts due to the EIB and the Company and prioritised repayment to the EIB as senior lender. Principal and interest collections on the portfolio, net of SPV running costs, are currently being applied to repay the loan with the EIB.

In October 2021, a portfolio of SME loans valued at £5,824,315 was received as settlement of the Company’s investment in the EIB transaction (note 4) by Basinghall. This was by way of an issue of notes from Basinghall to the Company to the value of the portfolio received. During the prior year a net gain of £2,251,764 had been recognised in the consolidated statement of comprehensive income driven by upwards valuation of the loans from their resilient performance. The Company received net cash of £1,568,666, made up of £1,691,666 in respect of interest accrued and £123,000 of cash to remain within Finch Lending Designated Activity Company Limited in order to settle anticipated liquidation costs.

6. SEGMENTAL REPORTING

The Group operates in the UK, US, Germany, Spain and the Netherlands. For financial reporting purposes, Germany, Spain and the Netherlands combine to make up the Continental Europe operating segment.

The measurement basis used for evaluating the performance of each segment is consistent with the policies used for the Group as a whole. Assets, liabilities, profits and losses for each reportable segment are recognised and measured using the same accounting policies as the Group.

Except for the EIB transaction, all of the Group’s investments were loans to SMEs. Each individual SME loan did not generate income that exceeded 10% of the Group’s total income.

The structured finance transaction and the corresponding income have been reported under the ‘UK’ segment below. All items of income and expenses not directly attributable to specific reportable segments have been included in ‘Other income and expenses’ column.

As the group is no longer publicly listed and traded, segmental reporting is not required and has not been presented for 31 March 2023.

6. SEGMENTAL REPORTING (continued)

Segment performance for the year ended 31 March 2022

	UK	US	CE	Other income and expenses	Consolidated
	£	£	£	£	£
Total revenue	3,718,092	2,204,093	1,537,699	(1,670,958)	5,788,926
Release of impairment of loans	5,752,838	1,029,831	559,555	-	7,342,224
Net gain on the change in fair value of financial asset at fair value through profit or loss	-	2,251,764	-	-	2,251,764
Net loss on change in fair value of loans advanced	(701,385)	(904,856)	(642,137)	-	(2,248,378)
Total comprehensive income	8,769,545	4,580,832	1,455,117	(1,670,958)	13,134,536

	UK	US	CE	Other assets and liabilities	Consolidated
	£	£	£	£	£
Assets	29,204,092	14,506,658	8,899,836	-	52,610,586
Liabilities	(95,659)	(364,252)	(77,913)	-	(537,824)

7. CASH AND CASH EQUIVALENTS

	31 March 2023	31 March 2022
	£	£
Cash at Bank	7,668,945	11,490,415
Cash Equivalents	-	3,692,956
Balance at the end of the year	7,668,945	15,183,371

Cash equivalents are term deposits held with different banks with maturities between overnight and 90 days.

8. DERIVATIVES

Foreign exchange swaps were held to hedge the currency exposure generated by US dollar assets and Euro assets held by the Group (see note 16). The hedges were put in place taking into account the fact that derivative positions, such as simple foreign exchange swaps, could cause the Group to require cash to fund margin calls on those positions. The Group negotiated the terms of the contracts with each counterparty such that no collateral is required on the initial transaction and in instances of temporary negative fair value positions.

In light of the sale of loans all currency derivatives were closed out by 31 March 2023 and any remaining foreign exchange exposure remains unhedged.

Fair value of currency derivatives:

	Fair Value 31 March 2023	Fair Value 31 March 2022
	£	£
Valuation of currency derivatives	-	(191,363)
	-	**(191,363)**

8. DERIVATIVES (CONTINUED)

	Fair Value 31 March 2023 £	Fair Value 31 March 2022 £
Euro	-	4,960
USD	-	9,607
GBP	-	(205,930)
Total	**-**	**(191,363)**

9. ACCRUED EXPENSES AND OTHER LIABILITIES

	31 March 2023 £	31 March 2022 £
Service fees payable	6,633	83,050
Audit fees payable	20,216	183,971
Legal and advisory fees payable	334,051	13,817
Administration fees payable	136,015	31,303
Liquidation accrual	35,000	-
Other liabilities	525,485	34,320
	1,057,400	**346,461**

The year-on-year increase in accruals is due to the sale of the loans in 2023, whereby all foreseeable ongoing expenses anticipated up until final liquidation have been accrued.

10. SHARE CAPITAL

Issued and fully paid	**Number of shares**	**Ordinary shares issued amount**	**Issue costs**	**Net Ordinary shares amount**
Ordinary shares		**£**	**£**	**£**
At 31 March 2022	51,750,563	87,058,289	(5,744,900)	**81,313,389**
Shares redeemed	(46,460,978)	(50,729,251)	-	**(50,729,251)**
At 31 March 2023	**5,289,585**	**36,329,038**	**(5,744,900)**	**30,584,138**

Issued and fully paid	**Number of shares**	**Ordinary shares issued amount**	**Issue costs**	**Net Ordinary shares amount**
Ordinary shares		**£**	**£**	**£**
At 31 March 2021	134,164,922	163,258,048	(5,744,900)	**157,513,148**
Shares redeemed	(82,414,359)	(76,199,759)		**(76,199,759)**
At 31 March 2022	**51,750,563**	**87,058,289**	**(5,744,900)**	**81,313,389**

The Company has redeemed a total of 46,460,978 (2022: 82,414,359) shares for a total amount of £50,729,251 (2022: £76,199,759) throughout the year. All shares redeemed throughout the year were redeemed at the prevailing NAV per share at the date of declaration.

As at the balance sheet date, there was 5,289,585 ordinary shares in issue of with a nominal value of 100p each.

Rights attaching to the Ordinary share class

All shareholders have the same voting rights in respect of the share capital of the Company. Every member who is present in person or by a duly authorised representative or proxy shall have one vote on a show of hands and on a poll every member present shall have one vote for each share of which he is the holder, proxy or representative. All shareholders are entitled to receive notice of the Annual General Meeting and any other General meetings.

10. SHARE CAPITAL (CONTINUED)

Rights attaching to the Ordinary share class (continued)

Each Ordinary share will rank in full for all dividends and distributions declared after their issue and otherwise pari passu in all respects with each existing Ordinary share and will have the same rights (including voting and dividend rights and rights on a return of capital) and restrictions as each existing Ordinary share.

An Extraordinary General Meeting was held on 24 March 2023, the shareholders voted in favour of cancelling the listing of the Company's ordinary shares from the premium segment of the Official List of the Financial Conduct Authority and from trading on the Main Market of the London Stock Exchange. The shares were cancelled with effect from 27 March 2023 and therefore all reporting requirement applicable to main market premium listed companies are no longer required.

11. TAXATION

	31 March 2023 £	31 March 2022 £
Operating profit before tax	6,654,814	15,383,414
Tax at the stadard Guernsey income tax rate of 0%	-	-
Effects of tax rates in other jurisdictions	(500)	(500)
Tax expense	**(500)**	**(500)**

The Group may be subject to taxation under the tax rules of the jurisdictions in which it invests. During the 2023 year, Basinghall and, Tallis which are consolidated into the Group's results to a corporation tax rate of 25% in Ireland.

Ireland introduced its interest limitation rule to apply to Irish companies with respect to accounting periods commencing on or after 1 January 2022. The interest limitation rule provides that where an entity has exceeding borrowing costs of more than EUR 3,000,000 it may only deduct such costs up to an amount equal to 30.0 per cent of its earnings before interest, tax, depreciation and amortisation ("EBITDA"), in the year in which they are incurred. For these purposes, "exceeding borrowing costs" mean the amount by which an entity's borrowing costs exceed "interest revenues and other equivalent taxable revenues". Accordingly, an entity will not be restricted from deducting its interest expenses to the extent that it funds such interest expenses from interest or "interest equivalent revenues".

In connection with the liquidation of the Company, subsidiaries which are established in Ireland disposed of loans and recognised an improvement in the fair value and reversal of impairment of those loans relative to prior years in which those loans were impaired.

There remains some uncertainty as to whether this income recognised as a result of the revised fair valuation or impairment reversal may be treated as interest or equivalent income for the purposes of the interest limitation rule. This may result in the relevant Irish subsidiary having taxable profits in Ireland. To manage the uncertainty on this point the Group has decided to maintain a liquidity reserve of £1.2 million to provide for any contingent tax liabilities as a result of the interest limitation rule until such time as the position is more certain. Following tax advice received, the Corporation tax returns of the subsidiaries have been submitted on the basis that the exceeding borrowing costs are below the EUR 3,000,000 de minimis threshold and are not expected to have a significant taxable income. Once the tax returns have been subjected to appropriate review and clearance by the Irish tax authorities, the reserve will be released to the extent it is not utilised. This may impact the amount and timing of future distributions to shareholders.

12. EARNINGS PER SHARE ("EPS")

The calculation of the basic and diluted EPS is based on the following information:

	31 March 2023 £	31 March 2022 £
Profit for the purpose of basic and diluted EPS	N/A	15,382,914
Weighted average number of ordinary shares	N/A	84,586,082
EPS	**N/A**	**18.19**

As the group is no longer publicly listed and traded, EPS is not required to be calculated nor disclosed as at 31 March 2023.

13. DIVIDENDS

The following table shows a summary of dividends declared during the year, and previous year, in relation to Ordinary shares.

31 March 2023	**Date declared**	**Ex dividend date**	**Per share Pence**	**Total £**
Ordinary shares				
Interim dividend	17 May 2022	26 May 2022	1.3125	504,436
Interim dividend	12 August 2022	22 August 2022	1.3125	361,576
Interim dividend	18 November 2022	27 November 2022	1.3125	260,752
Total			**3.938**	**1,126,763**

The Group maintained quarterly dividend payments of 5.25 pence per Ordinary Share on an annualised basis for the period to 31 March 2023.

31 March 2022	**Date declared**	**Ex dividend date**	**Per share Pence**	**Total £**
Ordinary shares				
Interim dividend	20 April 2021	29 April 2021	1.3125	1,384,312
Interim dividend	20 July 2021	29 July 2021	1.3125	1,124,870
Interim dividend	20 October 2021	28 October 2021	1.3125	912,383
Interim dividend	19 January 2022	27 January 2022	1.3125	679,226
Total			**5.250**	**4,100,791**

14. DIRECTORS' REMUNERATION AND EXPENSES

	31 March 2023 £	**31 March 2022 £**
Fredric Hervouet	50,000	40,000
Jonathan Bridel	50,000	40,000
Richard Boleat	37,500	50,000
Richard Burwood	37,500	30,000
Sachin Patel	-	-
Anthony Nicol	-	-
Directors' fees*	175,000	160,000
Directors' expenses	919	425
	175,919	160,425

*Directors' remuneration has increased in 2023 due to the accrual of £27,500 for services until the effective date of the resignation of remunerated Directors being 30 June 2023.

15. FEES AND EXPENSES

All expenses disclosed for the period 31 March 2023 include cost accruals through to the final liquidation of the Company and its subsidiaries.

Loan origination and servicing

Funding Circle UK has been appointed pursuant to the UK Origination Agreement, UK Servicing Agreement and the Services Agreement. Funding Circle US (as defined in the Prospectus) has been appointed pursuant to the US Origination Agreement and the US Servicing Agreement.

Funding Circle Nederlands B.V. ("Funding Circle Netherlands") has been appointed pursuant to the Dutch Origination Agreement and the Dutch Servicing Agreement. Funding Circle Espana SLU ("Funding Circle Spain") has been appointed pursuant to the Spanish Origination Agreement and the Spanish Servicing Agreement. Funding Circle CE GmbH ("Funding Circle CE") has been appointed pursuant to the German Origination Agreement and the German Servicing Agreement. Each of Funding Circle Netherlands and Funding Circle Spain has agreed to designate Funding Circle CE as sub-contracting agent for the purposes of their respective Origination Agreements and Servicing Agreements.

The Group does not pay Funding Circle any fees on the initial origination of loans.

Funding Circle UK is entitled to receive loan servicing fees equal to 1 per cent. Per annum, calculated daily, on the aggregate outstanding principal balance of the portfolio of loans held by each of Basinghall and Queenhithe excluding any loans which have been charged off as defined in the Servicing Agreement. Servicing fees to Funding Circle UK of £75,457 were incurred during the year (2022: £316,069). Servicing fees outstanding as at 31 March 2023 were £nil (2022: £36,211).

FCGPL is also entitled to receive fees under the Services Agreement at an annual rate of 0.1 per cent. of net asset value of the Group. This fee accrued from the date on which the Group made investments in respect of loans in an amount equal to 80 per cent. Of the gross IPO issue proceeds of £150 million. During the year ended 31 March 2023, £44,026 (2022: £91,257) was incurred under the Services Agreement. Corporate servicing fees outstanding as at 31 March 2023 was £3,600 (2022: £nil). Following the sale of the loan portfolio, a NAV based fee was not considered an appropriate basis for services and the Services agreement was amended to £6,250 per quarter for services provided after the liquidators appointment.

Funding Circle US is entitled to receive loan servicing fees equal to 1 per cent. Per annum, calculated daily, on the aggregate outstanding principal balance of the portfolio of loans held by the Group which have been originated in the US excluding any loans which have been charged off as defined in the Servicing Agreement. Servicing fees to Funding Circle US of £27,039 were incurred during the year (2022: £125,925). Servicing fees outstanding as at 31 March 2023 were £nil (2022: £6,165).

Funding Circle Netherlands is entitled to receive loan servicing fees equal to 1 per cent. Per annum, calculated daily, on the aggregate outstanding principal balance of the portfolio of loans held by Tallis excluding any loans which have been charged off as defined in the Servicing Agreement.

Funding Circle Spain is entitled to receive loan servicing fees equal to 1 per cent. Per annum, calculated daily, on the aggregate outstanding principal balance of the portfolio of loans held by Tallis excluding any loans which have been charged off as defined in the Servicing Agreement.

Funding Circle Deutschland GmbH is entitled to receive loan servicing fees equal to 1 per cent. Per annum, calculated daily, on the aggregate outstanding principal balance of the portfolio of loans held by Tallis excluding any loans which have been charged off as defined in the Servicing Agreement.

Funding Circle CE receives servicing fees for Funding Circle Netherlands, Funding Circle Spain and Funding Circle Deutschland GmbH as per the sub-contracting agency agreement. Servicing fees to Funding Circle CE during the year amounted to £38,720 (2022: £154,581). Servicing fees outstanding as at 31 March 2023 were £1,500 (2022: £40,674).

15. FEES AND EXPENSES (CONTINUED)

Loan origination and servicing (continued)

Each of the Funding Circle entities is entitled to additional fees of up to 40 per cent. Of collections received on charged off assets under each of the relevant Services Agreement in reimbursement of costs incurred in respect of collection charges and external legal fees. £2,769,964 paid to Funding Circle UK, €555,219 paid to Funding Circle CE, and $843,026 paid to Funding Circle US during the year (2022: £nil). These costs are presented as a component of the net gain on sale of loans in the consolidated statement of comprehensive income during the year, due to their nature as directly related selling costs of the transaction.

Administration, company secretarial and cash management

Apex Group (Guernsey) Limited ("Apex Guernsey") has been appointed as Administrator to the Company pursuant to the Administration Agreement. The Administrator also acts as Company Secretary and Cash Manager of the Company.

Apex Guernsey is entitled to receive an annual fee equal to five basis points of the net asset value of the Group subject to a minimum amount of £85,000 (2022: £85,000). Administration fees of £165,237 were incurred during the year (2022: £114,138) of which £30,515 was outstanding as at 31 March 2023 (2022: £31,303).

Sanne Capital Markets Ireland Limited ("Sanne Ireland") has been appointed as Administrator to Basinghall, Tallis and Queenhithe and is entitled to receive an annual fee for each entity of £58,000 (2022: £58,000). Administration fees (including fees for out-of-scope work performed) of £51,773 were incurred during the year (2022: £101,165) of which £20,000 was outstanding as at 31 March 2023 (2022: £nil).

Registrar

Link Asset Services (the "Registrar") has been appointed as the Company's Registrar to undertake maintenance of the statutory books of the Company and to perform such related activities as are required to carry out the registrar function. The Registrar is entitled to an annual maintenance fee per shareholder subject to a minimum charge of 4,500 (2022: £4,500) per annum. Registrar service fees of £51,777 were incurred during the year (2022: £75,516). Registrar service fees outstanding as at 31 March 2023 amounted to £7,929 (2022: £nil).

Currency management fee

Record Currency Management Limited has been appointed as currency manager. The currency manager is entitled to fees calculated based on the GBP equivalent amount of the US Dollar and EUR denominated exposure being hedged within the Group's portfolio. Fees of £12,149 were incurred during the year (2022: £29,032). Fees outstanding as at 31 March 2023 amounted to £nil (2022: £4,271).

Audit, audit related and non-audit related services

Remuneration for all work carried out for the Group by the statutory audit firm in each of the following categories of work is disclosed below:

Type of service	**PwC CI**	**Cronin & Company**	**PwC CI**	**PwC Ireland**
	£	**£**	**£**	**£**
Audit of the financial statements	-	-	114,330	72,218
Review of half yearly financial statements	49,683	-	23,900	-
Tax related services	-	-	-	-
Other non audit services	-	19,327	-	-
	49,683	**19,327**	**138,230**	**72,218**

15. FEES AND EXPENSES (CONTINUED)

Audit, audit related and non-audit related services (continued)

In light of the sale of the loans, delisting and appointment of a liquidator, an audit of the financial statements was not required for the year ended 31 March 2023. Cronin & Company provided independent accountant review services for the Irish subsidiaries related to their liquidation.

16. FINANCIAL RISK MANAGEMENT

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies are reviewed regularly to reflect changes in market conditions and the Group's activities. Below is a summary of the risks that the Group is exposed to as a result of its use of financial instruments.

i) Operational risk

The directors outsource most of the Company's operations to third parties which increases the operational risk in which the Company is exposed to.

The Group is dependent on Funding Circle's resources and on the ability and judgement of the employees of Funding Circle and its professional advisers to originate and service the Credit Assets purchased by the Group. Failure of Funding Circle's Platform or inconsistent operational effectiveness of the internal controls at Funding Circle may result in financial losses to the Group.

The Board manages this risk by performing a regular evaluation of Funding Circle's performance against the terms and conditions of the Group's agreements with Funding Circle.

ii) Market risk

Market risk is the risk of changes in market rates, such as interest rates, foreign exchange rates and equity prices, affecting the Group's income and/or the value of its holdings in financial instruments.

The Board of Directors regularly reviews the Credit Assets portfolios and industry developments to ensure that any events which impact the Group are identified and considered in a timely manner.

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair value of financial instruments.

Currency risk

Currency risk is the risk that the value of the Group's net assets will fluctuate due to changes in foreign exchange rates.

The currency risk of the Group's non-GBP monetary financial assets and liabilities as at 31 March 2023 including the effect of a change in exchange rates by 5% is shown below. The effect of a 5% change is shown below by applying an increase (for favourable change in currency rates) or a decrease (for unfavourable change in currency rates) to the reported amounts of the assets and liabilities of the Group. The Directors believe that a change of 5% in currency exchange rates is a reasonable measure of sensitivity based on available data on currency rates at the year end.

16. FINANCIAL RISK MANAGEMENT (CONTINUED)

ii) Market risk (continued)

Currency risk (continued)

	Carrying amount as at 31 March 2023	Effect of a 5% change in currency rate	Carrying amount as at 31 March 2022	Effect of a 5% change in currency rate
	£	£	£	£
US Dollar	447,934	22,396.70	5,204,398	197,638
Euro	1,071,385	53,569.25	8,859,457	374,334
Total	**1,519,319**	**75,965.95**	**14,063,855**	**571,972**

The Group's exposure has been calculated as at the year end and may not be representative of the year as a whole. Furthermore, the above currency risk estimate does not take into account the effect of the Group's foreign exchange hedging policy in place at 31 March 2022 but not 31 March 2023. The net foreign exchange gain charged to the Consolidated Statement of Comprehensive Income during the year was £3,119,320 (2022: gain of £1,057,767). The details of the net foreign exchange gain or loss are shown below. Following the sale of loans the remaining US Dollar and Euro currency is held to meet expenses or contingencies in the related currency and the cost of hedging these amounts was considered too costly relative to the risk and so the hedging programme was suspended.

	31 March 2023	31 March 2022
	£	£
Unrealised foreign currency gains	3,492,667	1,181,756
Realised gains on currency derivatives	-	1,022,455
Realised losses on currency derivatives	(570,569)	(186,117)
Unrealised fair value gains/(losses) on currency derivatives	197,222	(960,327)
	3,119,320	**1,057,767**

iii) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. Substantially all of the non-cash assets held by the Group are illiquid.

The Board of Directors manages liquidity risk through active monitoring of amortising cash flows and reviewing the Group cash flow forecast on a regular basis. Prior to the EGM on 11 June 2019, the Group was allowed to borrow up to 0.5 times the then-current net asset value of the Group at the time of borrowing. The Board will focus on achieving a managed wind down of the Company and any further borrowing is not anticipated.

Following the sale of the loan portfolio in 2023, cash has been set aside to cover prudent accruals for all costs through to liquidation as well as to support indemnities offered to the purchaser of the loans which are time limited and additionally to cover any potential tax obligations. As this is held in cash in the currency of the potential expense or contingency the liquidity risk is minimised.

Maturity profile

While the following tables show the contractual maturity of the financial assets and financial liabilities of the Group, it should be noted that as the financial statements have been prepared on a basis other than going concern, the expectation is that the majority of the assets and liabilities will be liquidated within twelve months of the signing of these accounts, and so may fall earlier than they are contractually due:

16. FINANCIAL RISK MANAGEMENT (CONTINUED)

iii) Liquidity risk (continued)

As at 31 March 2023

	Within one year	One to five years	Over five years	Total
	£	£	£	£
Financial assets				
Cash and cash equivalents	7,668,945	-	-	7,668,945
Loans advanced	-	-	-	-
Other receivables	3	-	-	3
	7,668,948	**-**	**-**	**7,668,948**

	Within one year	One to five years	Over five years	Total
	£	£	£	£
Financial liabilities				
Accrued expense and other liabilities	1,057,400	-	-	1,057,400
Fair value of currency derivatives	-	-	-	-
	1,057,400	**-**	**-**	**1,057,400**

As at 31 March 2022

	Within one year	One to five years	Over five years	Total
	£	£	£	£
Financial assets				
Cash and cash equivalents	15,183,371	-	-	15,183,371
Loans advanced	76,096,906	31,269,066	-	107,365,972
Other receivables	23,550	-	-	23,550
	91,303,827	**31,269,066**	**-**	**122,572,893**

	Within one year	One to five years	Over five years	Total
	£	£	£	£
Financial liabilities				
Accrued expense and other liabilities	346,461	-	-	346,461
Fair value of currency derivatives	191,363	-	-	191,363
	537,824	**-**	**-**	**537,824**

iv) Credit risk and counterparty risk

Credit risk is the risk of financial loss to the Group if a counterparty to a financial instrument fails to meet its contractual obligations. The carrying amounts of financial assets best represent the maximum credit risk exposure at the reporting date. Impairment recognised on the loans advanced is disclosed in note 4.

The Group's credit risks arose principally through exposures to loans advanced by the Group, which were subject to the risk of borrower default. As disclosed in note 4, the loans that were advanced by the Group were predominantly unsecured, but the Group held assets as security for certain property-related loans

All loans were sold as at 31 March 2023.

16. FINANCIAL RISK MANAGEMENT (CONTINUED)

iv) Credit risk and counterparty risk (continued)

Credit quality

The credit quality of loans is assessed on an ongoing basis through evaluation of various factors, including credit scores, payment data and other information related to counterparties. This information is subject to stress testing on a regular basis.

Set out below is the analysis of the Group's loan investments by internal grade rating. All Credit Assets were sold during the year:

	Carrying amount as at 31 March 2023	**% of carrying value as at 31 March 2023**	**Carrying amount as at 31 March 2022**	**% of carrying value as at 31 March 2022**
Internal grade	**£**		**£**	
A+	-	0.00%	6,914,473	18.94%
A	-	0.00%	12,115,836	33.18%
B	-	0.00%	7,939,373	21.74%
C	-	0.00%	5,260,953	14.41%
D	-	0.00%	3,005,204	8.23%
E	-	0.00%	1,279,966	3.51%
	-	**-**	**36,515,805**	**100%**

The internal grade risk rating assigned to a borrower is based on Funding Circle's proprietary credit scoring methodology to evaluate each loan application. Analysis has regard to all the relevant application data gathered so far as well as information obtained from commercial and consumer credit bureaus. It also includes analysis of the borrower's financial information.

The scale of ratings from A+ to E reflects the relative credit risk of the asset with A+ considered to have the lowest credit risk and E rated loan the highest.

Allocation limits

The Board of Directors implemented the following portfolio limits to manage the concentration risk exposure of the Group:

The proportionate division between loans originated through the various Platforms (as defined in the Prospectus) must fall within the ranges set out below. The actual proportion within the ranges will be determined by Funding Circle UK (and communicated by Funding Circle UK to Funding Circle US, Funding Circle CE, and other Funding Circle group entities, as appropriate) pursuant to the Services Agreement:

- originated through the UK Platform – between 50 per cent. and 100 per cent. of the gross asset value of the Group
- originated through the US Platform – between 0 per cent. and 50 per cent. of the gross asset value of the Group
- originated through the CE Platform – between 0 per cent. and 15 per cent. of the gross asset value of the Group

Other limitations

In addition to the allocation limits described above, in no circumstances will loans be acquired by the Group, nor will indirect exposure to loans be acquired, if such acquisition or exposure would result in:

- located in the US; or

- the amount of the relevant loan or borrowing represented by any one loan exceeding, or resulting in the Group's exposure to a single borrower exceeding (at the time such investment is made) 0.75 per cent. of the net asset value.

The allocation limits and other limitations shown above no longer apply after shareholders passed the resolutions at the EGM on 11 June 2019.

16. FINANCIAL RISK MANAGEMENT (CONTINUED)

iv) Credit risk and counterparty risk (continued)

Banking counterparties

The Group is also exposed to credit risk in relation to cash placed with its banking counterparties. The Directors monitor the credit quality of these banking counterparties on a regular basis.

The Group may invest cash held for working capital purposes and pending investment or distribution in cash or cash equivalents, government or public securities, money market instruments, bonds, commercial paper or other debt obligations with banks or other counterparties having a “BBB” (or equivalent) or higher credit rating as determined by any internationally recognised rating agency selected by the Board.

The Group held cash with the following financial institutions:

	Amount as at 31 March 2023 £	Short term credit rating (S&P)	Amount as at 31 March 2022 £	Short term credit rating (S&P)
HSBC	847,504	A-1	14,948,118	A-1
Barclays	1,070,382	A-2	185,531	A-2
AIB	5,751,059	A-2	49,722	A-2
	7,668,945		**15,183,371**	

In addition, the Group used forward foreign currency transactions to seek to minimise the Group’s exposure to changes in foreign exchange rates. The Group was exposed to counterparty credit risk in respect of these transactions. The Board of Directors employs various techniques to limit actual counterparty credit risk, including the requirement for cash margin payments or receipts for foreign currency derivative transactions on a regular basis. All hedging positions had been closed out by 31 March 2023.

v) Fair value estimation

The Group classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities. Investments, whose values are based on quoted market prices in active markets and are therefore classified within Level 1, include active listed equities. The quoted price for these instruments is not adjusted;
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within Level 2. As Level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information; and
- Level 3 – inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability. The determination of what constitutes “observable” requires significant judgement by the Group. The Group considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary and provided by independent sources that are actively involved in the relevant market.t fair value as at 31 March 2020 are its currency derivatives, its investment in the EIB transaction and its loans advanced.

16. FINANCIAL RISK MANAGEMENT (CONTINUED)

v) Fair value estimation (continued)

All derivatives were terminated during the year.

The fair value of the currency derivatives held by State Street and Northern Trust were estimated by Record Currency Management Limited based on the GBP-USD forward exchange rate, the GBP-EUR forward exchange rate, the GBP-USD spot rate and the GBP-EUR spot rate as at 31 March 2022.

During the year ended 31 March 2022, due to the resilient performance of the underlying loan portfolio, a net gain of £2,251,764 was recognised in the consolidated statement of comprehensive income and the SME loans were subsequently consolidated directly on the Group's consolidated statement of financial position.

The Company had appointed a third-party valuation expert to provide quarterly valuations of its Credit Assets. The fair value of the Credit Assets had been estimated by discounting expected future cash flows from the loans advanced using a discount rate determined by the Directors based on appropriate market comparatives and conditions. The fair value of the Group's Credit Assets as at 31 March 2023 was £nil in light of the sale (31 March 2022: £37,403,665). The most relevant unobservable input to the fair valuation was the discount rate, which has been summarised below based on the geography of each of the Group's portfolios:

	31 March 2023 UK	31 March 2023 US	31 March 2023 CE	31 March 2022 UK	31 March 2022 US	31 March 2022 CE
Discount rate	0%	0%	0%	9.07%	8.29%	7.55%
Fair value	-	-	-	25,205,229	4,209,292	7,989,144

The Board of Directors believe that the fair value of the currency derivatives falls within Level 2 in the fair value hierarchy described above. The fair value of the EIB transaction and the Credit Assets falls within Level 3 in the fair value hierarchy due to the unobservable inputs used in the valuation which include discount rate, timing and amounts of cash flows and performance of the underlying loan portfolios. Refer to notes 4 and 5 for the movement on these financial instruments during the year.

The following table presents the fair value of the Group's assets and liabilities not measured at fair value as at 31 March 2022 but for which fair value is disclosed:

	31 March 2023			
	Level 1	Level 2	Level 3	Total
	£	£	£	£
Cash and cash equivalents	7,668,945	-	-	7,668,945
Other receivables and prepayments	-	3	-	3
Accrued expenses and other liabilities	-	(1,057,400)	-	(1,057,400)
	7,668,945	**(1,057,397)**	**-**	**6,611,548**

16. FINANCIAL RISK MANAGEMENT (CONTINUED)

v) Fair value estimation (continued)

	31 March 2022			
	Level 1	**Level 2**	**Level 3**	**Total**
	£	**£**	**£**	**£**
Cash and cash equivalents	15,183,371	-	-	15,183,371
Other receivables and prepayments	-	23,550	-	23,550
Accrued expenses and other liabilities	-	(346,461)	-	(346,461)
	15,183,371	**(322,911)**	**-**	**14,860,460**

The Board of Directors believe that the carrying values for cash and cash equivalents, other receivables and prepayments and accrued expenses and other liabilities approximate their fair values.

In the case of cash and cash equivalents, other receivables and prepayments, and accrued expenses and other liabilities the amount estimated to be realised in cash are equal to their value shown in the Consolidated Statement of Financial Position due to their short term nature.

There were no transfers between levels during the year or the prior year.

The managed wind-down of the Company is being operated with a view to the Company realising all of its investments in accordance with the Investment Objective. Such realisations will comprise natural amortisation of the Company's investments in Credit Assets as well as potentially opportunistic portfolio sales.

Capital risk management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the Group. The Group's capital is represented by Ordinary share capital and retained earnings. The capital of the Group is managed in accordance with its investment policy, in pursuit of its investment objectives. The return of capital to investors is managed in line with the Company's investment objective and managed wind-down process.

The Company continued to return capital through compulsory redemptions of shares and distributions of dividends, as the Group's portfolio of Credit Assets amortised. Following the sales of the loans during the year and appointment of a liquidator, dividends ceased and capital will be returned as efficiently as possible to shareholders as indemnities associated with the sales amortise.

The Group is not subject to externally imposed capital requirements. However, certain calculations on the employment of leverage are required under the AIFMD. This directive requires more information to be reported if the Group's leverage exceeds three times its net asset value. All of the Group's leverage facilities have now been fully repaid.

17. RELATED PARTY DISCLOSURE

The Directors, who are the key management personnel of the Group, are remunerated per annum as follows:

The Chairman's remuneration was £50,000 and was reduced to £40,000 with effect from 01 October 2022. The Audit and Risk chair roles were merged with effect from 01 October 2022 resulting in a combined remuneration of £40,000. All other other board members' were remunerated with £30,000 effective from 01 October 2022.

Fees were accrued during the year ended 31 March 2023 for the Directors inclusive of the period to 30 June 2023 being the effective date of their resignation, with the exception of Anthony Nicol who remains unremunerated.

17. RELATED PARTY DISCLOSURE (CONTINUED)

Sachin Patel resigned as director on 6 September 2022. Anthony Nicol was appointed as a Director of the Company effective from 19 October 2022. Tom Parachini, Global Head of Legal and Regulatory at Funding Circle, was previously appointed as Alternate Director for Sachin Patel and subsequently has resigned following Sachin Patel's resignation.

During the AGM held on 19 October 2022, insufficient votes were received in order to re-elect Richard Boléat as a Director. As a result, he has stepped down as Chairman and a Director, resigning from the Board of Directors and Frederic Hervouet was appointed as Chairman.

During Sachin Patel's tenure, Mr Patel was not entitled to fees as a prior director of the Company. Anthony Nicol is not entitled to fees as a director of the Company.

During the AGM, the Directors have agreed to hold Directors' fees consistent with the previous years notwithstanding the additional responsibilities that came with the changes to the chair of the various committees of the Board.

Mr Boléat's annual fees for the role of Chairman only encompassed 3 quarters served on the Board of Directors including a period of notice.

The Directors and/or their connected parties held the following number of shares as at 31 March 2023 and 31 March 2022:

	As at 31 March 2023		As at 31 March 2022	
	Number of shares	% of total shares in issue	Number of shares	% of total shares in issue
Richard Boleat	577	0.0109	5,232	0.0101
Jonathan Bridel	2,789	0.0527	25,286	0.0489
Richard Burwood	1,479	0.0280	13,409	0.0259
Fredric Hervouet	3,915	0.0740	35,504	0.0686
Sachin Patel	-	-	-	-
Anthony Nicol	-	-	-	-
	8,760	**0.1656**	**79,430**	**0.1535**

Movement in the number of shares held by each of the directors during the year relates to the redemptions paid by the Company. The Group had no employees during the period or the prior period. The Directors delegate certain functions to other parties. In particular, the Directors appointed Funding Circle UK, Funding Circle US, and Funding Circle CE to originate and service the Group's investments in loans and FCGPL to provide corporate services. Notwithstanding these delegations, the Directors have responsibility for exercising overall control and supervision of the services provided by the Funding Circle entities, for risk management of the Group and otherwise for the Group's management and operations. The transaction amounts incurred during the year and amounts payable to each of Funding Circle UK, FCGPL, Funding Circle US and Funding Circle CE are disclosed below.

	Transaction	Expense during the year ended 31 March 2023 £	Payables as at 31 March 2023 £	Expense during the year ended 31 March 2022 £	Payables as at 31 March 2022 £
Funding Circle UK	Servicing fee	75,457	-	316,069	36,211
FCGPL	Corporate services fees	44,026	3,600	91,257	-
Funding Circle US	Servicing fee	27,039	-	125,925	6,165
Funding Circle CE	Servicing fee	38,720	1,500	154,581	40,674

17. RELATED PARTY DISCLOSURE (CONTINUED)

Each of the Funding Circle entities acting as servicer is entitled to additional fees of up to 40 per cent of collections received on defaulted assets under each of the relevant Services Agreement in reimbursement of costs incurred in respect of collection charges and external legal fees.

As part of the sale of loans during 2023 Funding Circle subsidiaries which serviced non-performing loans were contractually owed such collection fees and reimbursement of an element of legal costs incurred in pursuing recovery of such defaulted loans capped at a proportion of the overall recovery on these specific loans achieved for the Company through the sale. These totalled £2,769,964 paid to Funding Circle UK, €555,219 paid to Funding Circle CE, and $843,026 paid to Funding Circle US. These costs are presented as a component of the net gain on sale of loans in the consolidated statement of comprehensive income during the year, due to their nature as directly related selling costs of the transaction.

18. INVESTMENT IN SUBSIDIARIES

The Company accounts for its interest in the following entities as subsidiaries, in accordance with the definition of subsidiaries and control set out in IFRS 10:

	Country of incorporation	Principal activity	Transactions	Outstanding amount as at 31 March 2023	Outstanding amount as at 31 March 2022
				£	£
Basinghall Lending Designated Activity Company*	Ireland	Investing in Credit Assets originated in the UK	Subscription of notes issued	4,860,944	29,245,042
Tallis Lending Designated Activity Company*	Ireland	Investing in Credit Assets originated in Germany, the Netherlands and Spain	Subscription of notes issued	704,370	9,266,553
Queenhithe Lending Designated Activity Company*	Ireland	Investing in Credit Assets originate in the UK	Subscription of notes issued (through Basinghall)	-	-
				5,565,313	**38,511,595**

*At the date of these financial statements, all the entities are still undergoing liquidation.

19. SUBSEQUENT EVENTS

On 28 April, the Company's registration was surrendered in terms of The Protection of Investors (Bailiwick of Guernsey) Law, 2020.

AGENTS AND ADVISORS

SME Credit Realisation Fund Limited (in Members' voluntary liquidation)

Company registration number: 60680 (Guernsey, Channel Islands)

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E-mail: ir@smecreditrealisation.com
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Company Secretary and Administrator
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Corporate broker and Bookrunner and Sponsor
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Legal advisors as to Guernsey Law
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UK Transfer Agent and Receiving Agent
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Registrar
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Legal advisors as to Irish Law
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St Peter Port
Guernsey GY1 4ND
Channel Islands

Joint Liquidator
Grant Thornton Limited
St James Place
St James Street
St Peter Port
Guernsey GY1 2NZ

GLOSSARY

Definitions and explanations of methodologies used are shown below. The Company's prospectus contains a more comprehensive list of defined terms

"Administrator"	Apex Group (Guernsey) Limited
"Affiliates"	With respect to any specified person means: (a) any person that directly or indirectly controls, is directly or indirectly controlled by or is directly or indirectly under common control with such specified person; (b) any person that serves as a director or officer (or in any similar capacity) of such specified person; (c) any person with respect to which such specified person serves as a general partner or trustee (or in any similar capacity). For the purposes of this definition, ''control'' (including ''controlling'', ''controlled by'' and ''under common control with'') means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a person, whether through the ownership of voting securities, by contract or otherwise.
"AGM"	Annual General Meeting
"AIC Code"	The AIC Code of Corporate Governance
"AIC"	The Association of Investment Companies, of which the Company is a member
AIFM"	Alternative Investment Fund Manager, appointed in accordance with the AIFMD
"AIFMD"	The Alternative Investment Fund Managers Directive
"Available Cash"	Cash determined by the Board as being available for use by the Company in accordance with the Investment Objective, and, in respect of Basinghall and Tallis, cash determined by the Board of each of Basinghall and Tallis Board (having regard to the terms of the Origination Agreement and the Note) for use by Basinghall and Tallis and excluding (without limitation) amounts held as reserves or pending distribution
"CE"	Continental Europe
"Company Secretary"	Apex Group (Guernsey) Limited
"Credit Assets"	Loans or debt or credit instruments of any type originated through any of the Platforms
"Credit Losses"	A measure of performance showing the decrease in carrying value of Credit Assets as a result of actual or possible default events.
"Dividend Per Share"	A measure of performance showing dividend either declared or paid for each share issued and outstanding in the Company
"EGM"	The Extraordinary General Meeting on 11 June 2019 and 24 March 2023
"Fair value movement on Credit Assets"	The gain or loss recognised through other comprehensive income relating to the movement in valuation of Credit Assets
"Funding Circle"	FCGPL, Funding Circle UK, Funding Circle US, Funding Circle CE or either of their respective Affiliates (as defined in the Prospectus of the Company), or any or all of them as the context may require

GLOSSARY

"Funding Circle CE"	Funding Circle CE GmbH, Funding Circle Deutschland GmbH
"Funding Circle Netherlands"	Funding Circle Nederlands B.V
"Funding Circle Spain	Funding Cirlce Espana SLU
"FCGPL"	Funding Circle Global Partners Limited
"Funding Circle UK"	Funding Circle Limited
"Funding Circle US"	FC Platform, LLC
"Joint Liquidators"	Grant Thornton Limited
"NAV Total Return"	A measure of performance showing how the NAV per share has performed over a period of time. This is calculated by comparing the NAV per share at the beginning of a period to the NAV per share at the end of a period removing the effect of capital returns and dividend payments.
"Near Affiliates"	The relevant Irish subsidiary of the Company and any other SPV or entity which, not being an Affiliate of the Company, has been or will be formed in connection with the Company's direct or indirect investment in Credit Assets and which (save in respect of any nominal amounts of equity capital) is or will be financed solely by the Company or any Affiliate of the Company
"Note" or "Profit Participating Note"	Notes issued by Basinghall Lending Designated Activity Company and Tallis Lending Designated Activity Company under their separate note programmes
"Origination Agreements"	The German Origination Agreement, the Dutch Origination Agreement, the Spanish Origination Agreement, the UK Origination Agreement, the US Origination Agreement, and the CE Origination Agreements
"Platforms"	The platforms operated in the UK, US and CE by Funding Circle, together with any similar or equivalent platform established or operated by Funding Circle in any jurisdiction.
"Proposals"	The proposals contained in the circular issued on 21 May 2019 which were subsequently approved at the EGM on 11 June 2019. These included the proposals to (1) modify the Company's Investment Objective and Policy to reflect a realisation strategy; (2) amend its Articles of Incorporation (the "Articles") to include a mechanism to enable the Company to redeem shares in the Company compulsorily so as to return cash to shareholders; (3) appoint Funding Circle Global Partners Limited ("FCGPL") to facilitate potential portfolio sales on behalf of the Company and to (4) change the name of the Company into SME Credit Realisation Fund Limited ("SCRF") consistent to the proposed modification of the Company's Investment Objective and Policy.
"Prospectus"	The prospectus issued on the initial IPO on 30 November 2015 and subsequently revised in February 2017 and in August 2018
"PwC"	PricewaterhouseCoopers CI LLP, PricewaterhouseCoopers Ireland
"PwC CI"	PricewaterhouseCoopers CI LLP
"PwC Ireland"	PricewaterhouseCoopers Ireland

GLOSSARY

"Share Price Premium or Discount to NAV"	A measure of performance showing difference between the Group's NAV per share and the prevailing share price.
"Share Price Total Return"	A measure of performance showing how the share price has performed over a period of time. This is calculated by comparing the change in NAV per share (after removing the effect of capital returns and dividend payments) over a period to the share price of the Company.
"Sale Date"	Date at which contracts related to loan sales are signed and considered legally binding with regards to the loan position as at the economic cut-off date. Cash flows and interest relating to loans, that occur after the economic cut-off date up to the Sale Date belong to the purchaser and are settled net of the gross purchase price.
"Share Redemption"	A mechanism to enable the Company to redeem shares compulsorily so as to return cash to Shareholders as disclosed in the EGM circular published on 21 May 2020.

SME Credit Realisation Fund Limited (in Members' voluntary liquidation)

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