

Orchard in brief

Orchard Funding Group plc, (“the company” or “Orchard”) is an AIM listed company which, through its wholly-owned subsidiaries Bexhill UK Limited (“Bexhill”), Orchard Funding Limited (“Orchard Funding”), Orchard Finance Limited (“Orchard Finance”), Cherry Orchard Funding Limited (“Cherry Orchard”), Orchard Bond Finance plc (“Orchard Bond”) and its 60% owned subsidiary, Open B Gateway Limited (“Open B”) - together (“the group”) specialises in insurance premium finance, professional fee funding, finance for other service fees and secured property lending. The group is unique in providing brokers with the ability to operate their own finance companies and provides a high level of tailored service to all their clients. For those brokers and organisations who prefer to act as introducers only, Orchard offers competitive finance products for their clients.

Contents

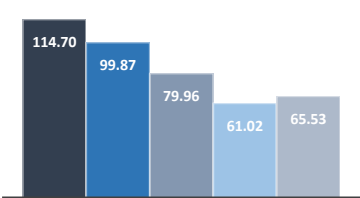
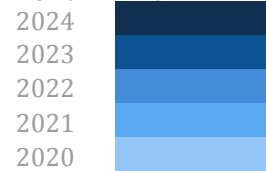
Group financial highlights.....	1
Chairman’s statement.....	2
Chief executive’s review	3
Group strategic report.....	4
Directors’ report.....	13
Remuneration report.....	15
Board of directors and secretary.....	17
Corporate governance report.....	18
Independent auditor’s report to the members of Orchard Funding Group plc	21
Consolidated statement of comprehensive income	26
Consolidated statement of financial position - Assets	28
Consolidated statement of financial position – Liabilities and equity.....	29
Company statement of financial position	30
Consolidated statement of changes in equity.....	31
Company statement of changes in equity	32
Consolidated statement of cash flows	33
Company statement of cash flows	34
Notes to the consolidated financial statements.....	35
Company and advisers information.....	59

Group financial highlights

From its formation in 2014 until 2019, Orchard grew its lending year on year. From August 2019 to July 2021 lending fell primarily due to the impact of COVID-19. This situation has been reversed over the last three years and overall growth was up 23.60% from 2021 to 2024. The main areas in which increases were made were in lending to premium funding companies and in direct insurance. We, again, thank our staff, funders, partners and shareholders for all their support.

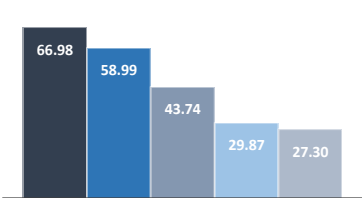
Five year summaries

Key (all £m)



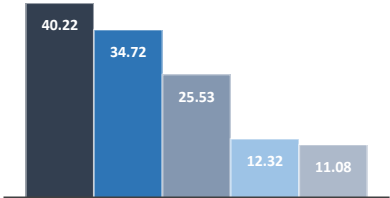
LENDING

Lending up from £99.87m in 2023 to £114.70m in 2024



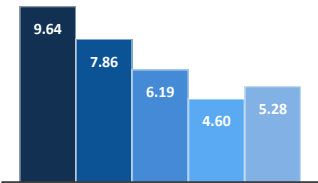
LOAN BOOK

Loan book up from £58.99m in 2023 to £66.98m in 2024



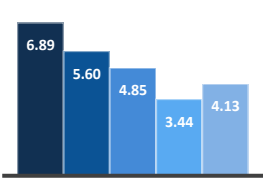
BORROWING

Borrowing up from £34.72m in 2023 to £40.22m in 2024



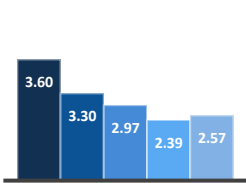
GROSS TOTAL INCOME

Gross total income up from £7.86m in 2023 to £9.64m in 2024



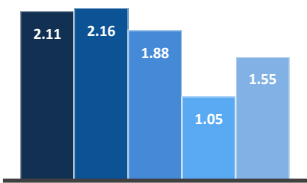
NET TOTAL INCOME

Net total income up from £5.60m in 2023 to £6.89m in 2024



OTHER OPERATING COSTS

Other operating costs (excluding ECL and other impairments) up from £3.30m in 2023 to £3.60m in 2024



OPERATING PROFIT

Operating profit down from £2.16m in 2023 to £2.11m 2024

Loan book comprises gross loans to customers less expected credit loss provision.
Gross total income consists of interest receivable together with other trading income.
Net total income is gross total income after direct costs.
Other operating costs exclude expected credit losses and other provisions.

Orchard Funding Group plc annual report for the year ended 31 July 2024
Company number 09618919

Chairman's statement

I am pleased to report a strong financial performance, despite this being a challenging year for our business. As previously reported, we were impacted by the withdrawal of guaranteed asset protection (GAP) products by several insurance companies. We were also subject to an external fraud, and one of our largest introducers has recently entered administration. The financial impact of the last two events is £811k. The macro-economic headwinds also continued with higher base rates for longer than anticipated by the market.

Despite this, we have achieved record lending volumes, more than £100m for the first time (£114.7m) and a loan book that has ended the year at £67m. This growth has been seen predominantly in our core insurance premium funding markets, whilst we continue to make slow but steady progress in the asset finance and bridging sectors.

The Board is pleased that this growth in volumes has ensured that despite the difficulties we have faced, we have maintained profit before tax at £2.12m (2023 £2.17m). We have also stabilised our margins with net income margin maintained at circa 9%.

This could not have been achieved without the continuing hard work and commitment of our staff together with the ongoing support of our introducer partners and funders. Our business has again showed its resilience and ability to withstand shocks and continue to deliver for all of our stakeholders.

We are mindful of how the ongoing economic challenges could affect our customers. The board is encouraged by the normalisation of inflationary conditions and the expected gradual shift to a lower base rate environment. I remain optimistic about our medium-term outlook, and our ability to continue to grow our lending volumes in a controlled way and to maintain our margins.

We have previously advised that the Board believes it is in the company's best interest to cease the payment of dividends for the current financial year. I am aware that this will be disappointing, as we have a track record of consistently paying returns to shareholders. However, the capital retained can be used to make, if appropriate, an acceptable tender offer to shareholders in the future and will enable management the strategic flexibility, when appropriate, to deploy funds to support the lending of the business.



Steven Hicks
Chairman

9 December 2024

Orchard Funding Group plc annual report for the year ended 31 July 2024
Company number 09618919

Chief executive's review

Our business is resilient. We have had to endure a number of impacts to our group during the year and notwithstanding those impacts, we have continued to trade confidently and profitably.

Our staff has worked hard and successfully to continue to increase our lending in our core market of insurance premium finance. Whilst our professions and leisure lending has remained solid, safe and stable, the economic back drop has limited our appetite to lend in the static caravan and property bridging market.

Higher than historic base rates continue to impact our business as they have a direct and immediate impact on our cost of funds. We operate in extremely competitive markets and are not able to pass on base rate rises to our customers and therefore continue to suffer an erosion of our net income. The recent base rate cuts are welcomed and will benefit the net income of our business going forward.

We continue to carefully manage operational costs and retain a loyal and hardworking team of staff.

IT is still an important focus of the business. We continue to develop our lending platform Lend XP and have also developed our open banking platform to enable fully automated affordability calculations for our customers.

We operate in highly regulated markets. The regulatory framework is burdensome and the costs of regulatory compliance continue to increase. We continue to manage our regulatory obligations and responsibilities effectively.

Our business has operated in its markets for over 20 years. We enter our 10th year as a listed company with the benefit of our accumulated experience, our loyal staff, excellent funding partners and market leading and cost effective IT. We are therefore optimistic about the prospects for the business going forward.

I would like to thank our staff, Toyota and NatWest, our funding partners, our shareholders, bond holders and customers for their continued support and loyalty.



Ravi Takhar
Chief executive officer

9 December 2024

Group strategic report

Strategy and objectives

Our strategy remains as before - to increase our profitability in a prudent, sustainable manner, having due regard for the interests of all stakeholders. Stakeholders are not just our employees and shareholders but also introducing partners, other customers, creditors, regulators, other parts of government and the local and wider community. It is the responsibility of the board of directors to ensure that all stakeholders are treated in a fair manner, despite the fact that each group may have conflicting interests

The strategic drivers behind our principal objective are still to:

- differentiate our business from that of our competitors, based on service excellence, fair pricing and robust underwriting procedures;
- increase lending in a responsible manner using a two pronged approach - increase the number of partners who fit in with our business values (brokers, accountants and other third party introducers) as well as to increase the volume of business from each of these partners, while always having regard to the risks associated with lending and keeping fair treatment of customers at the heart of our business;
- preserve and, where deemed necessary, increase our sources of liquidity;
- innovate by reviewing markets and product lines which we believe are appropriate for our lending criteria - safe lending and sensible returns - as well as evaluating other ways of doing business;
- continually improve our IT systems by further development to enable efficient processing of information and to assist in reducing the various risks attaching to our business;
- support our excellent staff in their work by providing them with the means to find lending opportunities, assisting them in developing those opportunities, offering continuous training and ensuring, where we are able, that there is a balance between work and home life.

During the year the board began the process of reviewing the company’s capital allocation policy and whether continued admission on the AIM market was appropriate given the size of the group. This process is continuing with conversations being held between the board and investors.

Strategy
Increase profitability

- prudent
- sustainable

Benefits

- employees
- shareholders
- other stakeholders

Drivers

- differentiation
- responsible lending
- liquidity maintenance
- innovation
- IT
- staff support

Model

Provide credit

- securely
- profitably
- disciplined lending
- strict underwriting

Funding

- £25.0m Toyota Financial Services general facility
- £20.0m Toyota Financial Services restricted facility
- £5.0m NatWest facility
- Our own resources

Our business model

Our business is a “hold to collect” model in which financial assets are held to maturity to collect cash flows of principal and interest, rather than holding them for sale. More detail on this is given in note 2.6(d) on page 37. The financial assets are loans to businesses and consumers to enable them to spread the cost of their insurance premiums, professional fees or other service fees. Most of our lending remains within a one year repayment period although approximately 1.33% of our lending is for a period in excess of one year and 0.85% in excess of five years excluding lending by Orchard Finance which is financially risk free.

The nature of most of our lending is similar in terms of risk, reward and processes. However, we have a significant amount of lending which is no risk and offers lower returns than other types of lending. This is lending for Toyota products. Lending in this area was growing substantially until earlier this year when the FCA announced an enquiry into the selling of this product. Toyota initially withdrew from the market but is now reviewing this. This

part of the business, because of the lower risk and lower returns is reported on as a separate segment. This is shown in note 5. The divisions are described in the note as “Toyota products” and “Standard lending”. In most other cases our Standard lending is covered by recourse to a guaranteeing partner. Our underwriting and debt management procedures are similar enough that we have not found it necessary to disaggregate results arising from our several other markets.

Orchard Funding Group plc annual report for the year ended 31 July 2024
Company number 09618919

All of our lending is within the UK.

Lending limits to our customers are set by reference to financial information (credit reports, regulatory and other requirements) and by reference to other qualitative information for both our introducing partners and for the end borrowers. In addition, an annual review process, including regulatory permissions and credit checks, is conducted for each introducing partner. The majority of our lending gives us recourse to the introducing partner, is through regulated introducers and no cash is passed over until at least the first repayment is received. In the case of insurance, the customer can have their cover withdrawn for non-payment with any refunds being paid to Orchard. In the case of longer term lending, the procedure is more vigorous, making use of open banking technology (as mentioned earlier) to further mitigate the risk of default. In terms of bridging finance, our maximum loan compared to the value of the property ("LTV") is 75%.

Notwithstanding the above, we suffered an instance of fraud. This was caused by a fraudulent introducer creating fraudulent credit agreements. The board initially set aside a provision of £500k, as notified to the market on 1 March 2024. Subsequent analysis indicated that the actual potential loss is £391k and the provision has been adjusted accordingly. The board has conducted a thorough review of its wider lending book and introducer network to satisfy itself that no fraud risk exists elsewhere in its current loan book, alongside a review of its systems and controls and to ensure that the risk that the group suffers a similar fraud in the future is minimised.

The group has borrowing facilities, other than the retail bond of £3.90m, up to up to a maximum of £30.00m (2023 £27.00m) for general lending. In addition Orchard Finance has a facility of up to £20.00m (2023 £20.00m) to be used exclusively for lending in respect of products from the provider of those funds.

Of the general facility, £7.02m was unused at the year end (2023 £6.28m) and of the restricted facility, £6.55m was unused (2023 £9.76m). We send regular reports to our funders to indicate that we are complying with covenants and the loans are subject to an external audit by those funders where they require it.

The group's average cost of finance (calculated by interest payments over borrowings in the year) was 7.99% (6.70% on the same basis in the year to 31 July 2023). Cost of finance includes arrangement and legal fees and fees for non-use of the facility.

Protected lending

- credit checks
- recourse to introducer
- regulated businesses
- 1st repayment before loan is made

Stable funding

- external audit
- regular reporting

Principal risks and uncertainties

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

The board has identified the following principal risks, their potential impact on Orchard, an assessment of change in risk year-on-year, our risk appetite and how we mitigate risk. Principal risks are those which could have most impact on our ability to continue in business. Indicators of those risks (key risk indicators or KRIs) are shown below.

The group's overall risk management programme focuses on reducing the effect of these risks on its financial performance. A risk appetite (the level at which risk is accepted by the group before action needs to be taken) is established for the key risk areas. A regular assessment of the principal risks affecting the group, based on a traffic light classification, is carried out by the executive directors who then pass this on to the full board of directors. The board identifies, evaluates and mitigates financial risks and there are written policies for all major risk areas at subsidiary company level (where the activity takes place). The tables below show the group's principal risk appetite and how risk is mitigated. A risk register is maintained in which any instances of any of the aforementioned risks are recorded and, where necessary, acted upon.

We are committed to maintaining the highest standards of ethics and integrity in the way we do business. We adopt a zero tolerance approach to bribery and fraud and expect our business partners to do the same. Our staff are encouraged to contact the board if they have any concerns in this regard. We are committed to behaviour that results in fair outcomes for our customers (both introducers and end borrowers).

Principal risks

- credit risk
- liquidity risk
- interest rate risk
- non-payment risk
- systems risk
- conduct risk

Orchard Funding Group plc annual report for the year ended 31 July 2024
Company number 09618919

Credit risk

Explanation of the risk	The risk that debtors or guarantors will default
Impact on the group	A major loss could have a serious effect on group profits - the whole of the capital loss will impact on profit.
Year-on-year change in risk	Risk increased last year with the worsening state of the economy in part caused by worldwide conflicts. The board believe that this risk remains the same this year.
Risk appetite	Our aim is to limit reported credit losses to below 0.5% of income generating assets.
Mitigation of risk	In most cases, money is only lent for periods up to one year predominantly through introducers who guarantee the loans and who are regulated businesses themselves. Borrowing limits are set based on prudent underwriting principles. Impairment reviews are regularly conducted to identify potential problems early. Note 16 gives further details of mitigation of credit risk. In addition, our documentation is reviewed regularly by our legal team to ensure that debts are not subject to challenge at a later date.

Liquidity risk

Explanation of the risk	A lack of funding to finance our business.
Impact on the group	Without adequate funding we cannot conduct our business.
Year-on-year change in risk	Risk has remained stable since last year. The providers of our funds have maintained their support.
Risk appetite	We aim to have 5% more funds than would be sufficient to enable our plans to be met.
Mitigation of risk	Our borrowing facilities are due for renewal in April 2025 for Bexhill, May 2025 for Orchard Finance and June 2025 for Orchard Funding. There has been no indication from the providers of our funds that they will withdraw their support.

Interest rate risk

Explanation of the risk	The risk that we lend at one rate and borrow at a rate higher than anticipated.
Impact on the group	Reduced margins mean reduced profit.
Year-on-year change in risk	Rates have not changed substantially since last year and the associated risk remains much the same. Most of our lending is within twelve months and any longer term lending is in line with the previous year.
Risk appetite	Our risk appetite is to ensure that the net interest margin on new lending remains above 7.5%.
Mitigation of risk	Management is in regular contact with its funders and routinely reviews the financial situation in the economy. The majority of loans made are relatively short term (no more than twelve months with the average at ten) so any increase is likely to have a fairly short-term impact. Longer term loans are still a very small percentage of the business.

Non-repayment risk

Explanation of the risk	The retail bond is a five year bond. At the end of that term the money will need to be repaid to the bond holders. This is the risk that there will be insufficient cash in the system to make those repayments.
Impact on the group	The amount raised on the market was approx. £3.90m. Should the company which raised the money not be able to repay this it would lead to the group having to find £0.39m under a guarantee but, more importantly, lead to reputational risk which might cause other funders to consider not renewing facilities.
Year-on-year change in risk	Again, there is no change in risk since last year.
Risk appetite	There is no risk appetite for non-repayment. The costs to the group could be significant.
Mitigation of risk	This risk is mitigated by the fact that the amounts involved could easily be covered by the likely cash position at the time that repayment is due.

Orchard Funding Group plc annual report for the year ended 31 July 2024
Company number 09618919

Systems risk

Explanation of the risk	Disruption to or failure of our IT systems. Cyber threats – data being accessed illegally.
Impact on the group	Persistent or serious failures could lead to lack of confidence in our system and reduce our operational capabilities. Penalties for allowing data breaches are severe and could lead to us not being able to operate at all.
Year-on-year change in risk	Our system is proving robust and risk has therefore remained as last year. The risk of cyber-crime has not increased.
Risk appetite	There is no risk appetite for either failure or cyber-crime.
Mitigation of risk	Remote support access enables prompt resolution of incidents. Internet connection provides guaranteed access. We have commissioned a risk assessment of our system by external IT specialists. Our controls are such that even a minor disruption is very quickly picked up and action taken. Systems are covered by a support contract which enables quick identification of any problems. The group continues to develop its processes for prevention of cyber threats. If prevention is not guaranteed, the systems in place give us the capability to detect, respond and recover from those attacks. All our staff are well trained in the use of our systems and are well placed to notice and unusual activity.

Conduct risk

Explanation of the risk	Any action that leads to unfair customer outcomes. Any action that has an adverse effect on market stability or effective competition. Fraud.
Impact on the group	Failing to deal effectively with conduct risk faces regulatory action, fines, and reputational damage.
Year-on-year change in risk	Risk has not changed.
Risk appetite	The board has no appetite for non-compliance with regulation or for any instance of fraud within or on the organisation.
Mitigation of risk	The board sets standards which comply with regulation and best practice. The CEO monitors staff compliance with those standards, reports deficiencies to the board and provides staff with advice on the interpretation of the standards. Controls are in place to prevent internal fraud with day to day supervision by the CEO. Regular monitoring of introducing partners is conducted including a review of sources of loan repayments. Our documentation is reviewed by our legal team to ensure that it is meets the requirements of the FCA.

The nature of the business is that loans are made either to finance companies (“PFC”) or to clients of our introducing partners. Although there is some significant lending to individual finance companies, the underlying debts making up these loans are collected by Orchard and assigned to Orchard. At 31 July 2024, the largest nominal exposure was £10.76m (2023 £8.29m) to one PFC representing 15.79% (2023 13.98%) of our loans after expected credit loss provisions (“ECL”). The highest exposure to a non-PFC was £4.56m (2023 £3.19m) and consisted of advances comprising many smaller loans (the average amount for each loan was £271 (2023 £223)). The highest individual loan (not a block loan to a premium finance company) was £376k (2023 £321k), representing less than 0.56% (2023 0.54%) of total outstanding loans.

The main uncertainties in these financial statements are those connected with the level of expected credit losses. Although objective evidence is obtained where possible (macroeconomic factors etc.), these still require management judgement. They are detailed in note 3.

Orchard Funding Group plc annual report for the year ended 31 July 2024
Company number 09618919

The business environment

Businesses are still in a period of instability. The ongoing conflicts in Ukraine and in the Middle East have led to continuing unrest in the markets.

Despite the above, inflation has begun to fall and the Bank of England have reduced the base rate in the last few months indicating that they feel that inflation is now heading under control.

In this environment, individuals and businesses are more likely to try to conserve cash and spread expenditure over a period of time. Insurance is one type of expenditure which lends itself to this approach. It is also a purchase which is a necessity either for legal reasons or for security. Orchard’s core business is exactly that – providing funds for the spreading of insurance payment. We are in an ideal position to provide help to our introducers and their customers in these difficult times by providing this service.

Development and performance of the business

Overview

We have continued to grow our lending, continuing the trend seen in the last financial year with growth in every month this year except December. Overall growth in lending was 14.89% over the previous year.

Most of our premium finance growth continues to come from the direct insurance side which was up 17.26% compared to the previous year. Lending to broker premium funding companies (“PFC”s) was 13.75% higher than in 2023. Demand for professional fee funding has fallen again, by 10.59%. this year.

Product lines already introduced are reviewed regularly to evaluate the impact they are having on the business. To date that impact has been encouraging. We continue to use the same disciplined approach when evaluating potential new markets.

We began lending into longer term markets, as mentioned last year, and this has slowed this year due to the economic environment. We still intend to grow these further once the economic conditions improve.

The Financial Conduct Authority (“FCA”) has been investigating the selling of GAP insurance products for some time now. As a result of their proposals, several providers of this product decided to leave the market. This included Toyota Financial Services. There is currently a review of this by Toyota Financial Services and it looks likely that they will maintain some presence in this market. Our largest partner broker for this product, Nukula Limited trading as Insure That, went into administration in July 2024. A provision has been made for these debts amounting to £479k. At 31 October 2024 debtors were again reviewed for impairment and this provision was still considered to be valid.

Financial indicators

The function of the group remains to lend money safely. Good quality customers are therefore central to the development of the business. We have continued to add to our introducing partner base and have continued to sell more through this base. Despite hard economic conditions, this continues to work well.

Our margin is an important area. Some of our borrowing is fixed to bank base rate and some to the Sterling Overnight Index Average, “SONIA.” As these rates alter so will our borrowing costs. Given the short term nature of most of our lending any likely changes would only have an impact on our margins in the short term. We continue to ensure, where possible given the current economic conditions, that as base rate or SONIA rise, we are faster to readjust our pricing. There remains greater risk with our longer term products that rate increases would erode margins.

Most other operating costs in the group are relatively stable. We have increased our staffing levels this year and we have increases resulting from growing sales. The other main increase is the amortisation of costs incurred in issuing the bond. Overall, operating costs (excluding ECL, other impairments and consolidation goodwill) are 9.09% higher than in 2023. Details of these costs are shown in note 5.

Financial key performance (KPIs) and other performance indicators

The table below gives a breakdown of group KPIs as well as indicators not considered KPIs but which give a better understanding of the figures.

Group profit before tax was 2.51% lower than in 2023. Given the level of impairment allowance this year, the board are satisfied with the results.

Financial KPIs

- lending
- average interest earning assets
- total revenue
- funding
- cost of external funds
- operating costs
- own resources
- ROAE

Orchard Funding Group plc annual report for the year ended 31 July 2024

Company number 09618919

All £m unless otherwise stated

	2024	2023	2021	2020	2019
KPIs					
Lending volume	£114.70	£99.87	£79.96	£61.02	£65.53
Average interest earning assets ¹	£62.98	£51.36	£36.81	£28.59	£29.72
Total revenue	£9.64	£7.86	£6.19	£4.60	£5.28
Average external funding ²	£23.92	£20.32	£15.77	£9.28	£12.82
Cost of external funds	£1.91	£1.35	£0.59	£0.56	£0.62
Cost of funds/funds ratio ³	7.99%	6.64%	3.57%	6.03%	4.84%
Own resources (net financial assets) ⁴	£20.11	£19.20	£17.61	£15.88	£15.74
Operating costs (excluding impairments)	£3.60	£3.30	£2.91	£2.52	£2.44
Impairment charges/(credits)	£1.17	£0.14	£0.06	£(0.13)	£0.13
Net interest margin ⁵	9.15%	9.48%	11.98%	11.26%	13.26%
ROAE (Return on average equity) ⁶	8.56%	9.94%	9.36%	5.35%	8.31%

Other performance indicators

Net interest income	£5.76	£4.87	£4.41	£3.22	£3.94
Profit before tax	£2.12	£2.17	£1.88	£1.05	£1.56
Profit after tax	£1.57	£1.71	£1.52	£0.84	£1.27
Gross interest margin ⁷	12.18%	12.11%	13.58%	13.22%	15.34%
EPS (pence) ⁸	7.39	8.03	7.11	3.91	5.96
DPS (pence) ⁹	0.00	3.00	3.00	3.00	3.00
Return on capital employed (ROCE) ¹⁰	3.83%	4.42%	5.19%	4.33%	6.74%

1. Average interest earning assets consist of the average of the opening and closing loan book after taking account of the impairment provision.
2. Average external funding comprises amounts borrowed on a daily basis net of repayments.
3. Cost of funds/funds ratio is the cost of external funds divided by average external funding.
4. The method of calculating own resources available has changed from using net current financial assets to net financial assets to take account of long term financial assets and liabilities as this reflects better the resources available over the longer term. Comparatives have been recalculated on this basis.
5. Net interest margin is net interest income divided by the average loan book.
6. ROAE consists of profit after tax divided by average equity. Average equity is the average of opening and closing equity.
7. Gross interest margin is gross interest income divided by the average loan book.
8. There are no factors which would dilute earnings therefore fully diluted earnings per share are identical.
9. Dividends per share are based on interim dividends paid in the year and proposed final dividend for the year.
10. ROCE consists of earnings before interest, tax, depreciation and amortisation divided by capital employed. Capital employed comprises capital and reserves together with borrowings, less cash held.

Net total income (as shown in the Consolidated statement of comprehensive income) continues to grow. Operating costs before ECL and other impairments are up by £299k. Included in interest payable and similar charges are costs associated with the bond issue which have amortisation amounting to £42k. Staff costs were £51k higher. Commission has grown by £209k this year as sales have increased.

As a result of the fraud and InsureThat going into administration, as mentioned earlier, provision has had to be made in the sum £391k regarding the fraud and £475k in respect of InsureThat. The balance of the impairment allowance in the Consolidated statement of comprehensive income this year is £369K.

Orchard Funding Group plc annual report for the year ended 31 July 2024
Company number 09618919

Non-financial indicators

Staffing

The most important non-financial indicator remains quality of management and staff. Our senior members of staff are all fully trained in every facet of the business and have good relationships with more junior staff members whom they are able and willing to assist when required. Our staff have significant experience in working within the group. Customer care is of paramount importance in our business culture and this aspect is a constant part of training for everyone in the organisation. Feedback from our partners in this area has been very positive. Non-financial performance targets set for our staff have all been met. These include, but are not limited to, ensuring that our partners and end-user customers receive prompt responses to any queries they raise.

Orchard is a small group with 19 employees excluding the main board directors. All employees have access to the executive directors at any time and can raise any issues with them. They are also able to contact the Chairman should they wish to discuss a matter which they feel may not be appropriate for the executive. There are two non-main board directors as directors of the subsidiaries.

Non-financial KPIs

- staffing
- partner retention
- innovation
- IT systems
- quality lending
- strong governance

Partner retention

Partner retention is another significant area in our business. This couples well with another non-financial indicator, brand preference. As our partner base grows, so does awareness of who we are and what we do. We review our partner base regularly to establish whether they are increasing or decreasing the amount of business they do with us. Action is taken if business from one source is unexpectedly dropping.

Innovation

A key non-financial strategy is innovation (see Strategy and objectives on page 4). Innovation is the ability to continually evolve and grow our business in our chosen markets. When looking at new products we stay within our risk parameters and examine whether the returns justify the resources expended. If new products fit our return and risk expectations, we proceed to the testing stage with relatively small amounts of lending. We believe that innovation is fundamental to growth.

IT systems

A robust, reliable and secure IT system is crucial to the business. We work closely with external outsource partners to continually review and develop our IT systems. Our system and has been tried and tested for a number of years. We began two years ago to take advantage of the open banking system as part of our risk strategy and this has been invaluable. Our customers have seen advantages of this, making it easier to manage their agreements. We continue to upgrade the system in response to customer requirements.

Quality of lending

Our lending has been based on sound underwriting since we began – we carefully assess any person or body to whom we lend. In addition, we receive at least one instalment before we pay out (eliminating first payment default); the direct debit establishes timely collection and an electronic link to our borrowers; in most cases our partners guarantee the payment should the end borrower default; and, if the partner fails, many of our end borrowers are protected by the financial services compensation scheme thereby ensuring that we are paid. In addition, the open banking system has helped ensure quality of lending.

Good governance

The role of the board is set out in the Corporate governance report on pages 18 to 20. Among its objectives is to protect and enhance long-term value for all stakeholders. It sets the overall strategy for the group and supervises executive management. The non-executive directors are there to challenge the executives. The board also ensures that good corporate governance policies and practices are implemented within the group. In the course of discharging its duties, the board acts in good faith, with due diligence and care, and in the best interests of the group and its shareholders.

Going concern

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

The directors continually assess the prospects of the group. Forecasts are prepared for a four year period, on a rolling basis. These are also subject to stress testing, the main aspects of which are the value of loans made, the return on those loans and the level of expected credit losses. In these scenarios, there is no indication that there will be a problem in continuing as a going concern. It is important to appreciate that the further away in time the estimate, the less reliable it is.

Orchard Funding Group plc annual report for the year ended 31 July 2024
Company number 09618919

The character of our lending is such as to permit us to react to any changes in base rate within a relatively short period of time other than with those loans that can be up to seven years ahead. These amount to 1.33% (2023 3.26%) of which 0.48% (2023 2.81%) are three years or less. Not included in these figures are loans made by Orchard Finance where, although longer term, the risk is taken by the provider of the funds.

The key assumptions and bases used in the forecasts are that for the year ending 31 July 2026:

- Loans through our partners will grow to circa £133m;
- Liquidity will be available to fund those loans;
- Net interest margins on lending will fall to an average for the year of 8.15%;
- Overheads will increase at the rate of inflation with stepped increases at certain points, e.g. when capacity constraints are hit or when project spending is required;
- The funding system will be able to accommodate the increased business.

Looking forward

- loan growth
- available liquidity
- stable margins
- controlled overhead
- capable funding system

The directors have prepared and reviewed the financial projections covering a period of almost four years from the date of signing of these financial statements. In each year, and in particular in the 12 to 18 month period from signing, there is sufficient cash and there are sufficient reserves to enable the group to pay its debts as they fall due. In addition, management have further stress tested these projections to a point which they believe is unlikely to happen (reducing lending, reducing margins and increasing bad debt) to give a confidence buffer. Even in this scenario, based on the level of existing cash, the projected income and expenditure and the excess of our loan book over external debt, the directors have a reasonable expectation that the company and group have adequate resources to continue in business for the foreseeable future. Accordingly, the going concern basis has been used in preparing the financial statements.

Future developments

There has been little change in how we wish to grow the business in the future. Fee funding, site fee and school fee income have fallen this year and it is expected that they will fall further. Against that, we have seen growth in PFC, insurance premium funding, asset financing and bridging finance. We are still exploring complementary markets but will only sell into these if they fit our risk and return profile.

We took an investment in Open B in 2020. We increased our holding to 60% in May 2024 and to 90% in August 2024. This investment was fully impaired last year as the company was not actively engaged in developing the system further. The group has now taken on the responsibility for this. These financial statements reflect the results of Open B and the impairment of the investment has been reversed.

Despite the fact that we have secure sources of funding at present, we shall continue to look at alternative sources of liquidity as this is of key importance to what we do.

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

The impact of the group on the environment consists of power used in an office environment and fuel used for getting to and from work.

Although the group operates out of an office in Luton, most of our employees work from home at least three days a week. This has proved to be worthwhile for both employee and employer. It is envisaged that this method of working will continue. It has meant that our carbon footprint as a business in the area has fallen (although there is some impact on the environment from home working).

We provide health club membership and childcare vouchers for any staff who wish them.

Staff make up

- Main board: 4 all male
- Subsidiary boards: 1 or 2 male; 2 female
- Other: 9 male; 8 female

We provide equal opportunities for all applicants and members of staff, irrespective of race, colour, sex, disability or marital status.

The composition of the main board of directors is currently all male. The board of the subsidiaries consist of two females and one male each (although one subsidiary has two male directors). Males make up 56.52% of the employees in total (61.90% in 2023).

We are a small entity in terms of staffing and our CEO is always available for staff to discuss any matters with him. Although many of our staff continue to operate from home, he is able to be contacted by telephone, e-mail or face to face if necessary. In this way our staff have communication lines to the board via the CEO. If they would prefer to discuss a matter with the Chairman, he is also available.

Orchard Funding Group plc annual report for the year ended 31 July 2024

Company number 09618919

We review the background of our suppliers and will not use any supplier which, as far as we are aware, breaches our own high standards as regards human rights.

Environmental issues are therefore negligible (see SECR reporting on page 12).

Section 172(1) Statement

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

- (a) the likely consequences of any decision in the long term,
- (b) the interests of the company's employees,
- (c) the need to foster the company's business relationships with suppliers, customers and others,
- (d) the impact of the company's operations on the community and the environment,
- (e) the desirability of the company maintaining a reputation for high standards of business conduct, and
- (f) the need to act fairly as between members of the company.

All matters brought to the board for consideration are reviewed in the light of how they will impact on stakeholders. This review involves balancing the interests of all stakeholders and includes having regard to:

- profitability;
- risk associated with the proposal (see Principal risks and uncertainties on page 5);
- how the decision will impact on our employees (both in financial terms and how the quality of their work life and outside life will be affected). Further detail on how we engage with our workforce is shown on page 11;
- what impact it will have on our partners and other customers (as mentioned under Non-financial indicators on page 10). Proper customer care, particularly in avoiding unfair outcomes, is of overriding importance to Orchard;
- our reputation (the impact of loss of reputation is dealt with under Conduct risk on page 7);
- either the CEO and/or CFO are in contact with major investors at least twice a year (albeit by Teams or telephone) to discuss the group's progress and overall plans. This gives us an insight into how our investors perceive us. All reports and other documents are on our website and any investor may request a meeting with any member of the board.

In a wider sense:

- Orchard does not deal unfairly with its suppliers and business associates and ensures that payment terms are adhered to. In fact, in many cases it assists those associates to expand their business;
- it behaves as a good neighbour, helping the local community where it is able and employing people from the locality – which also assists in reducing our carbon footprint;
- in its dealings with government, particularly the revenue authorities, it is completely open, paying what it owes on time;
- it has had no instances from the FCA of non-compliance with regulations;
- Environmental, social responsibility, community, human rights issues and gender diversity are discussed above.

The board considers whether proposals put to it have long-term outcomes which affect its stakeholders. In most cases the proposals have no material long-term consequences. However, where there are potential consequences, the board takes account of the long-term nature of its decisions.

Streamlined Energy and Carbon Reporting (SECR)

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

Approved by the directors and signed by order of the board



Liam McShane,
Company secretary

9 December 2024

Orchard Funding Group plc annual report for the year ended 31 July 2024

Company number 09618919

Directors' report

The directors present their annual report together with the audited accounts of the group and the company for the year ended 31 July 2024.

Results and dividends

The group profit for the year after taxation was £1.57m (2023 £1.71m). This is shown on page 27. The directors consider that the going concern basis is appropriate, supported by the profitability of the group and the significant cash balances. During the year the group paid dividends amounting to £427k to shareholders (2023 £641k) - note 11. The board is not proposing the payment of a dividend in accordance with the update on capital allocation policy reported to the market on 17 May 2024.

Future developments

Future developments and a fuller business review are contained in the Chief executive's review and the Group strategic report on pages 4 to 12.

Directors and their interests

The directors who served during the year and their beneficial interests in the share capital of the company are shown in the remuneration report on pages 15 and 16. There is a directors' and officers' indemnity insurance policy in existence. There were no other third party indemnity provisions for the directors.

Directors' responsibilities

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

Company law requires the directors to prepare group and company financial statements for each financial year. The directors have elected under company law, and are required under the AIM Rules of the London Stock Exchange, to prepare the group financial statements in accordance with UK adopted international accounting standards and have elected under company law to prepare the company financial statements in accordance with UK adopted international accounting standards and applicable law.

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

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the company and of the profit or loss of the group for that period.

In preparing each of the group and company financial statements, the directors are required to:

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

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

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

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

Orchard Funding Group plc annual report for the year ended 31 July 2024 Company number 09618919

Research and development

During the financial year no costs were incurred in relation to research and development (2023 £Nil). There are costs incurred in continuing development of software in the year which are capitalised. These amounted to £214k in the year (2023 £57k) and are shown in note 14.

Financial instruments

Detailed information on the group's financial instruments is given in notes 2.6 and 2.7.

The group's objectives and policies for managing risk are shown under Principal risks and uncertainties on pages 5 to 8.

Employees and environmental issues

The group is an equal opportunity employer. Details of the group's approach to employee and environmental matters are shown on page 11.

Statement as to disclosure of information to auditor

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

Approved by the directors and signed by order of the board



Liam McShane,
Company secretary

9 December 2024

Orchard Funding Group plc annual report for the year ended 31 July 2024
Company number 09618919

Remuneration report

Remuneration policy is set by the chairman of the remuneration committee, Steven Hicks together with Ketan Malde. The company secretary assists the committee. During the year the remuneration committee met once.

Policy statement

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

The discretionary bonus scheme agreed for the CEO aligns payment with business performance and long term strategic objectives. Going forward, remuneration will continue to be assessed on the basis that it is affordable for the business (relative to profit before tax (“PBT”)), is fair to the individual with the right balance of fixed and variable pay and assessed against stretched targets on a balanced score card.

The business has had a good year financially. The committee have agreed a bonus of £202k for the CEO (2023 - £240k).

Service contracts

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

Directors’ interests

The interests of the directors at 31 July 2024 and 31 July 2023 in the shares of the company were as follows:

	Number of ordinary shares held	Percentage of issued ordinary share capital
2024		
R Takhar	11,572,374	54.19%
S Hicks	-	-
L McShane	-	-
K Malde	-	-

	Number of ordinary shares held	Percentage of issued ordinary share capital
2023		
R Takhar	11,572,374	54.19%
L McShane	-	-
K Malde	-	-
S Hicks		

Non-executive directors

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

All directors

Details of the terms of appointment of all directors are shown on the website at <http://www.orchardfundinggroupplc.com/governance/board-of-directors>. More detail is given regarding the terms of appointment of the non-executive directors on the website at <http://www.orchardfundinggroupplc.com/governance/non-executive-directors-appointment-terms>.

Board meetings

The board of directors met six times during the year (2023 six). Attendance includes conference calls. E-mail is also used where matters require simple confirmation. There was full attendance at each meeting. Details of the audit committee attendance is shown on page 19.

Orchard Funding Group plc annual report for the year ended 31 July 2024
Company number 09618919

All directors are expected to devote such time as is necessary for the proper performance of their duties.

Directors' remuneration

2024	Fees and salary £000	Short term bonuses £000	Taxable benefits £000	Total £000
Executive directors				
R Takhar	388	202	3	593
L McShane	43	-	-	43
Non-executive directors				
S Hicks	36	-	-	36
K Malde	31	-	-	31
Total directors' remuneration	498	202	3	703

2023	Fees and salary £000	Short term bonuses £000	Taxable benefits £000	Total £000
Executive directors				
R Takhar	350	240	2	592
L McShane	41	-	-	41
Non-executive directors				
S Hicks	36	-	-	36
K Malde	31	-	-	31
Total directors' remuneration	458	240	2	700

The above information relates to the parent.

The biographies of the directors are shown on page 17.



Steve Hicks
Remuneration committee chairman

9 December 2024

Orchard Funding Group plc annual report for the year ended 31 July 2024
Company number 09618919

Board of directors and secretary

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

Steven Hicks – Chairman

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

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

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

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

Mr Liam McShane has over 25 years' experience as a chartered certified accountant and is responsible for all internal accounting and treasury management, as well as all monthly and annual accounting for the group. He has been involved in providing tax and financial advice to Bexhill since 2000, from 2002 until 2021 as a partner in McShane Wright Chartered Certified Accountants since which he has been sole principal in the firm. Prior to McShane Wright, Mr McShane became a partner at Clifford Roberts in 1998, having qualified as a chartered certified accountant in 1994. From 1989 until its merger with the British Insurance Brokers Association in 2012, he advised the Institute of Independent Insurance Brokers, an association for professional insurance intermediaries, providing tax and financial advice to the Institute, its members and professional advisers. Mr McShane is a Fellow of the Association of Chartered Certified Accountants.

Ketan Jayantilal Malde – Independent Non-executive Director

Mr Ketan Malde has more than 30 years of board level experience in the retail and specialist banking arena. Until April 2017, he was the executive board director and CFO of Hampshire Trust Bank plc. His previous board roles were as Chief Operating Officer and FD of Heritable Bank plc and FD of Sun Bank plc. He is the chairman of the audit committee and member of the remuneration committee. Mr Malde is a director of Nesate Consultants Ltd. Mr Malde is a graduate of the University of Leeds and a Fellow of the Chartered Association of Certified Accountants.

Corporate governance report

Compliance

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

The governance of Orchard Funding Group plc vests in the board of directors of the holding company, according to the laws and regulations for an AIM listed company extant in the UK. We believe that a sound and well understood governance structure is essential to maintain the integrity of the group in all its actions, to enhance performance and to impact positively on our shareholders, staff, customers, suppliers and other stakeholders.

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

The board, led by our chairman, who has responsibility for corporate governance policies and implementation, has established a strategy and business model both of which promote long-term value for shareholders and security for its other stakeholders (staff, customers, suppliers and government). The model is detailed in the Group strategic report on pages 4 and 5. In summary, Orchard Funding Group plc borrows from its bankers and uses this together with its own reserves, to lend to its customers. It also makes use of money raised from the bond issue. There is a strict underwriting procedure, recourse arrangements, levels of lending decision making commensurate with the skill and seniority of each staff member with, where necessary, the final lending decision being made by the board. This has meant that stakeholder assets are given a high level of protection. The board continues with the evolution in control, monitoring and risk management.

Governance during the last year

The governance and control framework is regularly reviewed.

The group has suffered an instance of fraud, arising from dealings with a fraudulent introducer as notified to the market on 1 March 2024. A thorough investigation was completed and concluded that the fraud was isolated and does not impact any of the remaining assets. The root cause was not a failure in governance, but the investigation has resulted in additional internal controls being put in place to ensure a similar type of fraud is unlikely to occur in the future. We will continue to review and improve our governance arrangements as appropriate.

Directors

The board currently consists of two executive and two independent, non-executive directors. The executives take no part in the audit or remuneration committees to ensure the independence of those bodies. All directors have the experience necessary to carry out their functions. Before appointment by the board, each applicant produces a full CV and is interviewed to establish if they have the necessary skills and will fit in with the ethos of the group. Directors ensure that they keep up to date with relevant regulation and legislation through courses, reading and interaction with those making the rules. Before final appointment to the board, full satisfactory references are required and full checks are conducted, the results of which are checked and approved by the board and the company's nominated adviser. Currently, given the size of the group, director evaluations are informal, consisting of discussions at board meetings. This does not strictly comply with the requirements of the Code but the board believes that it is appropriate for the existing structure.

The nominations committee did not meet during the year. Matters normally reserved for consideration by the nominations committee were dealt with by the board as a whole.

Orchard has no separate risk committee at present. This role falls to all the directors and is dealt with at board meetings. This is a departure from the requirements of the Code, but, given the size of Orchard, it was felt that this was a more appropriate arrangement for the group.

The company supports the concept of an effective board leading and controlling the company. The board is responsible for approving company policy and strategy. Before the COVID-19 pandemic it met formally approximately every two months but after the onset of COVID-19 contact was by e-mail, telephone or video communication. This year, we have held a face-to-face board meeting and intend to have one in person meeting as a minimum each year. The board has a schedule of matters specifically reserved to it for decision (see website at <http://www.orchardfundinggroupplc.com/governance/matters-reserved-for-the-board/>). Management supply the

Orchard Funding Group plc annual report for the year ended 31 July 2024

Company number 09618919

board with appropriate and timely information and the directors are free to seek any further information they consider necessary. All directors have access to advice from the company secretary and independent professionals at the company's expense. The current board members' biographies are on page 17.

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

Messrs. Ravi Takhar and Liam McShane are subject to re-election at the AGM to be held in January 2025. No other director is required to seek re-election this year.

From next year all directors will offer themselves for re-election annually in accordance with the Code.

Relations with shareholders

The CEO and/or CFO are always available to key shareholders to explain what is happening with the group, at the same time getting valuable opinions from shareholders on how they view our plans. The board is kept informed of the views of shareholders and other stakeholders by regular updates from the CEO and CFO, together with formal responses on shareholder's views gathered and supplied by the company's advisers. The views of private and smaller shareholders, typically arising from the AGM or from direct contact with the company, are also communicated to the board on a regular basis. In addition, details of our financial reports and AGM details are sent to all shareholders and these, together with results of votes are included on the website at:

<http://www.orchardfundinggroupplc.com/annual-report-and-accounts/>: and at

<http://www.orchardfundinggroupplc.com/agm-notice/>.

Audit committee

The composition of the audit committee was Ketan Malde (chairman) and Steven Hicks (the non-executive directors). The company secretary is also the secretary of the committee. The audit committee will meet not less than two times every year and otherwise as required. The audit committee is responsible for ensuring that the financial performance of the group is properly measured and reported, for measuring and assessing risk and for reviewing reports from the auditor relating to the group accounts and the group's internal control systems.

As reported to the market on 31 July 2024, the group changed its auditor from RSM UK Audit LLP to Shipleys LLP in the light of increasing charges.

The audit committee was sent the audit plan by the group's auditor, Shipleys LLP, prior to the commencement of the audit. The plan set out the objectives of the audit; the approach, scope and timetable; audit risks and other areas of focus; and governance and control.

The auditor identified a number of significant risks during the planning process. These were:

- management override of controls
- revenue recognition
- carrying value of intangible assets
- carrying value of investments
- going concern
- the calculations and disclosure of expected credit losses

The audit committee considered and approved the audit plan after discussion with the auditor. It also met to review the accounts prior to their authorisation for issue.

The audit committee reviewed whether the auditor had provided significant non-audit services. There were none during the year.

The audit committee met four times in the year. Both members were present for all the meetings.

The work and terms of reference of the audit committee are shown on the website at <http://www.orchardfundinggroupplc.com/governance/board-sub-committees/>

Risk and internal controls

In any lending environment, effective risk management is crucial. In addition to our strict underwriting procedures (including mitigating factors), we have a process to identify both key and other risks, maintain a risk register and act quickly and decisively where any issues are raised. Our key risks are credit risk, liquidity risk, interest rate risk, IT risk, non-use risk, non-repayment risk and conduct risk. Our approach to these is detailed in the Group strategic report on pages 5 to 7.

Orchard Funding Group plc annual report for the year ended 31 July 2024 Company number 09618919

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

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

The board views the management of conduct risk as extremely important to our business. This is part of our culture and is essential to enable us to achieve our objectives, strategy and support our business model. We are a small entity in terms of staffing and our CEO is always available for staff to discuss any matters with him. As the chief officer on the board, the CEO monitors how our staff operate and promotes a healthy corporate ethos by example and supervision (both close and remote). Staff are encouraged to approach him with any problems or ideas and he regularly disseminates information from the board back to them. He reports to the board on an exception basis. In this way the board is kept in a position to assess the state of the culture.

Going concern

After making appropriate enquiries, the directors have a reasonable expectation that the group and the company have adequate resources to continue in operational existence for the foreseeable future. An assessment and explanation of why the board consider the going concern basis to be appropriate is discussed on page 10 of the Group strategic report.



Steven Hicks
Chairman

9 December 2024

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

Opinion

We have audited the financial statements of Orchard Funding Group plc (the ‘parent company’) and its subsidiaries (the ‘group’) for the year ended 31 July 2024 which comprise the Consolidated statement of comprehensive income, Consolidated and Company statements of financial position, Consolidated and Company statements of changes in equity, Consolidated and Company statements of cash flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK-adopted International Accounting Standards and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the group’s and of the parent company’s affairs as at 31 July 2024 and of the group’s profit for the year then ended;
- the group financial statements have been properly prepared in accordance with UK-adopted International Accounting Standards;
- the parent company financial statements have been properly prepared in accordance with UK-adopted International Accounting Standards and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor’s responsibilities for the audit of the financial statements section of our report. We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC’s Ethical Standard as applied to listed entities and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Summary of our audit approach

Key audit matters	Group
	<ul style="list-style-type: none">Calculation and disclosure of expected credit losses
	Parent Company
	<ul style="list-style-type: none">None
Materiality	Group
	<ul style="list-style-type: none">Overall materiality: £192,500 (2023: £108,000)Performance materiality: £144,300 (2023: £81,000)
	Parent Company
	<ul style="list-style-type: none">Overall materiality: £51,900 (2023: £30,000)Performance materiality: £38,900 (2023: £22,500)
Scope	Our audit procedures covered 100% of revenue, total assets and profit before tax.

Orchard Funding Group plc annual report for the year ended 31 July 2024
Company number 09618919

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the group financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the group financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Calculation and disclosure of expected credit losses

Key audit matter description	The group’s main trade is providing loans to customers for different product offerings. Management need to continue to carefully consider forward looking information to ensure the calculation of expected credit losses, which is performed in line with the general approach, is compliant with the requirements of IFRS 9.
How the matter was addressed in the audit	<p>Our procedures included:</p> <ul style="list-style-type: none">• Review management’s paper in relation to IFRS 9 and understand the reasons for any changes to approach from the prior year and agree to supporting documentation as appropriate.• Consider whether there has been any significant change in credit risk, including the review of new facilities entered into and/or extended in the period.• Consider whether management has considered appropriate forward-looking information to assess whether credit risk has changed.• Review how the loan book has been allocated between stages 1, 2 and 3 and assess whether the approach taken is reasonable and consistently applied.• Consider whether the expected credit loss rates being applied are reasonable based on available supporting evidence and the findings from the above tests.• Review specific provisions made in the year to supporting documentation for reasonableness.• Consider the disclosures made in the financial statements against the requirements of IFRS 9 and supporting information for reasonableness.

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

Our application of materiality

When establishing our overall audit strategy, we set certain thresholds which help us to determine the nature, timing and extent of our audit procedures. When evaluating whether the effects of misstatements, both individually and on the financial statements as a whole, could reasonably influence the economic decisions of the users we take into account the qualitative nature and the size of the misstatements. Based on our professional judgement, we determined materiality as follows:

Orchard Funding Group plc annual report for the year ended 31 July 2024
Company number 09618919

	Group	Parent company
Overall materiality	£ (2023: £108,000)	£51,900(2023:30,000)
Basis for determining overall materiality	Based on 2% of the group’s revenue	5% of total expenses of the parent company
Rationale for benchmark applied	The has been trading for few years the shareholders will assess the group’s performance with reference to the revenue.	Total expenses in the parent company directly impacts group’s profit before tax, which is a primary measure used by the shareholders. As result, total expenses is considered the most appropriate benchmark and more relevant to shareholders than total assets.
Performance materiality	£ 144,000 (2023: £81,000)	£ 38,900 (2023: £22,500)
Basis for determining performance materiality	75% 144,000 (2023:81,000 75%) of overall materiality	75% 38,900 (2023:22,500 75%) of overall materiality
Reporting of misstatements to the Audit Committee	Misstatements in excess of £9,600 (2023: £5,400) and misstatements below that threshold that, in our view, warranted reporting on qualitative grounds.	Misstatements in excess of £ 2,600 (2023: £1,500) and misstatements below that threshold that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit

The group consists of 7 components, all of which are based in the UK. The coverage achieved by our audit procedures was:

	Number of components	Revenue	Total assets	Profit before tax
Full scope audit	4	93%	98%	90%
Specific audit procedures	3	7%	2%	10%

Orchard Bond Finance PLC was undertaken by component auditors Macalvins.

Orchard Funding Group plc annual report for the year ended 31 July 2024 Company number 09618919

Conclusions relating to going concern

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

- understanding how the cash flow forecasts for the going concern period had been prepared and the assumptions adopted;
- considering the reasonableness of the projections against current year results; and
- considering the outcome of the prior year budgets to current year results.

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

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

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Orchard Funding Group plc annual report for the year ended 31 July 2024

Company number 09618919

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 13, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

The extent to which the audit was considered capable of detecting irregularities, including fraud

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

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

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

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

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

Orchard Funding Group plc annual report for the year ended 31 July 2024
Company number 09618919

The most significant laws and regulations were determined as follows:

Legislation / Regulation	Additional audit procedures performed by the Group audit engagement team included:
IFRS and Companies Act 2006	Review of the financial statement disclosures and testing to supporting documentation; and Completion of disclosure checklists to identify areas of non-compliance.
Tax compliance regulations	Inspection of advice received from internal tax advisors.
FCA Compliance	We performed audit procedures to inquire of management, including the executive directors, whether the company is in compliance with these laws and regulations. We inspected compliance documentation, including but not limited to, compliance monitoring documentation, regulatory returns, the complaints register and follow up action and correspondence with the FCA as well as considering whether the group has acted within its permission of consumer credit and other regulatory obligations.

In addition to calculation of expected credit losses, which is covered in the Key audit matters section of this report, the areas that we identified as being susceptible to material misstatement due to fraud were:

Risk	Audit procedures performed by the audit engagement team:
Management override of controls	Testing the appropriateness of journal entries and other adjustments; Assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and Evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.
Revenue recognition	Selecting a sample of transactions from the group’s revenue streams (comprising interest receivable and similar income and other trading income) and corroborating back to supporting documentation to check the income is recognised in the correct accounting period.

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

Use of our report

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

Benjamin Bidnell

Benjamin Bidnell (Senior Statutory Auditor)
For and on behalf of Shipleys LLP, Statutory Auditor
Chartered Accountants

9 December 2024

Orchard Funding Group plc annual report for the year ended 31 July 2024
Company number 09618919

Consolidated statement of comprehensive income

		2024	2023
	Notes	£000	£000
Continuing operations			
Interest receivable and similar income	5	7,674	6,215
Interest payable and similar charges	5	(1,911)	(1,349)
Net interest income		5,763	4,866
Other trading income	5	1,966	1,649
Other direct costs	5	(844)	(911)
Net other income		1,122	738
Net total income		6,885	5,604
Other operating costs	5	(3,601)	(3,302)
Net impairment losses on financial assets	5	(1,235)	(64)
Impairment loss on investment at fair value through profit and loss	15	-	(75)
Reversal of impairment loss on investment at fair value through profit and loss	15	75	
Fair value adjustment for goodwill on consolidation	15	(11)	
Operating profit	8	2,113	2,163
Interest receivable	7	6	9
Interest payable	7	-	(1)
Profit before tax		2,119	2,171
Tax	9	(552)	(458)
Profit for the year from continuing operations attributable to:			
Owners of the parent		1,579	1,713
Non-controlling interests		(12)	-
		1,567	1,713
Earnings per share (pence)			
Basic and diluted	12	7.39	8.03

The notes on pages 35 to 58 are an integral part of these consolidated financial statements

Orchard Funding Group plc annual report for the year ended 31 July 2024
Company number 09618919

Consolidated statement of financial position - Assets

	Notes	2024 £000	2023 £000
Non-current assets			
Property, plant and equipment	13	448	7
Right of use assets	13	-	6
Intangible assets	14	145	41
Investment at fair value through profit and loss	15	6	6
Loans to customers		9,038	7,967
		9,637	8,027
Current assets			
Loans to customers	16	57,944	51,021
Other receivables and prepayments	16	122	279
Cash and cash equivalents:			
Bank balances	17	1,482	2,550
		59,548	53,850
Total assets		69,185	61,877

The notes on pages 35 to 58 are an integral part of these consolidated financial statements

Orchard Funding Group plc annual report for the year ended 31 July 2024
Company number 09618919

Consolidated statement of financial position – Liabilities and equity

	Notes	2024 £000	2023 £000
Liabilities			
Current liabilities			
Trade and other payables	21	9,488	8,955
Borrowings	19	29,693	26,079
Current tax payable		542	449
		39,723	35,483
Non-current liabilities			
Borrowings	19	10,529	8,643
Deferred tax liabilities	20	1	2
		10,530	8,645
Total liabilities		50,253	44,128
Equity			
Called up share capital	18	214	214
Share premium		8,692	8,692
Merger reserve		891	891
Retained earnings		9,104	7,952
Equity attributable to the owners of the parent		18,901	17,749
Non-controlling interests		31	-
Total equity		18,932	17,749
Total equity and liabilities		69,185	61,877

The financial statements on pages 26 to 58 were approved, and authorised for issue, by the board of directors on 9 December 2024 and were signed on its behalf by:

R Takhar
Chief executive officer

The notes on pages 35 to 58 are an integral part of these consolidated financial statements

Orchard Funding Group plc annual report for the year ended 31 July 2024
Company number 09618919

Company statement of financial position

	Notes	2024 £000	2023 £000
Assets			
Non-current assets			
Investments in subsidiaries	15	2,932	2,857
Investment at fair value through profit and loss	15	6	6
Intercompany receivables	16	13,076	12,903
		16,014	15,766
Current assets			
Prepayments	16	5	32
		5	32
Total assets		16,019	15,798
Liabilities and equity			
Current liabilities			
Trade and other payables	21	3,707	3,570
Total liabilities		3,707	3,570
Equity attributable to the owners of the parent			
Called up share capital	18	214	214
Share premium		8,692	8,692
Merger reserve		2,692	2,692
Retained earnings		714	630
Total equity		12,312	12,228
Total equity and liabilities		16,019	15,798

The company's profit and total comprehensive income for the year was £511k (2023 £328k).

The company has not presented a separate Statement of comprehensive income as permitted by section 408 of the Companies Act 2006.

The financial statements on pages 26 to 58 were approved, and authorised for issue, by the board of directors on 9 December 2024 and were signed on its behalf by:

R Takhar
Chief executive officer

The notes on pages 35 to 58 are an integral part of these consolidated financial statements

Orchard Funding Group plc annual report for the year ended 31 July 2024
Company number 09618919

Consolidated statement of changes in equity

	Called up share capital £000	Retained earnings £000	Share premium £000	Merger reserve £000	Attributable to the owners of the parent £000	Non- controlling interests	Total equity £000
Balance at 1 August 2022	214	6,880	8,692	891	16,677	-	16,677
Profit and total comprehensive income	-	1,713	-	-	1,713	-	1,713
Transactions with owners:							
Dividends paid	-	(641)	-	-	(641)	-	(641)
Balance at 31 July 2023	214	7,952	8,692	891	17,749	-	17,749
Non-controlling interests at the date of acquisition	-	-	-	-	-	43	43
Profit and total comprehensive income	-	1,579	-	-	1,579	(12)	1,567
Transactions with owners:							
Dividends paid	-	(427)	-	-	(427)	-	(427)
Balance at 31 July 2024	214	9,104	8,692	891	18,901	31	18,932

Retained earnings consist of accumulated profits less losses of the group. They represent the amounts available for further investment in group activities. Only the element which constitutes profits of the parent company are available for distribution (see page 32). There are no restrictions on payment of dividends by the subsidiaries to the parent or by the parent to shareholders.

The share premium account arose on the IPO on 1 July 2015 at a premium of 95p per share. Costs of the IPO have been deducted from the account as permitted by IFRS and the Companies Act 2006.

The merger reserve arose through the formation of the group on 23 June 2015 using the capital reorganisation method.

Non-controlling interests consist of equity belonging to non-group shareholders in Open B Gateway Limited in which the group owns 60%.

The notes on pages 35 to 58 are an integral part of these consolidated financial statements

Orchard Funding Group plc annual report for the year ended 31 July 2024
Company number 09618919

Company statement of changes in equity

	Called up Share Capital £000	Retained earnings £000	Share Premium £000	Merger reserve £000	Total Equity £000
Balance at 1 August 2022	214	943	8,692	2,692	12,541
Total comprehensive income for the period	-	328	-	-	328
Transactions with owners:					
Dividends paid	-	(641)	-	-	(641)
Balance at 31 July 2023	214	630	8,692	2,692	12,228
Profit and total comprehensive income	-	511	-	-	511
Transactions with owners:					
Dividends paid	-	(427)	-	-	(427)
Balance at 31 July 2024	214	714	8,692	2,692	12,312

Retained earnings consist of accumulated profits and losses of the parent company. They represent the amounts available for further investment in group activities and are available for distribution. There are no restrictions on payment of dividends.

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

The merger reserve arose through the formation of the group on 23 June 2015 using the capital reorganisation method.

The notes on pages 35 to 58 are an integral part of these consolidated financial statements

Orchard Funding Group plc annual report for the year ended 31 July 2024
Company number 09618919

Consolidated statement of cash flows

	2024 £000	2023 £000
Cash flows from operating activities:		
Operating profit	2,113	2,163
Depreciation and amortisation	95	45
Impairment loss on investment at fair value through profit and loss	-	75
Reversal of impairment loss on investment at fair value through profit and loss	(75)	-
Goodwill on acquisition written off	11	
Adjustment for assets and liabilities at date of acquisition	107	
	2,251	2,283
Increase in loans to customers, other receivables and prepayments	(7,837)	(15,256)
Increase in trade and other payables	575	2,618
	(5,011)	(10,355)
Tax paid	(460)	(307)
Net cash absorbed by operating activities	(5,471)	(10,662)
Cash flows from investing activities		
Interest received	6	9
Purchases of property, plant and equipment	(453)	(8)
Deposit paid on property	-	(43)
Purchase of intangible assets	(214)	(57)
Transfer of intangible assets purchased in the previous year	33	
Sale of property, plant and equipment	-	2
Net cash absorbed by investing activities	(628)	(97)
Cash flows from financing activities		
Dividends paid	(427)	(641)
Net receipts from borrowings	5,473	9,184
Lease repayments	(15)	(30)
Net cash generated by financing activities	5,031	8,513
Net decrease in cash and cash equivalents	(1,068)	(2,246)
Cash and cash equivalents at the beginning of the year	2,550	4,796
Cash and cash equivalents at the end of year	1,482	2,550

The notes on pages 35 to 58 are an integral part of these consolidated financial statements

Orchard Funding Group plc annual report for the year ended 31 July 2024
Company number 09618919

Company statement of cash flows

	2024	2023
	£000	£000
Cash flows from operating activities:		
Profit before tax	511	328
Impairment loss on investment at fair value through profit and loss	-	75
Reversal of impairment loss on investment at fair value through profit and loss	(75)	-
	436	403
Increase in other receivables and prepayments	27	(2)
Increase in trade and other payables	(40)	66
Increase in intercompany receivables	(600)	(1,042)
Increase in intercompany payables	177	575
Net cash generated by operating activities	-	-
Net increase/(decrease) in cash and cash equivalents	-	-
Cash and cash equivalents at the beginning of the year	-	-
Cash and cash equivalents at the end of year	-	-

The parent has no bank account. All cash transactions pertaining to the parent are made by subsidiaries so the company has chosen to account for all transactions as non-cash transactions. There were no direct cash transactions by the parent.

The notes on pages 35 to 58 are an integral part of these consolidated financial statements

Notes to the consolidated financial statements

1. General information

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

The company is a public company listed on the AIM market of the London Stock Exchange, incorporated in England and Wales and domiciled in the United Kingdom. The address of its registered office is 222 Armstrong Road, Luton, Bedfordshire LU2 0FY.

The principal activities of the group and the nature of its operations are set out in the strategic report on pages 4 to 12.

2. Summary of significant accounting policies

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

2.1 Basis of preparation

The consolidated financial statements of Orchard Funding Group plc, and the parent company, have been prepared in accordance with UK adopted International Accounting Standards.

The financial statements have been prepared on a historical cost basis except for investments measured at fair value through profit and loss.

The preparation of financial statements in accordance with UK adopted International Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

2.2 Effect of new, or changes to financial reporting standards

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

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

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

2.4 Consolidation

(a) Subsidiaries

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

Investment in subsidiaries in the parent company Statement of financial position are stated at cost, less any provision for impairment.

2.5 Going concern

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

The directors have prepared and reviewed financial projections, on an annual basis, covering a period of almost four years from the date of signing of these financial statements, with a particular focus on the period of 12 to 18 months from the date of signing. Based on the level of existing cash, the projected income and expenditure and the excess of our loan book over external debt (amounting to approximately £26.76m at the year end), the directors have a reasonable expectation that the company and group have adequate resources to continue in business for the foreseeable future. Accordingly, the going concern basis has been used in preparing the financial statements. This is discussed more fully in the Group strategic report on page 10.

Orchard Funding Group plc annual report for the year ended 31 July 2024

Company number 09618919

2.6 Financial assets

Under IFRS 9 financial assets are classified and measured as:

- amortised cost;
- fair value through the Consolidated statement of other comprehensive income; or
- fair value through the Consolidated income statement;

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

(a) Fair value

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

IFRS 13 requires entities to use one or more valuation techniques:

- market approach – use of prices and other relevant information generated by market transactions;
- cost approach – the price to replace the asset;
- income approach – converting future cashflows to a single, discounted amount.

In evaluating fair value, the entity is required to disclose the fair value hierarchy, which categorises the inputs used in the valuation into three levels.

- Level 1 inputs are quoted prices in active markets for identical assets;
- Level 2 inputs are inputs other than Level 1 which are observable for the asset, either directly or indirectly;
- Level 3 inputs are unobservable inputs for the asset, such as net asset values for an unquoted investment.

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

The financial assets of the group consist of investments, loans to customers, other receivables and cash and cash equivalents (see note 2.14 for cash and cash equivalents). Their classification and measurement bases are set out below.

(b) Expected credit losses

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

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

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

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

Orchard Funding Group plc annual report for the year ended 31 July 2024

Company number 09618919

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

A full description of our risk management processes is shown in the Group strategic report on pages 5 to 8.

(c) Investments

Classification and measurement

Investments which are not in subsidiaries or associates are initially recognised at fair value and measured subsequently at fair value through the Consolidated statement of other comprehensive income where the group has made an irrevocable election to do so. Otherwise gains and losses are recognised at fair value through the Consolidated income statement.

Income recognition

Dividends received are recognised in the Consolidated income statement when received.

(d) Loans to customers

Classification and measurement

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

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

Income recognition

Interest arising from funding activities (interest income from financial assets at amortised cost) is not within the scope of IFRS 15 but is the primary source of revenue for the group. It is calculated using the effective interest method and recognised in the Consolidated income statement. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life or duration of the financial instrument to the carrying amount of the instrument.

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

Interest receivable and similar income includes default and settlement fees on loans and fees for not making use of the loan facility granted (non-use fees). Revenue from non-use fees, default and settlement fees is recognised at a point in time. Other interest receivable is recognised over time.

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

Impairment

Impairment reviews are carried out using the ECL approach outlined in 2.6 (b) above.

Any loans outstanding for a period of up to 30 days are not considered to be suffering from an increase in credit risk. Loans outstanding for a period of up to 60 days from premium funding companies are still not considered to be impaired or having a deterioration in credit quality. This is because the group's loans in respect of this type of lending are short term agreements of less than 12 months, the majority give Orchard a right of recovery from introducers and there are often mundane reasons for the delay such as change of bank by the borrower. While these late payments do constitute expected credit losses, any loss is mitigated by charges made for late payment. Advances described above are included in Stage 1 of the credit assessment outlined in 2.6 (b) above.

A significant increase in credit risk is determined by management, based on their experience and judgement. Preliminary assessment of credit risk is based on days past due. Any loans over 30 days past due (apart from those due from premium funding companies as outlined above) are viewed initially as being an increase in credit risk and further analysis is carried out on the debt, including evaluating the broker or borrower. These loans are included in Stage 2.

Certain loans (those for assets) are secured

Orchard Funding Group plc annual report for the year ended 31 July 2024

Company number 09618919

A loan to a customer will only be considered credit impaired if it is in default of contractual terms, 90 days past due, or there is other objective evidence of impairment. Where a financial asset is classified as credit impaired it will be moved into stage 3. Advances are considered to be in default where the borrower is in breach of contract, is bankrupt, or experiences other significant financial difficulties which are expected to have a detrimental impact on their ability to pay interest or principal on the advance. If in a subsequent period the amount of the impairment loss decreases, and the decrease can be related objectively to an event occurring after the impairment was recognised, a reversal of the previously recognised impairment loss is recognised in the Consolidated income statement. All credit impaired loans are provided for in full, unless there are circumstances which would indicate that a lower amount should be provided for.

An advance is written off once legal advice has been received that the debt is uncollectable.

(e) Other receivables

Classification and measurement

Other receivables are primarily amounts due from customers for use of the lending system, for managing loans and recharges of costs incurred on behalf of customers. They are included as current assets if they are due to be settled within one year. If not, they are presented as non-current assets. They are initially recognised at fair value and subsequently recognised at amortised cost. Where necessary provision for impairment is made.

Amounts owed by group companies to the parent are included as non-current assets in the Company statement of financial position, initially recognised at fair value and subsequently at amortised cost.

Income recognition

Other trading income consists of income arising from the provision of funding systems under licence, fees for managing loans and recharges for costs incurred (direct debit charges). Licences are charged and billed on a monthly basis to the user, and revenue is recognised over time. Income arising from managing loans is recognised when the service is performed, normally also on a monthly basis, and is therefore also over time. Recharges are costs which have already been incurred and therefore have already been provided to the customer. These are recognised at a point in time.

The group does not have any contracts where the period between the transfer of the promised service to the customer and payment by the customer exceeds one year. The group does not, therefore, have any assets or liabilities in this respect; nor does it adjust any of the transaction prices for the time value of money.

Impairment

Impairment reviews are carried out using the ECL approach outlined in 2.6(b) above. This approach applies equally to balances between companies in the group but for reasons indicated in note 16 no impairment provision is necessary.

2.7 Financial liabilities

Under IFRS 9 financial liabilities are classified as:

- measured at amortised cost;
- measured at fair value through profit or loss; or
- designated at fair value through profit or loss.

The group has three principal classes of financial liabilities: trade payables, bank borrowings and financing for right of use assets.

(a) Trade payables

Classification and measurement

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. They are initially recorded at fair value and thereafter at amortised cost using the effective interest rate method. Trade payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Orchard Funding Group plc annual report for the year ended 31 July 2024
Company number 09618919

(b) Bank and other borrowings

Classification and measurement

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

Charges

Charges consist of interest payable and associated costs (charges and legal fees for setting up the facility). Where the facility is not fully utilised and there is a non-utilisation charge, this is recognised as a transaction cost as incurred, at amortised cost, in the Consolidated income statement.

(c) Liabilities arising from right of use assets

These are dealt with in note 2.8.

2.8 Right-of-use assets

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the group. Each lease payment is allocated between the liability and finance cost.

Leases are referred to as leases and right-of-use assets in these financial statements.

Assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Liabilities include the net present value of the following payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payments that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The group's leasing contracts only consist of fixed payments.

Orchard discounts at the interest rate implicit in the contract for hire purchase contracts and uses its incremental borrowing rate for short term leasehold property contracts, given the difficulty of establishing the rate implicit in the lease for those contracts.

After the commencement date, where there are any estimates used in accounting for the lease which may alter through changes in the contract (for example contractual clauses which allow the term to be increased) the lease is reassessed and, where necessary, both the asset and lease liability are remeasured. If the carrying amount of the right-of-use asset has already been reduced to zero and there is a further reduction in the measurement of the lease liability, then the lessee recognises any remaining amount of the remeasurement in the Consolidated income statement

There have been no modifications in the lease.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and small items of office furniture.

Charges

The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The amount is disclosed in note 7.

The charge for depreciation for right of use assets is reported in other operating costs in the Consolidated income statement and is shown in note 8.

The basis of the depreciation charge is shown in note 2.12.

Orchard Funding Group plc annual report for the year ended 31 July 2024
Company number 09618919

2.9 Employee benefits

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

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

2.10 Current and deferred taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in the Consolidated income statement, except to the extent that it relates to items recognised in the Consolidated statement of other comprehensive income or directly in equity, in which case it is recognised in each respectively.

The current tax charge is calculated on the basis of tax laws enacted or substantively enacted in the United Kingdom, where the group exclusively operates.

Deferred tax is recognised on temporary differences arising between the tax based assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax is determined using tax rates that are expected to apply when the liability or asset reverses.

Deferred tax liabilities are recognised in respect of all temporary differences that exist at the reporting date. Timing differences are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in different periods from their recognition in the financial statements. Deferred tax assets are recognised only to the extent that it is probable that they will be recovered by the reversal of deferred tax liabilities or other future taxable profits.

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

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

2.11 Dividend distribution

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

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

2.12 Property, plant and equipment

(a) Cost

Property, plant and equipment which are owned by the group are stated at historical cost less depreciation and impairment. Historical cost consists of expenditure that is directly attributable to the acquisition of the items. Property, plant and equipment which are held as right-of-use assets are dealt with under note 2.8.

The group purchased a property to use as an office during the year. The land is estimated at 33% of the value of the purchase with the buildings comprising the balance.

(b) Depreciation

Depreciation is calculated using the following rates:

Owned assets:

Freehold land	Nil
Freehold buildings	2.00% straight line
Office equipment and fixtures	20.00% straight line
Computer equipment	33.33% straight line
Motor vehicles	25.00% reducing balance

Right-of-use assets:

Leasehold property	Over the remaining period of the lease straight line
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Orchard Funding Group plc annual report for the year ended 31 July 2024

Company number 09618919

2.13 Intangible assets

(a) Cost

Intangible assets are stated at historical cost less amortisation. Historical cost consists of expenditure that is directly attributable to the acquisition of the items. Intangible assets consist of software development. Given the fast-changing nature of technology, these assets have a finite useful life and the amortisation period reflects this.

(b) Amortisation

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

2.14 Cash and cash equivalents

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

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, there was no identified impairment loss.

2.15 Share capital and premium

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

2.16 Rounding of amounts

All amounts disclosed in the financial statements and notes have been rounded off to the nearest thousand pounds unless otherwise stated.

2.17 Segmental reporting

The group operates wholly within the United Kingdom therefore there is no meaningful information that could be given on a geographical basis. The group recognises two classes of lending – Toyota products and standard lending. The risks, rewards and management of all products forming part of standard lending are so similar, or are immaterial in terms of income, assets or lending, that any segregation (other than central costs) would not give meaningful information to users of the financial statements. Toyota products are similar in terms of management but carry no risk and lower returns. The board views this as a separate segment. Details are shown in note 5.

The board assesses each segment based on segment operating profit (before tax and exceptional items, but after finance costs which form part of interest payable and similar charges and other direct costs).

3. Critical accounting estimates and judgements

The directors are required to select suitable accounting policies, apply them consistently and make judgements and estimates that are reasonable and prudent. The financial position at the year end and the financial performance during it are sensitive to these. Estimates and judgements made by the board are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the group and that are believed to be reasonable under the circumstances. The following are considered critical in so far as use of alternative estimates would have an impact on the reported results of the next financial year.

3.1 Expected credit losses

The evaluation of expected credit losses requires a number of significant judgements and estimates to be made against a background of uncertainty. This is so, not only in assessing whether credit risk has moved since the original recognition of the financial asset, particularly as regards loans to customers, but also in estimating future cash flows. Assumptions have to be made based on past experience together with what is anticipated to happen in the future. The level of expected credit loss allowance would be different if these estimates were replaced by another set. Additional details of management's judgements in this area are included within the accounting policy in note 2.6 (b).

3.2 Fair value of investments

The assessment of fair values is based on one or more inputs. The company has an investment in a non-group company. Details of this is shown in note 15. For this investment, level 3 inputs are used. The initial assessment of net asset values is then adjusted based on our view of the state of each company's finances. By its nature, this approach requires a great deal of subjectivity and other persons assessing the fair values of the investment may take an alternative view. Our total exposure in these investments is £6k (2023 £6k).

Orchard Funding Group plc annual report for the year ended 31 July 2024

Company number 09618919

In addition, the company acquired a further 30% of a company in which it already held a 30% share. The fair value of the assets acquired are, again, established using level 3 inputs because of the lack of information available to the group at the date of acquisition.

4. Financial risk management

4.1 Financial risk factors

The group's activities expose it to a variety of financial risks. Risk management is carried out by the board of directors. It identifies, evaluates and mitigates financial risks. The major financial risks are: credit risk; liquidity risk; interest rate risk and non-repayment risk. These have been dealt with in detail in the Group strategic report on pages 5 to 8.

4.2 Maximum exposure to credit risk

(a) Loans to customers and other receivables

The group adopts the general approach to measuring the expected credit loss on its loans and other receivables. The approach is set out in note 2.6.

The maximum exposure to credit risk on loans to customers was £52.11m (2023 £47.40m). These figures exclude loans to customers made by Orchard Finance Limited (Toyota products shown in note 5) as these carry no credit risk. Credit risk is minimised by a strict underwriting policy, and the additional factors set out in note 16. As shown in note 16 over 91% of customer receivables are subject to recourse to the introducing partner in the event of default by the borrower. When estimating ECLs, debts with recourse are considered to have better credit risk than those without, as the supporting partner will take on the liability if the underlying borrower fails to pay.

4.3 Capital management

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

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

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

Although we now account for operating segments (see note 5), the board feels that no benefit would be gained by showing ROCE by segment. The table below shows the ROCE at 31 July 2024 and 31 July 2023.

	2024	2023
	£000	£000
Operating profit	2,113	2,163
Depreciation and amortisation	106	45
EBITDA	2,219	2,208
Capital employed:		
Capital and reserves (including current year)	18,932	17,749
Retail bond	3,787	3,744
Bank borrowings (net of cash held)	34,953	28,413
Other borrowings	-	15
Total capital and borrowings	57,672	49,921
ROCE	3.85%	4.42%

Orchard Funding Group plc annual report for the year ended 31 July 2024
Company number 09618919

5. Operating segments

As noted on page 4 the group now reports to the board of directors (the Chief Operating Decision Makers ("CODM")) in terms of two segments – lending for Toyota products (shown as "Toyota products" in these financial statements) which carry no credit risk and have a lower return, and other lending (shown as "Standard lending" in these financial statements), the nature of which is similar in terms of risk, reward and processes.

The CODM reviews monthly management information including our KPIs (see page 8 for these). Revenue (which for these purposes includes interest income, which is outside the scope of IFRS 15) consists of income which is recognised at a single point in time and that which occurs over a given period. There is a small amount of income falling within the scope of IFRS 15 which is recognisable over more than one year. Any discounting would be immaterial.

	2024			
	Total £000	Central costs £000	Standard lending £000	Toyota Products £000
Revenue				
Interest revenue	7,674	-	7,674	-
Other revenue	1,965	-	1,377	588
	9,639	-	9,051	588
Expenses by nature				
Interest payable and similar charges				
Interest payable	1,841	-	1,841	-
Bank fees	69	-	69	-
	1,910	-	1,910	-
Other direct costs				
Bank fees	844	-	738	106
Net total income	6,885	-	6,403	482
Other operating costs				
Employee costs	1,710	786	924	-
Advertising and selling costs	853	-	853	-
Professional and legal fees	314	118	194	2
IT costs	221	3	218	-
Cost of listing	83	83	-	-
Depreciation and amortisation	106	-	106	-
Other net expenses	325	4	317	4
	3,612	994	2,612	6
Net impairment charges	1,160	(75)	1,235	-
	4,772	919	3,847	6
Operating profit/(loss)	2,113	(994)	2,631	476
Interest receivable	6		6	-
Interest payable	-			-
Profit/(loss) before tax	2,119	(994)	2,637	476

Orchard Funding Group plc annual report for the year ended 31 July 2024
Company number 09618919

	2023			
	Total £000	Central costs £000	Standard lending £000	Toyota Products £000
Revenue				
Interest revenue	6,215	-	6,215	-
Other revenue	1,649	-	1,308	341
	7,864	-	7,523	341
Expenses by nature				
Interest payable and similar charges				
Interest payable	1,270	-	1,270	-
Bank fees	79	-	79	-
	1,349	-	1,349	-
Other direct costs				
Bank fees	911	-	855	56
Net total income	5,604	-	5,319	285
Other operating costs				
Employee costs	1,659	786	873	-
Advertising and selling costs	672	-	672	-
Professional and legal fees	401	118	279	4
IT costs	176	2	174	-
Cost of listing	80	80	-	-
Depreciation and amortisation	45	-	45	-
Other net expenses	269	1	267	1
	3,302	987	2,310	5
Impairment losses	139	75	64	-
	3,441	1,062	2,374	5
Operating profit/(loss)	2,163	(1,062)	2,945	280
Interest receivable	9	-	9	-
Interest payable	(1)	-	(1)	-
Profit/(loss) before tax	2,171	(1,062)	2,953	280

Revenue recognition by timing:

	2024			2023		
	Total £000	Standard lending £000	Toyota products £000	Total £000	Standard lending £000	Toyota products £000
Over time – interest revenue outside the scope of IFRS 15	6,735	6,735	-	5,328	5,328	-
At a point in time – non utilisation fees	773	773	-	769	769	-
At a point in time – default and settlement fees	166	166	-	118	118	-
Interest receivable and similar income	7,674	7,674	-	6,215	6,215	-
At a point in time – direct debit charges	558	558	-	787	787	-
Over time – loan administrative fees	1,263	675	588	717	376	341
Over time – licence fees	144	144	-	145	145	-
Other trading income	1,965	1,377	588	1,649	1,308	341
Total revenue	9,639	9,051	588	7,864	7,523	341

Orchard Funding Group plc annual report for the year ended 31 July 2024
Company number 09618919

Set out below are assets and liabilities by segment.

	2024			2023		
	Total	Standard	Toyota	Total	Standard	Toyota
	£000	lending	products	£000	lending	Products
		£000	£000		£000	£000
Assets:						
Segment assets	68,581	52,543	16,038	61,785	48,823	12,962
Unallocated assets:						
Investments	6			6		
Land and buildings	440			6		
Other fixed assets	153			48		
Current assets	5			32		
Total assets	69,185			61,877		

	2024			2023		
	Total	Standard	Toyota	Total	Standard	Toyota
	£000	Lending	products	£000	lending	Products
		£000	£000		£000	£000
Liabilities:						
Segment liabilities before taxation	49,393	33,577	15,816	43,305	30,755	12,550
Unallocated liabilities:						
Current liabilities	317			357		
Borrowings for right of use assets	-			15		
Taxation	542			449		
Deferred taxation	1			2		
Total liabilities	50,253			44,128		

6. Employees and directors

6.1 Employee costs

	2024		2023	
	Group	Company	Group	Company
	£000	£000	£000	£000
Wages and salaries (including directors)	1,512	699	1,468	698
Social security costs	175	87	172	86
Pension costs – defined contribution plans	15	-	13	-
Benefits in kind	8	2	6	2
	1,710	788	1,659	786

The average number of persons employed by the group was:

	2024		2023	
	Group	Company	Group	Company
	No.	No.	No.	No.
Directors	4	4	4	4
Administration	19	-	18	-
	23	4	22	4

Orchard Funding Group plc annual report for the year ended 31 July 2024
Company number 09618919

6.2 Directors' remuneration

	Fees, salary and bonus £000	Taxable benefits £000	Total gross £000	Employer's NIC £000	Total £000
2024					
Total directors' remuneration	700	3	703	87	790
2023					
Total directors' remuneration	698	2	700	86	786

R Takhar was the highest paid director during the year earning £592k including taxable benefits and short-term bonus (2023 £592k). Details are shown in the Remuneration report on page 16.
Key management personnel are considered to be the CODM as described in note 5.
No director is accruing benefits under a pension scheme.

7. Finance income and costs

The group's income comes from making loans.
Interest payable on borrowings to finance these loans is therefore included as a cost of sale under interest payable and similar charges. The amount included was £1,842k (2023 £1,270k) excluding fees.
The group receives an amount of interest from its bank balances. This year it amounted to £6k (2023 £9k).
Interest payable is in respect of right-of-use assets and amounted to £Nil (2023 £1k). The agreement for those assets terminated during the year.

8. Operating profit

This is stated after charging:

	2024 £000	2023 £000
Depreciation of owned property, plant and equipment	12	10
Depreciation of right of use assets	6	10
Amortisation of intangible assets	77	23
Amortisation of goodwill on consolidation	11	
Interest payable on liabilities in respect of right-of-use assets	-	1
Auditor's remuneration:		
Audit fees – parent company and consolidation	48	70
Audit fees – subsidiaries	82	105

9. Tax expense

9.1 Current year tax charge:

	2024 £000	2023 £000
Current tax expense	553	458
Deferred tax expense relating to the origination and reversal of temporary differences	(1)	-
	552	458

9.2 Tax reconciliation

The tax assessed for the year differs from the applicable corporation tax rate in the UK (25% for 2024 and 21.01% for 2023). The tax rate for 2023 is the blended rate for the period as a result of the corporate tax rate increasing from 19% to 25% on 1 April 2023.

Orchard Funding Group plc annual report for the year ended 31 July 2024
Company number 09618919

The differences are explained below.

	2024 £000	2023 £000
Profit before tax for the financial year	2,119	2,171
Applicable rate – 21.01% (2023 19.00%)	25.00%	21.01%
Tax at the applicable rate	530	456
Effects of:		
Items not deductible for tax	19	2
Fair value adjustment for goodwill on consolidation	3	-
Tax charge for the year	552	458

10. Profit of the parent company

As permitted by Section 408 of the Companies Act 2006, the statement of comprehensive income of the parent is not presented as part of these financial statements. The parent company's profit for the year was £511k (2023 profit £328k).

11. Dividends

	2024 £000	2023 £000
Amounts recognised as distributions to equity holders in the period:		
Final dividend for the year ended 31 July 2023 of 2p (2022 2p) per share	427	427
Interim dividend for the year ended 31 July 2024 of 0p (2023 1p) per share	-	214
	427	641
Proposed final dividend for the year ended 31 July 2024 of 0p (2023 2p) per share	-	427

12. Earnings per share

Earnings per share is based on the profit for the year attributable to the owners of £1.58m (2023 - £1.71m) and the weighted average number of the ordinary shares in issue during the year of 21.35m(2023 - 21.35m). There are no options or other factors which would dilute these therefore the fully diluted earnings per share is identical.

Orchard Funding Group plc annual report for the year ended 31 July 2024
Company number 09618919

13. Property, plant and equipment and right of use assets

13.1 Property, plant and equipment

	Freehold land and buildings £000	Office equipment and fixtures £000	Computer equipment £000	Motor vehicles £000	Total £000
Cost					
At 1 August 2022	-	62	92	12	166
Additions	-	-	8	-	8
Disposals	-	-	-	(12)	(12)
At 31 July 2023	-	62	100	-	162
Additions	446	5	2	-	453
At 31 July 2024	446	67	102	-	615
Depreciation					
At 1 August 2022	-	60	85	8	153
Charged to other operating costs in the consolidated statement of income	-	2	8	-	10
Eliminated on disposal	-	-	-	(8)	(8)
At 31 July 2023	-	62	93	-	155
Charged to other operating costs in the consolidated statement of income	6	2	4	-	12
At 31 July 2024	6	64	97	-	167
Carrying value at 31 July 2024	440	3	5	-	448
Carrying value at 31 July 2023	-	-	7	-	7

13.2 Right of use assets

The following assets are right of use assets

	Short leasehold premises £000
Cost	
At 1 August 2022 and 31 July 2023	153
Disposals	(153)
At 31 July 2024	-
Depreciation	
At 1 August 2022	137
Charged to other operating costs in the consolidated statement of income	10
At 31 July 2023	147
Eliminated on disposal	(147)
At 31 July 2024	-
Carrying value at 31 July 2024	-
Carrying value at 31 July 2023	6

Details of the liability relating to the above are shown in note 19. Interest charged in the year is shown in note 8.

Orchard Funding Group plc annual report for the year ended 31 July 2024
Company number 09618919

14. Intangible assets – group

	Software development costs £000
Cost	
At 1 August 2022	163
Additions	57
At 31 July 2023	220
Additions	214
Reversal of additions in the previous year	(50)
At 31 July 2024	384
Amortisation	
At 1 August 2022	156
Charged to other operating costs in the consolidated statement of income	23
At 31 July 2023	179
Charged to other operating costs in the consolidated statement of income	77
Reversal of depreciation charged on additions reversed above	(17)
At 31 July 2024	239
Carrying value at 31 July 2024	145
Carrying value at 31 July 2023	41

15. Investments

15.1 Subsidiaries

	Shares in subsidiaries £000
Cost and carrying value	
At 31 July 2023	2,857
Addition of Open B Gateway Limited (see below)	75
31 July 2024	2,932

Details of the subsidiaries are:

Name	Country of incorporation and place of business	Nature of business	Proportion of ordinary
Bexhill UK Limited	England and Wales	Finance provider	100%
Orchard Funding Limited	England and Wales	Finance provider	100%
Orchard Finance Limited	England and Wales	Finance provider	100%
Cherry Orchard Funding Limited	England and Wales	Finance provider	100%
Orchard Bond Finance plc	England and Wales	Finance provider	100%
Open B Gateway Limited	England and Wales	Software development	60%

All subsidiaries are included in the consolidation.

The registered office of each subsidiary is that of the parent, 222 Armstrong Road, Luton, Bedfordshire LU2 0FY.

Orchard Funding Group plc annual report for the year ended 31 July 2024
Company number 09618919

The parent company has given a guarantee under section 479C of the Companies Act 2006 to the following subsidiary undertakings to enable them to claim exemption from an audit for the year ended 31 July 2024 under section 479A of the Companies Act 2006.

- Cherry Orchard Funding Limited - Company Number: 12502698.
- Orchard Finance Limited - Company Number: 07074570.
- Open B Gateway Limited - Company Number: 11910674.

Open B Gateway Limited

Some years ago, the group acquired 300 ordinary shares in Open B Gateway Limited, a company whose principal activity is business software development. The shares were purchased at par (£1 per ordinary share) and represented a 30% holding in that company. In the year to 31 July 2021 a further £75k was invested as a premium on the original acquisition.

This size of shareholding would have been sufficient to deem the company an associate, as significant influence would normally exist in these circumstances, but until recently the group did not have any representation on the board of the company, took no part in its management, there was no interchange of managerial personnel and the group was not entitled to financial information other than that available to shareholders. No significant influence existed. For these reasons the board considered a trade investment to be a more appropriate classification.

The investment was subject to a fair value review. A level 3 value was applied because of the lack of reliable information on which to base a level 1 or level 2 valuation. On that basis, the board felt that a fair value for the investment would be £Nil and adjusted the fair value accordingly in the 2023 financial statements.

On 19 March 2024, the group took a further 30% stake by way of transfer from an existing shareholder at a cost of £Nil. The intention was to get better control of the company which provided open banking software to the group. The group also took over the management of the company. It therefore became a 60% subsidiary on 19 March 2024. On the same date, having better information available, the £75k which had been adjusted in 2023 was reinstated as representing the fair value of the acquisition at that date.

At the date of acquisition the fair value of the assets acquired and liabilities incurred were:

	£000
Software development	195
Loan from Orchard Funding Group plc	(88)
Other	(1)
	<u>106</u>

The group share of the net assets was £64k and that of non-controlling interests was £42k. Both are based on the fair value of the assets and liabilities at the date of acquisition. The fair value of the consideration was £75k which was paid in cash in an earlier year.

Carrying value of goodwill in the investment:

At 19 March 2024	11
Fair value adjustment	<u>(11)</u>
At 31 July 2024	<u>-</u>

15.2 Investments at fair value through profit and loss

Accolade Education Finance Limited

Some years ago shares in Accolade Education Finance Limited with a nominal value of £20 representing 20% of the issued share capital of that company, were transferred to Orchard Funding Group plc at £nil cost.

This size of shareholding would be sufficient to deem Accolade Education Finance Limited an associate as significant influence would normally exist in these circumstances. However, the group does not have any representation on the board of the company; it takes no part in its management; there is not (and no intention to have) any interchange of managerial personnel and there is no intention to have transactions between the parties which are material to either side. This investment was made for strategic purposes. For these reasons, the board considers classification as a trade investment to be more appropriate.

The amount paid for this asset was £Nil and there is no reliable information which is easily obtainable, on which to base a Level 1 or Level 2 valuation therefore a Level 3 valuation has been used (see note 2.6 for an explanation of each level). The net asset value at 31 March 2023 (the latest set of published accounts) was £129k. For the purposes of fair valuing the investment, given that the group is not entitled to any management

Orchard Funding Group plc annual report for the year ended 31 July 2024

Company number 09618919

information and the lack of any other public information, the net asset value has been used as a starting point. However, the company was not in a position to pay dividends. The board considers the fair value of this investment to remain at £6k. Given the maximum risk is £6k, the directors view the valuation as presenting minimal risk of material misstatement.

16. Loans to customers and other receivables

	2024		2023	
	Group £000	Company £000	Group £000	Company £000
Non-current				
Financial assets at amortised cost				
Intercompany receivables	-	13,076	-	12,903
Loans to customers:				
Gross	9,348	-	7,972	-
Impairment provision	(310)	-	(5)	-
	9,038	13,076	7,967	12,903
Current				
Financial assets at amortised cost				
Loans to customers:				
Gross	58,780	-	51,320	-
Impairment provision	(836)	-	(299)	-
	57,944	-	51,021	-
Financial assets at amortised cost				
Other receivables	77	-	151	-
	77	-	151	-
Total current financial assets	58,021	-	51,172	-
Prepayments	45	5	128	32
	58,066	5	51,300	32

Loans to customers

Standard credit terms for loans to customers are based on the length of the loan but repayments are due on a monthly basis. Detail of impairment reviews are shown in note 2.6.

The expected credit losses on receivables not past due have been assessed as very low, because of the following factors:

- With the majority of our lending no loan is made until the first repayment has been received by the group;
- In the event of default, the group has recourse to the underlying borrower;
- In the case of insurance premium receivables, the Financial Services Compensation Scheme provides additional cover to the group;
- For insurance premium receivables, the cover ceases, premiums paid are refunded, and the group has access to these refunds;
- A charge is made for late payments.

Loans to customers can be analysed as follows. The reference to stage 1, 2 and 3 refer to those stages explained in note 2.6.

The figures refer to the group as the parent company has no loans to customers.

Total loans to customers:

	2024			2023		
	Gross £000	Impairment allowance £000	Net £000	Gross £000	Impairment allowance £000	Net £000
Amount receivable – stage 1	66,931	(141)	66,790	58,820	(65)	58,755
Amount receivable – stage 2	140	-	140	266	(35)	231
Amount receivable – stage 3	1,057	(1,005)	52	206	(204)	2
	68,128	(1,146)	66,982	59,292	(304)	58,988

Orchard Funding Group plc annual report for the year ended 31 July 2024
Company number 09618919

The above loans comprise loans with credit risk as follows:

Risk free – third party carries the risk	14,940	-	14,940	11,588	-	11,588
Those where the group takes the lending risk	53,188	(1,146)	52,042	47,704	(304)	47,400
	68,128	(1,146)	66,982	59,292	(304)	58,988

Loans amounting to £2,490k (2023 £1,402k) were secured on the assets which they financed.

The following amounts are debts which have moved from stage 1 or 2 to 3 during the year leading to an increase in impairment allowance:

	2024			2023		
	Gross £000	Impairment allowance £000	Net £000	Gross £000	Impairment allowance £000	Net £000
Amount receivable – stage 1	1,288	(4)	1,284	1,810	(4)	1,806
Amount receivable – stage 2	-	-	-	142	(72)	70
Amount receivable – stage 3	664	(591)	73	-	-	-
	1,952	(595)	1,357	1,952	(76)	1,876

Amounts falling due within one year:

	2024			2023		
	Gross £000	Impairment allowance £000	Net £000	Gross £000	Impairment allowance £000	Net £000
Amount receivable – stage 1	57,760	(67)	57,693	50,848	(60)	50,788
Amount receivable – stage 2	140	-	140	266	(35)	231
Amount receivable – stage 3	880	(769)	111	206	(204)	2
	58,780	(836)	57,944	51,320	(299)	51,021

Amounts falling due after one year but less than five years:

	2024			2023		
	Gross £000	Impairment allowance £000	Net £000	Gross £000	Impairment allowance £000	Net £000
Amount receivable – stage 1	9,028	(3)	9,025	7,972	(5)	7,967
Amount receivable – stage 2	-	-	-	-	-	-
Amount receivable – stage 3	320	(307)	13	-	-	-
	9,348	(310)	9,038	7,972	(5)	7,967

Amounts falling due after more than five years included above:

	2024			2023		
	Gross £000	Impairment allowance £000	Net £000	Gross £000	Impairment allowance £000	Net £000
Amount receivable – stage 1	258	-	258	128	-	128
Amount receivable – stage 2	-	-	-	-	-	-
Amount receivable – stage 3	-	-	-	-	-	-
	258	-	258	128	-	128

Orchard Funding Group plc annual report for the year ended 31 July 2024

Company number 09618919

97.58% of customer receivables are subject to recourse to the introducing partner in the event of default by the borrower (2023 98.50%).

	2024 Group £000	2023 Group £000
Impairment provision at 1 August	304	135
increase in provision in the year	1,235	64
Impairment provision on debts written off in previous years	-	105
Debts written off directly to Consolidated statement of comprehensive income	(393)	-
Impairment provision at 31 July	1,146	304

Intercompany receivables

The parent is owed a substantial amount by four of its subsidiaries. These debts are interest free and due on demand. Neither subsidiary has the cash to repay these immediately and therefore, under the requirements of IFRS 9, provision may need to be made in the financial statements of the parent. However, the board does not see any need for a provision because:

- the loans to customers which each subsidiary has made will generate sufficient cash to repay these loans (after payment of other liabilities) on a “run off” basis (as cash is collected it could be paid across to the parent). The majority of loans to customers in the subsidiaries are all repayable within 12 months; and
- any risk of loss is considered remote (not expected) and therefore no impairment provision is necessary as any credit loss would be immaterial.

17. Cash and cash equivalents

	2024 Group £000	2023 Group £000
Amounts held at banks	1,482	2,550

Cash and cash equivalents consist of group bank balances. The parent company has no bank account.

18. Called up share capital

Allotted, issued and fully paid at 31 July 2024 and 31 July 2023

Number	Class	Nominal value	£000
21,354,167	Ordinary shares	1p	214

19. Borrowings

	2024 £000	2023 £000
Non-current:		
Retail bond	3,786	3,744
Other borrowings	6,743	4,899
	10,529	8,643
Current:		
Borrowings arising from right-of-use assets	-	15
Other borrowings	29,693	26,064
	29,693	26,079

The parent company has no external borrowings.

The remaining contractual maturities and other details in respect of the retail bond and other borrowings are shown in note 19.1.

Details of right-of-use assets are shown in note 19.3.

Orchard Funding Group plc annual report for the year ended 31 July 2024

Company number 09618919

19.1 Terms and debt repayment schedule

Bexhill's current facility is renewable in April 2025. Orchard Funding's facility is renewable in June 2025 with the renewal date for Orchard Finance being May 2025. There is no indication that these facilities will not be renewed. Average interest is calculated by the interest paid in the year divided by average borrowings in the year.

Borrowings by Bexhill of £20.48m (2023 £19.23m) are secured by a fixed and floating charge over all the assets of Bexhill, bear interest at an average rate of 7.75% excluding associated costs (2023 6.04% on the same basis) and are repayable within one year of the advance. The rate is variable and is 2.50% above bank base rate. At the year end the rate payable by Bexhill was 7.75% (2023 7.50%). The maximum drawdown on the facility is currently £25.00m (2023 £22.00m) of which £4.52m was undrawn at the year-end (2023 £2.78m). The outstanding amount of £20.48m (2023 £19.23m) is repayable otherwise than by instalments by the renewal date.

Orchard Funding borrowings are secured by a fixed and floating charge over all the assets of Orchard Funding, bear interest at an average rate of 7.95% pa excluding associated costs (2023 6.31% on the same basis) and are repayable within one year of the advance. The rate is variable and is 2.75% above the Sterling Overnight Index Average (SONIA) rate. At the year end the rate payable by Orchard Funding was 7.95% (2023 7.95%). The maximum drawdown facility is currently £5.00m (2023 £5.00m) of which £2.50m was undrawn at the year-end (2023 £3.50m). The outstanding amount of £2.5m (2023 £1.5m) is repayable otherwise than by instalments by the renewal date.

Orchard Finance has access to a maximum drawdown borrowing facility of £20.00m (2023 £20.00m) of which £6.55m was undrawn at the year end (2023 £9.76m). This facility can only be used for products of the lender, bears no interest, is secured by a fixed and floating charge and is repayable as monies are received by Orchard Finance from loans made by it. Non-current borrowings of £6.74m (2023 £4.90m) and current borrowings of £6.72m (2023 £5.34m) are matched with receipts from loans to customers and are repayable on that basis up to 36 months after the loan is made.

In March 2022 retail bonds were issued for £3.90m which raised £3.90m. They bear interest at a rate of 6.50% per annum, payable twice a year. The market value of the bonds was £3.84m at 31 July 2024 (£3.90m at 31 July 2023). They are wholly repayable in March 2027.

The directors consider that the terms of these facilities closely match the maturity dates of the group's receivables and no amounts are due after five years on any of the facilities.

19.2 Retail Bond

	2024 Group £000	2023 Group £000
Redemption amount	3,897	3,897
Amortised costs carried forward	(111)	(153)
Carrying value	3,786	3,744

19.3 Right-of-use assets

Liabilities in respect of right-of-use assets are unsecured, bear interest at the group's marginal cost of borrowing on inception of the lease. This was 3.60%. The lease ended in February 2024.

The minimum payments under lease liabilities are as follows:

	2024 Group £000	2023 Group £000
Within 1 year	-	15
Later than 1 year but no later than 5	-	-
	-	15
Future finance charges	-	-
	-	15

The present value of lease liabilities are as follows:

Within 1 year	-	15
Later than 1 year but no later than 5	-	-
	-	15

Orchard Funding Group plc annual report for the year ended 31 July 2024
Company number 09618919

Reconciliation of liabilities arising from financing activities

The information given below relates to the group. The parent has no cash-flows from financing activities as all its costs are paid for by its subsidiaries.

	At 1 August 2022 £000	Non-cash movement £000	Cash flows £000	At 31 July 2023 £000	Non-cash movement £000	Cash flows £000	At 31 July 2024 £000
Non-current:							
Retail bond	3,702	42	-	3,744	42	-	3,786
Borrowings arising from right-of-use assets – leases	15	-	(15)	-	-	-	-
Other borrowings	2,340	-	2,559	4,899	-	1,844	6,743
	6,057	42	2,544	8,643	42	1,844	10,529
Current:							
Bank loans	19,439	-	6,625	26,064	-	3,629	29,693
Borrowings arising from right-of-use assets - leases	29	-	(14)	15	-	(15)	-
	19,468	-	6,611	26,079	-	3,614	29,693
Total liabilities from financing activities	25,525	42	9,155	34,722	42	5,458	40,222
Interest on right-of-use assets included in liabilities			(1)			-	
Cashflows from financing activities			9,154			5,458	
Comprising:							
Net receipts from borrowings			9,184			5,473	
Lease repayments			(30)			(15)	
			9,154			5,458	

The non-cash movement was in respect of the element of amortised costs for the bond which were charged in the year to comprehensive income.

20. Deferred tax

20.1 Deferred tax liabilities

	2024 Group £000	2023 Group £000
The balance comprises temporary differences attributable to:		
Accelerated capital allowances	1	2
	1	2

20.2 Movement on deferred tax balances

Deferred tax liabilities	
At 1 August 2022	1
Charged to Consolidated income statement	1
At 31 July 2023	2
Credited to Consolidated income statement	(1)
At 31 July 2024	1

Orchard Funding Group plc annual report for the year ended 31 July 2024
Company number 09618919

21. Trade and other payables

Current liabilities	2024		2023	
	Group	Company	Group	Company
	£000	£000	£000	(as restated) £000
Trade payables	7,003	-	6,565	-
Intercompany payables	-	3,390	-	3,213
Other payables	133	-	59	-
Other tax and social security costs	41	23	40	20
Accruals and deferred income	2,311	294	2,291	337
	9,488	3,707	8,955	3,570

Trade payables are unsecured and are usually paid within 30 days of recognition.

Included within accruals and deferred income is deferred income of £1.23m (2023: £1.13m) relating to income received in advance for loan administration services. The majority of this balance is expected to reverse within the next 12 months.

Intercompany payables are interest free and repayable on demand.

22. Financial instruments

The group and company is exposed to the risks that arise from its use of financial instruments. The objectives, policies and processes of the group and company for managing those risks and the methods used to measure them are detailed in note 4.

22.1 Principal financial instruments

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

- Loans to customers and other receivables
- Cash and cash equivalents
- Trade payables
- Borrowings including financing for right-of-use assets

22.2 Financial instruments by category

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

	2024		2023	
	Group	Company	Group	Company
	£000	£000	£000	(as restated) £000
Non-current assets				
Financial assets at fair value through profit and loss:				
Investments	6	6	6	6
Financial assets at amortised cost:				
Investments	-	2,932	-	2,857
Intercompany receivables	-	13,076	-	12,903
Loans to customers	9,038	-	7,967	-
Current assets				
Financial assets at amortised cost:				
Loans to customers	57,944	-	51,021	-
Other receivables: current	77	-	151	-
Cash and cash equivalents:				
Bank balances and cash in hand	1,482	-	2,550	-
	68,547	16,014	61,695	15,766

Orchard Funding Group plc annual report for the year ended 31 July 2024
Company number 09618919

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

	2024		2023	
	Group	Company	Group	Company (as restated)
	£000	£000	£000	£000
Financial liabilities at amortised cost:				
Interest bearing loans and borrowings:				
Borrowings payable: non-current	10,525	-	8,643	-
Borrowings payable: current	29,697	-	26,079	-
Total liabilities from financing activities	40,222	-	34,722	-
Trade and other payables	8,217	294	7,775	337
Intercompany payables	-	3,390	-	3,213
	48,439	3,684	42,497	3,550

22.3 Fair value of financial instruments

The board do not consider the fair value of financial assets and liabilities to be materially different to their carrying values.

22.4 Financial risk management

The group's activities expose it to a variety of financial risks. These risks are dealt with in detail in the Group strategic report on pages 5 to 8 and note 4.

23. Related party transactions

23.1 Ultimate controlling party

The ultimate controlling party is considered to be R Takhar who owns 54.19% of the issued share capital.

23.2 Group companies

The following transactions took place between group companies during the year, all of which were considered to be at arm's length. References to "paid" and "received" in the notes below in connection with the parent refer to movements to and from intercompany accounts as the parent has no bank account.

Bexhill – Bexhill made payments on behalf of the parent company amounting to £0.79m (2023 £0.69m) and paid dividends to the parent company amounting to £0.75m (2023 £1.05m). The parent company was repaid £0.34m from Bexhill (2023 £0.16m). At the year-end Bexhill owed the parent company £0.70m (2023 £1.08m). The loan is unsecured, interest free and repayable on demand.

Orchard Funding – Orchard Funding was paid £0.57m by (2023 repaid £0.60m to) the parent company. Orchard Funding made payments on behalf of the parent amounting to £0.73m (2023 had payments made on its behalf by the parent of £1.13m) and paid dividends to the parent company of £0.50m (2023 £0.50m). At the year-end Orchard Funding owed the parent company £11.08m (2023 £10.74m). The loan is unsecured, interest free and repayable on demand.

Orchard Finance – Orchard Finance paid dividends to the parent amounting to £0.18m (2023 £0.14m) and had expenses paid on its behalf through the parent amounting to £0.01m (2023 £0.01m). It repaid £0.61m (2023 £Nil) to the parent. At the year end the parent owed the company £0.26m (2023 the parent was owed £0.16m). The loan is unsecured, interest free and repayable on demand.

Cherry Orchard– Cherry Orchard had expenses paid through the parent amounting to £0.06m (2023 £0.6m). It received a further £0.20m (2020 £0.32m) from the parent. At the year end £1.18m (2023 £0.92m) was owed to the parent.

Orchard Bond–Orchard Bond had expenses paid through the parent amounting to £0.2m (2023 £0.02m) and was paid £0.06m (2023 repaid £0.60m). At the year end the parent owed £3.13m (2023 £3.21m). The parent has underwritten repayment of the bonds for an amount not exceeding 10% of the redemption value of £3.90m (2023 £3.90m) in the event that Orchard Bond was unable to make full repayments itself. The board consider this a remote possibility.

Orchard Funding Group plc annual report for the year ended 31 July 2024
Company number 09618919

Open B –Open B had expenses paid on its behalf through the parent amounting to £0.03m (2023 £0.9m).

23.3 Other entities

The group is related to the following parties with whom it had activity during this or the previous period.

Name of related party	Nature of the relationship
Mr R Takhar	CEO of, and shareholder in, the company
McShane Wright	A firm in which a director, L McShane, is proprietor
Associated Premium Funding Limited	A company wholly owned by Mr R Takhar

Mr R Takhar - during the year Mr Takhar (including connected shareholdings) received dividends amounting to £231,447 (2023 £343,750).

McShane Wright - during the year the firm of McShane Wright provided the group with accountancy and associated services. The charge made for these was £38,054 (2023 £32,302). Of this £32,302 (2023 £29,028) is shown as part of directors’ remuneration in note 6.2 and £7,386 (2023 £3,274) is shown under administrative expenses. At the year-end it was owed £7,572 (2023 £10,200).

Associated Premium Funding Limited - Associated Premium Funding Limited acts as an agent for a number of clients of Bexhill. In this respect, payments to or receipts from this company are on behalf of third parties.

24. Treatment of borrowings

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

25. Post balance sheet events

On 15 August 2024 a further 300 shares were transferred from a shareholder in Open B to the company, giving it a 90% share in Open B. These were transferred at £Nil cost.

Orchard Funding Group plc annual report for the year ended 31 July 2024
Company number 09618919

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