Registered number: 13143667

VALLAY FINANCE LIMITED

ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS FOR

THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

VALLAY FINANCE LIMITED

CONTENTS

COMPANY INFORMATION

Directors	John Paul Nowacki CSC Directors (No.1) Limited CSC Directors (No.2) Limited
Company secretary	CSC Corporate Services (UK) Limited
Registered number	13143667
Registered office	10th Floor 5 Churchill Place London E14 5HU United Kingdom
Independent auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 7 More London Riverside, London SE1 2RT United Kingdom
Bankers	Barclays Bank PLC 1 Churchill Place, London E14 5HP United Kingdom

STRATEGIC REPORT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

Introduction

The Directors present their annual report and audited financial statements for Vallay Finance Limited (the "Company") for the financial year ended 31 December 2023.

Principal activities, business review and future developments

The Company was incorporated on 19 January 2021 as a special purpose vehicle (an "SPV") for the purpose of advancing funds to an Asset Trust which were applied by Iwoca Skye Limited (the "Asset Trustee") for the origination of loans with UK SMEs pursuant to the Coronavirus Business Interruption Loan Scheme ("CBILS") and Recovery Loan Scheme ("RLS") (the "Loans" or "Loans Receivables"). The funds were raised by issuing notes ("Notes") pursuant to a note purchase agreement. The funds were then used to make cash contributions by way of settlement on trust to Iwoca Skye Finance Limited who acts as the lender of record for the Loans and also as the Asset Trustee, thereby holding the Loans on trust for the benefit of the Company. The Loans were originated through the loan origination platform operated in the United Kingdom by Iwoca Skye Finance Limited (the "Originator") (the "Iwoca Online Lending Platform"). The Loans comprise of term loan facilities offered to businesses under CBILS and RLS. Under the Scheme, the UK Government (the "Guarantor") guarantees due and punctual payment of 80% of the Principal Balance of the CBILS Loans and 70% of the Principal Balance of the RLS Loans in accordance with the terms of the Guarantee Agreements. The Company's incorporation was governed by a number of separate agreements, together the "Transaction Documents". The Asset Trustee issued its last CBILS loans on behalf of the Company in July 2022.

The Company entered into the Senior Variable Funding Loan Note Issuance Agreement originally dated 15 February 2021 (the "Senior Notes") and the Subordinated Note Agreement originally dated 15 February 2021 (the "Subordinated Notes", together with the Senior Notes the "Notes") to fund the Asset Trust. The Notes mature eighteen months after the latest maturity date of any Loans in the portfolio that remain outstanding, currently being on 15 July 2027. The maximum commitment of the Senior Note is £178,500,000 and the maximum commitment of the Subordinated Notes is £32,065,000. The Notes are listed on The International Stock Exchange Market.

Under the Transaction Documents, any surplus receipts from the Loan Receivables, after servicing the Notes in issue and all other obligations of the Company, are payable to the holders of the Subordinated Notes. These amounts are included in the measurement of the Subordinated Note liability at the year-end through the effective interest rate calculation ("EIR").

In assessing whether the Loans originated by Iwoca Skye Finance Limited met the relevant derecognition criteria, the provisions of IAS 39 Financial Instruments: Recognition and Measurement ("IAS39") have been adopted in full with respect to the recognition and measurement of the Loans as permitted by Section 11 of Financial Reporting Standard (FRS) 102. The Directors have concluded that the Originator transferred substantially all the risks and rewards of ownership of the Loans to the Company and therefore the Loans were recognised on the Balance Sheet of the Company.

The UK currently faces significant economic uncertainty. This uncertainty is greater than historical levels of uncertainty, due to geopolitical tensions (heightened following the Russian military invasion of Ukraine in March 2022). These have resulted in significant and ongoing increase in cost inflation and therefore increased pressure for the Bank of England to continue to increase base rate from an unprecedented low level. All of these factors result in increased pressure on affordability and a heightened risk that borrowers under the CBILS and RLS may ultimately default on their loan obligations.

While the extent and duration of the effect of this economic uncertainty remains unclear, there is a risk of financial instability for the Company. However, as at the report date there has been no material impact from these macroeconomic factors on the Company's financial performance or cash flows. As the Senior Notes and Subordinated Notes are limited recourse obligations of the Company, the Company is not ultimately exposed to losses if the borrowers are unable to repay the Loan Receivables.

STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023

Principal activities, business review and future developments (continued)

The Company will continue to monitor the effect these macroeconomic factors have on the borrower’s ability to service their borrowings, and therefore the performance of the Company. The Directors envisage no changes to the nature of the Company’s business in the foreseeable future. In order to form a view as to the most appropriate basis of preparation of these financial statements, the Directors have assessed the likelihood of whether the Company will be able to continue trading over the a period of more than 12 months from the date of the approval of these financial statements versus the likelihood of either intending to or being forced to cease trading and place the Company into liquidation. The Directors consider that the Company is able to meet its liabilities as they fall due, and accordingly, the financial statements have been prepared on a going concern basis.

Financial key performance indicators

Given the nature of the Company’s activities, the Directors consider the performance of the Loans Receivables to be the key performance indicator for the Company and the Senior Notes and Subordinated Notes. The balance of the Loans are £49,422,812 as at 31 December 2023 (2022: £99,413,608) and £22,298,060 (2022: £9,414,243), after related impairment provisions were recognised against the portfolio. The balance of the Senior Notes and Subordinated Notes as at 31 December 2023 was £48,452,954 (2022: £81,950,391) and £7,186,629 (2022: £17,394,597) respectively.

The Notes reduce the Company’s liquidity risk by matching the maturity profile of the Company’s funding to the profile of the underlying Loans being funded.

The borrower was entitled to the Business Interruption Payment (the “BIP”), which was an offer by the UK Government to cover payments of interest and other lender levied fees associated with the granting and maintenance of the CBILS facility, being the agreed issuance levels with the UK Government, for a period of 12 months from the date the facility was made available to the borrower. The BIP was payable quarterly by the UK Government to the Originator and then transferred to the Company to cover payments of interest and other fees associated with the granting and maintenance of the CBILS or RLS facility.

Directors' statement of compliance with Section 172(1) of the Companies Act 2006

As a SPV the governance structure of the Company is such that the key policies have been predetermined at the time of issuance. The Directors have had regards to the matters set out in section 172(1) of the Companies Act 2006 as follows:

(a) the Transaction Documents have been formulated to achieve the Company’s purpose and business objectives, safeguard the assets and promote the success of the Company with a long-term view and as disclosed in Note 2 in accordance with relevant securitisation legislation the Company is only permitted to retain minimal profit;

(b) the Company has no employees;

(c) the Company is an SPV and fosters its relationships with suppliers and others via professional third parties who have been assigned operational roles with their roles strictly governed by the Transaction Documents and fee arrangements agreed in advance. The Company has no customers.

(d) as a SPV the Company has no physical presence or operations and accordingly has minimal impact on the community and the environment;

(e) the Company maintains a reputation for high standards of business conduct via professional third parties who have been assigned operational roles. Fee arrangements have been agreed in advance and supplier invoices paid strictly in accordance with the Transaction Documents including a priority of payments, if applicable; and

(f) the Company has a sole member with the issued shares all held on a discretionary trust basis for charitable purpose.

Financial Instruments

The Company's operations are financed primarily by the Senior Notes and Subordinated Notes. The Company issued such financial instruments to finance the Asset Trust which will in turn be applied by the Asset Trustee for the ongoing origination of loans with UK SMEs. The Loans are granted under the Iwoca Online Lending Platform.

Principal risks and uncertainties
Whilst the Directors have overall responsibility for the establishment and oversight of the Company's risk management framework, this obligation has been allocated and managed in accordance with the Transaction Documents. Further details of financial risk management are outlined in Note 16 of the financial statements.

For details of the wider macroeconomic uncertainty currently impacting the UK and, potentially therefore the Company, please refer to section "Principal activities, business review and future developments". The Company is mainly exposed to credit risk, liquidity risk and market risk. The principal nature of such risks is summarised below.

Credit Risk
Credit risk reflects the risk that the underlying borrowers or other transaction parties will not meet their obligations as they fall due. The Company purchased the Loans Receivable in adherence with the Iwoca Online Lending Platform and stated eligibility criteria therein. These criteria are in place to manage the credit risk of the Loans that the Company is exposed to. In the case of Loans issued under CBILS, if a borrower were to default, the Guarantor will fund 70%/80% of the outstanding guaranteed balance through the British Business Bank. Credit risk is monitored and managed on a regular basis through preparation and review of monthly investor reports which are reviewed in detail by senior management.

Liquidity Risk
Liquidity risk is defined as the risk of being unable to fulfil current or future payment obligations in full on the due date. The objective of the Company's liquidity management is to ensure the sufficient funds are available to meet the Company's commitments. Liquidity risk is defined as the risk of being unable to fulfil current or future payment obligations in full on the due date. Liquidity risk is minimised by the fact that the UK Government has guaranteed interest payments for 12 months and provides a steady cash flow for the Company to discharge all expenses. In the event that a borrower subsequently defaults, the Guarantor will fund 70/80% of the outstanding guaranteed balance. Liquidity risk is also minimised as the Senior Notes and Subordinated Notes are limited recourse obligations of the Company, the Company is not ultimately exposed to losses if the borrowers are unable to repay the Loan Receivables. The Company's liquidity position is monitored and reviewed by Directors on an ongoing basis.

Market Risk
Market risk refers to the potential loss arising from changes in interest rates, foreign currency rates, price or rate volatilities and other market rates and prices such as commodity prices. The Company is not exposed to currency risk as all its financial instruments are denominated in GBP (£).

Interest rate Risk
Interest rate risk is a major component of market risk. The net interest margin is dependent on the movements of interest rates and can create mismatches in cash flows (fixed assets or liabilities) or repricing dates (floating assets or liabilities).

The Company is subject to the risk of a mismatch between the rate of interest payable in respect of the Loans Receivable and the rate of interest (including margin) payable in respect of the Notes. The Loans Receivable pay a fixed rate of interest, while the Company's liabilities under the floating rate Notes are based on the compounded daily Sterling overnight index average ("SONIA") rate for the relevant period.

STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023

Interest rate risk (continued)
The Company has not entered into any interest rate swap or other hedging transaction in relation to any of the Loans Receivable, and as a result there is no hedge in respect of the risk of any variance in the rates charges on any Loans which in turn may result in insufficient funds being made available to the Company for the Company to meet its obligations to the Noteholders and other secured creditors. The expected interest on the Loans Receivable is greater than the interest expected to be paid out and thus the Company has limited exposure to Interest rate risk.

Capital risk management
The Company is not subject to any external capital requirements except for the minimum requirement under the Companies Act 2006. The Company has not breached the minimum requirement.

Streamlined Energy and Carbon Reporting
The Company is out of the scope of the Streamlined Energy and Carbon Reporting (SECR), as it does not meet the numerical thresholds in relation to turnover and number of employees.

This report was approved by the board and signed on its behalf.

Debra Parsall
per pro CSC Directors (No.1) Limited
Director

Date: 14 June 2024

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2023

The Directors present their report and the audited financial statements for the year ended 31 December 2023.

Statement of Directors' responsibilities in respect of the financial statements

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 ‘The Financial Reporting Standard applicable in the UK and Republic of Ireland' and applicable law).

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 Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies apply them consistently;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006.

Corporate Governance

The Directors are also responsible for the Company’s internal control environment and for reviewing its effectiveness. Procedures have been designed for safeguarding assets against unauthorised use or disposition; for accounting records; and for the reliability and usefulness of financial information used within the business or for publication. Such procedures are designed to manage rather than eliminate risk of failure to achieve business objectives and can only provide reasonable and not absolute assurances against material misplacement, errors, losses or fraud. The procedures enable the Company to comply with any regulatory obligations. For further details, refer to the notes to the financial statements particularly Note 15 on financial risk management.

Due to the nature of the securities which have been issued on the International Stock Exchange, the Directors are satisfied that there is no requirement to publish a cooperate governance statement and that the Company is exempt from the disclosure requirements of the provisions of the UK Code Corporate Governance.

Financial Risk Management

Information on financial risk management is included in the financial instruments section of the strategic report.

Results and dividends

The profit for the year, after taxation, amounted to £1,462,558 (2022: loss £3,080,804).

The Company retains the right to £250 each quarter of available revenue receipts from the beneficial interest in the Loans Receivables, to the extent sufficient cash is available for such retention. Any residual profits are due to the Subordinated Note holders under the Transaction Documents.

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023

Results and dividends (continued)

The result for each financial period differs from this issuer profit of £1,000 per annum, due to accounting adjustments such as EIR and impairment. However, over the life of the transaction, these accounting adjustments are expected to reverse, leaving the Company ultimately with the accumulated issuer profit.

The Directors do not recommend the payment of a dividend for the year ended 31 December 2023 (2022: £Nil).

Going Concern

The Directors consider it appropriate to prepare the financial statements on a going concern basis. The ability of the Company to meet its obligations on the Notes and Certificates and to meet its operating and administrative expenses is dependent principally on the performance of the Loans. The Notes are a limited recourse obligation of the Company, secured over the Loans, and the Company’s ability to pay amounts due on the Notes and Certificates are, in substance, limited to the application of the receipts from the Loans under the terms of the priority of payments, as set out in the Transaction Documents.

The assessment of the Company’s going concern is described in the Going Concern note under Accounting Policies.

Directors' and company shareholdings

The Directors of the Company who were in office during the year and up to date of signing the financial statements were as follows:
John Paul Nowacki
CSC Directors (No.1) Limited
CSC Directors (No.2) Limited

CSC Corporate Services (UK) Limited was appointed company secretary on 19 January 2021 and continued to act as secretary for the financial year ended 31 December 2023. The Directors and their immediate relatives did not hold a beneficial interest in the ordinary share capital of the Company.

Directors' Confirmation

Each of the persons who are Directors at the time when this Directors' Report is approved has confirmed that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the Director has taken all the steps that ought to have been taken as a Director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Post balance sheet events

There have been no significant events affecting the Company since the year end.

This report was approved by the board on 14th June and signed on its behalf by:

Debra Parsall
per pro CSC Directors (No.1) Limited
Director

Independent auditors' report to the members of Vallay Finance Limited

Report on the audit of the financial statements

Opinion

In our opinion, Vallay Finance Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2023 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Directors' Report and Audited Financial Statements (the "Annual Report"), which comprise: the Balance sheet as at 31 December 2023; the Statement of comprehensive income and the Statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our audit approach

Context

The Company is a special purpose vehicle ("SPV") that forms part of a securitisation structure, established for the purpose of funding Covid-19 related lending via the issuance of Notes. The activities of the Company are conducted primarily by reference to a series of transaction documents (the "transaction documents").

Overview

Audit scope

- The scope of our audit and the nature, timing and extent of audit procedures performed were determined by our risk assessment and other qualitative factors (including evaluation of history of misstatement through fraud or error).
- We tailored the scope of our audit to ensure that we performed sufficient work to enable us to opine on the financial statements.

- We identified all material classes of transactions, account balances and disclosures, including those that were considered qualitatively material, and conducted our work over these accordingly.

Key audit matters

- Loan impairment provisions

Materiality

- Overall materiality: £525,705 (2022: £955,000) based on 1% of total assets.
- Performance materiality: £394,279 (2022: £716,250).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, 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, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

The key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
Loan impairment provisions The determination of loan impairment provisions is complex; judgement is required for the timing of recognition of impairment provisions and the amount of losses expected where loss events have been identified at the balance sheet date. Loan impairment provisions are estimated on an individual basis at a point at which objective evidence is observed. Related disclosure in the financial statements: Note 2 (Accounting policies) Note 2.9 (Critical accounting judgements and estimates) and Note 17 (Financial risk management) for management's disclosure	In response to this Key audit matter, we: Understood and assessed the appropriateness of the impairment policy in relation to the identification of loss events, including management's definition of default. Considered the external data available in relation to default rates of the CBILs portfolios in the wider market. Assessed the accounting treatment of the government guarantee in the provisioning methodology and whether this was aligned to the required accounting treatment. Performed testing over the underlying data utilised in the impairment modelling, agreeing this to underlying records and support. Performed an independent recalculation of the closing provision, considering a reasonable range of outcomes for key assumptions. We have no matters to note in relation to the above procedures.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the company, the accounting processes and controls, and the industry in which it operates.

We undertook a scoping exercise to ensure appropriate audit evidence would be obtained for each material account line item on the financial statements. We used data-driven audit techniques to obtain our audit evidence on key account balances such as interest income and the impairment provisions. The data inputs and underlying calculations were validated for completeness and accuracy before our data driven testing was performed.

The impact of climate risk on our audit

As part of our audit we made enquiries of management to understand the extent of the potential impact of climate risk on the company's financial statements, and we remained alert when performing our audit procedures for any indicators of the impact of climate risk. Our procedures did not identify any material impact as a result of climate risk on the company's financial statements.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall company materiality	£525,705 (2022: £955,000).
How we determined it	1% of total assets
Rationale for benchmark applied	As an SPV is established as a not for profit entity, funded almost entirely by debt, it follows that users may focus their attention on the SPV's total assets as suggested by ISA (UK) 320 paragraph A3. It is therefore considered appropriate that overall materiality can, in the context of an SPV audit, be calculated as 1% of total assets.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2022: 75%) of overall materiality, amounting to £394,279 (2022: £716,250) for the company financial statements.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with those charged with governance that we would report to them misstatements identified during our audit above £26,285 (2022: £47,750) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- Inspection of transaction documents to verify that Notes are limited recourse in all circumstances and that certain expenses can be deferred if there are insufficient funds;
- Inspection of post year-end investor reports for pertinent changes in cash flows, such as deterioration in the performance of the Loans; and
- Review of the events of default set out in the transaction documents and verification that no trigger breaches had occurred.

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

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.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

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

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 2023 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors’ 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 auditors’ 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to any breach of the listing requirements of the International Stock Exchange and the underlying transaction documents, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management’s incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to the posting of inappropriate journal entries. Audit procedures performed by the engagement team included:

- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations or other higher risk factors;
- Testing of the reconciliation and consistency of the year end investor reports to the financial statements and underlying bank statements of the Company;
- Making inquiries with those charged with governance in relation to known or suspected instances of non-compliance with laws and regulation and fraud;
- Testing the impairment provision, as explained in the Key Audit Matter above; and
- Considered the assumptions used in management's effective interest rate calculation for reasonableness.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

Andrew Batty (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
14 June 2024

STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

	Note	2023 £	2022 £
Interest receivable and similar income	3	**13,315,722**	*17,659,585*
Interest payable and similar charges	4	**(9,792,174)**	*(15,152,217)*
Gross profit		**3,523,548**	*2,507,368*
Administrative Expenses	5	**(967,400)**	*(1,422,453)*
Impairment charge	6	**(1,093,355)**	*(4,165,529)*
Profit/(loss) before taxation		**1,462,793**	*(3,080,614)*
Tax on profit/(loss)	9	**(235)**	*(190)*
Profit/(loss) for the financial year		**1,462,558**	*(3,080,804)*
Other comprehensive income for the year		**-**	*-*
Total comprehensive income/(expense) for the year		**1,462,558**	*(3,080,804)*

The notes on pages 17 to 33 form part of these financial statements. All amounts relate to continuing activities

VALLAY FINANCE LIMITED
REGISTERED NUMBER: 13143667

BALANCE SHEET
AS AT 31 DECEMBER 2023

	Note		2023 £		2022 £
Non-current assets					
Loans and Receivables	10		**25,015,185**		*70,678,017*
			25,015,185		*70,678,017*
Current assets					
Loans and receivables	10	**24,407,627**		*21,520,850*	
Debtors: amounts due within one year	11	**1,893,447**		*674,560*	
Cash at bank (restricted)	12	**1,254,290**		*2,694,051*	
		27,555,364		*24,889,461*	
Creditors: amounts falling due within one year	13	**(28,906,585)**		*(36,555,309)*	
Net current liabilities			**(1,351,221)**		*(11,665,848)*
Total assets less current liabilities			**23,663,964**		*59,012,169*
Creditors: amounts falling due after more than one year	14		**(26,766,312)**		*(63,577,075)*
Net liabilities			**(3,102,348)**		*(4,564,906)*
Capital and reserves					
Called up share capital	15		**1**		*1*
Profit and loss account			**(3,102,349)**		*(4,564,907)*
Total Equity			**(3,102,348)**		*(4,564,906)*

The financial statements on pages 14 to 33 were approved by the Board of Directors on 14 June 2024 and were signed on its behalf by:

Debra Parsall
per pro CSC Directors (No.1) Limited
Director

Date: 14 June 2024

The notes on pages 17 to 33 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

	Issued share capital	Accumulated losses	Total equity
	£	£	£
Balance as at 1 January 2022	1	(1,484,103)	(1,484,102)
Loss and total comprehensive expense for the year	-	(3,080,804)	(3,080,804)
At 31 December 2022	1	(4,564,907)	(4,564,906)
Comprehensive income for the year			
Profit and total comprehensive income for the year	-	1,462,558	1,462,558
At 31 December 2023	1	(3,102,349)	(3,102,348)

The notes on pages 17 to 33 form part of these financial statements.

1. General information

Vallay Finance Limited ("the Company") was incorporated on 19 January 2021, in the United Kingdom, as a private limited company (limited by shares and domiciled in England). The Company was set up as an SPV for the purpose of acquiring and managing financial assets, including, principally, purchasing loans and related security. The Loans comprise of term loan facilities offered to businesses under CBILS and RLS. Under the Scheme, the Guarantor guarantees due and punctual payment of 80% of the Principal Balance of the Loans in accordance with the terms of the Guarantee Agreements. The registered office address is 10th Floor, 5 Churchill Place, London, E14 5HU, England, United Kingdom.

The Company issued Senior Notes to the Senior Note Purchasers pursuant to the Senior Note Purchase Facility Agreement and Subordinated Notes to the Subordinated Note Purchasers pursuant to the Subordinated Note Purchase Facility Agreement. The funds were then used to make cash contributions by way of settlement on trust to Iwoca Skye Finance Limited who acts as the lender of record for the Loans and also as the Asset Trustee, thereby holding the Loans on trust for the benefit of the Company.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of the financial statement in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies.

Additionally, in respect of financial instruments and as permitted by FRS 102 paragraphs 11.2 and 12.2, the Company applies the recognition and measurement provisions of IAS 39 (as adopted for use in the EU) alongside the corresponding disclosure requirements of FRS 102.

Statement of Compliance
The Company has adopted and is in compliance with United Kingdom Accounting Standards, Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland (the “FRS 102”) and the Companies Act 2006.

The Company has taken advantage of the exemption from the requirement to prepare a statement of cashflows 102 on the basis that it is a qualifying entity and its ultimate parent company, Iwoca limited includes the company’s cash flows in its consolidated financial statements as permitted by 3.17(d) FRS.

Adjusting of Statement of Comprehensive Income .
The Directors have adjusted the format of the statement of comprehensive income as allowed under the Companies Act 2006. This adjustment takes into account the opinion of the Directors that net interest income constitutes a more appropriate reflection of the Company’s activities than turnover and cost of sale in the statement of comprehensive income.

The accounting policies which have been applied consistently throughout the year to the Company’s financial statements are set out below.

2. Accounting policies (continued)

2.2 Going concern

The Directors have prepared the financial statements on the going concern basis which assumes that the Company will continue in operational existence for the a period of more than 12 months from the date of the approval of these financial statements and will have adequate funds available to meet its obligations as they fall due. The Directors are satisfied that the financial statements are prepared on a going concern basis due to the ongoing performance of the Loans, with future cash collections expected to meet future obligations.

An analysis has been carried out on the performance of the Loans in relation to current macro-economic uncertainty and geopolitical tensions.

The net current liabilities for the financial year was £1,351,221 (2022: £11,665,848). Due to the limited recourse nature of the Company and the fact that the net current liabilities are driven by non-cash accounting adjustments in relation to EIR and impairment this poses no challenges to the Company's going concern.

The ability of the Company to meet its obligations on the Notes and to meet its operating and administrative expenses is dependent principally on the performance of the Loans. The Notes are a limited recourse obligation of the Company, secured over the Loans, and the Company's ability to pay amounts due on the Notes are, in substance, limited to the application of the receipts from the Loans under the terms of the priority of payments, as set out in the Transaction Documents.

2.3 Foreign currency translation

These financial statements are presented in GBP (£) which is the Company's functional currency. Functional currency is the currency of the primary economic environment in which the entity operates. All figures in the financial statements are rounded to zero decimal places.

2.4 Interest receivable and payable recognition

Interest receivable and payable are recognised within 'interest receivable and similar income' and 'interest payable and similar charges' in statement of comprehensive income. Accrued interest receivable and accrued interest payable are recognised in other debtors and creditors in the statement of financial position.

The Company accounts for interest receivable and interest payable on an effective interest rate basis. The effective interest method is a method of calculating the amortised cost of a financial asset or liability and of allocating the interest receivable or interest payable over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Company estimates cashflows considering all contractual terms of the financial instrument but does not consider future credit losses.

2.5 Operating Segments

The Company has not disclosed segmental information because in the opinion of the Directors the Company operates in one business sector and one geographic segment and generates all income in the United Kingdom.

2. Accounting policies (continued)

2.6 Financial instruments

The Company's financial instruments comprise the Loans, Cash, the Notes and various receivables and payables that arise from its operations. Financial assets and financial liabilities are initially measured at fair value.

All recognised financial assets are subsequently measured in their entirety at either fair value or amortised cost, depending on the classification of the financial assets.

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Financial liabilities are derecognised when the Company obligation is discharged, cancelled or expires. A financial liability (or part of It) is extinguished when the Company either:

- discharges the liability (or part of it) by paying the creditor; or

- is legally released from primary responsibility for the liability either by process of law or the creditor.

Loans Receivables
The Loans Receivables are non-derivative financial assets with fixed or determinable repayments that are not quoted in an active market. They are classified as loans and receivables. The Loans are measured on initial recognition at the transaction price plus directly attributable costs and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in the statement of comprehensive income when there is objective evidence that the assets are impaired. Subsequent increase in recoverable amounts shall not result in a carrying amount of the Loans that exceeds the amortised cost had no impairment been recognised.

Notes
The Notes are classified as other financial liabilities and are initially recognised at fair value at the date of issuance of the liability, and are subsequently measured at amortised cost using the effective interest rate method.

Impairment
At the end of each reporting period an assessment is made to determine whether there is objective evidence of impairment of any financial assets measured at cost or amortised cost. If there is objective evidence of impairment, an impairment loss is recognised immediately in the statement of comprehensive income. Losses are the result of past events, not losses expected as a result of possible future events. In the absence of any objective evidence or observable data indicating that a loss has occurred, there is no basis for recognising an impairment, or bad debt provision.

The Company regularly reviews the Loans Receivables to determine the need for loan impairment provisions. The Company uses objective factors and indicators to determine whether a loan is impaired. The Company then applies a loss percentage, calculated on historical loss data and specific loan circumstances, to apply to impaired Loans. As the assets benefit from a guarantee under CBILS and RLS, impairment losses are recognised net of any such guarantee.

The Company writes off Loan Receivables in whole or in part, when it has exhausted all practical recovery efforts and had concluded there is no reasonable expectation of recovery.

2. Accounting policies (continued)

2.7 Taxation

The Directors are satisfied that the Company meets the definition of a “securitisation company” under the Taxation of Securitisation Companies Regulations 2006 (SI 2006/3296) and that no incremental unfunded tax liabilities will arise. As a result, no deferred tax is recognised.

Corporation tax for a securitisation company is calculated by reference to the required cash retained as ‘profit’ per the underlying transaction documentation.

Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

2.8 Cash and cash equivalents

Cash is represented by deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

All withdrawals from the Company’s bank accounts are governed by the detailed priority of payments set out in the underlying transaction documentation and as such are considered restricted.

2.9 Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that may affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the financial year in which the estimates are revised if the revision affects only that financial year or in the financial year of the revision and future years if the revision affects both current and future financial years.

Critical estimates

Impairment of Loans
The Company regularly reviews the Loans and makes judgements as to the need for loan impairment provisions. The Company uses objective factors such as the time since the customer’s last payment or other indicators to determine whether a loan is impaired. The Company then estimates the loss percentage to apply to impaired Loans based on historical loss data, as well as specific loan circumstances.

2. Accounting policies (continued)

2.9 Judgements and key sources of estimation uncertainty (continued)

Impairment of Loans (continued)
Provisions for impairment of loans are recognised in the statement of comprehensive income. Where there is an impairment the impairment is recognised net of the guarantee provided by the UK government. Under the Scheme, the Guarantor will fund 70%/80% of the outstanding guaranteed balance through the British Business Bank.

Effective interest Rate
The calculation of an effective interest rate is based on estimated cashflows associated with the relevant asset or liability. The calculation of future cashflows treats the Notes as a single financial instrument as the products are considered to be dependent of each other. The effective interest rate derived is therefore an estimate that would impact any income or expense determined using an amortised cost methodology. The Company's assets and liabilities are matched. Were the expected cashflows and related asset to change a corresponding offsetting change would occur in the liability, resulting in a negligible impact on equity for the Company.

Critical judgements

Recognition of the Loans Receivables
The sale of Loans to the Company was judged to meet the derecognition criteria set out under IAS 39 by virtue of the transfer, by the Seller, of substantially all of the significant risks and rewards associated with ownership of the Loans Receivables i.e. the CBILS and RLS Loans. This is owing to the Loans Receivables being funded through contributions made to the Asset Trust from the Senior and Subordinated Notes. The Originator does not hold any of the Senior or Subordinated Notes and has no continuing involvement in or exposure to the Loan Receivables.

3. Interest receivable and similar income

	2023	2022
	£	£
Interest receivable and similar income	**13,315,722**	*17,659,585*
	13,315,722	*17,659,585*

4. Interest payable and similar charges

	2023	2022
	£	£
Interest payable and similar charges	(9,792,174)	(15,152,217)
	(9,792,174)	(15,152,217)

5. Administrative expenses

	2023	2022
	£	£
General Administrative expenses	909,725	1,361,895
Other Professional Fees	57,675	60,558
	967,400	1,422,453

6. Impairment charge

	2023	2022
	£	£
Impairment charge	1,093,355	4,165,529
	1,093,355	4,165,529

7. Auditors' remuneration

	Financial year ended 31 December 2023 £	*Financial year ended 31 December 2022 £*
Fees payable to the Company's auditors and their associates (Excl. VAT) for the audit of the Company's annual financial statements	**35,000**	*33,000*
	35,000	*33,000*

There were no non audit services provided by the auditors (2022: £Nil)

8. Employees

The Company has no employees (2022: £Nil). The Directors received no remuneration from the Company in respect of qualifying services rendered during the financial year. CSC Capital Markets UK Limited as corporate service provider received fees of £74,973 (2022: £79,802) during the financial year of which a portion represents directorship services provided by the Directors of the company who are also employees of the corporate service provider. The Directors are not paid directly by the Company but their directorship services are reflected in their salary received from the corporate service provider.

9. Tax on Profit/(Loss)

	Financial year end 31 December 2023 £	*Financial year end 31 December 2022 £*
Corporation tax		
Current tax on profit/(loss) for the year	**235**	*190*
	235	*190*
	235	*190*

Factors affecting tax charge for the year

In the Autumn Statement in November 2022, the government confirmed the increase in corporation tax rate to 25%, which was implemented from 1 April 2023. The tax rate for small profits remained at 19%, as the profit for the year is larger than the small profit threshold, a pro rata tax rate of 23.5% (2022: 19%) has been applied for the year ended 31 December 2023.

	Financial year end 31 December 2023 £	*Financial year end 31 December 2022 £*
Profit/(loss) before tax	**1,462,793**	*(3,080,614)*
Profit/(loss) before tax multiplied by standard rate of corporation tax in the UK of 23.5% (2022: 19%)	**343,756**	*(585,353)*
Effects of:		
Accounting profit/(loss) not taxed in accordance with SI 2006/3296	**(343,756)**	*585,353*
Cash retained profit taxed in accordance with SI 2006/3296	**235**	*190*
Total tax charge for the year	**235**	*190*

For UK corporation tax purposes, the Company has been considered as a Securitisation company under the Taxation of Securitisation Companies Regulations 2006 (SI 2006/3296). Therefore, the Company is not required to pay corporation tax on its accounting profit nor recover tax on its loss. Instead, the Company is required to pay tax on its cash retained profits of £1,000.

10. Loans and receivables

	As at 31 December 2023 £	*As at 31 December 2022 £*
Contributions to Asset Trust	**964,192**	*1,004,827*
Loans Balance	**70,339,764**	*99,413,608*
Impairment Provision and EIR Adjustment	**(22,298,060)**	*(9,414,243)*
Interest receivable	**416,916**	*722,279*
Notes receivable	**-**	*472,396*
	49,422,812	*92,198,867*

The Company was incorporated on 19 January 2021 as a special purpose vehicle for the purpose of advancing funds to an Asset Trust which in turn will be applied by the Asset Trustee for the ongoing origination of loans with UK SMEs pursuant to the CBILS.

At the end of the financial year the Asset Trust had advanced £69,846,259 (2022: £99,413,608) of Corporate Loans to UK SMEs.

The Company had advanced £964,192 (2022: £1,004,827) of funds to the Asset Trust for onward lending post year end. The Impairment Provision and EIR Adjustment is made up of £9,528,338 and £12,769,722 (2022: £5,146,310 and £4,267,933) respectively.

The maturity profile of the loans is as follows:

	As at 31 December 2023 £	*As at 31 December 2022 £*
In one year or less	**24,407,627**	*21,520,850*
In more than one year	**25,015,185**	*70,678,017*
	49,422,812	*92,198,867*

11. Debtors: amounts due within one year

	As at 31 December 2023 £	*As at 31 December 2022 £*
Other receivables	**662,151**	*317,816*
Amounts due from group undertakings	**1,213,896**	*314,280*
Issuer profit account and other debtors	**-**	*1,464*
Prepayments and accrued income	**17,400**	*41,000*
	1,893,447	*674,560*

12. Cash at bank (restricted)

	As at 31 December 2023 £	*As at 31 December 2022 £*
Cash at bank (restricted)	**1,254,290**	*2,694,051*
	1,254,290	*2,694,051*

The cash at bank (restricted) is held with Barclays Bank PLC, London Branch ("Barclays Bank PLC"). Barclays Bank PLC has been rated A+ (2022: A+) by Standard & Poor’s and has been given an A1 rating (2022: A1) by Moody’s.

13. Creditors: amounts falling due within one year

	As at 31 December 2023 £	*As at 31 December 2022 £*
Other payables	**(33,079)**	*(387,206)*
Corporation Tax	**(235)**	*(190)*
Senior Notes	**(23,977,798)**	*(24,425,252)*
Subordinated Notes	**(4,895,473)**	*(11,742,661)*
	(28,906,585)	*(36,555,309)*

14. Creditors: amounts falling due after more than one year

The aggregate amount of liabilities repayable wholly or in part more than one year after the balance sheet date is:

	As at 31 December 2023	*As at 31 December 2022*
	£	*£*
Senior Notes	**(24,475,156)**	*(57,525,139)*
Subordinated Notes	**(2,291,156)**	*(5,651,936)*
CBILS Fee Note	**-**	*(400,000)*
	(26,766,312)	*(63,577,075)*

The Company entered into a Senior Note Purchase Agreement with Barclays Bank PLC with a maximum commitment amount equal to £178,500,000 with an interest rate of 1.9% + compounded daily SONIA and with a maturity date of 23 June 2028.

The Company issued Subordinated Notes maximum commitment amount equal to £32,065,000 with an interest rate of 5% and with a maturity date of 23 June 2028. The holder of the Subordinated Notes is also ultimately entitled to any residual cash flows in the Company, by way of a Subscription Fee.

The maturity profile of the issued Notes is as follows:

	2023	*2022*
	£	*£*
In one year or less	**(28,873,271)**	*(36,555,309)*
In more than one year	**(26,766,312)**	*(63,577,075)*
	(55,639,583)	*(100,132,384)*

15. Called up Share capital

Allotted, called up and fully paid	**As at 31 December 2023**	*As at 31 December 2022*
	£	*£*
1 *(2022: 1)* Ordinary Shares share of £1	**1**	*1*

16. Ultimate controlling party

The entire share capital of Vallay Finance Limited is held on a discretionary trust basis under a share trust deed by the legal parent company, CSC Corporate Services (UK) Limited, a company incorporated in the United Kingdom and registered in England and Wales. CSC Corporate Services (UK) Limited is a wholly owned subsidiary of CSC Capital Markets UK Limited.

The smallest and the largest group in which the company is consolidated is Iwoca Limited, a company registered in England and Wales. Although Iwoca Limited has no direct ownership interest in the company, it is considered to exert control over the Company and therefore is considered by Directors to be the Company's ultimate parent company and controlling party, copies of those consolidated financial statements can be obtained from Iwoca Limited at 10 Queen Street Place, London, EC4R 1AG.

17. Financial risk management

The principal risks arising from the Company's financial instruments are liquidity, credit and market risk. The Company has established policies for managing these risks as outlined below.

Credit Risk
Credit risk is the risk of impairment and partial or total loss of a receivable due to the deterioration of credit quality on the part of the counterparty. The primary assets of the Company are the Loans. Credit risk is monitored and managed on a regular basis through preparation and review of monthly investor reports which are reviewed in detail by senior management. If a borrower were to default on the Loans, the Guarantor will fund 70%/80% (dependent upon the type of Loan) of the outstanding guaranteed balance through the British Business Bank.

The maximum exposure to credit risk at the financial year end is as follows:

Maximum exposure to Credit Risk

	As at 31 December 2023 £	*As at 31 December 2022 £*
Loans and Receivables	**49,422,812**	*92,198,867*
Debtors: amounts falling due within one year	**1,893,447**	*674,560*
Cash at bank (restricted)	**1,254,290**	*2,694,051*
	52,570,549	*95,567,478*

The cash at bank (restricted) is held with Barclays Bank PLC, London Branch. Barclays Bank PLC, London Branch has been rated A+ (2022: A+) by Standard & Poor's and has been given an A1 (2022: A1) rating by Moody's.

17. Financial risk management (continued)

Credit Risk (Continued)

The table below sets out the gross carrying value and the individual impairments for the underlying loans.

Loans as at 31 December 2023	Carrying value before impairment and EIR adjustments	Impairment	Carrying value after impairment but before EIR adjustments
	£	£	£
Individually impaired	10,448,341	(9,528,338)	920,003
Past due but not impaired	1,866,606	-	1,866,606
Neither past due nor impaired	57,531,312	-	57,531,312
	69,846,259	(9,528,338)	60,317,921
Loans as at 31 December 2022			
Individually impaired	*5,146,310*	(5,146,310)	-
Past due but not impaired	2,450,454	-	2,450,454
Neither past due nor impaired	*91,816,844*	-	*91,816,844*
	99,413,608	(5,146,310)	*94,267,298*

Loans that are neither past due nor impaired

The table below sets out the Company's underlying loans that are neither past due nor impaired based on Equifax scores.

	31 December 2023	31 December 2022
	£	£
Low	262,167	458,009
Medium	57,159,697	89,987,633
High	109,448	145,902
Not rated	-	1,225,300
	57,531,312	91,816,844

Liquidity Risk

Liquidity risk is defined as the risk of being unable to fulfil current or future payment obligations in full on the due date. The objective of the Company's liquidity management is to ensure the sufficient funds are available to meet the Company's commitments. Liquidity risk is minimised by the fact that the UK Government has guaranteed interest payments for 12 months and provides a steady cash flow for the Company to discharge all expenses. In the event that a borrower subsequently defaults, the Guarantor will fund 70/80% of the outstanding guaranteed balance. Liquidity risk is also minimised as the Senior Notes and Subordinated Notes are limited recourse obligations of the Company, the Company is not ultimately exposed to losses if the borrowers are unable to repay the Loan Receivables. The Company's liquidity position is monitored and reviewed by the Directors on an ongoing basis.

The table on the following page analyses the undiscounted cashflows of the financial liabilities at the balance sheet date into relevant maturity groupings. The calculations have been based on the interest rates effective at the balance sheet date.

17. Financial risk management (continued)

Liquidity Risk (Continued)

	1 month to 3 months £	4 months to 2 years £	Over 2 years £	Gross Cashflows £
2023				
Senior Note	**-**	**(23,977,798)**	**(24,475,156)**	**(48,452,954)**
Subordinated Notes	**-**	**(4,895,473)**	**(2,291,156)**	**(7,186,629)**
Interest expense	**(426,051)**	**(13,907,519)**	**(9,900,612)**	**(24,234,182)**
Accrued expenses	**(33,079)**	**-**	**-**	**(33,079)**
	(459,130)	**(42,780,790)**	**(36,666,924)**	**(79,906,844)**

	1 month to 3 months £	*4 months to 2 years £*	*Over 2 years £*	*Gross Cashflows £*
2022				
Senior Note	-	*(24,425,252)*	*(57,525,139)*	*(81,950,391)*
Subordinated Notes	-	*(11,742,661)*	*(5,651,936)*	*(17,394,597)*
Interest expense	*(750,742)*	*(17,964,187)*	*(32,871,782)*	*(51,586,711)*
Accrued Expenses	*(787,396)*	-	-	*(787,396)*
	(1,538,138)	*(54,132,100)*	*(96,048,857)*	*(151,719,095)*

17. Financial risk management (continued)

Market risk:

In relation to the activities of the Company, market risk refers to the potential loss arising predominantly from changes in interest rates. The table below summarises the interest sensitivity gap:

	Fixed Interest rate £	Floating Interest rate £	Non-interest bearing £	Total £
2023				
Loans and Receivables	49,422,812	-	-	49,422,812
Debtors: amounts falling due within one year	-	-	1,893,447	1,893,447
Cash at bank (restricted)	-	1,254,290	-	1,254,290
Total assets	49,422,812	1,254,290	1,893,447	52,570,549
Senior Notes	-	(48,452,954)	-	(48,452,954)
Subordinated Notes	-	(7,186,629)	-	(7,186,629)
Accrued expenses	-	-	(33,079)	(33,079)
Total liabilities	-	(55,639,583)	(33,079)	(55,672,662)
Interest rate sensitivity gap	49,422,812	(54,385,293)	1,860,368	(3,102,113)

	Fixed Interest rate £	*Floating interest rate £*	*Non-Interest bearing £*	*Total £*
2022				
Loans and Receivables	*92,198,867*	*-*	*-*	*92,198,867*
Debtors: amounts falling due within one year	*-*	*-*	*674,560*	*674,560*
Cash at bank (restricted)	*-*	*2,694,051*	*-*	*2,694,051*
Total Assets	*92,198,867*	*2,694,051*	*674,560*	*95,567,478*
Senior Notes	*-*	*(81,950,391)*	*-*	*(81,950,391)*
Subordinated Notes	*-*	*(17,394,597)*	*-*	*(17,394,597)*
Accrued expenses	*-*	*-*	*(787,396)*	*(787,396)*
Total Liabilities	*-*	*(99,344,988)*	*(787,396)*	*(100,132,384)*
Interest rate sensitivity gap	*92,198,867*	*(96,650,937)*	*(112,836)*	*(4,564,906)*

18. Analysis of Net Debt

2023

	At 1 Jan 23	Cash flows	At 31 Dec 23
	£	£	£
Cash at bank (restricted)	2,694,051	(1,439,761)	1,254,290
Debt due after 1 year	(63,177,075)	36,410,763	(26,766,312)
Debt due within 1 year	(36,167,913)	7,294,642	(28,873,271)
	(96,650,937)	42,265,644	(54,385,293)

2022

	At 1 Jan 22	Cash flows	At 31 Dec 22
	£	£	£
Cash at bank (restricted)	1,454,578	1,239,473	2,694,051
Debt due after 1 year	(101,911,911)	38,734,836	(63,177,075)
Debt due within 1 year	(59,634,084)	23,466,171	(36,167,913)
	(160,091,417)	63,440,480	(96,650,937)

19. Related party transactions

At the end of the financial year the amount due from intercompany transactions is £1,213,896 (2022: £1,016,091).

CSC Capital Markets UK Limited entered into an agreement with the Company to provide certain corporate administrative services, bookkeeping and accounting services to the Company. During the financial year the Company incurred fees of £74,973 (2022: £79,802) from CSC Capital Markets UK Limited. There were no fees paid to Directors by the administrator as a directors' fee.

Iwoca Limited is the Ultimate Controlling party. Net payments through the Statement of comprehensive income in the year to Iwoca limited amounted to £819,215 (2022: £1,227,895) and the amounts outstanding at the year-end totaled to £106,834 (2022: £149,935).

20. Post balance sheet events

There have been no significant subsequent events since the balance sheet date which require disclosure in these financial statements.

21. Capital risk management

The capital managed by the Company comprises of ordinary shares outstanding as at year end. The Company is not subject to externally imposed capital requirements.

There were no changes to the policies and procedures during the year with respect to the Company's approach to capital management.

22. Contingent liabilities and commitments

There were no contingent liabilities or commitments as of 31 December 2023. Contingent liabilities are assessed continually to determine whether transfers of economic benefits have become probable. Where future transfers of economic benefits change from previous disclosed contingent liabilities, provisions are recognised in the year in which the changes in probability occur.