



THINCATS

Registered Number: **13393055**

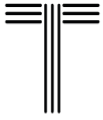
THINCATS GROUP LIMITED

Annual Report and Consolidated Financial Statements
for the year ended 30 June 2023



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THINCATS

OFFICERS AND PROFESSIONAL ADVISORS

Directors

Vikram Aggarwal
Ravinder Anand
Amany Attia
Quentin Baer
Keith Morgan CBE

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THINCATS

STRATEGIC REPORT

The Directors present their Annual report, including the Strategic report and Directors' report together with the audited financial statements, for Thincats Group Limited (the 'Company'), its subsidiaries and the special purpose vehicles ('SPV') it controls (the 'Group'), for the year ended 30 June 2023. The comparative financial information disclosed is for the 18 months period ended 29 June 2022.

Principal activities

The Group's principal activity is the provision of loans to mid-sized UK Small and Medium Enterprises ('SMEs'), funded by its own balance sheet and institutional investors.

Key performance metrics

The key financial and other performance indicators during the period for the Group were as follows:

	12 months to June 2023 £'000	18 months to June 2022 £'000	12 months to June 2022 £'000
Loans origination ¹	356,800	459,100	304,400
Assets under management (loans) ¹	763,200	680,700	680,700
Turnover	41,935	43,630	32,722 ³
Loss before tax	(5,103)	(10,348)	(5,982) ³
Adjusted EBITDA ²	6,012	(2,693)	(355) ³

¹Includes on-balance sheet assets that are consolidated into the Group and off-balance sheet loans originated on behalf of institutional investors that are not consolidated.

²Adjusted EBITDA is a non-GAAP measure which is defined as profit/loss before depreciation and amortisation; and additionally excludes share based payment charges, interest costs relating to the InterVest loan, and items related to interest rate swaps fixed charges. The Company believes this is a key measure of Group performance as it allows for better interpretation of the underlying performance of the business.

³12 months based on management pro-forma analysis.

Business review

The strategy of the Group is to become a leading lender to mid-sized SMEs, funded through a combination of on and off-balance sheet arrangements. The Group seeks to offer these borrowers a combination of speed of decision making, flexibility of structures and dependability in follow-through that it believes these borrowers and their advisors look for.

The Group has continued to make excellent progress over the last 12 months in its mission to help more mid-sized UK SMEs access the finance they need to grow. Year-on-year loan origination grew by 17% while assets under management ("AUM") grew by 12%. The Group delivered positive adjusted EBITDA for the period to June 2023, demonstrating the strengthening profitability of the business. This is also reflected by a lower loss before tax for the year compared to the prior period. Key drivers of the strong financial results were significant follow-on lending to existing borrowers, deepening relationships with regional business finance advisers and a growing presence in lower-mid market private equity transactions and healthcare lending.

The Group continued its strategic investments in areas including technology, transaction management, portfolio management and relationship management to position it strongly to handle increased volumes of new business, drive process efficiencies and deliver increased operating leverage and margin expansion.

The Group believes these efforts will allow it to achieve its objectives of growing origination, scaling its operations, managing its asset performance, and continuing to be a leading lender to mid-sized SME borrowers. The resulting growth in assets under management is expected to deliver sustained profit growth and an attractive return on equity.



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STRATEGIC REPORT (continued)

Loan Origination

The Group delivered strong growth in origination totalling £357m for the period, which represents a 17% increase when compared to £304m achieved on a like-for-like basis in the previous 12 months. The number of unique borrowers lent to in the year was 78, lower than in the prior period, driven by an increasing average loan size of £4.3m. A feature of origination over the last 12 month has been the increase in the number of committed facilities, which are used to support borrower growth and/or buy and build strategies and may be drawn subject to certain conditions being met. As at 30 June 2023 there were £67.5m (June 2022: £32.0m) of committed facilities outstanding.

The Group delivered strong growth despite the challenging economic backdrop. The year to 30 June 2023 was dominated by rising inflation levels (driven by sharp increases in energy and food costs) and rising interest rates. During the year the Bank of England base rate was increased on 8 occasions rising from 1.25% to 5.0%. As a result, UK businesses generally became less confident about committing to significant investments in their future growth.

Whilst recognising the uncertain economic backdrop, the Group continues to evolve and deliver upon its strategy of offering lending services in certain sectors in order to drive growth and broaden its market coverage. In 2020 specialist origination and lending teams for private equity and healthcare funding were established. As at June 2023 cumulative private equity origination had reached £348m and healthcare origination stood at £197m. The specialist transitional capital team created in 2022 to deliver higher yields had originated £67 million as at June 2023.

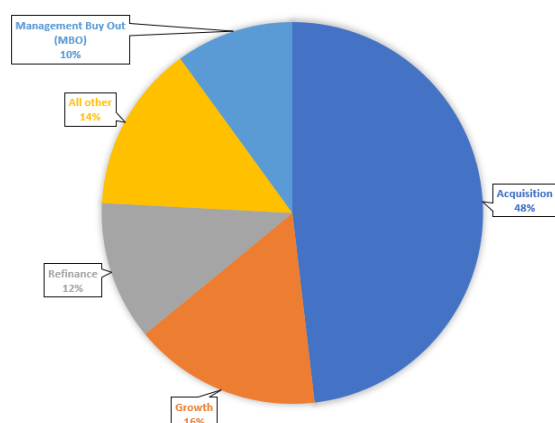
Shortly after the period ended the Group launched a revolving credit facility ('RCF') product. RCFs are being offered alongside term loans to certain borrowers to provide additional funding flexibility to these borrowers. The Group expects to continue to expand its product set over the next 12 months.

The Group's growing presence in the SME funding market was recognised in a number of industry reports and awards nominations including ranking 1st as the most frequently used lender (ahead of HSBC) in the Experian MarketIQ M&A Review 2022. This was the first time than a non-bank lender has topped the table of debt funders for UK M&A transactions.

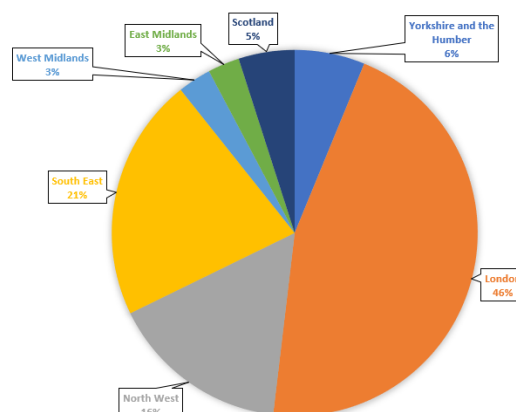
The Group was also recognised at numerous regional industry awards ceremonies being nominated as funder or non-bank lender of the year on 9 occasions including winning the debt funder of the year for the first time at the Yorkshire Dealmakers Awards.

The breakdowns below show the origination by purpose, region and lending specialism for loans originated during the period.

Origination by purpose



Origination by region





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STRATEGIC REPORT (continued)

Assets under management

AUM consists of both on-balance sheet loans and loans managed under forward flow arrangements. Forward flow loans are fully or part funded by our funding partners but originated and managed by the Group on behalf of such partners. Assets under management during the period grew by £83m (net of repayments) to £763m as at 30 June 2023.

As at 30 June 2023, loans funded by the Group on balance sheet amounted to £432m (29 June 2022: £368m) and assets managed under forward flow agreements totalled £331m (29 June 2022: £313m). These amounts are before providing for expected credit losses (see note 18)

The Group dedicates significant resources to managing the performance of its AUM, to identifying additional lending opportunities and mitigating financial losses. During the period 63% of loans originated were follow-on facilities to existing borrowers. Although the macroeconomic environment remains challenging, the Group's AUM continues to perform within actual and forecast expectations. During the period performance has been within levels predicted by the Group's data led credit model, PRISM.

Funding

The Group has funding relationships with a range of funders and has been increasing its on balance sheet lending capacity. Shortly after the period end, the Group put in place a new warehouse facility with senior funding provided by Citi and Barclays Bank (in turn benefitting from a British Business Bank ('BBB') 'ENABLE' guarantee) and junior capital primarily from the Group's own resources. This key strategic initiative creates an opportunity to increase balance sheet lending and AUM. As at 30 September 2023, the Group had £423m available undrawn funding capacity comprising cash on balance sheet, senior commitments of the warehouse facility and forward flow commitments.

Technology and Data

The Group continues to upgrade its technology platform based on its strategy of building a best-in-class set of technology partnerships enabling it to leverage the capabilities of specialist funding technology providers such as Mambu and nCino and more generalist providers including Salesforce, Tableau, AWS and Microsoft.

The Group's proprietary big data model, PRISM, continues to be actively used at all stages of the loan life cycle. During the year the analytics team supplemented this with analysis of monthly borrower management accounts and open banking data, to assist the Borrower Services team's relationship management activities.

The analytics and tech team are working on building out the Group's data warehouse and adding further actionable data and analytics insights.



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STRATEGIC REPORT (continued)

People

The Group continues to invest in new talent to meet its growth objectives, and as a result, during the period, FTE headcount increased from 88 to 98 with senior hires in business development, borrower service and borrower solutions.

In addition to attracting new talent, the Group has started a programme to improve staff retention levels. The first stage was to articulate and share the Group’s core values and culture. The Group’s five values are: *one team; empowered people; entrepreneurial spirit; high integrity; owning outcomes*.

Building on this foundation, further stages including a staff engagement survey and revised recruitment and performance review processes are being developed.

An important element of our strategy is to work closely with regional business finance communities particularly in the UK’s major finance hubs. During the period the Group have expanded into new city centre offices in Birmingham and Manchester. With the return to increased office based working, these regional bases encourage improved communication and co-operation across different internal teams as well as with the local business advisory communities.

As the Group’s brand profile has grown, it is being increasingly invited to comment on economic and industry issues by media organisations. Appearances on Radio 4’s Today programme, Radio 5 Live and Sky Business News are some examples during the period.

ESG

The Group is highly committed to conducting our business in a responsible and sustainable manner and recognises that Environmental, Social and Governance (ESG) principles and considerations are important not only for day to day operations but also across its lending activities. Over the course of 2023, the Group conducted a review across the organisation in relation to ESG and identified a number of action areas.

Following the review, an action plan to document those areas to deliver wins in 2024 is underway. The action plan includes:

- employee training and education programme to help our colleagues understand how environmental, social and governance issues affects business performance and sustainability and how the Group can manage risks and opportunities related to ESG;
- incorporating ESG commentary into our underwriting risks and mitigants assessment;
- reviewing our core platform to capture ESG ratings in a simple way to support future reporting;
- leveraging existing relationships with institutions such as BBB to understand ESG innovation and application across the industry.

Streamlined Energy and Carbon Reporting (SECR)

Greenhouse gas (‘GHG’) emissions and energy use data

	Year ended June 2023
Electricity energy consumption used to calculate emissions (kWh)	50,778
Emissions from electricity consumed (kgCO ² e)	10,515
Intensity ratio (kgCO ² e per FTE)	114

The above captures energy consumption and emissions from the Group’s activities which are primarily related to powering its leased office space. The energy consumed is based on actual kWh. The calculation of emissions is based on UK government GHG conversion factors.

The Group recognises the importance of transparency and the role it plays in its commitment to sustainability and is actively working on enhancing our data collection and reporting processes. The Group remains committed to energy efficiency and will continue to monitor and manage energy consumption and believes that these efforts will not only benefit the Group and also contribute to global sustainability goals.



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STRATEGIC REPORT (continued)

Group's operating performance

Turnover for the 12 month period to 30 June 2023 was £42m compared to £44m for the 18 months period ended 29 June 2022 (£33m for the 12 months to June 2022). Growth in revenue of 28% during the comparable 12 month period was driven by the continued progress in the Group's business model from an asset originator and manager to a balance sheet model, supported by the funding lines provided by InterVest, Barclays and Citibank. As a result total balance sheet AUM grew in the period from £356m to £432m in the past 12 months.

The Group's results for the 12 month period 30 June 2023 show a loss before taxation of £5.1m compared to the loss of £10.3m for the 18 month period to 29 June 2022 owing to the higher revenues from balance sheet assets which were in part off-set by the costs of the funding lines and operational expense growth to support greater origination.

The Group had an operating cash outflow of £73m, driven by funding loans to borrowers. This was funded by cash inflow of £52m from financing activities, largely comprised of funding from the senior funders of the SPVs, and the InterVest corporate loan (see note 24) and its own cash generation. SPVs are funding vehicles set up for receiving institutional senior funding along with junior funding from the Group, for the purpose of lending to borrowers.

Financial position

The Group had net assets of £40m at the year-end, broadly in line with the prior period (June 2022: £41m). Total assets grew by £64m to £468m in line with the growth in balance sheet lending and AUM growth.

The £26m (June 2022: £47m) cash balance in the financial statements includes £22m (June 2022: £25m) cash held in the SPVs, representing the Group's share of principal repayments from borrowers and cash awaiting deployment into loans.

The Group has funding lines from a range of parties, which as at 30 June 2023 totalled £265m, to support new origination. Following the successful closing of the new warehouse facility, as at 30 September 2023 the Group has £423m available funding for loans as well as up to £20m commitment from existing shareholders through a preference share subscription. Drawdown under these facilities is subject to meeting certain ongoing performance conditions, which currently have considerable headroom.

Future developments

The business will seek to continue to develop and diversify its lending operations. It will also continue to source additional funding which will strengthen the ability of the Group to grow AUM, manage risk and liquidity and trade through economic uncertainty. The business will seek to continue to manage its cost base appropriately whilst investing in its people and core infrastructure.

Principal risks and uncertainties

The Group continues to improve its footprint in the UK SME market, invest in additional resources and infrastructure capability, and increase and diversify its funding sources to allow it to meet its objectives of growing origination, scaling its operations and improving its profitability.

The Group faces several risks and uncertainties in reaching its targets (see note 31). These risks include the macro-economic climate which may impact the propensity of SME businesses to borrow, thereby impacting origination levels; market competition which may impact the Group's ability to attract borrowers and grow origination; macro-economic and borrower idiosyncratic factors that may negatively impact the credit of borrowers to which the Group has lent money which may impact the Group's profitability and capital; the risk of accessing sufficient, economic and flexible funding to finance its asset growth which would impact its ability to reach sufficient scale and profitability; and the risk of attracting and retaining talent to allow it to successfully run its operations.

**THINCATS****STRATEGIC REPORT (continued)**

The Group has taken several steps to mitigate these risks, including upgrading and increasing its business development, monitoring and restructuring staff, increasing its marketing activities, developing specialty focus areas, maintaining strong relationships across the funding market, developing active capabilities in portfolio and loan management, and providing attractive compensation to staff.

The Group appreciates the macro-economic headwinds facing the global and UK economy and has updated its policies to better reflect these conditions. The Group has also enhanced and upgraded the skillset of its borrower services and borrower solutions team to better support borrowers through difficult times. The Group has a dedicated capital markets and funding team who continue to look for increased and more flexible on-balance sheet as well as forward flow funding from additional sources. Notwithstanding these efforts, there can be no assurance that the Group will be able to achieve its targets of continued origination growth, sufficient scale of operations and sustained profitability.

The Group also recognises that the UK Financial Services sector in the UK is a high-profile industry for Cyber Security attacks and as the Group continues to grow in the UK, it may become an increasingly attractive target for such attacks. Whilst this external risk may continue to rise, the Group's exposure is relatively modest and Group has mitigated such risk by reducing the number of access points and adding additional security layers.

Governance

The Board is responsible for setting the Group's strategy and overseeing the activities of the Group to assure value for shareholders while recognising the wider interests of stakeholders. The Board consists of 4 non-executive members and 2 executive members and benefits from directors with a broad range of skills combined with significant executive and practical experience in specialist areas of lending and funding. The Board meets at least 4 times a year, with more frequent meetings as needed.

The Board has the overall responsibility for the Group's risk management framework. The Group operates under a risk management framework established to identify and document risks, formulate the control environment and to monitor activity against control limits. Risk appetite is set by the Board and risks are monitored and assessed by the Risk Committee.

The Directors feel that all risks are being managed prudently with no material risks other than those disclosed above.

Approved by the Board of Directors and signed on behalf of the Board on 19 December 2023.



THINCATS

STRATEGIC REPORT (continued)

Statement by the directors in performance of their statutory duties in accordance with s172 (1) Companies Act 2006

As Directors, we have taken decisions to promote the long-term success of the Company for the benefit of its customers, shareholders and other stakeholders. Examples include securing new funding lines, developing specialist products and further investment into the Group, ultimately to allow greater capital to be deployed through our balance sheet to UK SMEs in order to meet their financing needs.

We recognise that effective engagement with stakeholders is key to achieving long-term sustainable success.

To ensure that the requirements of s172 Companies Act 2006 are met, the interests of stakeholder groups are considered through a combination of the following:

- Specific agenda points and papers for each board meeting
- Regular communication with employees on various operational matters as well as Group objectives
- Regular engagement with our external stakeholders including specifically but not limited to institutional funders, equity investors, corporate partners and suppliers
- Consideration of the impact on the Group's operations on the community and the environment and how this can be improved

Specific examples of engagement with stakeholders are set out below.

Borrowers

Understanding the needs of our target SME borrowers is key to our success. We have worked actively with our borrowers to understand their funding needs, growth requirements and challenges in order to design bespoke funding structures for each borrower. In addition, we continue to innovate our product suite, including an RCF product, to ensure we have the appropriate offering to successfully serve our market. We have continued to invest in technology, which combined with continuous process improvement drives efficiency in the lending process and therefore optimises the customer experience.

Intermediaries

We rely on strong relationships with corporate advisers as intermediaries for introductions to prospective borrowers. Our senior business development team(s) have regular engagement with our intermediary community, and we hold events to raise awareness of our market offering. Building strong relationships helps to give us better insights into the needs of SME borrowers and developments in the market. We also seek feedback to understand the positioning of our products in the market and how we might adapt our product offering in future to increase competitiveness.

Employees

Employees are central to our long-term success and key to achievement of our strategic goals. We made several strategically important hires during the period across all functional areas. We are committed to ensuring that our employee offering remains attractive with the Group completing a benchmarking exercise in the latter part of FY23. We have also expanded the range of forums for employee feedback, to better understand employee needs and ensure that the Group is an inclusive workplace. This has resulted in the launch of our first set of values as noted in the strategic report above.

**THINCATS****STRATEGIC REPORT (continued)****Suppliers**

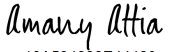
We have built strong relationships with our key suppliers to develop mutually beneficial and lasting partnerships, particularly in the key focus areas of data, technology and analytics. Engagement with suppliers is through a series of regular interactions and performance reviews with our functional teams. The board recognises that relationships with external suppliers are important to the Group's long-term success and are kept aware of material supplier issues on a regular basis.

Investors

We have regular engagement with both current and potential future investors (both debt and equity). Many of our investors have supported the Group for several years, demonstrating our commitment to establishing long-term sustainable relationships. We continue to explore opportunities for future investment with both existing investors, and potential new investors.

Community

Our community engagement is employee led, with employees choosing which charity we will primarily support throughout the year. We have also engaged in local charitable activities to help support the communities in which we operate, including organising a fundraising day at a local major supermarket for Cancer Research UK, hosting charity car washes, cake sales, challenges, sweepstakes, and raffles, as well as hosting regular collections for the local foodbank, volunteering at a local school, and sponsorship of a local not-for-profit family festival.

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A Attia
Director



THINCATS

GROUP DIRECTORS' REPORT

Registered Number: 13393055

Directors

The directors who served the Company during the period and subsequently, unless otherwise stated, were:

Vikram Aggarwal
 Ravinder Anand
 Amany Attia
 Quentin Baer
 Keith Morgan CBE
 Alexander Schmid (resigned 16 November 2023)

Results for the year and dividends

The loss after taxation for the year ended 30 June 2023 was £4.7m (18 months to 29 June 2022: £10m). The Directors do not recommend the payment of a dividend for the period. (18 months to 29 June 2022: £Nil). The consolidated financial statements for the year ended 30 June 2023 are set out in pages 19 to 24.

Going Concern

The Directors have prepared the consolidated financial statements of the Group on a going concern basis. In making the going concern assessment, the Directors have considered a range of variables, including the Group's current and projected liquidity, profitability and capital position, as well as assessing the principal risks and uncertainties in the Group's business as set out on page 7.

In reaching their going concern conclusion, the Directors considered the Group's base case projections alongside several plausible stress scenarios and a reverse stress test which included stressing future origination and interest rates to assess the impact on cashflow, profitability and capital position. This is an addition to increasing the expected loss rates in the Group's base case model, allowing for portfolio composition and the current economic environment.

The Directors believe that the Group will have adequate resources to continue trading for the foreseeable future under all plausible scenarios.

The Directors have reached this view after taking into account the following factors:

- The Group benefits from a strong liquidity position, with cash balances as at 30 June 2023 of £26.4m, as well as £265m in unused funding lines
- Since the year end, the Group has raised c.£300m additional funding for loans, in a new warehouse facility
- Since the year end, the Group has raised an additional up to £20m of capital by way of a preference share subscription from existing shareholders (see note 37)
- A reasonable proportion of the Group's loan assets are guaranteed by the BBB up to a certain threshold under the CBILS and RLS programmes. The impact of potential credit losses under the guarantees has been carefully modelled in the range of expected and stress scenarios conducted.
- The Directors have reviewed the senior funding lines of the relevant SPVs and have concluded that the on-balance sheet liabilities of these entities only have recourse to the cashflows from the underlying loans they fund and have no recourse to the other assets of the Group, including no cross default or cross acceleration provisions.
- The Directors have reviewed the increased loss rates methodology in the strategic plan taking into consideration portfolio and borrower composition.
- The Directors have also assessed the impact of plausible stress scenarios on the covenants within the Group's funding from other institutional and corporate investors and have determined that for a period for at least 12 months from the issuance of these consolidated financial statements, all covenants should be satisfactorily met.
- Should conditions deteriorate further than envisaged in the stress scenarios, the Directors consider it highly likely that the Group could implement further management actions to avoid or remedy any covenant breaches.



THINCATS

GROUP DIRECTORS' REPORT (continued)

Consequently, the Directors are satisfied that the Group has adequate resources to continue in operational existence for at least 12 months from the date of approval of these consolidated financial statements and therefore consider it is appropriate to adopt the going concern basis in preparing the accounts.

Indemnity

The Group has in accordance with section 310(3) of the Companies Act 2006 paid for liability insurance and indemnified the Directors against any liability incurred by them in defending proceedings in which:

- Judgement is given in their favour; or
- They are acquitted in connection with an act of negligence, default, breach of duty or breach of trust in connection with the affairs of the Group.

Information presented in other sections

Post balance sheet events are set out in note 37 and information relating to future developments are included in the Strategic report.

Statement of disclosure of information to auditors

So far as each person who was a Director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow Directors and the Group's auditor, each Director has taken all the steps that they are obliged to undertake as a Director in order to make himself/herself aware of any relevant information and to establish that the auditor is aware of that information.

The above confirmation is given and should be interpreted in accordance with the provision of s418 of the Companies Act, 2006.

Re-appointment of auditors

Deloitte LLP have indicated their willingness to be reappointed for another term and appropriate arrangements have been put in place for them to be deemed reappointed in the absence of an annual general meeting.

Strategic Report

The Company has chosen in accordance with the Companies Act 2006, s.414C(11) to set out in the Group Strategic Report information required by Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch. 7 to be contained in the Directors' Report.



THINCATS

GROUP DIRECTORS' REPORT (continued)

Statement of Directors' Responsibilities in Respect of the Annual Report and the Financial Statements

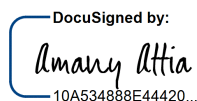
The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and Company financial statements for each financial year. Under that law the Directors have elected to prepare the Group and Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland. 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 Company and the Group for that period. In preparing these financial statements the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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 keeping adequate accounting records that are sufficient to show and explain the Group's and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and 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 company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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A Attia
Director



THINCATS

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THINCATS GROUP LIMITED

Report on the audit of the consolidated financial statements

Opinion

In our opinion the consolidated financial statements of ThinCats Group Limited (the 'parent company') and its subsidiaries (the 'group'):

- give a true and fair view of the state of the group's and of the parent company's affairs as at 30 June 2023 and of the group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the consolidated financial statements which comprise:

- the consolidated statement of comprehensive income.
- the consolidated and parent company statement of financial position.
- the consolidated and parent company statements of changes in equity.
- the consolidated cash flow statement; and
- the related notes 1 to 37.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

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 consolidated 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 consolidated financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, 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.



THINCATS

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THINCATS GROUP LIMITED (continued)

Conclusions relating to going concern

In auditing the consolidated financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the consolidated financial statements is appropriate.

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 and parent company's ability to continue as a going concern for a period of at least twelve months from when the consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated 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.

Responsibilities of directors

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated 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.



THINCATS

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THINCATS GROUP LIMITED (continued)

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated financial statements.

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

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

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.

We considered the nature of the group's industry and its control environment, and reviewed the group's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management and the directors about their own identification and assessment of the risks of irregularities, including those that are specific to the group's business sector.

We obtained an understanding of the legal and regulatory frameworks that the group operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the consolidated financial statements. These included UK Companies Act and tax legislation; and
- do not have a direct effect on the consolidated financial statements but compliance with which may be fundamental to the group's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team including relevant internal specialists such as tax, valuations, IT, credit modelling and data analytics specialists regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the consolidated financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the following areas, and our procedures performed to address them are described below:

- **Loan Impairment:**
 - We assessed the loan impairment methodology against the requirements of IFRS 9 Financial Instruments, and involved our credit risk modelling experts in assessment of the underlying models and key inputs;
 - We assessed the appropriateness of the macroeconomic scenarios including the weightings assigned to each scenario;
 - We assessed the significant increase in credit risk criteria used when a loan moves from stage 1 to 2 and its implementation;
 - We examined the loan impairment recorded on a sample of individually assessed loans classified as stage 3; and
 - We challenged the completeness and accuracy of management overlays included in the loan provision.



THINCATS

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THINCATS GROUP LIMITED (continued)

- **Effective Interest Rate ('EIR'):**
 - We performed walkthroughs on the EIR business processes and assessed management's methodology in EIR determination. This included consideration of conditional prepayment rate curves and behavioural lives;
 - We assessed whether the fees included and excluded from the EIR computation were compliant with IFRS 9.
 - We tested the completeness and accuracy of the fees and costs that were included within the EIR calculation; and
 - Using our analytics specialists we recalculated the EIR adjustment recorded, recomputed contractual interest income and compared to that determined by the management.
- **Consolidation of Special Purpose Entities ('SPE's):**
 - We made inquiries of management regarding the structure of the SPEs within the Group including any changes from last year and how these are being treated in the consolidated financial statements;
 - We assessed whether the Group has the rights to risks and rewards in the SPVs and leveraged the accounting analysis we performed in prior period; and
 - We tested the consolidation workings together with the elimination journal entries as part of our review of consolidated financial statements.
- **Going concern assumption**
 - We reviewed management's going concern assessment and associated financial statement disclosure ;
 - We challenged management's forecasts under base and plausible stress scenarios including scrutinising key assumptions. This included examining the capital and liquidity positions over the going concern assessment period;
 - We assessed the available financing over the going concern assessment period particularly those related to senior funding lines in the SPEs and corporate loan facilities;
 - We examined the structure of the liabilities and whether they will fall due over the going concern assessment period. This included reviewing covenant compliance in debt facilities over the period; and
 - We considered events after the reporting date and their related impact on management's forecasts. These included the issuance of preference share capital.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing consolidated financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the consolidated financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.



THINCATS

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THINCATS GROUP LIMITED (continued)

Report on other legal and regulatory requirements

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 period for which the consolidated financial statements are prepared is consistent with the consolidated financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the group and of the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

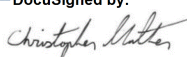
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept by the parent company; 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.

We have nothing to report in respect of these matters.

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.

DocuSigned by:

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Christopher Mather, FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
19 December 2023



THINCATS

CONSOLIDATED GROUP STATEMENT OF COMPREHENSIVE INCOME

Registered Number: 13393055

For the year ended 30 June 2023

		Year ended 30 June 2023 Group £'000	18 months period ended 29 June 2022 Group £'000
	Notes		
Turnover	4	41,935	43,630
Cost of sales	5	(21,889)	(17,257)
Gross profit		20,046	26,373
Administrative costs	10	(21,717)	(27,926)
Operating loss		(1,671)	(1,553)
Other income – fair value gain on financial assets measured at fair value	25	13,614	4,296
Other Income	11	1,584	-
Interest receivable and similar income		3	3
Interest payable and similar expenses	12	(15,772)	(7,438)
Impairment of loans receivables	13	(2,861)	(5,656)
Loss before taxation		(5,103)	(10,348)
Taxation	14	369	(2)
Loss for the financial year/period		(4,734)	(10,350)
Loss for the year/period attributable to:			
Equity shareholders of the parent		(4,734)	(10,449)
Non-controlling interests	30	-	99
Loss for the year/period		(4,734)	(10,350)

The above results are derived from continuing operations. The notes on pages 25 to 63 form an integral part of these financial statements.



THINCATS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Registered Number: 13393055

As at 30 June 2023

		30 June 2023 Group £'000	29 June 2022 Group £'000	30 June 2023 Company £'000	Restated ¹ 29 June 2022 Company £'000
Non-current assets					
Goodwill	15	2,241	2,421	-	-
Tangible assets	16	66	16	-	-
Investment in subsidiary	17	-	-	3,568	3,397
Loans receivables	18	373,480	329,990	-	-
Debtors	20	11,921	2,126	98,601	54,039
		387,708	334,553	102,169	57,436
Current assets					
Debtors	20	8,828	5,481	82	-
Loan commitment asset	21	-	3,710	-	3,710
Loans receivables	18	45,569	13,192	-	-
Cash at bank	22	26,375	47,315	-	-
		80,772	69,698	82	3,710
Current liabilities					
Creditors	23	(18,113)	(6,194)	(1)	(10)
		62,659	63,504	81	3,700
Net current assets					
		450,367	398,057	102,250	61,136



THINCATS

Non-current liabilities

Creditors	24	(409,974)	(356,706)	(72,619)	(35,342)
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Net assets

40,393	41,351	29,631	25,794
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Capital and reserves

Share capital	26	3,398	3,398	3,398	3,398
Share premium	27	147	147	147	147
Warrants issued over own equity	28	25,970	22,260	25,970	22,260
Share-based payment reserve	9	171	105	171	-
Profit and loss account		(63,560)	(58,826)	(55)	(11)
Merger reserve	29	74,267	74,267	-	-

40,393	41,351	29,631	25,794
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Equity attributable to owners of the parent

40,393	41,351	29,631	25,794
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¹⁷On the Company balance sheet amounts due from subsidiary undertakings (debtors) has been reclassified from current assets in the prior period to non-current assets, see note 20 for further details.

The notes on pages 25 to 63 form an integral part of these financial statements.

As permitted by s408 Companies Act 2006, the Company has not presented its own Statement of Comprehensive Income and related notes, as it prepares Group accounts. The Company's loss for the year was £44k (18 months to 29 June 2022: £11k). The financial statements were approved by the Board of Directors and authorised for issue on 19 December 2023 and are signed on its behalf by:

DocuSigned by:

Amany Attia

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Director



THINCATS

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Share Capital £'000	Share premium £'000	Preference Share Capital £'000	Warrants issued over own equity £'000	Share- based payment reserve £'000	Profit and Loss account £'000	Merger Reserve £'000	Equity attributable to the owners of the parent £'000	Non- controlling interests £'000	TOTAL £'000
Notes											
		1,924	56,310	19,430	-	-	(48,377)	-	29,287	(1,040)	28,247
		-	-	-	-	-	(10,449)	-	(10,449)	99	(10,350)
		-	-	-	-	-	-	-	-	941	941
		-	-	-	-	-	-	-	-	-	-
Equity-settled share-based payments	9	-	-	-	-	105	-	-	105	-	105
Issue of B shares	1	-	147	-	-	-	-	-	148	-	148
Issue of A2 Warrants	28	-	-	-	22,260	-	-	-	22,260	-	22,260
Group re-organisation	29	1,473	(56,310)	(19,430)	-	-	-	74,267	-	-	-
Balance at 29 June 2022		3,398	147	-	22,260	105	(58,826)	74,267	41,351	-	41,351
Loss for the year		-	-	-	-	-	(4,734)	-	(4,734)	-	(4,734)
Equity-settled share-based payments	9	-	-	-	-	66	-	-	66	-	66
Issue of A2 Warrants	28	-	-	-	3,710	-	-	-	3,710	-	3,710
Balance at 30 June 2023		3,398	147	-	25,970	171	(63,560)	74,267	40,393	-	40,393



THINCATS

COMPANY STATEMENT OF CHANGES IN EQUITY

	Notes	Share Capital £'000	Share premium £'000	Warrants issued over own equity £'000	Share- based payment reserve £'000	Profit and Loss account £'000	TOTAL £'000
Balance at 1 January 2021		-	-	-	-	-	-
Loss for the period		-	-	-	-	(11)	(11)
Issue of A shares		3,397	-	-	-	-	3,397
Issue of B shares		1	147	-	-	-	148
Issue of A2 warrants		-	-	22,260	-	-	22,260
Balance at 29 June 2022		3,398	147	22,260	-	(11)	25,794
Loss for the year		-	-	-	-	(44)	(44)
Equity-settled share-based payments		-	-	-	171	-	171
Issue of A2 warrants	28	-	-	3,710	-	-	3,710
Balance at 30 June 2023		3,398	147	25,970	171	(55)	29,631



THINCATS

CONSOLIDATED STATEMENT OF CASHFLOW

For the year ended 30 June 2023

		Year ended 30 June 2023 Group £'000	18 months period ended 29 June 2022 Group £'000
	Notes		
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	32	(73,108)	(143,527)
INVESTING ACTIVITIES			
Purchase of tangible fixed assets	16	(72)	(17)
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		<u>(72)</u>	<u>(17)</u>
FINANCING ACTIVITIES			
Proceeds from issuance of ordinary shares		-	4
Proceeds from senior funding into SPV's		22,810	119,046
Proceeds of corporate loans		39,075	58,347
Interest paid		(9,645)	(5,074)
Cash on BLN disposal		-	(189)
NET CASH INFLOW FROM FINANCING ACTIVITIES		<u>52,240</u>	<u>172,134</u>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		<u>(20,940)</u>	<u>28,590</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR/PERIOD		47,315	18,725
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD		<u>26,375</u>	<u>47,315</u>
Relating to:			
Bank balances and short-term deposits included in 'cash at bank'	22	<u>26,375</u>	<u>47,315</u>

The notes on pages 25 to 63 form an integral part of these financial statements.



THINCATS

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2023

1. GENERAL INFORMATION

Thincats Group Limited is a private company limited by shares and incorporated in England. Its registered office is located at 2&3 Charter Point Way, Ashby Park, Ashby De La Zouch, Leicestershire, LE65 1NF.

2. ACCOUNTING POLICIES

a) Statement of compliance and basis of preparation of financial statements

The consolidated financial statements of the Group and separate financial statements of the Company have been prepared under the historical cost convention, modified to include certain items at fair value, and in accordance with Financial Reporting Standard 102 ('FRS 102') issued by the Financial Reporting Council.

The consolidated financial statements comprise the financial statements of the Company, its subsidiaries and SPVs that it controls as at 30 June 2023. On 31 May 2021 the Company acquired 100% of the equity share capital of Thincats Limited ('TCL'), (formerly ESF Capital Ltd) in a share-for-share exchange. The acquisition was in nature a common control transaction as opposed to a business combination. Consequently, management has adopted an accounting policy whereby the consolidated accounts are prepared under the predecessor value method using existing values for assets and liabilities (see note 29).

The principal accounting policies applied in the preparation of these consolidated and Company financial statements are summarised below. They have been applied consistently throughout the current year and prior period.

Thincats Group Limited meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements, which are presented alongside the consolidated financial statements. Exemptions have been taken in relation to the requirement to present a statement of comprehensive income and statement of cash flows and the related notes, remuneration of key management personnel, share-based payment disclosures, and financial instrument disclosures.

The Company and all the subsidiaries of the Group as listed in note 19 have changed their financial reporting year-end to 30 June from 29 June.

For the year ended 30 June 2023, the following subsidiaries of the Company were entitled to exemption from audit under Section 479A of the Companies Act 2006 relating to subsidiary companies.

<i>Subsidiary Name</i>	<i>Companies House Registration Number</i>
Business Loan Capital Limited ('BLC Ltd')	09867563
Thincats Limited	09707863
TC Loans Limited	13031559

The following dormant subsidiaries of the Company have taken advantage of the Companies Act 2006 Section 394A exemption from preparing individual accounts and Section 448A exemption from filing individual accounts. These subsidiaries are exempt from the requirement to prepare individual accounts by virtue of Section 394A. The directors of the subsidiaries are exempt from the requirement to deliver a copy of the subsidiaries' individual accounts by virtue of Section 448A.

<i>Subsidiary Name</i>	<i>Companies House Registration Number</i>
TC Loans I Limited	09721235
TC Loans II Limited (owned by BLC Ltd)	11680000
ESF Loans Limited	10725890
TC Security Trustee Limited (owned by BLC Ltd)	12633574



THINCATS

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2023

b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company, its subsidiaries and SPVs it controls (the 'Group') as at 30 June. Control is achieved when the Company:

- Has the power over the investee
- Is exposed, or has rights, to variable returns from its involvement with the investee
- Has the ability to use its power to affect its returns

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it considers that it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders
- Potential voting rights held by the Company, other vote holders or other parties
- Rights arising from other contractual arrangements
- Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, the results of subsidiaries are acquired or disposed of during the year are included in profit or loss from the date the Company gains control until the date when the Company ceases to control the subsidiary.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Business combinations are accounted for under the purchase method. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the Group.



THINCATS

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2023

The basis of preparation is through a methodology of consolidation of SPVs where the Group carries the risk but also receives the reward for the loan assets in these entities. The SPVs receive funding from senior and junior investors. The senior investors receive a defined interest payment. The Group, as the junior investor, receives the remaining Net Interest Margin (NIM) on these assets and carries the entire risk of loss up to the value of the junior investment. The three vehicles (TC Funding I Limited, TC Funding III Limited and TC Funding IV Limited) that are fully consolidated into Group's results operate as a delegated scheme where the Group decides which loans to invest in based on agreed criteria with the institutional investors (the senior funders) for the relevant vehicle.

The Group applies silo accounting to consolidate a part of a legal entity in preparation of Group consolidated financial statements under circumstances where it is possible to consider a silo, rather than the entire legal entity, as a distinct entity for the purpose of determining whether that entity (i.e., the silo) is a subsidiary controlled by the Company in accordance with FRS 102. Considering an individual cell as a separate entity for the purposes of FRS 102 effectively means viewing the whole legal entity (containing within it multiple silos) as, in substance, a group of entities rather than one single entity. The determination as to whether the whole legal entity is, in substance, a group of separate entities is a matter requiring careful judgement, based on all the relevant facts and circumstances. Key considerations include:

- Strict legal separation of the assets and liabilities of individual silos during the life of the silos and no commingling of assets and liabilities upon liquidation
- Distinct and separate funding for each silo
- Risk management, investment strategy and income distribution decisions undertaken by the single cell only
- No transfer of risk or risk sharing among different silos
- Strict legal segregation of assets and liabilities hold true on bankruptcy of any of the cells

Silo accounting has been applied to consolidate the Group's share in the assets and liabilities of TC Funding Limited in the consolidated financial statements. TC Funding Limited is a special purpose entity specifically created to administer CBILS and RLS lending and is the only entity within the Group that is accredited by the BBB to offer loans to customers. Three of the seven silos of TC Funding Ltd hold assets which are effectively owned by the Group, via TC Funding I limited, TC Funding III limited and Thincats Limited, and are consolidated in preparation of the consolidated financial statements of the Group.



THINCATS

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2023

c) Going Concern

The Directors have prepared the consolidated financial statements of the Group on a going concern basis. In making the going concern assessment, the Directors have considered a range of variables, including the Group's current and projected liquidity, profitability and capital position, and assessed the principal risks and uncertainties in the Group's business as set out on page 7.

In reaching their going concern conclusion, the Directors considered the Group's base case projections alongside several plausible stress scenarios and a reverse stress test which included stressing future origination and interest rates to assess the impact on future cashflow, profitability and capital position. This is an addition to increasing expected loss rates in the Groups base case model, allowing for portfolio composition and the current economic environment.

The Directors believe that the Group will have adequate resources to continue trading for the foreseeable future under all plausible scenarios.

The Directors have reached this view after taking into account the following factors:

- The Group benefits from a strong liquidity position, with cash balances as at 30 June 2023 of £26.4m, as well as £265m in unused funding lines
- Since the year end, the Group has raised c.£300m additional funding for loans, in a new warehouse facility
- Since the year end, the Group has raised an additional up to £20m of capital by way of a preference share subscription from existing shareholders (see note 37)
- A reasonable proportion of the Group's loan assets are guaranteed by the BBB up to a certain threshold under the CBILS and RLS programmes. The mitigation of potential credit losses under the guarantees has been carefully modelled in the range of expected and stress scenarios conducted.
- The Directors have reviewed the senior funding lines of the relevant SPVs and have concluded that the on-balance sheet liabilities of these entities only have recourse to the cashflows from the underlying loans they fund and have no recourse to the other assets of the Group, including no cross default or cross acceleration provisions.
- The Directors have reviewed the increased loss rates methodology in the strategic plan taking into consideration portfolio and borrower composition.
- The Directors have also assessed the impact of plausible stress scenarios on the covenants within the Group's funding from other institutional and corporate investors and have determined that for a period for at least 12 months from the issuance of these consolidated financial statements, all covenants should be satisfactorily met with sufficient headroom.
- Should conditions deteriorate further than envisaged in the stress scenarios, the Directors consider it highly likely that the Group could implement further management actions to avoid or remedy any covenant breaches.

Consequently, the Directors are satisfied that the Group has adequate resources to continue in operational existence for at least 12 months from the date of approval of these consolidated financial statements and therefore consider it is appropriate to adopt the going concern basis in preparing the accounts.



THINCATS

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2023

d) Foreign currencies

The Group's functional and presentation currency is the pound sterling. Transactions in currencies other than the functional currency ('foreign currencies') are initially recorded at the exchange rate prevailing on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

All translation differences are taken to profit and loss, except to the extent they relate to gains or losses on non-monetary items recognised in other comprehensive income when the related translation gains or losses are also recognised in other comprehensive income.

e) Business combinations

Business combinations are accounted for by applying the purchase method. The cost of a business combination is the fair value of the consideration given, liabilities incurred or assumed and of equity instruments issued plus the costs directly attributable to the business combination. Where control is achieved in stages the cost is the consideration at the date of each transaction.

On acquisition of a business, fair values are attributed to the identifiable assets, liabilities and contingent liabilities unless the fair value cannot be measured reliably, in which case the value is incorporated in goodwill. Intangible assets are only recognised separately from goodwill where they are separable and arise from contractual or other legal rights. Where the fair value of contingent liabilities cannot be reliably measured they are disclosed on the same basis as other contingent liabilities.

Goodwill recognised represents the excess of the fair value and directly attributable costs of the purchase consideration over the fair values to the Group's interest in the identifiable net assets, liabilities and contingent liabilities acquired.

f) Goodwill

Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight-line basis over its useful economic life, which is 20 years. Provision is made for any impairment.

Negative goodwill is similarly included in the balance sheet and is credited to the profit and loss account in the periods in which the acquired non-monetary assets are recovered through depreciation or sale. Negative goodwill in excess of the fair values of the non-monetary assets acquired is credited to the statement of comprehensive income in the periods expected to benefit.



THINCATS

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2023

g) Impairment of non-financial assets

An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

The recoverable amount of goodwill is derived from measurement of the present value of the future cash flows of the cash-generating units of which the goodwill is a part. Any impairment loss in respect of a Cash Generating Unit ('CGU') is allocated first to the goodwill attached to that CGU, and then to other assets within that CGU on a pro-rata basis.

Where indicators exist for a decrease in impairment loss previously recognised for assets other than goodwill, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised. Where a reversal of impairment occurs in respect of a CGU, the reversal is applied first to the assets of the CGU, except for goodwill, on a pro-rata basis. Impairment of goodwill is never reversed.

h) Turnover

Turnover is recognised using the effective interest rate (EIR) method, except for loans held at fair value through profit and loss ('FVTPL') and the on-going platform fee which is measured at the fair value of the fees received or receivable for the provision of services in the ordinary course of business.

The EIR method calculates the amortised cost of a financial asset or liability and allocates interest expense over the relevant period. The EIR is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the EIR, transaction costs and other premiums or discounts) through the expected life of the financial asset or liability, or where appropriate a shorter period, to the amortised cost of a financial asset or liability.

For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

Turnover principally includes the following:

Interest income earned on loans to SME borrowers

This includes interest earned on loans extended to SME borrowers in direct lending or on lending via SPV's which are consolidated in the consolidated financial statements of the Group. Interest income is recognised on an EIR basis.

Arrangement fee

The Group earns arrangement fees for providing lending arrangements. Up-front arrangement fees are received from borrowers on forward flow loans and are recognised in full when the loan is drawn down by the borrower.

For on balance sheet loans the arrangement fee is considered as part of estimated cash flows used for determining the EIR and is recognised over the life of the loan using the effective interest rate method.



THINCATS

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2023

On-going platform fee

On-going platform fees are recognised on an accruals basis throughout the life of the loan based on the balance of the loan held by the lender. Recovery fees are earned when a loan defaults and fees are charged with costs recovered on recovery as they crystallise.

Committed facility fees

Commitment fees are paid by the borrower in return for the assurance that funds are available as agreed in the future ('the facility'). It is earned on an accruals basis as the service is provided; the service being the 'available but undrawn funds.'

i) Cost of sales

Cost of sales includes interest paid on senior funding which is directly attributable to the origination of loans, the principal operating activity of the Group. The interest paid on senior funding is recognised using the EIR method. Scheme lender fees are paid to the BBB for the CBILS and RLS loans guarantee and recognised on an accruals basis.

j) Interest payable and similar expenses

The corporate level borrowings of the Group consist of a term credit facility agreement and a risk retention financing facility agreement (see note 24) which are considered to be part of the financing activities of the Group. Consequently the interest paid on these borrowings is included in Interest payable and similar expenses and are recognised using the EIR method.

k) Employee benefits

Short-term benefits

The costs of short-term employee benefits are recognised as an expense in the period in which the service is received. No costs have been capitalised as an intangible fixed asset.

The holiday year for the Group ends at the calendar year end and employees are able to carry over a maximum of 5 days. The cost of this unused entitlement has been recognised in the period in which the employees' services are received.

Defined contribution pension plans

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered services entitling them to the contributions. Payments made to state-managed retirement benefit plans are accounted for as payments to defined contribution plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

Annual bonus plan

The Group operates annual bonus plans for employees. An expense is recognised in the consolidated statement of comprehensive income when the Group has a legal obligation to make payments under the plans as a result of past events and a reliable estimate of the obligation can be made.

l) Cash and Cash Equivalents

Cash and cash equivalents are basic financial assets and include cash held at call with banks. The carrying amounts of these assets is considered to be equal to their fair value. The cash value also includes amounts in the SPV's which include principal repayments from borrowers attributable to the Group and cash waiting to be deployed into new loans. See note 22.



THINCATS

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2023

m) Financial Instruments

The Group applies IFRS 9 Financial Instruments for recognition and measurement of all the Group's financial instruments, in accordance with FRS 102 Section 11 paragraph 11.2. Disclosure in relation to the financial instruments are made in accordance with the requirements of FRS 102 Section 11 and Section 12.

Initial recognition and measurement

The Group initially recognises financial instruments on the date which they are originated, acquired or on the trade date which is when the Group become a party to the contractual provisions of the instrument.

Under IFRS 9 financial instruments are classified at initial recognition into one of three measurement categories:

- subsequently measured at amortised cost
- fair value through other comprehensive income (FVOCI)
- fair value through profit or loss (FVTPL)

The classification of financial instruments at initial recognition depends on the financial instrument's contractual cash flow characteristics and the Group's business model for managing and holding them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied a practical expedient, the Group initially measures a financial instrument at its fair value, plus, in the case of a financial instrument not at FVTPL, directly attributable transaction costs.

Financial assets classified and measured at amortised cost, give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding and are held in a business model with the objective to collect contractual cash flows. Financial assets with cash flows that are SPPI and held in a business model which collects contractual cash flows and sells financial assets are classified as FVOCI. Financial instruments with cash flows that are not SPPI are classified and measured at FVTPL, irrespective of the business model.

All of the Group's financial liabilities are measured subsequently at amortised cost using the effective interest method.

Amortised cost and effective interest rate method

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition less principal repayments or receipts, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount recognised and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

FVTPL

Financial instruments at FVTPL are measured at fair value, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in 'Other gains and losses.'

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date.

When available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs.



THINCATS

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2023

The Group measures derivatives and a loan receivable at FVTPL (see note 25).

Impairment of Financial Assets

For loan receivables the Group recognises lifetime Expected Credit Loss ('ECL') when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12 month ECL.

The expected credit losses on these financial assets are calculated using the Group's internal risk grading derived from statistical analysis of 50,000 mid-market insolvencies over 15 years and adjusted based on a macro-economic forecast of future insolvency rates relative to this observed history, adjusted for factors that are specific to the borrowers, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12 month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

(i) *Significant Increase in Credit Risk*

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information. Forward-looking information includes consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

The Group has a simple loan construct with fixed and variable rate interest term loans, that either amortise, have bullet payments or a hybrid of bullet and amortising. Significant increase in credit risk is assessed through categorising the loans into one of three categories:

- Stage 1 Performing. There is no significant increase in credit risk since origination. The borrower has a low risk of default and does not have arrears. All covenants with Group are being met.
- Stage 2 Significant Increase in Credit Risk. The borrower has missed payments, there is risk of capital loss or insolvency but do not have objective evidence of impairment.
- Stage 3 Default. There is objective evidence of impairment and credit risk at the reporting date, or the borrower is in formal insolvency or enforcement process.

The Group internally manages loan performance through 5 "watch list" (WL) statuses.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.



THINCATS

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2023

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria can identify significant increase in credit risk before the amount becomes past due.

(ii) *Definition of Default*

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet any of the following criteria are generally not recoverable:

- When there is a breach of financial covenants by the debtor or any other provision in the finance documents
- Information developed internally or obtained from external sources indicating that the debtor is unlikely to pay its creditors, including the Group, in full (without considering any collateral held by the Group)

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) *Credit-impaired financial assets*

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- Significant financial difficulty of the borrower, including a past due event.
- It is becoming probable that the borrower will enter an insolvency process or a financial reorganisation.
- The disappearance of an active market for that financial asset because of financial difficulties.
- Information from a third party of independent business review where due diligence of a borrower has indicated a potential risk of credit loss.

(iv) *Write off policy*

The Group writes off a financial asset when there has been a final recovery of the loan or any insolvency process is closed.

Any recoveries made are recognised in profit or loss. There may be occasions where a loan is restructured resulting in part of the loan being written off.

(v) *Measurement and recognition of expected credit losses*

The measurement of expected credit losses is a function of the probability of default ('PD'), loss given default ('LGD') (i.e. the magnitude of the loss if there is a default) and the estimated exposure at default (EAD).



THINCATS

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2023

Probability of Default (PD)

The PD is derived from the Group's proprietary PRISM model which assigns a borrower's credit rating of 1 to 5 stars, with 1 star being the worst risk and 5 stars the least risk. PRISM has been modelled on historical data for each star grading over the period 2007 to 2019 and is used for provisioning, adjusted based on a macro-economic forward-looking forecast.

Star ratings are held as at origination unless more up to date consistent information becomes available. The PD will change as PRISM updates credit ratings over time.

For stage 1 loans, the Group uses the 12 month PD whereas for stage 2 and 3 loans lifetime PD is used.

Loss Given Default (LGD)

The LGD is determined from the PRISM security grading, which assigns a 1- 5 padlock grade based on the recoverability of the loan, based on assets or cashflows where 1 padlock is low security and 5 padlocks are higher security.

Padlock grades are held as at origination unless more up to date consistent information becomes available. The LGD's will update as PRISM security gradings are updated over time.

For non-performing loans the Group uses the LGD derived from management judgement based on the detailed knowledge of these loans, typically with third party advice of an estimated outcome. An 80% reduction in LGD is added to reflect the BBB guarantee for all CBILS and RLS loans.

The Group has also added post model adjustments (PMAs) covering the concentration risk in its asset base specifically addressing the size of the loan book and the higher concentration of larger loans. The basis of the modelling is through using statistical analysis across the balance sheet exposure of the loan book that is not credit impaired.

(vi) *Derecognition of financial assets*

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity or institutional funder.

Derivative financial instruments

Derivative financial instruments of the Group include interest rate swaps to manage its exposure to interest rate risks; and, A3 Warrants issued by the Company that have been classified as a derivative financial liability. Further details of derivative financial instruments are disclosed in note 25.

Derivatives are recognised initially at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. Derivatives are not offset in the financial statements unless the Group has both a legally enforceable right and intention to offset. A derivative is presented as a non-current asset or a non-current liability where the remaining maturity of the instrument is more than 12 months and it is not due to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.



THINCATS

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2023

Embedded derivatives

An embedded derivative is a component of a hybrid contract that also includes a non-derivative host – with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative. Derivatives embedded in hybrid contracts with a financial asset host within the scope of IFRS 9 are not separated. The entire hybrid contract is classified and subsequently measured as either amortised cost or fair value as appropriate.

Derivatives embedded in hybrid contracts with hosts that are not financial assets within the scope of IFRS 9 (e.g. financial liabilities) are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

An embedded derivative is presented as a non-current asset or non-current liability if the remaining maturity of the hybrid instrument to which the embedded derivative relates is not expected to be realised or settled within 12 months.

No material embedded derivatives have been identified as at 30 June 2023 or 29 June 2022.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

When the Group exchanges with the same lender, one debt instrument for another with substantially different terms; the original financial liability is extinguished and a new financial liability recognised. Similarly, the Group accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that terms are substantially different where there is at least a 10 per cent variance between; the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received, discounted using the original effective interest rate; and, the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification is recognised in profit or loss as the modification gain or loss within other gains and losses.

n) Loan commitment asset

Loan commitments meet the definition of a derivative financial instrument because they are a commitment to receive (or, from the perspective of a lender, make) a loan at a specified rate of interest during a fixed period of time. In effect, they are a written option for the potential borrower to obtain a loan at a specified rate.

Loan commitments that cannot be settled net, are excluded from the scope of IFRS and are generally not recognised as they are outside the scope of IFRS 9, except where a consideration is involved to obtain the loan commitment. In such a scenario, a loan commitment asset is recognised, at the fair value of the amount of commitment, as a financial asset.



THINCATS

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2023

The value of the loan commitment asset is de-recognised in proportionality by the value of each drawdown relating to the commitment. The de-recognition of this asset is treated as a transaction cost against the overall amount of funds drawn and charged through the P&L from the time of draw through to end of the loan's life under the effective interest rate method.

o) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

p) Own shares

Own shares represent the shares of the Company that are held in treasury or by the employee benefit trust. Own shares are recorded at cost and deducted from equity.

q) Called-up share capital, Equity shares and Share Premium

Ordinary shares are classified as equity. Instruments which provide its holder a residual interest in the assets of an entity after deducting its liabilities are also classified as equity. Warrants which are convertible into equity instruments are accounted for as equity only when such warrants can exclusively be settled by the Group delivering a fixed number of its own equity instruments and receiving a fixed amount of cash or another financial asset (the 'fixed-for-fixed criterion'). Warrants which meet the definition of derivatives are accounted for as derivative equity instruments and are initially measured at fair value. Equity instruments are not subsequently remeasured.

The Group has issued A2 Warrants as consideration for a loan commitment and these have been classified as derivative equity instruments. The A2 Warrants are treated as a transaction cost associated with obtaining the loan commitment and their fair value is determined by way of probabilistic modelling of the warrant pay outs.

r) Share-based payments

Share-based payment transactions in which the entity receives goods or services as consideration for its own equity instruments (including shares or share options); or receives goods or services but has no obligation to settle the transaction with the supplier are classified as equity-settled share-based payment transactions. Share-based payment transactions which are not classified as equity-settled share-based payment transactions are classified as cash-settled share-based payment transactions.

Equity-settled share-based payment transactions are measured at fair value (excluding the effect of non-market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non-market-based vesting conditions. The fair value is measured by use of the enterprise value based on the Group's 4-year plan and applying a weighted range of exit multiples. This is considered by management to be the most appropriate method of valuation. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.



THINCATS

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2023

A share-based payment transaction settled by another group entity (or a shareholder of any group entity) on behalf of the entity receiving or acquiring the goods or services are group-settled share-based payment transactions. The entity settling a share-based payment transaction when another entity in the group receives the goods or services shall recognise the transaction as an equity-settled share-based payment transaction only if it is settled in its own equity instruments. Otherwise, the transaction shall be recognised as a cash-settled share-based payment transaction.

Management incentive schemes which meet the definition of share-based payments are classified as equity-settled share-based payment transactions or cash-settled share-based payment transactions.

The variable bonus element of the Chairman's Incentive Plan is classified as a cash-settled share-based payment transaction.

s) Merger Accounting – Share for Share for exchange under FRS102

Merger accounting can be applied to account for a group reconstruction under FRS102, section 19 Paragraph 19.27, when all the three conditions stated below are met:

- (a) The user of merger accounting is not prohibited by company law;
- (b) The ultimate equity holders remain the same, and the rights to each equity holders, relative to the others are unchanged and;
- (c) No non-controlling interest in the net assets of the group is altered by the transfer.

In relation to condition (a) above, for companies, the relevant conditions for using merger accounting are in the large and medium sized Companies & Groups (Accounts & Reports) Regulations 2008 and they apply consolidated financial statements. These conditions are that;

- the undertaking whose shares are acquired is ultimately controlled by the same party both before and after the acquisition;
- the control referred to in the first bullet is not transitory; and
- adoption of the merger method accords with generally accepted accounting principles or practice.

In applying these conditions, it is evidenced that the ultimate shareholders before and after the acquisition remain the same. However, there are a number of shareholders and there is no controlling party. Consequently, the conditions in the Act for the application of merger accounting are not met.

The Company applied the true and fair override in accordance with FRS 102.3.4 during the prior period and the share-for-share transaction was accounted for by applying merger accounting.

Management has concluded that the true and fair override results in the financial statements providing a true and fair view of the Company's financial position, financial performance and, when required to be presented, cash flows.

Not applying merger accounting would have meant the transaction would have been accounted for using the purchase method of accounting which involves calculating goodwill on acquisition. Such accounting treatment would have been misleading as the transaction has taken place between group entities and there is no involvement of an external party in the share-for-share exchange.

t) Investments – Company

Investments in subsidiary companies are held at cost less accumulated impairment losses.



THINCATS

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2023

u) Taxation

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the profit and loss account.

Current tax is based on taxable profit for the year. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised, or the liability is settled based on tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax liabilities are recognised in respect of all timing 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 they will be recovered.

v) Dividends

No dividends were declared and paid during the current period and previous financial year.

w) Tangible fixed assets

Property, plant and equipment are stated at cost less accumulated depreciation and any recognised impairment loss. Depreciation is charged as to write off the cost of assets, over their estimated useful lives, using a straight-line method, on the following basis:

- Computer hardware 3 years
- Furniture and equipment 2 years

x) Leases

At inception the Group assesses agreements that transfer the right to use assets. The assessment considers whether the arrangement is, or contains, a lease based on the substance of the arrangement. Leases of assets that transfer substantially all the risks and rewards incidental to ownership are classified as finance leases. The Group does not have any finance leases. Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments made under operating lease agreements are charged to the income statement on a straight-line basis over the lease term.

y) Capital management

The Group considers its capital to comprise its equity share capital, share premium, accumulated losses and merger reserve.

The Directors' objective when managing capital is to safeguard the Group's ability to continue as a going concern in order to grow the business, to provide returns to shareholders, and to maintain an optimal capital structure.

The executive team monitor on a monthly and the board of directors quarterly, a number of Key Performance Indicators at the Group and operating entity level. As part of the budgetary process, targets are set with respect to income and operating expenses to effectively manage the activities of the Group. Performance is reviewed monthly and action taken as required.

These internal measures are used to assess the performance of the business and ensure the Group has adequate resources to meet its working capital requirements.



THINCATS

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2023

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Application of the Group's accounting policies, which are described in note 2, requires management to make judgements, estimates and assumptions, that are not readily apparent from other sources, which affect the amounts recognised including the carrying values of assets and liabilities. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

The critical judgements made by management that have a significant effect on the amounts recognised in the financial statements are described below.

Critical accounting judgements:

(i) Consolidation of SPVs

The Group has prepared its Consolidated financial statements on the basis of full consolidation of three of the SPVs where the Group retains the risk and reward of the loan assets in each entity, as described in note 2(b). In the case of TC Funding Limited, the Group has judged it appropriate to part consolidate this entity using Silo accounting as described in note 2(b), for the 3 of the 7 silos within this SPV given that these silos are considered to be distinct entities for purposes of consolidation.

Key sources of estimation uncertainty:

(i) Impairment on loans to borrowers

An internal model is used to determine the expected credit loss (ECL) on loans to borrowers. The ECL model has a number of inputs that are subject to estimation uncertainty, these include the PD, LGD, EAD and forecast economic scenarios derived from a third party. Stage 3 provisions are determined by individual assessment. The Group also adds a post model adjustment that is individually assessed allowing for portfolio and borrower composition. The Group has identified that the ECL is most sensitive to changes in the LGD for individually assessed loans. The Group has performed a sensitivity analysis for the non-modelled loss provision, specifically on stage 3 loans. The Group assessed an increased LGD across 4 scenarios and whilst a range of outcomes is reasonably possible, under the worst of the scenarios modelled, an LGD increase of 20%, the impairment loss would increase by £2.7m, although more than half of this is one borrower where any increase in assessed ECL would be offset by a reduction in the post model adjustment.

For further information on impairment allowances and collectively assessed impairment allowances see note 2(m) and note 18.

(ii) Valuation of A2 Warrants

The Group has utilised a third-party specialist in the valuation of the A2 warrants issued by the Group to TC Ventures Holding Limited (which is part of InterVest) as consideration for the loan commitment under the senior facility agreement. For further details see note 21 and note 28.

The A2 warrants are recognised at their initial fair value and the valuation was determined by way of probabilistic modelling of A2 Warrant pay outs, involving estimating the Enterprise Value of the Group at inception and valuation of the warrant instrument.



THINCATS

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2023

4. TURNOVER

	Year ended 30 Jun 2023	18 months period ended 29 Jun 2022
	Group £'000	Group £'000
Loan interest income	31,965	33,363
Arrangement fees	5,190	5,417
Platform fees	1,877	2,987
Other income	2,903	1,863
	41,935	43,630

All turnover is generated in the UK.

5. COST OF SALES

	Year ended 30 June 2023	18 months period ended 29 June 2022
	Group £'000	Group £'000
Interest on senior funding	17,567	11,633
Scheme lender fees	3,207	4,389
Other fees payable	1,115	1,235
	21,889	17,257

6. EMPLOYEES

The average number of persons employed by the Group, including Directors, during the year was 92 (period ended 29 June 2022: 80).

	Year ended 30 June 2023	18 months period ended 29 June 2022
	Group £'000	Group £'000
Staff costs during the year in respect of the Directors and employees were:		
Wages and salaries	11,809	12,739
Social security costs	1,544	1,674
Defined contribution pension	771	866
Other staff benefits	728	1,048
	14,852	16,327

The Chairman's incentive plan entitles the Chairman to receive a cash bonus following the occurrence of an exit event, subject to the Chairman remaining in position at the time of the exit. The fixed component of Chairman's Incentive Plan is accounted for as other long term employee benefits. The fair value of the liability is remeasured at each reporting date and expensed over the vesting period, this is included in wages and salaries above.



THINCATS

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2023

7. RETIREMENT BENEFITS

The Group offers an individual approved defined contribution pension plan for all qualifying employees. The contributions payable by the Group charged to profit and loss in the year amounted to £771k (18 months to 29 June 2022: £866k). No contributions were payable to the plans at the year-end (18 months to 29 June 2022: £Nil).

8. DIRECTORS REMUNERATION

The Executive Directors of the Company are considered to be the members of management who are defined as 'key management personnel'. Their aggregate remuneration for the year ended 30 June 2023 was £1,512k (18 months to 29 June 2022: £1,813k) including pension contributions of £30k (18 months to 29 June 2022: £45k).

The aggregate emoluments for the highest paid Director comprising salary, related employment taxes and pension contributions was £591k (18 months to 29 June 2022: £828k).

9. SHARE BASED PAYMENTS

Management Incentive Plan Scheme

B Shares

The Company has granted its own equity instruments, B shares, to the employees and Directors (the Participants) of its subsidiary, TCL, as part of a management incentive plan ('MIP'). Four categories of B shares have been issued by the Company, comprising of B1, B2, B3a and B3b which are together referred to as the B Shares. The purpose of issuing B Shares is to compensate the key employees in a manner that aligns the returns arising from this MIP to the returns of the shareholders of the Company.

B Shares are held in Thincats Employee Benefit Trust (the EBT). The trust structure ensures that the allocation of MIPs to individuals remains confidential. As part of the arrangement, Participants render services to TCL whereas the Company has the obligation to settle the B Shares. TCL has provided a limited recourse loan to some of the Participants to acquire the B shares and earns an interest at the rate of 2% per annum on such loan. Unpaid interest is to be added to the principal amount of the loan and compounds annually. B Shares will vest in an exit event or in the event of the Participant becoming a leaver.

The table below summarises the Unallocated Trust Shares and Allocated Trust Shares as at 30 June 2023. Allocated trust shares have been awarded to the Participants while the unallocated trust shares are held in the EBT for the purpose of allocating to the key employees or directors of TCL in the future.

	<u>Total Amount of Shares</u>	<u>Allocated Trust Shares</u>	<u>Unallocated Trust Shares</u>
B1 ordinary shares of £0.10 each	10,000	8,049	1,951
B2 ordinary shares of £0.10 each	1,000	874	126
B3a ordinary shares of £0.10 each	168	168	-
B3b ordinary shares of £0.10 each	28	28	-

The B Share Incentive Plan is a group plan as employee services are to be received by TCL, whereas the obligation will be settled by the Company and limited to the extent of the proceeds received from an external party in an exit-event. The B Share Incentive Plan is thus recognised as an equity-settled share-based payment transaction in these financial statements. None of the B Shareholders are expected to leave the company before the exit event.



THINCATS

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2023

Chairman's Incentive Plan

The Chairman's Incentive Plan entitles the Chairman to receive a cash bonus following the occurrence of an exit event, subject to the Chairman remaining in employment at the time of the exit.

The bonus amount is payable in cash and will consist of the following amount:

- a) A fixed component which is accounted for as other long term employee benefits (see note 6).
- b) A variable bonus calculated as a percentage of the exit proceeds to be paid at an agreed percentage of the amount by which the exit proceeds exceed pre-defined thresholds. The variable component of the Chairman's Incentive Plan is a cash-settled share-based payment arrangement. Management has estimated that the exit event takes place in June 2026. The share-based payment expense has been recognised at the fair value of the liability over the vesting period. The fair value of the liability is remeasured at every reporting date.

The variable bonus amount is assessed to be 'out of the money' on 30 June 2023, therefore, the fair value of the liability is deemed to be £Nil.

The total charge for the year for share-based payments was £66k (18 months to 29 June 2022: £105k).

10. ADMINISTRATIVE COSTS

	Year ended 30 June 2023	18 months period ended 29 June 2022
	Group £'000	Group £'000
Employee cost (see note 6)	14,852	15,735
Professional services	2,518	3,065
Irrecoverable indirect tax	757	1,298
Loss on disposal— BLN exit costs*	-	1,366
Technology consumables and software	507	858
Auditor's remuneration	590	702
Marketing and business development	573	740
Net swap expense	-	724
Recruitment	492	633
Cloud services	361	545
Amortisation of goodwill	180	271
Other administrative costs	887	1,989
	21,717	27,926

*This represents the Group's former share of the net assets of BLN which was de-recognised during the prior period.

Fees payable to statutory auditor in respect of audit services are as follows:

	Year ended 30 June 2023	18 months period ended 29 June 2022
	Group £'000	Group £'000
Audit services:		
Statutory audit of consolidated financial statements of the Group	540	654
Statutory audit of standalone financial statements of certain SPV's	50	48
	590	702



THINCATS

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2023

11. OTHER INCOME

	Year ended 30 June 2023	18 months period ended 29 June 2022
	Group £'000	Group £'000
Net swap income	1,584	-

12. INTEREST PAYABLE AND SIMILAR EXPENSES

	Year ended 30 June 2023	18 months period ended 29 June 2022
	Group £'000	Group £'000
Interest on corporate loans	15,772	7,435
Other interest costs	-	3
	15,772	7,438

Interest on corporate loans comprises interest payable on a term credit facility agreement and a financing facility agreement (see note 24).

13. IMPAIRMENT OF LOANS RECEIVABLES

Impairment charge for the year:

	Year ended 30 June 2023	18 months period ended 29 June 2022
	Group £'000	Group £'000
Impairment of loans receivables	2,861	5,656

14. TAXATION

Analysis of tax (credit) / charge for the year

	Year ended 30 June 2023	18 months period ended 29 June 2022
	Group £'000	Group £'000
Current tax:		
UK corporation tax	2	2
Adjustments in respect of prior periods	(371)	-
Tax (credit) / charge on loss on ordinary activities	(369)	2



THINCATS

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2023

Factors affecting the tax (credit) / charge for the year

The tax assessed on losses on ordinary activities differs from the standard rate of corporation tax in the UK of 25% (2022 – 19%). The differences are reconciled below:

	Year ended 30 June 2023	18 months period ended 29 June 2022
	Group £'000	Group £'000
Loss before taxation	(5,103)	(10,348)
Tax on loss on ordinary activities at standard corporation. Tax rate of 22.9% (2022: 19.0%)	(1,169)	(1,966)
Effect of:		
- Fixed asset differences	-	(1)
- Expenses not deductible for tax purposes	548	306
- Income not taxable for tax purposes	(2,918)	(458)
- Additional deduction for R&D expenditure	-	(274)
- Surrender of tax losses for R&D tax credit refund	-	485
- Adjustments in respect of prior periods re. R&D Tax	(371)	-
- Remeasurement of deferred tax for changes in tax rates	(779)	(2,849)
- Taxable profits per securitisation regime	2	1
- Movement in deferred tax not recognised	4,318	4,758
Tax (credit) / charge for the year	(369)	2

Deferred tax

	Year ended 30 June 2023	18 months period ended 29 June 2022
	Group £'000	Group £'000
Deferred tax asset not recognised		
Tax losses not recognised	16,530	11,871

In the Spring 2021 budget, the UK Government announced that from 1 April 2023 the corporation tax rate would increase to 25% (rather than remaining at 19%, as previously enacted) and also that losses arising in the 2020/21 and 2021/22 tax years could be carried back against profits of the same trade of the three previous tax years. This new law was substantively enacted on 24 May 2021. In the Autumn Statement in November 2022, the government confirmed the increase in corporation tax to 25% from April 2023 was to go ahead.



THINCATS

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2023

15. GOODWILL

	30 June 2023 Group £'000	29 June 2022 Group £'000
Cost		
Opening Balance	6,017	6,017
Additions	-	-
Closing Balance	6,017	6,017
Amortisation and impairment		
Opening balance	3,596	3,325
Charge for the year/period	180	271
Closing balance	3,776	3,596
Net book value at the end of the year/period	2,241	2,421

Goodwill relates to the Thincats brand that was recognised in the consolidated financial statements as part of the acquisition of Business Loan Network Limited. It is being amortised on a straight-line basis over a useful life of 20 years.

16. TANGIBLE ASSETS

GROUP	Computer Hardware £'000	Furniture and Equipment £'000	Plant and Equipment £'000	TOTAL £'000
Cost				
At 1 January 2021	205	278	49	532
Additions	17	-	-	17
Disposals	(85)	(117)	(41)	(243)
At 29 June 2022	137	161	8	306
Additions	64	8	-	72
At 30 June 2023	201	169	8	378
Depreciation and impairment				
At 1 January 2021	170	277	47	494
Charge for the period	25	-	1	26
Less Disposals	(73)	(116)	(41)	(230)
At 29 June 2022	122	161	7	290
Charge for the year	19	2	1	22
At 30 June 2023	141	163	8	312
Net book Value at 30 June 2023	60	6	-	66
Net Book Value at 29 June 2022	15	-	1	16

The Company did not hold any tangible assets at 30 June 2023 (29 June 2022 - £Nil).

The Group has no contractual commitments for the acquisition of property, plant and equipment as at 30 June 2023 (29 June 2022 - £Nil).



THINCATS

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2023

17. INVESTMENT IN SUBSIDIARY

	30 June 2023 Company £'000	29 June 2022 Company £'000
Investment in subsidiary	3,568	3,397

Investments primarily represent the cost of acquisition of equity shares of TCL by Thincats Group Limited amounting to £3,397k. Investment in the rest of the subsidiaries is recognised at a nominal amount of £1. The increases in investment of £171k is the cost of share-based payments during the year. An impairment assessment has been conducted and concluded that the investment in subsidiary is not impaired.

18. LOANS RECEIVABLES

	30 June 2023 Group £'000	29 June 2022 Group £'000
Non-current assets		
Loan receivable:		
Loans at fair value through profit and loss (FVTPL)	53,515	12,585
Gross loans receivable at amortised cost	324,790	320,517
Less: ECL provisions on loan receivable at amortised cost	(4,825)	(3,112)
	373,480	329,990
Current assets		
Loan receivable:		
Gross loans receivable at amortised cost	51,033	19,824
Less: ECL provisions on loan receivable at amortised cost	(5,464)	(6,632)
	45,569	13,192
Total loan receivable		
Loans at fair value through profit and loss (FVTPL)	53,515	12,585
Gross loans receivable at amortised cost	375,823	340,341
Less: ECL provisions on loan receivable at amortised cost	(10,289)	(9,744)
	419,049	343,182

Movement in the ECL provision for loans receivables:

	30 June 2023 Group £'000	29 June 2022 Group £'000
Opening ECL provision against loan receivables	9,744	5,904
ECL charge for the year/period (see note 13)	2,861	5,656
Loan receivables and the related provision written off during the year	(2,316)	(1,816)
Closing ECL provision against loan receivables	10,289	9,744



THINCATS

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2023

19. SUBSIDIARY UNDERTAKINGS

The Company's subsidiary undertakings are:

Name of Undertaking	Registered Office	Proportion of Ordinary Shares Held Directly	Nature of Business
Business Loan Network Limited ('BLN') – in liquidation	The Shard, 32 London Bridge Street, London, SE1 9SG	73.50%	Lending platform operator
Thincats Limited	2 & 3 Charter Point Way, Ashby Park, Ashby de la Zouch, Leicestershire, LE65 1NF	100%	Lending platform operator
TC Loans Limited	2 & 3 Charter Point Way, Ashby Park, Ashby de la Zouch, Leicestershire, LE65 1NF	100%	Loan agent, security trustee
TC Loans I Limited	2 & 3 Charter Point Way, Ashby Park, Ashby de la Zouch, Leicestershire, LE65 1NF	100%	Loan agent, security trustee
Business Loan Capital Limited ('BLC Ltd')	2 & 3 Charter Point Way, Ashby Park, Ashby de la Zouch, Leicestershire, LE65 1NF	100%	Origination agent
ESF Loans Limited	2 & 3 Charter Point Way, Ashby Park, Ashby de la Zouch, Leicestershire, LE65 1NF	100%	Loan agent, security trustee
TC Loans II Limited (owned by BLC Ltd)	2 & 3 Charter Point Way, Ashby Park, Ashby de la Zouch, Leicestershire, LE65 1NF	100%	Loan agent, security trustee
TC Security Trustee Limited (owned by BLC Ltd)	2 & 3 Charter Point Way, Ashby Park, Ashby de la Zouch, Leicestershire, LE65 1NF	100%	Loan agent, security trustee
Thincats Employee Benefit Trust ¹	c/o Ocorian (Jersey) Trustees Limited, 26 New Street, St Helier, JE2 3RA, Jersey	0%	Employee Benefit Trust

¹ The Employee Benefit Trust is an extension of Thincats Group, as Thincats Group has de facto control over it. It is listed here, even though it is not technically a subsidiary.

Besides the entities listed above, the Group's share in the assets and liabilities of the following are also consolidated in the preparation of the consolidated financial statements of the Group.

- TC Funding I Limited
- TC Funding III Limited
- TC Funding IV Limited
- 3 silos of TC Funding Limited

The accounting reference date for all the entities above is 30 June 2023.



THINCATS

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2023

Thincats Employee Benefit Trust

The standalone financial statements of Thincats Group (TCG) include the Thincats Employee Benefit Trust accounts, because the Company has de-facto control over Thincats Employee Benefit Trust. Thincats Limited extended a loan to the directors and key employees of the Company to facilitate the purchase of B1 and B2 Ordinary shares by the employees and directors. The loan amount was payable by Thincats Limited to the Thincats Employee Benefit Trust on behalf of the employees and directors. The loan is recognised at a total of £150k receivable (including £6k interest charged) in the financial statements of the Group as at 30 June 2023 (29 June 2022: £147k).

20. DEBTORS

	30 June 2023 Group £'000	29 June 2022 Group £'000	30 June 2023 Company £'000	Restated ¹ 29 June 2022 Company £'000
Current assets:				
Trade debtors	4,098	2,232	-	-
Prepayments and accrued income	1,922	440	82	-
Other debtors	2,808	2,809	-	-
	8,828	5,481	82	-
Non-current assets:				
Derivative financial instrument (see note 25)	11,698	1,710	-	-
Deposits on office premises	73	269	-	-
Loan to employees for purchase of B Shares	150	147	-	-
Amounts due from subsidiary undertakings	-	-	98,601	54,039
	11,921	2,126	98,601	54,039

¹ Amounts due from subsidiary undertakings have been reclassified from current assets in the prior period to non-current assets. This is now based on the expected settlement date and not the contractual settlement terms.

21. LOAN COMMITMENT ASSET

	30 June 2023 Group £'000	29 June 2022 Group £'000	30 June 2023 Company £'000	29 June 2022 Company £'000
Loan commitment asset	-	3,710	-	3,710

The loan commitment asset is recognised as a financial asset, representing the fair value of the loan commitment from InterVest. The loan commitment asset is derecognised in proportion to the value of drawdowns in relation to the total loan commitment to which the asset relates. As at the year-end these commitments have been fully drawn down. A2 Warrants have been issued as consideration for the loan commitments (see note 28).



THINCATS

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2023

22. CASH AT BANK

	30 June 2023 Group £'000	29 June 2022 Group £'000	30 June 2023 Company £'000	29 June 2022 Company £'000
Cash at bank	26,375	47,315	-	-

Cash at bank balance includes £20,765k (29 June 2022: £44,911k) held in the SPV's which includes principal repayments from borrowers attributable to the Group primarily for near-term loan deployment, this amount can be used for the purpose of originating loans and paying SPV expenses.

23. CREDITORS: CURRENT LIABILITIES

	30 June 2023 Group £'000	29 June 2022 Group £'000	30 June 2023 Company £'000	29 June 2022 Company £'000
Trade creditors	706	732	1	-
Interest payable on senior funding	1,858	1,453	-	-
Corporation tax liability	3	2	-	-
Other tax and social security	260	212	-	-
Other creditors	904	123	-	-
Accruals and deferred income	7,463	3,672	-	10
Corporate loans	6,919 ¹	-	-	-
	18,113	6,194	1	10

24. CREDITORS: NON-CURRENT LIABILITIES

	30 June 2023 Group £'000	29 June 2022 Group £'000	30 June 2023 Company £'000	29 June 2022 Company £'000
Senior funding	337,355	314,545	-	-
Corporate loans	72,619 ¹	42,161 ¹	72,619	35,342
	409,974	356,706	72,619	35,342

¹ This figure is net of relevant transaction costs.

Senior funding

The Group's financing facilities with a syndicate of banks and funders includes senior loans to the SPV's of £337,355k (29 June 2022: £314,545k). The loans accrue interest on a monthly basis at an annual rate of SONIA plus a margin. Senior loans are due for repayment on maturity which varies across the senior funding arrangements, ranging from Sept 2026 to July 2028. They are secured over assets held in SPVs originated by the Group.



THINCATS

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2023

Corporate Loans

The Group has a term credit facility agreement with Special GBP Opportunities III S.A.R.L, a fund managed by InterVest, for up to £160m. As part of this agreement, individual facilities are agreed and then drawn on for the purposes of on-balance sheet lending.

Total commitments of £95m have been granted to date, £20m in the year and £75m in the prior period. The commitments are recognised within assets, see note 21. As at the year-end these commitments have been fully drawn down.

The loans have a term of 5 years from the date of the relevant commitment agreement and are subject to covenants.

The Group also has a risk retention financing facility agreement in place. The aggregate facility amount is £7m and the maturity is March 2024. This facility was extended to March 2025 and increased to £10.5m as at 1 December 2023, see note 37.

25. FINANCIAL INSTRUMENTS

The Group's income, expense, gains and losses in respect of the financial instruments are summarised below:

	30 June 2023	29 June 2022
	Group	Group
	£'000	£'000
Fair Value Gain and Loss through profit and loss		
Fair value gain on loans receivable	3,159	2,586
Fair value gain on interest rate swap	9,988	1,710
Gain on partial swap disposal	467	-
	13,614	4,296

Fair value gain on loans receivable

The fair value gain associated with these financial assets are based on the growth of the Transitional Capital product which includes new originations during the year. These loans had a total asset value of £53.5m at the year-end (29 June 2022: £12.6m).

Fair value gain on interest rate swap

Interest rate swaps are valued at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

Interest rate swap contracts

The following table details the notional principal amounts and remaining terms of interest rate swap contracts outstanding as at the reporting date:



THINCATS

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2023

Outstanding swap contracts – expiry date	Average contract fixed interest rate		Notional principal value		Fair value	
	30 June 2023 %	29 June 2022 %	30 June 2023 £'000	29 June 2022 £'000	30 June 2023 £'000	29 June 2022 £'000
2 to 5 years						
<i>Within TC Funding I Ltd</i>	2.68%	-	33,641	-	1,368	-
<i>Within TC Funding III Ltd</i>	2.17%	2.14%	144,540	203,177	7,439	1,885
<i>Within TC Funding IV Ltd</i>	3.01%	2.79%	55,911	37,257	2,891	(175)
			234,092	240,434	11,698	1,710

The Group settles the difference between the fixed and floating interest rate monthly on a net basis.

All interest rate swap contracts exchanging floating rate interest amounts for fixed rate interest amounts are held to reduce the Group's cash flow exposure resulting from variable interest rates on borrowings.

The fair value was obtained from the swap counterparty, who ran a valuation model based on the Market Forward Curve of SONIA rates.

A3 Warrants

The A3 Warrants are classified as derivative financial liabilities. They are held by institutional and individual shareholders with varying exercise prices as per the table below. None of these warrants have been exercised. A3 Warrants are to be measured at fair value through profit and loss account.

Type	Number	Employee Owned	Strike Price £
A3 warrant	1,058,590	10,187	1.77
A3 warrant	2,367,031	588,442	1.95
A3 warrant	311,652	9,739	2.48

At 30 June 2023 and 29 June 2022, the fair value of A3 Warrants is not material as they are significantly 'out of the money'.

26. SHARE CAPITAL

	Company		Company	
	30 June 2023	30 June 2023	29 June 2022	29 June 2022
	Number of shares	£'000	Number of shares	£'000
Ordinary shares allotted, issued and fully paid:				
A ordinary shares at £0.10	30,712,175	3,071	30,712,175	3,071
A1 ordinary shares at £0.01	32,551,224	326	32,551,224	326
B1 ordinary shares at £0.10	8,049*	1	7,124*	1
B2 ordinary shares at £0.01	874*	-	874*	-
B3A ordinary shares at £0.10	168	-	168	-
B3B ordinary shares at £0.10	28	-	28	-
	63,272,518	3,398	63,274,595	3,398

* B1 Shares: 10,000 less 1,951 unallocated held at EBT = 8,049 Allocated Shares
B2 Shares: 1000, less 126 unallocated held at EBT = 874 Allocated Shares

The Company's ordinary shares carry no right to fixed income.



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NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2023

The right to vote at general meetings of the Company is determined by the class of share as follows:

Class of share	Voting rights
A1	49.9%
A	50.1%
B1, B2, B3A and B3B	no voting rights

27. SHARE PREMIUM AND PROFIT AND LOSS ACCOUNT

Consideration received for shares issued above their nominal value net of transaction costs.

	Company 30 June 2023 £'000	Company 29 June 2022 £'000
Premium arising on the issue of B1 and B2 ordinary shares	143	143
Premium arising on the issue of B3a and B3b ordinary shares	4	4
	147	147

28. WARRANTS ISSUED OVER OWN EQUITY

	Company 30 June 2023 £'000	Company 29 June 2022 £'000
A2 Warrants	25,970	22,260

The Company issued A2 Warrants to TC Ventures Holding Limited as consideration for the loan commitment under the senior facility agreement entered into with Special GBP Opportunities III S.A.R.L. The A2 Warrants have been classified as derivative equity instruments recognised at fair value. Fair value of the A2 Warrants is determined by way of probabilistic modelling of A2 Warrant pay outs.

29. MERGER RESERVE

On 10 June 2021, the Company acquired 100% of the equity share capital of Thincats Limited. The transaction was affected by way of share for share exchange whereby Thincats Group Limited issued shares at nominal value in exchange for 100% of the share capital of Thincats Limited (formerly known as ESF Capital Limited) to the existing shareholders of Thincats Limited, in which it owns 100% of the equity share capital with equivalent voting rights. The transaction constituted a group reconstruction.

As a result of the group restructuring within the comparative period, the existing balances on the share premium account of TCL of £56.3m were transferred to the merger reserve account. Further amounts of £18m relating to the aggregation of the cancellation of preference share capital of £19.4m and a reorganisation of shares and warrants of £(1.47)m, were also transferred resulting in a total of £74.3m.



THINCATS

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2023

30. NON-CONTROLLING INTEREST

The non-controlling interest during the prior period relates to the ordinary share capital of Business Loan Network Limited ('BLN') held by TCL. BLN went into Administration on 14 April 2021, which was extended by a creditor's resolution to April 2025, due to the ongoing recovery of the loan book by the Administrators. During the year BLN entered creditors voluntary liquidation.

TCL continues to act as loan and lender servicer on behalf of the Administrators. The Group's share in the net assets of BLN is £Nil (29 June 2022: £Nil).

31. FINANCIAL RISK MANAGEMENT**Approach to Risk Management**

A statement of financial assets and liabilities categorised by class of financial instrument is shown below

As at 30 June 2023	Amortised cost £'000	FVTPL £'000	Totals £'000
Loans receivable	365,534	53,515	419,049
Cash at bank	26,375	-	26,375
Debtors	8,828	11,698	20,266
Total Assets	400,737	65,213	465,950
Senior funding	337,355	-	337,355
Corporate loans	79,538	-	79,538
Interest payable on senior funding	1,858	-	1,858
Trade creditors	706	-	706
Total Liabilities	419,457	-	419,457
As at 29 June 2022			
Loans receivable	330,597	12,585	343,182
Cash at bank	47,315	-	47,315
Debtors	5,481	1,710	7,191
Total Assets	383,393	14,295	397,688
Senior funding	314,545	-	314,545
Corporate loans	42,161	-	42,161
Interest payable on senior funding	1,453	-	1,453
Trade creditors	732	-	732
Total Liabilities	358,891	-	358,891

Risk Governance

Risk governance is overseen by the Board and administered by the Management Risk Committee and the Board Risk Committee. Risk is managed under a Risk Management Framework which sets out the overall risk strategy and the various components of risk governance which consists of i) a Risk Appetite Statement, which establishes the risk appetite and limits as approved by the Board; ii) the establishment of monitoring and reporting of Key Risk Indicators (KRI's) setting out targets and limits on a number of critical indicators of risk across the business; and iii) Risk Event Reporting, which provides for the reporting, investigation, and mitigation of risk events across the business. The Risk Framework, Risk Appetite Statement and KRI's are approved by the Board and KRI's are reported to the Board on an exception to target/ limit basis.



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NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2023

Within the financial year, the Group has rolled out further risk management training to all staff reinforcing the definitions of risk, risk reporting, as well as enhancing the internal framework on reporting and managing risk events. Training was also extended to cover the core principles of cyber security and risk.

Key risks of the business include credit risk, liquidity risk, operational risk, market risk and cyber risk

Credit Risk

Credit risk is the risk of loss due to the failure of a borrower to meet their interest or principal obligations in accordance with agreed contract terms. The Group will be exposed to credit risk where:

- Borrowers are not able to meet scheduled amounts due according to the terms of their loan
- Loans are not underwritten to policies or prudent credit standards

Deterioration of borrower credit may lead to a material reduction in the company's profitability and equity capital. Additionally, significant deterioration in borrower credit performance will also impact funding lines as such lines have covenant limits on large-scale borrower credit losses in terms of ceasing of further funding commitments.

Credit risk is managed within the Group through the credit policy which sets out in detail the lending criteria and underwriting process of each loan. This policy is updated at least annually and approved by the Board. Each loan undergoes a number of steps to be approved. The first step is an automated credit and security rating by means of PRISM, our proprietary rating model using market 'big data' and our own data. The second step is the Deal Forum which comprises a high-level review by one or more regional heads of credit whose approval is required to proceed to the next phase. The third and final phase is a full review by the Group's Investment Committee, chaired by the Head of Credit and consisting of all regional heads of credit. The Investment Committee is the final arbiter of credit approval.

Key risk indicators relating to the credit quality of all loans are reviewed by the Management Risk Committee, held monthly, and certain credit indicators, including credit data and credit KRI's, the latter by exception, are reported to the Board quarterly.

Credit risk is also monitored by a Portfolio Management function which seeks to assess the impact of borrower credit profiles across both the balance sheet and managed portfolio and seeks to analyse industry, regional, security type, use of lending proceeds, and sponsor type exposures.

In addition, the Group has a monthly Portfolio Risk Committee which has ongoing monitoring & oversight responsibility looking at the credit performance, stage categorisation and provisioning of loans across our balance sheet and managed portfolio. The Portfolio Risk Committee is responsible for reviewing and assessing loan credit performance each month, circulating key learnings back into the loan underwriting policy and process, opining on expected credit losses and agreeing appropriate provisions each month. Provisions are set based on loan stage whereby Stage 1 loans are provisioned in accordance with Expected PRISM loss based on 12 month expected loss rate, stage 2 are provisioned based on lifetime expected PRISM loss rates, including any adjustment to such lifetime loss rate based on known information (for example, updated valuations or EOS valuations) and stage 3 provisions are based on lifetime expected losses based on updated information.



THINCATS

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2023

The Group's current credit risk grading framework comprises the following categories with ECL provisions at relevant balance sheet dates, showing movements from prior period to current period.

ECL Movements £'000	12 Month ECL		Lifetime ECL	
	Stage 1 £000	Stage 2 £000	Stage 3 £000	Total £000
Closing balance at 29 June 2022	2,152	330	7,262	9,744
Write offs in the period	(475)	-	(1,841)	(2,316)
Loans redeemed in the period to 30 June 2023	(315)	(35)	-	(350)
New loans in period to 30 June 2023	708	4	-	712
Remeasurement of loss allowances	1,591	699	209	2,499
Stage worse – 1 to 2	(263)	263	-	-
Stage worse – 2 to 3	-	(401)	401	-
Stage worse – 1 to 3	(3)	-	3	-
Stage better – 2 to 1	16	(16)	-	-
Stage better – 3 to 2	-	-	-	-
Stage better – 3 to 1	-	-	-	-
Closing balance at 30 June 2023	3,411	844	6,034	10,289
	Stage 1 £000	Stage 2 £000	Stage 3 £000	Total £000
Closing balance at 31 December 2020	875	177	4,852	5,904
Write offs in period	-	-	(1,816)	(1,816)
Loans redeemed in 18 months to June 22	(197)	(154)	-	(351)
New Loans in 18 months to June 2022	777	121	666	1,564
Remeasurement of loss allowance	817	176	3,450	4,443
Stage worse – 1 to 2	(33)	33	-	-
Stage worse – 2 to 3	-	(3)	3	-
Stage worse – 1 to 3	(107)	-	107	-
Stage better – 2 to 1	20	(20)	-	-
Stage better – 3 to 2	-	-	-	-
Stage better – 3 to 1	-	-	-	-
Closing balance at 29 June 2022	2,152	330	7,262	9,744

The tables below detail the credit quality of the Groups financial assets, all loans to borrowers as well as the exposure by credit grading, for the year ended 30 June 2023 and the 18 months prior period ended 29 June 2022.

As at 30 June 2023	Description	Basis for ECL	Gross Carrying Amount £'000	ECL £'000	Net Carrying amount £'000
Stage 1 – Performing	The borrower has a low risk of default and does not have arrears	12 month ECL	337,461	3,411	334,050
Stage 2 – Significant increase in credit risk	The borrower has missed payments, some forbearance or holiday required. There is some risk of capital loss or insolvency	Lifetime ECL	21,520	844	20,676
Stage 3 – Default and in and recovery	The borrower is in formal insolvency or enforcement process or there is clear evidence capital risk and missed payments	Lifetime ECL	16,842	6,034	10,808
Totals			375,823	10,289	365,534



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NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2023

As at 29 June 2022	Description	Basis for ECL	Gross Carrying Amount £'000	ECL £'000	Net Carrying amount £'000
Stage 1 - Performing	The borrower has a low risk of default and does not have arrears	12 month ECL	315,444	2,152	313,292
Stage 2 – Significant increase in credit risk	The borrower has missed payments, some forbearance or holiday required. There is some risk of capital loss or insolvency	Lifetime ECL	13,314	330	12,984
Stage 3 – Default and in and recovery	The borrower is in formal insolvency or enforcement process or there is clear evidence capital risk and missed payments	Lifetime ECL	11,583	7,262	4,321
Totals			340,341	9,744	330,597

Fair value of financial instruments

The table below provides an analysis of financial instruments that are measured at fair value subsequent to initial recognition grouped into levels based on to the degree to which fair value is observable.

	As at 30 June 2023			
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Loan receivable	-	-	53,515	53,515
Debtors (interest rate swaps)	-	11,698	-	11,698
	-	11,698	53,515	65,213

	As at 29 June 2022			
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Loan receivable	-	-	12,585	12,585
Debtors (interest rate swaps)	-	1,710	-	1,710
	-	1,710	12,585	14,295

Where the recognition of a financial instrument requires it to be stated at fair value, this is determined by reference to the quoted price in active market where possible. Where no such active market exists for the asset, the Group uses either an external valuation or discounted cash flow analysis or other commonly used valuation techniques. For each class of financial asset and financial liability the Group uses the following hierarchy;

- Level 1: Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3: Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs)



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NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2023

Liquidity Risk

Liquidity risk is the risk that the Group is unable to meet its current and or future financial obligations. The Group requires adequate liquidity to manage both its operational expenses as well as to fund loan assets. Any shortfall in liquidity would impact the Group's ability to service its operations and pay its staff as well as to fund new loans, significantly impacting its profitability and ability to function.

To manage and support its operational liquidity requirements, the Group operates a cash flow management process and maintains a minimum amount of operating cash balances to meet its obligations and maintain covenant levels where required.

The liquidity covenant and minimum operating cash levels are measured as a key business indicator and monitored monthly via the Group's Management Risk Committee. Such information is also reviewed by the Board quarterly and by Board Risk Committee.

To manage its liquidity requirement to fund loans, the Group maintains senior warehouse lines with banks and institutional investors as well as a committed facility with InterVest. These lines have covenants relating to loan concentration limits, loan performance and in certain cases, relating to the Group's financial performance. In the event the Group triggers such covenants, the lines would either terminate commitments for future funding, or become immediately due, depending on the line, which would significantly impact the on-going liquidity of the company. All covenants are currently being met and headroom is maintained under plausible stress scenarios.

Financial instruments undiscounted maturity profiles at the end of the accounting periods were:

As at 30 June 2023						
	Less than 1 month	1-3 months	Over 3 months but less than 1 year	Over 1 year but less than 5 years	Over 5 years	Total
<u>Assets</u>	£'000	£'000	£'000	£'000	£'000	£'000
Cash at bank and in hand	26,375	-	-	-	-	26,375
Loans receivable	-	-	45,569	373,480	-	419,049
Debtors (excl. prepayments and accrued income)	4,098	-	-	12,567	-	16,665
	30,473	-	45,569	386,047	-	462,089

As at 29 June 2022						
	Less than 1 month	1-3 months	Over 3 months but less than 1 year	Over 1 year but less than 5 years	Over 5 years	Total
<u>Assets</u>	£'000	£'000	£'000	£'000	£'000	£'000
Cash at bank and in hand	47,315	-	-	-	-	47,315
Loans receivable	-	-	13,192	329,990	-	343,182
Debtors (excl. prepayments and accrued income)	2,232	-	-	1,710	-	3,942
	49,547	-	13,192	331,700	-	394,439



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NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2023

As at 30 June 2023

	Less than 1 month	3 months or less but not on demand	Over 3 months but less than 1 year	Over 1 year but less than 5 years	Over 5 years	Total
<u>Liabilities</u>	£'000	£'000	£'000	£'000	£'000	£'000
Senior funding	-	-	-	337,355	-	337,355
Corporate loans	-	-	6,919	72,619	-	79,538
	-	-	6,919	409,974	-	416,893

As at 29 June 2022

	Less than 1 month	3 months or less but not on demand	Over 3 months but less than 1 year	Over 1 year but less than 5 years	Over 5 years	Total
<u>Liabilities</u>	£'000	£'000	£'000	£'000	£'000	£'000
Senior funding	-	-	-	314,545	-	314,545
Corporate loans	-	-	-	42,161	-	42,161
	-	-	-	356,706	-	356,706

Market Risk

Market risk is the risk of loss due to adverse movements in market financial instruments, specifically in the Group's perspective, interest rates. Market risk can result in a significant charge against profits or equity. The Group has very limited exposure to market risk, as the Group has floating rate liabilities with funders and matches these liabilities with floating rate loans to borrowers. The Group has a legacy book of fixed rate loans, however it entered into a fixed to floating swap against these loans to manage this liability, as detailed in note 25 of the financial statements. As a result, the Group's market risk is limited to a very small risk of SONIA/base rate mismatch which has historically been insignificant along with a de minimis timing mismatch between floating rate fixing dates.

Sensitivity Analysis

Management have assessed the impact on operating losses and equity that a 50bps movement in SONIA rate would have had on the consolidated financial statements. Managements estimates that such an increase to the SONIA rate would have decreased loss before tax, for the year ending 30 June 2023, by £2.0m and that a 50bps decrease to the SONIA rate would have increased loss before tax, for the year ending 30 June 2023, by £2.0m.

This is on the basis that increased Interest income from borrowers is largely offset by the increased cost of senior funding and increased cost of corporate loans. The Group would however benefit from a gain in the mark to market of the swap and the gain in the actual swap cost to counterparty.



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NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2023

Operational Risk

Operational risk as per the Basel Committee on Banking Supervision refers to the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. While the Group is not a bank nor subject to PRA or FCA supervision, the Group takes operational risk seriously as it can impact its customers, suppliers, employees and its financial position. The Group has policies in place governing credit origination and credit monitoring, loss mitigation, HR policies, IT policies, and general corporate policies. The Group has additionally invested heavily in improving its IT infrastructure over the last 2 years to upgrade its operational capability and intends to continue such investment over the coming years.

The Group's operational performance is managed by an Executive Committee who oversee both strategy implementation and day to day performance. Operational risk is monitored by a Management Risk Committee who meet monthly to assess operational performance KRIs and operational risk events and mitigation efforts. Operating KRIs and operating performance is also reviewed and discussed in Quarterly Board meetings and periodic Board Risk Committee meetings.

Capital Risk Management

The Group considers its capital to comprise its equity share capital, share premium, accumulated losses and merger reserve.

The Group objective is to grow its capital over time by growing its profits and retained earnings. While the Group is not subject to prudential or regulatory capital requirements, the Group has certain covenants relating to its capital position. The impact of not meeting such covenants could result in a termination of commitments for future funding, or funding could become immediately due. The Group also has certain covenants with restrictions to cash in bank balances, and contractual requirements in SPV vehicles.

The Group manages its capital position on a weekly basis to ensure it remains compliant with all commitments.

Ongoing monitoring and management of capital is sent to senior funders and issuers of corporate loans with regards to capital management, as per the Group's contractual requirements with each funder.

Cyber Risk

Cyber risk is the risk of financial loss, business disruption, damage to the business, its employees or stakeholders or the reputation of the business due to partial or complete disruption of our systems by a malicious third party seeking to impact the Group for financial gain. The result of this cyber security attack could mean a financial loss or reduced ability or loss of ability to originate new business and service our existing book.

The UK Financial Services sector is a high-profile industry for cyber security risk and as the Group continues to grow in the UK it will become an increasingly attractive target for third parties. While this external risk may continue to rise, our level of exposure is relatively modest with a limited number of areas where the Group is vulnerable to an attack. Over the past two years the Group has reduced the number of access points for a cyber-attack and added additional layers of security such as multi-factor authentication for all staff and an external security service that provides monitoring of potential cyber risks and incident management. However, as such attacks continue to rise and their level of sophistication continues to increase, the challenge and risk will continue to grow.



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NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2023

32. CASHFLOWS FROM OPERATING ACTIVITIES

	Year ended 30 June 2023 Group £'000	18 months period ended 29 June 2022 Group £'000
Loss before taxation	(5,103)	(10,348)
<u>Adjustments for non-cash items:</u>		
Depreciation	22	26
Amortisation of goodwill	180	271
Impairment for loans receivable	2,861	5,656
Interest receivable and similar income	(3)	(3)
Interest payable and similar expenses	15,772	7,438
Loss on disposal of BLN (see note 30)	-	1,366
Share based payment expense	66	105
Fair value gains on financial instruments held at FVTPL	(13,147)	(4,296)
<u>Movement in operating assets and liabilities:</u>		
Increase in loans receivable	(75,569)	(149,614)
(Increase)/decrease in receivables	(2,780)	4,425
Increase in creditors	4,594	1,447
Tax paid	(1)	-
	(73,108)	(143,527)

33. FINANCIAL COMMITMENTS, GUARANTEES AND CONTINGENCIES

The Directors of Thincats Group Limited have in place a parent company guarantee for three of its trading subsidiaries, Thincats Limited, TC Loans Limited and Business Loan Capital Limited as permitted by section 479a of the 2006 Companies Act.

At 30 June 2023, the Group had undrawn commitments to borrowers of £68m (29 June 2022: £32m). This relates to existing borrowers where the Group has extended a committed facility up to a specified amount within a set time period.



THINCATS

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2023

34. COMMITMENTS UNDER OPERATING LEASES

At 30 June 2023, the total future minimum lease payments under non-cancellable operating leases for office premises are as follows:

	30 June 2023 Group £'000	29 June 2022 Group £'000
Amounts due:		
Within one year	518	401
Between one and five years	145	97
	663	498

Operating lease expenses charged to the statement of comprehensive income for the year ending 30 June 2023 is £477k (18 months to 29 June 2022: £487k).

35. RELATED PARTY TRANSACTIONS**Group**Transactions with key management personnel:

See note 8 for disclosure of Director's remuneration and key management compensation including share-based payments.

Transactions with entities other than the subsidiaries:

The Group receives platform fee income from SPV's under forward flow arrangements as described in the Strategic report, where the loan assets are not consolidated into the Group financial statements. These relate to TC Funding II limited, Project Sphynx Funding 1 Designated Activity Company (an entity registered in the Republic of Ireland) and the elements of TC Funding Limited that are not consolidated into the Group as described in the approach to Silo Accounting under note 2 Accounting policies.

During the year the Group received £1.9m of platform fee income (18 months period ended June 2022: £3.0m), £1.5m of arrangement fee income (18 months period ended June 2022: £2.0m) as at 30 June 2023. As at 30 June 2023 the Group had £0.4m (June 2022: £0.4m) income receivable from entities other than the subsidiaries.

Company

The Company's related party transactions were with wholly owned subsidiaries of the Group, and SPV's as detailed above in this note. There were no transactions during the year with other parties that the Directors consider to be related.

36. ULTIMATE PARENT COMPANY AND CONTROLLING PARTY

The Directors consider there is no ultimate controlling party of the parent company of the Group, Thincats Group Limited



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NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2023

37. POST BALANCE SHEET EVENTS

On 9th August 2023 the Group entered into an additional £30m commitment of its total £160m facility with InterVest Capital Partners in return for a further 6% per commitment of A2 warrants over equity issued, taking the A2 warrants to a total of 48% of issued shares capital as at the date of signing these financial statements.

On 17 August 2023, Thincats Group Limited in accordance with s551 of the Companies Act entered into subscription agreements pursuant to which it may issue (i) 10,000,000 A preference shares of £1.00 each up to an aggregate nominal amount of £10,000,000 and (ii) 10,000,000 A1 preference shares of £0.10 each up to an aggregate nominal amount of £1,000,000 and a share premium of £9,000,000 (£0.90 per share). The subscribers for A preference shares and A1 preference shares (both existing shareholders of the Group) will be required to pay a subscription price of £1.00 per share issued (inclusive of share premium in the case of A1 preference shares). The A preference shares and the A1 preference shares will be allotted to the participants in tranches.

To date, 5,833,334 A1 preference shares have been issued. Any A preference shares issued have been converted into deferred shares so there are currently no A preference shares in issue.

On the 1st December 2023, the holders of the A1 preference shares entered into a top up subscription deed for an additional 6,633,333 A1 preference shares at a price of £1 per share (inclusive of the £0.90 premium per share).

On 15 September 2023, the Group entered into a new funding facility, TC Funding V DAC ('TCFV'), with Citibank and Barclays Bank Plc supported by a guarantee through the BBB's ENABLE Guarantee programme. This new facility supports lending of up to £696m for mid-sized smaller businesses in the UK, making it one of the largest, dedicated funding lines with a non-bank lender. As part of the transaction TCFV acquired the outstanding lending from two SPV's, TC Funding IV Ltd and Project Sphynx Funding 1 Designated Activity Company, and as a result these two SPV's will be liquidated up in due course. TCFV will be consolidated into the Group as TCL, a subsidiary of the Group, has invested in TCFV via a junior note holding.

As part of this transaction, the Group entered into an agreement for an additional interest rate swap within TCFV which will be consolidated into the Group's financial statements and is held to reduce the Group's cash flow risk to variable interest rates.

On the 1 December 2023, the Group extended its risk retention facility agreement to an aggregate facility amount of £10.5m with a maturity of March 2025.