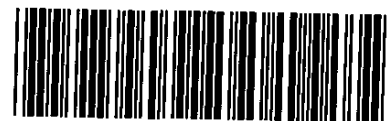


Registered number: 11715734

CAPIFY HOLDINGS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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CAPIFY HOLDINGS LIMITED

COMPANY INFORMATION

Director	D Goldin
Registered number	11715731
Registered office	7th Floor Station House Stamford New Road Altrincham Cheshire WA14 1EP
Independent auditor	MHA Rutland House 148 Edmund Street Birmingham West Midlands B3 2FD

CAPIFY HOLDINGS LIMITED

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CAPIFY HOLDINGS LIMITED

GROUP STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

Introduction

The director presents the strategic report for the year ended 31 December 2022.

Principal activities and business review

The principal activity of Capify Holdings Limited and its subsidiaries is the provision of unsecured business loans to the SME market. The group currently operates in both the UK and Australian markets.

The Group continues to rebuild the loan portfolios and its future customer base following the impacts of the pandemic in 2020, when the business ceased originating new loans and the government imposed restrictions dramatically reduced collections for the Merchant Cash Advance (MCA) product offered by the Company.

The Company has now pivoted more to an offering of Small Business Loans, which is not susceptible to the external market conditions seen of an MCA product.

Due to the gradual nature inherent in establishing a new customer base, and the Group's selective approach to it lending due to external economic factors, it was anticipated that the business would make losses in 2022 and return to profitability in 2023. The Group made a loss after tax of £7,289,065 for the 2022 financial year (loss of £5,327,857 in 2021).

As expected, the bad debt expense (cost of sales) has increased with a growing portfolio, however, in the current economic climate a more prudent bad debt provision and write-off policy has been introduced in 2023, and the additional bad debt expenses incurred have been recognised as an exceptional cost of £4,213,975 in the 2022 financial accounts.

Strong growth experienced in both the UK and Australia in 2022 has continued into 2023.

Principal risks and uncertainties

The principal risks to the group are the performance of its portfolios associated with default or fraud, foreign exchange risks, cost of capital and competition from new entrants under-pricing these risk.

The strong underwriting in both countries is shown by the controlled and targeted default rates achieved. Foreign exchange rate movements are mitigated by a multicurrency facility and a natural trading self hedge. The short-term nature of the product offering limits the exposure to the cost of capital.

The main uncertainty challenging the group is a potential economic recession. A recession could impact the SME market which we target and increase default rate. On the other hand, a recession could increase the market for alternative lending solutions as banks and other lenders reduce their risk appetite.

Financial key performance indicators

UK Turnover - £10.0m (2021: £6.4m)
Australia Turnover - £10.2m (2021: £4.2m)
Total Group Turnover - £20.2m (2021: £10.5m)

Gross profit margin - 61.7% (2021: 92.15%). Excluding exceptional costs, the gross profit margin for 2022 was 82.6%.

Net Current Assets - £28.7m excluding the group debtor classified as due after more than one year, before which net current assets would have amounted to £44.6m (2021: £40.5m).

CAPIFY HOLDINGS LIMITED

**GROUP STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022**

Future developments

The business remains committed to regaining market share in both the UK and Australia. The steady increase in funding throughout 2023 shows great opportunity for both markets. The business has already engaged in discussions with future funding partners to achieve these growth targets.

In 2022, the Company started a project to upgrade the customer journey and optimise new technology to introduce efficiencies and ultimately a better user experience. The business has already seen some tangible benefits from this and will continue to develop this technology and future proofing of the operations.

The continued economic events of 2022 have led to a series of interest rate rises in both Australia and the UK. Although this has had an impact on Capify's financing costs, it has also created further opportunities to increase the lending channels as there is an inevitable tightening of lending criteria from the main stream Banks.

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



D Goldin
Director

Date: 30 October 2023

CAPIFY HOLDINGS LIMITED

DIRECTOR'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

The director presents his report and the financial statements for the year ended 31 December 2022.

Principal activity

The principal activity of the company during the period was that of a holding company. The principal activity of the group is that of a leading speciality lender that leverages proprietary underwriting technology platforms to provide working capital solutions to business through two products, Merchant Cash Advance and Small Business Loan.

Director

The director who served during the year was:

D Goldin

Director's responsibilities statement

The director is responsible for preparing the Group strategic report, the Director's report and the consolidated financial statements in accordance with applicable law and regulations.

Company law requires the director to prepare financial statements for each financial year. Under that law the director has elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the director must not approve the financial statements unless he is satisfied that they give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period.

In preparing these financial statements, the director is required to:

- select suitable accounting policies for the Group's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

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

Results and dividends

The loss for the year, after taxation, amounted to £7,289,065 (2021 - loss £5,327,857).

No ordinary dividends were paid. The director does not recommend payment of dividends in respect of the year.

Qualifying third party indemnity provisions

United Kapital Limited, a subsidiary company has made qualifying third party indemnity provisions for the benefit of the director of all entities within the group, including Capify Holdings Limited. These provisions remain in force at the reporting date.

CAPIFY HOLDINGS LIMITED

**DIRECTOR'S REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022**

Matters covered in the Group strategic report

The group has chosen in accordance with Companies Act 2006, s. 414C(11) to set out in the group's strategic report information required by Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch. 7 to be contained in the director's report. It has done so in respect of discussion of principal risks and uncertainties and future developments.

Post balance sheet events

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

Going Concern

The financial statements have been prepared on a going concern basis which assumes that the company and group will continue in operational existence for the foreseeable future. The foreseeable future is defined as a period of not less than 12 months from the date of approval of these financial statements.

The current senior facility will expire on 14th September 2024 and the company is in advanced negotiations with other lenders to replace this facility, should the existing lender not continue to support the company. We are expecting a refinance of the group to be completed in the coming months. The existing provider is working with the company and group to ensure an orderly transition during this period.

Auditor

Following a rebranding exercise on 15 May 2023 the trading name of the company's independent auditor changed from MHA MacIntyre Hudson to MHA. A resolution to reappoint MHA as independent auditor will be proposed at the next Annual General Meeting.

Disclosure of information to auditor

The director at the time when this Director's report is approved has confirmed that:

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

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



D Goldin
Director

Date: 30 October 2023

CAPIFY HOLDINGS LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CAPIFY HOLDINGS LIMITED

Opinion

We have audited the financial statements of Capify Holdings Limited (the 'parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2022, which comprise the Consolidated statement of comprehensive income, the Consolidated and Company Statements of financial position, the Consolidated Statement of cash flows, the Consolidated and Company Statement of changes in equity and the related notes, including significant accounting policies. 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).

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 December 2022 and of the Group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council'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.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the director's use of the going concern basis of accounting in the preparation of the 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 or the parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

CAPIFY HOLDINGS LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CAPIFY HOLDINGS LIMITED (CONTINUED)

Other information

The other information comprises the information included in the Annual Report other than the financial statements and our Auditor's report thereon. The director is responsible for the other information contained within the Annual Report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion 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 Group strategic report and the Director's report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Group strategic report and the Director's report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Group strategic report or the Director's report.

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

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

Responsibilities of directors

As explained more fully in the Director's responsibilities statement set out on page 3, the director is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the director determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the director is 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 director either intends to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

CAPIFY HOLDINGS LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CAPIFY HOLDINGS LIMITED (CONTINUED)

Auditor's responsibilities for the audit of the financial statements

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

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

- Enquiry of management and those charged with governance around actual, potential or suspected litigation and claims, non-compliance with applicable laws and regulations and fraud;
- Performing audit work over the risk of management override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business and reviewing accounting estimates for bias;
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations; and
- Discussions with engagement team in relation to how and where fraud might occur in the financial statements and any potential indicators of fraud.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

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

CAPIFY HOLDINGS LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CAPIFY HOLDINGS LIMITED (CONTINUED)

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.



Christopher Barlow BFP FCA FCCA (Senior statutory auditor)

for and on behalf of

MHA, Statutory auditor

Birmingham, United Kingdom

30 October 2023

MHA is the trading name of MacIntyre Hudson LLP, a limited liability partnership in England and Wales (registered number OC312313)

CAPIFY HOLDINGS LIMITED

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Note	2022 £	2021 £
Turnover	4	20,173,462	10,515,562
Cost of sales		(3,502,562)	(825,202)
Exceptional cost of sales	12	(4,213,975)	-
Gross profit		12,456,925	9,690,360
Administrative expenses		(15,336,480)	(12,429,485)
Other operating income	5	-	158,525
Operating loss	8	(2,879,555)	(2,580,600)
Interest payable and similar expenses	10	(4,370,404)	(3,019,512)
Loss before tax		(7,249,959)	(5,600,112)
Tax on loss	11	(39,106)	272,255
Loss for the financial year		(7,289,065)	(5,327,857)
Other comprehensive income for the year			
Currency translation differences		(104,388)	(104,548)
Total comprehensive income for the year		(7,393,453)	(5,432,405)

The loss and total comprehensive income for the current and prior year is all attributable to the owners of the parent company.

There were no recognised gains and losses for 2022 or 2021 other than those included in the consolidated statement of comprehensive income.

The notes on pages 16 to 36 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022

	Note	2022 £	2021 £
Fixed assets			
Intangible assets	13	230,509	109,193
Tangible assets	14	16,081	25,179
		<u>246,590</u>	<u>134,372</u>
Current assets			
Debtors	16	47,338,815	42,237,805
Cash at bank and in hand	17	4,074,366	4,585,883
		<u>51,413,181</u>	<u>46,823,688</u>
Creditors: amounts falling due within one year	18	(6,785,128)	(6,303,256)
Net current assets		<u>44,628,053</u>	<u>40,520,432</u>
Total assets less current liabilities		<u>44,874,643</u>	<u>40,654,804</u>
Creditors: amounts falling due after more than one year	19	(49,717,688)	(38,099,430)
Provisions for liabilities			
Deferred tax	20	-	(4,966)
Net (liabilities)/assets		<u>(4,843,045)</u>	<u>2,550,408</u>
Capital and reserves			
Called up share capital	21	104	104
Profit and loss account	22	(4,843,149)	2,550,304
		<u>(4,843,045)</u>	<u>2,550,408</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 30 October 2023.


D Goldin
Director

The notes on pages 16 to 36 form part of these financial statements.

CAPIFY HOLDINGS LIMITED
REGISTERED NUMBER: 11715734

COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022

	Note	2022 £	2021 £
Fixed assets			
Investments	15	2	2
Current assets			
Debtors	16	7,637,862	8,478,243
Cash at bank and in hand	17	100	100
		<u>7,637,962</u>	<u>8,478,343</u>
Creditors: amounts falling due within one year	18	(2,381,973)	(2,311,318)
Net current assets		<u>5,255,989</u>	<u>6,167,025</u>
Total assets less current liabilities		<u>5,255,991</u>	<u>6,167,027</u>
Creditors: amounts falling due after more than one year	19	(8,346,031)	(7,461,768)
Net liabilities		<u>(3,090,040)</u>	<u>(1,294,741)</u>
Capital and reserves			
Called up share capital	21	104	104
Profit and loss account brought forward	22	(1,294,845)	(540,710)
Loss for the year	22	(1,795,299)	(754,135)
Profit and loss account carried forward	22	(3,090,144)	(1,294,845)
		<u>(3,090,040)</u>	<u>(1,294,741)</u>

As permitted by s.408 of the Companies Act 2006, the Company has not presented its own Statement of comprehensive income and related notes to the financial statements as it prepares Group accounts. The Company's loss for the year was £1,795,299 (2021: £754,135).

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 30 October 2023.


D Goldin
Director

The notes on pages 16 to 36 form part of these financial statements.

CAPIFY HOLDINGS LIMITED

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 January 2021	104	7,982,709	7,982,813
Comprehensive income for the year			
Loss for the year	-	(5,327,857)	(5,327,857)
Currency translation differences	-	(104,548)	(104,548)
Total comprehensive income for the year	-	(5,432,405)	(5,432,405)
At 1 January 2022	104	2,550,304	2,550,408
Comprehensive income for the year			
Loss for the year	-	(7,289,065)	(7,289,065)
Currency translation differences	-	(104,388)	(104,388)
Total comprehensive income for the year	-	(7,393,453)	(7,393,453)
At 31 December 2022	104	(4,843,149)	(4,843,045)

The notes on pages 16 to 36 form part of these financial statements.

CAPIFY HOLDINGS LIMITED

**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 January 2021	104	(540,710)	(540,606)
Comprehensive income for the year			
Loss for the year	-	(754,135)	(754,135)
	<hr/>	<hr/>	<hr/>
Total comprehensive income for the year	-	(754,135)	(754,135)
	<hr/>	<hr/>	<hr/>
At 1 January 2022	104	(1,294,845)	(1,294,741)
Comprehensive income for the year			
Loss for the year	-	(1,795,299)	(1,795,299)
	<hr/>	<hr/>	<hr/>
Total comprehensive income for the year	-	(1,795,299)	(1,795,299)
	<hr/>	<hr/>	<hr/>
At 31 December 2022	104	(3,090,144)	(3,090,040)

The notes on pages 16 to 36 form part of these financial statements.

CAPIFY HOLDINGS LIMITED

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2022**

	2022 £	As restated 2021 £
Cash flows from operating activities		
Loss for the financial year	(7,289,065)	(5,327,857)
Adjustments for:		
Taxation charge/(credit)	39,106	(272,255)
Finance costs	4,370,404	3,019,512
Amortisation of intangible assets	260,651	148,578
Depreciation of tangible assets	16,954	15,192
(Increase) in debtors	(4,077,200)	(13,188,302)
(Increase) in amounts owed by groups	(792,284)	(682,578)
(Decrease)/increase in creditors	(99,008)	228,836
Increase in amounts owed to groups	650,904	68,088
Corporation tax paid	-	(389,251)
Net cash generated from operating activities	(6,919,538)	(16,380,037)
Cash flows from investing activities		
Purchase of intangible fixed assets	(381,967)	(190,434)
Purchase of tangible fixed assets	-	(8,988)
Net cash from investing activities	(381,967)	(199,422)
Cash flows from financing activities		
Net movement on loans	10,733,995	22,928,733
Interest paid	(4,370,404)	(3,019,512)
Net cash used in financing activities	6,363,591	19,909,221
Net (decrease)/increase in cash and cash equivalents	(937,914)	3,329,762

CAPIFY HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

	2022 £	As restated 2021 £
Cash and cash equivalents at beginning of year	4,585,883	1,716,430
Effect of foreign exchange rates	426,397	(460,309)
Cash and cash equivalents at the end of year	4,074,366	4,585,883
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	4,074,366	4,585,883
	4,074,366	4,585,883

A prior year adjustment has been processed to reclassify an amount of £357,105 from amounts repaid in respect of preference shares to effect of foreign exchange rates based on the underlying nature of the transaction. This has had the effect of reducing net cash used in financing activities with a corresponding impact on total effects of foreign exchange rates. The cash and cash equivalents at the end of the year remains the same.

CONSOLIDATED ANALYSIS OF NET DEBT
FOR THE YEAR ENDED 31 DECEMBER 2022

	At 1 January 2022 £	Cash flows £	Foreign exchange movements £	At 31 December 2022 £
Cash at bank and in hand	4,585,883	(937,914)	426,397	4,074,366
	-	-	-	-
Debt due after 1 year	(38,099,430)	(10,733,995)	(884,263)	(49,717,688)
	(33,513,547)	(11,671,909)	(457,866)	(45,643,322)

The notes on pages 16 to 36 form part of these financial statements.

CAPIFY HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

1. General information

Capify Holdings Limited ("the Company") is a private company limited by shares and is registered and incorporated in England and Wales. The registered office is 7th Floor, Station House, Stamford New Road, Altrincham, Cheshire, WA14 1EP.

The group consists of Capify Holdings Limited and all of its subsidiaries (as set out in note 14 to the financial statements).

The Company's and the Group's principal activities and nature of its operations are disclosed in the Strategic Report.

The financial statements are prepared in Sterling, which is the principal functional currency of the group. Monetary amounts in these financial statements are rounded to the nearest £1.

2. Accounting policies

2.1 Basis of preparation of financial statements

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

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgment in applying the Group's accounting policies (see note 3).

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of comprehensive income in these financial statements.

Parent Company disclosure exemptions

In preparing the separate financial statements of the parent Company, advantage has been taken of the following disclosure exemptions available in FRS 102:

- No Statement of cash flows has been presented for the parent *Company*;
- Disclosures in respect of the parent *Company's* financial instruments have not been presented as equivalent disclosures have been provided in respect of the Company as a whole; and
- No disclosures have been given for the aggregate remuneration of the key management personnel of the parent *Company* as their remuneration is included in the totals for the Company as a whole.

The following principal accounting policies have been applied:

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

2. Accounting policies (continued)

2.2 Basis of consolidation

The consolidated financial statements present the results of the Company and its own subsidiaries ("the Group") as if they form a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Statement of financial position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date control ceases.

2.3 Going concern

The financial statements have been prepared on a going concern basis which assumes that the company and group will continue in operational existence for the foreseeable future. The foreseeable future is defined as a period of not less than 12 months from the date of approval of these financial statements.

The current senior facility will expire on 14th September 2024 and the company is in advanced negotiations with other lenders to replace this facility, should the existing lender not continue to support the company. We are expecting a refinance of the group to be completed in the coming months. The existing provider is working with the company and group to ensure an orderly transition during this period.

2.4 Revenue

Revenue is recognised at the fair value of the consideration received or receivable for services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discount and volume rebates.

Turnover on Merchant Cash Advances and Loans issued by the group comprises interest receivable under FRS 102, and is included within revenue given this is the principal trading activity of the Group. Interest income on these balances is accrued on a time-apportioned basis, by reference to the principal outstanding at the effective interest rate.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

2. Accounting policies (continued)

2.5 Intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

The estimated useful lives range as follows:

Software	1 - 3	years on a straight line basis
----------	-------	--------------------------------

Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date where it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the fair value of the asset can be measured reliably; the intangible asset arises from contractual or other legal rights; and the intangible asset is separable from the entity.

2.6 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

The estimated useful lives range as follows:

Leasehold improvements	-	5 Years straight line
Fixtures and fittings	-	5 Years straight line
Computer equipment	-	3 Years straight line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

2.7 Fixed asset investments

In the separate accounts of the company, interests in subsidiaries are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

A subsidiary is an entity controlled by the group. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

2. Accounting policies (continued)

2.8 Cash and cash equivalents

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

2.9 Financial instruments

The group has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised when the group becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include trade and other debtors and cash and bank balances are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the financial asset is measured at the present value of the future receipts discounted at a market rate of interest.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is a contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

2. Accounting policies (continued)

2.9 Financial instruments (continued)

Basic financial liabilities

Basic financial liabilities, including trade and other creditors, and loans from fellow group companies, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Equity instruments

Equity instruments issued by the company are recorded at fair value of proceeds received, net of transaction costs.

2.10 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company and the Group operate and generate income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the reporting date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the Group can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

2. Accounting policies (continued)

2.11 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the group is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

Defined contribution pension plan

The Group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid the Group has no further payment obligations.

The contributions are recognised as an expense in profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of financial position. The assets of the plan are held separately from the Group in independently administered funds.

2.12 Leases

Rentals payable under operating leases, including any lease incentives received are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

2.13 Government grants

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grant will be received.

The group received a discretionary cash grant of £Nil (2021: £74,958) from the UK government as part of the Coronavirus Job Retention Scheme (CJRS) which compensated employers for part of the wages, associated national insurance contributions (NICs) and employer pension contributions of employees who had been placed on furlough (i.e. place on a temporary leave of absence from working or the employer). The grant was conditional upon employees being employed and on the company PAYE payroll and the employee cannot do any work for their employer that makes money or provides services for their employer or any organisation linked or associated with their employer. The group also claimed grant income of \$nil (2021: \$153,000) in respect of the Australian government's JobKeeper wage subsidy scheme. There are no unfulfilled conditions or contingencies attached to either grant and the group has received no other forms of government assistance.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

2. Accounting policies (continued)

2.14 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. 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.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Consolidated statement of comprehensive income within 'finance income or costs'. All other foreign exchange gains and losses are presented in profit or loss within 'other operating income'.

On consolidation, the results of overseas operations are translated into Sterling at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income.

2.15 Finance costs

Finance costs are charged to profit or loss over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.16 Borrowing costs

All borrowing costs are recognised in profit or loss in the year in which they are incurred.

2.17 Exceptional items

Exceptional items are transactions that fall within the ordinary activities of the Group but are presented separately due to their size or incidence.

2.18 Debtors

Short-term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

2. Accounting policies (continued)

2.19 Creditors

Short-term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

3. Judgments in applying accounting policies and key sources of estimation uncertainty

In the application of the group's accounting policies, the director is required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. 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 where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Key sources of estimation

The estimates and assumptions which have a significant risk of causing material adjustment to the carrying amount of assets and liabilities are as follows.

Bad debt provision

Throughout the reporting period the Group applied the bad debt provision policy consistent with prior years. This policy was based upon historical experience and aging analysis of receivables. The provision was driven by the number days since the last payment was received. However, upon reviewing the financial statements, management identified that the policy understated the provision for bad debts. In order to rectify the understatement of the provision for bad debts, the Group has elected to adopt a new methodology of estimating and recognising bad debt expense in the 2023 financial year. The new methodology builds upon the prior policy by considers the collection rate; the total amount collected versus the expected amount collected. The change in bad debt provision policy is material to the financial statements of the Company and an adjustment has been applied for the 2022 financial statements.

At the reporting date the provision for bad debts was £6,959,376 (2021: £2,832,809).

CAPIFY HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

4. Turnover

An analysis of turnover by class of business is as follows:

	2022 £	2021 £
Income earned from lending activities	19,768,404	10,254,926
Income earned from lending referral activities	405,058	260,636
	20,173,462	10,515,562

Analysis of turnover by country of destination:

	2022 £	2021 £
United Kingdom	9,996,672	6,091,385
Rest of the world	10,176,790	4,424,177
	20,173,462	10,515,562

5. Other operating income

	2022 £	2021 £
Grants received	-	158,525

Grant income of £Nil (2021: £158,525) relates to income received under the UK Government's Coronavirus Job Retention Scheme (CJRS) and the Australian Government's JobKeeper wage subsidy scheme. The grant income claimed relates to £Nil (2021: £158,525) of staff costs for furloughed staff which are included within note 6.

CAPIFY HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

6. Employees

Staff costs were as follows:

	Group 2022 £	Group 2021 £	Company 2022 £	Company 2021 £
Staff salaries	7,708,557	4,812,511	-	-
Staff national insurance	399,111	247,689	-	-
Cost of defined contribution pension scheme	343,996	227,927	-	-
	8,451,664	5,288,127	-	-

The average monthly number of employees, including the director, during the year was as follows:

	2022 No.	2021 No.
Sales & Sales Support	80	48
Admin	39	42
	119	90

The remuneration of key management personnel of the group, which includes the director and other management was £1,051,731 (2021: £931,720).

7. Director's remuneration

	2022 £	2021 £
Remuneration for qualifying services	537,559	471,795

All remuneration disclosed above relates to the sole director of Capify Holdings Limited.

Included in the total above are consultancy costs of £392,312 (2021: £348,913) paid to an entity controlled by the director. These payments are considered to relate to director's services. At the reporting date no amount was outstanding (2021: Nil).

CAPIFY HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

8. Operating loss

The operating loss is stated after charging:

	2022 £	2021 £
Exchange differences apart from those arising on financial instruments measured at fair value through profit and loss	1,087,246	(364,291)
Government grants	-	(158,525)
Depreciation of owned tangible fixed assets	16,954	15,192
Amortisation of intangible assets	260,651	148,578
Operating lease charges	487,357	460,804
	<u>487,357</u>	<u>460,804</u>

9. Auditor's remuneration

During the year, the Group obtained the following services from the Company's auditor:

	2022 £	2021 £
Fees payable to the Company's auditor for the audit of the consolidated and parent Company's financial statements	90,000	97,125

Fees payable to the Company's auditor for the provision of non-audit services during the year amounted to £5,000 for preparation of the consolidated and parent Company financial statements (2021: non-audit services amounting to £18,000).

10. Interest payable and similar expenses

	2022 £	2021 £
Dividends on redeemable preference shares	860,159	734,410
Other interest on financial liabilities	3,510,245	2,285,102
	<u>4,370,404</u>	<u>3,019,512</u>

CAPIFY HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

11. Taxation

	2022 £	2021 £
Corporation tax		
Current tax on profits for the year	-	(268,366)
Adjustments in respect of previous periods	(131,420)	19,665
	<u>(131,420)</u>	<u>(248,701)</u>
Foreign tax		
Foreign tax in respect of prior periods	(12,767)	8,003
	<u>(12,767)</u>	<u>8,003</u>
Total current tax	<u>(144,187)</u>	<u>(240,698)</u>
Deferred tax		
Origination and reversal of timing differences	183,293	(41,790)
Changes to tax rates	-	10,224
Adjustment in respect of prior periods	-	(16,834)
Foreign exchange differences	-	16,843
Total deferred tax	<u>183,293</u>	<u>(31,557)</u>
Tax on loss	<u>39,106</u>	<u>(272,255)</u>

CAPIFY HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

11. Taxation (continued)**Factors affecting tax charge for the year**

The tax assessed for the year is higher than (2021 - higher than) the standard rate of corporation tax in the UK of 19% (2021 - 19%). The differences are explained below:

	2022 £	2021 £
Loss on ordinary activities before tax	<u>(7,249,959)</u>	<u>(5,600,112)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2021 - 19%)	<u>(1,377,492)</u>	<u>(1,064,021)</u>
Effects of:		
Expenses not deductible for tax purposes	451,612	147,877
Effect of change in corporation tax rate	-	(218,111)
Adjustments to tax charge in respect of prior periods	(143,878)	27,668
Non-taxable income	-	(144,620)
Change in unrecognised deferred tax assets	1,535,318	979,792
Utilisation of brought forward losses where losses previously not provided	(133,462)	-
Deferred tax adjustments in respect of prior years	183,293	(16,834)
LLC profits taxable outside the group	(476,285)	15,994
Total tax charge/(credit) for the year	<u><u>39,106</u></u>	<u><u>(272,255)</u></u>

Factors that may affect future tax charges

In the Spring Budget in 2021, the UK Government announced that the corporation tax rate in the UK would increase to 25% effective 1 April 2023.

12. Exceptional items

	2022 £	2021 £
Exceptional bad debt expense (see note 3)	<u><u>4,213,975</u></u>	<u><u>-</u></u>

CAPIFY HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

13. Intangible assets**Group**

	Software £
Cost	
At 1 January 2022	494,297
Additions	381,967
At 31 December 2022	876,264
Amortisation	
At 1 January 2022	385,104
Charge for the year on owned assets	260,651
At 31 December 2022	645,755
Net book value	
At 31 December 2022	230,509
At 31 December 2021	109,193

The Company had no intangible fixed assets at 31 December 2022 or 31 December 2021.

Amortisation charges are included within administrative expenses.

CAPIFY HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

14. Tangible fixed assets**Group**

	Leasehold imp'ments £	Fixtures and fittings £	Computer equipment £	Total £
Cost or valuation				
At 1 January 2022	36,885	22,203	32,548	91,636
Exchange adjustments	2,643	1,751	1,941	6,335
At 31 December 2022	39,528	23,954	34,489	97,971
Depreciation				
At 1 January 2022	15,304	21,814	29,339	66,457
Charge for the year on owned assets	13,636	389	2,929	16,954
Exchange adjustments	(4,141)	1,751	869	(1,521)
At 31 December 2022	24,799	23,954	33,137	81,890
Net book value				
At 31 December 2022	14,729	-	1,352	16,081
At 31 December 2021	21,581	389	3,209	25,179

15. Fixed asset investments**Company**

	Investments in subsidiary companies £
Cost	
At 1 January 2022	2
At 31 December 2022	2

CAPIFY HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

15. Fixed asset investments (continued)**Subsidiary undertakings**

The following were subsidiary undertakings of the Company:

Name	Registered office	Principal activity	Class of shares	Holding
Capify Group Limited*	a)	Holding Company	Ordinary	100%
Capify UK Group Limited*	a)	Holding company	Ordinary	100%
Capify UK LLC	b)	Servicer	Ordinary	100%
United Kapital Ltd LLC	c)	Servicer	Ordinary	100%
Capiota Ltd LLC	c)	Servicer	Ordinary	100%
United Kapital Limited*	a)	UK Head Office function	Ordinary	100%
United Merchant Services Limited*	a)	Merchant services	Ordinary	100%
Merchant Cash	b)	Dormant	Ordinary	100%
Capify UK Limited*	a)	Borrower	Ordinary	100%
UKapital Limited*	a)	Borrower	Ordinary	100%
Capify Limited	a)	Dormant	Ordinary	100%
Capiota Limited*	a)	UK Head Office function	Ordinary	100%
Capify Australia Group Pty Limited	d)	Holding company	Ordinary	100%
Ausvance LLC	c)	Servicer	Ordinary	100%
Ausvance Capital LLC	c)	AU Head Office function	Ordinary	100%
Auscastle LLC	b)	Dormant	Ordinary	100%
Auscastle II Pty Ltd	d)	Borrower	Ordinary	100%
Capify Australia Pty Limited	d)	Servicer	Ordinary	100%
Ausvance Capital II Pty Ltd	d)	AU Head Office function	Ordinary	100%

Registered office addresses::

- a)** 7th floor Station House, Stamford New Road, Altrincham, Cheshire, United Kingdom, WA14 1EP
- b)** 3500 S. DuPont Highway, Dover, Delaware 19901, USA
- c)** 1220 N. Market Street, Suite 806, Wilmington, Delaware 19801, USA
- d)** Level 16, 68 Pitt Street, Sydney, NSW 2000, Australia

Audit exemptions

* The marked subsidiary companies have taken the exemption in section 479A of the Companies Act 2006 (the Act) from the requirement in the Act for their individual accounts to be audited. The guarantee given by the company under section 479C of the Act is disclosed in note 23.

CAPIFY HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

16. Debtors

	Group 2022 £	Group 2021 £	Company 2022 £	Company 2021 £
Due after more than one year				
Amounts owed by group undertakings	15,906,137	-	-	-
Due within one year				
Trade debtors	29,834,166	26,003,230	-	-
Amounts owed by group undertakings	-	15,113,853	7,591,739	8,450,243
Other debtors	272,580	312,423	28,623	-
Prepayments and accrued income	728,601	442,494	17,500	28,000
Tax recoverable	597,331	177,546	-	-
Deferred taxation (note 20)	-	188,259	-	-
	47,338,815	42,237,805	7,637,862	8,478,243

Amounts due from group undertakings are unsecured, interest free and repayable on demand.

However, in the Group financial statements, amounts due from group undertakings have been classified as due after more than one year as at 31 December 2022 on the basis that it is highly unlikely that these amounts will be recovered within twelve months of the year-end date.

17. Cash and cash equivalents

	Group 2022 £	Group 2021 £	Company 2022 £	Company 2021 £
Cash at bank and in hand	4,074,366	4,585,883	100	100

CAPIFY HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

18. Creditors: Amounts falling due within one year

	Group 2022 £	Group 2021 £	Company 2022 £	Company 2021 £
Trade creditors	1,484,396	1,442,479	1,002	5,802
Amounts owed to group undertakings	3,951,949	3,301,045	2,047,314	2,093,436
Corporation tax	-	70,024	-	-
Other creditors	737,017	321,277	-	-
Accruals and deferred income	611,766	1,168,431	333,657	212,080
	<u>6,785,128</u>	<u>6,303,256</u>	<u>2,381,973</u>	<u>2,311,318</u>

Amounts owed to group undertakings are unsecured, interest free, and repayable on demand.

19. Creditors: Amounts falling due after more than one year

	Group 2022 £	Group 2021 £	Company 2022 £	Company 2021 £
Other loans	41,371,657	30,637,662	-	-
Share capital treated as debt	8,346,031	7,461,768	8,346,031	7,461,768
	<u>49,717,688</u>	<u>38,099,430</u>	<u>8,346,031</u>	<u>7,461,768</u>

The Senior debt facility, included within other loans, has a drawdown of £27,581,959 (2021: £21,899,726) at 31 December 2022 and is secured through a fixed and floating charge. The balance is repayable by September 2024.

The Mezzanine loan of £13,596,279 (2021: £9,097,829) at 31 December 2022, included within other loans, is secured through a fixed and floating charge. The balance is repayable in January 2025.

The loans are charged an effective interest rate ranging from 9.3% to 14.6% per annum (2021: 9.2% to 14.6% per annum).

On 14 September 2020, Capify Holdings Limited issued 10,100,000 \$1 redeemable preference shares for total consideration of \$10,100,000. In respect of each 10% Preference Share a fixed cumulative preferential dividend ("10% Preference Dividend") will accrue at the annual rate of 10% of the Issue Price. Redemption of the preference shares is mandatory with a scheduled date of 31 December 2030. The Company may, subject to having available profits to do so and the provisions of any financing documents, redeem the 10% preference shares in full or in part at any time upon giving at least 5 Business Days written notice to the holders. As at 31 December 2022 an accrual of £87,976 (2021: £64,493) is recognised in respect of preference dividends.

CAPIFY HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

20. Deferred taxation**Group**

			2022 £
At beginning of year			183,293
Charged to profit or loss			(183,293)
At end of year			-
		Group 2022 £	Group 2021 £
Property, plant and equipment		-	(4,966)
Short term timing differences		-	188,259
		-	183,293
Comprising:			
Asset	-	188,259	-
Liability	-	(4,966)	-
	-	183,293	-

21. Share capital

	2022 £	2021 £
Shares classified as equity		
Allotted, called up and fully paid		
2 (2021 - 2) Ordinary shares of £1.00 each	2	2
100 (2021 - 100) B Ordinary shares of £1.00 each	100	100
1 (2021 - 1) C Ordinary share of £1.00	1	1
1 (2021 - 1) D Ordinary share of £1.00	1	1
	104	104

CAPIFY HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

21. Share capital (continued)

The company's Ordinary shares have attached to them full voting, dividend and capital distribution (including on winding up) rights. They do not confer any rights of redemption.

The company's B Ordinary shares have attached to them no rights to voting, no rights to dividend distribution and no rights to participate in any capital distribution (including on winding up). They do not confer any rights of redemption.

The company's C Ordinary shares and D Ordinary shares have attached to them no rights to voting and no rights to dividend distribution.

	2022 £	2021 £
Shares classified as debt		
Allotted, called up and fully paid		
10,100,000 (2021 - 10,100,000) Preference shares of \$1.00 each	8,346,031	7,461,768

The preference shares are classified as liabilities and their terms are set out in note 19.

There are no voting rights attached to the preference shares.

22. Reserves

Profit and loss account

Consists of cumulative profit and loss less distributions to owners.

23. Financial commitments, guarantees and contingent liabilities

On 11 January 2019, the group entered into a security arrangement with a Security Agent to secure the liabilities of the group headed Capify Holdings Limited to their senior debt providers. The balance is secured by a fixed and floating charge and debenture over all the trade and assets of the company, and several group companies in the UK, Australia and the USA on a joint and several basis.

The director expects that the group will continue to meet its obligations under the arrangements with its bankers, and that no liabilities will become payable by the company as a result of having provided this guarantee.

In order for the subsidiary companies, specified in note 15, to take the audit exemption in section 479A of the Companies Act 2006, the company has guaranteed all outstanding liabilities of those subsidiary companies at 31 December 2022 until those liabilities are satisfied in full.

CAPIFY HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

24. Pension commitments

The Group operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The pension cost charge represents contributions payable by the Group to the fund and amounted to £342,144 (2021: £227,927).

Contributions totaling £34,416 (2021: £32,086) were payable to the fund at the balance sheet date and are included in creditors.

25. Commitments under operating leases

At 31 December 2022 the Group and the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	Group 2022 £	Group 2021 £
Not later than 1 year	265,555	338,331
Later than 1 year and not later than 5 years	-	451,761
	265,555	790,092

26. Related party transactions

During the year, the group entered into transactions with entities under common control including purchases of £16,402 (2021: £21,249).

Payments of £392,312 (2021: £348,913) were paid to an entity controlled by the director. These payments are considered to relate to director's services. At the reporting date no amount was outstanding (2021: £Nil).

27. Controlling party

The immediate parent company is MCAS Ventures LLC, a company incorporated in the United States of America.

The directors consider the ultimate parent undertaking to be Amerimerchant Holdings LLC, a company incorporated in the United States of America.

Capify Holdings Limited is the smallest and largest company for which consolidated financial statements of the group are prepared. The consolidated financial statements of Capify Holdings Limited are available from its registered office: 7th Floor Station House, Stamford New Road, Altrincham, Cheshire, WA14 1EP.