Registered number: 07798925

iwoca Limited

Annual Report and Financial Statements

For the Year Ended 31 December 2022

Officers and professional advisers

Directors	C Rieche J Dear J Schneider F Seehaus P Welten T Levene A Cookson (resigned 17 March 2022) E O'Dwyer (resigned 20 April 2022)
Company registration number	07798925 (England and Wales)
Registered office	10 Queen Street Place London EC4R 1AG
Independent auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 7 More London Riverside London SE1 2RT

Contents

The Directors present the strategic report of iwoca Limited (the "Company") and its subsidiaries (together the "Group" or "iwoca") for the year ended 31 December 2022.

Principal activities, business review and future developments

The Company, a private limited company, was incorporated on 5 October 2011 in the United Kingdom and registered in England and Wales under the Companies Act 2006.

iwoca launched in 2011 and was born out of the frustration that small businesses lack the access to finance they need to reach their potential. The founders' belief was that technology must enable them to significantly shorten the archaic bank application process which too often results in rejection. Over a decade later iwoca has approved more than 90,000 small and medium sized entities ("SME(s)") across the UK and Germany. We have offered more than £3.5 billion of finance across a range of loans ("Loans") with different terms and features to e-commerce traders, coffee shops, barbers and consultants, all refinanced by a panel of institutional investors. The Loans are primarily financed through secured funding arrangements both with and without limited recourse.

That's a good start, but just the beginning. iwoca's mission is to finance 1 million businesses whenever and wherever they need it.

Building on our tech stack, data expertise, and experience serving SMEs across Europe since 2011, we are entering a new growth phase. We are increasingly reaching businesses by embedding our finance offering through API integrations into the SME ecosystem including online marketplaces, accounting systems, or neobanks.

We are also developing innovative features:

- iwocaPay is an invoice checkout that enables SMEs to offer their customers a seamless 'pay now' or 'pay later' experience. We are aiming to give SMEs control over their cash flows.
- We offer variable revenue based repayment schedules which enables businesses to spend on growth and repay at their own pace, based on their revenue: if their sales slow down, they'll pay less. As their sales grow, they can borrow more. We offer this direct to customers and through major e-commerce partners.
- Through our OpenLending platform we now have more than 30% of loan applications coming through embedded finance partners. We're reaching 3 million businesses across the UK and Germany with this embedded technology.
- We are expanding our available durations and loan size to 1m to expand our offering including to larger SMEs.

During the year iwoca issued £345m loans. In order to support this growth the Group raised £220m up to the report date as part of its financing facilities. This included:

- £80m of commitments to iwoca Ozone Limited;
- £26.5m of commitments to the Group's business in Germany;
- £15m in commitments of corporate debt for working capital in iwoca Limited;
- £2.5m of bonds in iwoca Oxygen plc;
- £95m of commitments to iwoca Hydrogen Limited

The Directors envisage no changes to the nature of the Company's business in the foreseeable future.

Countries of Operations

The Group lends to SMEs on an unsecured basis in the United Kingdom and Germany.

Results

The consolidated statement of comprehensive income is set out on page 12 and shows the loss for the year (2021: loss).

Key performance indicators, principal risks and uncertainties

The Group's key performance indicators are as follows:

Results - the Group made a total comprehensive loss of £8.4m during the year (2021: loss £4.6m);
Origination - iwoca originated over £345m in Loans to SMEs in 2022 (2021: £140m);
Approved - iwoca approved over £1.36 billion loans to small and medium businesses in 2022 (2021: £629m);
Revenue - revenue during the year amounted to £78m (2021: £68m), an increase of 15% (2021: 20%);
Loans - the performing amortised cost of the Flexi-Loan balances as at year end was £199m (2021: £83m);
and
Headcount – Headcount as at the end of the year was 388 (2021: 296).

2018 UK Corporate Governance Code and s172 reporting

The Directors have acted in good faith and in a way they consider would be most likely to promote the success of the Company and the Group for the benefit of its members as a whole (having regard to the stakeholders, being customers, employees and investors, and matters set out in s172 of the Companies Act 2006) in the decisions taken during the year ended 31 December 2022.

The Directors continue to closely monitor increased inflation and its impact on the cost of living, the Bank of England Bank Rate changes and the volatility in international markets as a result of the invasion of Ukraine, on the Group's customers, operations, people and financial strength. The Directors have adopted a range of measures aimed at protecting the employees and ensuring business continuity. Specific stress scenarios have been tested to assess the resilience of the Company to adverse economic developments and to ensure there are robust forward-looking planning processes for the risks facing the Group. The stress testing process is overseen by the Group risk committee. It considers a wide range of events and how those may affect all the Group's stakeholders.

Principal and financial risk management

The principal risks and uncertainties faced by the Group are reviewed below. See note 18 for a more detailed explanation.

Credit risk

Credit risk reflects the risk that the underlying borrowers or other transaction parties will not meet their obligations as they fall due.

Russia's continuing invasion of Ukraine could amplify inflation pressures and depress economic activity worldwide. Increases in the Bank of England base rate have impacted cost of living and could impact affordability of borrowers. These risk factors would manifest as a failure of the Group to manage the risks involved when advancing loans to SMEs in this environment.

The Group seeks to manage these risks by employing a range of credit assessment checks on all applicants together with ongoing reviews and the assessment of credit performance of the Loans.

In the case of Loans issued under CBILS and RLS, if a borrower were to default, the Secretary of State for Business, Energy and Industrial Strategy (the "Guarantor") will fund a portion of the guaranteed balance through the British Business Bank.

Liquidity risk

Liquidity risk reflects the risk that the Group may encounter difficulty in meeting its obligations associated with its financial liabilities. The Group manages this risk by diversifying its funding base, regularly reviewing its upcoming contractual payments and ensuring commitments are sufficient to support the Group's growth plans. Financing facilities are secured and structured with payments and distributions made in accordance with a prescribed waterfall based on cash receipts. The level of recourse varies by financing facility.

Regulatory risk

The Company has been regulated by the FCA since 1 April 2014 when the FCA took responsibility for the regulation of consumer credit from the Office of Fair Trading. As of June 2016, iwoca has full authorisation from the FCA to carry out consumer credit activities which is required for its lending to sole traders. Since February 2019, iwoca is also authorised by the FCA to carry out activities as an Account Information Service Provider which enables iwoca to participate in Open Banking.

In May 2020 iwoca was accredited for the Coronavirus Business Interruption Loan Scheme ("CBILS") and in October 2021 for the Recovery Loan Scheme ("RLS"). iwoca continues to maintain compliance with the terms set by the British Business Bank for the origination of these Loans and therefore continues to benefit from the government guarantee on defaulted Loans under these schemes.

Principal and financial risk management *(continued)*

The Directors maintain compliance by regularly reviewing systems, controls and procedures in place against best practice and employing external consultants and experts to monitor, review and assess the Group's reporting and practices against the requirements of the regulatory background.

Redline Capital own a minority shareholding and convertible bonds in iwoca Ltd. On 12 April 2023, these holdings became subject to an asset freeze as a result of sanctions imposed by the UK government. iwoca has implemented controls and procedures to ensure these assets are frozen and relevant legislation complied with.

Technological risk
There is a risk that the Group may face threats to its ability to trade and, or to its reputation through a failure to maintain its technology and defend operating systems for example from a cyber-attack, an internal error, or failure of third party providers. The Directors address this risk by implementing a system of controls, security software and upgrades which is constantly reviewed for effectiveness.

Market risk
Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The Company is exposed to currency and interest rate risk:

- *Currency Risk*: A proportion of the Group's income, costs, assets and liabilities are denominated in foreign currencies. There is a risk that adverse movement in the exchange rates could result in losses. The Group, where possible, matches foreign currency assets and liabilities so that the net impact of any foreign exchange movement is minimised. In order to further manage this risk, the Group reviews current and expected exchange rates to assess their impact.

- *Interest rate risk:* A portion of the Group's debt facilities are variable rate. There is a risk that the increase in base rate thus far during 2023 and additional increases could reduce the profitability of the Group. Whilst we regularly adapt and improve pricing, the Group has not unilaterally raised pricing in response to base rate increases or specifically this risk. The Group would carefully consider whether such increases should be passed on to customers or if the Group would absorb any increase in costs.

Capital Management
The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns to the shareholders and benefits for other stakeholders. The capital structure is shown on the consolidated balance sheet. The risks associated with the Group's funding facilities and associated covenants materially determine the risks facing the Group, namely, credit risk, liquidity risk, regulatory risk, technological risk, market risk and emerging risks. As such the Directors manage the risks associated with funding facilities alongside the relevant associated risk. The Company is not subject to specific external imposed capital requirements but must maintain sufficient capital to fund its operations.

Emerging risks
The Directors continue to closely monitor the impact of the Bank of England Bank Rate changes on the Group's customers, operations, people and financial strength. The Directors consider the Group's approach and procedures in response to these risks to be sufficient to respond appropriately as the situation unfolds.

This report was approved by the board on 27 April 2023 and signed on its behalf.

C Rieche (Apr 27, 2023 12:12 GMT+1)

Christoph Rieche
Director

The Directors present the report and the audited consolidated financial statements of iwoca Limited and the Group for the year ended 31 December 2022.

Going concern of the Company and the Group

The Directors consider it appropriate to prepare the financial statements on a going concern basis. To reach this conclusion, the Directors have carried out scenario analysis considering possible threats to this assertion. The Directors consider the Group to have entered 2023 well-funded, having raised over £220m in debt up to the report date. The Directors continue to monitor risks, including increased inflation and its impact on the cost of living, the Bank of England Bank Rate changes and the volatility in international markets as a result of the invasion of Ukraine.

The Directors believe Europe's SMEs will be critical to the economic recovery and still consider them under-served for credit products and will continue to aim to meet this unmet demand.

The assessment of the Company's going concern and description of the analysis performed is described in the Going Concern note 2.3 under Accounting Policies.

Future developments

An assessment of the Group's future developments is described in the Strategic report under the Principal activities, business review and future developments heading.

Financial risk management

Information on financial risk management is included in the Principal risk and uncertainties section of the Strategic report.

Directors

A qualifying third party indemnity provision made by the Group was in force for the benefit of the Directors during the financial year. The Directors of the Company who served during the year, and up to the date of signing the financial statements, were:
C Rieche
J Dear
J Schneider
A Cookson (resigned 17 March 2022)
F Seehaus
P Welten
T Levene
E O'Dwyer (resigned 20 April 2022)

Dividends

The Directors do not recommend the payment of a dividend (2021: £nil).

Charitable donations

During the year the Company made £6,864 of charitable donations (2021: £3,948).

Research and development activities

Each year the Group incurs significant staff salary costs in the further development of its software systems. For the year ended 31 December 2022 a proportion of such development costs, amounting to £3.7m (2021: £nil), were capitalised and amortised through the statement of comprehensive income. See note 2.6 for a more detailed explanation. Total development costs expensed through the statement of comprehensive income were £1.5m (2021: £2.5m).

Streamlined Energy & Carbon Reporting (SECR)

In accordance with the mandatory Streamlined Energy and Carbon Reporting regulation introduced by the UK Government, with effect from 1 April 2019, the Group is obliged to report its UK energy use and associated greenhouse gas emissions.

The largest environmental impact from the Group's direct operations comes from energy used in its offices and from business travel.

Streamlined Energy & Carbon Reporting (SECR) ***(continued)***

The table below discloses the Group's energy use:

	2022	Restated 2021
Total Scope 1 emissions (tCO_2e)	21.24	12.49
Total Scope 2 emissions (tCO_2e)	22.58	16.92
Total Scope 3 emissions (tCO_2e)	1241.2	953.2
Energy consumption Amount (KWh)	5,078,316	3,882,959

Methodology Applied

The chosen methodology that has been used for accounting and reporting iwoca's emissions is the Greenhouse Gas Protocol Corporate Standard. The scope of iwoca measurements has also been completed in line with Science Based Targets initiative requirements.

In the period covered by the report iwoca Limited purchased 106,343 kWh of renewable electricity, equal to 22.58 tCO_2e (2021: 16.92 tCO_2e).

Prior year Scope 3 emissions and therefore total energy consumption have been restated in line with current year methodology to include detailed analysis of additional goods and services such as laptops and computer equipment. Emissions across all scopes have increased since the prior year due to an increase in office-based working post-pandemic and increased headcount.

iwoca's approach to reducing environmental impact is to measure, reduce and offset its greenhouse gas emissions. This forms the basis of iwoca's net zero commitment made via Tech Zero (https://techzero.technation.io/) in December 2022 which will be assessed and reported on in 2023 and includes the following commitments:

- Annually measure and publish all greenhouse gas emissions;
- Publish net zero action plan on iwoca's website;
- Appoint a member of iwoca's executive team to be responsible and accountable for the net zero target;
- Communicate climate commitments in other meaningful ways, including to customers;
- Annually report progress on short and medium term targets on iwoca's website

Employees

The Company is committed to foster a culture where employees are respected, valued and supported to fulfil their full potential. The Directors provide employees systematically with information that is of concern to them as employees through the townhalls that take place on a regular basis. The townhalls also cover financial and economic factors affecting the performance of the company both short term and long term and open discussions are encouraged by all employees. To ensure employees' voices are heard, the Company conducts regular surveys, with their answers and views considered whenever decisions are made that are likely to affect employees' interests. The Directors recognise the importance of a diverse workforce and the Company is therefore open to hiring and retaining employees from all sorts of different backgrounds and ensures at all times that all employees are being treated fairly. The Company believes in providing equal opportunities for all employees, including people with a disability and those who have become disabled during the year, therefore the recruitment, training and career development of people are based on the aptitudes and abilities of the individual.

Post balance sheet events

iwoca Hydrogen Limited, a subsidiary of iwoca Limited by virtue of control, was incorporated on 10 January 2023 to further finance SME demand for loans. Funding commenced in February 2023 with an initial commitment of £95m from senior and mezzanine lenders. The facility has a two year availability period and a final maturity of four years from date of closing being 24 February 2023. The Directors continue to monitor risks, including increased inflation and its impact on the cost of living and the Bank of England Bank Rate changes.

Post balance sheet events *(continued)*

The further rise of SONIA and Euribor in early 2023 has led to increased cost of debt which could impact profitability should the trend continue as rate changes are not necessarily passed on to customers.

iwoca plans to wind up two companies within the Group, iwoca Poland Sp. z o.o. and iwoca Spain SL in the next 12 months.

Directors' confirmations

In the case of each director in office at the date the Directors' report is approved:

- so far as the director is aware, there is no relevant audit information of which the Group's and Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Group's and Company's auditors are aware of that information.

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulation.

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

Under company law, 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 Company and of the profit or loss of the Group for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The directors 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 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.

This report was approved by the board on 27 April 2023 and signed on its behalf.

C Rieche (Apr 27, 2023 12:12 GMT+1)

Christoph Rieche
Director

Independent auditors' report to the members of iwoca limited

Report on the audit of the financial statements

Opinion

In our opinion, iwoca limited's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2022 and of the group's loss and the group's cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the consolidated and company balance sheet as at 31 December 2022; the consolidated statement of comprehensive income, the consolidated and company statement of changes in equity and the consolidated statement of cash flows for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the audit committee.

Basis for opinion

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

Independence

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

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

We have provided no non-audit services to the company or its controlled undertakings in the period under audit.

Our audit approach

Overview

Audit scope

- The scope of our audit and the nature, timing and extent of our audit procedures performed were determined by our risk assessment and other qualitative factors.
- We tailored the scope of our audit to ensure that we performed sufficient work to enable us to opine on the financial statements. Our audit included full scope audits of the UK components, which accounted for approximately 93% of group revenues and 88% of the group loan book. We performed additional procedures in respect of the European components at a group level which, together with the full scope audits, accounted for approximately 100% of the group loan book.
- We identified all material financial statement line items and disclosures, including those that were considered qualitatively material, and conducted our work over those accordingly.

Key audit matters

- Impairment provisions for loans and advances (group and parent)

Materiality

- Overall group materiality: £782,000 (2021: £720,000) based on 1% of total group revenue.
- Overall company materiality: £574,000 (2021: £260,000) based on 1% of total revenue.
- Performance materiality: £587,000 (2021: £540,000) (group) and £430,000 (2021: 2021: £190,000) (company).

The scope of our audit

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

Key audit matters

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

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

The key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
Impairment provisions for loans and advances (group and parent) The determination of loan impairment provisions is complex; judgement is required for the timing of recognition of impairment provisions and the amount of losses expected where loss events have been identified at the balance sheet date. Loan impairment provisions are estimated on an individual basis at a point at which objective evidence is observed. The Group adopts an approach primarily based on the number of days overdue with differing loss rates applied depending on the borrower's specific circumstances. In addition to this, an incurred but no recognised provision is recognised to account for loss events which may have occurred in the loans issued under the CBILs which have not been identified due to the payment terms of the scheme. Refer to Note 2 (accounting policies), Note 3 (Critical accounting judgements and estimates) and Note 18 (Financial Instruments) for management's disclosure.	The following work was undertaken by us as part of the audit: • We understood and assessed the appropriateness of the impairment policy in relation to the identification of loss events, including management's definition of default. • We used the loan data in the current year to calculate an independent range for the impairment provision and compared this to management's point estimate. • We considered the external data available in relation to default rates of the CBILs portfolios in the wider market and considered this in the context of the group's portfolio and management assumption of default rates. • We assessed the accounting treatment of the government guarantee in the provisioning methodology and whether this was aligned to the required accounting treatment. • We reviewed management's disclosure and sensitivities for completeness and appropriateness. We have no matters to report

How we tailored the audit scope

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

We performed walkthroughs of key business processes, which helped us in assessing the level of inherent audit risk, as well as to evaluate the design effectiveness of the controls. This allowed us to appropriately consider and design the nature, timing and extent of our audit procedures to be responsive to the Group's risks.

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

The impact of climate risk on our audit

As part of our audit we made enquiries of management to understand the extent of the potential impact of climate risk on the Company and Group operations and financial statements, and we remained alert when performing our audit procedures for any indicators of the impact of climate risk. Management considers the impact of climate risk does not give rise to a potential material financial statement impact and our procedures have not identified any material impact in the context of our audit over the financial statements.

Materiality

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

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

	Financial statements - group	Financial statements - company
Overall materiality	£782,000 (2021: £720,000).	£574,000 (2021: £260,000).
How we determined it	1% of total group revenue	1% of total revenue
Rationale for benchmark applied	As the group is focused on growth of its operations we expect expenditure and do not believe a focus on profit and loss to be representative of key concerns of users the financial statements.	As the company is focused on growth of its operations we expect expenditure and do not believe a focus on profit and loss to be representative of key concerns of users the financial statements.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was between £72,000 and £704,000. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2021: 75%%) of overall materiality, amounting to £587,000 (2021: £540,000) for the group financial statements and £430,000 (2021: 2021: £190,000) for the company financial statements.

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

We agreed with the audit committee that we would report to them misstatements identified during our audit above £39,000 (group audit) (2021: £36,000) and £29,000 (company audit) (2021: £13,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

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

- We used our knowledge of the Group, its industry and the general economic environment in which it operates to identify the inherent risks in its business model and analysed how those risks might affect the Group's and Company's financial resources or ability to continue operations over the going concern period;
- We considered whether these risks could plausibly affect the liquidity or profitability in the going concern period by comparing severe, but plausible downside scenarios that could arise from these risks individually and collectively against the level of available financial resources forecasted;
- We considered evidence of management's ability to access funding structures based on historical transactions and the reasonableness of the assumptions of ongoing access used in the going concern forecasts;
- We considered the impact of relevant regulatory requirements on the assumptions used within the going concern assessment and whether these represented a risk to to the Group's ability to access required liquidity; and
- We considered whether the going concern disclosure gives a full and accurate description of the Directors' assessment of going concern.

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 the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

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

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

Reporting on other information

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

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

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

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

Strategic report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 31 December 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to UK regulatory requirements, particularly those governed by the Financial Conduct Authority (FCA), and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting of inappropriate journal entries and management bias within significant assumptions, in particular those relating to revenue. Audit procedures performed by the engagement team included:

- Reviewing key correspondence with the Financial Conduct Authority in relation to compliance with laws and regulations;
- Consideration of key assumptions used in the calculation of manual revenue adjustments for evidence of management bias;
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations or other higher risk factors; and
- Discussions with management, and those charged with governance in relation to known or suspected instances of non-compliance with laws and regulation and fraud.

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

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

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the audit committee, we were appointed by the directors on 7 February 2023 to audit the financial statements for the year ended 31 December 2022 and subsequent financial periods. The period of total uninterrupted engagement is 5 years, covering the years ended 31 December 2018 to 31 December 2022.

Andrew Batty (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
27 April 2023

iwoca Limited

Consolidated statement of comprehensive income for the year ended 31 December 2022

	Note	31 December 2022 £000	31 December 2021 £000
Revenue	4	78,260	68,468
Cost of sales		(13,946)	195
Gross profit		**64,314**	68,663
Administrative expenses		(39,575)	(32,557)
Other operating income		2,571	1,151
Operating profit	5	**27,310**	37,257
Interest payable and similar expenses	9	(38,290)	(41,376)
Loss before taxation	10	**(10,980)**	(4,119)
Tax on loss	10	2,156	(61)
Loss for the financial year		**(8,824)**	(4,180)
Currency translation differences		427	(441)
Other comprehensive income / (expense) for the year		**427**	(441)
Total comprehensive expense for the year		**(8,397)**	(4,621)

The accompanying notes on pages 18 to 41 are an integral part of these financial statements.

Consolidated balance sheet as at 31 December 2022

	Note	31 December 2022 £000	31 December 2021 £000
Fixed assets			
Intangible assets	12	2,779	-
Tangible assets	13	247	177
		3,026	177
Current assets			
Debtors: amounts falling due after more than one year	15	189,293	261,793
Debtors: amounts falling due within one year	15	208,238	168,133
Cash and cash equivalents	16	39,988	53,880
		437,519	483,806
Creditors: amounts falling due within one year	17	(80,336)	(130,194)
Net current assets		**357,183**	353,612
Total assets less current liabilities		**360,209**	353,789
Creditors: amounts falling due after more than one year	17	(327,253)	(313,210)
Net assets		**32,956**	40,579
Capital and reserves			
Called up share capital	19	0	0
Share premium account	20	57,567	57,541
Convertible debt option reserve	20	3,651	3,651
ESOP share reserve	20	2,191	1,443
Foreign currency translation reserve	20	1,202	775
Profit and loss account	20	(31,655)	(22,831)
Total shareholders' funds		**32,956**	40,579

The accompanying notes on pages 18 to 41 are an integral part of these financial statements.

The financial statements on pages 12 to 41 were approved by the Board of Directors on 27 April 2023 and signed on its behalf by

C Rieche (Apr 27, 2023 12:12 GMT+1)

C Rieche
Director

James Dear (Apr 27, 2023 13:26 GMT+2)

J Dear
Director

Company balance sheet as at 31 December 2022

	Note	31 December 2022 £000	Restated 31 December 2021 £000
Fixed assets			
Intangible assets	12	2,779	-
Tangible assets	13	247	177
Investments	14	156	188
		3,182	365
Current assets			
Debtors: amounts falling due after more than one year	15	42,511	44,650
Debtors: amounts falling due within one year	15	149,431	61,377
Cash and cash equivalents	16	8,896	15,626
		200,838	121,653
Creditors: amounts falling due within one year	17	(119,496)	(53,739)
Net current assets		**81,342**	67,914
Total assets less current liabilities		**84,524**	68,279
Creditors: amounts falling due after more than one year	17	(41,644)	(24,343)
Net assets		**42,880**	43,936
Capital and reserves			
Called up share capital	19	0	0
Share premium account	20	57,567	57,541
Convertible debt option reserve	20	3,651	3,651
ESOP share reserve	20	2,190	1,443
Foreign currency translation reserve		(68)	(68)
Profit and loss account	20	(20,460)	(18,631)
Total shareholders' (deficit) / funds		**42,880**	43,936

The debtors and creditors within the Company's assets and liabilities have been restated for the prior period. Further details of this restatement are presented in note 2.4 in Accounting Policies.

The accompanying notes on pages 18 to 41 are an integral part of these financial statements.

The Company's total comprehensive loss for the year was £1,829k (2021 profit: £50,609k) compared to a Group total comprehensive loss of £8,397k (2021: £4,621k).

The financial statements on pages 12 to 41 were approved by the Board of Directors on 27 April 2023 and signed on its behalf by

C Rieche (Apr 27, 2023 12:12 GMT+1)
C Rieche
Director

James Dear (Apr 27, 2023 13:26 GMT+2)
J Dear
Director

iwoca Limited

Consolidated statement of changes in equity for the year ended 31 December 2022

	Note	Called up share capital £000	Convertible debt option reserve £000	Share premium account £000	ESOP share reserve £000	Profit and loss account £000	Foreign currency translation reserve £000	Total equity £000
Balance at 1 January 2021	**19**	**-**	**3,651**	**57,534**	**1,032**	**(18,651)**	**1,217**	**44,783**
Loss for the year		-	-	-	-	(4,180)	-	(4,180)
Currency translation differences		-	-	-	-	-	(442)	(442)
Shares issued during the year (net of issue costs)		-	-	7	-	-	-	7
Share based payment charge		-	-	-	411	-	-	411
Balance at 31 December 2021	**19**	**-**	**3,651**	**57,541**	**1,443**	**(22,831)**	**775**	**40,579**
Loss for the year		-	-	-	-	(8,824)	-	(8,824)
Currency translation differences		-	-	-	-	-	427	427
Shares issued during the year (net of issue costs)		-	-	26	-	-	-	26
Share based payment charge		-	-	-	748	-	-	748
Balance at 31 December 2022	**19**	**-**	**3,651**	**57,567**	**2,191**	**(31,655)**	**1,202**	**32,956**

The accompanying notes on pages 18 to 41 are an integral part of these financial statements.

iwoca Limited

Company statement of changes in equity for the year ended 31 December 2022

	Note	Called up share capital	Convertible debt option reserve	Share premium account	ESOP share reserve	Profit and loss account	Foreign currency translation reserve	Total equity
		£000	£000	£000	£000	£000	£000	£000
Balance at 1 January 2021		-	**3,651**	**57,534**	**1,032**	**(69,240)**	**(68)**	**(7,091)**
Gain for the year		-	-	-	-	50,609	-	50,609
Currency translation differences		-	-	-	-	-	-	-
Share premium account		-	-	7	-	-	-	7
Share based payment charge		-	-	-	411	-	-	411
Balance at 31 December 2021	**19**	-	**3,651**	**57,541**	**1,443**	**(18,631)**	**(68)**	**43,936**
Loss for the year		-	-	-	-	(1,829)	-	(1,829)
Currency translation differences		-	-	-	-	-	-	-
Share premium account		-	-	26	-	-	-	26
Share based payment charge		-	-	-	747	-	-	747
Balance at 31 December 2022	**19**	-	**3,651**	**57,567**	**2,190**	**(20,460)**	**(68)**	**42,880**

The accompanying notes on pages 18 to 41 are an integral part of these financial statements.

Consolidated statement of cash flows for the year ended 31 December 2022

	31 December 2022 £000	31 December 2021 £000
Cash flows from operating activities		
Loss for the financial year	(8,824)	(4,180)
Adjustments for:		
Depreciation of tangible assets	144	169
Amortisation of intangible assets	943	-
Unrealised Foreign exchange loss / (gain)	428	(442)
Gain / (loss) on sale of tangible assets	(2)	(18)
Interest payable and similar expenses	38,290	41,376
Interest received	-	1
Net movement in R&D tax	(233)	61
Deferred tax asset	(830)	-
Decrease / (Increase) in debtors	33,428	(174,918)
Decrease in creditors	(2,654)	(3,018)
Corporation tax paid	-	(10)
Share option charge	748	411
Net cash generated from / (used in) operating activities	**61,438**	(140,568)
Cash flows from investing activities		
Purchase of tangible fixed assets	(215)	(11)
Purchase of intangible assets	(3,722)	-
Sale of tangible fixed assets	2	-
Interest received	24	-
Net used in investing activities	**(3,911)**	(11)
Cash flows from financing activities		
Issue of ordinary shares	25	7
Proceeds from new funding activities net of repayments	109,235	177,807
Repayments on externally issued debt	(158,394)	(38,138)
Interest paid	(22,285)	(21,528)
Net cash (used in) / generated from financing activities	**(71,419)**	118,148
Net decrease in cash and cash equivalents	(13,892)	(22,431)
Cash and cash equivalents at beginning of year	53,880	76,311
Cash and cash equivalents at the end of year	**39,988**	53,880

The accompanying notes on pages 18 to 41 are an integral part of these financial statements.

1. General information

iwoca Limited (the "Company", together with its subsidiaries, the "Group") is a private company incorporated United Kingdom and registered in England and Wales on the 5 October 2011. The Company's registered office is 10 Queen Street Place, London EC4R 1AG. The Company's principal place of business is 101 New Cavendish Street London, W1W 6XH.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements are prepared on a going concern basis, under the historical cost convention and 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 (FRS 102) and Companies Act 2006.

As permitted by Section 408 of the Companies Act 2006, no separate statement of comprehensive income is presented in respect of the parent Company.

The Company has taken advantage of the exemption from the requirement to prepare a statement of cashflows as required by paragraph 3.17(d) FRS 102 for the parent company.

In accordance with Section 11 of Financial Reporting Standard FRS 102, the provisions of IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39") have been adopted in full with respect to the recognition and measurement of financial instruments.

The accounting policies which will be applied consistently in dealing with the items which are considered material in relation to the Company and Group's financial statements are set out below.

2.2 Basis of consolidation

The consolidated financial statements present the results of Group, the Company and its subsidiaries (see note 14). Intercompany transactions and balances between Group companies are therefore eliminated in full. Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

2.3 Going concern

The Directors have considered the appropriateness of the preparation of these financial statements on a going concern basis. Based on the analysis carried out, the Directors have concluded it appropriate to prepare the financial statements on a going concern basis.

In order to reach this conclusion, the Directors have prepared a cash flow forecast and break-even analysis for a period of more than 12 months from the date of the approval of these financial statements taking into account future trading scenarios.

The Directors do not consider deterioration of credit conditions caused by Russia's invasion of Ukraine to be a significant threat to the Group's status as a going concern. Whilst the Directors have included its impact in the scenario considered, they have put more emphasis on the matters stated below.

The primary scenario considered by the Directors was a plausible downside scenario that included a deterioration in a number of economic drivers for the Group.

The material assumptions of the scenario are as follows:

- Reduced issuance of existing products to new customers in 2023 and 2024;
- An increase in credit risk; and
- Appropriate management action is taken in response with a reduction in costs.

In this scenario, the Directors' analysis showed sufficient loan book assets, cash and equity to allow the Group and Company to continue as a going concern. The Directors consider this scenario to be unlikely, which given its low probability gives the Directors confidence in concluding that the Group and Company is a going concern.

The Directors plan to continue to develop the Group's business and products. The Directors expect to continue to have good access to debt markets and aim to continue to meet SME demand for the Group's products.

2. Accounting policies *(continued)*

2.4 Restatement of prior periods

For the year ended 31 December 2021, intercompany receivables and payables were presented on a gross basis , where they should have been presented on a net basis, as they related to the charging and settlement of related intercompany transactions. The restatement does not impact the result for the period or net assets. The impact of the restatement is set out below:

Company	As previously stated 31 December 2021	Reclassify intercompany transactions	Restated 31 December 2021
	£000	£000	£000
Debtors: Amounts falling due within one year	70,309	(8,932)	61,337
Creditors: Amounts falling due within one year	(62,671)	8,932	(53,739)

2.5 Revenue

Interest income
Interest income from the Loans provided to the Group's customers is recognised on an effective interest rate basis over the life of the facility.

Fee income
Fee income from the Loans is recognised on an effective interest rate basis over the life of the facility. Where a loan includes element of both interest and fee income or there are related directly attributable expenses, all such cashflows are considered to arrive at the effective interest rate on which to recognise revenue. Recharges of legal costs and similar fees to customers are recognised as revenue in the period in which the fee is contractually due to the Group.

2.6 Intangible assets

Intangible assets (including those which are internally generated) are initially recognised when they are separable or arise from contractual or other legal rights, where it is probable that future economic benefits attributable to the assets will flow from their use and the cost can be measured reliably. The cost of internally generated assets only include employee costs that meet the recognition criteria and to the extent that they are directly attributable to the development of the identified asset (indirect and general overhead costs are excluded). Internally generated assets are amortised from the date which they become available for use. Intangible assets are stated at cost less accumulated amortisation and provisions for impairment, if any, and are amortised over their useful lives, which is 2 years. The useful life is based on the expectation of use of the software by the Group in its current form taking into account the ever-evolving technological landscape. Amortisation is recognised in administrative expenses in the statement of comprehensive income. Intangible assets are reviewed for impairment when there are indications that impairment may have occurred by calculation of the recoverable amount. Impairment losses and reversal of impairment are recognised in the statement of comprehensive income. Total development costs expensed through the statement of comprehensive income were £1,500k (2021: £2,500k).

2.7 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. Repairs and maintenance are charged to profit or loss during the period in which they are incurred. 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.

Depreciation is provided on the following basis:

Fixtures and fittings	- Over 3 years
Office equipment	- Over 3 years

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 the consolidated statement of comprehensive income.

2. Accounting policies *(continued)*

2.8 Investments

Investments are stated at cost less any provisions for impairment. Where the recoverable amount of the investment is less than the carrying amount, impairment is recognised. Investments in subsidiaries are stated at cost less impairment, where appropriate, provisions for impairment are recognised (see note 14 for further details).

2.9 Financial instruments

In accordance with Section 11 of Financial Reporting Standard FRS 102, the provisions of IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39") have been adopted in full with respect to the recognition and measurement of financial instruments.

Financial assets and liabilities are recognised in the balance sheet when the Group becomes party to the contractual provisions of the instrument and are de-recognised on the date it ceases to be a party, or it transfers the rights to receive the contractual cash flows from the financial asset in a transaction such that substantially all the risks and rewards of ownership of the financial asset are transferred.

The Group enters into financial instrument transactions during its normal course of business. These include the Loans provided to customers, loans from banks or third parties and trade payables.

2.10 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

2.11 Debtors and creditors receivable / payable within one year

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price.

2.12 Deemed loan

Where the transfer of a financial asset does not qualify for de-recognition, the transferor accounts for the transaction as a funding transaction and therefore recognises the cash or other consideration received as a payable to the transferee.

For the Loans sold by the Company to iwoca Ozone Limited under the Group's funding arrangements, the threshold for de-recognition is not considered to have been met as the Company has retained significant risks and rewards of ownership in the form of the subordinated loan and the entitlement to deferred consideration. The Company's financial statements are therefore prepared on the basis that its sale of the beneficial interests in the loans is recognised as a collateralised non-recourse loan to iwoca Ozone Limited (a "deemed loan"). The deemed loan is carried at amortised cost using the effective interest method.

The deemed loan was initially recognised at the amount corresponding to the consideration received by the Company in respect of the sale of the pool of Loans, net of the funding the Company provided to iwoca Ozone Limited under the subordinated loan. The deemed loan is subsequently adjusted for principal receipts from the underlying Loans which represent repayments of the deemed loan and other payments between the Company and iwoca Ozone Limited that arise as a direct result of the funding arrangement.

The subordinated loan is incorporated within the deemed loan as, although it has separate legal form, it was entered into at the same time and in contemplation of the sale of the Loans, relates to the same risk and there is no apparent economic need or substantive business purpose for structuring the transaction separately that could not have been accomplished as a single transaction.

The interest expense on the deemed loan represents the amount of interest receivable and fees on the underlying Loans that iwoca Ozone Limited is entitled to retain either as retained profit or in order to settle its obligations to third parties.

2. Accounting policies *(continued)*

2.13 Impairment

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

The Group regularly reviews the Loans to determine the need for loan impairment provisions. The Group uses objective factors such as the time since the customer's last payment or other indicators to determine whether a loan or group of loans is impaired. The Group then applies a loss percentage, calculated based on historical loss data and specific loan circumstances, to apply to impaired Loans. Where an asset benefits from a guarantee, in particular loans under CBILS and RLS, impairment losses are recognised net of the proceeds from any such guarantee.

Write off policy

The Group writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery.

2.14 Loans

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

2.15 Funding facilities

Borrowings under funding facilities are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs. When determining whether a financial liability has been extinguished the directors perform a qualitative as well as a quantitative assessment.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

2.16 Financial contracts

As part of the Group's financing arrangements, it, on some occasions, expects certain non-contractual cash flows to occur. Where such expected cash flows meet the criteria for recognition as an asset, a financial asset is initially measured at fair value, and is subsequently reduced as the cash flows occur.

2.17 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. The Group does not presently hold cash equivalents. The Company holds restricted cash as part of the Group's financing arrangements.

In the consolidated statement of cash flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Group's cash management

2. Accounting policies *(continued)*

2.18 Foreign currency

Functional and presentational currency
The financial statements are presented in GBP, which is the Group's and the Company's functional and presentational currency.

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 year 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. Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of comprehensive income.

Consolidation of Group companies
On consolidation, the results of overseas operations are translated into GBP 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.

2.19 Interest receivable and payable

Interest income and interest expense for all interest bearing financial instruments other than those at fair value through profit and loss is measured at amortised cost and recognised in the statement of comprehensive income using effective interest rate method.

The effective interest rate method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating the interest income or interest expense over the expected life of the asset or liability. The effective interest rate is the rate that exactly discounts estimated future cash flows to the instrument's initial carrying amount.

2.20 Share capital

Ordinary shares are classified as equity. Proceeds on issuance in excess of nominal value, net of any incremental costs directly attributable to the issue of new shares, net of tax, are recognised as share premium.

2.21 Share based payments

Where shares and share options are awarded to employees, the fair value of the shares and options at the date of grant is charged to the statement of comprehensive income over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each date of the statement of financial position so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to statement of comprehensive income over the remaining vesting period.

The cumulative cost to date for unexercised share based payments is held within an ESOP share reserve presented in equity.

2.22 Operating leases as a lessee

Leases are classified as operating leases where the lessor retains substantially all the risks and benefits of ownership of the asset. Rentals paid under operating leases are charged to the statement of comprehensive income on a straight line basis over the term of the relevant lease. The aggregate benefit of lease incentives is recognised as a reduction to the expense recognised over the lease term on a straight line basis.

2. Accounting policies *(continued)*

2.23 Pensions

Defined contribution pension plan

The Group operates a defined contribution pension scheme for its employees. A defined contribution scheme is a pension plan under which the Group pays fixed contributions into a separate entity.

The contributions payable to the Group's pension scheme are recognised as an expense in the consolidated statement of comprehensive income 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. Once the contributions have been paid the Group has no further payment obligations.

2.24 Bank interest income

Interest income on the Group's cash balances held in bank accounts is recognised in the statement of comprehensive income as other operating income.

2.25 Other Income

Interest income on the Group's cash balances held in bank accounts is recognised in the statement of comprehensive income as interest income. The release of the deferred income in respect of any grant received is recognised as other income on a systematic basis over the periods in which the related costs are recognised.

2.26 Current and deferred tax

Current tax is the amount of income tax payable (or refundable) in respect of the taxable profit (or loss) for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end. Tax is recognised in the statement of comprehensive income, except that a change 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 credit is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company and the Group operate and generate income.

Deferred tax is recognised in respect of all timing differences at the reporting date between taxable profits and total comprehensive income as stated in the financial statements, except as otherwise indicated. Deferred tax assets are only recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing differences.

2.27 Research & development

Research and development costs that meet the capitalisation criteria, incurred during the course of developing the Group's software and systems are capitalised as intangible assets and amortised over a two year period, where is it probable that the expected future economic benefits that are attributable to the asset will flow to the Group. Remaining research and development costs are written off to the statement of comprehensive income in the period in which they are incurred.

2.28 Grants received

Grants are initially recognised as deferred income in the balance sheet as part of Accruals and deferred income and is released to the consolidated statement of comprehensive income on in the periods in which the Company recognises expenses for the related costs for which the grants are intended to compensate.

2.29 Convertible Bonds

Convertible Bonds are recognised initially on the balance sheet as liability and equity. The liability is calculated as the fair value of the component bond using a comparable non-convertible bond to benchmark the discount rate. The equity is then calculated as the remainder. Subsequently the liability is recognised at amortised cost with interest charged to the statement of comprehensive income on an effective interest rate basis.

3. Critical accounting estimates and judgements

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

The judgements and estimates are reviewed on an ongoing basis.

3.1 Critical accounting estimates

The Company makes estimates and assumptions about the future. There is inherent uncertainty in estimates and assumptions, therefore actual results reported in future periods may be derived from amounts which differ from the estimates and assumptions.

Revision 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.

Impairment of Loans
The Group regularly reviews the Loans and makes judgements as to the need for loan impairment provisions. The Group uses objective factors such as the time since the customer's last payment or other indicators to determine whether a loan or group of loans is impaired. The Group then estimates the loss percentage to apply to impaired Loans based on historical loss data, as well as specific loan circumstances. Were the Group to assume all loans are to be impaired in full immediately after a payment due is missed, estimated impairment losses would increase by £11.7m (2021: £13.0m). Where an asset benefits from a guarantee, in particular loans under CBILS, impairment losses are recognised net of any such guarantee.

Effective interest rate
The calculation of an effective interest rate has several areas of estimate that need to be applied which impact the rate at which interest, fees and expenses are recognised. The Company makes assumptions around the expected customer usage of the product, which is typically shorter than the initial term of the Loan. Management regularly reviews these assumptions based on historical experience as well as expectations of future events. The effect of the effective interest rate adjustment on the Group's income statement for the year ending 31 December 2022 is a loss of £27,761,956 (2021: £6,940,998). The effect of an increase in the EIR rate of 5% is a loss of £1,388,098, and a 5% decrease is a gain of £1,388,098.

Valuation of deferred tax asset
Deferred tax assets are only recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Management consider future profit expectations and whether they are reasonably likely to occur when estimating the value of the deferred tax asset. The Group deferred tax asset recognised at 31 December 2022 is £830,000 (2021: £nil) and its unrecognised deferred tax asset is £5,235,000 (2021: £5,974,000).

3.2 Critical accounting judgements

Continuing recognition of loans sold to iwoca Ozone Limited
Judgement is required in relation to the recognition or de-recognition of certain legal sales of financial instruments. The Company de-recognises a financial instrument when the rights to receive cash flows have expired or a transfer of the financial instrument has taken place where the Company has transferred substantially all the risks and rewards of ownership and the transfer qualifies for derecognition. For the Loans sold by the Company to iwoca Ozone Limited under the Group's funding arrangements, the Company has retained significant risks and rewards and therefore continues to recognise these loans, and as a result recognises a deemed loan.

De-recognition of loans sold to third-parties
Judgement is required in relation to the recognition or de-recognition of certain legal sales of financial instruments. The Company de-recognises a financial instrument when the rights to receive cash flows have expired or a transfer of the financial instrument has taken place where the Company has transferred substantially all the risks and rewards of ownership and the transfer qualifies for derecognition. For certain Loans sold by the Company to third-parties, the Company has considered its exposure to the variability in risks and rewards after the legal transfer against the cash flows it expected to receive if the loans were not sold. Based on this analysis, the Company concluded it had transferred significantly all risks and rewards and therefore does not recognise the loans on its balance sheet. The remaining portfolio was bought back during June 2021.

3. Critical accounting estimates and judgements *(continued)*

3.2 Critical accounting judgements *(continued)*

2019 grant award from the Capability and Innovation Fund (CIF)
The Company accounts for the award from the CIF received in 2019 on an accruals basis. Monies received are restricted by virtue of not being available for corporate use and explicitly prohibited for certain uses. The associated income is deferred and released to consolidated statement of comprehensive income as the relevant costs are incurred. Such income is included in other operating income. Whilst the Group does not consider it to probable, should any amount become repayable any remaining deferred income will be reclassified as a liability. Should any other liabilities arise as a result of this change in estimate, these would also be recognised at this point.

Consolidation of entities controlled by iwoca Limited
iwoca Limited invests in multiple classes of notes issued by iwoca SV SA acting through its compartments. In determining whether an entity should be consolidated, the Company must determine whether it meets the threshold of control through ownership of voting rights or some other mechanism that results in the Company having "the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities" (9.4, FRS102 issued by the FRC in March 2019 and further amended).

The Company considers that it controls certain compartments of iwoca SV SA, their investments in sub-funds whose General Partner is a wholly owned subsidiary of iwoca Limited and the portfolio assets owned by said sub-funds. The results of these entities are presented in the Group consolidated financial statement according to the Group's basis for consolidation.

The Company considers that it controls Islay Finance Limited and Vallay Finance Limited. The risks and rewards from both these companies substantially accrue to the Group. The results of these entities are presented in the Group consolidated financial statement according to the Group's basis for consolidation.

Research and development tax credit
The Company considers whether certain expenditure meets the criteria for research and development tax benefits. The tax benefit recognised in the statement of comprehensive income is estimated based on the nature of underlying project as well as attributable expenditure during the year.

4. Revenue

The Group's revenue is derived from its operations in the United Kingdom and Europe.

	31 December 2022 £000	31 December 2021 £000
Interest and other income	78,260	68,468
	78,260	**68,468**

5. Operating profit

Included in operating profit are the following items:

Group	31 December 2022 £000	31 December 2021 £000
Cost of sales	13,946	(195)
Depreciation of tangible fixed assets	144	189
Amortisation of intangible assets	944	-
Other operating lease rentals	976	657
Defined contribution pension cost	335	272
Staff costs	20,197	18,508
Other costs including product and marketing	16,979	12,931
Other Operating Income	(2,571)	(1,151)
	50,950	**31,211**

The increase in cost of sales is driven by the prior year period including the release of Covid-19 provisions, which did not continue into 2022.

6. Auditors' remuneration

	31 December 2022 £000	31 December 2021 £000
Fees payable to the Group's auditors for the audit of the parent Company and the Group's consolidated financial statements, exclusive of VAT:	204	144
Fees payable to the Company's auditors and its subsidiaries for other services, exclusive of VAT:		
- Audit of the Company's subsidiaries	131	170
	335	**314**

There were no non audit services provided by the auditors (2021: nil)

7. Employees

Staff costs, including Directors' remuneration, were as follows:

	Group 31 December 2022 £000	Group 31 December 2021 £000	Company 31 December 2022 £000	Company 31 December 2021 £000
Wages and salaries	17,626	16,622	16,322	15,704
Social security costs	2,571	1,886	2,315	1,700
Other pension costs	335	272	335	272
	20,532	**18,780**	**18,972**	**17,676**

Other pension costs refer to a defined contribution pension scheme.
The average monthly number of persons (including Directors) employed by the Group and the Company during the year was:

	Group 31 December 2022 No.	Group 31 December 2021 No.	Company 31 December 2022 No.	Company 31 December 2021 No.
Tech, Analytics & Product	94	90	94	90
Sales, Marketing & Customer Success	196	138	196	138
Finance, Legal and Compliance, People Operations and Other Management	64	50	64	50
	354	**278**	**354**	**278**

8. Directors' remuneration

	31 December 2022 £000	31 December 2021 £000
Directors' emoluments	554	758
	554	**758**

The highest paid director received remuneration of £243,321 (2021: £299,000).

The value of the Company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £1,321 (2021: £1,319). The total value of the Company's contributions paid to a defined contribution pension scheme in respect of the directors amounted to £2,642 (2021: £2,638).

During the year no Directors received shares under the long-term incentive schemes (2021: nil). During the year the company issued nil (2021: nil) ordinary shares to Directors of the Group as part of the 2018 share incentive scheme. During the year no Directors exercised any share options (2021: nil).

The total remuneration for the Company's executive Directors totalled £486,642 (2021: £598,000). These executive Directors are considered to be the Group's key management personnel.

9. Interest payable and similar expenses

	31 December 2022 £000	31 December 2021 £000
Interest payable and similar expenses	38,290	41,376
	38,290	**41,376**

10. Tax on loss

The Group is subject to taxes applicable to a commercial company in its countries of operation.

	31 December 2022 £000	31 December 2021 £000
Corporation tax		
Current year tax (credit)	(1,000)	-
Adjustments in respect of previous periods	(326)	61
Total current tax	**(1,326)**	**61**
Deferred tax		
Current year tax (credit)	(830)	-
Total deferred tax	**(830)**	**-**
Total tax	**(2,156)**	**61**

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:

	31 December 2022 £000	31 December 2021 £000
Loss before taxation	(10,980)	(4,119)
Loss before taxation multiplied by standard rate of corporation tax in the UK of 19% (2021 - 19%)	(2,086)	(782)
Effects of:		
Differences in fixed assets	(17)	-
Expenses not deductible for tax purposes	1,644	650
Income not taxable	(58)	(1,328)
Adjustment in research and development tax credit leading to a decrease in the tax charge	(863)	(622)
Surrender of tax losses for research and development tax credit refund	310	-
Capital allowances for year in excess of depreciation	-	43
Adjustments to tax charge in respect of prior periods	(326)	61
Other timing differences leading to an increase (decrease) in taxation	-	2,039
Deferred tax not recognised	(738)	-
Deferred tax recognised	(199)	
Difference due to deferred tax rate	177	-
Total tax (credit) / charge for the year	(2,156)	61

10. Tax on loss *(continued)*

The Group has considerable losses from prior years that are being carried forward. Additionally, as a result of timing differences a deferred tax liability arises. In the current year the Group has recognised a deferred tax asset resulting from historical losses, with £830k (2021: £nil) impact on the statement of comprehensive income. The Group has total unrecognised deferred tax assets of £5,235k (2021: £5,974k).

Tax rate changes

In the Budget 2020, the government announced that the corporation tax main rate (for all profits except ring fence profits) for the years starting 1 April 2020 and 2021 would remain at 19%. In the Spring Budget 2021, 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). 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 rate to 25% from April 2023 will go ahead.

11. Parent company (loss) / profit for the year

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. The loss after tax of the parent Company for the year was £1,829k (2021: profit of £50,609k, which included a net gain on the refinancing of iwoca Ozone Limited of £68.6 million).

12. Intangible assets

Group

	Internally generated software	Total
	£000	£000
Cost or valuation		
Additions	3,722	3,722
At 31 December 2022	**3,722**	**3,722**
Accumulated amortisation		
Charge for the year	(943)	(943)
At 31 December 2022	**(943)**	**(943)**
Net book value		
At 31 December 2022	**2,779**	**2,779**

Company

	Development	Total
	£000	£000
Cost or valuation		
Additions	3,722	3,722
At 31 December 2022	**3,722**	**3,722**
Accumulated amortisation		
Charge for the year	(943)	(943)
At 31 December 2022	**(943)**	**(943)**
Net book value		
At 31 December 2022	**2,779**	**2,779**

13. Tangible assets

Group

	Fixtures and fittings	Office equipment	Total
	£000	£000	£000
Cost or valuation			
At 1 January 2021	183	679	862
Additions	42	88	130
Disposals	(170)	(358)	(528)
At 1 January 2022	55	409	464
Additions	-	215	215
Disposals	-	(36)	(36)
At 31 December 2022	55	588	643
Accumulated depreciation			
At 1 January 2021	(137)	(407)	(544)
Charge for the year	(29)	(160)	(189)
Disposals	150	295	445
At 1 January 2022	(16)	(272)	(288)
Charge for the year	(18)	(126)	(144)
Disposals	-	36	36
At 31 December 2022	(34)	(362)	(396)
Net book value			
At 31 December 2022	21	226	247
At 31 December 2021	39	138	177

Company

	Fixtures and fittings	Office equipment	Total
	£000	£000	£000
Cost or valuation			
At 1 January 2021	183	679	862
Additions	42	88	130
Disposals	(170)	(358)	(528)
At 31 December 2021	55	409	464
Additions	-	215	215
Disposals	-	(36)	(36)
At 31 December 2022	55	588	643
Accumulated depreciation			
At 1 January 2021	(137)	(407)	(544)
Charge for the year	(29)	(160)	(189)
Disposals	150	295	445
At 31 December 2021	(16)	(272)	(288)
Charge for the year	(18)	(126)	(144)
Disposals	-	36	36
At 31 December 2022	(34)	(362)	(396)
Net book value			
At 31 December 2022	21	226	247
At 31 December 2021	39	138	177

14. Investments

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Portion of Ownership Interest	Directly/ Indirectly Held	Registered office
iwoca Oxygen Plc	100%	Directly	10 Queen Street Place, London EC4R 1AG
iwoca Ozone Limited	100%	Directly	10 Queen Street Place, London EC4R 1AG
iwoca Peroxide Limited	100%	Directly	10 Queen Street Place, London EC4R 1AG
iwoca Poland Sp. z o.o.	100%	Directly	31 Chmielna 2, Warszawa, 00-020, Poland
iwoca Spain SL	100%	Directly	Numero 583 5 Calle Gran Via De Les Corts Catelanes, Barcelona, 08011, Spain
iwoca Deutschland GmbH	100%	Directly	Hanauer Landstraße 187-189, 60314 Frankfurt am Main, Deutschland
iwoca Servicing GmbH	100%	Directly	Hanauer Landstraße 187-189, 60314 Frankfurt am Main, Deutschland
iwoca capital markets Limited	100%	Directly	10 Queen Street Place, London EC4R 1AG
Iwoca Capital Markets (Europe) Limited	100%	Directly	171, Old Bakery Street, Valetta, Malta (Liquidated on 8 October 2022)
iwoca Management S.à.r.l	100%	Directly	13B Rue De Bitbourg, L-1274 Luxembourg, Luxembourg
iwoca Skye Finance Limited	100%	Directly	10 Queen Street Place, London EC4R 1AG
Iwoca Vallay Finance Limited	100%	Indirectly	5 Churchill Place, 10th Floor, London, England, E14 5HU
iwoca SCSp SICAV-SIF acting on behalf of Compartment 2	100%	Indirectly	13B Rue De Bitbourg, L-1274 Luxembourg, Luxembourg
iwoca SCSp SICAV-SIF acting on behalf of Compartment 3	100%	Indirectly	13B Rue De Bitbourg, L-1274 Luxembourg, Luxembourg
iwoca SV SA Compartment Eiger	100%	Indirectly	13B Rue De Bitbourg, L-1274 Luxembourg, Luxembourg
iwoca SV SA Compartment Dufourspitze	100%	Indirectly	13B Rue De Bitbourg, L-1274 Luxembourg, Luxembourg
Islay Finance Limited	100%	Indirectly	5 Churchill Place, 10th Floor, London, England, E14 5HU
iwoca Hydrogen Limited	100%	Indirectly	1 King's Arms Yard, Third Floor, London, England, EC2R 7AF

All of the above subsidiaries are trading entities and group financing entities included in the consolidated financial statements. Iwoca Capital Markets (Europe) Limited was liquidated on 8 October 2022 with nil gain/(loss) on disposal.

iwoca Hydrogen Limited, a subsidiary of iwoca Limited by virtue of control, was incorporated on 10 January 2023 to further finance SME demand for loans.

Company

	Investments in subsidiary companies £000
Cost or valuation	
At 1 January 2022	188
Additions	-
Disposals	(37)
Impairment	-
Effect of translation into functional currency	5
At 31 December 2022	156
Net book value	
At 31 December 2022	156
At 31 December 2021	188

15. Debtors

	Group 31 December 2022 £000	Group 31 December 2021 £000	Company 31 December 2022 £000	Restated Company 31 December 2021 £000
Amounts falling due after more than one year				
Amounts owed by group undertakings	-	-	404	1,131
Loans	189,293	261,793	42,107	43,519
	189,293	**261,793**	**42,511**	**44,650**

	Group 31 December 2022 £000	Group 31 December 2021 £000	Company 31 December 2022 £000	Restated Company 31 December 2021 £000
Amounts falling due within one year				
Loans	201,756	163,111	130,101	45,075
Amounts owed by group undertakings	-	-	15,103	13,413
Other debtors	2,591	2,429	353	314
Tax recoverable	2,175	1,941	2,175	1,941
Deferred tax asset	830	-	830	-
Prepayments and accrued income	886	652	869	634
	208,238	**168,133**	**149,431**	**61,377**

Refer to Note 18 for further information regarding the credit risk of each class of receivables.

The terms of the intercompany balances depend on the context and purpose of the legal entity with the majority governed by agreements with third parties, where intercompany balances relate to operational corporate balances such balances are interest bearing.

16. Cash and cash equivalents

	Group 31 December 2022 £000	Group 31 December 2021 £000	Company 31 December 2022 £000	Company 31 December 2021 £000
Bank current accounts	14,869	23,276	6,770	11,625
Restricted cash	25,119	30,604	2,126	4,001
	39,988	**53,880**	**8,896**	**15,626**

Group cash and cash equivalents with restrictions on remittances held as at year end is £25,119k (2021: £30,604k).

The restricted cash is cash which has restrictions on use. This includes amounts held as collateral, amounts held on trust and amounts which are not permitted to be used for general corporate purposes.

17. Creditors

Amounts falling due within one year

	Group 31 December 2022 £000	Group 31 December 2021 £000	Company 31 December 2022 £000	Restated Company 31 December 2021 £000
Funding facilities	75,207	122,295	-	-
Trade creditors	1,091	1,575	813	1,363
Deferred revenue	-	2,547	-	2,547
Amounts owed to group undertakings	-	-	7,786	4,054
Corporate tax	51	61	61	61
Other taxation and social security	1,202	1,026	1,119	984
Deemed loan	-	-	108,279	43,419
Accruals and deferred income	2,785	2,690	1,438	1,311
	80,336	**130,194**	**119,496**	**53,739**

Amounts falling due after more than one year

	Group 31 December 2022 £000	Group 31 December 2021 £000	Company 31 December 2022 £000	Company 31 December 2021 £000
Amounts owed to group undertakings	-	-	472	-
Funding facilities	327,253	313,210	41,172	24,343
	327,253	**313,210**	**41,644**	**24,343**

Included within funding facilities due within one year is a total of £1m (2021: £nil) due under secured bonds issued by the Group.

Included within funding facilities due after more than one year is a total of £6.5m (2021: £3.0m) due under secured bonds issued by the Group. The secured bonds attract interest at a fixed rate and are repayable in full on the maturity date. The secured bonds are subject to a cross guarantee whereby iwoca Limited has unconditionally and irrevocably guaranteed payments due to bondholders under the terms of the instrument.

Included within funding facilities are convertible bonds under the terms of the Future Fund scheme due for redemption in August 2023.

18. Financial instruments

The narrative disclosure required by FRS 102 in relation to the nature of the financial instruments used during the year to manage credit risk, market risk and liquidity exposure and its capital risk management policies are shown in the Strategic report.

It is, and has been throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken.

The Directors monitor the Group's performance by reviewing the monthly management reports produced and its exposure to risk on its financial instrument. Risk management policies are established to identify and analyse the risks faced by the Group and to ensure that there are appropriate controls in place to mitigate exposure to risk.

The table below shows the classification of the financial instruments of the Group at the year end.

31 December 2022	**Amortised Cost**	**Fair value through profit & loss**	**Total**
Group	**£000**	**£000**	**£000**
Financial assets			
Loans	391,049	-	391,049
Cash at bank	39,988	-	39,988
Other debtors	4,766	-	4,766
	435,803	**-**	**435,803**
Financial liabilities			
Funding facilities	402,460	-	402,460
Trade and other creditors	1,091	-	1,091
	403,551	**-**	**403,551**

31 December 2021	**Amortised Cost**	**Fair value through profit & loss**	**Total**
Group	**£000**	**£000**	**£000**
Financial assets			
Loans	424,904	-	424,904
Cash at bank	53,880	-	53,880
Other debtors	4,370	-	4,370
	483,154	**-**	**483,154**
Financial liabilities			
Funding facilities	435,505	-	435,505
Trade and other creditors	1,575	-	1,575
	437,080	**-**	**437,080**

18. Financial instruments (continued)

31 December 2022	Amortised Cost	Fair value through profit & loss	Total
Company	**£000**	**£000**	**£000**
Financial assets			
Loans	172,208	-	172,208
Cash at bank	8,896	-	8,896
Other debtors	2,528	-	2,528
Amounts owed by group undertakings	15,507	-	15,507
	199,139	**-**	**199,139**
Financial liabilities			
Other creditors	3,370	-	3,370
Amounts owed to group undertakings	116,065	-	116,065
	119,435	**-**	**119,435**

31 December 2021	Amortised Cost	Fair value through profit & loss	Total
	£000	**£000**	**£000**
Company	**Restated**		**Restated**
Financial assets			
Loans	88,594	-	88,594
Cash at bank	15,626	-	15,626
Other debtors	2,255	-	2,255
Amounts owed by group undertakings	14,544	-	14,544
	121,019	**-**	**121,019**
Financial liabilities			
Other creditors	6,205	-	6,205
Amounts owed to group undertakings	47,473	-	47,473
	53,678	**-**	**53,678**

Financial assets measured at amortised cost comprise trade debtors and all other current assets. Financial liabilities measured at amortised cost comprise loans payable and all other contractual liabilities. Short-term receivables/debtors with no stated interest rate are measured at the original invoice amount where effects of discounting is immaterial. The Group does not currently hold financial assets or liabilities at fair value through profit and loss.

Credit risk

Credit risk reflects the risk that the underlying borrowers or other transaction parties will not meet their obligations as they fall due. Such events could occur in the event of a major downturn in the European economy or a failure of the Group to manage the risks involved when advancing loans to SMEs. The Group seeks to manage this risk by employing a range of credit assessment checks on all applicants together with ongoing reviews and the assessment of credit performance of the Loans. In the case of Loans issued under CBILS, if a borrower were to default, the Secretary of State for Business, Energy and Industrial Strategy (the "Guarantor") will fund 80% of the outstanding guaranteed balance through the British Business Bank. In the case of Loans issued under RLS, if a borrower were to default, the Guarantor will fund 70% of the outstanding guaranteed balance through the British Business Bank.

18. Financial Instruments (continued)

Credit risk *(continued)*

The maximum exposure to credit risk arising on Group's financial assets at the reporting date is disclosed in the table below:

Group	Carrying Value 31 December 2022 £000	Maximum Exposure 31 December 2022 £000	Carrying Value 31 December 2021 £000	Maximum Exposure 31 December 2021 £000
Asset:				
Loans	391,049	257,119	424,904	176,475
Other debtors	4,766	4,766	4,370	4,370
Cash and cash equivalents	39,988	39,988	53,880	53,880
	435,803	**301,873**	483,154	234,725

Company	Carrying Value 31 December 2022 £000	Maximum Exposure 31 December 2022 £000	Carrying Value Restated 31 December 2021 £000	Maximum Exposure Restated 31 December 2021 £000
Asset:				
Loans	172,208	172,208	88,594	88,594
Amounts owed by group undertakings	15,507	15,507	14,544	14,544
Other debtors	2,528	2,528	2,255	2,255
Cash and cash equivalents	8,896	8,896	15,626	15,626
	199,139	**199,139**	121,019	121,019

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

Group	Carrying value before impairment £000	Impairment £000	Carrying value after impairment £000
Loans as at 31 December 2022			
Individually impaired	88,842	(83,839)	5,003
Past due but not impaired	15,975	-	15,975
Neither past due nor impaired	368,882	-	368,882
	473,699	**(83,839)**	**389,860**

	Carrying value before impairment £000	Impairment £000	Carrying value after impairment £000
Loans as at 31 December 2021			
Individually impaired	61,854	(56,052)	5,802
Past due but not impaired	7,206	-	7,206
Neither past due nor impaired	410,620	-	410,620
	479,680	**(56,052)**	**423,628**

18. Financial Instruments (continued)

Credit Risk *(continued)*

Impairment of loans is recognised in cost of sales in the statement of comprehensive income. Loans are written off in whole or in part, when the Group has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery, which may take a number of years.

The credit quality of the financial assets that are neither past due nor impaired can be assessed by reference to an external credit rating (if available).

Loans that are neither past due nor impaired
The table below sets out the Group's Loans that are neither past due nor impaired based on Equifax scores for loans originated to SMEs in the UK and Schufa for loans originated to SMEs in Germany.

	31 December 2022	31 December 2021
	£000	£000
Low	13,510	8,396
Medium	326,610	380,057
High	24,828	13,836
Not rated	3,934	8,322
	368,882	410,621

For not rated balances a score is not provided by the bureau that would allow for meaningful comparison.

Liquidity risk

Liquidity risk reflects the risk that the Company may encounter difficulty in meeting its obligations associated with its financial liabilities.

The Group manages this risk by diversifying its funding base, regularly reviewing its upcoming contractual payments and ensuring commitments are sufficient to support the Group's growth plans.

The Group's liquidity position is monitored and reviewed by Directors on an ongoing basis.

The table below reflects the undiscounted contractual cash flows of financial liabilities at the balance sheet date:

	Gross cash flows	Less than 3 months	After 3 months but within 1 year	After 1 year but within 5 years	After 5 years
	£000	£000	£000	£000	£000
As at 31 December 2022					
Funding facilities	402,460	22,580	49,320	330,560	-
Trade and other payables	1,091	1,091	-	-	-
	403,551	**23,671**	**49,320**	**330,560**	-

	Gross cash flows	Less than 3 months	After 3 months but within 1 year	After 1 year but within 5 years	After 5 years
	£000	£000	£000	£000	£000
Restated					
As at 31 December 2021					
Funding facilities	435,505	43,768	78,527	313,210	-
Trade and other payables	1,575	1,575	-	-	-
	437,080	**45,343**	**78,527**	**313,210**	-

18. Financial Instruments (continued)

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The Group is exposed to currency and interest rate risk.

Currency risk

A proportion of the Group's income, costs, assets and liabilities are denominated in foreign currencies. There is a risk that adverse movement in the exchange rates could result in losses. The Group, where possible, matches foreign currency assets and liabilities so that the net impact of any foreign exchange movement is minimised. In order to further manage this risk, the Group reviews current and expected exchange rates to assess their impact.

The risk variables that are relevant for the Group to disclosing market risk include interest rate and foreign exchange rates.

The table below portrays the Group's sensitivity to a 5% depreciation and 5% appreciation in GBP against EUR, a relevant foreign currency to the Group's operations. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusted their translation at the year end for a 5% change in foreign currency.

	Net effect on income statement £000 31 December 2022	Net effect on equity £000 31 December 2022	Net effect on income statement £000 31 December 2021	Net effect on equity £000 31 December 2021
Appreciation (GBP to EUR)	(23)	478	8	(560)
Depreciation (GBP to EUR)	23	(478)	(8)	560

Interest rate risk

A portion of the Group's debt facilities are variable rate. There is a risk that any increase in base rate could reduce the profitability of the Group. The Group would not initially increase interest rates on the Loans and absorb any increase in costs. However, should the impact become material to Group over time, then a rate rise could be passed onto customers.

For the portion of the Company's debt facilities which pay interest at a variable rate SONIA for the three-month deposits at 31 December 2022 had been 50 basis points higher with all variables held constant, the effect on the Company's income statements would be £1,115k (2021 - 50 basis point variance: £706k). If the rate had been 50 basis points lower, the effect on the Company's income statements would be £1,115k (2021 - 50 basis point variance: £162k).

Capital management

The Group capital comprises of its equity share capital, share premium reserves, other reserves recognised as charges under the Group's share option scheme less its accumulated losses.

The Group's objectives when managing capital are to:

- Safeguard their ability to continue as a going concern, so that they can continue to provide returns to shareholders and benefits for other stakeholders; and
- Maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Directors review the performance of the Group on a regular basis and appropriate actions are taken as required. To ensure the activities of the Group are effectively managed, targets are being set as part of the budgetary process with respect to operating expenses. In addition to that appropriate KPIs are set, which are being monitored by the Directors on a monthly basis.

19. Called up share capital

	31 December 2022 £	31 December 2021 £
Share classified as equity		
Allotted, called up and fully paid		
1,689,681 (2021 - 1,689,681) Preferred Ordinary Shares of £0.000001 each	2	2
2,519,188 (2021 - 2,519,188) Series C Preferred Ordinary Shares of £0.000001 each	3	3
1,581,161 (2021 - 1,581,161) B Ordinary Shares of £0.000001 each	2	2
5,824,086 (2021 – 5,818,727) Ordinary Shares of £0.000001 each	6	6
836,064 (2021 – 836,064) Series D Preferred Ordinary Shares of £0.000001	1	1
	14	**14**

	31 December 2022 No.	31 December 2021 No.
Preferred Ordinary Shares	1,689,681	1,689,681
Series C Preferred Ordinary Shares	2,519,188	2,519,188
B Ordinary Shares	1,581,161	1,581,161
Ordinary Shares	5,824,086	5,818,727
Series D Preferred Ordinary Shares	836,064	836,064
Deferred Shares	-	-

During the year the Company issued nil (2021: nil) Ordinary Shares to Directors of the Group as part of share incentive schemes. Additionally, 5,359 (2021: 13,907) Ordinary Shares were acquired by employees following the exercise of share options and nil (2021: nil) B Ordinary Shares were acquired by employees. Nil (2021: nil) Series D Preferred shares were issued and acquired by third parties. There are no restrictions on the distribution of dividends for Ordinary Shares but there are restrictions on the repayment of capital. During the year Ordinary Shares were issued with a consideration of £25,610 (2021: £7,205). Since the year end the Company issued 197 Ordinary Shares, all of which were acquired by employees following exercise of share options with a consideration of £1,669.

Dividend rights and liquidation preference are set out in the Company's articles of association.

20. Reserves

Share premium account
The share premium reserve represents cumulative premiums received on the issue of share capital over the nominal value of the shares issued. Transaction costs incurred on the issue of shares are deducted from the amount credited to this reserve.

Convertible debt option reserve
Convertible Bonds are recognised initially on the balance sheet through liabilities and equity. The liability element is calculated as the fair value of the component bond using a comparable non-convertible bond to benchmark the discount rate. The equity is then calculated as the remainder.

ESOP share reserve
The ESOP share reserve represents cumulative balances recognised as charges under the Group's share option scheme and other share based payments.

Profit and loss account
The profit and loss reserve includes cumulative retained profits and losses from prior years.

Foreign currency translation reserve

The foreign currency translation reserve includes unrealised gains and losses on the translation of balances whose transaction currency differs from the functional currency of the Group or Company.

21. Share based payments

The Company operates an employee incentive plan which includes granting of restrictive equity-settled options to employees. In order to calculate the appropriate charge, share options are fair valued using the Black-Scholes option pricing model. The risk-free rate was 1.34% (2021: 0.40%). The expected volatility is estimated by reference to historical volatility over the last five years and estimated as noted below. The average share price is based on the value of share issues in the year.

	Weighted average exercise price (£)	Number	Weighted average exercise price (£)	Number
	2022	2022	2021	2021
Outstanding at the beginning of the year	**11.91**	457,291	**12.77**	362,852
Granted during the year	**15.42**	195,742	**11.90**	150,018
Forfeited during the year	**14.81**	(79,438)	**14.96**	(54,801)
Exercised during the year	**9.78**	(1,090)	**9.27**	(778)
Outstanding at the end of the year	**12.71**	**572,505**	**11.91**	**457,291**

	2022	2021
Weighted average share price (pence)	15.75	11.85
Exercise price (pence)	15.42	11.9
Expected volatility (%)	32	48
Expected dividend growth rate (%)	-	-
Risk-free interest rate (%)	1.34	0.40

There were 386,001 exercisable options as at 31 December 2022 (2021: 262,832) with a weighted average strike price of £11.36 (2021: £10.84). The shares that could not be exercised have a weighted average exercise price of £16.15 (2021: £14.23). The charge to the statement of comprehensive income for the year was £747,801 (2021: £410,556).

22. 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 £335,043 (2021: £272,136). Contributions totalling £102,139 (2021: £78,665) were payable to the fund at the balance sheet date and are included in creditors.

23. Commitments

At 31 December 2022 the Group and the Company had future minimum lease payments under non-cancellable operating leases as follows:

	Group 31 December 2022 £000	Group 31 December 2021 £000	Company 31 December 2022 £000	Company 31 December 2021 £000
Not later than 1 year	579	702	579	702
Later than 1 year and not later than 5 years	-	285	-	285
	579	987	579	987

Other ongoing commitments include minimum spend contracts with third party service providers, including credit bureaux.

24. Analysis of changes in net debt

	At 1 January 2022	Net changes	At 31 December 2022
	£000	£000	£000
Convertible bonds	(8,763)	(2,191)	(10,954)
Secured bonds	(5,082)	(2,499)	(7,581)
Other funding facilities	(421,660)	37,735	(383,925)
Cash and cash equivalents	53,880	(13,892)	39,988
	(381,625)	**19,153**	**(362,472)**

Convertible bonds, secured bonds and other funding facilities are included within the funding facilities balance on the balance sheet.

25. Related party transactions

The Group's related party transactions were between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation. The Company's related party transactions were between the Parent, its subsidiaries and Non-Executive Directors details of which are listed below:

Name	Statement of comprehensive income	Amounts outstanding	Statement of comprehensive income	Amounts outstanding
	31 December 2022	31 December 2022	31 December 2021	31 December 2021
	£000	£000	£000	£000
iwoca Oxygen Plc	(476)	(7,193)	(355)	(3,508)
iwoca Ozone Limited	24,421	147	75,303	59
iwoca Peroxide Limited	(1)	-	-	-
iwoca Poland Sp. z o.o.	98	(562)	125	3,840
iwoca Spain SL	59	59	76	1,678
iwoca Deutschland GmbH	(3,276)	5,011	(3,259)	6,002
iwoca Servicing GmbH	(41)	366	(122)	-
iwoca Capital Markets Limited	(99)	(30)	(5)	7
iwoca Management S.à.r.l	(179)	388	1,112	283
iwoca SCSp SICAV-SIF acting on behalf of Compartment 2	1,636	-	-	-
iwoca SV SA acting on behalf of Compartment Eiger	(567)	2,819	845	2,710
iwoca SCSp SICAV-SIF acting on behalf of Compartment 3	3,784	-	-	-
iwoca SV SA acting on behalf of Compartment Dufourspitze	(841)	6,812	1,005	3,325
iwoca Skye Finance Limited	(100)	(134)	-	9
Islay Finance Limited	1,223	(353)	1,920	1,655
Vallay Finance Limited	1,287	150	-	12
iwoca Capital Markets (Europe) Limited	(16)	-	878	480
EC1 Advisory	(23)	-	(35)	-
Killarney Investments Limited	(44)	-	(29)	-

The Company notes Directors' emoluments as a part of its related party transactions. The Directors are key management personnel.

The value of the Company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £1,321 (2021: £1,319). The total value of the Company's contributions paid to a defined contribution pension scheme in respect of the directors amounted to £2,642 (2021: 2,638).

The total remuneration for the company's executive Directors totalled £486,642 (2021: £598,000). These executive Directors are considered to be the Group's key management personnel.

26. Controlling party

The Directors do not consider there to be an ultimate controlling party.

27. Post balance sheet events

iwoca Hydrogen Limited, a subsidiary of iwoca Limited by virtue of control, was incorporated on 10 January 2023 to further finance SME demand for loans. Funding commenced in February 2023 with an initial commitment of £95m from senior and mezzanine lenders. The facility has a two-year availability period and a final maturity of four years from date of closing being 24 February 2023.

Directors continue to monitor risks, including increased inflation and its impact on the cost of living and the Bank of England Bank Rate changes. The further rise of SONIA and Euribor in early 2023 has led to increased cost of debt which could impact profitability should the trend continue as rate changes aren't necessarily passed on to customers.

iwoca plans to wind up companies within the Group, iwoca Poland Sp. z o.o. and iwoca Spain SL in the next 12 months.