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REPORT OF INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS AND
FINANCIAL STATEMENTS

GAIN Credit LLC

December 31, 2021 and 2020

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GrantThornton

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
GAIN Credit LLC

Opinion
We have audited the financial statements of GAIN Credit LLC (a Delaware limited liability company) (the "Company"), which comprise the balance sheets as of December 31, 2021 and 2020, and the related statements of operations and comprehensive loss, member's equity (deficit), and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for opinion
We conducted our audits of the financial statements in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of management for the financial statements
Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Grant Thornton

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Grant Thornton LLP

Newport Beach, California
September 26, 2022

Gain Credit LLC
Balance Sheets

	December 31, 2021	December 31, 2020
ASSETS		
Current Assets		
Cash and cash equivalents	£ 22,289,153	£ 22,105,108
Restricted cash	1,700,606	1,754,542
Loans receivable, net of allowance for loan losses of £4,953,203 and £2,930,536 for 2021 and 2020, respectively	35,248,537	27,158,811
Interest and fees receivable, net of reserves of £1,163,219 and £762,913 for 2021 and 2020, respectively	1,432,707	1,231,706
Prepaid expenses and other assets	3,432,837	1,401,113
Total current assets	64,103,840	53,651,280
Right of Use Assets	69,705	-
Property and Equipment, net of accumulated depreciation	1,407	2,451
Other Assets	261,483	297,009
Total assets	£ 64,436,435	£ 53,950,740
LIABILITIES AND MEMBER'S EQUITY (DEFICIT)		
Current Liabilities		
Accounts payable	£ 617,678	£ 451,764
Accrued liabilities	11,542,624	16,995,801
Affiliates payable (Note 6)	28,167,777	23,617,770
Right of use liabilities	71,538	-
Total current liabilities	40,399,617	41,065,335
Notes Payable, Net	21,597,174	-
Affiliates Notes Payable (Note 6)	26,600,877	26,600,877
Total liabilities	88,597,668	67,666,212
Commitments and Contingencies (Note 4)		
Member's Equity (Deficit)		
Membership equity, 1 unit	1,033,298	1,033,298
Accumulated deficit	(25,194,531)	(14,748,770)
Total member's equity (deficit)	(24,161,233)	(13,715,472)
Total liabilities and member's equity (deficit)	£ 64,436,435	£ 53,950,740

Chris deBoer

C. deBoer
Director

See accompanying notes.

Statements of Operations and Comprehensive Loss

	Years Ended December 31, 2021	Years Ended December 31, 2020
REVENUES		
Consumer lending revenue	£ 44,758,094	£ 54,797,419
Recovery of defaulted loans	808,279	1,069,077
Other revenue	693,229	2,676,668
Total revenues	46,259,602	58,543,164
EXPENSES		
Direct expenses:		
Marketing and underwriting expenses	4,308,204	3,881,168
Customer care expenses	10,089,622	25,302,686
Provision for loan losses	10,651,039	7,506,435
Advertising and promotion	9,469,733	3,746,104
Operational services (Note 6)	9,845,915	9,485,071
Royalties (Note 6)	4,271,941	5,229,351
Total direct expenses	48,636,454	55,150,815
Indirect expenses:		
Salaries, benefits and occupancy related expenses	3,283,381	2,502,762
Professional and consulting fees	561,427	860,398
Server and technology	1,048,551	779,597
Travel and entertainment	10,540	58,195
Depreciation and amortization	1,044	2,314
Other indirect expenses	1,209,156	911,723
Total indirect expenses	6,114,099	5,114,989
Total operating expenses	54,750,553	60,265,804
Loss from operations	(8,490,951)	(1,722,640)
OTHER INCOME (EXPENSE)		
Interest expense, net	(1,885,545)	(1,243,995)
Foreign exchange (loss) gain, net	(88,470)	141,643
Other expense (income), net	24,203	(27,830)
Total other expense, net	(1,949,812)	(1,130,182)
Net loss before income taxes	(10,440,763)	(2,852,822)
INCOME TAX EXPENSE	(4,998)	(212,752)
Net loss	(10,445,761)	(3,065,574)
Other comprehensive income	-	-
Comprehensive loss	£ (10,445,761)	£ (3,065,574)

See accompanying notes.

	Member's Ownership		Accumulated	Total Member's
	Units	Amount	Deficit	Equity (Deficit)
BALANCE, December 31, 2019	1	£ 1,033,298	£ (11,683,196)	£ (10,649,898)
Net loss	-	-	(3,065,574)	(3,065,574)
BALANCE, December 31, 2020	1	£ 1,033,298	£ (14,748,770)	£ (13,715,472)
Net loss	-	-	(10,445,761)	(10,445,761)
BALANCE, December 31, 2021	1	£ 1,033,298	£ (25,194,531)	£ (24,161,233)

GAIN Credit LLC
Statements of Cash Flows

		Years Ended December 31,		
		2021		2020
OPERATING ACTIVITIES				
Net loss	£	(10,445,761)	£	(3,065,574)
Adjustments to reconcile net loss to net cash provided by operating activities:				
Depreciation and amortization		196,423		118,837
Provision for loan losses		10,651,039		7,506,435
Unrealized gain on foreign currency		60,915		(215,601)
Changes in operating assets and liabilities:				
Interest receivable		(2,980,163)		(1,588,811)
Prepaid expenses and other assets		(1,997,100)		1,776,686
Accounts payable		171,770		(1,700,165)
Accrued liabilities		(5,451,344)		5,057,631
Affiliates payables and affiliates note payable		4,484,138		5,044,643
Net cash provided by (used in) operating activities		(5,310,083)		12,934,081
INVESTING ACTIVITIES				
Net repayment of (investment in) loans receivable		(15,961,604)		15,262,660
Purchase of capital equipment		-		(3,132)
Net cash provided by (used in) investing activities		(15,961,604)		15,259,528
FINANCING ACTIVITIES				
Proceeds from issuance of debt		21,401,796		-
Payments on debt		-		(25,443,432)
Net cash provided by (used in) financing activities		21,401,796		(25,443,432)
INCREASE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH		130,109		2,750,177
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH				
Beginning of period		23,859,650		21,109,473
End of period	£	23,989,759	£	23,859,650
BALANCE, CASH AND CASH EQUIVALENTS		22,289,153		22,105,108
BALANCE, RESTRICTED CASH		1,700,606		1,754,542
Total balance, end of period	£	23,989,759	£	23,859,650
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION				
Cash paid for:				
Interest	£	1,637,636	£	1,128,115
Taxes	£	485,796	£	162,545

See accompanying notes.

Note 1 – Organization and Summary of Accounting Policies

The Company - GAIN Credit LLC (the "Company") is a Delaware limited liability company and was incorporated on October 27, 2009. The Company's primary business is short-term online lending in the United Kingdom "UK". On October 30, 2009, the shareholders of GAIN Credit LLC contributed all member shares to the Company in exchange for interest in GAIN Credit, Inc., formerly Global Analytics Holding, Inc., ("GCI"). GCI owns the one outstanding unit of the Company's membership.

The Company is a financial services and technology company focused on serving underbanked consumers in a responsible, respectful way. The Company uses proprietary software and analytics, along with a deep understanding of data, to provide its Lending Stream and Drafty online lending products to underbanked consumers who do not have adequate access to credit and banking services in the UK.

Functional currency presentation - The local currency for the Company is British pound sterling ("GBP"), which is considered to be the functional currency. The financial statements are presented in GBP.

Foreign currency translation - Some assets and liabilities have been translated from United States dollars ("USD") to GBP. Assets and liabilities have been translated at the exchange rates in effect at the balance sheets date. The resulting translation adjustments are included in gains and losses from foreign currency transactions are included in the determination of net loss.

The Company is subject to foreign currency exchange risk in the form of exposure to changes in currency exchange rates between the GBP and USD. Management periodically reviews the potential financial impact of foreign currency risk, and the Company will use derivative financial instruments to reduce foreign currency exposures when it believes that the Company is subject to significant potential losses. The Company does not use derivative financial products for speculative purposes. There were no derivative instruments in place to reduce foreign currency exposures at December 31, 2021 and 2020.

Use of estimates - The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Allowances and reserves on loans and receivables, and reserves for refunds related to customer complaints and voluntary redress programs are significant estimates that are subject to revision in the near term as management obtains additional information and refines estimates. Actual results for all estimates could differ from those established estimates.

Cash and cash equivalents - The Company considers highly-liquid instruments with maturities of three months or less at acquisition to be cash equivalents. The Company maintains cash accounts primarily in two major financial institutions; one in the United States of America ("US") and one in the UK. The US accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to $250,000. The Company's cash accounts often exceed these limits and may be uninsured; and all cash accounts are otherwise unsecured. The UK cash accounts are not FDIC insured.

Restricted cash – Restricted cash includes cash held as collateral against the Company's notes payable (Note 5), cash held as collateral by the Company's UK commercial banking partner for average float of UK BACS payments in transit, and cash receipts from customers which are held in settlement accounts by merchant service providers. Cash receipts are released by merchant service providers after the settlement periods, which range from one day to three months.

Fair value of financial instruments – The carrying value of cash and cash equivalents, restricted cash, loans receivable net of reserves, and note payable, approximates the fair value of these financial instruments due to their short-term nature.

Loans receivable – Loans receivable consists of short-term, unsecured loans and open-ended lines of credit to individual borrowers located in the UK. Loans receivable are recorded at the time cash is transferred to a customer's account, and are presented in the balance sheets, net of the reserve for loan losses.

Interest receivable – Interest receivable is recorded at the time interest revenue is earned for both unsecured short-term installment loans and open-ended lines of credit. The receivable is presented in the balance sheets, net of the reserve for losses.

Loan and interest receivable reserve policy – The Company maintains a loss reserve for probable losses inherent in the outstanding loan portfolio for consumer loans. To estimate the appropriate level of reserves, the Company considers known and relevant internal and external factors that affect loan collectability, including the amount of outstanding loans owed to the Company, historical loans charged off, the customers' creditworthiness, current collection patterns, and current economic trends. The current loan loss reserve is based on the Company's historical experience for collecting principal on the unpaid principal balance over a forward-looking period up to the point of expected charge-off.

The Company believes its reserves are adequate and reflect the best information available at any given point in time. For each loan, reserves are adjusted based on performance of individual loans. As portfolio loan performance can change over time, the Company will adjust loan loss reserves to match any such changes in future periods.

If a customer fails to make a payment on or before a scheduled due date, the loan is placed in delinquent status and an initial reserve for the total loan receivable is established and charged to operating expenses in the period that the loan is placed in delinquent status. This reserve is reviewed monthly and any additional provisions to the balance sheet reserves are charged to operating expenses.

The standard loan agreement includes certain penalty charges if the customer fails to make payments in accordance with the loan agreement on the scheduled payment dates. These charges are recognized as revenue when collected. The open-ended line of credit product does not contain late charges.

The Company charges off installment loan and interest receivable balances on or before the 90 days of continuous delinquency. The Company charges off balances relating to lines of credit on or before 60 days of continuous delinquency. Generally, the reserves for both loans and interest receivable increase as the customer becomes increasingly delinquent.

Recovery of defaulted loans - Any customer collections on installment loan accounts that are greater than 36-days delinquent, but not yet charged-off, are considered recoveries of defaulted loans. These loans are not subject to interest accrual per the Company's loan and interest receivable reserve policy. Upon receipt of cash for defaulted loans, the Company applies cash first to the principal balance due, then to interest due, and then to fees due. Any cash received in excess of principal, interest, and fees is recognized as revenue for additional interest and penalties and is shown in the recovery of defaulted loans on the accompanying statements of operations and comprehensive loss.

Loan origination costs - Certain direct origination costs have been deferred and recognized as an adjustment of the loan yield over the contractual life of the related loan or line of credit. As the portfolio consists of a large number of homogeneous loans and lines of credit, origination costs have been amortized based on the payment and charge-off history of the previous six months for homogeneous loan or line of credit pools. Loan origination costs are reflected within marketing and underwriting expenses on the accompanying statements of operations and comprehensive loss.

Property and equipment - Property and equipment are stated at cost and depreciated on a straight-line basis over the estimated useful lives of the assets. Leasehold improvements are amortized over the shorter of the useful life or the lease term. Repairs and maintenance are charged against expense as incurred.

Reserves for customer complaints and voluntary redress - The Company maintains reserves for multiple forms of customer redress, including customer complaints, Financial Ombudsman Service ("FOS") adjudication fees, and voluntary redress programs. As of December 31, 2021, and 2020, the Company had accrued approximately £9,187,646 and £14,836,431, respectively, for the customer complaints, FOS fees, and voluntary redress programs. These expenses are included in customer care within the accompanying statements of operations and comprehensive income and the accrual is included in accrued liabilities within the accompanying balance sheets. Actual results could differ from these estimates, with increased subjectivity due to the fluctuations in loss and customer response rates.

The Company maintains a reserve to reflect the Company's estimate of refunds to be paid against upheld complaints. These complaints have been raised by current or former customers or claims management companies working on behalf of current or former customers. The Financial Conduct Authority ("FCA") dictates that customer complaints are to be addressed promptly and fairly. If the customer's evidence does not support the complaint and the Company rejects the claim, the customer has the right to escalate the complaint to the FOS for further adjudication. The FOS, acting as an alternative dispute resolution scheme under the Financial Services and Markets Act of 2000 (as amended), independently arbitrates and adjudicates each case on its own merits.

The Company currently reserves for complaints that have been received, but not yet settled either directly with the customer or upon elevation of the complaint to the FOS. The underlying reserve is based on the open complaints volume, recent historical averages for customer redress, further estimates for complaints settled internally versus those elevated to the FOS, as well as FOS case fees paid to the FOS regardless of the complaint outcome. The Company continues to assess the underlying assumptions on an ongoing basis. Under FCA rules, the Company is required to adapt its complaint handling policy and processes in response to decisions made by FOS. As a result, the basis of future complaints expenses may change. The impact of these changes, associated risk, and the required changes to our operations, including the operational cost of handling such complaints, are closely monitored, and evaluated on an ongoing basis.

In April 2019, the Company undertook a voluntary review of historical lending decisions made since 2013 ("back-book review"). The first redress program ("Phase 1") was of limited scope and addressed customer loan accounts where the existing supporting data on file in the Company's records could be used to identify loans that were potentially unaffordable. In April 2021, the Company completed a deeper analysis of customer accounts and identified additional loans for redress under a second redress program ("Phase 2"). Phase 2 is the final retrospective redress program as part of the back-book review effort. Actual results could differ from the estimates included within the consolidated financial statements, as the final redress amount will be finalized based on customers' then current principal balances outstanding as of the date redress is made. As a result, the claims and estimated reserves have had a material impact on the results of operations, financial condition, and cash flows.

Revenue recognition – The Company's revenue is generated primarily from interest and fees on short-term online loans, affiliate marketing and other revenue from the sale of charged off receivables. The Company's online lending products include short-term installment loans and open-ended lines of credit.

Interest revenue is recognized on outstanding loans based on the contracted interest rate and the principal outstanding, net of amortized loan origination costs. Loans generally have a term of six months with payments due on a monthly basis. Interest is accrued daily over each payment cycle and shown net of amortized direct origination costs. Loans with missed payments greater than 35 days and lines of credit greater than 60 days delinquent do not accrue interest income. Interest revenue is reflected in consumer lending revenue on the accompanying statements of operations and comprehensive loss.

Fee revenue is recognized on outstanding loans based on the terms of the loan contract and when the loan is not greater than 35 days past due. Fee revenue is reflected in consumer lending revenue on the accompanying statements of operations and comprehensive loss.

Affiliate marketing revenue is recognized upon the sale of customer leads to affiliates based on the date of the lead sale. Affiliates are credit brokers and other companies conducting activity similar to that of GAIN Credit LLC. Affiliate marketing revenue is reflected in other revenue on the accompanying statements of operations and comprehensive loss.

Delinquent and charged off receivables are evaluated for sale to third parties at a discount to par value. These transactions are treated as sales, or transfers of financial assets, with no cost given the loans sold have been previously charged off in full. Revenue from the sale of charged off receivables is recognized upon contract execution and reflected within other revenue on the accompanying statements of operations and comprehensive loss.

Advertising and Promotions – Advertising costs include amounts paid to agencies, lead providers and affiliates, as well as the cost for advertising through media, direct mail, or texts. Advertising costs are expensed as incurred or upon the first time the advertising takes place. Advertising production costs are expensed when the advertising is first aired. There were no capitalized advertising costs at December 31, 2021 and 2020.

Income taxes - Under governance of the Internal Revenue Code, limited liability companies are not subject to US federal income tax. Accordingly, the taxable impact of any income or loss realized by the Company is the responsibility of its members. The Company is liable for California state franchise tax, Delaware state franchise tax, and UK corporate income tax, all of which are included in the statement of operations and comprehensive loss.

A deferred tax asset or liability is determined based on the difference between the financial statement and tax basis of assets and liabilities as measured by the enacted tax rates that will be in effect when these differences reverse. The Company provides a valuation allowance against net deferred tax assets unless, based upon the available evidence, it is more likely than not that the deferred tax assets will be realized.

The Company recognizes the tax benefit from uncertain tax positions if it is more likely than not that the tax positions will be sustained on examination by the tax authorities, based on the technical merits of the position. The tax benefit is measured based on the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement.

Risks and Uncertainties - In March 2020, the World Health Organization classified the novel coronavirus ("COVID-19") outbreak as a global pandemic, based on the rapid increase in exposure globally. As of the date of issuance of these financials, vaccines have been developed and distributed throughout much of the developed world, including in the UK market where the Company's customers live. The COVID-19 pandemic has had far-reaching impacts on many aspects of the Company's operations, directly and indirectly, including on consumer behavior, employees, and the market generally. The scope and nature of these impacts continue to evolve each day. The Company is aware that the risk of impairment of assets, specifically principal and interest receivables, will remain heightened if the pandemic and resulting economic downturn remain prolonged. Customer behaviors such as first payment default rates and prepayment rates will be closely monitored to determine if indicators of impairment are present.

Liquidity - The Company reported cash and cash equivalents of £22,289,153 and positive working capital of £23,704,223 as of December 31, 2021. Further, it reported net cash used in operating activities of £5,310,083 for the year ended December 31, 2021.

Recent Accounting Pronouncements - In February 2016, FASB issued ASU No. 2016-02, *Leases*, providing new guidance on the principles of reporting leases. The ASU defines a lease as a contract, or part of a contract, that conveys the right to control the use of identified property, plant, or equipment (an identified asset) for a period of time in exchange for consideration with some exclusions such as intangible assets. In November 2019, the FASB issued ASU No. 2019-10, deferring the effective date for implementation to fiscal years beginning after December 15, 2020. In March 2020, the FASB issued ASU No. 2020-05, deferring the effective date for implementation to fiscal years beginning after December 15, 2021. The Company adopted this guidance in January 2021, noting the need for new Right of Use

Assets and Right of Use Liabilities disclosures on the balance sheet as of January 1, 2021. The Company noted no impact on the income statement for December 31, 2021.

In June 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-13, *Current Expected Credit Loss Standard*. The new ASU is to provide financial statement users with more decision-useful information about the expected credit losses on financial assets and other commitments to extend credit held by a reporting entity at each reporting date. In November 2019, the FASB issued ASU No. 2019-10, deferring the effective date for implementation to fiscal years beginning after December 15, 2022. The Company is currently evaluating the impact of this ASU on the financial statements.

Subsequent events – Subsequent events are events or transactions that occur after the balance sheet date, but before the financial statements are available to be issued. The Company recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing the financial statements. The Company's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the balance sheet but arose after the balance sheet date and before the financial statements were available to be issued. The Company has evaluated subsequent events through September 26, 2022, which is the date the financial statements were available for issuance.

On June 24, 2022, Gain Credit LLC closed a credit facility with Bastion Funding IV LLC which would allow for borrowings of up to $30 million which will be collateralized by the Company's Lending Stream loan receivables. Interest is calculated based on the 3-month LIBOR rate plus 12.25% with a 1% LIBOR floor. The LIBOR benchmark can be transitioned to SOFR or another benchmark in the event LIBOR is no longer reported. All outstanding amounts under the Facility will become due and payable in full twelve months after the agreement termination date of December 23, 2024.

Reclassifications – Expenses of £3,746,104 from 2020 were reclassified from marketing and underwriting expenses to advertising and promotion to conform with the 2021 presentation.

Note 2 – Loans and Interest Receivable

Loans and interest receivable are presented net of unamortized loan costs of £49,327 and £27,700 at December 31, 2021 and 2020, respectively. Loans and interest receivable, less allowances for loan losses, consist of the following at December 31:

	2021	2020
Loans and interest receivable	£ 42,797,666	£ 32,083,964
Less allowance for loan losses	(6,116,422)	(3,693,447)
Net loans and interest receivable	£ 36,681,244	£ 28,390,517

Changes in the allowance for loan losses related to loans and interest receivable for the years ended December 31 are as follows:

	2021	2020
Changes in the allowance for loan losses:		
Balance at January 1	£ 3,693,447	£ 11,198,719
Amounts charged off	(16,292,627)	(27,661,549)
Recoveries	8,064,563	12,649,842
Provision bad debt	10,651,039	7,506,435
Balance at December 31	£ 6,116,422	£ 3,693,447

The following reflects the credit quality of the Company's loans receivable as of December 31, 2021 and 2020, as delinquency status has been identified as the primary credit quality indicator. The Company classifies its loans as either current or past due.

	2021	2020
Current loans	£ 37,487,440	£ 28,354,414
Past due loans	2,664,973	1,707,233
	£ 40,152,413	£ 30,061,647
Net unamortized loan acquisition costs	49,327	27,700
Less: Allowance for loan losses	(4,953,203)	(2,930,536)
	£ 35,248,537	£ 27,158,811

Loans with a missed payment greater than 35 days past due and lines of credit with missed payment greater than 60 days past due, do not accrue interest income. At December 31, 2021 and 2020, the net balance of loans on non-accrual status was £73,737 and £50,738, respectively.

Note 3 – Property and Equipment

Property and equipment consist of the following at December 31:

	2021	2020
Computer equipment, software, and website development	£ 26,256	£ 26,256
Leasehold improvements	91,647	91,647
	117,903	117,903
Less accumulated depreciation	116,496	115,452
	£ 1,407	£ 2,451

Depreciation expense was £1,044 and £2,314 for the years ended December 31, 2021 and 2020, respectively.

Note 4 – Commitments and Contingencies

Operating lease agreements – The Company is party to operating leases related to office and servers. The server leases are cancellable month-to-month lease agreements. The office space lease expires in October 2022.

The Company adopted ASC 842, the new lease accounting standard, effective as of January 1, 2021. Future lease commitments required under operating leases as of December 31, 2021 are:

Years ending December 31,		
2022	£	76,975
2023		-
Total lease commitments	£	76,975
Less: imputed interest		(5,437)
Operating lease liabilities	£	71,538

Rent expense for all operating leases was £1,089,388 and £906,109 for years ended December 31, 2021 and 2020, respectively.

Unfunded loans -The Company had no unfunded loans at December 31, 2021 and 2020. The Company had unfunded lines of credit available to customers totaling £11,787,379 and £6,138,580 at December 31, 2021 and 2020, respectively.

Legal matters - As of December 31, 2021, there was no pending or threatened material litigation against the Company. Please note that until February 2021, the Company held a $225,000 balance related to the remaining unpaid settlement amount for the Tomlin Order matter. This balance was included in accrued liabilities within the consolidated statements of operations until it was paid in full. The transmission and receipt of the final payment provided no ability for the parties to lift the stay.

Note 5 - Note Payable

Castlelake - On June 2, 2021, the Company entered into a Master Framework Agreement with an external investor, where the Company transferred its originated loans to a UK based securitization Special Purpose Vehicle. Under the agreement, the investor provided a £90 million purchase commitment for a forward flow purchase facility of revolving lines of credit to UK consumers and the acquisition of a 90% interest in a pool of Eligible Accounts, all of which will be originated by the Company and marketed under the "Drafty" product name. The investor also has the option to increase their purchase commitment from £90 million to £180 million. Under the Agreement, the SPV will pay Class A noteholders a 15% coupon per annum in monthly installments. In the event that the securitization generates excess receipts, the SPV will pay the noteholders additional residual ("Excess Spread") as follows: 40% of Excess Spread until the Investor earns a 20% p.a. Running Total Coupon, then 15% of Excess Spread until the Investor earns a 23% p.a. Running Total Coupon, then 5% of Excess Spread thereafter. The Excess Spread payments do not represent a separate freestanding financial instrument, as the rights to those payments are embedded in, and are not legally detachable from the Class A notes. The Company has an option to repurchase the transferred receivables. As a result, the securitization did not meet the criteria for sale accounting and was accounted for as a secured borrowing. The Company also granted warrants to the external investor to purchase two tranches of 700,000 shares of common stock each, for a total of 1.4 million shares, at an exercise price of $4.42 per share. As of December 31, 2021, the total long-term liability, classified as Notes Payable, net, noncurrent, is £21,597,174.

Crystal Financial - In June 2013, the Company's lending subsidiary, GAIN Credit LLC, entered into an agreement to borrow $30,000,000 in the form of a term loan (the "2013 Loan Agreement"). Amounts available to GAIN Credit LLC under the 2013 Loan Agreement are governed by a borrowing base and the net orderly liquidation value of GAIN Credit LLC's loan portfolio as defined in the 2013 Loan Agreement. In December 2016, the Company converted $24,080,600 of the loan balance to a £19,000,000 GBP denominated loan ("GBP term loan"); the remaining loan balance of $5,919,400 remained payable in USD ("USD term loan").

In August 2017, the Company increased the loan facility by £7,650,000 (approximately $10,291,392). Between September 2019 and December 2019, the Company paid down principal of £4,915,000 on its GBP term loan and $1,269,400 on its USD term loan.

In March 2020, the Company negotiated a forbearance to paydown the remaining principal balances and accrued interest related to its notes payable denominated in GBP and USD. The Company made its final principal payment on June 10, 2020 and fully amortized its remaining unamortized capitalized debt issuance cost balance.

Note 6 - Related Party Transactions

The Company engages in transactions with affiliated entities. Specifically, the Company engages in transactions with GCI, GAIN Credit Holdings, Inc. ("GCHI"), a wholly owned subsidiary of GCI, and Global Analytics India Pty Ltd ("GAI"), a subsidiary of GCHI. These affiliate transactions resulted in a net payable balance of £28,167,777 and £23,617,770 at December 31, 2021 and 2020, respectively. Affiliate payables carry no rate of interest or payment terms. The Company leverages financial and management support of affiliate entities. The balances are classified as current and reflected as affiliates payable within the balance sheets.

GCI Transactions - The Company incurs and reimburses costs paid on its behalf by GCI to support its operations. Costs incurred of £2,504,924 and £2,297,727, for the years ended December 31, 2021 and 2020, respectively, are reflected in operational services within the statement of operations and comprehensive loss. The affiliate payable balance due to GCI was £411,618 and £958,065 at December 31, 2021 and 2020, respectively.

GCHI Transactions - The Company incurs royalties for its use of intellectual property owned by GCHI, net of technology services invoiced by the Company to GCHI. Royalty expenses incurred of £4,271,941 and £5,229,351 for years ended December 31, 2021 and 2020, respectively, are reflected separately as royalties within the statement of operations and comprehensive loss. Technology services invoiced to GCHI of £504,568 and £435,752, for the years ended December 31, 2021 and 2020, respectively, are reflected in operational services within the statements of operations and comprehensive loss. The affiliate payable balance due to GCHI was £20,237,702 and £16,470,328 at December 31, 2021 and 2020, respectively.

In April 2018, the Company converted affiliates payables to GCHI totaling £28,582,803 to a note payable due April 2023 with interest at a rate of 3 percent paid quarterly. Interest expense incurred was £792,037 and £794,207 for years ended December 31, 2021 and 2020, respectively, and is reflected within operational services within the statements of operations and comprehensive loss. GCHI has no plans to call the note due in the next twelve months. The balance is reflected in affiliates notes payable and was £26,600,877 and £26,600,877 at December 2021 and 2020, respectively.

GAI Transactions - The Company incurs costs by GAI to support its operations. Costs incurred were £7,053,521 and £6,828,889 for years ended December 31, 2021 and 2020, respectively, and are reflected within operational services within the statement of operations and comprehensive loss. The affiliate payable balance due to GAI was £7,518,457 and £6,189,377 at December 31, 2021 and 2020, respectively.

Note 7 - Income Taxes

Deferred income taxes reflected the net tax effects of (a) temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes, and (b) operating losses and tax credit carryforwards. As of December 31, 2021, and 2020, there were no deferred tax assets.

The Company is subject to UK corporate income tax at the rate of 19%. In 2021 and 2020, the Company incurred £4,998 and £212,752, respectively in UK corporate income tax expense and benefit.

The expense for income taxes charged to operations for the years ended December 31:

	2021	2020
UK Corporate	£ 4,416	£ 212,105
US State	582	647
	£ 4,998	£ 212,752

As of December 31, 2021, and 2020, the Company does not have any liabilities for uncertain tax positions.

The Company files income tax returns in certain US and UK jurisdictions. The income tax returns for the periods 2017-2021 generally remain open for assessment. For US federal tax purposes, the Company is a disregarded entity therefore is not subject to federal income tax. No provision for US federal income tax has been made since all income and losses are allocated to the corporate tax owner for inclusion in their respective tax return.