Zilch Technology Limited

Annual report & consolidated financial statements

For the year ended
31 March 2023

zilch

Contents.

Zilch Technology Limited
Registration number: 11488502
Registered office: 123 Buckingham Palace Road
London, England, SW1W 9SH

Strategic report.

Company overview.

Our vision: To eliminate the cost of consumer credit. For good.

Who we are.

Zilch is a multi-award-winning, FCA-regulated, direct-to-consumer advertising-subsidised payments network.

Today Zilch is revolutionising the £40 trillion advertising and payments industries by merging the very best of debit, credit and financial health functionality, creating a flywheel of value for customers and merchants alike.

Through a digital card, Zilch provides millions of customers the freedom to go anywhere in the world (online or in-store) and when they pay earn up to 5% cashback in Zilch Rewards on debit payments ('Pay Now') or spread interest-free credit repayments over six weeks ('Pay over 6 weeks').

Since April 2020, Zilch has been regulated by the Financial Conduct Authority (FCA), obtaining a consumer credit licence through the Regulatory Sandbox Programme.

Through a mobile App, Zilch allows merchants, worldwide, instant access to our closed loop network of customers at the point they have high purchase intent, whilst providing customers highly personalised savings, deals and discounts, powered by first-party data-driven insights.

In 2023, Zilch struck a ground-breaking reporting agreement with the UK's prime credit reference agencies, transforming the UK lending ecosystem by enabling 50+ million adults to build their credit records using interest-free credit rather than high-cost revolving credit products.

History.

2023

- 3.35 million registered customers
- Pioneering partnership signed with, leading UK debt charity, StepChange
- First in sector to have payment data reported to all major UK credit referencing agencies and utilised in determining scores

2022

- 2.5 million registered customers
- Series C extended by £42 million bringing total to £122 million
- USA launch of Beta product

2021

- 1 million registered customers
- Series C funding £80 million
- Goldman Sachs debt facility closed £125m
- Series B funding £83 million
- In-store purchasing launched through Tap and Pay

2020

- Official launch of the product in the UK
- App launched
- Series A funding £15 million
- FCA authorisation granted for consumer credit

2019

- Beta version of product launched to external customers
- Launched waitlist for customers to trial the Beta version of the product
- Accepted to regulatory sandbox to test product

2018

- Founded Zilch Technology Limited

2023 Highlights.

GMV £767m 94%

*Gross Merchandise Value has increased by 94% from £396 million in FY 2022.

4 industry awards & accolades

3.35m

Registered customers 32%

*Increase in registered customers shown comparative to FY 2022.

£30m Revenue 173%

*Increase in revenue shown comparative to FY 2022.

Trustpilot

Excellent 4.6 / 5.0

Gross profit £17.4m 447%

*Increase in gross profit shown comparative to FY 2022.

Credit losses to GMV

1.8% FY 2023 vs
6.6% FY 2022

Chief Executive Officer's review.

Philip Belamant

Zilch was founded in 2018 and it was in 2020, in the depths of a global pandemic, that we chose to launch to the mass consumer market in the UK. So it can be said that without doubt, we were born in the dark, surrounded by uncertainty, but I'm sure we can all agree that the last 12 months still surprised as being one of the most challenging mass market environments in recent memory.

The world has witnessed something new and unexpected in a unique set of economic, corporate and socioeconomic events which have collided to accelerate a rebasing of the market environment we have known for at least the last decade. In the financial markets, values of both bonds and equities declined in unison (a first in modern times) and inflation hit 40-year highs. In the UK, rates soared over 40x from where they finished 2021. This perfect storm has resulted in a cost-of-living crisis for consumers and, more surprisingly, traditional banks being caught out by the rapid recalibration of the market, with a number of institutions requiring urgent rescue. The situation today reminds me of what we last saw in 2008, given its swiftness and depth of impact.

These challenges have not gone away, but rather have persisted in 2023. I believe today, as a result of what has transpired, we are seeing the single largest consumer behavioural shift in payments in 25 years, probably since PayPal was founded in 1998.

Successful companies go through multiple phases to reach greatness and Zilch is no different. Since our launch in September 2020, we have completed two major phases:

> **Phase 1: 2020-2022** Innovation and growth. Initial product build and market fit. We built something unique, found our market fit and scaled rapidly - breaking many records along the way. Of course, we realised that some of what we were doing was not working efficiently.
>
> **Phase 2: 2022-2023** Optimise and maintain. In 2022 we entered our next major phase which consumed most of the year - focus was on cost base, margins and customer servicing while maintaining strong volume gains from existing customers but not chasing down growth from new customers as keenly as in Phase 1.

With the above two phases completed and our core infrastructure now stable we have earned the right to get back to delivering true **innovation and growth** for our stakeholders.

We will leverage the operational excellence and efficiencies we have built to enable:

> **Phase 3: 2023-2024** Excellence, Innovation and Profitable Growth. This phase will focus heavily on product design and user experience, using new innovative features to support profitable growth and truly scale Zilch to a market-defining global brand.

Factoring all this in, I am delighted to report that FY 2023 was another milestone year for Zilch. On a IFRS compliant basis we delivered a gross profit in FY 2022, but from an internal perspective we use a more fully costed version of gross profit which includes credit losses and the cost of capital. This measure is important as it speaks to the sustainability of the business as well as capturing the incremental benefit derived from each new customer. Under this measure FY 2023 culminated in the delivery of our company's first gross profit on this fully loaded basis. This result was achieved through meticulous execution of our plan, ultimately demonstrating that we could maintain tremendous customer value while accelerating revenues disproportionately to volume - a key hallmark of a long-term sustainable business.

Last year we had reached 2.5 million registered customers. Just 12 months later Zilch has over 3.35 million registered customers – circa 6% of the UK adult population. This is emblematic of the significant demand we are witnessing for what we have all built over the last three years since launch.

This year we also launched in the USA, bringing our product to a new set of customers. To date we have had great traction, having onboarded some 246,000 registered customers as part of our Beta testing. Unit economics are pleasingly strong with potential to realise some lucrative efficiencies ahead of an official launch.

At Zilch, we have intentionally gone about building our business the right way which has become a defining cornerstone of our reputation today in the way that authorities, our customers, the media and our investors see and understand us.

We are officially the first in the space:

1. To be regulated by the FCA,

2. To report customer repayment performance to all three major UK credit reference agencies (and have our data included in the calculation of customer scores), and

3. To be fully integrated with the UK's largest debt charity for those customers who find themselves in positions they cannot afford.

Our reputation has also resulted in the highest ranking amongst our competitors on Trustpilot as well as a few notable awards within the industry. During the period the business won four awards:

- **Alternative Consumer Lender of the Year 2022**
- **Payments Provider of the Year 2022**
- **EY Entrepreneur of the Year 2022**
- **Credit Card of the Year 2023**

So for the year ahead, we will:

1. Deliver excellence in everything we do. We have delivered on gross profit. Next is continuing to focus on operating profit. We have proven repeatedly that when we focus on something we can make significant strides and generate massive value.

2. Continue to drive growth by winning customers with highly innovative market-leading products and features. Create ways to get to and maintain top-of-wallet positioning with our customers.

3. Build upon our market leading reputation as the most reputable and investible company in the space. Continue the stellar momentum and groundswell of media coverage gained in 2022 – new speaking events, stages, media, research, coverage, working with authorities and organisations that do good.

This is why we have sharpened our vision and what Zilch stands for in the world, and that is:

To eliminate the cost of consumer credit. For good.

This is something our talented team and I are personally excited to continue delivering over the remainder of the year and into 2024.

Business model & strategy.

What Zilch does.

Zilch is a technology platform operating at the intersection of payments and advertising. Through a direct-to-consumer model, we provide our customers with the means to pay on their own terms wherever they choose to shop. The overarching vision revolves around enhancing credit accessibility and affordability for underserved consumers, providing a clear path to financial inclusivity through credit score improvement. Traditionally, credit providers would penalise the most vulnerable, with those having the weakest credit profiles paying the greatest costs for access, further weakening their financial wellbeing. Zilch seeks to break this cycle.

Customers experience Zilch through a digital payments card designed for both online and in-store purchases with options to pay over time or pay now, and a mobile app serving as a bridge between customers and merchants. Our unique business model allows us to subsidise the cost of credit with revenue generated from the merchants our customers engage with: retailers pay us commission for accessing our user base through our App. We, in turn, share this revenue with our customers in the form of free credit or discounts, ensuring unmatched value every time a user interacts with our App.

We are proud to be founded and headquartered in London. We launched our USA operations in FY 2023 from our Miami offices and have an innovation and software development hub in Krakow.

Who we serve.

Zilch has a diversified customer base across the credit quality spectrum from subprime to prime. Many of our customers are traditionally classified as subprime and have limited access to traditional credit as a result. With the Zilch card and App our customers are empowered to engage positively with credit, through a product that is flexible, easy to understand and tailored to the customer's needs.

We have a unique underwriting approach that aligns our commercial interests with those of our customers. Our credit offering in the UK is typically spread over four instalments with a loan duration of up to 42 days. Zilch offers this credit without interest, late fees or penalties, truly eliminating charges contributing to consumer debt.

Our Business Model.

In seeking value for each and every purchase, consumers and merchants come together on the Zilch App. This creates a two-way network from which we generate a diversified and growing set of revenue streams.

Merchant

Merchants view the Zilch platform as an advertising channel. The Zilch App is structured around a virtual storefront where consumers are near or at the point of purchase, representing a highly valuable proposition to merchants as the intent to spend is at peak. To access the purchases of our customers, merchants pay Zilch affiliate commission based on basket size and advertising fees for preferential placement within the virtual storefront.

By operating a direct-to-consumer offering, we hold the relationship with the end consumer, and are also generating revenue from providing data-driven insights into the spending behaviour of our customer base.

Alongside these revenue streams we earn interchange revenue.

Consumer

Consumer derived revenue represents an upfront fee generated at the point of purchase when customers pay over time. While we strive to fully subsidise the cost of credit through Merchant derived revenue, we charge a flat and transparent transaction fee if customers shop with out-of-network retailers. Beyond the point of purchase we do not charge any interest, late fees, or penalties. Unlike traditional credit providers Zilch does not seek to earn money from a customer's inability to fully repay their capital balance.

Chief Financial Officer's review.

FY 2023 has been a landmark year in Zilch's history thus far. We enter FY 2024 with a clear path to bottom line profitability, and significant cash reserves, allowing us to execute our plan. Through a combination of driving strong revenue growth and reducing cost of sales we were able to generate a healthy Gross Profit Margin of 58% across FY 2023. Our existing customer base have contributed significantly to our growth by adopting Zilch as their primary spending mechanism both online and in-store. Our cash burn has also been significantly reduced as we methodically cut supplier and operating costs, whilst reinvesting in our future through focusing on innovation and product development.

We drove our expansion globally by opening our USA office, becoming operational for Beta testing with selected customers in April 2022. We have built a dynamic team in the USA to focus on finding optimal product fit for the market. Within our test groups, we have seen strong demand for our product so far, presenting a clear path forward to scaling Zilch in the USA, conditional on a stable economic outlook.

The year was also characterised by a challenging macro-economic environment, driven by rising interest rates, rampant inflation and slowing growth impacting both the business and our customers alike. The strategic actions we took have put us in a strong position to continue driving value for our customers, assisting them to thrive through these challenging times.

Gross Merchandise Value

GMV grew 94% to £767m as a result of an increase in average spend per monthly active customer to £274. The majority of this growth came from increasing our wallet share of existing customers with our most active customers using Zilch on a daily basis. On average spend frequency per retained monthly active customer increased 23% to 8.5 times per month, with the top 10% of customers transacting daily. This demonstrates the utility customers derive from our product. Customers value the ability to spend wherever it suits them, online or in-store and using either credit (Pay over 6 weeks) or debit (Pay Now) on which they earn rewards. 39% of GMV occurred in-store representing the versatility of the Zilch product. Credit transactions (both online and in-store) accounted for 82% of GMV. Returns remained consistently low against industry norms at 4% of GMV.

Hugh Courtney

Adjusted Gross Profit (non-IFRS)	**FY 2023 £'000**	**FY 2022 £'000**
Revenue	30,035	10,967
Cost of Sales	(12,610)	(7,782)
Gross Profit (IFRS)	**17,425**	**3,185**
Gross Profit Margin (IFRS)	**58%**	**29%**
Interest related to Funding of Consumer Receivables	(2,814)	(811)
Credit losses pertaining to returning customers	(9,992)	(12,064)
Adjusted Gross Profit / (Loss)	**4,619**	**(9,690)**
Adjusted Gross Profit / (Loss) Margin	**15%**	**(88%)**

Key Performance Indicators

£	FY 2023	FY 2022	Growth (YoY)
Gross merchandise value	£767 m	£396 m	94%
Registered customers	3.4 m	2.5 m	36%
AOF (average order frequency)*	44.9x	14.6x	207%
Average spend per monthly active customer	£274	£185	48%

Revenue

Zilch's revenue grew by 173% (£19.1m) driven in part by the increased GMV, but primarily due to achieving a Revenue Take Rate for the period of 4.1% (against 3.0% in the FY 2022). Take Rate performance was particularly strong through the latter part of FY 2023, increasing to 5.1% in March 2023.

£	FY 2023	FY 2022	Growth (YoY)
Merchant derived revenue	£12.1 m	£6.8 m	78%
Consumer derived revenue	£17.9 m	£4.2 m	326%
Total operating revenue	**£30.0 m**	**£11.0 m**	**173%**
Revenue Take Rate	4.1%	3.0%	37%

Merchant derived revenue

Merchant derived revenue increased 78% to £12.1 million, accounting for 40% of total revenue. This reflects continued progress on our mission to subsidise the cost of credit for our customers. The increases were driven by several factors. Over the year 1,500 new merchants were accepted to the storefront. Further we also negotiated higher commission rates with key merchants and increased volume as a result of customers engaging with newly introduced discounts and offers provided via the Zilch App.

We have observed growing competitive tension created on the Zilch storefront where merchants bid for positioning (leading to advertising revenue) or pricing (leading to affiliate commission) to drive sales volume. This is an important dynamic to drive down consumer fees over time by subsidising a greater proportion of transactions.

Advertising revenue also contributed to the overall uplift as merchants saw strong engagement from our customer base with the storefront within the Zilch App. Interchange rates remained in line with prior year. Monetisation of data (which is not correlated to volume) remained in line with prior year on an absolute basis.

Consumer derived revenue

Consumer derived revenue increased 326% to £17.9 million. This was achieved through the monetisation of in-store credit transactions, reflecting a return to normality for consumers as they headed back to the high street in the wake of the COVID-19 pandemic. Zilch continued to operate a dynamic pricing model where we subsidise selected merchants to the extent possible and charge our customers a fixed upfront transaction fee to use Pay over 6 weeks on out-of-network merchants. We rolled out more convenient ways to access credit in-store and online without having to follow the in-app purchase journey which generated incremental consumer fee revenue, and received strong uptake from customers willing to pay for the convenience of a frictionless journey.

Cost of sales

Given the growth in volume of transactions over the period, we have realised efficiencies in the direct costs associated with card processing. Under our existing arrangements, at the start of the period, pricing from core suppliers for issuing, processing and acquiring activities were tiered depending on volume resulting in lower costs per transaction as volume increased. Further to this however, and given the growth of the business over the last three years, we were able to negotiate

*Includes customers churned during the period (total transactions divided by total number of customers who performed at least one transaction over the period).

better terms and pricing with core card processing suppliers, which more closely align with the maturity of the business. This combined with some further operational efficiencies achieved through development of the platform meant that these costs reduced by a third from £0.90 to £0.61 per transaction.

Also included in cost of sales is the utilisation of rewards earned by customers. Rewards are earned under a number of circumstances, including Pay Now transactions and offers provided via the in-app storefront. Over the year the ability to earn rewards was improved to provide customers more reasons to visit the Zilch app and engage with merchants, advertising through the in-app storefront, whilst rewards for out-of-network were reduced. This resulted in a stronger value proposition for both customers and merchants, whilst reducing the overall contribution to cost of sales from 0.9% to 0.4% on a per transaction basis.

Gross profit (IFRS)

As a result of increasing our Revenue Take Rates through monetisation of new aspects of the product, improved margins for existing revenue lines, as well as benefits from scale and optimisation projects in our cost of sales, Gross Profit Margin over the entire period was extremely healthy at 58%, 29% higher than FY 2022.

Credit losses

Against the backdrop of a dramatic shift in the macro-economic environment and the cost of living crisis (which has been arguably most keenly felt in the UK), we successfully drove down write offs to 1.8% of GMV, from 6.6% in FY 2022. This was achieved through iteration of our internal underwriting models, a maturing of the book (as the base of existing customers grew to exceed the contribution from newer customers), improved targeting of new customers focused on better credit outcomes, investment in our internal collections function and outsourcing of collections for irrecoverable amounts. These combined efforts resulted in a massive reduction in the component of the receivables book in delinquency. Whilst the Consumer Loans Receivable recognised on the balance sheet reduced from £38.7 million to £30.8 million, the current portion of receivables increased from 71% to 83% for FY 2023, with overdue balances up to 30 days past due and 60 days past due halving from 7% to 4% and 8% to 4%, respectively.

Finance costs

The increase in base interest rates as respective countries turned hawkish in combating inflation meant that the benchmark SONIA (Sterling Overnight Index Average) rate underlying our debt facility with Goldman Sachs increased from 0.7% at the beginning of the period to 4.2% by the end of the period. This led to a total cost of debt funding of 12.2% by the end of FY 2023. The short duration of our loan receivables book, given that our Pay over 6 weeks product has a maximum duration of 42 days and many customers pay early, means that we effectively receive payments and reinvest the working capital every month. The fast recycling of our working capital reduces the susceptibility of the business to material impacts from increases in interest rates as we borrow on a long-dated basis, and lend on a short-dated basis. Overall, and in part due to having increased the drawings against the facility in line with GMV growth, we incurred £2.8 million in financing costs against £0.8 million in FY 2022.

Adjusted gross profit (Non IFRS)

Zilch management use a fully costed measure of Gross Profit which differs from the standardised IFRS definition of Gross Profit as it additionally includes costs associated with financing, as well as credit losses related to returning customers. On this basis Zilch achieved a surplus for the first time in FY 2023 of £4.6 million, a 15% margin, against a loss in FY 2022 of £9.7 million. This is particularly noteworthy as each incremental returning customer is now contributing positively to the Group's performance.

Customer acquisition costs

Costs associated with acquiring new customers, which include lead generation, onboarding and credit losses associated with new customers, were lower on an absolute basis in FY 2023 at £9.2 million (FY 2022: £10.6 million). Given the potential for uncertainty in underwriting new customers due to the macro-economic environment and the resulting cost-of-living crisis, we took a prudent approach to new customer acquisition by increasing creditworthiness and affordability checks in our underwriting process. In addition to this further investment was made into Identity Verification Checking, reducing onboarding time for new customers, and decreasing potential for fraud. The increase in onboarding costs is more than offset by better credit outcomes for new customers, as early customer retention increased and write offs related to new customer loans decreased. As FY 2023 completed, new cohorts of customers were showing the shortest payback periods relative to their expected lifetime values to date, supporting the potential to ramp up new customer acquisition in FY 2024.

Staff costs

Through the first quarter of FY 2023 we continued to onboard staff many of whom had been hired towards the end of FY 2022. This included building out the USA team with the focus on key positions required for running the USA Beta product testing. As the macroe-conomic picture changed and we moved our focus from growth to prioritising the path to profitability, we instituted a freeze on new hires. A portion of the savings resulting from lower ongoing payroll were reinvested in new roles tied to driving innovation and core functions such regulatory compliance.

Operating costs

Coupled with our focus on gross margin expansion in FY 2023 we undertook a cost saving and process optimisation exercise across the business. This resulted in an £8 million (12%) saving during the period with major improvements gained from renegotiating key supplier contracts, optimising and automating processes, and reducing the Headquarters footprint. For FY 2024 the cost base is optimised for next phase of the business, supporting innovation for customers and merchants.

Net loss after tax

The net loss after tax of £71.8 million (FY 2022 £78.3 million) includes £13.7 million of share based payments (FY 2022 £7.6 million). Cash burn related to operating activities however was reduced by 57% from £85.5 million in FY 2022 to £50.1 million in FY 2023. In short this represents significant progress for Zilch in its path to profitability boding well for the period to come.

Capital base

Zilch remains extremely well capitalised with £61.6 million in cash on balance sheet, bolstered during the period with a further £8.9 million (related to the extension of Series C) being received from strategic investors. Combined with a clear view to profitability, management are confident the business is more than sufficiently capitalised to achieve its business plan over the next period.

Looking to the year ahead

Zilch has an exciting year ahead of it, with the focus being on delivering value adding features for customers and merchants alike, growing volume from both new and returning customers. Through a challenging period Zilch has proven it can balance margins with growth and risk management. The USA operation remains a focus through FY 2024, with the emphasis on refining the product fit for the USA market, before scaling the customer base.

We look forward to the year to come!

Engaging with stakeholders

Under Section 172 of the Companies Act 2006, the directors of the company are taking steps as required to promote the success of the company for the benefit of its stakeholders. The board of directors are committed to a quarterly Governance board meeting to allow issues to be discussed with senior leaders in the business.

a) Likely consequences of any decisions in the long term

Whilst day-to-day management is delegated to the executive management team, the Board retains oversight of matters of strategic importance, including the long-term objectives and overall strategic policy of the Group. Refer to Governance at Zilch on page 18.

b) Interests of employees

Retention of key staff is critical. The Company has invested in employment training and development. We have appropriate incentive and career development arrangements as our people are the most important resource we have.

We maintain a safe, healthy and sustainable environment for our employees. We provide support to staff for mental and physical well-being. Employees have access to private healthcare and online therapy. Our commitment to diversity, inclusivity and equal opportunities is reflected in the Company's employee policy. There is no toleration of any form of discrimination.

c) Relationships with suppliers, customers and stakeholders

The Board is conscious of the importance of lasting relationships with suppliers, customers, and stakeholders. We have a Customer Success team that is dedicated to product support via email, telephone, or instant message.

Zilch has revolutionised how consumers pay for goods by turning the traditional model of high interest consumer credit on its head. Responsible spending and affordability rules are built into the service to help customers avoid getting stuck in unserviceable debt cycles. In the event a customer fails to make a repayment, their service is immediately suspended. Zilch does not charge any late fees but gives the customer the option to extend their repayment period for a small fee.

The Group's policy in relation to suppliers is to pay them within credit terms specified, provided that the supplier is also complying with all relevant terms and conditions.

d) Community and Environment

Zilch is committed to environmental sustainability and recognises the direct impact of our business. We have implemented policies to increase the Company's energy efficiency.

From an environmental perspective, plastic that traditional credit cards are made of may end up in landfills, as cards expire. Zilch issues a digital card to the customer, eliminating both paper and plastic from the registration process.

Zilch operates a hybrid working week for employees, reducing the need for travel, and therefore reducing carbon footprint.

e) Maintaining a reputation for high standards of business conduct

The Board is invested in ensuring that high standards of business conduct are embedded throughout all levels of the organisation. Zilch is regulated by the FCA and operates in a rapidly evolving regulatory environment. Our lending products must comply with UK regulations applicable to customer lending transactions and financial promotion.

To support the pace of the growth at Zilch, we have invested heavily in our Risk and Compliance capability throughout the year. We recognise the reliance on our systems, third-party relationships and the critical need to build our controls infrastructure to manage this. Zilch ensures appropriate risk assessments and compliance audits are carried out.

Zilch has a code of conduct and policies addressing areas of focus including conflicts of interest, anti-bribery and corruption policy and anti-money laundering. All employees adhere to these policies and undergo annual training.

f) Acting fairly among members

Zilch recognises the importance of acting fairly among its stakeholders and considers it whenever a decision is being made. Zilch will continue to maintain good relationships with important groups such as suppliers, customers, stakeholders and employees which is central to promoting the success of the Company.

Risk & Compliance.

Zilch's Risk Management Framework creates a structured approach and common language to support the management and operations of the Group. The framework allows us to effectively and efficiently identify, measure, monitor and control risks in line with our governance, culture and risk appetite.

Management within the Group

Within the Group, Zilch uses the three lines of defence model with first line taking primary responsibility for risks of the Group, supported by second line which reports to the Chief Risk Officer who supports and monitors first line of defence's controls, and a third line whose principal function (whether through internal or external audit assurance) provides independent assurance on the effectiveness of first and second line controls.

First line of defence	Second line of defence	Independent oversight
Responsible for identifying, assessing, mitigating, managing and reporting risk.	Provide effective challenge and technical advice to the first line to ensure risks are identified and controlled effectively.	Independently review the design, implementation and effectiveness of the first and second line.
Merchant, **Technology**, **Operations**, **Communication**, **Finance**	**Risk**, **Compliance**	**Audit**

The first line of defence has responsibility for our product design, build, test, implementation and on-going support of our customers and merchants. Finance work across business lines to create the strategic long-term plan against which the business then delivers.

The second line of defence includes risk and compliance teams, who work across the business to ensure that the Group operates within the risk appetite approved by the Board, and that our products, policies, and processes are designed to be compliant with local regulatory requirement.

The third line of defence includes audits of the operational processes and controls across the Group, performed by both internal and independent external auditors from time to time.

Principal risks

Zilch's Risk Management Framework is supported by a detailed set of policy and control requirements which creates a common and consistent language that can be applied across all legal entities with Group-wide policies, supplemented with any additional local requirements. Principal Risks allow us to aggregate risks together to form a common understanding across common activities and allow the concept of multiple policy ownership working seamlessly together rather than building a policy framework which is solely "functionally" aligned. We currently have five Principal Risks which are as follows:

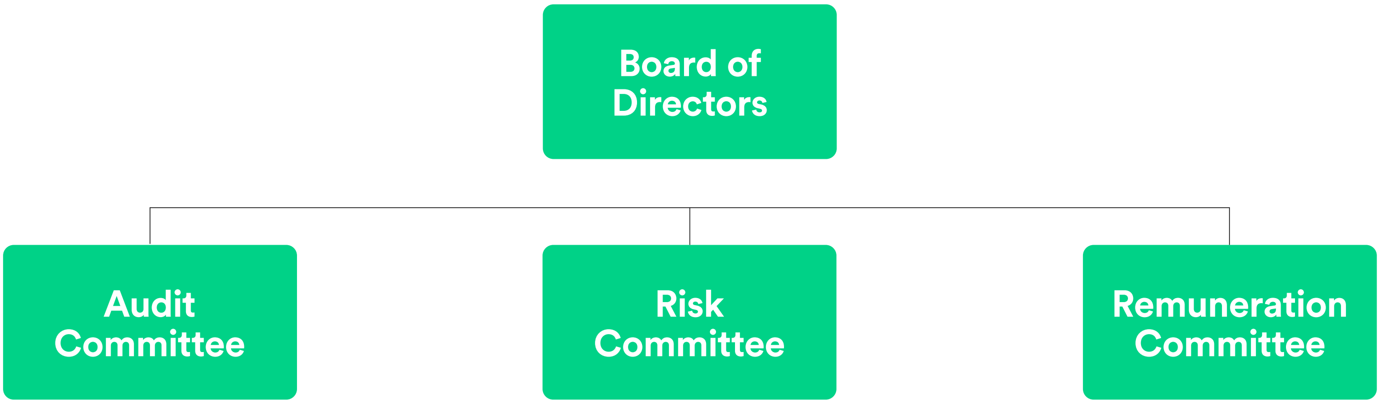
Principal risk	Mitigation
Conduct - Which is the risk of poor outcomes for, or harm to our customers arising from the delivery of our products and services. Conduct risk incorporates policies covering Anti Bribery and Corruption, Anti-Money Laundering and Politically Exposed Persons (PEPs), Complaints, Financial Promotions and Whistleblowing.	
Zilch has a wide range of conduct related policies which are built upon the policies and guidance given by the FCA for each risk type. The policy environment continues to develop and as such there is a risk that firm's interpretations can vary from the FCA's updated intentions. Financial Promotions is a good example of this as the FCA, with the support of the Advertising Standards Authority, have issued a new consultation during FY 2024 to help clarify their prior guidance.	Zilch mitigates these risks by having clear policies and procedures for each of these risks. Cases which require additional oversight are escalated to senior managers and decisions are documented and retained such that we are able to review and adapt (if needed) policies and processes if new guidance is issued. We actively engage with the FCA and share data and information with them openly. We are expected to continually monitor, assess and evolve our policies to ensure they remain up to date.
Credit and Fraud - Which is the risk of loss to the Group from the failure of customers to fully repay their obligations to the Group, or the fraudulent behaviour of customers, staff or other third parties.	
The macro-economic environment always remains a key risk but FY 2023 saw a period of significant volatility and uncertainty that we have not seen for several years. Bank of England actions to rapidly increase base rates (intended to control inflationary pressures) initially have put further pressure on consumers who were already feeling the impacts of higher energy prices which have also started to feed into broader price inflation. Whilst expectations of an immediate recession have reduced, there remains considerable uncertainty as to the size and extent of the impact of higher rates will have in creating a soft landing for the economy. Deteriorating macro-economic conditions could directly impact consumers and lead to increased credit losses, or impact employment which would also impact credit losses. Fraud risk is characterised by third parties making fraudulent applications or attempting to take over customer accounts. The risk is persistent as fraudsters continue to use even more complex tools to avoid detection.	Zilch mitigates credit risk through active monitoring and control. We have several levers including: assessing the affordability and credit score criteria for new customers; the setting of pricing for new products and services; and offering additional options and services to customers who are delinquent to maximise repayment and recovery. For example, during FY 2023, we rolled out a new repayment portal supported by a third party. The portal provides a much broader range of repayment methods and allows customers to set up repayment plans easily. Whilst delinquency outcomes have remained well within our expectations given the economic uncertainty, our credit strategy remains under constant monitoring to ensure that we adapt appropriately. Fraud risk is mitigated via a detailed set of specific fraud controls and dedicated fraud analysts who use: enhanced IDV controls; multi-factor authentication; fraud models and rules based on customer behaviour; and blocking of fraudulent merchants or accounts, to proactively man*age our fraud profile keeping it within risk appetite.

Principal risk	Mitigation
Financial - Which is the risk that the group has insufficient liquidity to meet its contractual obligations, has insufficient capital to support its business, or that changes in FX or Interest Rates materially impact the group's liquidity or capital.	
Zilch uses both debt and equity to ensure that we have the funding in place to support both our corporate strategy and customer demands. Both debt and equity markets have been impacted by the changing macro-economic uncertainty and our business strategy is sensitive to the price and availability of debt and equity. We also are sensitive to FX rates as our capital is used to support both our UK and US operations and currency volatility can impact the value and availability of our equity.	Zilch mitigates these risks by having a multi-year business planning horizon which allows us to both plan for and put in place arrangements which support this plan. For example, our debt securitisation with Goldman Sachs provides funding for our UK receivables and as the receivables book has matured, the LTV (Loans to Value) rate has been increased commensurately. All debt programmes have performance rules and we actively monitor them to ensure that the portfolio performs as intended to maximise funding. We take proactive actions where necessary and also ensure that updated funding costs are taken into account when reviewing and deciding on new products. Whilst we have positive active engagement with all our funders – the size and availability of debt and equity funding over the longer term will always remain key risks to the business that need to be actively managed. We also plan our cash demands over the horizon and use both spot and forward hedges when and where appropriate to help mitigate currency volatility.
Operational - Which is the risk of losses caused by flaws, failures or disruption in our people strategy, processes, or systems. Operational risk incorporates policies covering: "HR Handbook" and "People Security"; "Expense Management" and "Vendor Management"; and IT policies covering "Acceptable Use", "BCP & Security Incident Management", "Information Classification and Management", "IT Communications and Software Development" and "Information Security".	
Zilch provides a seamless service to customers via their Zilch Account but that service also involves services provided by a significant set of external partners who support our data stack which is also constantly evolving. For example, poor system performance or availability would impact customers abilities to access our products and services and could lead to dissatisfaction with the service and a loss of future business. Our customers expect great customer service and quick resolution when an issue does occur. The ongoing effective operation by both Zilch and the services we consume from partners is key to ensuring we provide customers the product and the on-going design and availability of these services is a key risk.	Zilch mitigates these risks by working with leading suppliers, having a detailed release framework (including documenting on, testing and roll out strategies), active monitoring of the entire environment and a tiered incidence response structure for each part of our system. We also apply the highest standards of IT security and controls and have our SOC 2 and ISO 27001 accreditation. We apply a number of leading perimeter IT security controls to both deflect, defend and secure our IT environment as we see a growing trend across all firms from increased levels of cyber attacks.
Reputation - Which is the risk of failure to meet stakeholders expectations as a result of any behaviour, action or inaction by Zilch that may cause a negative view of the Group. Reputation risk controls and governance are set by policies covering: "Disclosure Signoff", and "Senior Manager Regime"	
We hold ourselves to the highest standards via strong governance, culture and operations. An example being applying for an FCA authorisation for consumer credit from inception. Whilst we are very different to point-of-sale BNPL firms, we are seen as being similar in terms of challenging the status quo of traditional lending. Therefore, we can be impacted by negative press and sentiment to the broader sector, as well as needing to ensure we abide by specific requirements, such as Senior Manager's Regime, given that we are FCA authorised.	Zilch mitigates the risks to our reputation through governance, controls, business strategy and support for highest standards. We have publicly supported the intentions to roll out regulation to the BNPL sector and work proactively with HMT and the FCA on this matter. We continue to do what we believe is the right thing – not just the requirement. For example once the credit reference agencies were able to accept BNPL reporting, we committed to sharing our data with all three agencies rather than just the ones we work with. We have worked with StepChange to support customers in delinquency and we have now partnered with StepChange – the only BNPL based firm to do so.

Governance at Zilch.

Governance

Zilch has a well defined governance accountability framework across the Group led by the Board and its dedicated sub-committees. Within the Group there are clearly identified roles and responsibilities which align to the three lines of defence model.



Board Oversight

The Board, led by the Chairman, has overall responsibility for Governance across the Company. The Board meets at least quarterly with clear terms of reference which includes reviewing and approving the strategic business plan; setting the culture of the Company for long-term success on behalf of investors, customers, regulators and staff; and reviewing the on-going performance of the Company against the strategic plan. The board consists of:

- Serge Belamant, Chairman and Co-founder.
- Philip Belamant, CEO and Co-founder.
- Sean O'Connor, Co-founder.
- Pavel Chernyshov, Independent Non-Executive Board member.

The Board Committee is supported in its governance of the Company with three dedicated sub-committees:

Audit Committee

Which has responsibility for the review and challenge of the integrity of the financial accounts and external reporting; reviewing internal and external reports from audit functions; and review and challenge of operational performance of the Company.

Risk Committee

Which has responsibility for the review and challenge of the structure and performance of the risk management framework including approving Company's risk appetite; acting as governance oversight of whistleblowing; and approving action plan and future oversight of implementation of Consumer Duty across the Company.

Remuneration and Nominations Committee

Which reviews, oversees the design and makes recommendations to the Board on the remuneration policy and framework to ensure that it is aligned to the long-term interests of the Company and its relevant stakeholders.

The Board's governance arrangements are consistent with corporate governance standards; and leads the process for Board appointments and ensuring there are plans in place for succession for the Board and senior management positions.

Directors' Report.

Group Directors' report for the year ended 31 March 2023

The Directors present their Annual Report and the audited Consolidated Financial Statements for the year ended 31 March 2023.

Directors

The names of all persons who were Directors during the year and up to the date of signing are:

Philip Belamant
Serge Belamant
Pavel Chernyshov
Sean O'Connor (appointed 28 June 2022)

Director confirmations

Each of the Directors in office at the date the Directors' Report is approved has confirmed that:

- so far as the Director is aware, there is no relevant audit information of which the Group and Company's auditors are unaware; and
- the Director has 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 and Company's auditors are aware of that information.

Result and dividends

The statement of comprehensive income is set out on page 27 and shows the loss for the period. There were no dividends paid in the current or previous financial year.

Research and development

Further development of microservices platforms completed during the year will provide support for the Company strategy as the business continues to scale quickly.

Streamlined energy and carbon reporting

The Companies Regulations 2018 implemented the UK Government's policy on Streamlined Energy and Carbon Reporting (SECR). Zilch Technology Limited meets the mandatory reporting criteria under this policy by having consumed more than 40,000kWh during the financial year.

The table below presents Zilch Technology Limited emissions under Scope 1 and 2, during the financial period ending 31 March 2023, and comparatively 31 March 2022.

Scope 1 - these are direct emissions that are a result of our business operations. For Zilch, this includes combustion of natural gas in the occupied office.

Scope 2 - these are the indirect emissions that occur as a result of Zilch's business operations. For Zilch, this includes electricity consumed in the occupied office.

	FY 2023	FY 2022
Energy consumption used to calculate emissions (kWh)	199,040	147,694
Emissions from combustion of gas (tCO2e) (scope 1)	0.01	-
Emissions from purchased electricity in buildings (tCO2e) (scope 2)	15.85	11.76
Total organisational emissions (tCO2e)	15.86	11.76
Carbon intensity ratio:		
Carbon emissions per FTE (kgCO2e/FTE)	76.60	77.91

Methodology:
Our emissions were calculated utilising the average kWh per square foot in a standard office space, over the total space that was occupied during the 2023 and 2022 financial years. We have also shown above our Carbon Emissions per FTE, which was calculated by taking our total estimated annual kgCO2e, divided by the average full-time equivalent for the year.

Energy efficiency:
This year the focus has been on understanding our carbon footprint to determine what action is needed to reduce and improve it. Therefore there has not been any specific action taken during the year to reduce our carbon emissions output, however this will be a focus of ours going forward.

Matters covered in the Strategic report

As permitted by section 414c of Companies Act 2006, the Directors have elected to disclose information required to be in the Directors' report, in the Strategic report.

Events after the balance sheet date

Events occurring after the reporting period are summarised below and are all considered to be non-adjusting events.

Between March and September 2023:

i. A further circa 9,000 equity settled share options were granted to Group employees under the scheme detailed in Note 26.
ii. The cash settled scheme was closed and all employees received equity settled awards.
iii. Investment received subsequent to year end of £20 million.

Other than those identified there are no other events after the reporting period.

Auditors

In accordance with section 485 of the Companies Act 2006, a resolution is to be proposed at the Annual General Meeting for the reappointment of Grant Thornton as auditor of the Group.

This report was approved by the board of Directors and signed on its behalf by:

Philip Belamant

Date: 28th September 2023

Statement of responsibilities.

Statement of Directors' responsibilities in respect of the Financial Statements

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRS). Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group and the Company for that period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether the financial statements have been prepared in accordance with applicable accounting standards, identify those standards, and note the effect and the reasons for any material departure from those standards; 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 responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and to enable them to ensure that the financial statements comply with the Companies Act 2006.

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

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements and other information included in Directors' report may differ from legislation in other jurisdictions.

Philip Belamant

Date: 28th September 2023

Auditor’s report.

Auditor's report

to the members of Zilch Technology Limited and its subsidiaries.

Opinion

We have audited the financial statements of Zilch Technology Limited and its subsidiaries (the "Group"), which comprise the Consolidated Statement of Profit or Loss and Comprehensive Income, the Consolidated and Company Statement of Financial Position, the Consolidated and Company Statement of Changes in Equity, the Consolidated and Company Statement of Cash Flows for the year ended 31 March 2023, and the related notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and International accounting standards, including International Financial Reporting Standards (IFRS).

In our opinion, the Group's financial statements:

- give a true and fair view in accordance with IFRS of the financial position of the Group and the Company as at 31 March 2023 and of the Group financial performance and cash flows for the year then ended; and
- have been properly prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)') and applicable law. Our responsibilities under those standards are further described in the 'Responsibilities of the auditor for the audit of the financial statements' section of our report. We are independent of the Group and Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the FRC's Ethical Standard and the ethical pronouncements established by Chartered Accountants Ireland, applied as determined to be appropriate in the circumstances for the entity. We have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

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

Other information

Other information comprises information included in the annual report, other than the financial statements and our auditor's report thereon, including the Directors' Report and the Strategic Report. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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 such material inconsistencies in the financial statements, we are required to determine whether there is a material misstatement in 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 in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of management and those charged with governance for the financial statements

As explained more fully in the Directors' responsibilities statement, management is responsible for the preparation of the financial statements which give a true and fair view in accordance with IFRS, and for such internal control as directors determine necessary to enable the preparation of financial statements are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Group and 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 management either intends to liquidate the Group or company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group and Company's financial reporting process.

Responsibilities of the auditor for the audit of the financial statements

The objectives of an auditor 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 their 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.

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatement in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK). 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 compliance with Data Privacy laws 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 preparation of the financial statements such as the Companies Act 2006 and UK tax legislation. 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 inappropriate journal entries to manipulate financial performance and management bias through judgements and assumptions in significant accounting estimates, in particular in relation to significant one-off or unusual transactions. We apply professional scepticism through the audit to consider potential deliberate omission or concealment of significant transactions, or incomplete/inaccurate disclosures in the financial statement.

The group engagement team shared the risk assessment with the component auditors so that they could include appropriate audit procedures in response to such risks in their work.

In response to these principal risks, our audit procedures included but were not limited to:

- enquiries of management, board, and legal functions on the policies and procedures in place regarding compliance with laws and regulations, including consideration of known or suspected instances of non-compliance and whether they have knowledge of any actual, suspected or alleged fraud;
- inspection of the Group's regulatory and legal correspondence and review of minutes of board meetings during the year to corroborate inquiries made;
- gaining an understanding of the internal controls established to mitigate risk related to fraud;
- discussion amongst the engagement team in relation to the identified laws and regulations and regarding the risk of fraud, and remaining alert to any indications of non-compliance or opportunities for fraudulent manipulation of financial statements throughout the audit;
- identifying and testing journal entries to address the risk of inappropriate journals and management override of controls
- designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing
- challenging assumptions and judgements made by management in their significant accounting estimates, including share options, client receivables, allowance for credit losses, accounting for taxes and other provisions.
- review of the financial statement disclosures to underlying supporting documentation and inquiries of management.

The primary responsibility for the prevention and detection of irregularities including fraud rests with those charged with governance and management. As with any audit, there remains a risk of non-detection or irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or override of internal controls.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the company's members, as a body, in accordance with chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Cathal Kelly

Cathal Kelly (Senior Statutory Auditor)
For and on behalf of
Grant Thornton
Chartered Accountants & Statutory Auditors
Dublin
Ireland

28th September 2023

Financial statements.

Consolidated statement of profit or loss and comprehensive income

For the year ended 31 March 2023

Continuing operations	Note	2023 £'000	Restated 2022 £'000
Revenue	5	30,035	10,967
Cost of sales		(12,610)	(7,782)
Gross profit		**17,425**	**3,185**
Administrative expenses	6	(72,354)	(72,486)
Operating loss		**(54,929)**	**(69,301)**
Share-based payment expense	26	(13,660)	(7,631)
Other gains and losses	9	-	(750)
Finance costs	10	(3,888)	(1,670)
Other income		361	-
Loss before taxation		**(72,115)**	**(79,352)**
Corporation tax	11	339	1,068
Loss after taxation		**(71,776)**	**(78,284)**
Total comprehensive loss for the year		**(71,776)**	**(78,284)**
Loss for the year attributable to: Owners of the parent		**(71,776)**	**(78,284)**

Other comprehensive income		
Foreign exchange on translation	123	(61)
Total comprehensive income for the year, net of tax attributable to: Owners of the parent	**(71,653)**	**(78,345)**

The notes on pages 35 - 64 are an integral part of these financial statements.

Consolidated statement of financial position

As at 31 March 2023

Assets	Note	2023 £'000	Restated 2022 £'000
Non-current assets			
Property, plant and equipment	14	354	523
Right-of-use assets	13	986	2,081
Other intangible assets	15	1,371	3,621
Total non-current assets		**2,711**	**6,225**
Current assets			
Trade and other receivables	17	6,899	5,964
Consumer loan receivables	17	30,785	38,670
Cash and cash equivalents	18	61,648	100,505
Current tax assets		1,408	1,626
Total current assets		**100,740**	**146,765**
Total assets		**103,451**	**152,990**

Equity and Liabilities	Note	2023 £'000	Restated 2022 £'000
Equity			
Share capital	24	1	1
Share premium	25	187,940	193,811
Warrant reserve	28	3,238	1,686
Foreign currency translation reserve		62	(61)
Share-based payments reserve	26	34,645	6,153
Retained earnings		(161,188)	(89,412)
Equity attributable to owners of the parent		**64,698**	**112,178**
Total equity		**64,698**	**112,178**
Liabilities			
Non-current liabilities			
Other non-current financial liabilities	22	26,936	18,991
Total non-current liabilities		**26,936**	**18,991**
Current liabilities			
Trade and other payables	19	4,246	4,502
Other current financial liabilities	21	7,572	17,319
Total current liabilities		**11,818**	**21,821**
Total equity and liabilities		**103,451**	**152,990**

The Group financial statements were approved and authorised for issue by the board and were signed on its behalf by:

Philip Belamant
Date: 28th September 2023

Company only statement of financial position

As at 31 March 2023

Assets	Note	2023 £'000	Restated 2022 £'000
Non-current assets			
Property, plant and equipment	14	318	483
Right-of-use assets	13	986	2,081
Other intangible assets	15	1,369	1,514
Investment in subsidiary	12	182	2,287
Total non-current assets		**2,855**	**6,365**
Current assets			
Trade and other receivables	17	16,204	33,304
Cash and cash equivalents	18	52,809	99,380
Current tax assets		1,408	1,626
Total current assets		**70,422**	**134,310**
Total assets		**73,277**	**140,675**

Equity and liabilities	Note	2023 £'000	Restated 2022 £'000
Equity			
Share capital	24	1	1
Share premium	25	187,940	193,811
Warrant reserve	28	3,238	1,686
Share-based payments reserve	26	34,645	6,153
Retained earnings brought forward		(84,775)	(10,377)
Profit / (loss) for the year	30	(80,653)	(74,398)
Total equity		**60,396**	**116,876**
Liabilities			
Non-current liabilities			
Other non-current financial liabilities	22	1,807	2,315
Total non-current liabilities		**1,807**	**2,315**
Current liabilities			
Trade and other payables	19	3,502	4,127
Other current financial liabilities	21	7,572	17,357
Total current liabilities		**11,074**	**21,484**
Total equity and liabilities		**73,277**	**140,675**

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

Philip Belamant
Date: 28th September 2023

Consolidated statement of changes in equity

For the year ended 31 March 2023

Consolidated	Share capital £'000	Share premium £'000	Share-based payment reserve £'000	Warrant reserve £'000	Foreign exchange reserve £'000	Profit and loss £'000	Total equity £'000
At 1 April 2022 - Restated	**1**	**193,811**	**6,153**	**1,686**	**(61)**	**(89,412)**	**112,178**
Shares issued	-	10,436	-	-	-	-	10,436
Employee share based compensation	-	-	13,736	-	-	-	13,736
Transaction costs deducted from equity - Note 25	-	(16,307)	14,755	-	-	-	(1,552)
Warrants issued	-	-	-	1,552	-	-	1,552
Transactions with owners	**-**	**(5,871)**	**28,492**	**1,552**	**-**	**-**	**24,172**
Loss for the year	-	-	-	-	-	(71,776)	(71,776)
Other comprehensive income	-	-	-	-	123	-	123
Total comprehensive income	**-**	**-**	**-**	**-**	**123**	**(71,776)**	**(71,653)**
At 31 March 2023	**1**	**187,940**	**34,645**	**3,238**	**62**	**(161,188)**	**64,697**

Company	Share capital £'000	Share premium £'000	Share-based payment reserve £'000	Warrant reserve £'000	Profit and loss £'000	Total equity £'000
At 1 April 2022 - Restated	**1**	**193,811**	**6,153**	**1,686**	**(84,775)**	**116,876**
Shares issued	-	10,436	-	-	-	10,436
Employee share based compensation	-	-	13,736	-	-	13,736
Transaction costs deducted from equity - Note 25	-	(16,307)	14,755	-	-	(1,552)
Warrants issued	-	-	-	1,552	-	1,552
Transactions with owners	**-**	**(5,871)**	**28,492**	**1,552**	**-**	**24,172**
Loss for the year	-	-	-	-	(80,653)	(80,653)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	**-**	**-**	**-**	**-**	**(80,653)**	**(80,653)**
At 31 March 2023	**1**	**187,940**	**34,645**	**3,238**	**(165,428)**	**60,396**

Consolidated statement of changes in equity

For the year ended 31 March 2023

Consolidated	Share capital £'000	Share premium £'000	Share-based payment reserve £'000	Advanced subscription reserve £'000	Warrant reserve £'000	Foreign exchange reserve £'000	Profit and loss £'000	Total equity £'000
At 1 April 2021	**1**	**17,263**	**331**	**16,142**	**-**	**-**	**(11,128)**	**22,609**
Shares issued	-	178,234	-	-	-	-	-	178,234
Employee share based compensation	-	-	5,822	-	-	-	-	5,822
Advanced subscriptions exercised	-	-	-	(16,142)	-	-	-	(16,142)
Warrants issued	-	2,419	-	-	1,686	-	-	4,105
Transaction costs deducted from equity - Note 25	-	(4,105)	-	-	-	-	-	(4,105)
Transactions with owners	-	**176,548**	**5,822**	**(16,142)**	**1,686**	**-**	**-**	**167,914**
Loss for the year	-	-	-	-	-	-	(78,284)	(78,284)
Other comprehensive income	-	-	-	-		(61)	-	(61)
Total comprehensive Income	**-**	**-**	**-**	**-**	**-**	**(61)**	**(78,284)**	**(78,345)**
As 31 March 2022 - Restated	**1**	**193,811**	**6,153**	**-**	**1,686**	**(61)**	**(89,412)**	**112,178**

Company	Share capital £'000	Share premium £'000	Share-based payment reserve £'000	Advanced subscription reverse £'000	Warrant reserve £'000	Profit and loss £'000	Total equity £'000
At 1 April 2021	**1**	**17,263**	**331**	**16,142**	**-**	**(10,377)**	**23,360**
Shares issued	-	178,234	-	-	-	-	178,234
Employee share based compensation	-	-	5,822	-	-	-	5,822
Advanced subscriptions exercised	-	-	-	(16,142)	-	-	(16,142)
Warrants issued	-	2,419	-	-	1,686	-	4,105
Transaction costs deducted from equity - Note 25	-	(4,105)	-	-	-	-	(4,105)
Transactions with owners	**-**	**176,548**	**5,822**	**(16,142)**	**1,686**	**-**	**167,914**
Loss for the year	-	-	-	-	-	(74,398)	(74,398)
Other comprehensive income	-	-	-	-		-	-
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**(74,398)**	**(74,398)**
At 31 March 2022 - Restated	**1**	**193,811**	**6,153**	**-**	**1,686**	**(84,775)**	**116,876**

Consolidated statement of cash flows

For the year ended 31 March 2023

Consolidated	Note	2023 £'000	Restated 2022 £'000
Cashflows from operating activities			
Loss for the financial year		(71,776)	(78,284)
Adjustments for:			
Interest payable		267	149
Decrease in trade and other receivables		(935)	(302)
Decrease in trade and other payables		2,934	4,095
Decrease in other receivables		7,885	(35,244)
(Increase) in other financial liabilities		(7,119)	14,683
Depreciation and amortisation	14	1,530	1,229
Debt issue costs		1,074	859
Income tax credit	11	218	(1,069)
Impairment of goodwill and intangibles		2,105	-
Share-based payments expenses	26	13,656	7,632
Other gains and losses - convertible loan notes		-	750
Net cash used in operating activities		**(50,160)**	**(85,502)**
Cashflows from investing activities			
Purchase of intangible assets	15	(62)	(1,179)
Purchase of tangible assets	14	(98)	(508)
Acquisition of subsidiary undertaking (net of cash)		-	155
Net cash used in investing activities		**(160)**	**(1,532)**
Cashflows from financing activities			
Proceeds from issue of shares		8,976	141,265
Interest paid		(2,815)	(810)
Loans advanced		7,303	20,533
Capital raising costs		(1,074)	(1,451)
Repayment of lease liabilities		(1,049)	(897)
Net cash used in financing activities		**11,341**	**158,639**
Net increase in cash and cash equivalents		(38,980)	71,605
Cash and cash equivalents at the beginning of the year		100,505	28,962
Foreign exchange		123	(61)
Cash and cash equivalents at the end of the year		61,648	100,505

Company statement of cash flows

For the year ended 31 March 2023

	Note	2023 £'000	Restated 2022 £'000
Cashflow from operating activities			
Loss for the financial year		(80,653)	(74,398)
Adjustments for:			
Decrease in trade and other receivables		17,100	(7,846)
(Increase) in trade and other payables		(1,134)	17,506
(Increase) in provisions		(8,697)	-
Depreciation and amortisation	14	1,522	1,152
Income tax credit	11	218	(1,069)
Impairment of goodwill and intangibles		2,105	-
Debt issue cost		1,074	-
Share-based payments expense	26	13,657	7,632
Net cash used in operating activities		**(54,808)**	**(57,023)**
Cashflows from investing activities			
Purchase of intangible assets	15	(101)	(1,178)
Purchase of tangible assets	14	(54)	(454)
Acquisition of subsidiary undertaking (net of cash)		-	155
Net cash used in investing activities		**(156)**	**(1,477)**
Cashflows from financing activities			
Proceeds from issue of shares		10,516	141,265
Capital raising costs		(1,074)	(1,451)
Repayment of lease liabilities		(1,049)	(897)
Net cash used in financing activities		**8,393**	**138,917**
Net increase in cash and cash equivalents		(46,571)	80,418
Cash and cash equivalents at the beginning of the year		99,380	18,962
Cash and cash equivalents at the end of the year		52,809	99,380

Notes to the financial statements.

For the year ended 31 March 2023

1 General information

The Group is a private company, limited by shares, incorporated in the United Kingdom and registered in England and Wales, registered number 11488502. The address of the registered office is 123 Buckingham Palace Road, London, England, SW1W 9SH.

The nature of the Company's operations and principal activity was that of providing retail consumers the ability to split the cost of purchases (Pay over 6 weeks) or earn rewards on debit purchases (Pay Now), both online or in-store, via its Over-The-Top model, leveraging existing card rail infrastructure and enabling ubiquitous acceptance across some 37 million merchants worldwide.

These financial statements are presented in sterling (£), the Group and Company's functional currency, and have been rounded to the nearest thousand £'000, unless indicated to the contrary.

2 Accounting policies

The principal accounting policies as applied in the preparation of these financial statements are set out below. These policies have been applied consistently throughout the period presented, unless otherwise stated.

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) including standards and interpretations issued by the International Accounting Standards Board and in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. They have been prepared using the historical cost convention except that as disclosed in the accounting policies below, including financial assets and liabilities measured at fair value through profit or loss ("FVTPL"). Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

The company has taken advantage of the following disclosure exemption in preparing the financial statements, as permitted by the Companies Act 2006 section 408:

- Individual profit and loss account where group accounts are prepared.

In July 2021, the Company acquired 100% of the shareholding of Zilch USA Inc. on incorporation which has been consolidated in the Group financial statements for the year ended 31 March 2022. This is consistent with the consolidated financial statements for the year ended 31 March 2023.

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the date of the financial statements, as detailed in Note 3. If in the future such estimates and assumptions which are based on management's best judgement at the date of the financial statements, deviate from the actual circumstances, the original estimates and assumptions will be modified as appropriate in the year in which the circumstances change.

Going concern

The consolidated financial statements have been prepared on a going concern basis which assumes that the Group will continue to meet its liabilities as they fall due. The Directors have reviewed the Group's business plan, including statement of profit or loss, and cash flow forecasts up to March 2027, funding and key risks, and considered its current loss-making position. The business plan reflects the current uncertain economic conditions resulting from the change in the capital markets environment and the cost of living crisis. Having undertaken this assessment the Directors have a reasonable expectation that the Company and Group have sufficient resources to continue to meet their liabilities as they fall due for a period of at least 12 months from the date of approval of these financial statements and the Board considers it appropriate to prepare the financial statements on a going concern basis.

Business combination accounting policy

The Group financial statements consolidate the financial statements of the Company and its subsidiary undertakings. A subsidiary is an entity where the Company has control over that investee. Control requires exposure or rights to variable returns and the ability to affect those returns through power over an investee.

The results of subsidiary undertakings acquired or disposed of during the financial period are included from, or up to, the effective date of acquisition or disposal. Uniform accounting policies have been adopted across the Group.

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

New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 March 2023 reporting period and have not been early adopted by the Group. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

Reclassification of prior year presentation

Certain prior year amounts have been reclassified within the Consolidated Statement of Profit or Loss for consistency with the current year presentation. This reclassification had no effect on the reported results of operations and no impact on the previous reported cashflows. Refer to Note 31.

Statement of Cash Flows

The Statement of Cash Flows is reported using the indirect method. The statement is divided into cash flows from operating activities, investing activities and financing activities. Operating activities stems mainly from revenue-producing activities of the entity. Operating cash flows include cash received from customers and cash paid to suppliers and employees. Investing activities are the acquisition and disposal of long-term assets and other investments that are not considered to be cash equivalents. Financing activities are activities that alter the equity capital and borrowing structure of the entity.

Revenue

Revenue is recognised at the fair value of the consideration received or receivable net of VAT and trade discounts. Revenue is reduced for estimated customer returns, rebates and other similar allowances. Revenues are recognised when identified performance obligations have been fulfilled in accordance with IFRS 15 and can be categorised as follows:

Merchant derived

Interchange revenue

Interchange revenue is related to fees paid between issuing and acquiring banks for the acceptance of card-based transactions. Interchange is paid to the company by the relevant card scheme. The Company earns interchange revenue at a percentage of total settlements. The performance obligation is satisfied when a customer makes a purchase (either Pay over 6 weeks or Pay Now).

Commission income from merchants ("Affiliate" revenue)

Affiliate revenue is marketing fees paid by merchants in exchange for successful checkout by customers introduced by the Company. Affiliates are accessed either through an indirect agreement (provided via an affiliate network) or a direct agreement with the merchant. The performance obligation is satisfied at the time of checkout by the end-consumer. The Company recognises revenue when it has been approved by the affiliate on a monthly basis. For any pending commissions not yet approved revenue is estimated using historic decline rates.

Advertising revenue

Advertising revenue relates to marketing services provided to certain merchants and is invoiced monthly. Advertising revenue is recognised over the period of the service contract with the merchant.

Consumer derived

Commission income from consumers ("Out-of-network" fees)

Out-of-network fees are paid directly by the customer on checkout where they have purchased from a merchant which does not have an indirect (provided via an affiliate network) or a direct agreement with the Company. The performance obligation is satisfied when a customer makes a purchase, and any loan is executed. Revenue is recognised in the transaction month.

The Group applies the practical expedient in IFRS 15.121 (i.e., non-disclosure of remaining performance obligations as per IFRS 15.120) on the basis that all performance obligations are expected to be satisfied within a contract period of less than 1 year.

All consideration from contracts with customers is included in the transaction price. There is no non-cash consideration or adjustment for the effects of the time value of money given there are no long-term customer contracts.

Returns and reversals

Every affiliate has a different returns policy, in most instances up to a maximum of 180 days. Interchange revenue is refundable upon a customer return and notification by the merchant. Out-of-network fees for which there is a subsequent return are non-refundable.

Returns are provided for based on historic return rates. At the period end, other receivables in respect of consumer loans are credited and other payables are debited, representing amounts due back from the merchants via the Merchant Issuer.

Cost of Sales

Cost of Sales represent the direct cost of issuing and processing a transaction and acquiring the payment from the customer, and utilised customer rewards.

Customer Acquisition Costs

Customer Acquisition Costs include the cost of acquiring and onboarding new customers, provision for rewards related to customer referrals and loan write offs attributable to new customers who have defaulted.

Finance costs

Finance costs represent bank charges and interest payable on other liabilities recognised using the effective interest rate method. This is presented net of bank interest received.

Taxation

Income taxes consist of current tax and deferred tax. Income taxes are reported directly in the income statement except when the underlying transaction is reported directly against equity or other comprehensive income, in which case also the accompanying tax is reported in equity or other comprehensive income.

Deferred tax is reported according to the balance sheet method for all temporary differences between an asset's or a liability's tax base and its carrying amount in the balance sheet. Deferred tax assets are reported for non-utilised tax relief to the extent it is probable that the relief will be able to be set off against future taxable surpluses. Deferred taxes are estimated according to the tax rate that is expected to apply at the time of taxation.

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful lives are as follows:

Computer & office equipment	**3 years**
Capitalised software	**3 years**

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date. Any impairment identified is charged in the statement of profit or loss and other comprehensive income.

Leases

The Group assesses the contract at inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. As at 31 March 2023, the Group is a lessee in its lease arrangements, and is not a lessor.

The Group applies a single recognition and measurement approach for all lessee leases, except for the short-term leases (defined as leases with a lease term of 12 months or less) and leases of low-value assets (defined as leased assets, when new, with a value of five thousand pounds or less). The Group recognises lease liabilities representing obligations to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying assets are available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets. If ownership of the leased asset transfers to the Group at the end of lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset, otherwise the right-of-use asset is depreciated over the duration of the lease agreement. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented in the consolidated statement of financial position alongside property and equipment, and periodically reviewed for impairment.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.

In calculating the present value of lease payments, the Group uses the rate implicit in the lease if it is readily determinable. However, if the rate implicit in the lease is not readily determinable, the Group uses Bank of England borrowing rate. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification or change of lease term (payments depending on interest or rate, or assessment of an option to purchase the underlying asset).

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has elected this practical expedient and will not separate lease and non-lease components.

Short-term leases and leases of low-value assets
The Group applies the short-term lease recognition exemption to those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the lease of low-value assets recognition exemption to leases that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

Intangible assets

Research expenditure is written off against profits in the year in which it is incurred. Identifiable development expenditure is capitalised to the extent that the technical, commercial and financial feasibility can be demonstrated.

Intangible assets are amortised on a straight-line basis over their useful lives. The useful lives of intangible assets are as follows:

IT Build development expenditure	**5 years**

IT Build development expenditure capitalised relates to a high-performance credit granting and payment processing platform integrated with third party systems. A useful life of 5 years is based on expert knowledge provided by the product development team. Amortisation methods, useful lives and residual values are reviewed at each balance sheet date.

Intangible assets capitalised in respect of Domain names are held at cost and reviewed annually for impairment.

Licence

Licences are assessed for impairment annually or when there are indicators of impairment, and any impairment will be charged to the statement of profit or loss. Licences have indefinite useful lives.

Goodwill

Goodwill is recorded when the consideration paid for an acquisition of a business exceeds the fair value of identifiable net tangible and intangible assets acquired. Goodwill is assessed for impairment annually or when there are indicators of impairment, and any impairment will be charged to the statement of profit or loss. Goodwill has an indefinite useful life.

Investments

Investments in subsidiaries are measured at cost less accumulated impairment.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. This definition is also used for the Statement of Cash Flows.

Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, the Group makes an estimate of the asset's recoverable amount in order to determine the extent of the impairment loss. Where the carrying amount exceeds the recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Financial instruments

Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value, except for trade receivables that do not have a significant financing component which are measured at transaction price.

Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

Financial assets are subsequently classified into the following specified categories:

- financial assets at fair value through profit or loss, including held for trading; or
- amortised cost.

The classification depends on the nature and purpose of the financial asset (i.e., the Group's business model for managing the financial assets and the contractual terms of the cash flows) and is determined at the time of initial recognition.

Financial assets are measured at amortised cost if they are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets not held at amortised cost are held at fair value through profit or loss.

Trade and other receivables

Trade receivables, which generally have 30-day terms, are recognised and carried at the lower of their original invoiced value and recoverable amount. Where the time value of money is material, receivables are carried at amortised cost. Specific provision for impairment is made through profit or loss when there is objective evidence that the Group will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

Consumer loan receivables

Consumer loan receivables in respect of Pay over 6 weeks transactions are receivable in instalments over a period of 6 weeks from the transaction date. The Company provides credit to the consumers over time but settles with the merchant at the point of sale. Zilch collects payment from consumers via a Merchant Acquirer and therefore takes on the settlement risk on behalf of the merchant. Consumer loan receivables are recognised and carried at the lower of the transaction purchase amount less any instalments paid, and the recoverable amount, taking into account factors such as financial difficulty and fraud. General provision for impairment of consumer loan receivables is determined using the simplified approach for the recognition of expected credit losses in accordance with IFRS 9 as set out below.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on trade receivables and consumer loan receivables. The amount of expected credit losses ("ECL") is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime expected credit losses for trade receivables and consumer loan receivables. The expected credit losses on these financial assets are estimated based on the Group's historical credit loss experience, adjusted for factors that are specific to the receivables, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12 month ECL.

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

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Group will be unable to collect all of the amounts due under the terms of the receivable.

The amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade and consumer loan receivables which are reported net, such provisions are recorded in a separate allowance account included in the provision in other non-current liabilities with the loss being recognised within administrative expenses in the Statement of Profit or Loss. On confirmation that the receivable will not be collected the gross carrying value of the asset is written off against associated provision.

Derecognition of financial assets
The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at fair value through profit or loss ("FVTPL"). However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, and financial guarantee contracts issued by the Group, are measured in accordance with the specific accounting policies set out below.

Classification as debt or equity
Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Trade and other payables
Short term payables are measured at the transaction price. Other financial liabilities are measured at fair value or subsequently at amortised cost using the effective interest method as detailed below.

Financial liabilities at FVTPL
Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination, (ii) held for trading or (iii) it is designated as at FVTPL. A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed, and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at FVTPL.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on changes in fair value recognised in profit or loss to the extent that they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'Other gains and losses' line item in profit or loss.

However, for financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of liability is recognised in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

The Group has designated to measure convertible loan note instruments as financial liabilities at FVTPL under the simplified approach permitted by IFRS 9, Financial instruments. As the instruments contain embedded derivatives, they have been designated as at FVTPL on initial recognition and as such the embedded conversion feature is not separated. All transaction costs related to financial instruments designated as fair through profit or loss are expensed as incurred.

Financial liabilities measured subsequently at amortised cost
Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held for trading, or (iii) designated as at FVTPL, are measured subsequently at amortised cost using the effective interest method.

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

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

Equity instruments
An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Group's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Warrant awards
Warrant awards issued to capital introducers, entitling the holder a right to acquire a fixed number of shares in the Company in the future for a fixed price upon certain trigger events, are classified as equity instruments where the likelihood of a trigger event occurring is probable. Such warrant awards are measured at the future subscription price upon recognition and are not subsequently remeasured.

Advanced subscriptions
Cash received as consideration under advanced subscription agreements is recognised within equity where there is an irrevocable commitment under the terms of the agreement to acquire shares in the Company in the future.

Share-based payments
The Group engages in equity-settled and cash-settled share-based payments transactions in respect of services received from employees.

Equity-settled awards
Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date in line with IFRS 2. The fair value excludes the effect of non-market-based vesting conditions. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in Note 26.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the number of equity instruments that will eventually vest.

At each reporting date, the Group revises its estimate of the number of equity instruments expected to vest as a result of the effect of non-market-based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding credit to equity.

Cash-settled awards
For cash-settled share-based payments, a liability is recognised for the goods or services acquired, measured initially at the fair value of the liability in line with IFRS 2. At each reporting date until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognised in profit or loss.

Foreign currencies

Transactions in foreign currencies are initially recorded in the entity's functional currency of Sterling by applying the spot exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

Pensions

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

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

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

3 Critical accounting estimates and judgements

The preparation of the financial statements in accordance with IFRS requires the Directors to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses.

Management makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. As at 31 March 2023 the Group had the following critical accounting estimates and assumptions:

(i) Provision for credit losses in respect of consumer loan receivables

Management estimates the required impairment of consumer loan receivables at the balance sheet date applying an expected credit loss model using a provision matrix. Management use the 'simplified' approach permitted under IFRS 9, which allows entities to recognise lifetime expected losses on assets without the need to identify significant increases in credit risk.

Using data from inception (1 January 2019) to the balance sheet date, management have calculated historical loss rates for instalments. Total credit losses comprise bad debts, fraud and "forced churn" debts, which refers to new customers who fail payments and are not allowed back on to the Group platform.

(ii) Useful life of intangible IT build and development costs

Management have estimated that the useful economic life of capitalised IT build and development costs in respect of the Zilch platform to be 5 years and amortisation has been applied on this basis.

(iii) Employee share option and award scheme vesting periods based on the probability and timeline of conditional exit events occurring, such as a public listing or sale

Management have estimated the probability of exit events relevant to share-based payment transactions based on their business plans and financial forecasts.

The fair value of the equity instruments is calculated using the Black-Scholes model. This requires estimation of various inputs to the model, including the expected volatility of share price, risk-free interest rate and time to expiration.

At each year end, the Group assesses its estimates of the number of shares and awards that are expected to vest, and revises if deemed necessary. It recognises the impact in the Statement of Profit or Loss and a corresponding adjustment to equity.

(iv) Fair value measurements

In estimating the fair value of an asset, liability or equity instrument, management uses market-observable data to the extent it is available. For valuing equity-settled share-based payment transactions, management have used the Black-Scholes model and supportable inputs. Refer to Note 26 for further details.

(v) Impairment requirements for goodwill and other intangible assets

Goodwill and other intangible assets with indefinite useful life are tested for impairment annually, in accordance with the accounting standard IAS 36. If the recoverable value is lower than the carrying amount, the asset is written down.

(vi) Allocation of purchase price for acquired businesses

The cost of business combinations is comprised of consideration transferred to the previous owners as payment for the net assets of the company. In the calculation, the fair value of identifiable net assets and liabilities is determined.

4 Financial risk management

The Group's activities expose it to a variety of financial risks: capital risk, credit risk and interest rate risk. To manage these risks, management operate a risk management programme focused on monitoring market trends in the fintech industry, debt collection procedures for consumer loans and use of reputable third party acquiring and issuing facilities to help manage cash flow.

Capital risk management
The capital of the Group comprises the called-up share capital in relation to ordinary shares and retained earnings. The Group's capital structure is governed by a shareholder agreement. The Group's objective when managing capital is to ensure the Group continues as a going concern and is able to meet its liabilities as and when they fall due.

Credit risk management
Credit risk is the risk of loss to the group from the failure of customers to honour their obligations either due to their inability to pay, or where a transaction was initiated fraudulently (by a 1st or 3rd party). The controls and governance are set by policies covering: "Credit Risk" and "Fraud".

We use a range of leading security tools and controls to identify, protect, and control access to our systems for both our customers and staff. We use multifactor authentication both internally and for customers and use a wide range of fraud tools including enhanced IDV to secure our customers' account. Whilst we work with leading providers of system protection, and we remain alert to all new developments, our business remains sensitive to the ongoing effectiveness of those controls against a rapidly evolving set of threats.

The Group provides an unsecured credit account to customers and our core credit product is Pay over 6 weeks, a 42-day loan, which has controls over how the product can be used and where it can be used. We have significant amount of mitigation controls in place over the individual credit limit available to each customer. We are constantly monitoring customers' performance by cohort and can adapt risk controls but a significant weakening in UK economy would impact credit performance. There are no profit or loss charges arising from changes in the fair value of financial assets and liabilities at fair value through profit or loss (FVTPL).

Interest rate risk
Interest rates have remained at a higher level for 2022 and entering into 2023. Global economic conditions continue to be fragile particularly given the ongoing war in Ukraine, predicted recession, increased unemployment rates and the impact these factors have had to financial markets.

Continued volatility in interest rates and potentially inflation may adversely impact Group's customers' spending levels and ability and willingness to pay outstanding amounts owed to the Group. Higher interest rates may lead to higher payment obligations on Group's future credit products, or to their lenders under mortgage, credit card, and other loans. Therefore, higher interest rates may lead to increased delinquencies, charge-offs, and allowances for loans and interest receivable, which could have an adverse effect on Group's operating results. Interest rate risk is the possibility that changes in interest rates will result in higher financing costs from interest bearing financial liabilities. The Group is exposed to interest rate risk in relation to the Goldman Sachs facility described in Note 22.

Interest rate sensitivity analysis
The effect on the Profit and Loss of a 100-basis point movement on the £27.9 million balance (see Note 22) is as follows:

	Increase £'000	**Decrease £'000**
Profit or Loss Charge	279	(279)

5 Revenue

An analysis of revenue by source is as follows:	**2023 £'000**	**2022 £'000**
Merchant derived:		
Interchange revenue	8,885	4,712
Affiliate, advertising and other	3,256	2,051
Consumer derived:		
Out-of-network and other fees	17,894	4,204
Total	**30,035**	**10,967**

The majority of revenue arose within the United Kingdom in the current and prior period. There is a minimal amount of revenue from operations with the United States in the current year.

The nature of the Company's and Group's business, being the provision of short-term credit and consumer loan financing services, is such that the requirements of disclosure under IFRS 15 contract balances are not applicable.

6 Loss for the year

Loss for the year is stated after charging:	**Note**	**2023 £'000**	**2022 £'000**
Net foreign exchange losses		203	43
Research and development - including relevant staff costs		1,018	3,204
Depreciation of property, plant and equipment	14	267	206
Depreciation of right-of-use assets	13	1,301	906
Amortisation of intangibles	15	207	116
Loss allowance on consumer loan receivables - expected lifetime credit losses and write-offs		13,708	26,239
Customer acquisition		6,628	10,615
Share based payments expense	26	13,660	7,631
Audit fees		150	168

7 Staff costs

Staff costs including Directors' remuneration were as follows:	2023 £'000	2022 £'000
Wages and salaries	22,512	12,876
Social security costs	2,493	1,298
Share-based payment expense	13,660	7,631
Defined contribution pension expenses	418	180
Total	**39,083**	**21,985**

The average monthly number of employees including Directors during the year was as follows:	2023 No.	2022 No.
Product	96	70
Service	111	81
Staff	207	151
Directors	2	2

The increase in headcount reflects the continued investment in growth throughout the business.

8 Director and key management personnel remuneration

Key management personnel are persons responsible for planning, directing and controlling the operations of the Group. No benefits have accrued under defined contribution schemes in the period (2022: None). This represents the total remuneration paid to all directors.

	2023 £'000	2022 £'000
Wages and salaries	342	348
Share-based payments	586	727
Total	**928**	**1,075**

This represents the remuneration of the highest paid director.

	2023 £'000	2022 £'000
Wages and salaries	292	348
Share-based payments	484	727
Highest paid director	**776**	**1,075**

9 Other gains and losses

	2023 £'000	2022 £'000
Fair value loss on financial liabilities FVTPL - convertible loan notes	-	750
Total	**-**	**750**

10 Finance costs

	2023 £'000	2022 £'000
Interest expense on loans held at amortised cost	2,814	811
Debt issue costs	1,074	859
Total	**3,888**	**1,670**

11 Taxation

Corporation tax	2023 £'000	2022 £'000
Current tax	(339)	(1,068)
Total	**(339)**	**(1,068)**

The tax credit for the year can be reconciled to the loss before tax as follows:	2023 £'000	2022 £'000
Loss before tax on continuing operations	(72,115)	(79,352)
Loss on ordinary activities multiplied by the standard corporation tax in the UK of 19%	(13,702)	(15,077)
Effects of:		
Expenses not deductible for tax purposes	3,854	1,685
Capital allowances	(12)	(92)
Unrecognised deferred tax for carried forward tax losses	9,860	13,484
Research and development tax credit	(339)	(1,068)
Total tax credit for the period	**(339)**	**(1,068)**

Factors that may affect future tax charges

In March 2021 the Chancellor announced an increase in the corporation tax rate from 19% to 25% with effect from 1 April 2023. In October 2022 it was further announced that the increase will go ahead and therefore the corporation tax rate increased to 25% from 1 April 2023, affecting companies with profits of £250,000 and over, whereas small companies with profits up to £50,000 will continue to pay corporation tax at 19%, with profits between these two figures being subject to a tapered rate.

Tax losses

Unused tax losses at the period end date for which no deferred tax asset has been recognised total circa £117.5 million (2022: £71.9 million). Due to the start-up nature of the business, the timing and extent of future profits remains uncertain and cannot be reliably estimated at the balance sheet date.

12 Investments

On July 7, 2021, the Group acquired a 100% ownership of Neptune Financial Inc. (now Zilch USA Inc.).

		Investment in subsidiary companies	
Cost	**Note**	**2023**	**2022**
Balance as at 1 April	29	2,287	1
Additions	29	-	3,260
Impairment		(2,105)	(972)
As at 31 March		**182**	**2,287**

The investment in Zilch USA Inc. is recognised on a company level, and the acquired intangible asset is reviewed for impairment when there are indicators that the carrying amount of asset may not be recoverable. The recoverable amount of the investment is determined based on a value-in-use computation.

The value-in-use calculation used the budgeted cashflow projection up to FY 2027 and terminal values utilising revenue, and cost based on management expectations. Terminal values are based on a long term growth rate.

The value-in-use represents the present value of the future cash flows, including the terminal value, discounted at an appropriate rate. The key assumptions employed in arriving at the estimates of future cash flows are subjective and include projected EBITDA, net cash flows, discount rates and the duration of the discounted cash flow model. The assumptions and estimates used were derived from a combination of internal and external factors and were based on the long term prospects of the investment.

The impairment test performed as at 31 March 2023, identified a total impairment of £2.105 million. This impairment arose as a result of the overall business strategy for the group changing from the point when Zilch USA Inc. was originally acquired. This meant the acquisition value was higher than the estimated value at year end.

Direct subsidiary undertakings

The following were direct subsidiary undertakings of the Company:

			Aggregate of share capital and reserves at:	
Name	**Ownership %**	**Nature of Business**	**2023 £'000**	**2022 £'000**
Zilch Finance 1 Ltd	100	Factoring and financial intermediation	1	1
Zilch USA Inc.	100	Provider of credit	20,656	20,656

Zilch Finance 1 Ltd was incorporated on 26 November 2020 in England and Wales. The registered office address is 123 Buckingham Palace Road, London, England, SW1W 9SH.

Zilch USA Inc. (previously Neptune Financial Inc.) was incorporated on 7 November 2016 in Delaware, USA. The registered office address is 1111 Brickell Avenue, STE 1870, Miami FL 33131.

In accordance with IFRS 10 Consolidated Financial Statements, the subsidiaries have been consolidated in the 2023 Group financial statements by combining the assets, liabilities, equity, income, expenses, and cash flows of the subsidiary with those of the parent and eliminating the cost of the investment. Transactions and balances with subsidiaries have been eliminated on consolidation.

Interest in other entities

The Company has interest in a special purpose entity Zilch Finance 2 Limited ("ZF2"), wholly owned and managed by Wilmington Trust (London) Limited. ZF2 was incorporated on 30 June 2021 in England and Wales. The registered office address is 1 Kings Arms Yard, 3rd Floor, C/O Wilmington Trust Sp Services (London) Limited, London, England, EC2R 7AF.

ZF2 is the legal borrower of Goldman Sachs Asset Management loan facility used by the Group (see Note 22 for further details). On 2 September 2021, the Company entered into the Receivables Sales and Purchase Agreement with ZF2. Under the terms of this agreement, the proceeds from the issue of the loan were used by ZF2 to have assigned to it the right, title and interest in a portfolio of unsecured consumer loans from the Company. The Receivables Sales and Purchase Agreement grants ZF2 the right to require the Company to repurchase any defaulted receivables past due and any voluntarily terminated receivables. Accordingly, substantially all the risks and rewards of the portfolio of consumer loans sold to ZF2 have been retained by the Company.

ZF2 does not meet the definition of the legal subsidiary of the Company. However, due to the nature of the transaction described above, it gives rise to the risks and rewards that are, in substance, no different than if it was a legal subsidiary of the Company. Its assets, liabilities, equity, income, expenses, and cash flows were consolidated with those of the Company and transactions and balances with this entity have been eliminated on consolidation.

13 Right-of-use assets

Group and Company	Office building	
	2023 **£'000**	**2022** **£'000**
Cost		
Opening balance	2,987	-
Additions	794	2,987
Disposals	(833)	-
Closing balance	**2,948**	**2,987**
Accumulated Depreciation		
Opening balance	(906)	-
Depreciation	(1,301)	(906)
Disposal	245	-
Closing balance	**(1,962)**	**(906)**
Carrying value	**986**	**2,081**

14 Property, plant and equipment

Group	Office equipment £'000	Computer equipment £'000	Total £'000
Cost			
Balance at 1 April 2022	19	675	694
Additions	34	73	106
Disposals	-	(15)	(15)
Balance at 31 March 2023	53	732	784
Depreciation and Impairment			
Balance at 1 April 2022	7	164	171
Depreciation expense	32	234	267
Disposals	-	(8)	(8)
Balance at 31 March 2023	39	391	430
Carrying amount			
Balance at 31 March 2023	13	341	354
Balance at 31 March 2022	12	511	523

Company	Office equipment £'000	Computer equipment £'000	Total £'000
Cost			
Balance at 1 April 2022	17	630	647
Additions	-	62	62
Disposals	-	(15)	(15)
Balance at 31 March 2023	17	677	694
Depreciation and Impairment			
Balance at 1 April 2022	6	158	164
Depreciation expense	5	215	220
Disposals	-	(8)	(8)
Balance at 31 March 2023	11	366	376
Carrying amount			
Balance at 31 March 2023	6	311	318
Balance at 31 March 2022	11	472	483

Group	Office equipment £'000	Computer equipment £'000	Capitalised software £'000	Total £'000
Cost				
Balance at 1 April 2021	2	183	-	185
Additions	15	492	-	507
Additions through business combination	2	-	157	159
Disposals	-	-	(157)	(157)
Balance at 31 March 2022	19	675	-	694
Depreciation and Impairment				
Balance at 1 April 2021	1	33	-	34
Depreciation expense	6	131	69	206
Disposals	-	-	(69)	(69)
Balance at 31 March 2022	7	164	-	171
Carrying amount				
Balance at 31 March 2022	12	511	-	523
Balance at 31 March 2021	1	151	-	152

Company	Office equipment £'000	Computer equipment £'000	Total £'000
Cost			
Balance at 1 April 2021	2	183	185
Additions	15	447	461
Disposals	-	-	-
Balance at 31 March 2022	17	630	646
Depreciation and Impairment			
Balance at 1 April 2021	1	33	34
Depreciation expense	5	125	130
Disposals	-	-	-
Balance at 31 March 2022	6	158	164
Carrying amount			
Balance at 31 March 2022	11	472	483
Balance at 31 March 2021	1	151	152

15 Other intangible assets

Group	Domain name £'000	IT Build development £'000	Licence £'000	Goodwill £'000	Total £'000
Cost					
Balance at 1 April 2022	689	1,017	1,949	1,128	4,784
Additions	-	161	-	-	161
Transfer	-	(124)	-	-	(124)
Balance at 31 March 2023	689	1,054	1,949	1,128	4,820
Accumulated amortisation and impairment					
Balance at 1 April 2022	-	190	-	972	1,162
Amortisation expense	-	207	-	-	207
Impairment	-	-	1,949	156	2,105
Transfer	-	(25)	-	-	(25)
Balance at 31 March 2023	-	372	1,949	1,128	3,449
Carrying amount					
Balance at 31 March 2023	689	681	-	-	1,371
Balance at 31 March 2022	689	826	1,949	156	3,621

Refer to Note 12 for further detail on the licence and goodwill impairment.

Company	Domain name £'000	IT Build development £'000	Total £'000
Cost			
Balance at 1 April 2022	688	1,017	1,705
Additions	-	161	161
Transfer	-	(124)	(124)
Balance at 31 March 2023	688	1,054	1,742
Accumulated amortisation and impairment			
Balance at 1 April 2022	-	190	190
Amortisation expense	-	207	207
Impairment	-	-	-
Transfer	-	(25)	(25)
Balance at 31 March 2023	-	372	372
Carrying amount			
Balance at 31 March 2023	688	681	1,369
Balance at 31 March 2022	688	826	1,514

Group	Domain name £'000	IT Build development £'000	Licence £'000	Goodwill £'000	Total £'000
Cost					
Balance at 1 April 2021	14	513	-	-	527
Additions	675	504	1,949	1,128	4,257
Balance at 31 March 2022	689	1,017	1,949	1,128	4,784
Accumulated amortisation and impairment					
Balance at 1 April 2021	-	74	-	-	74
Amortisation expense	-	116	-	-	116
Impairment	-	-	-	972	972
Balance at 31 March 2022	-	190	-	972	1,163
Carrying amount					
Balance at 31 March 2022	689	826	1,949	156	3,621
Balance at 31 March 2021	14	439	-	-	453

Company	Domain name £'000	IT Build development £'000	Total £'000
Cost			
Balance at 1 April 2021	14	513	527
Additions	674	504	1,178
Balance at 31 March 2022	688	1,017	1,705
Accumulated amortisation and impairment			
Balance at 1 April 2021	-	74	74
Amortisation expense	-	116	116
Impairment	-	-	-
Balance at 31 March 2022	-	190	190
Carrying amount			
Balance at 31 March 2022	688	826	1,514
Balance at 31 March 2021	14	439	453

16 Goodwill

Goodwill is recorded when the consideration paid for an acquisition of a business exceeds the fair value of identifiable net tangible and intangible assets acquired.

The change in carrying value of goodwill in the period was as follows:

Goodwill	**Company and Group 2023 £'000**	**Company and Group 2022 £'000**
Balance at 1 April	156	-
Acqusitions completed during the year	-	1,128
Impairment	(156)	(972)
Balance at 31 March	**-**	**156**

Goodwill from the acquisition of Zilch USA was primarily attributable to the value of the assembled workforce. The remaining balance of goodwill was written off during the year due to reassessment of the Group's future plans for Zilch USA.

17 Trade and other receivables

Group and Company	**Group 2023 £'000**	**Company 2023 £'000**	**Group 2022 £'000**	**Company 2022 £'000**
Trade receivables	174	174	121	121
Consumer loan receivables	30,785	8,186	38,670	18,521
Other receivables	3,911	3,911	3,735	3,735
Prepayments	1,959	1,612	1,837	1,442
Accrued income	855	821	271	271
Intercompany	-	1,501	-	9,214
Total	**37,684**	**16,204**	**44,634**	**33,304**

Credit risk
The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for consumer loan receivables. The following table details activity in the allowance for credit losses:

Group and Company	**Group 2023 £'000**	**Company 2023 £'000**	**Group 2022 £'000**	**Company 2022 £'000**
Allowance at beginning of period	13,766	13,766	428	428
Provision for credit losses	12,843	11,731	26,239	26,239
Charge offs	(20,221)	(19,379)	(12,901)	(12,901)
Allowance at end of period	**6,388**	**6,118**	**13,766**	**13,766**

Zilch maintains an allowance for credit losses at a level sufficient to absorb expected credit losses based on evaluating known and inherent risks in Group's loan portfolio. The allowance for credit losses is determined based on the current estimate of expected credit losses over the remaining contractual term using historical loss rates.

Zilch uses historical loss rates on credit loans to determine different loss patterns for different customer groups, New Customer (Forced Churn) and Returning Customer (Expected Credit Loss).

Provision for rewards utilisation
Customers can earn up to 5% cashback in rewards on Pay Now transactions. Zilch provides for the utilisation of 65% of total rewards issued. The following table details activity in the allowance for credit losses:

	Group 2023 £'000	**Company 2023 £'000**	**Group 2022 £'000**	**Company 2022 £'000**
Allowance at beginning of period	237	237	-	-
Provision for rewards	3,838	3,829	4,600	4,600
Rewards utilised	(3,712)	(3,712)	(4,363)	(4,363)
Allowance at end of period	363	353	237	237

18 Cash and cash equivalents

	Group 2023 £'000	Company 2023 £'000	Group 2022 £'000	Company 2022 £'000
Cash at bank	35,635	26,797	100,505	99,380
Money Market Funds	26,013	26,013	-	-
Total	**61,648**	**52,809**	**100,505**	**99,380**

Cash and cash equivalents includes £10 million maintained in relation to the Goldman Sachs facility.

19 Trade and other payables

	Group 2023 £'000	Company 2023 £'000	Group 2022 £'000	Company 2022 £'000
Trade payables	3,456	2,769	2,865	2,793
Social security and other taxes	578	520	722	721
Other payables	212	212	914	613
Total	**4,246**	**3,502**	**4,502**	**4,127**

20 Lease liabilities

Group and Company	2023 £'000	2022 £'000
Current	1,049	1,685
Non-current	-	432
Total	**1,049**	**2,117**

Lease liabilities are included on the face of the statement of financial position in the other financial liabilities (current and non-current respectively).

Lease payments due	Within 1 Year £'000	1-2 Years £'000	Total £'000
Lease Payments	1,058	-	1,058
Finance Charges	(9)	-	(9)
Net Present Value	**1,049**	**-**	**1,049**

21 Other current financial liabilities

	Note	Group 2023 £'000	Company 2023 £'000	Group 2022 £'000	Company 2022 £'000
Current					
Provisions	17	6,471	6,471	14,002	14,002
Deferred consideration		2	2	979	979
Lease liability	20	1,049	1,049	1,685	1,685
Shares to be allocated and other		50	50	653	691
Total		**7,572**	**7,572**	**17,319**	**17,357**

Reconciliation of liabilities arising from financing activities:

The changes in the Group's liabilities arising from financing activities can be classified as follows:

	Long-term borrowings £'000	Lease liabilities £'000	Total £'000
1 April 2022	20,533	2,117	22,650
Cashflows:			
Recognition of right-of-use asset	-	794	794
Repayment	-	(1,295)	(1,295)
Interest	-	24	24
Disposal	-	(591)	(591)
Proceeds	7,379	-	7,379
31 March 2023	**27,912**	**1,049**	**28,961**

	Long-term borrowings £'000	Lease liabilities £'000	Total £'000
1 April 2021	-	-	-
Cashflows:			
Recognition of right-of-use asset	-	2,987	2,987
Repayment	-	(897)	(897)
Interest	-	27	27
Proceeds	20,533	-	20,533
31 March 2022	**20,533**	**2,117**	**22,650**

22 Other non-current financial liabilities

	Group 2023 £'000	Company 2023 £'000	Group 2022 £'000	Company 2022 £'000
Non-current				
Cash-settled share-based payment scheme liability (refer to Note 26)	1,807	1,807	1,883	1,883
Debt facility	27,912	-	20,533	-
Lease liability	-	-	432	432
Capitalised debt issue costs	(2,783)	-	(3,857)	-
Total	**26,936**	**1,807**	**18,991**	**2,315**

Refer to Note 26 Share-based payments for further details.

Debt facility and Equity investment

In July 2021 the Group obtained a commitment from Goldman Sachs Asset Management of £50 million for a flexible draw down facility with £75 million of follow-on funding to support the growth of the Zilch lending book. The facility is secured by a fixed and floating charge created in September 2021 over the assets of the parent company. A separate entity, ZF2 (as described in Note 12), is the legal borrower however the Group are in substance expected to utilise the facility to develop the Pay over 6 weeks service offering and ancillary products/services. Further to this, Goldman Sachs Asset Management also invested a further circa £7 million in equity. 10,218 shares were issued to settle the commitment fee of £4.3 million, which is included in the debt issues costs. £1.1 million (FY 2022 £0.9 million) was expensed in the year.

The facility contains certain covenants and restrictions, including certain financial maintenance covenants, and requires payment of a monthly unused commitment fee of 0.75% per annum on the undrawn balance available. The Group is also required to maintain a cash balance in aggregate of at least £10 million in order to continue to draw down against the facility, further should the Group balance in aggregate be less than £10 million for a period greater than 90 days, this would trigger an early amortisation of the facility. Commitment fees for the financial year totalled £188,000 (FY 2022 £206,000). As at 31 March 2023, the Group has drawn £27.9 million of a possible £50 million.

23 Financial assets and financial liabilities

	Group 2023 £'000	Company 2023 £'000	Group 2022 £'000	Company 2022 £'000
Financial assets				
Financial assets measured at fair value through profit or loss (FVTPL)	61,648	26,797	100,505	99,380
Financial assets that are debt instruments measured at amortised cost	34,870	12,271	39,523	19,374
Total	**96,518**	**39,067**	**140,028**	**118,754**
Financial liabilities				
Financial liabilities measured at fair value through profit or loss (FVTPL)	1,807	1,807	1,883	1,883
Financial liabilities measured at amortised cost	32,158	3,502	24,353	3,747
Total	**33,964**	**5,308**	**26,236**	**5,630**

The Group applies the following fair value hierarchy that prioritises the inputs to valuation techniques used in measuring fair value. The hierarchy establishes three categories for valuing financial instruments, giving the highest priority to unadjusted quoted in an active market for identical assets or liabilities and the lowest priority to unobservable inputs.

Level 1 – Unadjusted quoted for identical assets or liabilities in an active market that the Group has the ability to access at the measurement date.

In this category the Group includes Financial assets measured at fair value through profit or loss which comprise cash and cash equivalents.

Level 2 – Quoted in the markets that are not active, quoted prices for similar assets or liabilities, recent market transactions, inputs other than quoted market prices for the assets or liabilities that are observable either directly or indirectly for substantially the full term, and inputs to valuation techniques that are derived principally from or corroborated by observable market data through correlation or other statistical means for substantially the full term of the asset or liability.

The Group currently does not hold assets or liabilities that would be classified as Level 2.

Level 3 – Inputs to the pricing or valuation techniques that are significant to the overall fair value measurement of the asset or liability are unobservable.

In this category the Group includes:

- Financial assets that are debt instruments measured at amortised cost which comprise consumer loan receivables, trade and other receivables.
- Financial liabilities measured at amortised cost which comprise trade and other payables and loans held at amortised cost.
- Financial liabilities measured at fair value through profit or loss which comprise convertible loan notes and cash-settled share-based payment liabilities.

The Directors consider that the carrying values of these assets and liabilities are a reasonable approximation of fair values of these instruments.

24 Share capital

Authorised, allotted, called up and fully paid	2023 £	2022 £
Balance at 1 April 521,159 Founder shares of £0.001 each (2022: 521,159 Founder shares of £0.001 each)	521	521
602,713 Ordinary shares of £0.001 each (2022: 592,814 Ordinary shares of £0.001 each)	603	593
Total	**1,124**	**1,114**

Issued and fully paid:	2023 £	2022 £
Balance at 1 April	1,114	832
Issued during the year	10	282
At 31 March	**1,124**	**1,114**

The Company has two classes of shares, Founder shares and Ordinary shares. All shares carry one vote per share and have rights to receive dividends and to participate in a distribution of capital (including on winding up) subject to the provisions of the articles of association.

25 Share premium

	2023 £'000	2022 £'000
Balance at 1 April	**193,811**	**17,263**
Premium arising on issue of equity shares	10,518	180,653
Capital raising costs	(16,307)	(4,105)
At 31 March	**188,022**	**193,811**

Share premium represents the credited difference in price between the nominal value of shares and the total subscription price of issued £0.001 Ordinary shares during the period.

Capital raising costs are those costs directly attributable to the raising of further capital in the Company. £14.8 million of the capital raising costs were in the form of 11,713 share options with the exercise price of £0.01 per share.

26 Share-based payments

Equity-settled Share-based payments

The Company operates a share option plan for founders and senior management. In accordance with the terms of the plan, employees are granted options to purchase ordinary shares in the Company for a fixed price over a vesting period ranging from immediately to 3 years from the grant date.

Each employee share option converts into one ordinary share of the Company on exercise. No amounts are paid or payable by the recipient on receipt of the option. The options carry neither rights to dividends nor voting rights.

Options may be exercised at any time from the date of vesting to the date of their expiry, which is the tenth anniversary of the date of the grant. If the options remain unexercised after the tenth anniversary from the date of grant the options expire. Options are forfeited if the employee leaves the Group before the options vest. Some options have non-market performance conditions attached to them, including targets for sales lead generation, whilst others have only a continued service condition attached.

Equity-settled share-based payments are accounted for based on the fair value at award grant date with the requisite expense recognised over the vesting period of the award. The Black-Scholes option pricing model is used to determine the fair value of equity options granted under the plan.

Capital raising costs are those costs directly attributable to the raising of further capital in the Company. £14.8 million of the capital raising costs were in the form of 11,713 share options with the exercise price of £0.01 per share.

Details of the share options outstanding during the year are as follows:

	2023	2023	2023	2022	2022	2022
	No.	Weighted ave. exercise price	Weighted ave. fair value at grant date	No.	Weighted ave. exercise price	Weighted ave. fair value at grant date
		£	£		£	£
Outstanding at the beginning of the year	85,145	111.59	127.72	57,897	15.93	29.00
Granted during the year	29,681	64.29	1,210.78	27,708	315.27	372.45
Cancelled during the year	1,077	420.46	131.87	460	420.46	131.92
Exercisable at the end of the year	113,749	100.30	411.53	85,145	111.59	127.72

The inputs into the Black Scholes model are as follows:

	2023
Expected volatility	40%
Expected life	36 Months
Risk-free rate	2-3.5%

Expected volatility was determined by management taking into consideration the historical volatility of the Group's share price, fintech industry market trends as well as the start-up nature of the business.

For share options outstanding at the year-end, the range of exercise prices is £0.001 - £1,259.75 and the range of grant date fair values is £48.00 - £1,259.75. The weighted average remaining contractual life at 31 March 2023 is 7 years and the weighted average remaining vesting period is 2 years.

The Group recognised a total charge of £12,256,822 in relation to this scheme in 2023 (2022: £5,821,000) in profit or loss with a corresponding credit to the Share-based payment reserve within equity.

Cash-settled Share-based payments
The Group issues to certain employees notional share awards which entitle the holder to a cash bonus payment upon certain trigger events occurring in the future, including a sale, change in control or listing. A bonus cash payment, equal to the proceeds payable to a shareholder of the Company holding an equal number of shares, is payable following a trigger event to the holder if: a) performance targets are met to the satisfaction of the management team; and b) employees continue to be in full-time employment with the Company.

Based on management objectives and current forecasts, a trigger event is expected to occur and is deemed to be probable within 3 years from the 31 March 2023 year-end date. As such, the related expense for employee services has been spread straight line over a period of 4 years.

The Company issued 2,284 notional share awards to employees during the year ended 31 March 2023. The grant date fair value has been calculated at £1,259.75 per share and the fair value at the year-end date has been calculated at £1,259.75.

For cash-settled transactions, the Company recognises a cost in profit or loss over the service period and a corresponding liability on the balance sheet, included within "Other financial liabilities". The liability is remeasured at each reporting date until settlement date for subsequent changes in fair value. On the basis that the settlement is not expected to take place for 3 years from the balance sheet date, the liability has been presented as a non-current liability.

The Group has recorded a liability of £1,807,000 at 31 March 2023 (2022: £1,883,000) in respect of this cash-settled share-based payment plan, which includes employer's national insurance contributions calculated at 13.8%. The Group has recorded total expenses of £1,402,000 in the period (2021: £1,809,000).

27 Advanced subscriptions

During the year ended 31 March 2021, the Company received cash of £16,142,000 in respect of advanced subscriptions for £0.001 Ordinary shares in the Company. Under the terms of the advanced subscription agreements, there is an irrevocable commitment by the subscriber to acquire shares in the Company in the future based at either a fixed conversion price of £420.46 per share or at a variable price per share, subject to the terms of a "Qualifying Finance Round" as set out in the subscription agreement.

Cash received as consideration under advanced subscription agreements is considered to represent the fair value of the equity instrument and is credited to the Advanced subscriptions reserve within equity.

In the year ended 31 March 2022, in May 2021, all advanced subscriptions at 31 March 2021 were converted into Ordinary £0.001 shares in the Company.

28 Warrants

During the year ended 31 March 2023, 1,232 warrants were awarded to introducers of capital. Under the terms of the warrant instrument agreements, the warrants give the holders a right, but not an obligation, to subscribe to a fixed number of shares for a fixed price at a future date. During the year no warrants were exercised.

The subscription price ranges from nominal value (£0.001) to £69.00, and is conditional upon a trigger event taking place, being a sale or listing. Based on management objectives and current forecasts, a trigger event is expected to occur and is deemed to be probable within 3 years from the 31 March 2023 year-end date.

The warrants are presented within equity on the basis that they are considered to meet the "fixed for fixed" equity classification criteria under IFRS 9. The total fair value is £3,238,227 for all warrants. Refer to Note 31.

Prior year restatement:
Due to an error in the application of IFRS 9 historically, there has been a correction to the warrant value previously recognised. This has resulted in a correction to equity in FY 2022. The value of warrants isssued were recognised at a nominal value rather than at the value at point of issuance. This has resulted in an uplift in the warrant reserve from nil to £1,686,215 within equity for FY 2022, and an additional £1,552,012 for FY 2023. This correction has had no effect on the reported results of operations.

29 Business combinations

On 6 July 2021, the Company completed the acquisition of 100% ownership of Nepfin, a commercial lending platform. The acquisition of Nepfin has provided Zilch with a solid framework to launch its product to the US market through the expertise of the US team, licensing, and regulatory capabilities.

The purchase consideration was comprised of £3,623 in cash to be paid out to Nepfin on the Completion Date and £3,560,368 to be satisfied by the issue of 7,754 Consideration Shares.

The acquisition meets the criteria to be accounted for as a business combination. This method requires, among other things, that assets acquired, and liabilities assumed be recognised at their fair values as of the acquisition date and that the difference between the fair value of the consideration paid for the acquired entity and the fair value of the net assets acquired be recorded as goodwill, which is not amortised but is tested at least annually for impairment.

The table below summarises the consideration paid for Nepfin and the fair value of the assets acquired and liabilities assumed at the closing date (in thousands, except share data).

	£'000
Consideration at July 2021:	
Cash	4
Stock (7,754 shares of Class A common stock)	3,256
Recognised amounts of identifiable assets acquired, and liabilities assumed:	
Current assets (inclusive of cash acquired)	202
Fixed assets	162
Accrued expenses and other current liabilities	(181)
Total identifiable net assets acquired	**183**
Goodwill	1,128
Licence	1,949
Total	**3,260**

30 Profit or loss

The profit and loss account represents cumulative profits and losses net of all adjustments and transactions with owners (e.g. dividends).

31 Prior year restatements

The following table summarise the impact on the Group's consolidated and Company's financial statements.

For the year ended 31 March 2022

Consolidated statement of profit or loss:

	As reported £'000	Reclassification £'000	As Restated £'000
Revenue	10,967	-	10,967
Cost of sales	(11,358)	3,576	(7,782)
Gross (loss) / profit	**(391)**	**3,576**	**3,185**
Administrative expenses	(68,910)	(3,576)	(72,486)
Operating loss	**(69,301)**	**-**	**(69,301)**

Certain prior year amounts have been reclassified within the Consolidated Statement of Profit or Loss for consistency with the current year presentation. This reclassification had no effect on the reported results of operations and no impact on the previous reported cashflows.

Consolidated Statement of financial position - extract:

	As reported £'000	Reclassification £'000	As Restated £'000
Share capital	1	-	1
Share premium	195,497	(1,686)	193,811
Foreign currency translation reserve	(61)	-	(61)
Share-based payments reserve	6,153		6,153
Advanced subscription reserve	-		-
Warrant reserve	-	1,686	1,686
Retained Earnings	(89,412)		(89,412)
Total equity	**112,178**	**-**	**112,178**

Company Statement of financial position - extract:

	As reported £'000	Reclassification £'000	As Restated £'000
Share capital	1	-	1
Share premium	195,497	(1,686)	193,811
Share-based payments reserve	6,153	-	6,153
Advanced subscription reserve	-		-
Warrant reserve	-	1,686	1,686
Retained earnings brought forward	(10,377)		(10,377)
Profit / (loss) for the year	(74,398)		(74,398)
Total equity	**116,876**	**-**	**116,876**

Due to an error in the application of IFRS 9 historically, there has been a correction to the warrant value previously recognised. This has resulted in a correction to equity in FY 2022. The value of warrants isssued were recognised at a nominal value rather than at the value at point of issuance. This has resulted in an uplift in the warrant reserve from nil to £1,686,215 within equity for FY 2022, and an additional £1,552,012 for FY 2023. This correction has had no effect on the reported results of operations.

32 Related party transactions

Refer to Note 7 for details of Directors' remuneration and Key management personnel remuneration.

ZF2 is the legal borrower of Goldman Sachs Asset Management loan facility used by the Group (see Note 22 for further details).

ZF2 acquired a portfolio of loans from the Company on origination totalling £181 million. During the period, ZF2 also acquired a further £489 million of consumer loans from the Company.

On origination ZF2 repaid principle on the portfolio totalling £147 million. During the period the Company repaid principal on the portfolio of consumer loans totalling £476 million.

Unless otherwise stated, none of the transactions incorporate special terms and conditions.

In the opinion of the Directors there is no overall controlling party at year end.

33 Events after the reporting period

Events occurring after the reporting period are summarised below and are all considered to be non-adjusting events.

Between April 2023 and September 2023:

i. A further circa 9,000 equity settled share options were granted to Group employees under the scheme detailed in Note 26.

ii. The cash settled scheme was closed and all employees received equity settled awards.

iii. Investment received subsequent to year end of £20 million.