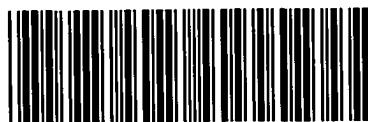


Registered number: 07330525

KRIYA FINANCE LIMITED (formerly MARKETFINANCE LIMITED)

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

THURSDAY



ACICNB41

A28

14/12/2023

#49

COMPANIES HOUSE

KRIYA FINANCE LIMITED (formerly MARKETFINANCE LIMITED)

CONTENTS

	Page(s)
Company Information	1
Strategic Report	2-4
Directors' Report	5-7
Independent Auditors' Report to the Members of Kriya Finance Limited	8-10
Consolidated Statement of Comprehensive Income	11
Consolidated Balance Sheet	12
Company Balance Sheet	13
Consolidated Statement of Changes in Equity	14
Company Statement of Changes in Equity	15
Consolidated Statement of Cash Flows	16
Notes to the Financial Statements	17-37

KRIYA FINANCE LIMITED (formerly MARKETFINANCE LIMITED)

COMPANY INFORMATION

Directors	P Forster L Griffiths M Trifonova (appointed 2 February 2023) A Stocker M Woodburn (appointed 18 November 2022) J Zink
Registered number	07330525
Registered office	48-50 Scrutton Street London England EC2A 4XQ
Independent auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 1 Embankment Place London United Kingdom WC2N 6RH
Bankers	Barclays Bank Leicestershire United Kingdom LE87 2BB

KRIYA FINANCE LIMITED (formerly MARKETFINANCE LIMITED)

**STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022**

Chief Executive Business Review

Kriya Finance Limited (formerly MarketFinance Limited) is a fintech company that keeps business flowing brilliantly by providing frictionless access to payments, credit and authentication through seamless integrations and instant decisions.

We're here to make financial services for businesses as accessible and instant as the internet.

The Company was founded to solve the challenges small businesses face, and launched as MarketInvoice in 2011. Originally focused on digital B2B invoice finance, the Company made the move into loans four years ago when it rebranded to MarketFinance in 2019. This enabled the Company to play a significant role in helping more small businesses urgently access longer-term finance to sustain their day-to-day operations during the COVID-19 pandemic.

Despite hopes of a return to normality after COVID-19, 2022 was a challenging year for companies across the country due to the impacts of high inflation, tight labour markets, sharply rising interest rates, persistent supply chain bottlenecks arising from geopolitical turmoil across the globe, and more specifically in the UK - the end of Government Guarantee schemes making access to cash harder for all businesses.

Against this backdrop and as our customers evolved, we had to think about which products to offer, our pricing and risk tolerance. We finished our Recovery Loans programme, continued scaling our Invoice Finance lending and most importantly, began offering embedded Pay Later solutions in 2022. Leveraging all our experience in B2B transactions over the past 11 years, we made it possible for B2B suppliers and marketplaces to use our technology to offer seamless payment, credit and B2B Buy Now Pay Later options at check-out.

During the course of 2022, we advanced £440m+ in credit to businesses through our multi-product offering. This was achieved by originating £76m+ in Business Loans as the end of the Recovery Loans Scheme (RLS) approached, as well as processing over 356,000 transactions and £3.3bn worth of Payments throughout the year.

In September 2022, the Company secured a financing facility of up to £30m from Viola Credit, to further expand its B2B Pay Later offering for SMEs. Available in Sterling, US Dollars, and Euros, the facility enables more businesses to offer flexible payment terms of up to 90 days at checkout to buyers across multiple geographies.

To reflect how we are broadening the way we support businesses - by removing the financial friction that stands in the way of doing the business they want - MarketFinance Limited became Kriya Finance Limited on 6 December 2022. Kriya is a Sanskrit word which means being in a state of flow and completed action, and we want our customers' business to flow brilliantly in 2023 and beyond.

This plays into the growing trend of how more businesses are meeting and transacting online, and is being recognised by a growing customer base who continue to highly value the speed and ease of dealing with Kriya - leading to our best in class TrustPilot score of 4.8 out of 5.

As we broadened our product offering and customer base, we continued to carefully manage our risk performance underwriting policy where required to keep loss rates in line with expectations.

KRIYA FINANCE LIMITED (formerly MARKETFINANCE LIMITED)

Financial performance

2022 saw revenue decrease 4% from £24.5m to £23.5m. This was driven by the end of our Business Loans origination as RLS came to an end, and mitigated by the continued demand for our Invoice Finance Product and the launch of our embedded Pay Later offering. Administrative costs grew due to higher costs in H1 2022 as the business invested significantly in its team, technology and processes to launch embedded Pay Later solutions alongside Invoice Finance and Business Loans. Operating costs were subsequently reduced in H2 2022 as Business Loans origination came to an end, thus allowing for a reduction in associated costs.

The key performance indicators monitored by the business include the total volume processed which was £442m in 2022 (2021: £490m). The financial position of the company is presented in the Balance Sheet. The total shareholders funds at 31 December 2022 were £17.6m (2021: £17.7m).

Financing arrangements through special purpose vehicles

On 11 February 2022, a special purpose entity, Clifton Funding Limited, was incorporated in England and Wales. The entity was established for the purpose of originating loans to UK SMEs from Kriya Finance Limited. The Company is not a shareholder in Clifton Funding Limited, however as it has significant influence and control over the entity and its day-to-day operations the entity is consolidated into the Company's financial statements.

On 11 September 2022, an existing special purpose entity, Business Loans MI1 Limited, was amended for the purpose of originating B2B Pay Later embedded finance to SMEs from Kriya Finance Limited. The entity continues to be consolidated into the Company's financial statements.

Principal risks and uncertainties

The principal risks and uncertainties that the Company is facing include macroeconomic outlook, high interest rates, fraud and credit risk, as well as government regulation.

In 2022, the UK economy was impacted by rising interest rates, price inflation across supplies, energy and labour, supply chain shortages associated with Brexit, the war in Ukraine and the China lockdown; as well as weaker consumer and business confidence as we entered a cost of living crisis. This macroeconomic fragility has implications for the shape of government support and regulation. As a business focused on payments and credit Kriya closely monitors the change in interest rates and ensures that there are accurate mitigation plans in place to reduce any interest rate exposure.

Transaction fraud risk and credit risk represent the core business risks for lending operations. Credit risk is linked to broader economic indicators, and therefore will require continued focus given the economic backdrop.

Financial risk management

Kriya has a strong market position as a leading, award-winning finance platform for UK businesses. The Company was accredited by the British Business Bank to lend under Coronavirus Business Interruption Loan Scheme (CBILS) and RLS, and has access to institutional funding across its lending products. Our funding structure enables us to price competitively for the UK market, and beyond, as we've started to expand geographically in the context of our embedded Pay Later offering.

Credit risk and default risk are managed through strong relationships with customers and robust underwriting policies. We have developed bespoke technology to increasingly automate underwriting, thus ensuring efficient processing and instant decisions where possible. Ongoing assessment of our portfolios' performance through analysis of credit risk indicators and broader macroeconomic trends enable us to report on projected performance and refine our credit underwriting procedures.

KRIYA FINANCE LIMITED (formerly MARKETFINANCE LIMITED)

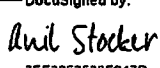
**STRATEGIC REPORT (*continued*)
FOR THE YEAR ENDED 31 DECEMBER 2022**

Liquidity risk is managed through detailed cash flow forecasts and ensuring appropriate funding is in place to operate with a comfortable reserve buffer. In January 2023, we closed a €36m venture debt loan facility with a new investor and have since drawn on the first €12m tranche.

Financial risk management (*continued*)

Interest rate risk is mitigated through the use of fixed interest rates on funding facilities, as well as interest rate hedging. Foreign exchange risk is mitigated by focusing mainly on UK SMEs and through matched currency funding of most of our USD and EUR Invoice Finance facilities. Further information is given in the strategic report.

This report was approved by the Board and signed on its behalf by:

DocuSigned by:

3EF3253536F947B...
Anil Stocker

CEO & Co-founder

15 November 2023

KRIYA FINANCE LIMITED (formerly MARKETFINANCE LIMITED)

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022**

The Directors present their annual report and the audited consolidated financial statements of Kriya Finance Limited (the "Company") for the year ended 31 December 2022.

Directors

The Directors who served during the year and up to the date of signing the financial statements were:

G Andrews (resigned 24 June 2022)

P Forster

L Griffiths

M Trifonova (appointed 2 February 2023)

I Kondrashov (resigned 8 September 2022)

A Stocker

M Woodburn (appointed 18 November 2022)

J Zink

Statement of directors' responsibilities in respect of the financial statements

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

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

Under company law, directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group and company for that period.

In preparing the financial statements, the directors are required to:

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

The directors are responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Directors' confirmations

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

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

Dividends

No dividends were paid or recommended during the year (2021: none).

KRIYA FINANCE LIMITED (formerly MARKETFINANCE LIMITED)

DIRECTORS' REPORT (*continued*) FOR THE YEAR ENDED 31 DECEMBER 2022

Going concern

The financial statements have been prepared on a going concern basis, which the Directors believe to be appropriate. The Directors have prepared cash flow projections for the Company covering a period of at least 12 months from the date of approval of these financial statements and the Directors consider the Company will be able to operate within its available facilities.

Directors' indemnities

The Company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

Issued share capital

During the year, the company raised £103 (2021: £518) of share capital; 184,390 (2021: 615,739) of Ordinary £0.0001 shares were issued for the total consideration of £16 (2021: £62). 849,336 (2021: 4,565,514) preference shares were issued for the total consideration of £2,000,000 (2021: £11,800,604). The issue was split as £87 Share Capital and £1,999,913 Share Premium.

Future developments

Kriya (formerly MarketFinance) is a fintech company that keeps business flowing brilliantly by providing frictionless access to payments, credit and authentication through seamless integrations and instant decisions.

We're here to make financial services for businesses as accessible and instant as the internet.

We are evolving our product set to deliver our mission and we are particularly focused on expanding the value we are providing to merchants through our new Embedded Finance product suite. In addition to developing our products, we are also investing in expanding our partner network as we identify opportunities and synergies to work with a number of new partners including Payment Service Providers (PSPs) and other technology companies. We are also focused on increasing our international presence and expanding into new geographies to ensure we can effectively service our customers.

Financial risk management

Credit risk and default risk are managed through strong relationships with customers and robust underwriting policies. Ongoing assessment of our portfolios' performance through analysis of credit risk indicators and broader macroeconomic trends enable us to report on projected performance and refine our credit underwriting procedures.

Liquidity risk is managed through detailed cash flow forecasts and ensuring appropriate funding is in place to operate with a comfortable reserve buffer. Further information is given in the strategic report.

Post balance sheet events

In January 2023, the Company signed two separate debt agreements with TriplePoint Capital LLC. One was on 30 January and the other on 31 January. Each agreement was for €6,000,000, lasting 48 months. The interest on these agreements is set at the US Prime Rate plus 6.5% annually. Then, on 31 March 2023, the BRV Special Opportunities Fund SPC converted their €6,000,000 Convertible Loan Notes into Company Equity.

Independent auditors

Under section 487(2) of the Companies Act 2006, PricewaterhouseCoopers LLP will be deemed to have been reappointed as auditors 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the financial statements with the registrar, whichever is earlier.

KRIYA FINANCE LIMITED (formerly MARKETFINANCE LIMITED)

**DIRECTORS' REPORT (*continued*)
FOR THE YEAR ENDED 31 DECEMBER 2022**

This report was approved by the Board and signed on its behalf by:

DocuSigned by:

3EF3253536F947B...
ANIL STOCKER
Director
15 November 2023

KRIYA FINANCE LIMITED (formerly MARKETFINANCE LIMITED)

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF KRIYA FINANCE LIMITED (FORMERLY MARKETFINANCE LIMITED)
REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**

Opinion

In our opinion, Kriya Finance Limited (formerly MarketFinance Limited)'s group financial statements and company financial statements (the "financial statements"):

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

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

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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

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

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

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

Reporting on other information

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

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

KRIYA FINANCE LIMITED (formerly MARKETFINANCE LIMITED)

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

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

Strategic report and Directors' Report

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

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to the Companies Act 2006 and relevant tax legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. 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 management bias in accounting estimates and inappropriate posting of manual journals. Audit procedures performed by the engagement team included:

- Discussions with management, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Addressing the risk of management override of controls, including testing of manual journals based on defined risk criteria, including focussing on unusual account combinations;
- Challenging assumptions and judgements made by management in determining significant accounting estimates; and
- Assessing financial statement disclosures and testing to supporting documentation, for compliance with applicable laws and regulations.

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

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

KRIYA FINANCE LIMITED (formerly MARKETFINANCE LIMITED)

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.



Adri Loubser (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

London

15 November 2023

KRIYA FINANCE LIMITED (formerly MARKETFINANCE LIMITED)**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022**

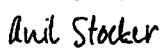
	Note	2022 £	2021 £
Revenue	4	23,471,382	24,481,049
Cost of Sales	7	(18,344,192)	(14,310,666)
Gross profit		5,127,190	10,170,383
Administrative expenses	7	(14,883,800)	(11,783,846)
Operating loss	5	(9,756,610)	(1,613,463)
Other income		6,382,308	3,868,531
Interest payable and similar expenses	9	(973,736)	(2,015,044)
Interest receivable and similar income	9	1,860,446	-
(Loss)/profit before taxation		(2,487,592)	240,024
Tax on (loss)/ profit	10	166,492	154,297
(Loss)/profit for the financial year		(2,321,100)	394,321
Other Comprehensive Income			
Gain on conversion of loan notes to equity		289,654	4,722,810
Total Comprehensive (Expense)/ income		(2,031,446)	5,117,131

The notes on pages 17 to 37 form part of these financial statements.

KRIYA FINANCE LIMITED (formerly MARKETFINANCE LIMITED)**REGISTERED NUMBER: 07330525****CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2022**

	Note	2022 £	2021 £
Fixed assets			
Tangible assets	11	210,176	234,683
Deemed Loans	12	139,317,488	109,543,500
Current assets			
Debtors	13	5,586,178	17,386,343
Cash at bank and in hand		16,845,018	28,342,530
		22,431,196	45,728,873
Creditors: amount falling due within one year	14	(12,715,085)	(8,702,090)
Net current assets		9,716,111	37,026,783
Total assets less current liabilities		149,243,775	146,804,966
Creditors: amounts falling due after more than one year	15	(131,636,765)	(129,072,780)
Net assets		17,607,010	17,732,186
Capital and reserves			
Called up share capital	17	3,563	3,460
Share premium account	18	46,681,317	44,656,620
Convertible loan notes		1,777,872	2,304,629
Other reserves	18	3,877,104	3,468,877
Other Comprehensive Income	18	5,012,464	4,722,810
Profit and loss account	18	(39,745,310)	(37,424,210)
Total shareholders' funds		17,607,010	17,732,186

The financial statements on pages 11 to 37 were approved by the Board on 15 November 2023 and were signed on its behalf by:

DocuSigned by:

 3EF3253536F947B...
Anil Stocker

Director

The notes on pages 17 to 37 form part of these financial statements

KRIYA FINANCE LIMITED (formerly MARKETFINANCE LIMITED)**REGISTERED NUMBER: 07330525****COMPANY BALANCE SHEET
AS AT 31 DECEMBER 2022**

	Note	2022 £	2021 £
Fixed assets			
Tangible assets	11	210,176	234,683
Deemed Loans	12	15,598,050	10,603,257
Current assets			
Debtors	13	3,280,341	11,980,141
Cash at bank and in hand		7,746,773	14,337,380
		11,027,114	26,317,521
Creditors: amount falling due within one year	14	(6,191,885)	(8,282,315)
Net current assets		4,835,229	18,035,206
Total assets less current liabilities		20,643,455	28,873,146
Creditors: amounts falling due after more than one year	15	(5,371,687)	(12,345,102)
Net assets		15,271,768	16,528,044
Capital and reserves			
Called up share capital	17	3,563	3,460
Share premium account	18	46,681,317	44,656,620
Convertible loan notes		1,777,872	2,304,629
Other reserves	18	3,877,104	3,468,877
Other Comprehensive Income	18	5,012,464	4,722,810
Profit and loss account	18	(42,080,552)	(38,628,352)
Total Shareholders' funds		15,271,768	16,528,044

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these financial statements. The loss after tax of the parent Company for the year was £3,452,200 (2021: loss of £913,307).

DocuSigned by:

Anil Stocker

3EF3253536F947B...

Anil Stocker
Director

The notes on pages 17 to 37 form part of these financial statements.

KRIYA FINANCE LIMITED (formerly MARKETFINANCE LIMITED)**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Called up share capital	Share premium account	Other reserves	Profit and loss account	Other Comprehensive Income	Total shareholders' funds
	£	£	£	£	£	£
At 1 January 2021	2,941	32,839,839	5,645,065	(37,818,531)	-	669,314
Comprehensive income for the financial year						
Profit for the financial year	-	-	-	394,321	-	394,321
Total comprehensive income for the year	-	-	-	394,321	-	394,321
Contributions by and distributions to owners						
Shares issued during the financial year	62	16,634	-	-	-	16,696
Conversion of convertible loan notes (note 18)	457	11,800,147	(3,249,936)	-	4,722,810	13,273,478
Issue of convertible loan notes (note 18)	-	-	2,184,561	-	-	2,184,561
Share based payment charge (note 18)	-	-	1,193,816	-	-	1,193,816
Total contribution by and distributions to owners	519	11,816,781	128,441	-	4,722,810	16,668,551
At 31 December 2021 and 1 January 2022	3,460	44,656,620	5,773,506	(37,424,210)	4,722,810	17,732,186
Comprehensive income for the financial year						
Profit for the financial year	-	-	-	(2,321,100)	-	(2,321,100)
Total comprehensive expense for the year	-	-	-	(2,321,100)	-	(2,321,100)
Contributions by and distributions to owners						
Shares issued during the financial year	16	24,784	-	-	-	24,800
Conversion of convertible loan notes (note 18)	87	1,999,913	(526,757)	-	289,654	1,762,897
Share based payment charge (note 18)	-	-	408,227	-	-	408,227
Total contribution by and distributions to owners	103	2,024,697	(118,530)	-	289,654	2,195,924
At 31 December 2022	3,563	46,681,317	5,654,976	(39,745,310)	5,012,464	17,607,010

The notes on pages 17 to 37 form part of these financial statements.

KRIYA FINANCE LIMITED (formerly MARKETFINANCE LIMITED)**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Called up share capital	Share premium account	Other reserves	Profit and loss account	Other Comprehensive Income	Total shareholders' funds
	£	£	£	£	£	£
At 1 January 2021	2,941	32,839,839	5,645,065	(37,715,045)	-	772,800
Comprehensive expense for the financial year						
Loss for the financial year	-	-	-	(913,307)	-	(913,307)
Total comprehensive expense for the year	-	-	-	(913,307)	-	(913,307)
Contributions by and distributions to owners						
Shares issued during the financial year	62	16,634	-	-	-	16,696
Conversion of convertible loan notes (note 18)	457	11,800,147	(3,249,936)	-	4,722,810	13,273,478
Issue of convertible loan notes (note 18)	-	-	2,184,561	-	-	2,184,561
Share based payment charge (note 18)	-	-	1,193,816	-	-	1,193,816
Total contribution by and distributions to owners	519	11,816,781	128,441	-	4,722,810	16,668,551
At 31 December 2021 and 1 January 2022	3,460	44,656,620	5,773,506	(38,628,352)	4,722,810	16,528,044
Comprehensive expense for the financial year						
Profit for the financial year	-	-	-	(3,452,200)	-	(3,452,200)
Total comprehensive expense for the year	-	-	-	(3,452,200)	-	(3,452,200)
Contributions by and distributions to owners						
Shares issued during the financial year	16	24,784	-	-	-	24,800
Conversion of convertible loan notes (note 18)	87	1,999,913	(526,757)	-	289,654	1,762,897
Share based payment charge (note 18)	-	-	408,227	-	-	408,227
Total contribution by and distributions to owners	103	2,024,697	(118,530)	-	289,654	2,195,924
At 31 December 2022	3,563	46,681,317	5,654,976	(42,080,552)	5,012,464	15,271,768

The notes on pages 17 to 37 form part of these financial statements.

KRIYA FINANCE LIMITED (formerly MARKETFINANCE LIMITED)**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2022**

	2022 £	2021 £
Cash flows from operating activities		
(Loss)/profit for the financial year	(2,321,100)	394,321
Adjustments for:		
Depreciation of tangible assets	125,906	98,002
Bad debt expense	2,584,601	1,032,456
Interest payable	973,736	2,105,043
Movement in fair value of the derivative	(1,860,446)	-
Loan fee amortisation	-	42,729
BCR Grant Income	(6,131,470)	(3,868,531)
Taxation credit	(166,492)	(154,297)
Decrease in debtors	14,065,033	28,546,695
Increase in creditors	(385,066)	(38,341,442)
Share based payment charge	408,227	1,193,816
Loan origination	(31,872,364)	(57,888,765)
Loan funding	13,158,522	69,760,502
Net cash (used in)/generated from in operating activities	(11,420,913)	2,920,529
Cash flows from investing activities		
Purchase of tangible fixed assets	(101,399)	(133,918)
Net cash used in investing activities	(101,399)	(133,918)
Cash flows from financing activities		
Proceeds from issue of shares	24,800	16,697
Proceeds from issue of convertible loan	-	7,998,480
Net cash generated from financing activities	24,800	8,015,177
Net (decrease) /increase in cash and cash equivalents	(11,497,512)	10,711,788
Cash and cash equivalents at the beginning of the year	28,342,530	17,630,742
Cash and cash equivalents at the end of the year	16,845,018	28,342,530
Cash and cash equivalents at the end of the year comprise:		
Cash at bank and in hand	16,845,018	28,342,530

The notes on pages 17 to 37 form part of these financial statements.

KRIYA FINANCE LIMITED (formerly MARKETFINANCE LIMITED)

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

1. General information

Kriya Finance Limited (the "Company") is a private company limited by shares and incorporated in the United Kingdom and registered in England and Wales. The principal activity of the Company is providing scalable funding solutions to SMEs in the form of Invoice Finance and Business Loans.

The Company's registered office is 48-50 Scrutton Street, London, England EC2A 4XQ.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared on going concern basis, under the historical cost convention, as modified by the recognition of certain financial assets and liabilities measured at fair value and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

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

The following principal accounting policies have been applied consistently throughout the year:

2.2 Going concern

The financial statements have been prepared on the going concern basis as the Directors have undertaken a review of future financing requirements for the ongoing operation of the Company and are satisfied that sufficient cash facilities are available to meet its working capital requirements for at least 12 months from the date of signing these financial statements. The Directors accordingly consider it appropriate for the financial statements to be prepared on a going concern basis.

2.3 Basis of consolidation

The consolidated financial statements present the results of the Company and three Special Purpose Vehicles over which the Company has significant influence and control ("the Group"). Intercompany transactions and balances between Group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Balance Sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values on the date which control is obtained. The results of acquired operations are included in the Consolidated Statement of Comprehensive Income from the date on which control is obtained.

Where an entity over which the company has control, has different accounting policies or accounting reference dates to the Group, adjustments are made to those financial statements to apply the Group's accounting policies and period of consolidation when preparing the consolidated financial statements.

KRIYA FINANCE LIMITED (formerly MARKETFINANCE LIMITED)

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

2. Accounting policies (continued)

2.4 Cash flow statement

The cash flow statement shows the changes in cash and cash equivalents arising during the year from operating activities, investing activities and financing activities.

The cash flows from operating activities are determined by using the indirect method. Under that method, loss before tax is adjusted for non-cash items and changes in other assets and liabilities to determine net cash inflows or outflows from operating activities.

Cash flows from operating activities includes funding and lending activities in Business Loans M11 Limited, Newton Funding Limited and Clifton Funding Limited as the Company has determined that these activities are undertaken in the normal course of operating those businesses.

2.5 Financial reporting standard 102 – reduced disclosure exemptions for Parent Company

The parent company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

- The requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv);
- The requirement to prepare a Statement of Cash Flows Section 7 or FRS 102 para 3.17(d);
- The requirement of Section 3 Financial Statement Presentation paragraph 3.17(d);
- The requirements of section 11 Financial Instruments paragraphs 11.41(b), 11.41(c), 11.41(d), 11.41(f), 11.42, 11.42, 11.44, 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b), and 11.48(c);
- The requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b), and 12.29A;
- The requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in these consolidated financial statements.

2.6 Revenue

Revenue comprises processing fees earned on the Company's business finance platform and loan interest income.

The Company offers term loans to SMEs. Arrangement fees and loan interest income are recognised in the Consolidated Statement of Comprehensive Income. Arrangement fees are recognised on signing the loan contract and interest recognised using the effective interest method over the course of the loan.

The Company also offers subscription-based Invoice Finance products which provide clients with regular access to the platform facility for a fixed monthly fee; and pay as you go products which provides clients with access to the platform facility on an ad hoc basis.

The Company also launched a Pay Later offering at the start of 2022 and processing fees are recognized in the Consolidated Statement of Comprehensive Income once funds are processed to the client.

Revenue is stated net of discounts and value added tax and is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

- For subscription-based products and loans, revenue is recognised once a financing agreement is signed by all parties.
- For pay-as-you-go products, revenue is recognised once funds are advanced to the client.

KRIYA FINANCE LIMITED (formerly MARKETFINANCE LIMITED)

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

2. Accounting policies (continued)

2.7 Tangible assets

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

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

Depreciation is provided on the following basis:

Fixtures and fittings	-	25% on cost
Computer equipment	-	25% on cost

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Income.

2.8 Debtors

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

2.9 Cash and cash equivalents

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

In the Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Company's cash management.

The Company holds client money on behalf of clients. Client monies held in segregated bank and the corresponding liabilities to these clients are not recognised in the Statement of financial position because these monies are held in trust and the Company is not beneficially entitled to them.

2.10 Financial instruments

The Company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

The Company enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like deemed loans, trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year) including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method.

Financial assets are measured at amortised cost, and are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the

KRIYA FINANCE LIMITED (formerly MARKETFINANCE LIMITED)

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

2. Accounting policies (continued)

2.10 Financial instruments (continued)

Consolidated Statement of Comprehensive Income.

The impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Group would receive for the asset if it were to be sold at the balance sheet date.

Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not at a market rate or in the case of an out-right short-term loan not at a market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently held at amortised cost.

Derivatives including warrants issued by the Company and interest rate swaps are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or income as appropriate. Hedging is not applied.

2.10.1 Compound financial instruments

The proceeds received on issue of convertible debt are allocated into their liability and equity components and presented separately in the balance sheet.

The amount initially attributed to the debt component equals the discounted cash flows using a market rate of interest that would be payable on a similar debt instrument that did not include an option to convert.

The difference between the net proceeds of the convertible debt and the amount allocated to the debt component is credited direct to equity and is not subsequently re-measured. On conversion, the debt and equity elements are credited to share capital and share premium as appropriate. Transaction costs that relate to the issue of the instrument are allocated to the liability and equity components of the instrument in proportion to the allocation of proceeds.

Transaction costs allocated to the liability components of the instrument are amortised to the profit and loss account on a straight-line basis.

2.10.2 Offsetting

Financial assets and liabilities are offset, and the net amount reported in the Balance Sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.10.3 Deemed loans

Deemed loans are recognised at amortised cost, that is initial recognition minus principal repayments, plus cumulative recognised using the effective interest method less any reduction for impairment.

Loans are subject to impairment reviews in accordance with IAS 39. Loans are assessed for evidence of objective impairment as a result of events subsequent to initial recognition; "loss events", that impact estimated future cash flows. Losses expected as a result of future events are not recognised. Where there is any indication that an asset may be impaired, the carrying value of the loan is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds the present value of future cashflows. The carrying amount is reduced via an allowance.

NOTES TO THE FINANCIAL STATEMENTS

KRIYA FINANCE LIMITED (formerly MARKETFINANCE LIMITED)

FOR THE YEAR ENDED 31 DECEMBER 2022

2. Accounting policies (continued)

2.10.3 Deemed loans (continued)

Credit enhancement is provided in a number of ways. The key credit enhancement on the CBILS and RLS loans is the 80% government guarantee. Additionally, the income on the Receivables is expected to exceed the interest

payable on the Company's loan notes. This excess spread is available to make good any reductions in the principal balance of the Receivables as a result of defaults by customers. In addition, the originator provides a Cash Reserve amount which can be recognised by the Company in certain circumstances.

2.11 Creditors

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

2.12 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is Pounds Sterling (£).

Transactions and balances

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

At each year end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

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

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Consolidated Statement of Comprehensive Income within 'Interest receivable and similar income' or 'Interest payable and similar expenses'. All other foreign exchange gains and losses are presented in the Consolidated Statement of Comprehensive Income within 'Administrative expenses'.

2.13 Interest receivable and similar income

Interest income is recognised in the Consolidated Statement of Comprehensive Income using the effective interest method.

2.14 Interest payable and similar expenses

Interest payable and similar expenses are charged to the Consolidated Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

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

KRIYA FINANCE LIMITED (formerly MARKETFINANCE LIMITED)

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

2. Accounting policies (continued)

2.15 Share based payments

Where share options are awarded to employees, the fair value of the options at grant date is charged to the Consolidated Statement of Comprehensive Income over the vesting period. Non-market vesting conditions are considered by adjusting the number of equity instruments expected to vest at each Balance Sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

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

2.16 Operating leases: The Company as lessee

Rentals paid under operating leases are charged to the Consolidated Statement of Comprehensive Income on a straight-line basis over the lease term.

2.17 Current and deferred taxation

Tax is recognised in the Consolidated Statement of Comprehensive Income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated based on tax rates and laws that have been enacted or substantively enacted by the Balance Sheet date in the countries where the Company operates and generates income.

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

The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and

Any deferred tax balances are reversed when all conditions for retaining associated tax allowances have been met.

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

2.18 Deferred income

Deferred income represents fees received in advance of a service being provided.

2.19 Grant liability accounting

In September 2020, the Company had received a £10m grant from the Banking Competition Remedies (BCR) group for Capacity & Innovation (C&I). The company had chosen to use the cost accounting model for that government grant income. Every quarter, the Company had provided detailed reports to both their governance committee and the BCR body. These reports broke down project costs between the Company and the BCR group. Based on these cost breakdowns, the Company recognised revenue every quarter.

That grant had specific milestones attached. The Company tracked its progress towards these milestones in its quarterly reports. By December 2022, the Company had fully utilised the grant in accordance with the business plan that had been approved by the BCR.

£6,382,308 (2021: £3,868,531) of grant revenue has been recognised in 2022.

KRIYA FINANCE LIMITED (formerly MARKETFINANCE LIMITED)

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

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

Useful economic life of tangible assets

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of assets. The useful economic lives and residual values are assessed annually. They are amended when necessary to reflect current estimates, based on technological advancements, future investments, economic life recognised and the physical condition of the assets. See note 11 for the carrying amount of tangible assets and note 2.7 for the useful economic lives for each class of asset.

Share based payments

Significant estimates include the estimation of the fair value of share-based payments. The Company has used the Black Scholes valuation model to determine the fair value of share-based payments. Any changes to volatility and assumptions made by management will impact the valuation. See note 19 for additional information.

Financial instruments

Warrants issued by the Company have been recognised as financial liabilities and are measured at fair value. The calculation of this fair value requires management to apply estimation techniques in ascertaining the future valuation of the ordinary shares of the Company based on forecast revenues. Any subsequent revisions to this forecast will have an impact on the fair value of the financial liability. See note 16 for additional information.

Assessment of impairment of loans

In the application of the Company's accounting policy, management are required to make judgements, estimates and assumptions about the carrying value of assets and liabilities that are not readily apparent from other sources.

The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates and in preparing these financial statements.

Management assesses on a regular basis whether the receivables are recoverable and if any potential provision if one is required. Receivables are analysed on a specific basis to assess the need for a provision. The quantum of the impairment provision is assessed taking into account the aging and collection status of the non-performing receivables.

Segregated client money accounts

Assessing whether segregated client money accounts, and the corresponding liability to return these funds to clients, is required to be reflected in the Statement of Financial Position of the Company requires judgement. The directors have concluded that the criteria for recognition have not been met, namely the receipt of economic benefit from funds in these accounts, therefore have not been recognised in these financial statements. As at 31 December 2022 the Company held £9,694,312.93 in such accounts (2021: £ 21,535,690.98)

KRIYA FINANCE LIMITED (formerly MARKETFINANCE LIMITED)**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022****4. Revenue**

The whole of the revenue is attributable to the provision of business finance and Payments solutions to SMEs including Pay Later, Invoice Finance and Business Loans.

Analysis of revenue by country of destination:

Group	2022	2021
	£	£
UK	23,471,382	24,481,049

Analysis of revenue by type:

	2022	2021
	£	£
Trading income	9,889,118	15,222,741
Loan interest receivable	13,582,264	9,258,308
	23,471,382	24,481,049

5. Operating loss

The operating loss is stated after charging/(crediting):

	2022	2021
	£	£
Depreciation of tangible assets (note 11)	126,505	98,002
Foreign exchange (gains)/ losses	(42,874)	1,231
Operating lease charges	490,797	271,326

KRIYA FINANCE LIMITED (formerly MARKETFINANCE LIMITED)**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022****6. Auditors' remuneration****Group**

	2022 £	2021 £
Fees payable to the Group's auditors for the audit of the Group's annual financial statements	304,000	180,000
Fees payable to the Group's auditors in respect of: Non-audit services	-	17,220

Company

	2022 £	2021 £
Fees payable to the Company's auditors for the audit of the Company's annual financial statements	166,000	123,000
Fees payable to the Company's auditors in respect of: Non-audit services	-	17,220

7. Cost of sales and administrative expenses

Cost of sales and administrative expenses include the following:

	2022 £	2021 £
Staff costs	10,452,916	9,389,408
Operating lease charges	490,797	271,326
Depreciation	126,505	98,002

Staff costs, including Directors' remuneration, for the Group and Company were as follows:

	2022 £	2021 £
Wages and salaries	8,601,762	7,620,529
Social security costs	1,116,314	846,908
Share based payments	408,228	707,902
Other pension costs	326,612	214,069
	10,452,916	9,389,408

The average monthly number of employees, including executive Directors, employed by the Group and Company during the year was as follows:

	2022 No.	2021 No.
Sales and marketing	38	38
Technology	30	33
Administration	62	59
	130	130

KRIYA FINANCE LIMITED (formerly MARKETFINANCE LIMITED)**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022****8. Directors' remuneration**

Remuneration in respect of Directors was as follows:

	2022 £	2021 £
Aggregate remuneration	<u>269,199</u>	<u>165,560</u>

The highest paid Director received remuneration of £180,000 (2021: £135,000).

No money purchase schemes were facilitated in the year, (2021: nil). None of the Directors (2021: 1) exercised share options during the year.

9. Interest payable and similar expenses

	2022 £	2021 £
Interest payable on convertible loan note	<u>973,736</u>	<u>2,015,044</u>
	<u>973,736</u>	<u>2,015,044</u>

Interest receivable and similar income

	2022 £	2021 £
Fair value movement on derivatives	<u>1,860,446</u>	<u>-</u>
	<u>1,860,446</u>	<u>-</u>

KRIYA FINANCE LIMITED (formerly MARKETFINANCE LIMITED)**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022****10. Tax on profit/ (loss)****Group****Corporation tax**

	2022	2021
	£	£
Corporation tax charge/(credit)	836	(154,297)
Adjustment in respect of prior years	(167,328)	-
Total current tax credit	(166,492)	(154,297)

Tax credit for the year

The current tax credit for the year is different from the rate of corporation tax in the UK of 19% (2021:19%). The differences are explained below:

	2022	2021
	£	£
(Loss) /profit before taxation	(2,487,592)	240,024
(Loss) /profit before taxation at UK Corporation tax rate of 19% (2021: 19%)	(472,642)	45,605
Effects of:		
Expenses not deductible for tax purposes	194,119	480,332
Other permanent differences	-	(304,694)
Additional deduction for Research & Development expenditure	-	(119,404)
Surrender of tax losses for R&D tax credit refund	-	50,033
Deferred tax not recognized	612,093	3,372
Adjustments in respect of prior periods	(167,328)	-
Accounting profits not taxed in accordance with SI 2006/3296	(231,323)	(309,006)
Cash retained profits taxed in accordance with SI 2006/3296	836	532
Income not taxable for tax purposes	(102,246)	(1,067)
Total current tax credit	(166,492)	(154,297)

Factors that may affect future tax charges

The Group has not recognised deferred tax assets of £8,148,164 as at 31 December 2022 (2021: £7,411,118) relating to carried forward losses of £32,566,099. (2021: £29,516,930), short term timing differences of £35,641 (2021: £23,851) and fixed asset timing differences of £21,102 (2021: £103,691). These recognised deferred tax assets have been calculated at a corporation tax rate of 25% (2021: 25%) and have not been recognised based on uncertainty over future taxable profits.

KRIYA FINANCE LIMITED (formerly MARKETFINANCE LIMITED)**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022****11. Tangible assets****Group and Company**

	Fixtures and fittings	Computer equipment	Total
	£	£	£
Cost			
At 1 January 2022	395,137	656,971	1,052,108
Additions	6,414	94,985	101,399
At 31 December 2022	401,551	751,956	1,153,507
Accumulated depreciation			
At 1 January 2022	345,857	471,568	817,425
Charge for the year	15,143	110,763	125,906
At 31 December 2022	361,000	582,331	943,331
Net book value			
At 31 December 2022	40,551	169,625	210,176
At 31 December 2021	49,280	185,403	234,683

KRIYA FINANCE LIMITED (formerly MARKETFINANCE LIMITED)**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022****12. Deemed Loans**

Group	2022	2021
	£	£
Loans receivable	142,732,119	110,859,755
Bad debt provisions	(3,414,631)	(1,316,255)
	139,317,488	109,543,500

Company	2022	2021
	£	£
Intercompany Subordinated Loan note – Business Loans	7,811,395	10,026,657
Intercompany Subordinated Loan note – Newton Funding	1,293,617	576,600
Intercompany Subordinated Loan note – Clifton Funding	6,244,051	-
Repurchased Loans	248,987	-
	15,598,050	10,603,257

In 2019, the Company entered into a Subordinated Loan Agreement with Business Loans MI1 Limited. £1,339,570 was drawn down in 2022 (2021: £4,706,386). Repayments of 3,249,290 were made during the financial year (2021: £2,025,604) and a balance of £8,116,937 at the end of the financial year (2021: £10,026,657). This Subordinated Loan is repayable on the final discharge date to the extent that funds are available. The maturity date of the loan is 12 months from the start of the amortization period.

In 2021, the Company also entered into a Subordinated Loan Agreement with Newton Funding Limited. £847,100.00 (2021: £576,600) was drawn down in the financial year and a balance of £1,212,659.36 (2021: £576,600) at the end of the financial year. This Subordinated Loan is repayable on the final discharge date to the extent that funds are available. The Subordinated Loan Note has a maturity date of 31 December 2050.

In 2021, the Company also entered into a Subordinated Loan Agreement with Clifton Funding Limited. £4,598,965 was drawn down from 2021 and a balance of £4,598,965 at the end of the financial year. This Subordinated Loan is repayable on the final discharge date to the extent that funds are available. The maturity date of the loan is 31 January 2026.

13. Debtors**Group**

	2022	2021
	£	£
Trade debtors	1,861,295	8,142,946
Corporation tax receivable	579,324	812,757
Other debtors	817,949	642,594
Derivative – Financial asset	1,828,801	-
Prepayments and accrued income	498,809	7,788,046
	5,586,178	17,386,343

Trade debtors are stated after provision for doubtful debts of £ 816,984 (2021: £369,072).

Company

	2022	2021
	£	£
Trade debtors	1,861,295	8,142,946
Corporation tax receivable	579,324	812,757
Other debtors	573,657	644,128
Intercompany loans receivable	-	32,876
Prepayments and accrued income	266,065	2,347,434
	3,280,341	11,980,141

KRIYA FINANCE LIMITED (formerly MARKETFINANCE LIMITED)**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022****14. Creditors: amounts falling due within one year****Group**

	2022	2021
	£	£
Convertible loan notes	3,233,734	4,278,211
Clifton Funding Senior Note	5,507,544	-
Trade creditors	1,355,466	309,897
Other creditors	1,331,916	419,559
Taxation and social security	373,650	1,279,843
Accruals and deferred income	912,775	2,414,580
	12,715,085	8,702,090

Company

	2022	2021
	£	£
Trade creditors	1,355,466	209,555
Convertible loan notes	3,233,734	4,278,551
Other creditors	126,166	302,551
Taxation and social security	373,498	1,279,843
Intercompany payables	-	311,693
Accruals and deferred income	1,103,021	1,900,122
	6,191,885	8,282,315

On 17 April 2018 the Company issued £3,200,000 of convertible loan notes to a pool of investors led by a director of the company as part of a financing arrangement. Interest is accrued on the loan at a market rate of 15% per annum. As at 31 December 2022, the total loan outstanding including accrued interest was £3,233,734 (2021: £4,278,551)

KRIYA FINANCE LIMITED (formerly MARKETFINANCE LIMITED)**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022****15. Creditors: amounts falling due after more than one year****Group**

	2022	2021
	£	£
Convertible loan notes	5,371,687	6,213,632
Business Loans MI1 Senior Note	33,340,960	71,325,278
Newton Funding Senior Note	76,037,266	37,372,000
Newton Funding Subordinated Note	16,886,852	8,030,400
Grant liability	-	6,131,470
	131,636,765	129,072,780

Company

	2022	2021
	£	£
Convertible loan notes	5,371,687	6,213,632
Grant liability	-	6,131,470
	5,371,687	12,345,102

In August 2018, the Company secured a £12m financing arrangement in the form of convertible loan notes from Barclays Converted Investments Limited. By September 2021, this loan was converted into equity. That same month, the Company obtained another £2m in convertible loan notes from Barclays UK Investments Limited. By the end of December 2021, the Company still owed £1,542,540 from this latter loan, which was subsequently converted into equity by December 2022.

In June 2021, the Company issued £6m of convertible loan notes to BRV Special opportunities fund, SPC. The liability element of this note at 31 December 2022 was £5,371,686.58 (2021: £4,671,034).

Business Loans MI1 Limited entered into a Senior Loan Note Agreement with a fixed rate that's secured over all the Receivables of the Company. £3,783,132 (2021 - £31,613,381) was drawn down in the financial year. Repayment of £41,767,450 (2021 - £7,255,279) was made during the financial year and a balance of £33,340,960 (2021 - £71,325,278) was remaining at the end of the year. The Senior Loan Note is secured by a fixed and floating charge on the assets. The maturity date of the loan is 12 months from the start of the amortization period.

Clifton Funding Limited entered into a Senior Loan Note Agreement with Deutsche Bank AG, London Branch for a facility with a maximum commitment amount equal to £87,500,000 and a Subordinated Loan Note agreement with Kriya Finance Limited (formerly MarketFinance Limited) with maximum commitment amount equal to £12,500,000. The Senior Loan Note interest is calculated at the applicable margin and the compounded RFR for that day and the Subordinated Loan Note interest is paid to the extent that funds are available under the prevailing priority of payments. The Senior Loan Note is secured by a fixed and floating charge on the assets. The maturity date of the loan is 31 January 2026.

Clifton Funding has entered into interest rate swap to hedge and minimise the risk. At the period end, the Company has an interest rate swap contract with a fair value of £1,828,801 to hedge the interest rate risk. The fair value of such interest rate swap contract is derived using the counterparty valuations.

Financial instruments that are measured in the balance sheet statement at fair value are required to be put into a fair value measurement hierarchy based on fair value measurement as detailed below:

- A. Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities
- B. Level 2 Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices)
- C. Level 3 Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. The only financial instruments included in the Company's balance sheet statement that are measured at fair value.

KRIYA FINANCE LIMITED (formerly MARKETFINANCE LIMITED)**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022****15. Creditors: amounts falling due after more than one year (continued)**

are derivative transactions. As the fair value of such derivatives is calculated by discounting future cashflows using appropriate and observable market data, these fall within Level 2 of the Hierarchy.

Newton Funding Limited entered into a Senior Loan Note Agreement with Duomo Funding Plc for a facility with a maximum commitment amount equal to £126,937,500 and a Subordinated Loan Note agreement with Arvo Investment Funding S.a.r.l. and Kriya Finance (formerly MarketFinance) Limited with maximum commitment amount equal to £40,000,000. The Senior Loan Note interest is calculated at the applicable margin and the compounded RFR for that day and the Subordinated Loan Note interest is fixed at 5% (2021: 5%). Interest is paid to the extent that funds are available under the prevailing priority of payments. The Senior Loan Note Loan Note has a maturity date of 31 December 2050.

In September 2020, the Company had been awarded a grant of £10m from the C&I fund managed by the BCR. The C&I fund had been set up to encourage competition in the banking market and to develop and improve financial products and services for SMEs. Grants were highly competitive and were awarded based on structured business plans that demonstrated strong product innovation and a robust strategy to increase financing options for SMEs. The cash had been held in restricted accounts until key milestones were achieved, at which points designated amounts were drawn down. By 31 December 2022, the Company had fully deployed the grant.

16. Financial instruments**Group**

	2022 £	2021 £
Financial liabilities		
<i>Financial liabilities measured at fair value through profit and loss</i>		
Derivative financial instruments	<u>99,120</u>	<u>298,528</u>
<i>Financial liabilities measured at amortised cost</i>		
Convertible loan notes	<u>8,605,421</u>	<u>10,491,842</u>

On 4 November 2016, the Company issued warrants over its own ordinary shares to Silicon Valley Bank, which were recognised as financial liabilities as at the date of issue. These warrants expire 10 years after the date of issue, being 4 November 2026.

KRIYA FINANCE LIMITED (formerly MARKETFINANCE LIMITED)**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022****17. Called up share capital****Shares classified as equity**

	2022 £	2021 £
Allotted, called up and fully paid		
14,305,460 (2021: 14,121,070) Ordinary shares of £0.0001 each	1,431	1,412
2,392,600 (2021: 2,392,600) Restricted shares of £0.0001 each	239	239
18,933,148 (2021: 18,083,812) Preference shares of £0.0001 each	1,893	1,809
	3,563	3,460

During the year, the company raised £103 (2021: £518) of share capital which has been recognised as follows:

- 184,390 (2021: 615,739) of Ordinary £0.0001 shares were issued for the total consideration of £16 (2021: £62).
- 849,336 (2021: 4,565,514) preference shares were issued for the total consideration of £2,000,000 (2021: 11,800,604). The issue was split as £87 (2021: £457) Share Capital and £1,999,915 (2021: £11,800,147) Share Premium.

Share classes:**Ordinary shares**

There is a single class of ordinary shares. Each share is entitled to after any Series A preference share dividend, a *Pari passu* dividend in the balance. Each share is entitled to participate in a distribution, ranking behind all other classes of shares. There are no rights of redemption.

Restricted shares

There is a single class of restricted shares. Each share is entitled to one vote to the extent vested pursuant to the Company's articles. Each share has no right or dividends or capital return.

Each share is entitled to participate in distribution, ranking behind Series A preference shares. Each share may be redeemed pursuant to the articles.

Preference shares**Series A**

Each share is entitled to one vote. Each share is entitled to a fixed cumulative dividend at an annual rate of 8% of the issue price.

Each share is entitled to participate in a distribution in priority to all other classes of share. Each share has no rights of redemption.

Series B

Each share is entitled to one vote. Each share is entitled to a fixed cumulative dividend at an annual rate of 8% of the issue price.

Each share is entitled to participate in a distribution in priority to all other classes of share. Each share has no rights of redemption.

KRIYA FINANCE LIMITED (formerly MARKETFINANCE LIMITED)**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022****18. Reserves****Share premium account**

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

	2022 £	2021 £
At 1 January	44,656,620	32,839,839
Share issues in the year	2,024,697	11,816,781
At 31 December	46,681,317	44,656,620

Other reserves

Other reserves represent the following:

The reserve which has been made for the cost of making share-based payments to staff under the employee stock option plan. See Note 19 for further details.

	Convertible loan note reserve £	Share options reserve £	Other Comprehensive Income	Total £
At 1 January 2022	2,304,629	3,468,877	4,722,810	10,496,316
Convertible loan note conversion	(526,757)	-	289,654	(237,103)
Share based payment charge	-	408,227	-	408,227
At 31 December 2022	1,777,872	3,877,104	5,012,464	10,667,440

Profit and loss account

The profit and loss account includes cumulative retained profits and losses from prior years, in addition to the current year loss. The Group Profit and loss account as at 31 December 2022 showed a loss of £39,745,310 (2021: loss £37,424,210).

The Company Profit and loss account as at 31 December 2022 was a loss of £42,080,552 (2021: loss £38,628,352).

KRIYA FINANCE LIMITED (formerly MARKETFINANCE LIMITED)**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022****19. Share based payments**

The Company operates the following employee equity incentive schemes: the 2012 EMI share option scheme, the 2015 EMI share option scheme, the 2019 EMI share option scheme, the 2022 CSOP share option scheme, the 2022 CSOP share option scheme and the 2022 USOP share option scheme.

All of the above option schemes are granted to employees as consideration in relation to equity option instruments (share options) of the Company. The options are granted with a fixed exercise price and are exercisable in a number of circumstances including when the option holder ceases to be an employee of the Company or upon a sale of the Company. Employees are required to remain in employment with the Company for 4 years from the grant date for the options to vest in full. The EMI and CSOP option schemes are UK government approved schemes with beneficial tax treatment. The USOP option scheme has no beneficial tax treatment and is utilised for non-UK employees, consultants and employees who have exceeded their CSOP quota.

The fair value of employee services received in exchange for the grant of options is expensed on an equity basis each reporting year, based on the Company's estimate of the number of shares that will eventually vest and the value of the options as at the date of grant.

The reconciliation of share option movements over the year is shown below:

	Weighted average exercise price (pounds)	Number	Weighted average exercise price (pounds)	Number
	2022	2022	2021	2021
Outstanding at the beginning of the year	0.2166	2,204,638	0.0911	2,071,783
Granted during the year	0.2935	1,963,714	0.2692	943,667
Exercised during the year	0.1395	(184,390)	0.0279	(616,072)
Forfeited during the year	0.2711	(1,827,105)	0.1466	(194,740)
Outstanding at the end of the year	0.2158	2,156,857	0.2166	2,204,638

The total number of exercisable options at 31 December 2022 was 2,156,857 (2021: 2,204,638) having an average exercise price of £0.2158 (2021: £0.2166).

The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions.

A Black-Scholes pricing method has been used to calculate the fair value of the options granted in the year. The following assumptions were made:

	2022	2021
Option pricing model used		
Exercise price	0.0001	0.0001
Expected volatility	35.0%	35.0%
Expected life (in years)	4	4
Risk-free rate	5.25%	0.75%

The share-based payment charge in the year was £408,227 (2021: £1,193,816).

KRIYA FINANCE LIMITED (formerly MARKETFINANCE LIMITED)**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022****20. Commitments under operating leases**

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

	2022 £	2021 £
Not later than 1 year	-	109,304
Later than 1 year and not later than 5 years	-	-
	-	109,304

21. Related Party Transactions

On 22 August 2018, a special purpose entity, Business Loans MI1 Limited, was incorporated in England and Wales. The registered address of Business MI1 Limited is 10th Floor 5 Churchill Place, London, United Kingdom, E14 5HU. The purpose of the entity is to act as an intermediary on behalf of the Company, providing additional loan finance to the Company's clients. The Company is not a shareholder in Business Loans MI1 Limited, however as it has significant influence and control over the entity and its day-to-day operations the entity is consolidated into the Company's financial statements.

On 9 April 2021, a special purpose entity, Newton Funding Limited, was incorporated in England and Wales. The registered address of Newton Funding Limited is 10th Floor 5 Churchill Place, London, United Kingdom, E14 5HU. The purpose of the entity is to ultimately originate loans to UK SMEs pursuant to the Recovery Loan Scheme ("RLS"). The Company is not a shareholder in Newton Funding Limited, however as it has significant influence and control over the entity and its day-to-day operations the entity is consolidated into the Company's financial statements.

On 11 February 2022, a special purpose entity, Clifton Funding Limited, was incorporated in England and Wales. The registered address Clifton Funding Limited is 10th Floor 5 Churchill Place, London, United Kingdom, E14 5HU. The purpose of the entity is to act as an intermediary on behalf of the Company, providing additional loan finance to the Company's clients. The Company is not a shareholder in Clifton Funding Limited, however as it has significant influence and control over the entity and its day-to-day operations the entity is consolidated into the Company's financial statements.

Transactions with key management personnel

The company is engaged in a related party relationship with Mr. Paul Forster, who is one of its Directors. Information about Mr. Forster is available on page 5 of the Directors' Report. On 11 April 2018 the Company received financing from a unsecured convertible loan of £3,200,000 from its Director Paul Forster. The loan bears an interest rate of 8% and has a longstop date of 17 January 2023. Interest of £243,978 (2021: £290,123) was accrued during the year. Repayments of £1,191,854 (2021: nil) was made during the year, The outstanding balance as at the year end was £3,243,978 (2021: £4,641,854).

Clifton Funding Limited

The Company acts as the servicer for the receivables portfolio for Clifton Funding Limited. During the financial year Clifton Funding Limited incurred fees of £56,673 from the Company. The Company is also a subordinated note holder and has received interest payments of £nil during the financial year. There is interest charged on the subordinated note.

Newton Funding Limited

The Company entered into an agreement with the Newton Funding Limited to Service the portfolio. During the financial year. Newton Funding Limited incurred fees of £836,187 (2021: £41,851) from the Company. The Company is also a subordinated note holder and has received interest payments of £58,022 (2021: £6,008) during the financial year. The rate of interest on the subordinated note is 5%.

KRIYA FINANCE LIMITED (formerly MARKETFINANCE LIMITED)

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

21. Related Party Transactions (continued)

Business Loans MI1 Limited

The Company acts as the servicer for the receivables portfolio for Business Loans MI1 Limited and received £259,649 (2021 - £432,116) during the financial year. The Company also provided £1,339,570 (2021 - £4,706,386) in a Subordinated Note to Business Loans MI1 Limited. Repayments of £3,249,290 (2021 - £2,025,604) were made during the financial year on the Subordinated Note. There is interest charged on the subordinated note.

22. Contingent liabilities

The company provides indemnity for losses on underlying portfolios to various investors. Losses on the Invoice Finance products remain very low so material outgoings remain unlikely.

A 10% indemnity has been provided to a debt investor in relation to a loan portfolio of £11.8m as at 31 December 2022 (2021: £24.9m). Assuming projected loss rates apply and after applying the government guarantee this is unlikely to exceed £250k over the course of 3-5 years. However, given the short duration of the portfolio and therefore uncertainty over loss rates, management have determined the threshold for recognition of a contingent liability has not been met.

23. Controlling party

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

24. Subsequent Events

In January 2023, the Company signed two separate debt agreements with TriplePoint Capital LLC. One was on 30 January and the other on 31 January. Each agreement was for £6,000,000, lasting 48 months. The interest on these agreements is set at the US Prime Rate plus 6.5% annually. Then, on 31 March 2023, the BRV Special Opportunities Fund SPC changed their £6,000,000 Convertible Loan Notes into Company Equity. Any interest that had built up by then was moved to retained earnings.

There are no other significant subsequent events to be disclosed.