

## SUPPORTING STATEMENT TO COMPANY ACCOUNTS

### Business Profitability Analysis - Three-Year Investment Cycle Perspective

#### Executive Summary

The Directors wish to provide context regarding the Company's financial performance during the reporting period, which should be evaluated within the framework of a three-year investment cycle rather than on an annual basis. The initial operational losses reflect specific, largely non-recurring factors associated with business establishment and capital deployment timing, rather than underlying operational deficiencies.

#### Key Financial Adjustments and Context

##### 1. Opportunity Cost of Excess Cash Holdings (£250,000)

During the initial phase of operations, the Company maintained significant cash balances averaging £750,000 across operational accounts (City Partnership and Revolut). This cash accumulation occurred as investment capital was received faster than the Company could complete due diligence processes and deploy funds to borrowers.

Financial Impact: The opportunity cost of these excess cash holdings is estimated at approximately £250,000, representing foregone returns that would have been generated had these funds been deployed in lending activities at normal operational efficiency levels.

Strategic Rationale: This conservative cash management approach was adopted to ensure:

- Adequate liquidity during the business establishment phase
- Ability to respond quickly to qualified lending opportunities
- Risk mitigation during initial operational scaling

##### 2. Non-recurring Professional and Legal Fees (£348,000 total - estimated £150,000 non-recurring)

The Company incurred substantial legal and professional fees totaling £348,000 during the period. A significant portion of these costs (estimated at £150,000) represents non-recurring expenditure directly related to business establishment activities.

Non-recurring elements include:

- Regulatory compliance and authorization costs
- Legal structure establishment and documentation

- Initial system implementation and integration
- Professional advisory services for business launch
- Compliance framework development

Ongoing operational fees: The remaining balance represents the baseline level of professional fees expected during normal operations, including ongoing regulatory compliance, legal support, and professional advisory services.

### 3. Conservative Success Fee Accrual Policy

The Company has adopted a prudent approach to success fee recognition, accruing fees based on a 60% success rate versus the expected long-term rate of approximately 75%.

Financial Impact: This conservative accounting approach has resulted in an understatement of potential revenue recognition during the period. Based on historical industry performance and the Company's loan portfolio quality, the differential between accrued (60%) and expected (75%) success rates represents significant unrealized revenue that should materialize over the investment cycle.

Risk Management Rationale: This approach provides:

- Protection against potential loan performance variations
- Conservative revenue recognition aligned with prudent accounting principles
- Adequate provision for market volatility impacts

## Adjusted Profitability Analysis

When accounting for these specific factors, the underlying operational performance demonstrates:

Adjusted Operating Position:

- Removal of opportunity cost impact: +£250,000
- Adjustment for non-recurring professional fees: +£150,000
- Recognition of conservative success fee accrual: [Additional uplift to be quantified based on loan portfolio performance] £50k

Total Identified Adjustments: £450,000 adjustment to reported performance

## Forward-Looking Perspective

The Directors expect that as the business matures beyond the initial establishment phase:

1. Cash Deployment Efficiency: Improved due diligence processes and pipeline management will reduce excess cash holdings and associated opportunity costs
2. Cost Base Normalization: Professional and legal fees will stabilize at operational levels (approximately £200,000 annually) as one-time establishment costs are eliminated

3. Revenue Recognition Optimization: Success fee accruals will align more closely with expected performance rates as portfolio performance data matures

## Conclusion

The initial operational losses should be viewed within the context of a three-year investment cycle, recognizing the specific circumstances of business establishment and conservative capital deployment during the startup phase. The underlying operational fundamentals, when adjusted for these identifiable factors, demonstrate the Company's path toward sustainable profitability as it scales to full operational capacity.

The Directors remain confident in the long-term viability and profitability of the business model, supported by the strong pipeline development, improving operational efficiency, and the elimination of significant non-recurring costs identified in this analysis.

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This statement should be read in conjunction with the Company's audited financial statements and notes thereto.