Beechbrook UK SME Credit I Holdings Plc

Annual Report and Audited Financial Statements

For the year ended 31 December 2024

Registered number: 09883003

Contents

General information

Registered office:	30 Saint Mary Axe 10th floor London, EC3A 8BF United Kingdom
Directors:	Jon Mark Herbert Matthew Leonard Molton Nicholas Peter Harvey
Independent Auditors:	PricewaterhouseCoopers LLP 7 More London Riverside London, SE1 2RT United Kingdom
Legal Advisors:	Macfarlanes LLP 20 Cursitor Street London, EC4A 1LT United Kingdom
Administrator:	Alter Domus Fund Services (UK) Limited 30 Saint Mary Axe 10th floor London, EC3A 8BF United Kingdom
Banker:	The Royal Bank of Scotland International Limited London Branch 280 Bishopsgate London, EC2M 4RB United Kingdom

Strategic report

Beechbrook UK SME Credit I Holdings PLC is a special purpose vehicle intended to hold, and make advances under, Loans (and their related security) originated by Beechbrook UK SME Credit Limited (the "Investment Manager") a subsidiary and authorised representative of Beechbrook Capital LLP to lend to UK small and medium sized enterprises.

The Company funds the advances it makes under a £151.7 million variable loan note (the "Facility") issued to Beechbrook UK SME Credit I L.P. (the "Fund") and by requesting advances under the Facility. The Facility is listed on the Irish Stock Exchange's Global Exchange Market ("GEM").

The Company completed its three-year Investment Period in December 2018, and at the balance sheet date held four investments (2023: four investments). During the year, the Company made no follow-on investments (2023: one follow-on investment). As at 31 December 2024, the value of the portfolio is £9.9 million (2023: £15.8 million) and principally represents cost, accrued interest and value of performance fee.

During the year, the Company received total principal repayments from its loan investments of £2.0 million (2023: £3.6 million). Including surplus income, the Company repaid £4.3 million of the variable loan note and interest under the Facility (2023: £5.7 million).

The Company is in its realisation phase and will continue to focus on managing the existing portfolio and striving to maximise the value in those investments.

Key Performance indicators

During the year, the Company made a repayment of the Facility of £4.3 million (2023: £5.7 million). There were no drawdowns on the Facility (2023: £0.1 million) during the year. As at 31 December 2024, the Company has a net payable balance of £10.7 million (2023: £17.4 million) owing to Beechbrook UK SME Credit I L.P.

During the year, the Company generated £1.6 million of interest income (2023: £2.0 million) and made a net profit after tax of £10,000 (2023: £10,000). Accordingly, the Directors of the Company recommend paying a dividend of £10,000 (2023: £10,000) to its sole shareholder, Beechbrook UK SME Credit Trust.

Principal risks and uncertainties

The Directors believe that there remains an inherent degree of uncertainty on the impact of the geopolitical events in Ukraine and the Middle East on the UK and broader global economy. The effect of which could result in adverse impacts on currency and financial markets, such as increased volatility and illiquidity, and potentially lower economic growth in markets in the UK, Europe and globally.

The Company makes loans to small and medium enterprises ("SMEs") which could be impacted by such macro events. The diversification of the portfolio has helped to mitigate this impact. The Investment Manager will continue to monitor the portfolio and work with the SMEs in identifying and managing this risk where possible.

The remaining risks are associated with achieving the full realisation of current fair market value and the future expected returns from the Company's investments, particularly those where leverage is still high. The Company is also potentially exposed to credit risk, liquidity risk and market risk for which further details are set out in note 4.

Section 172 Statement

The Directors of the Company recognise their duty under s172 of the Companies Act 2006 to promote the success of the company for the benefit of its stakeholders.

As described in the Strategic Report, the Company is a special purpose vehicle intended to hold, and make advances under, loans to lend to UK small and medium sized enterprises. The loans are originated by the Investment Manager and the Board reviews and approves such proposals with a view of making investments that will generate sufficient future profits for the Company to service its liabilities and pay dividends to its shareholder. The monitoring of the portfolio is also performed by the Investment Manager and any key decisions such as refinancing, follow-on investments and disposals are approved by the Board. The Board meets on a quarterly basis with the Investment Manager and reviews the quarterly performance of the investments, industry issues, and Investor quarterly reports issued by the Investment Manager. The Board also reviews the movements of the Notes position between the Company and its shareholder and compliance with the GEM listing.

Strategic report (continued)

Section 172 Statement (continued)

The shareholder of the Company is Beechbrook UK SME Credit Trust which is a charitable trust that uses the dividends to make donations across selected UK charities.

The Company's books and records are outsourced to a third-party administrator – Alter Domus Fund Services (UK) Limited ("AlterDomus") (see page 2) – who are responsible for maintaining the financial reporting records. The Board meets quarterly to review the financial performance of the Company and portfolio investments alongside the Investment Manager and AlterDomus. This also includes a review of any regulatory requirements, compliance and risks. The risks to the Company are stated in the Strategic report and Note 4 to the financial statements.

The Company's key business relationships are with the SMEs with which it has lending arrangements. The Company has no employees and its primary activity is to act as a special purpose vehicle for holding investments to generate interest income and eventual realisation. Its activities are not determined to have a direct impact on the community or on the environment. However, the loans are made to support the growth of UK SMEs and if successful may indirectly form a positive contribution to the UK economy through the creation of jobs and tax revenues.

The Board of Directors and the Investment Manager continue to monitor all investments regularly and to work closely to try to safeguard the interest of the Fund's limited partners.

Approver

This report was approved by the board of directors on 31 March 2025.

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Matthew Molton

Director

31 March 2025

Directors' report

The directors of Beechbrook UK SME Credit I Holdings Plc (the "Company"), a public limited company registered in England and Wales, present the annual report and audited financial statements of the Company for the year ended 31 December 2024.

The Company was incorporated in England & Wales on 20 November 2015 with Companies House registration 09883003.

The Company has adopted FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102").

The principal activity of the Company is to advance and hold senior secured loans to UK small and medium sized enterprises until realisation.

Principal activities, review of the business and future developments

The company funds the advances it makes under a £151.7 million variable loan note (the "Facility") issued to Beechbrook UK SME Credit I L.P. (the "Fund") and by requesting advances under the Facility. The Facility is listed on the Irish Stock Exchange's Global Exchange Market ("GEM").

As at the balance sheet date, the company held four investments with a valuation of £9.9 million (2023: £15.8 million). During the year, the Company received £2.0 million (2023: £3.6 million) of principal repayments from its loan investments. The Company generated gross income of £1.6 million (2023: £2.2 million). The Company repaid £4.3 million (2023: £5.7 million) of the Company's loan note and interest under the Facility. There was no drawdown on the Facility (2023: £0.1 million). As at the 31 December 2024, the Company's loan note and accrued interest under the Facility was £10.7 million (2023: £17.4 million).

Principal risks and uncertainties

The directors have considered the principal risks and uncertainties of the Company and are as explained in the Strategic report.

Going concern

The directors consider the Company to be a going concern as explained in note 5 to the financial statements.

Results and Distributions

During the year, the Company generated £2.1 million of total income (2023: £0.6 million) and made a net profit after tax of £10,000 (2023: £10,000). Accordingly, the Directors of the Company recommend paying a dividend of £10,000 (2023: £10,000) to its sole shareholder, Beechbrook UK SME Credit Trust.

Capital Structure

The Company has authorised and issued to its sole shareholder, Beechbrook UK SME Credit Trust, 50,000 ordinary shares of £1 each. At 31 December 2024, 37,500 shares (2023: 37,500 shares) remain unpaid. The Directors consider the remaining unpaid share capital will not be called upon, therefore it has been derecognised in the Statement of Financial Position. The ordinary shares carry no right to fixed income. Each share carries the right to one vote at general meetings of the Company and equal rights to share in the profits of the Company. The variable funding note facility holds seniority over the share capital.

Post balance sheet events

On 28 March 2025, the Company extended the maturity date of the Facility by a further five years to 21 June 2031.

There were no other post balance sheet events (note 19).

Directors of the Company

The Directors of the Company during the year and up to the date of this report were:

- Jon Mark Herbert
- Matthew Leonard Molton
- Nicholas Peter Harvey

Directors' report (continued)

Directors' interests

None of the directors had any interest in any material control or arrangement with the Company or its investments. The current Directors of the Company and those in office throughout the year, and up to the date of these financial statements, are detailed on page 2.

Disclosure of information to auditors

Each of the persons who are a director of the Company at the date of approval of this annual report confirms that:

- So far as the directors are aware, there is no relevant audit information of which the Company's auditors are unaware; and
- The directors have taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Independent Auditors

PricewaterhouseCoopers LLP (the "Independent Auditors") have expressed their willingness to continue in office.

Statement of directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the 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 company and of the profit or loss of the 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 company will continue in business.

The directors are responsible for safeguarding the assets of the 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 company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Directors' confirmations

The directors consider that the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the company's position and performance, business model and strategy.

Director's Indemnity

The qualifying third party indemnity provision for the benefit of one or more directors of the Company was in force at any time during the financial year or even when the report is approved.

On behalf of the Board of Directors of the Company

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Matthew Molton

Director
31 March 2025

Independent auditors' report to the members of Beechbrook UK SME Credit I Holdings Plc

Report on the audit of the financial statements

Opinion

In our opinion, Beechbrook UK SME Credit I Holdings Plc's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2024 and of its profit and 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 Audited Financial Statements (Annual Report), which comprise: the Statement of Financial Position as at 31 December 2024; the Statement of Comprehensive Income, the Statement of Changes in Equity and the Cash Flow Statement for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Board of Directors.

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

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

We have provided no non-audit services to the company in the period under audit.

Our audit approach

Overview

Audit scope

- In planning for our audit, we met with the Board of Directors to confirm our understanding of significant business activities during the year, and to understand their perspectives on associated business risks. We used this insight when forming our own views regarding the business, as part of developing our audit plan and when scoping and performing our audit procedures. We determined materiality and assessed the risks of material misstatement in the financial statements.

Key audit matters

- Valuation of Impaired loans held at amortised cost
- Investments held at fair value through profit and loss
- Income recognition

Materiality

- Overall materiality: £108,000 (2023: £174,000) based on 1% of total assets.
- Performance materiality: £81,000 (2023: £130,500).

The scope of our audit

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

Key audit matters

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

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

Income recognition is a new key audit matter this year. Otherwise, the key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
Valuation of Impaired loans held at amortised cost Refer to notes 2 (c) and 2 (d) (Significant Accounting Policies) and note 7 (Investments). The investment portfolio as at 31 December 2024 includes loans reported at amortised cost less impairment with a material valuation of £8.45m. Some of the loans were either fully or partially impaired as at year end. Loans at amortised cost less impairment are initially recognised at a carrying value equivalent to the funds advanced to the borrower. After initial recognition loans are subsequently measured at amortised cost using the effective interest rate method less impairment provisions. A quarterly impairment test is performed by the Directors and Investment Manager. A significant risk arises over the valuation of any impaired loans in the portfolio. The risk exists that loans reported at amortised cost less provisions for impairment are held at inappropriate carrying values. The valuation of the impaired loans that is carried out in order to assess the fair value is determined by the Directors in accordance with the International Private Equity and Venture Capital Valuation (IPEV) guidelines,	We understood the design and implementation of controls at the Investment Manager/Alter Domus relating to reconciliation, accounting and reporting of loan balances, including impairment assessment. We understood and assessed the methodology and assumptions applied by the Directors and Investment Manager in determining the valuation of loans at amortised cost less impairment, by reference to accounting standards and industry practice. We tested the techniques used in assessing the need for any impairment of the loans. Our testing included: • Recalculating the amortised cost balance using the effective interest rate method; • Obtaining independent confirmation of loan positions from the borrowers; • Performing testing on a sample basis to confirm the accuracy of the loans reported by agreeing payments of principal and interest to underlying transactions with borrowers; • Challenging the valuation models and reports prepared by the Investment Manager using externally available market information, to obtain an understanding of the process including their assessment of whether any impairment triggers have been met;

based on the earnings multiple basis of valuation. The impairment and fair value assessment requires estimates and significant judgements to be applied by the Directors and the Investment Manager such that changes to key inputs to the estimates and/or judgements made can result in a material change to the carrying value.	• Performing testing of key inputs and assumptions into the valuation models; • Understanding the performance of each investee company and the results of the related impairment assessment using information provided by each investee company; • Obtaining supporting financial information from the investee companies that corroborated the key inputs in the valuation models; and • Agreeing the amounts per the valuation reports to the accounting records and the financial statements. As a result of the procedures performed, we found that the recording of the loans held at amortised cost were free from material misstatement and consistent with the Company's accounting policies. Furthermore, the assumptions used by management to calculate impairment provisions were supported by appropriate evidence. Our testing did not identify any evidence of material misstatement.
Investments held at fair value through profit and loss Refer to notes 2 (e) (Significant Accounting Policies) and note 7 (Investments). The investment portfolio as at 31 December 2024 included unlisted investments valued at fair value through profit and loss. We focused on the valuation and existence of the unlisted investments held in portfolio companies as these investments represented a material balance in the financial statements of £1.50m and the valuation requires significant estimates to be applied by the Directors such that changes to key inputs to the estimates made can result in a material change to the valuation of unlisted investments. The valuation of the unlisted investment in portfolio companies is carried out in order to assess the fair value is determined by the Investment Manager in accordance with the International Private Equity and Venture Capital Valuation (IPEV) guidelines, based on the earnings multiple basis of valuation. The impairment and fair value assessment requires estimates and significant judgements to be applied by the Directors and the Investment Manager such that changes to key inputs to the estimates and/or judgements made can result in a material change to the carrying value.	We understood the design and implementation of internal controls around the valuation process. We assessed the valuation methodology applied by reference to the International Private Equity and Venture Capital Valuation guidelines (IPEV), and tested the techniques used by the Directors in determining the fair value of unlisted investments. • We performed substantive testing over the material unlisted investments held at the year end. This testing included: • Assessing the appropriateness of the valuation methodology used and testing the inputs either through validation to appropriate sources, or where relevant, assessing whether significant estimates and judgements used are supportable; • Agreeing purchases of the investments and subsequent investments to purchase agreements and bank statements; • Obtaining an independent confirmation from the portfolio companies of the unlisted investments held; • Seeking publicly available third party information that would corroborate or challenge the estimates made by the Directors in their year end valuation; and • Checking the mathematical accuracy of the Directors' valuation calculation. We found that the Directors' valuation policy applied to the unlisted investments in portfolio companies was appropriate and the resultant valuations were materially consistent with the application of that policy. No material misstatements were identified from our substantive testing.
Income recognition Refer to notes 2 (g) (Significant Accounting Policies)The risk exists that interest income of £1.58m is manipulated in order to increase revenues and profits through top side manual journals, given the performance objectives of the	In order to mitigate the risk, we obtained an understanding of the design and implementation of controls relating to the recognition of interest income. Our testing procedures included the following:

partnership are yield orientated. Interest income comprises contractual cash and payment-in-kind interest from loan investments. Interest from loans is recognised in the Statement of Comprehensive Income for all instruments measured at amortised cost using the effective interest rate method ("EIRM").	• We assessed the accounting policy for income recognition and determined that it was in compliance with FRS 102. • We reviewed and tested journal entries, in particular any journal entries posted with unusual account combinations. • We tested that income had been recognised in accordance with the accounting policy. • We performed testing over the existence and occurrence of loan interest income, by agreeing interest rates and maturities to supporting documentation, including loan agreements, and to cash received. • We evaluated the Directors' assessment of the recoverability of accrued interest as part of our testing of the valuation of loans at amortised cost less impairment, as explained above. • We recalculated loan interest income recognised using the effective interest method. • We performed recalculations of the amortisation of transaction fees based on the terms agreed per the loan agreements at inception. • We reconciled the total income tested per interest schedule back to the ledger to ensure completeness. We also tied the ledger to the accounting records and the financial statements. • We performed cut-off testing procedures to confirm that revenue is recorded in the appropriate period. As a result of our procedures performed, we found that the recognition of income was free from material misstatement and consistent with the Company's accounting policies.

How we tailored the audit scope

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

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the Directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

The impact of climate risk on our audit

As part of our audit we made enquiries of management to understand the extent of the potential impact of climate risk on the Company's financial statements, and we remained alert when performing our audit procedures for any indicators of the impact of climate risk. In particular, we understood management's consideration of the impact of climate change in the valuation of investments in so far as they are able. We also considered the consistency of the climate change disclosures included in the Strategic Report with the financial statements and our knowledge from our audit. Our procedures did not identify any material impact as a result of climate risk on the Company's financial statements.

Materiality

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

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

Overall company materiality	£108,000 (2023: £174,000).
How we determined it	1% of total assets
Rationale for benchmark applied	The benchmark used is total assets because the focus of the main users of the financial statements is on the value of the investments.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2023: 75%) of overall materiality, amounting to £81,000 (2023: £130,500) for the company financial statements.

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

We agreed with the Board of Directors that we would report to them misstatements identified during our audit above £5,400 (2023: £17,500) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

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

- Discussing with management to understand the future plans of the Company;
- Obtaining the Directors' assessment of going concern, assessing the key assumptions and considering whether these were supported by the evidence we obtained; and
- Reviewing the disclosures provided relating to the going concern basis of preparation, and noting that these provided an explanation of the Directors' assessment that was consistent with the evidence we obtained.

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 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 company's ability to continue as a going concern.

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

Reporting on other information

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

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

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

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

Strategic report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 31 December 2024 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 company and its 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, 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 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 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 company and industry, we identified that the principal risks of non-compliance with laws and regulations related to the listing rules of the Irish Stock Exchange's Global Exchange Market ("GEM"), and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to management bias in making judgements and estimates involved in determining the impairment of the investments, and posting inappropriate journal entries. Audit procedures performed by the engagement team included:

- Enquiring with management including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Obtaining an understanding of management's internal control environment designed to prevent and detect irregularities;

- Reviewing relevant meeting minutes, including those of the Board of Directors;
- Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing;
- Understanding controls at the Investment Manager and its outsourced service provider relating to reconciliations, accounting records and the reporting of loan balances;
- Corroborating inputs and challenging assumptions and judgements made by the Investment Manager and Directors over significant areas of estimation through procedures relating to the carrying value of investments described in the related key audit matter above; and
- Identifying and testing journal entries, in particular any journal entries posted with unexpected account combinations.

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

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

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Appointment

We were appointed by the members on 30 November 2017 to audit the financial statements for the year ended 31 December 2017 and subsequent financial periods. The period of total uninterrupted engagement is eight years, covering the years ended 31 December 2017 to 31 December 2024.

Tina Ahuja (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
31 March 2025

Statement of Comprehensive Income

	Notes	Year ended 31 December 2024 £	Year ended 31 December 2023 £
Income			
Interest income	2g	1,577,526	1,991,091
Transaction fee	2g	-	92,778
Other income		69,006	113,994
Movement in the fair value of investments		497,324	(1,562,685)
Total income		**2,143,856**	**635,178**
Operating expenses	6	(146,912)	(178,155)
Interest on variable funding note	2k, 12	(1,984,598)	(444,677)
Impairment	7	(4,299,296)	(1,854,088)
Movement in variable funding note	12	4,299,296	1,854,088
Profit for the year before tax		12,346	12,346
Corporation tax	10	(2,346)	(2,346)
Comprehensive income for the year after tax		**10,000**	**10,000**

The results for the year were in respect of continuing operations. There were no items of other comprehensive income for the year (2023: none).

The accompanying notes on pages 19 to 29 are an integral part of the financial statements.

Statement of Financial Position

	Notes	As at 31 December 2024 £	As at 31 December 2023 £
Fixed assets			
Investments	7	9,948,785	15,750,756
Current assets			
Debtors	8	1,007	1,205
Cash and cash equivalents		850,216	1,685,599
		10,800,008	17,437,560
Current liabilities			
Creditors: amounts falling due within one year	9	(1,826,563)	(1,664,819)
Total assets less current liabilities		8,973,445	15,772,741
Non-Current liabilities			
Variable funding note	12	(8,950,945)	(15,750,241)
Net assets		**22,500**	**22,500**
Capital and reserves			
Called up share capital	15	12,500	12,500
Retained earnings		10,000	10,000
Total shareholder's funds		**22,500**	**22,500**

The financial statements of Beechbrook UK SME Credit I Holdings Plc (Registered number: 09883003) were approved by the Board of Directors on 31 March 2025 and signed on its behalf by:

Matthew Molton	Nicholas Harvey
Director	Director
31 March 2025	31 March 2025

The accompanying notes on pages 19 to 29 are an integral part of the financial statements.

Statement of Changes in Equity

	Note	Share Capital £	Retained Earnings £	Total £
As at 1 January 2024		12,500	10,000	22,500
Dividend paid		-	(10,000)	(10,000)
Comprehensive income for the year		-	10,000	10,000
As at 31 December 2024		**12,500**	**10,000**	**22,500**

	Note	Share Capital £	Retained Earnings £	Total £
As at 1 January 2023		12,500	10,000	22,500
Dividend paid		-	(10,000)	(10,000)
Comprehensive income for the year		-	10,000	10,000
As at 31 December 2023		**12,500**	**10,000**	**22,500**

There is a single class of ordinary shares. There are no restrictions on the distribution of dividends and the repayment of capital.

The accompanying notes on pages 19 to 29 are an integral part of the financial statements.

Cash Flow Statement

	Notes	Year ended 31 December 2024 £	Year ended 31 December 2023 £
Net cash generated from operating activities	13	**3,484,617**	**5,641,589**
Cash flows used in financing activities			
Dividend paid		(10,000)	(10,000)
Variable funding note repaid		(2,500,000)	(3,512,338)
Interest paid on variable funding note	2k	(1,810,000)	(2,163,333)
Net cash used in financing activities		**(4,320,000)**	**(5,685,671)**
Net decrease in cash and cash equivalents		**(835,383)**	**(44,082)**
Cash and cash equivalents at beginning of year		1,685,599	1,729,681
Cash and cash equivalents at end of year		**850,216**	**1,685,599**

The accompanying notes on pages 19 to 29 are an integral part of the financial statements.

Notes to the Financial Statements

1. Background

Beechbrook UK SME Credit I Holdings Plc (the "Company") is a public limited company in England and Wales established under the Limited Companies Act 2006, registered on 20 November 2015 (09883003). The Company is a special purpose vehicle intended to hold and advance loans (and their related security) originated by Beechbrook UK SME Credit Limited (the "Investment Manager"), a subsidiary and authorised representative of Beechbrook Capital LLP, to UK small and medium sized enterprises. Its registered office and place of office are disclosed on page 2.

Statement of compliance

These financial statements have been prepared in compliance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Companies Act 2006.

2. Summary of significant accounting policies

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

a) Basis of preparation

The financial statements have been prepared on a going concern basis under the historical cost convention, as modified by investments at fair value through profit or loss.

The preparation of financial statements in conformity with FRS 102 requires the use of accounting estimates and for management to exercise judgement while applying the Company's accounting policies. These estimates are based on the management's best knowledge of events, which existed at the reporting date, however, the actual results may differ from these estimates. The area involving a higher degree of judgement or complexity and which involves significant assumptions is the valuation of loan investments, which are held at amortised cost less impairment, and equity (or equity related) investments which are held at fair value through profit or loss (see note 2e).

b) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, deposits held on call with banks and other short term, highly liquid investments with original maturities of three months or less. Bank overdrafts that are repayable on demand are included as a component of cash and cash equivalents for the purpose of the Cash Flow Statement.

c) Loans at amortised cost less impairment

Loan investments are initially recognised at a carrying value equivalent to the funds advanced to the borrower plus accrued interest. After initial recognition loans are subsequently measured at amortised cost using the effective interest rate method less impairment provisions (see note 2d).

At the end of each reporting period the loans are assessed for objective evidence of impairment. If the loan is impaired, the impairment loss is recognised in the Statement of Comprehensive Income.

d) Impairment of loans

The allowance for impairment losses on loans and receivables is the Company's best estimate of losses incurred in the portfolio at the balance sheet date. The factors, which may be considered indicators of an impairment event include delays in cash interest payments, deterioration of value, borrowers' delinquency and covenant breaches. In determining the required level of impairment provisions, the Company uses the outputs from the analysis of historical and budgeted data, multiples and primarily business forecasts. Judgement is required to assess the robustness of the outputs from this analysis and, where necessary make appropriate adjustments. Impairment losses on the loans and accrued interest are recognised in the Statement of Comprehensive Income.

Notes to the Financial Statements (continued)

2. Summary of significant accounting policies (continued)

e) Investments at fair value through profit or loss

Investments at fair value through profit or loss comprise the Company's rights to future performance fees attached to loan investments where applicable. Performance fees are contractual rights to future income payable upon an exit event such as the sale of the business. The value of the fee is normally based upon the equity value of the business at the time of the exit event relative to the entry level value. Accordingly, the performance fee element of the loan is valued in compliance with the principles of the International Private Equity and Venture Capital Valuation Guidelines ("IPEV") as amended 14 December 2022.

FRS 102 establishes a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value. The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level I inputs) and the lowest priority to unobservable inputs (Level III inputs). Market price observability is impacted by a number of factors, including the type of investment and the characteristics specific to the investment. Investments with readily available active quoted prices, either for the identical instrument or similar instruments, generally will have a higher degree of market price observability and a lesser degree of judgement used in measuring fair value.

Investments measured and reported at fair value are classified and disclosed utilising inputs from one or more of the following categories:

Level I - quoted (bid) price for an identical asset in an active market;
Level II - price of a recent transaction for an identical asset. If necessary, the price is adjusted to reflect updated economic conditions or if evidence suggests that a recent transaction was not at fair value; and
Level III - if there is no market and no suitable recent transactions then a valuation technique is used to determine the arm's length price for the asset. If a reliable, commonly used valuation method exists in that market, then that technique is used.

The Directors have concluded that the Company's investments at fair value through profit or loss should be classified as using significant Level III inputs in the fair value hierarchy.

The fair value of the performance fees reported in these financial statements is determined by the Investment Committee of the Investment Manager in accordance with the IPEV guidelines. The fair value is the price that would be received to sell the asset in an orderly transaction between market participants at the measurement date. Where available, fair value is based on observable market prices or parameters or derived from such price or parameters. Where observable prices or inputs are not available, valuation techniques are applied. These valuation techniques involve varying levels of management estimation and judgement, the degree of which is dependent on a variety of factors. Hierarchical levels, as defined by FRS 102, are directly related to the amount of subjectivity associated with the inputs to the valuation of these investments.

The performance fees are valued using the earnings multiple basis of valuation. Under this method, an earnings multiple is selected and applied to the earnings before interest, tax, depreciation and amortisation ("EBITDA") to approximate the enterprise value (EV) of the business. The earnings multiple selected in calculating the EV is typically based on comparable or market entry multiple used at the time of purchase adjusted for any material events. These include, but are not limited to, price of recent comparable transactions, timing of exit and risk profile. Unrealised performance fees are held at fair value through profit and loss, upon realisation performance fees are recorded in the Statement of Comprehensive Income.

After deduction of all debt like financial instruments in the event of a liquidation (the "attributable enterprise value" ("AEV")), the AEV is apportioned across the remaining equity. Where applicable, any value attributable to the Company's share of the performance fees is recognised as an unrealised gain in the Statement of Comprehensive Income. However, the Investment Manager reserves the right to restrict the value to cost where the accuracy of such estimates are too remote to predict with a reasonable level of certainty.

Notes to the Financial Statements (continued)

2. Summary of significant accounting policies (continued)

f) Interest expense and similar charges

Interest expenses and similar charges are recognised on an accruals basis.

g) Interest income and transaction fees

Interest income is comprised of UK contractual cash and payment in kind ("PIK") interest from loan investments. PIK interest accrues over the life of the investment and is typically paid upon a realisation event. Interest from loans is recognised in the Statement of Comprehensive Income for all instruments measured at amortised cost using the effective interest rate method ("EIRM").

The EIRM is a method of calculating the amortised cost of a financial asset or financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Company takes into account all contractual terms of the financial instrument, for example prepayment options, but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Fees and commissions which are not considered integral to the EIRM and interest income are recognised on an accruals basis when the service has been provided or received.

Transaction fees comprise all arrangement fees and other transaction fees that arise in the course of making investments for the benefit of the Company and are recognised in the Statement of Comprehensive Income. Arrangement fees are amortised over the life of the loan to which they relate.

h) Taxation

For UK corporation tax purposes, the Company has been considered as a securitisation company under the Taxation of Securitisation Companies Regulations 2006 (SI 2006/3296). Therefore, the Company is not required to pay corporation tax on its accounting profit or loss. Instead, the Company is required to pay tax on its retained profits as required by the capital market arrangement.

i) Foreign exchange gains and losses

The financial statements of the Company are presented in the currency of the primary economic environment in which the Company operates, being Pounds Sterling ("GBP") (the "functional currency").

Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at the reporting date.

Non-monetary assets and liabilities held at historic cost, that are denominated in foreign currencies are translated at the spot rate prevailing on the transaction date with no revaluation taking place at the reporting date.

j) Expenses

All expenses are accounted for on an accruals basis.

k) Variable funding note facility

On 22 June 2016, the Company issued a £250 million variable funding note (the "Facility") to Beechbrook UK SME Credit I L.P. (the "Purchaser"). On 28 April 2017, the Company issued an amendment and restatement of the Note Purchase Agreement which reduced the Facility to the Purchaser to £151.7 million. On 28 March 2025, the Facility was extended for a further 5 years (note 19). Under the terms of the Facility, the Company may draw down upon the Facility by issuing Advance Request Notes ("Notes") to the Purchaser and the obligation to repay the liability is measured at fair value which currently approximates cost plus accrued interest. The Partnership initially recognises the variable funding note on the date it becomes party to the contractual provisions and derecognises the Notes when, and only when, the Partnership's obligations are discharged, cancelled or they expire. The Notes are initially measured at carrying value equivalent to the funds advanced, with any subsequent gain (interest) arising on re-measurement recognised in the Statement of Comprehensive Income.

Notes to the Financial Statements (continued)

2. Summary of significant accounting policies (continued)

k) Variable funding note facility (continued)

On 23 March 2018, the Company issued an amendment letter to the Note Purchase Agreement, the definition of "Note Principal Amount" in clause 1.2 (Definitions and interpretation) was deleted and replaced by a new definition. The title of clause 12 "Cancellation and Prepayment" was amended to read as follows "Cancellation, Prepayment, Reduction and Reinstatement". A new clause 12.6 was inserted "Reduction and Reinstatement of the Note Principal Amount of the Notes". The Company derecognises the Notes when, and only when, the Company's obligations are discharged, cancelled, reduced or they expire.

Interest for each interest period accrues on the Notes at an amount equal to Net Receipts for the interest period in accordance with the priority of payments. Net Receipts is equal to the aggregate of all principal, interest, costs, charges, expenses and other amounts received by the issuer from the borrower in respect of a loan.

The priority of payments is set out in clause 5 of the Listing Particulars. First priority is amounts due to the Security Trustee and any Delegate. Secondly, amounts due to any other service providers. Thirdly, amounts due to the relevant tax authority. Fourthly, amounts due to third party creditors. Fifthly, principal and disposal proceeds in respect of a loan. Sixthly, dividends payable. Seventhly, the amount of any agreement fees payable. Eighthly, interest payable on the Notes.

The payment of all amounts expressed to be payable by the Company under and in respect to the Facility is limited in its recourse and subject to availability of funds of the Company.

l) Financial Instruments

Financial Assets

Financial assets comprise investments measured at fair value through profit or loss, investments measured at amortised cost, and debtors, prepayments and cash at bank measured at historic cost.

Investments measured at amortised cost are initially recognised at a carrying value equivalent to the funds advanced to the borrower plus accrued interest. After initial recognition such assets are subsequently measured at amortised cost using the effective interest rate method less impairment provisions.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired, the impairment loss is recognised in the Statement of Comprehensive Income. If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The impairment reversal is recognised in the Statement of Comprehensive Income.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

Financial Liabilities

Financial liabilities comprise creditors, accruals and deferred income measured at historic cost.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

m) Segment Reporting

The Directors, with advice from the Investment Manager, make the strategic investment decisions on behalf of the Company. The Company is mandated by its stakeholders to make investments in the form of loans and minority equity positions (see note 7) to SMEs in the UK only. The Company is domiciled in the UK and all the Company's income is derived from investments in entities incorporated in the UK. Accordingly, the Directors of the Company consider the business to have a single operating segment. Investment decisions are based on a single, integrated investment strategy, and the Company's performance is evaluated on an overall basis. There were no changes in the reportable segments during the year.

Notes to the Financial Statements (continued)

3. Judgements and key sources of estimation and uncertainty

The preparation of financial statements requires the directors to make estimates and assumptions that affect the reported amounts of assets and liabilities including the disclosure of contingent assets and liabilities at the date of the financial statements. This also includes the reported amounts of increases and decreases in net assets from operations during the reporting period.

a) Critical judgements in applying the Company's accounting policies

Judgement is exercised when impairing loans and receivables and valuation of any performance fees attached to the loans. Loans and receivables are tested for impairment in line with the policy described in note 2(d) to these financial statements. When assessing the impairment of an asset, management considers factors including the credit rating and long-term growth rate of the counterparties, the ageing profile of the receivables and historical experience. The valuation of performance fees are assessed in line with policy disclosed in note 2(e).

b) Critical accounting estimates and assumptions

Details on the specific estimates made in assessing the impairment of Loan held at amortised cost less impairment and investments held at fair value through profit and loss is included under the accounting policies in note 2(d) and 2(e). Actual results could differ from those estimates and such differences could be material, especially under volatile economic conditions.

4. Risk management

Risk arising from financial instruments

The Company is potentially exposed to credit risk, liquidity risk and market risk arising from the financial instruments held. The following analysis, detailed in this note, highlights the nature and extent of these risks arising from the financial instruments held by the Company at 31 December 2024.

Credit risk

Default/credit risk is the risk that one party to a financial instrument will fail to discharge an obligation under the contract or arrangement and cause the other party to incur a financial loss. The Company has made loans to small and medium-sized, privately owned businesses. Compared to larger, publicly owned firms, such companies generally have limited financial resources and access to capital and higher funding costs. They may be in a weaker financial position and may need more capital to expand or compete. These companies frequently have shorter operating histories, narrower product lines and smaller market shares than larger businesses, which render them more vulnerable to competitors' actions and market conditions, as well as general economic downturns.

The above challenges increase the risk of these companies defaulting on their obligations. The level of risk assessed when the loans are granted is taken into account within the effective interest rate at which the amounts are lent. The Company typically has a floating charge over the assets of the borrower, which may become enforceable in the event of a default.

Financial assets exposed to credit risk include investments, debtors and cash balances. It is the opinion of the directors that the carrying amounts of these financial assets represent the Company's maximum credit exposure at the year-end.

As at 31 December 2024, the value of the investments was £9.9 million (2023: £15.8 million) after accumulated impairment of £8.4 million (2023: £4.1 million). During the year, the Company recognised an impairment of £4.3 million (2023: £1.9 million) in relation to its investments.

The Directors believe that there remains an inherent degree of uncertainty on the impact of the geopolitical effect in Ukraine and the Middle East on the UK and broader global economy. This could result in adverse impacts on currency and financial markets, such as increased volatility and illiquidity, and potentially lower economic growth in markets in the UK, Europe and globally. It is likely that such adverse events will increase the Company's exposure to credit risk in the short to medium term. The Directors alongside the Investment Manager will continue to monitor the portfolio and manage this risk by providing flexibility to its borrowers as appropriate.

Notes to the Financial Statements (continued)

4. Risk management (continued)

Liquidity risk

Liquidity risk is the risk that the Company may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to settle investment transactions as they fall due. The Company aims to maintain flexibility in funding by keeping adequate cash balances and ensuring variable funding notes are available.

The financial liabilities of the Company comprise of amounts drawn on a variable funding facility and short-term trade payables. The portfolio of investments is regularly reviewed for liquidity risk and market developments relevant to the Company's investments are continually monitored to explore, evaluate and maximise all realisation opportunities and repaying the variable funding facility. Liquidity risk on the short-term trade payables is considered low and is managed primarily via the retention of cash interest on the Company's loan investments.

Liquidity risk on the Facility is low as the Note Purchasers are limited in recourse to the assets and undertakings of the Company if there are insufficient amounts available on the Charged Assets to pay in full the amounts outstanding under the Notes until such time when sufficient funds are available to pay such obligations.

Market risk

(i) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Interest rates are highly sensitive to many factors beyond the Company's control, including governmental monetary and tax policies, domestic and international economic and political considerations and other factors.

Interest rate fluctuations present a variety of risks, including the risk of a mismatch between asset yields and borrowing rates, variances in the yield curve and fluctuating prepayment rates, and such fluctuations may adversely affect the Company's income.

The majority of the Fund's exposure to financial instruments is in the form of interest bearing loans. The risk is mitigated as the interest is contractual and typically with a fixed interest element and a floating rate portion. The floating rates were based on LIBOR rates which were replaced by SONIA since 1 January 2022. However, majority of the Company's investments opted to use the Bank of England base rate.

In 2024, the Company generated interest income of £1.6 million (2023: £2.0 million). Interest income is comprised of a contractual fixed margin plus a base rate charge. The average 3m base rate in 2024 was 5.11% (2023: 4.68%) and peaked at 5.25% (2023: 5.25%). If the base rate increased over its 2024 peak to 5.50% or at a floor of 0.5% throughout the year, then the impact on profits are estimated to be an increase and decrease of £0.8 million (2023: £1.0 million) and £0.1 million (2023: £0.1 million), respectively. The variable funding note interest expense will be impacted in the same way.

(ii) Capital risk management

The Company has no material capital requirements other than to ensure it has a minimum level of authorised and issued share capital of £50,000. The principal financing comes through the variable funding notes. Working capital requirements are managed and met primarily through the appropriate retention of cash interest on its loan investments, arrangement fees and realisation proceeds at any given point in time. The capital and working capital requirements are reviewed on a monthly basis to ensure the Company has sufficient resources to continue as a going concern in the future.

Notes to the Financial Statements (continued)

5. Going concern

As at 31 December 2024, the Company had net assets of £22,500 (2023: £22,500) and cash at bank of £0.9 million (2023: £1.7 million). Working capital requirements are typically met through retention of interest received from its investment portfolio. The principal liability of the Company is the variable funding note, however this financing is subject to reduction in the event of loss of principal for loans advanced by the Company. Interest expense on the variable funding note is subject to availability of profits within the Company. After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future.

6. Operating expenses

	Year ended 31 December 2024 £	Year ended 31 December 2023 £
Expenses		
Legal and professional fees	14,259	30,405
Statutory audit fees	44,731	45,528
Administration fees	33,032	41,353
Insurance fees	18,584	20,855
Directors' fees	14,817	14,582
Irrecoverable VAT	20,756	25,118
Bank charges	733	314
	146,912	**178,155**

The key management personnel of the Company are considered to be the directors. There are no non-audit service fees in 2024 (2023: £nil).

7. Investments

The total investment of £9.9 million (2023: £15.8 million) comprises of loans at amortised cost £8.5 million (2023: £14.8 million) and Investments at fair value through profit or loss of £1.5 million (2023: £1.0 million).

The changes in the balance of loans at amortised cost and are as follows:

Loans at amortised cost	Year ended 31 December 2024 £	Year ended 31 December 2023 £
Brought forward	14,750,242	20,333,021
Additions during the year	-	104,329
Net accrued interest during the year	-	(233,020)
Repayments during the year	(2,000,000)	(3,600,000)
Impairment	(4,299,296)	(1,854,088)
	8,450,946	**14,750,242**

Loan investments are initially recognised at carrying value equivalent to the funds advanced to the borrower plus accrued interest. After initial recognition loans are subsequently measured at amortised cost using the effective interest rate method less impairment provisions. At the end of each reporting period the loans are assessed for objective evidence of impairment. If the loan is impaired, the impairment loss is taken to the Statement of Comprehensive Income. The loans held at amortised cost are £8.5 million (2023: £14.8 million) of which £4.3 million (2023: £1.9 million) were impaired during the year. As at year end, there were no impairments (2023: £nil) recognised to be permanent.

Notes to the Financial Statements (continued)

7. Investments (continued)

As at 31 December 2024, the investments at fair value through profit or loss are classified as Level III in the fair value hierarchy and there have been no reclassifications between levels during the year.

The changes in the balance of investments at fair value through profit or loss are as follows:

Investments at fair value through profit or loss	Year ended 31 December 2024 £	Year ended 31 December 2023 £
Brought forward	1,000,515	2,563,200
Movement in the fair value of investments	497,324	(1,562,685)
	1,497,839	**1,000,515**

Investments at fair value through profit or loss comprise the Company's rights to future performance fees attached to loan investments. Performance fees where applicable are contractual rights to future income payable upon an exit event such as the sale of the business. The value of the fee is normally based upon the equity value of the business at the time of the exit event relative to the entry level value. The Company's investments are accounted for in accordance with section 11 *Basic Financial Instruments* of FRS 102 which applies to basic financial instruments and is relevant to all entities.

The Directors have concluded that the Company's investments at fair value through profit and loss should be classified as Level III as there are no observable inputs available in the market. The unobservable inputs used in valuing the investments at fair value through profit and loss are the industry EBITDA multiples. The range of EBITDA multiples used in the valuation methodology is from 4.0x to 10.0x depending on the industry. The EBITDA earnings across the portfolio have not been discounted due to the recovery of the investments post pandemic. Details of the valuation methodology used for determining the fair value of the investments is disclosed further in Note 2.

The carrying value of the Company's investments as at 31 December 2024 is £9.9 million (2023: £15.8 million). The Investment Manager is reviewing the value changes stemming from changes in the unobservable inputs such as the EBITDA multiple and EBITDA used in impairment and fair value assessment of each investment. If the EBITDA multiples increased or decreased by 10%, with all other variables held constant, the increase or decrease in the value of investments would be £0.1 million (2023: £0.2 million). If the EBITDA increased or decreased by 10%, with all other variables held constant, the increase or decrease in the value of investments would be £0.1 million (2023: £0.2 million).

For the loan Investments valued at amortised costs which have been impaired, If the EBITDA multiples increased or decreased by 10%, with all other variables held constant, the increase or decrease in the value of investments would not be materially different.

The significant unobservable inputs used in the fair value measurement which are categorised within Level 3 of the fair value hierarchy together with a quantitative sensitivity analysis as at 31 December 2024, are as shown below:

Investment sector	Valuation technique	Unobservable input	Reasonably possible shift +/- (absolute value)	Sensitivity impact on Fair Value +/- (£ million)
Business services	EBITDA multiple	EBITDA, implied multiples	10%	0.2 /(0.2)

Notes to the Financial Statements (continued)

8. Debtors

	Year ended 31 December 2024 £	Year ended 31 December 2023 £
Prepayments and accrued income	1,007	1,205
	1,007	**1,205**

9. Creditors: amounts falling due within one year

	Year ended 31 December 2024 £	Year ended 31 December 2023 £
Current		
Facility Notes interest payable	1,780,545	1,605,946
Other creditors	39,225	52,080
Corporation tax provision	2,346	2,346
Directors' fees	4,447	4,447
	1,826,563	**1,664,819**

10. Corporation Tax

	Year ended 31 December 2024 £	Year ended 31 December 2023 £
Current tax		
UK corporation tax at 19% (2023: 19%)	2,346	2,346
Tax on profit	**2,346**	**2,346**
Reconciliation of tax charge		
Profit before tax	12,346	12,346
Profit multiplied by the standard rate of tax in the UK of 19% (2023: 19%)	2,346	2,346
Effect of:		
Income not subject to tax	(4,750)	(4,750)
Taxable profits per securitisation regime	4,750	4,750
Tax charge for the year	**2,346**	**2,346**

Notes to the Financial Statements (continued)

11. Analysis of net changes in debt

	Cash and cash equivalents £	Variable funding note £	Total £
As at 1 January 2024	1,685,599	(17,356,187)	(15,670,588)
Cashflows	(835,383)	-	(835,383)
Variable funding note*	-	6,624,697	6,624,697
As at 31 December 2024	**850,216**	**(10,731,490)**	**(9,881,274)**

*Variable funding note represents principal, accrued interest and prepaid interest on the facility note.

12. Non-current liabilities

The Company has a listed £151.7 million (2023: £151.7 million) variable fund note facility (note 2k) listed on the Global Exchange Market through the Irish Stock Exchange. This was listed on 22 June 2016 with a maturity date of 22 June 2026, which was further extended by 5 years on 28 March 2025 (note 19). The note has been issued to, and purchased by, Beechbrook UK SME Credit I L.P.

During the year, £nil (2023: £0.1m) was drawn on the Facility and £4.3 million including interest was repaid (2023: £5.7 million) with £4.3 million impairment recognised (2023: £1.9 million). These impairments reflect the Company anticipating not being able to repay the variable funding note in full. £2.0 million of interest was charged in the year (2023: £0.4 million).

The total amount owed at the year-end date was £10.7 million (2023: £17.4 million).

13. Reconciliation of net profit to net cash inflow from operating activities

	Year ended 31 December 2024 £	Year ended 31 December 2023 £
Comprehensive income for the year after tax	10,000	10,000
Adjustment for:		
Interest on variable funding note	1,984,598	444,677
Decrease in deferred income	-	(92,778)
(Increase)/ decrease in fair value of investments	(497,324)	1,562,685
Accrued loan interest	-	233,020
Purchase of investments	-	(104,329)
Receipt of loan principal repayment	2,000,000	3,600,000
Loan investment impairment	4,299,296	1,854,088
Changes in working capital:		
Variable funding note impairment	(4,299,296)	(1,854,088)
Decrease/(increase) in debtors	198	(86)
Decrease in creditors	(12,855)	(11,600)
Net cash generated from operating activities	**3,484,617**	**5,641,589**

Notes to the Financial Statements (continued)

14. Reconciliation of decrease in cash to movements in net funds

	Year ended 31 December 2024 £	Year ended 31 December 2023 £
Net funds at beginning of the year	1,685,599	1,729,681
Decrease in net funds	(835,383)	(44,082)
Net funds at the end of the year	**850,216**	**1,685,599**

15. Called up share capital

Share capital consists of 50,000 authorised and issued ordinary shares of £1 each at 31 December 2024 and 2023. At 31 December 2024, £37,500 remain unpaid (2023: £37,500). The Directors consider the remaining unpaid share capital will not be called upon, therefore it has been derecognised in the Statement of Financial Position.

16. Related party transactions and material contracts

During the year, the Company paid directors' fees of £14,817 (2023: £14,582). For variable funding note see disclosure in note 2k and 12.

The balance of variable funding note payable at the year-end is disclosed on the Statement of Financial Position.

17. Capital commitments and contingent liabilities

As at 31 December 2024, the Company had nil commitments outstanding (2023: nil).

There were nil contingent liabilities outstanding at 31 December 2024 (2023: nil).

18. Ultimate controlling party

Beechbrook UK SME Credit Trust is the ultimate controlling party of the Company. The trustee of the Trust is Alter Domus Trustees (UK) Limited (formerly Cortland Trustees Limited).

However, the General Partner of Beechbrook UK SME Credit I L.P. (the "Partnership") has assessed the Company to be a Special Purpose Entity ("SPE") for its operations under section 9 of FRS 102. The Partnership is considered to receive most of the economic benefits from the SPE through its investments in the Variable Funding Notes.

Accordingly, under these accounting rules, the Partnership has consolidated the Company's Financial Statements.

Beechbrook UK SME Credit I L.P. is the largest and the smallest group of undertakings to consolidate the financial statements of the Company as at 31 December 2024. The consolidated financial statements of Beechbrook UK SME Credit I L.P. are available on application to: Beechbrook Capital LLP, 2nd Floor, 43-45 Dorset Street, London W1U 7NA.

19. Post balance sheet events

On 27 March 2025, the Company (as Issuer) and the Note Purchaser agreed to extend the maturity date of the Note Purchase Agreement by five years to 21 June 2031.

There were no other post balance sheet events.