cashplus bank®

Registered Number: 04947027

FINANCIAL STATEMENTS

For the year ended 31 March 2021

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COMPANY INFORMATION

DIRECTORS

Mark Sismey-Durrant
(Independent Non-Executive Chairman)

Jim Jones
(Non-Executive Director)

Simon Knight
(Independent Non-Executive Director)

Alessandro Hatami
(Independent Non-Executive Director)

Rich Wagner
(Chief Executive Officer)

Donald Dixon (Resigned 03 Feb 2021)
(Investor Director)

Francesca Shaw (Appointed 25 Mar 2021)
(Independent Non-Executive Director)

COMPANY SECRETARY

Solomon Osagie
(Appointed 03 Feb 2021)

Robert van Breda
(Resigned 03 Feb 2021)

REGISTERED OFFICE

6th Floor
One London Wall
London
EC2Y 5EB

TRADING ADDRESS

Cottons Centre
Cottons Lane
London
SE1 2QG

TRADING NAME

Cashplus Bank

COMPANY REGISTRATION NUMBER

4947027 (England and Wales)

AUDITOR

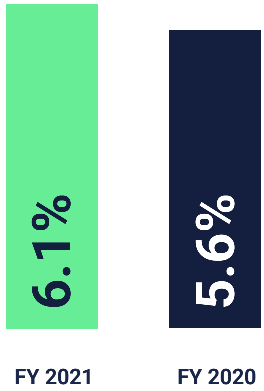
BDO LLP
Statutory Auditor
55 Baker Street
London
W1U 7EU

KEY PERFORMANCE INDICATORS

Account Sales

3.6k increase in total new account sales

Share of market – new company formations



Increased market share as a % of sales new company formations

Loans and Advances to Customers

£13.5m decrease in total loans and advances to customers

Customer Deposits

£97.1m increase in total customer deposits

Other Metrics and Numbers

Number of transactions 2020/21
24.4m

Colleagues
160+

Total payment value 2020/2021
£4.6bn

83%
of business customers would recommend us

Payment value in history
£22.9bn

CHAIR'S REVIEW

I'm privileged to join Cashplus Bank as Chair at such a pivotal moment in the company's history.

Firstly, I would like to thank Jim Jones for his service as Chair over so many years and for guiding Cashplus to its banking license. Jim will continue to serve on our Board and his experience will be invaluable as we move to the next stage of our development.

It has been a truly extraordinary year but not many will be able to say they achieved a banking license at such a difficult time. An outstanding achievement and testament to the quality of the business and management team.

At Board level we will continue to focus heavily on strong governance. Over the last three years of our banking license application, we have taken a number of steps to strengthen the governance of the organisation including through the establishment of new committees such as the Asset and Liability Management Committee and by developing the remit of many others.

I have been particularly pleased with the development of our Enterprise Wide Risk Management Framework (ERMF). This has included the establishment of regular working groups bringing together first and second-line defence functions in a collaborative manner to monitor our compliance to the ever-changing regulatory landscape. These are extremely important as we move forward.

As we grow as a bank, we will continue to strengthen our Executive and Board team. I was delighted to welcome Francesca Shaw to the Board in March. Francesca has an impressive record in senior prudential roles in the UK and internationally and she will be a valuable asset to the Board and as Chair of the Audit Committee. Alessandro Hatami was also appointed Chair of the Remuneration Committee. He has already provided great input to the development of Cashplus and its innovations over the years and I look forward to how he contributes to developing the culture of the organisation through this committee.

We recognise the responsibility to grow the business safely in line with regulatory expectations. This will mean a focus on strong risk management and continuing to foster a culture of integrity and good conduct throughout the bank.

Looking to the year ahead, I believe we will emerge from the pandemic having built a strong foundation and will be well positioned to serve our customers. The Board looks forward to guiding the executive team as they work towards achieving our growth plans.

Mark Sismey-Durrant
Chair

13 July 2021

CHIEF EXECUTIVE'S REVIEW

This past year will live long in my memory for many reasons but, despite the many challenges we have faced, including a global pandemic, I will remember it with immense pride for the tremendous team milestone of Cashplus being authorised as a bank on 3 February 2021.

Covid-19 has had a dreadful impact on so many of our customers, colleagues and families but I am extremely proud of the team at Cashplus, not only for their achievements relating to the bank license but also for their handling of the pandemic and their commitment to serving our customers under difficult circumstances.

Our team adapted seamlessly to full remote working, which is testament to our flexible digital and data platforms, strong resilient infrastructure and robust business continuity planning. We've learnt a lot from this enforced "experiment". These lessons, and the way they will inform how we work more flexibly in the future, are one of the few positives we can take from the pandemic.

I would also like to personally thank all our partners including our bankers and service providers who have made such efforts this year to keep our business moving forward. This includes the regulators who continued to process our banking application against this unprecedented backdrop.

I believe that prudent, disciplined financial and risk management is one of our defining characteristics and I'm proud that, while we have had to make difficult choices in this last year, including putting certain investments on hold and slowing our lending, we managed to counter the revenue impact of Covid-19 and still protect jobs at Cashplus.

I'm also proud that we continued to serve new business customers throughout the pandemic, in contrast to many high street banks and while we were unable to participate in government loan schemes to further help them under our previous non-bank status, we delivered record customer sales numbers and actually grew our share of the new SME market. Those fledgling businesses will be key to the anticipated economic recovery. We are determined to support them and I look forward to expanding our credit offering to them as we emerge from the crisis. I was particularly pleased to see that we grew our share of new companies formed in the last year to 6.1% and that 83% of our SME customers would recommend us which is right at the top of the table when compared to our competitors.

We will now look to the future, and to fulfil our growth plans, we are inviting new additional capital investment which we aim to have in place before the end of the 2022 financial year.

We will use funding to accelerate our growth and move towards our vision to become the UK's best loved all-in-one digital banking partner for UK small businesses, especially start up enterprises who will fuel the UK economic recovery. To do so we will focus on ensuring customers love our bank, by providing outstanding differentiated service and delivering brilliant sustainable features to build our proven digital banking platform into a true all-in-one solution. The next step on this path is that we expect to join the Faster Payments scheme during the year ahead which will provide our customers with the ability to make instantaneous payments and will ensure greater resilience too.

I am also determined that Cashplus positively contributes to the wider environmental and social issues facing the industry, the UK and the wider world. We were one of the first to issue a biodegradable plastic and we will continue to minimise our environmental impact by further developing our sustainable digital proposition and developing our social agenda in line with our long-standing commitment to inclusivity.

I look forward to better times ahead for our customers, colleagues and partners and to developing our offering as a bank to support small businesses as they drive what I hope will be a strong recovery for the UK economy.

Rich Wagner

Rich Wagner
13 July 2021

OUR STRATEGY

BECOMING THE UK'S BEST LOVED ALL-IN-ONE DIGITAL BUSINESS BANKING PARTNER

In support of our vision to be the UK's best loved all-in-one digital business banking partner we will focus on the following areas:

Breaking Down Barriers to Banking
We have a great existing business, and we will redouble our efforts to offer access to simple, smart digital banking for the six million small business owners and entrepreneurs who deserve support from a true partner.

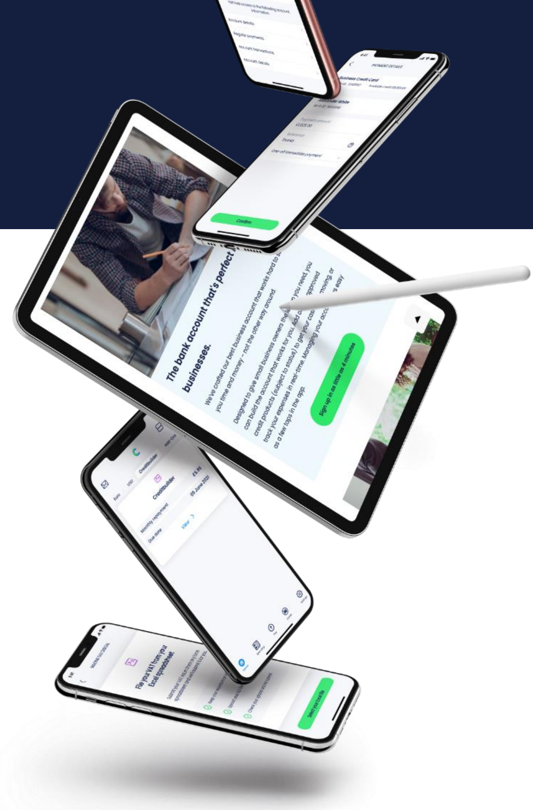
Using our banking license to expand our proven lending capability
We have a range of established credit products including overdrafts, credit cards and loans for many years but were constrained in having to fund these from external sources. A bank license allows us to drive lending growth at low cost. We will ensure this is done in a safe and affordable manner with the appropriate risk controls.

Providing the complete business solution
We recognise how difficult it is to start and run a small business and aim to make that process as easy as possible so they can concentrate on running their own business. We aim to provide an all-in-one platform tailored to the needs of SMEs and entrepreneurs. This is not just about traditional banking. We already provide services beyond core current and account and payments services including Application Payment Interface (API) links to accountancy software and payroll processes. We have some exciting ideas to complete the package including new loan and savings products and initiatives related to open banking.

Harnessing the power of data
We have an outstanding track record of using advanced data analysis to drive better outcomes for our customers and our business through technology-driven decision making. Data insight will continue to power our marketing, acquisition and credit performance and allow us to tailor products to our customers' needs.

Generating mutual benefit and value
We believe in creating value for all of our stakeholders including our customers, colleagues, investors and society as a whole. How we impact the world is important to our customers and we recognise and we will build on our foundations as a digital bank conscious of environmental issues and the need to support diversity and inclusion.

BUSINESS REVIEW



Who we serve

For over a decade Cashplus has provided an increasing range of simple, smart digital banking services to Small and Medium Sized Enterprises (SMEs) and consumers who are often overlooked by traditional high street banks. We focus on SMEs who typically in the first stages of life when they need the most support and other banks are either unwilling or unable to help. We understand the risks that hard working entrepreneurs and individuals take and as a supportive bank are willing to share those risks.

The core products provided by Cashplus are current accounts, overdrafts, credit cards and loans through our digital banking platform. We also specialise in providing digital banking solutions harnessing the power of data including Google Maps payments tracking and spend categorisation, integration to all major accountancy platforms and expense cards to provide autonomy and control staff spending for our SME customers.

For larger business we also provide enterprise solutions including tools to work with customers apps and websites and for example open banking bulk payments application interface (API) solutions to provide a simple and cost-effective product offerings to customer.

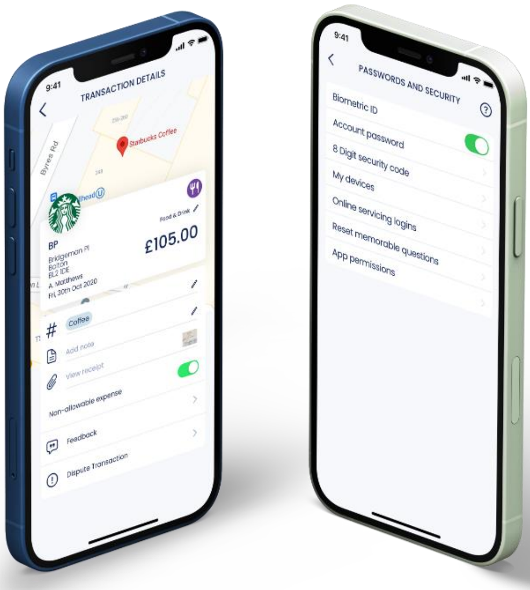
BUSINESS REVIEW

Financial Review

Cashplus made a loss before tax of £4.6m (2020: £3.7m loss). Although a loss, this represented a good performance against reductions in revenue and the backdrop of the impact of Covid-19 on the economic environment.

The value of loans and advances to customers reduced and was the main reason for the drop in impairment charges during the year which were £6.0m (2020 £11.4m). Underlying levels of delinquency and financial difficulties improved during the year. The provision at March 2021 continues to conservatively include assumptions of deteriorating macroeconomic factors such as unemployment at 6.5%, although this expectation is lower than the assessment made in the previous year (March 2020) in the early stages of the pandemic which expected an outcome 7.2%.

Encouragingly, although revenue per account was lower due to Covid 19, customer active account volumes were similar to the prior year at 153,525 (2020: 155,061). New sales were slightly up at 107,740 (2020: 104,167), a particularly good performance against the backdrop of lower marketing spend. Cashplus remained open for business supporting new customers throughout the year when other banks were seen to withdraw from the market. Cashplus maintained its market share of new SMEs at 6.1% (2020: 5.6%).



BUSINESS REVIEW

Gross revenue

Historically, as a small but growing business, Cashplus has used Gross Revenue as a key measure of performance which is calculated as income before the deductions for expenses relating directly to income. Gross Revenue was £38.4m (2020: £48.5m). We will continue to monitor this metric as we believe it is important to management and our stakeholders to understand this figure prior to expenses shown in the Statement of Comprehensive Income. Note 6 to the Financial Statements provides a breakdown of its construction.

Liquidity

Cashplus's liquidity position is strong with the majority of these deposits placed in short dated treasury bills and government gilts and these are used to meet the liquidity buffer requirements of the PRA. Cashplus had a Liquidity Coverage Ratio (LCR) of 2,100% and a Net Stable Funding Ratio (NSFR) of 1,100% at the reporting date.

Capital

As part of the process to establish appropriate levels of capital for the PRA's banking regime, Cashplus raised £39.1m of CET1 eligible capital primarily through the conversion of existing debt instruments, but also included a cash injection from existing investors of £3.0m. In addition, Cashplus issued a Tier 2 debt instrument of £3.0m. This allowed Cashplus to meet the regulatory requirements and buffers, but also allowed for some growth capital. As at March 2021 the Cashplus CET1 ratio was 16.2% and the Total Capital Ratio including Tier 2 debt was 18.6%. Further post balance sheet date capital injections were made during April and May 2021 of £1.9m to support business growth and forward capital planning.

CURRENT AND EMERGING THREATS

Covid 19

The impact of Covid 19 was unprecedented for our customers. Cashplus is a digital bank and good business continuity planning ensured that Cashplus was able to respond to the physical challenges of the pandemic and immediately switch to a working from home environment for our colleagues working in head office functions without material disruption. Call centre activities required careful management, but were able to remain largely at capacity throughout the year. As mentioned above our colleagues responded with great determination and loyalty and agreed to voluntary reductions in their reward to preserve the financial health of Cashplus and avoid job losses. Special working groups were established to manage the operational challenges and the management of financial performance and liquidity of the business during the period. This included the establishment of new temporary standby overdraft facilities ahead of the banking license, although these were never drawn and have now been terminated. Although revenue fell, cost management programs limited the impact to the profits. We remain cautiously optimistic with revenue trends now improving as lockdown eases but are watching developments relating to Covid variants closely.

Climate change risk

We recognise this as a significant risk and although Cashplus customers are geographically well spread in the UK, we are not complacent in regard to the potential for real economic impacts. Following regulatory guidance in this area the Board has approved the allocation of Senior Management Function responsibility for identifying and managing financial risks from climate change to the Chief Risk Officer. The risk is incorporated into the enterprise risk management framework to ensure Cashplus Bank can identify, assess, mitigate and report on this exposure

BUSINESS REVIEW

Payments System Regulator ("PSR") Investigation

The directors welcome the PSR's announcement of its ongoing investigation into anti competitive activities in the local authority prepaid card market. Cashplus takes its regulatory responsibilities seriously and has cooperated fully with the PSR's requests for information and will continue to do so. The investigation concerns a market in which we operated at very small scale and exited more than five years ago. For the short time we operated in this market, our focus was on providing good value services to local authorities to help them support potentially vulnerable people and therefore not a profit generating business. We have recognised a provision as the directors best estimate of the potential liability, but at this time the full extent of the outcome is uncertain. It is also important to consider the size of Cashplus at the time of the alleged infringements and the scale of the company's operations in this market against the context of the potential fines announced by the PSR, which may apply to much larger institutions. We are confident that we did not cause any customer or market detriment.

Brexit

Last year we established a specific working group to manage risks and prepare for significant disruption in a "hard Brexit" scenario. This covered plans for additional collections staffing and tightening of underwriting. Although we remain on alert we see this as a receding immediate risks although we are conscious of ongoing potential impact on the UK economy.

Looking forward

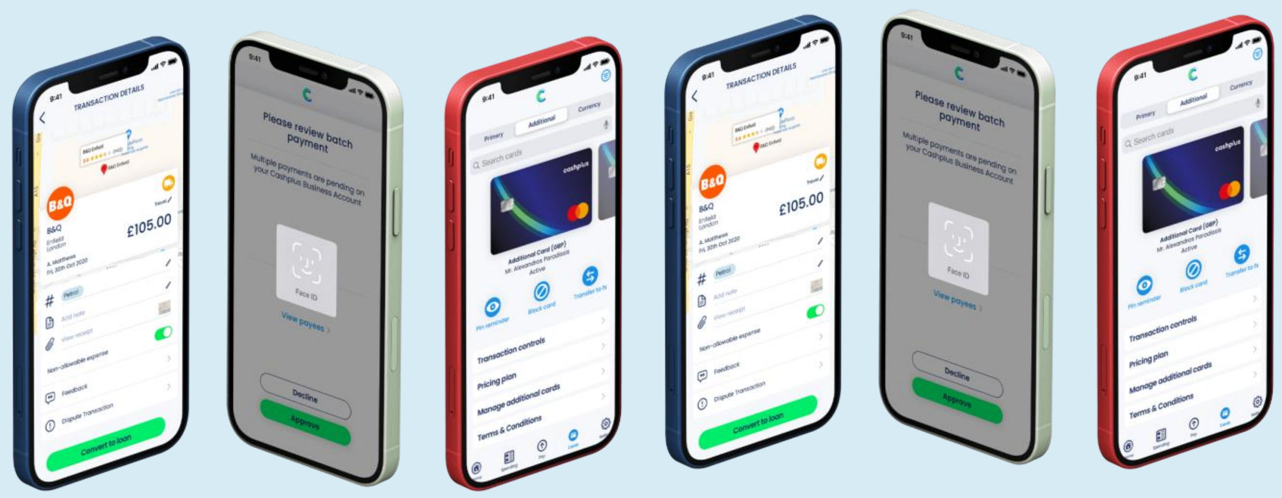
Cashplus is well positioned to take advantage of economic recovery as the UK emerges from the pandemic.

Whilst we remain mindful of the ongoing risks of Covid 19 and the potential for new variants, as mentioned above, there were early signs of revenue recovery in March, the last month of our financial year. At the time of writing the easing of lockdown continues to produce positive revenue trends.

The banking licence also provides the opportunity to expand our credit offering to our customers utilising some of the nearly £500m of deposits already established. Further it has allowed Cashplus to materially reduce its borrowing costs as it freed Cashplus to repay its revolving credit facilities that were previously used to fund customer borrowing. Costs for these were approximately £4.9m in the financial year to March 2021 and these costs are expected to fall to £0.6m per annum.

These factors and growth opportunities provide us with confidence that the breakeven performance seen in the last two months will turn to profitability in the coming financial year.

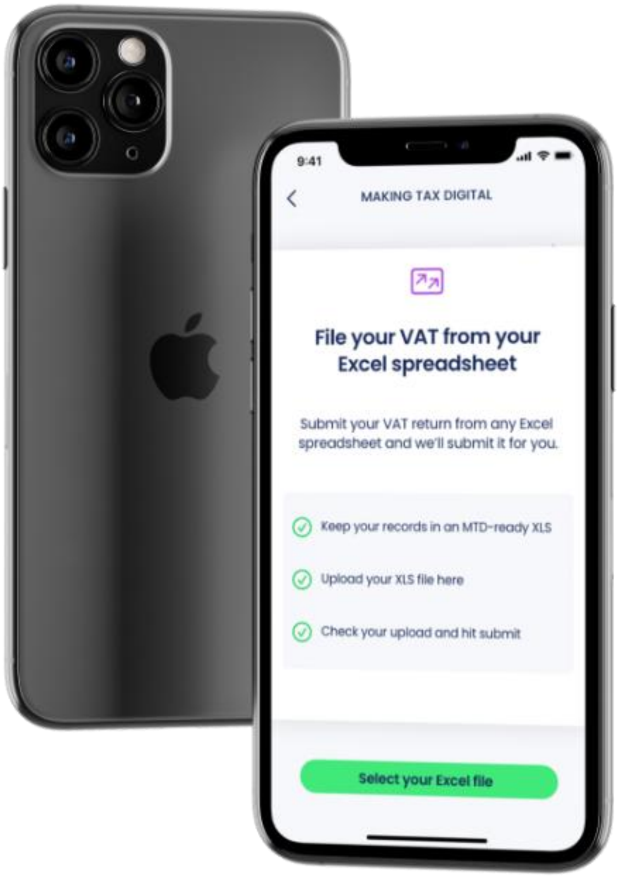
The planned equity raise later this year is expected to provide us with a further boost to growth and the opportunity to invest further in our product offerings to customers.



RISK MANAGEMENT STRATEGY

The Board aims to deliver the group's strategic and business objectives while managing identified risks through appropriate mitigation.

The risk strategy is constructed to deliver a robust risk culture which ensures an effective risk management framework and maintains a responsible business. It has been designed to preserve financial and operational resilience and to ensure the business is operating safely providing confidence to customers, regulators and investors. The Board is aware of the importance of having a sound risk culture and supports appropriate risk awareness, behaviours and judgments and ensuring individuals are well-trained and informed to take risk in accordance with clear policies. Cashplus's future plans have been established taking into account a risk strategy that will ensure it grows in a structured and sustainable way.



The risk management strategy is reviewed annually by the Risk Committee which subsequently seeks approval from the Board to ensure that it remains consistent with the Board's requirements.

The risk strategy objectives are to:

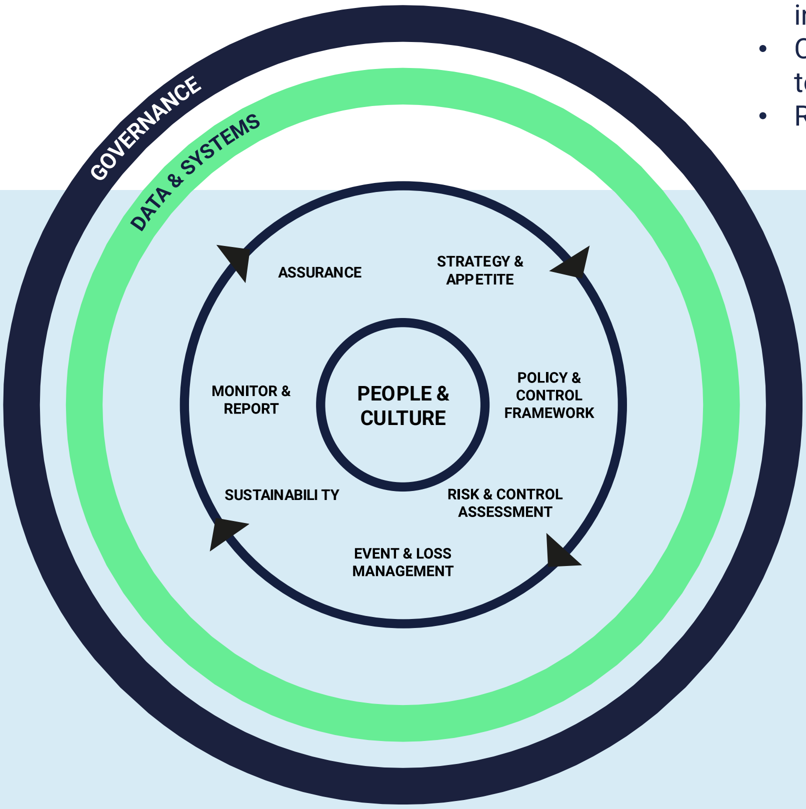
- embed risk and control into internal policies and procedures that provides consideration to risk management in all day-to-day activities;
- increase an understanding of risk and control across the business;
- continually develop leadership knowledge and skills for identifying, understanding and managing the business risks;•
- set ownership and responsibilities so risk assessment is balanced and considers the level of risk versus reward;
- constantly improve and enhance risk and control governance to effectively deliver risk management; and
- to ensure that risk management is a key element of the corporate governance design.

RISK MANAGEMENT FRAMEWORK

Cashplus faces a range of risks from both internal and external factors. To manage these effectively, it has developed and embedded a comprehensive Enterprise-wide Risk Management Framework (EMRF) with people and culture at its heart. This is subject to continuous improvement and is reflective of the increasing focus on strong risk management and governance.

The framework provides the tools to manage risk, organised around risk categories aligned to our governance structure: Conduct, Credit, Financial, Regulatory, Legal and Compliance, Financial Crime, Operational, and Governance and Strategic.

These risks encapsulate all financial and non-financial risks faced by Cashplus and are supported by sub-categories to support identification, assessment, mitigation and monitoring of specific risks. They provide a common language to be used across the business and enable us to embed our risk appetites and associated policies into day-to-day management activity. The framework is designed to allocate risk ownership and accountability throughout the business. Each component forms part of a larger continuum, providing a holistic view of our risk profile across all risk categories.



The Chief Risk Officer (CRO) is responsible for oversight and implementation of the framework and reports direct to the Board Risk Committee. Our approach is based around the following principles:

Simplicity in our framework:
- Easy to use toolkit that makes risk management simple to understand and execute.
- Provides insightful Management Information (MI) to the right people at the right time.
- Risk resource aligned to business growth.

Sustainable in times of stress:
- Customer service and profitability protected even in time of severe stress.
- Understanding of the external environment that we operate in.
- Proactive consideration of risk and compliance in everything we do.
- Adequate and proportionate resources devoted to financial risks from climate change.

Embedded in process, mindset & behaviour:
- Trained colleagues who understand risk management.
- Motivated, talented and empowered people take on risks intelligently and embrace the framework.
- Time to manage risk and compliance is built into the job.
- Collaborative and positive culture exists to support SMCR responsibilities.
- Risk is 'baked in' to the strategy.

RISK OPERATING MODEL

Cashplus has adopted the industry-standard three lines of defence model to articulate the accountabilities for risk management. The roles of key personnel are set out below:

Personnel / Line	Responsibilities
Senior Management (First Line)	• Responsible for the day-to-day management of risk within Cashplus, as per the Management Responsibilities Map and Senior Managers and Certification Regime (SMCR) • Ensures the implementation of appropriate and effective internal controls to manage the Cashplus exposure to risks • Ensures key controls are evaluated and operating as intended to manage risk within risk appetite • Ensures appropriate resources are in place to achieve risk management objectives • Ensures that all policy documents become part of the corporate culture of Cashplus through established limits to manage quantitative risks; and through policies to manage qualitative risks
Chief Risk Officer (Second Line)	• Responsible for the Risk and Compliance functions and reports to the CEO for day-to-day activities, but directly to the Chair of the Risk Committee to ensure oversight and adherence to the risk framework • Establish the framework within which risk controls can be achieved to ensure that the inherent risks associated with Cashplus undertakings can be quantified and mitigated
Head of Internal Audit (Third Line)	• Providing independent third line assurance and assessment of risk processes and controls across Cashplus. The Head of Audit reports to the CEO for day-to-day activities and reports directly to the Chair of the Audit Committee. An external firm is also used to supplement internal resource
All Colleagues	• All colleagues are responsible for adhering to all rules and regulation including Conduct Rules as well as processes and procedures which are designed to manage the risks associated with the work they perform • They are also required to alert management to any risk incidents or potential risk incidents that they become aware of in the course of their work • Colleagues should also discuss with their management any potential gaps in, or improvements to, the control framework that they identify

Risk appetite

Risk appetite, set by the Board, is key in setting the parameters within which the business can operate. Risk appetite qualitative statements for each of the risk categories have been developed. These set the overall tone for risk taking and influence quantitative metrics (KRIs and triggers) to measure the performance of each risk and ensure appropriate intervention when required. Risk appetite is supported by a robust set of principles, policies and procedures and is set on an annual basis. Amendments to risk appetite may be proposed proactively outside of the annual refresh cycle to ensure it remains appropriate to the current risk environment.

RISK OPERATING MODEL

Risk identification and assessment – the Risk Register

A Risk Register is used to standardise and enhance the monitoring of the risks by the Risk and Compliance Function. The Risk and Compliance Function help the relevant SMF and Functional owners operationalise their Risk Registers through meetings and relevant training. Further, Risk monitor the various Risk Categories through: attendance at the sub-Risk Committee Groups/Committees; ExCo; the Risk Committee; and relevant thematic risk assessments. In addition, Risk and Compliance perform a second line review of the ILAAP, ICAAP and RP.

Emerging and horizon risks are expected to be captured in the Risk Register commentary by the SMF and functional owners. In addition second line led Regulatory Working Groups support each of the executive level committees. This also brings together horizon scanning across legal, regulatory, macro-economy and other such matters. The output helps inform the CRO’s reporting to the Executive Committee and the Risk Committee.

Risk governance & reporting

The Board is responsible for ensuring that Cashplus Bank operates in a principle led manner and maintains an organisational structure to provide adequate support in discharging this duty. In addition, the Board ensures that the risk management processes are aligned with the corporate strategy, and that there is regular reporting of the risk profile and the results of the risk assessment process.

The Risk Committee is responsible for the oversight and assessment of the Cashplus ERMF providing advice and guidance to ensure alignment with the approved company policies. The Risk and Compliance function reports directly to the Risk Committee with additional reporting lines to the Board.

PRINCIPLE RISKS AND UNCERTANTIES

Principal Risks and Uncertainties
A description of Principal Risks and Uncertainties, and the controls in place to mitigate them, have been detailed in the table below:

<table>
<tr><th>Risk</th><th>Description</th><th>Sub-Risks</th><th>Mitigating Actions and Committee Oversight</th><th colspan="2">Over-Arching Processes</th></tr>
<tr><td>Conduct</td><td>The risk that any products, services, behaviour, systems and/or controls may cause detriment to a customer, and negatively impact the integrity of the market</td><td>Customer Marking Conduct
Customer Operations Conduct
Product Appropriateness</td><td>Cashplus conduct framework focuses on the fair treatment of customers as well as ensuring appropriate conduct in the Financial Conduct Authority's (FCA's) Conduct Rules. These are managed and monitored by the Conduct Committee which meets monthly and reports to the Risk Committee. The Product Committee also manages the assessment of new products and their features to ensure they are appropriate including undertaking annual product assessments. This Committee meets monthly and reports to the Executive Committee.</td><td rowspan="3">Enterprise Risk Management Framework Metrics and Monitoring to Risk Committee</td><td rowspan="3">Regulatory Working Groups Supporting Each Executive Committee</td></tr>
<tr><td>Credit</td><td>The risk associated with material financial disruption as a result of borrowers failing to meet obligations in accordance with agreed terms; and lending exposures being grouped in such a manner that a correlated performance of the individual loans can be anticipated.</td><td>Credit Risk
Credit Concentration Risk</td><td>The credit framework focuses on ensuring safe and affordable lending is provided to customers. Credit is managed and monitored by the Credit Committee which meets monthly and reports to the Risk Committee. The framework includes underwriting models which are regularly reviewed and monitored and key policies include the Credit Policy and Collections policies.</td></tr>
<tr><td>Financial Crime</td><td>Financial crime is the risk of loss associated with criminal activities of customer and non-customer entities.</td><td>Money Laundering & Terrorist Financing
Financial Crime General Third-Party Fraud</td><td>The financial crime framework focuses on minimising the loss associated with criminal activity. These risks are managed and monitored by the Financial Crime Committee, which has been recently formed and which will meet monthly and report to the Risk Committee.</td></tr>
</table>

PRINCIPLE RISKS AND UNCERTANTIES

Risk	Description	Sub-Risks	Mitigating Actions and Committee Oversight	Over-Arching Processes	
Financial	The risk associated with material financial disruption as a result of: • lack of financial control including Internal daily controls, reconciliation of payment processing and regulatory returns; • the business not holding adequate capital; • inability to meet minimum liquidity requirements and payment of liabilities as they fall due, both in normal and stress conditions; • inability to raise sufficient funds; • movement in the level or volatility of market prices and rates; • Non-customer counterparties failing to meet obligations in accordance with agreed terms.	Financial Controls, Accounting & Tax Capital Risk Liquidity Risk Funding Concentration Risk Market Risk Counterparty risk Recovery & Resolution Planning	The financial risk framework focuses on minimising financial risks and adhering to the rules of the banking regime set out by the Prudential Regulation Authority. These risks are managed and monitored by the Asset and Liability Management Committee which meets monthly and reports to the Risk Committee. Capital risk management is focused around the annual Internal Capital Adequacy Process (ICAAP) which sets the level of capital required to meet forward looking requirements and stress scenarios. Liquidity risk management is set out in the Internal Liquidity Adequacy Assessment process (ILAAP) which includes the bank's Contingency Funding Plan (CFP). Cashplus also documents its Recovery Plan (RP) and Wind Down Plans (WDP) to ensure that all outcomes are well planned to minimise disruption to customers and all stakeholders	Enterprise Risk Management Framework Metrics and Monitoring to Risk Committee	Regulatory Working Groups Supporting Each Executive Committee
Operational	Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or external events.	Project Management Key Supplier Management Third Party Fraud Business Continuity Planning Execution, Delivery & Process Management Cyber risk & Information Security Service Delivery, Incident Management, & Payment Processing Operational Resilience & Disaster Recovery Software Development & Testing	Operational risks are managed by the Operational and Security Risk Committee which meets monthly and reports to the Risk Committee. Key polices are the Business Continuity and Disaster Recovery plans that set out actions in the event of material IT disruption. Cashplus employs a suite of tools, software and controls to minimise the potential impact of malicious cyber risk attacks. Dedicated functions are in place to monitor and manage information security risk. Regular penetration testing is also undertaken to assess perimeter and internal security.		
Governance and Strategic	The risk that Cashplus' Governance Framework, culture, resources and relationships with key stakeholders do not support the delivery of its stated strategic goals.	Regulatory Affairs People & Resources Reputational Risk Governance & Culture Business Performance Risk	The Board is primarily responsible for the management of strategy and governance. It delegates some of these responsibilities to the Executive Committee which meets twice a month. Processes to manage risk in this area include the documentation of a strategic five year plan, which occurs at least twice a year, and the execution of an annual one year budget and milestones. Monthly reporting of progress to these targets is provided by the Executive at Board meetings and in a Monthly Reporting Pack. Regulatory affairs are managed by the Risk and Compliance function with regular communication and meetings with regulators in place and reporting to the Board. Reputational risk is managed by dedicated internal resource using external agencies as appropriate. Key polices include the Management Responsibility Map and the Corporate Governance Manual.		

CORPORATE GOVERANCE

Cashplus has a well-established governance framework commensurate with its previous responsibilities as a provider of e-money and consumer credit, under FCA regulations. This framework was enhanced to meet the additional requirements of assuming responsibilities under a banking regime including the PRA's expectations of Boards outlined in the relevant supervisory statements and the SMCR.

The Board has also been restructured during the year to strengthen its banking experience and an appropriate balance of individuals including executive and independent Non-Executive Directors (INEDS).

The Cashplus Bank Board assumes responsibility for strategy, the overall governance structure and control framework of the bank. The Executive Committee (ExCo) is responsible for implementing the Board's decisions.

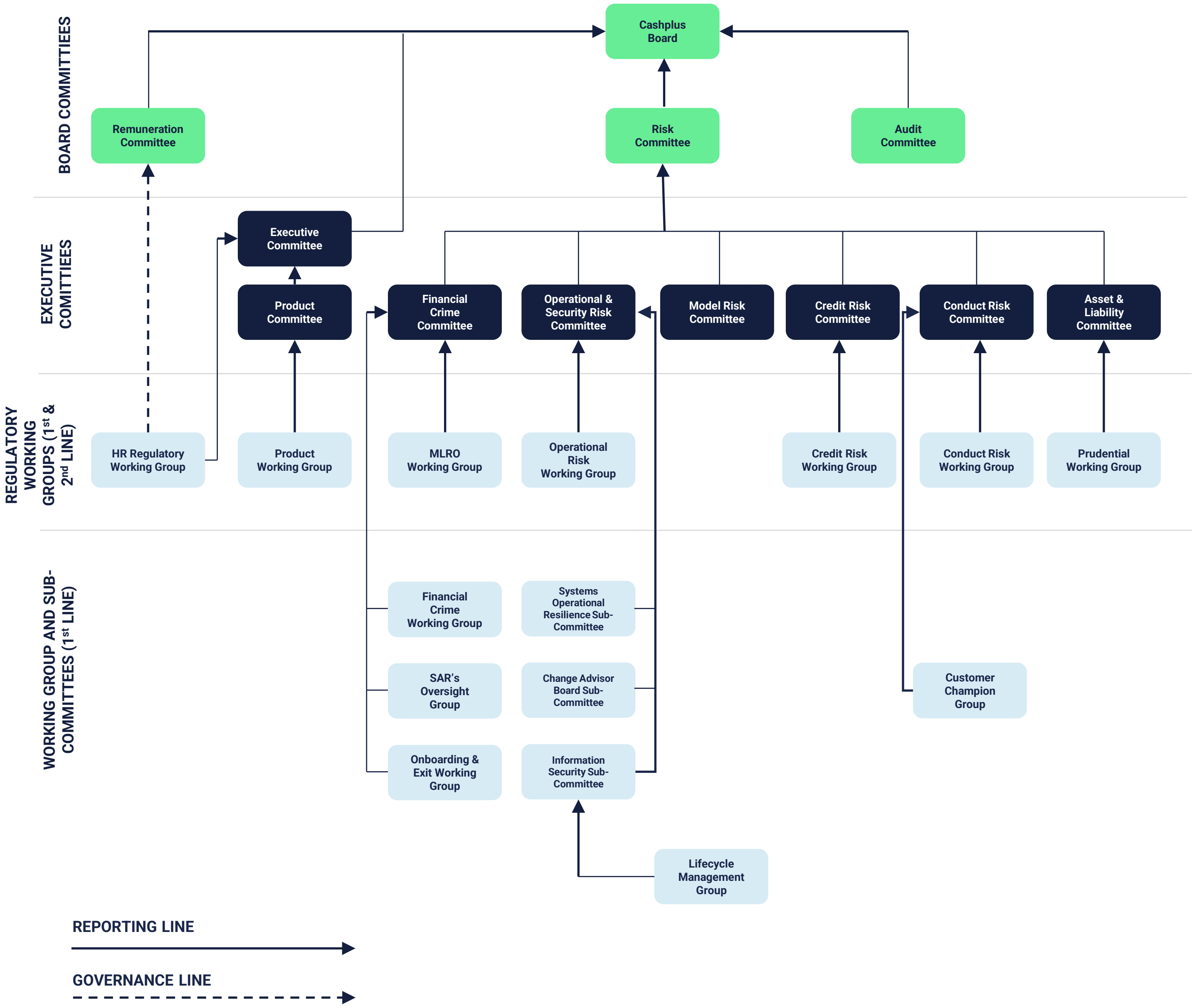
The committee structure has also been enhanced through additional committees and upgraded responsibilities for some of the existing committees. This included adding the Asset and Liability Management Committee (ALCO) and adding Regulatory Working Groups to facilitate collaboration between all the three lines of defence and undertake horizon scanning.

The governance framework will ensure key decisions are made at the appropriate level and that there will be adequate oversight of the performance and management of the business with reporting lines making it clear who is accountable for each area of business risk.

Cashplus has an experienced executive team which has been supplemented with the recruitment of a number of key individuals over the past 18 months with additional plans this year to recruit several individuals to strengthen the first line back office functions plus the second and third line defence functions.

CORPORATE GOVERANCE

The new Board have delegated powers to a series of Board committees. In turn, some of these powers have been delegated to sub and executive committees, as set out in the chart below and referenced in the Risks and Uncertainties section above.



SECTION 172 COMPANIES ACT 2006

The directors must act in accordance with the duties set out in the Companies Act 2006 (the 'Act'). Under section 172, the directors have a duty to promote the success of the group for the benefit of its members as a whole. When making decisions, the Board ensures that it acts in the way it considers, in good faith, would most likely promote the group's success for the benefit of its members as a whole, and in doing so have regard to:

- The likely consequences of any decisions for the longer term
- The interest of the group's employees
- The need to foster the group's business relationships with suppliers, customers, regulators and others
- The impact of the group's operations on the community and environment
- The desirability of the group maintaining a reputation for high standards of business conduct; and
- The need to act fairly as between the shareholders of the group

This duty to assess the interests of all stakeholders is central to the director's decision-making process. The directors recognise that it is a key requirement to ensure that when making strategic decisions it has the relevant management information to fully consider the potential impact on the relevant stakeholders of any given decisions they approve. This is demonstrated by the development of the MI received by the Board and its sub committees which has been updated during the course of the year to include relevant metrics to manage the bank including the adoption of the risk ERMF. The Board is also provided regular reports from its sub committees of key decisions taken, material risks and performance updates.

Long term decisions
The Board made a number of key strategic decisions during the year, the most significant of which was to proceed in its banking application and provide an attestation to the regulators relating to the readiness to become a bank. This included assessment of the resources and capabilities of the firm across its people, IT systems and governance. As part of this process it decided to raise further equity capital in December 2020 to meet regulatory requirements. Towards the end of the year as part of its strategic planning process the Board has also assessed the market opportunities available to the group and reaffirmed that it is intending to focus on the SME market. It also assessed and decided that it would be in the interest of all stakeholders to invite further equity capital to facilitate growth ambitions and has commenced that process by appointing external advisors with the aim of obtaining equity by the end of the year.

The interests of our colleagues
The directors recognised the need to attract and retain talent and ensure employee well-being. The group undertakes regular employee surveys to guide its HR and colleague policy making. All colleague monthly meetings are also held where the CEO provides information on business performance and key initiatives. These are also used to provide information on a number of key topics including information security and conduct. They also provide the opportunity for colleagues to provide immediate and anonymous feedback. During the year new employee forums were established to consult with colleague representatives on issues relating to the pandemic. This included voluntary salary and reward reductions which successfully prevented redundancies. The group has also consulted on working practices during the pandemic and used these surveys processes to make key decisions around working from home and office practices to manage the impact of Covid 19. The group also engaged in a number of support activities to help those colleagues who found the new environment and change difficult.

SECTION 172 COMPANIES ACT 2006

Relationships with suppliers, customers and regulators

The group ensures it understands customers' needs through the use of regular customer surveys. The directors also continually monitor feedback using social media, comparison and review sites. The data collected from these sources help inform decision making and to prioritise what is important to our customers. During the year, the group made regular communications with its customers to ensure they were made aware of the change in regulatory status as the group became a bank. This was particularly important to ensure that our customers were aware of the change from e-money to bank deposits and allowing enough time for customers to react to this change of status.

The group also continues to develop long term business relationships with key suppliers through its supplier management framework and polices which have been strengthened, complying with enhanced banking requirements. This process has involved assessing the importance of each supplier and designing our engagement with them based on a range of risk criterion including financial and information security. Under these processes our "critical" suppliers are required to have frequent face to face meetings and engagement, have additional performance MI and audit requirements.

The group is committed to engaging openly and transparently with all regulators. During the course of the year, as the group was approaching the banking license date, there was very frequent engagement with the regulator to provide them with key information relating to the capital and liquidity of the group but also providing policies and information relating to all aspects of the group's activities. Post banking license regular engagement continues with the regulators. The directors take the responsibility of being a banking institution seriously and expect to continue to have regular contact with the regulators on a variety of subjects including risk and compliance. Dedicated resource has now been established to manage regulatory affairs. The group places a high value on compliance with all relevant regulations and perform to the highest level of integrity and ethical behavior and all colleagues undertake appropriate mandatory conduct risk training appropriate to their roles, on an annual basis.

The community and the environment

The directors recognise the importance of representing and contributing to the communities we serve.

The group is committed to having a positive impact on the environment by developing systems that minimise impact on the environment. As a digital bank without physical branches the group already provides a low environment impact solution to banking. The group engages in a number of initiatives including recycling and low energy use in the small amount of office space that it does have. The group will also ensure that its forward looking decisions on office space will be made with environment factors in mind. In the last year, a feasibility study for a new energy reporting and monitoring platform has commenced which will allow us to better measure our energy performance and identify efficiencies.

As part of supplier management and in support of anti-slavery the group audits the commitments of key suppliers in this area ensuring that they have Modern Slavery policies and appropriate commitments are made in key supplier contracts. This process also ensures that key suppliers can also evidence that they have diversity and inclusion policies.

Shareholders

The group engages openly and transparently with all its investors. This has been especially important as the group restructured its balance sheet and established further equity injections ahead of the receipt of the bank license in December 2020. A number of communications were made explaining the process and outcome to existing and new investors.

This report was approved by the board on 13 July 2021

Solomon Osagie
Company Secretary

GROUP DIRECTORS' REPORT

The directors present their report and the financial statements for the year ended 31 March 2021

Directors' responsibilities statement
The directors are responsible for preparing the group Strategic Report, the Directors' Report and the consolidated financial statements in accordance with applicable law and regulations. Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state-of-affairs of the company and the group and of the profit or loss of the group for that period.

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

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

The directors are 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 the group and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Results and dividends
The loss for the year, after taxation, amounted to £4.4m (2020: loss of £5.0m).
The directors do not recommend the payment of a dividend (2020: £nil).

Directors
The directors who served during the year were:
Mark Sismey-Durrant
Jim Jones
Simon Knight
Alessandro Hatami
Richard Wagner
Donald Dixon (Resigned 03 Feb 2021)
Francesca Shaw (Appointed 25 Mar 2021)

Post Balance Sheet Events
In the period between the balance sheet date and the signing of the financial statements a further investment of £1.95m has been received in exchange for ordinary share capital from existing investors.

Environmental, social and governance review
The directors seek to drive positive environmental and social change through the actions they take. The group's approach to environmental, social and governance (ESG) is about understanding the impact each decision has on these areas. As a new bank there is an opportunity to embed ESG issues into the business and ensure it grows in the right way with a commitment to being open and transparent about its values. ESG priorities are overseen by the board who are responsible for setting the group strategy, which has a major impact on ESG priorities and how they are managed by the executive team.

The group has numerous ESG priorities with policies and procedures being continually reviewed and adapted to ensure consideration is given to these issues. These include:

GROUP DIRECTORS' REPORT

Suppliers
The group is committed to developing long term business relationships with key suppliers through its supplier management framework and polices. It is important to the directors that the group works with suppliers who uphold its values and this consideration starts at the procurement stage and is maintained throughout the entire life cycle of the business relationship. The group continually reviews the controls implemented by suppliers including those that prevent data security breaches, bribery, corruption and modern slavery. The group also conduct regular meetings and supplier assurance reviews on the most critical suppliers to ensure the highest standards are being upheld.

Customers
The group takes the need for treating customers fairly very seriously and considers the needs of its customers in all of its business decisions. The group also aims to ensure all of its product offerings are clear and easy to understand, and supports this with high quality customer service.

Colleagues
Employee well-being is paramount to the success of the group. The group is also committed to ensure transparency so colleagues have access to all the information that is relevant to them. This includes monthly company-wide meetings which includes encouraging people to share opinions and ask questions to management. The group is also developing reward schemes to enable all colleagues to share in the success of the group.

Other stakeholders
The group's commitment to the consideration given to stakeholders of the group is disclosed within the Section 172 statement of the Strategic Report.

Sustainability and the Environment
The group had an electricity consumption of 87.9 MWh (2020: 199.5 MWh) in the financial year throughout its leased premises which translates to 20,493 kg (2020: 46,522) of carbon released based on *Greenhouse gas reporting: conversion factors from Department for Business, Energy and Industrial Strategy*.

The intensity metric chosen is average number of employees as at the Financial Year ending 31 March 2021. Total emissions for the 12 months to 31 March 2021 are 55.9% less than the previous year. Additionally, when viewed as an intensity metric, our emissions have reduced by 57.0% per the average number of employees year-on-year.

This year's reporting period has been significantly impacted by the COVID-19 situation which has reduced occupation of the group's premises and therefore associated emissions since March 2020.

	Group 31 Mar 2021 kg CO_2e	Group 31 Mar 2020 kg CO_2e	Movement Year on Year kg CO_2e
Scope 2 emissions	**20,493**	**46,522**	**(55.9%)**
Intensity metric – Total Emissions per FTE	122.7	285.4	(57.0%)

The group has only reported Scope 2 emissions as it does not consume fuel from transport use or natural gas (Scope 1) nor does it have any related emissions from business travel using cars (Scope 3).

GROUP DIRECTORS' REPORT

The group also works with the landlord of its offices, participating in Occupier Forums for London Bridge City Sustainability. Progress has been made over the last year in relation to the following:

New Waste Strategy - the group aims to maximise efficiencies and improve recycling rates.

Transition to Green Energy - the group has started the process for switching its energy supply to one that provides 100% REGO (Renewable Energy Guarantees of Origin) with backed renewable energy certificates.

Feasibility study for a new energy reporting and monitoring platform - the group has engaged in a study that will allow better measures on energy performance and identify efficiencies.

Enhanced heating control - the group is working with the landlord of its premises to improve heating efficiency that adheres to current industry good practice. Work is also underway to improve lighting to reduce power usage levels.

Future developments
The group intends to complete its plan to wind down its subsidiary, APS Financial Limited, by the end of this year following the transfer of all its trading activities, assets and liabilities to its parent company, Advanced Payment Solutions Limited, occurring at the point of the banking licence. The other subsidiary of Advanced Payment Solutions Limited, APS Bonds plc, is also expected to be wound up in the same timeframe after it repaid its outstanding £1.2m minibond in line with maturity in November 2020 and ceased trading. This will leave the group with a simplified structure and single legal entity, Advanced Payment Solutions Limited.

The group is also investing in the development of a Real Time Gross Settlement (RTGS) solution and expects to launch this during the course of 2021 and will give the group direct access to the Faster Payments gateway.

Qualifying third party indemnity provisions
The group provides indemnity insurance for its directors and other key personnel.

Disclosure of information to auditors
Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

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

Financial Instruments
The group finances its activities though a combination of equity, as disclosed in notes 23 and 24, and through cash deposits held as disclosed in Note 9. The group also holds customer deposits classified as a financial liability, and issues overdrafts and loans to customers which are classified as financial assets. The group holds treasury investments in short-dated UK Government Debt. Other financial assets and liabilities including trade creditors that are derived from the group's operating activities. Notes 20, 27 and 28 contain information on managing risks related to financial assets and liabilities.

Risk Management
Risk management including financial, credit and market (including price) risk is detailed in the Group Strategic report as part of the Principal Risks and Uncertainties. Further information can also be found in the notes to the financial statements: Liquidity risk (note 23), Credit risk (note 30) and Market risk (note 31).

Donations
The group has not made any donations or incurred any expense to any registered political party or other political organisation.

Research and Development
The group invests in the development applications and products and therefore applies to claim Research & Development (R&D) relief from HMRC, which are recognised through the Statement of Comprehensive Income on receipt.

GROUP DIRECTORS' REPORT

Going Concern

In preparing these financial statements the directors are required to satisfy themselves that the group is able to continue as a going concern, so that the going concern basis can be adopted. In assessing this the directors have considered a number of risks and mitigating actions. The directors have continued to review the impact of the coronavirus pandemic on trading performance and the cost management programmes which were executed in response. They have also reviewed financial forecasts and capital and liquidity projections using downside scenarios. Ahead of bank authorisation the group was able to complete the planned debt for equity swap due to the commitment of existing investors and therefore creating a positive net asset position and sufficient capital to meet regulatory requirements and buffers. The directors have also reviewed the benefits to the group of achieving the banking license during the year which has provided significant additional liquidity and enabled the repayment of existing debt facilities, reducing interest funding costs. The group has now also commenced plans for expansion that the directors reasonably expect will grow the profitability of the bank. Although the group has announced plans to raise further capital to facilitate some of this growth, it has also created financial plans that cover at least 12 months from the signing of the financial statements to ensure sufficient capital and liquidity is available without the need to raise further capital.

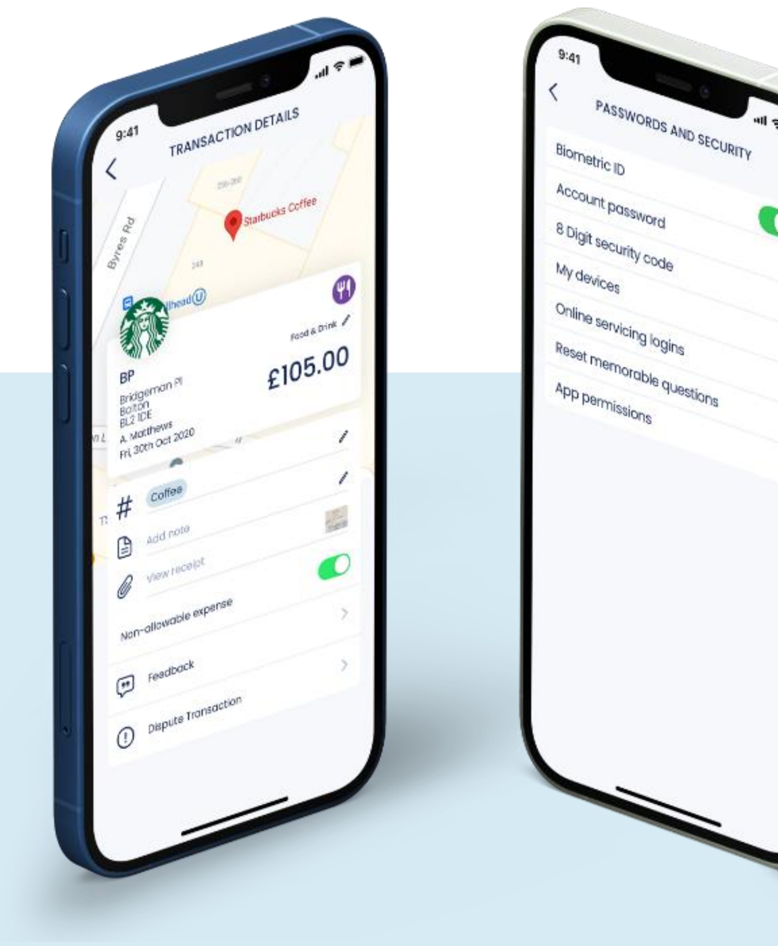
On the basis of the considerations above the going concern basis has been used as the basis of preparing the financial statements.

Auditors

BDO LLP have indicated their willingness to be reappointed as auditors for another term and appropriate arrangements will be put in place for them to be deemed reappointed.

This report was approved by the board on 13 July 2021 and signed on its behalf.

Solomon Osagie
Company Secretary



INDEPENDENT AUDITOR'S REPORT

Independent auditor's report to the members of Advanced Payment Solutions Limited

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 March 2021 and of the Group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Advanced Payment Solutions Limited (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 March 2021 which comprise the Consolidated and Company Statement of Comprehensive Income, Consolidated and Company Statement of Financial Position, the Consolidated Cash Flow Statement, the Consolidated and Company Statement of changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's 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. Our audit opinion is consistent with the additional report to the audit committee.

Independence

Following the recommendation of the audit committee, we were appointed by the Board of Directors on 5 December 2019 to audit the financial statements for the year ending 31 March 2020 and subsequent financial periods. The period of total uninterrupted engagement including retenders and reappointments is 2 years, covering the years ending 31 March 2020 to 31 March 2021. We remain independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services prohibited by that standard were not provided to the Group or the Parent Company.

INDEPENDENT AUDITOR'S REPORT

Conclusions relating to going concern

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.

In assessing whether the Group and the Parent Company are going concerns, the Directors are required to take into account all available information about the future including the potential implications of Covid-19 on their operations, for a period of at least 12 months from the date when the financial statements are authorised for issue.

The impact of Covid-19 has been significant and has led to disruption in financial markets, and severe curtailment and restrictions to normal patterns of business both within the United Kingdom and globally.

The Directors have performed a going concern assessment, including assessing the liquidity and capital position of the Group and the Parent Company and have concluded that they are able to continue as a going concerns as set out in note 2 v) of the financial statements. This has required the Directors to make judgements as to the reasonably foreseeable impacts of Covid-19. In making those judgements, the Directors have taken into account the significant uncertainty as to the impact both on the wider economy and on the markets in which the Group trades. Given the significant judgement exercised by the Directors in making the assessment as to whether it is appropriate to prepare the financial statements on a going concern basis we consider this to be a key audit matter.

Our evaluation of the Directors' assessment of the Group and the Parent Company's ability to continue to adopt the going concern basis of accounting and in response to the key audit matter included:

- We evaluated and challenged the Director's going concern assessment and made enquiries of the Directors to understand the impact of Covid-19 on the Group's financial performance, business activities, operations, as well as their regulatory capital and liquidity position.
- We also evaluated forecasts and challenged the assumptions and predicted outcomes. We considered the base and stress scenario testing undertaken by the Directors to support the going concern assessment which included assumptions about the potential impact prolonged restrictions to business activities due to Covid-19 could have on revenue, and possible cost saving measures and consider these assumptions plausible.
- We reviewed post-balance sheet events; and
- Considered the appropriateness of the related disclosures against the requirements of the accounting standards.

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 entity'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.

INDEPENDENT AUDITOR'S REPORT

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

Overview

Coverage	*100% (2020: 100%) of Group loss before tax* *100% (2020: 100%) of Group revenue* *100% (2020: 100%) of Group total assets*		
Key audit matters		2021	2020
	Loan loss provisioning	✓	✓
	Impact of COVID 19 & Going Concern	✓	✓
Materiality	*Group financial statements as a whole* *£648k (2020: £716k) based on 1.5% (2020: 1.5%) of expenses*		

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

The Group is made up of the Parent Company and its two wholly owned subsidiaries. The sole significant component is Advanced Payment Solutions Limited, with the subsidiary entities having ceased operations as at the year end. Advanced Payment Solutions Limited accounts for 100% of the Group's net assets and 98% of the Group's revenue. It was subject to a full scope audit by the Group audit team. Material balances contained within the non-significant subsidiary entities were audited by the Group audit team to a component materiality level set below group materiality to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our 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) that we identified, 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 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. In addition to the matter described in the conclusions relating to going concern section of our report, we have determined the matter below to be the key audit matter to be communicated in our report.

INDEPENDENT AUDITOR'S REPORT

<table>
<tr><th colspan="2">Key audit matter</th><th>How the scope of our audit addressed the key audit matter</th></tr>
<tr><td>Loan loss provisioning

Refer to note 2 (accounting policies: pages 38 to 46)) and note 29</td><td>The provision for expected credit losses on Loans and Advances to customers is £6m (2020: £11.4m).

Commensurate with the activities of the Group the Expected Credit Loss (ECL) provision is a material balance subject to management judgement and estimation.

Key management judgements and estimates in respect of the timing and measurement of expected credit losses include:

• Allocation of assets to stage 1, 2, or 3 using criteria in accordance with the accounting standard;

• Accounting interpretations and modelling assumptions used to build the models that calculate to ECL;

• Completeness and accuracy of data used to calculate the ECL;

• Inputs and assumptions used to estimate the impact of multiple economic scenarios;

• Accuracy and adequacy of the financial statement disclosures.</td><td>We assessed the overall characteristics of the Bank's loan book and considered management's processes for the identification and treatment of underperforming loans. We have evaluated and challenged the Bank's determination of what constitutes a Significant Increase in Credit Risk and whether the definition of default used for the Bank's estimate of Expected Credit Loss results in a probability of default that reflects the Bank's current view of the future and is unbiased.

We performed an overall assessment of the ECL provision levels by stage to determine if they were reasonable considering the Bank's portfolio, risk profile, credit risk management practices and the macroeconomic environment.

We evaluated the selection and source of the information used by the Bank to determine Probability of Default, Loss Given Default and Exposure at Default. We made an assessment of the adequacy and accuracy of the credit provision by reference to internal and external information to establish if provisioning was in accordance with requirements of accounting standards.

With the support of our internal economic experts, we assessed the appropriateness of the predictive model used and assessed the macroeconomic variables used, such as unemployment rate, which were appropriate.

We used our internal specialists to review the code applied to calculate the ECL provision to ensure its compliance with Group policies and accounting standards, and to assess the accuracy of the model.

We assessed the reasonability of multiple economic scenarios used, including weighting and probability changes.

We assessed the adequacy and appropriateness of disclosures for compliance with the accounting standards.

Key observations:
There were no material matters regarding the key management judgements and estimates in respect of the completeness and measurement of ECL arising from performing these procedures.</td></tr>
</table>

INDEPENDENT AUDITOR'S REPORT

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

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

	Group financial statements		Parent Bank / Company financial statements	
	2021	2020	2021	2020
Materiality	£648k	£716k	£640k	£650k
Basis for determining materiality	1.5% of expenses	1.5% of expenses	1.5% of expenses	1.5% of expenses
Rationale for the benchmark applied	We determined that expenses represents the most useful benchmark for users of the financial statements given that the Group is loss making, the change to regulatory permissions during the financial year, and the continued focus of the Directors on cost management in the current environment.	We determined that expenses was the most appropriate benchmark in light of the loss for the year, the focus of Directors on cost management and the quantum of costs incurred associated with the anticipated developments in the regulatory permissions and activities of the business.	We determined that expenses represents the most useful benchmark for users of the financial statements given that the Group is loss making, the change to regulatory permissions during the financial year, and the continued focus of the directors on cost management in the current environment.	We determined that expenses was the most appropriate benchmark in light of the loss for the year, the focus of Directors on cost management and the quantum of costs incurred associated with the anticipated developments in the regulatory permissions and activities of the business.
Performance materiality	£453k	£466k	£449k	£423k
Basis for determining performance materiality	70% of materiality, determined on the basis of our risk assessment together with our assessment of the overall control environment. This has increased from the prior year, which was the first year we audited the Group.	65% of materiality, determined on the basis of our risk assessment together with our assessment of the overall control environment.	70% of materiality, determined on the basis of our risk assessment together with our assessment of the overall control environment. This has increased from the prior year, which was the first year we audited the Group.	65% of materiality, determined on the basis of our risk assessment together with our assessment of the overall control environment.

INDEPENDENT AUDITOR'S REPORT

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £13k (2020:£14k). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Financial Statements other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. 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 course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other Companies Act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on 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 the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and • the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements. In the light of the knowledge and understanding of the Group and Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.
Matters on which we are required to report by exception	We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion: • adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or • the Parent Company financial statements are not in agreement with the accounting records and returns; or • certain disclosures of Directors' remuneration specified by law are not made; or • we have not received all the information and explanations we require for our audit.

INDEPENDENT AUDITOR'S REPORT

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors 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 Parent 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 Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not 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.

Extent to which the audit was capable of detecting irregularities, including fraud

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

We gained an understanding of the legal and regulatory framework applicable to the Bank and the industry in which it operates, and considered the risk of acts by the Bank which were contrary to applicable laws and regulations, including fraud. These included, but were not limited to, compliance with Companies Act 2006 and UK Generally Accepted Accounting Standards. We also considered the Bank's compliance with licence conditions and supervisory requirements of the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA), and relevant tax legislation.

We focused on laws and regulations non-compliance with which could give rise to a material misstatement in the financial statements. Our tests included, but were not limited to:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management regarding their controls and processes in place to ensure full compliance with respective authorities;
- reading minutes of meetings of those charged with governance, reviewed correspondence with the Financial Conduct Authority and Prudential Regulation Authority;
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries related to areas susceptible to fraud risk and other adjustments; and
- Assessing whether the judgements made in making accounting estimates are indicative of a potential bias, including those noted in our key audit matters section of our report.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members, including internal specialists, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

INDEPENDENT AUDITOR'S REPORT

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that 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, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

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

Use of our report

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

Matthew Hopkins (Senior Statutory Auditor)
For and on behalf of BDO LLP,
Statutory Auditor
London, UK

Date: 13 July 2021

BDO LLP is a limited liability partnership registered in England and Wales
(with registered number OC305127).

CONSOLIDATED AND COMPANY STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2021

	Notes	Group 31 Mar 2021 £'000	(Restated[1]) Group 31 Mar 2020 £'000	Company 31 Mar 2021 £'000	(Restated[1]) Company 31 Mar 2020 £'000
Interest Income	3	8,920	14,904	8,243	12,440
Interest Expense	3	(4,856)	(4,483)	(4,784)	(4,398)
Net Interest Income	3	4,064	10,421	3,459	8,042
Fee and Commission income	4	29,489	33,628	29,489	33,628
Fee and Commission expense	4	(3,953)	(3,815)	(5,843)	(6,459)
Net Fee and Commission income	4	25,536	29,813	23,646	27,169
Total Operating Income		**29,600**	**40,234**	**27,105**	**35,211**
Other Income	5	212	-	212	-
Dividends	15	-	-	9,068	-
Impairment charge		(3,835)	(8,077)	(3,835)	(8,077)
Net operating income		25,977	32,157	32,550	27,134
Administrative Expenses	7	(30,559)	(35,809)	(29,694)	(32,876)
Profit / (Loss) before Taxation		(4,582)	(3,652)	2,856	(5,742)
Taxation	9	224	(1,365)	9	(1,373)
Profit / (Loss) after Taxation		(4,358)	(5,017)	2,865	(7,115)
Total Comprehensive Income / (Loss)		**(4,358)**	**(5,017)**	**2,865**	**(7,115)**

The notes to these financial statements can be found on pages 38 to 77

(1) The comparative figures for 2020 have been restated due to the change in presentation - see note 35

CONSOLIDATED AND COMPANY STATEMENT OF FINANCIAL POSITION

As at 31 March 2021 Assets	Notes	Group 31 Mar 2021 £'000	(Restated[1]) Group 31 Mar 2020 £'000	Company 31 Mar 2021 £'000	(Restated[1]) Company 31 Mar 2020 £'000
Cash and Balances at other banks	10	29,785	376,945	29,803	4,722
Investment Securities	11	430,883	-	430,883	-
Loans and Advances to Customers	12	16,802	24,824	16,802	24,824
Other Assets	13	16,353	12,879	16,086	10,106
Plant, Property and Equipment	14	527	837	527	837
Intangible Assets	14	1,753	2,171	1,753	2,171
Investments into Subsidiaries	15	-	-	-	850
Total Assets		496,103	417,656	495,854	43,510
Liabilities					
Customer Deposits	17	(460,162)	-	(460,162)	-
Customer Liabilities	17	-	(363,050)	-	-
Provisions for Liabilities and Charges	16	(755)	-	(755)	-
Debt Instruments and Borrowing	18	(3,018)	(60,473)	(3,018)	(59,311)
Other Liabilities and Accruals	19	(14,125)	(11,701)	(14,145)	(9,258)
Deferred Income	22	(152)	(230)	(152)	(230)
Total Liabilities		(478,212)	(435,454)	(478,232)	(68,799)
Net Assets		**17,891**	**(17,798)**	**17,622**	**(25,289)**
Equity					
Share Capital	24	9	3	9	3
Share Premium	25	41,060	336	41,060	336
Other Reserves	26	1,673	2,356	1,673	2,356
Accumulated Profits / (Losses)		(24,851)	(20,493)	(25,120)	(27,984)
Total Equity		**17,891**	**(17,798)**	**17,622**	**(25,289)**

The notes to these financial statements can be found on pages 38 to 77

(1) The comparative figures for 2020 have been restated due to the change in presentation - see note 35

Signed on behalf of the board by:

Rich Wagner

Richard Wagner
Director
13 July 2021

CONSOLIDATED CASH FLOW STATEMENT

As at 31 March 2021

	Group 31 March 2021 £'000	Group 31 March 2020 £'000
Cash Flows from Operating Activities		
Loss for the Period after Taxation	(4,358)	(5,017)
Corporation Tax Paid	(156)	(327)
Adjustments for Non-Cash items		
Depreciation and Amortisation	2,044	2,064
FV of Shares Allocated/Options granted to employees	919	594
Interest Expense	4,856	4,483
Corporate tax charge / (credit)	(224)	1,365
Net Changes in Operating Assets and Liabilities		
Net Decrease in Loans and Advances to Customers	8,022	5,667
Net Increase Other Assets	(3,474)	(4,134)
Net Increase in Customer Deposits	97,112	70,306
Net Increase/(decrease) in Other Liabilities	3,101	1,031
Net Cash Flows from Operating Activities	**107,842**	**76,032**
Cash Flows from Investing Activities		
Purchases of Fixed Assets	(1,321)	(2,228)
Purchase of Investment Securities	(755,954)	-
Maturity of investment Securities	325,071	-
Net Cash Flows used in Investing Activities	**(432,204)**	**(2,228)**
Cash Flows from Financing Activities		
Proceeds from issue of Ordinary Shares	2,949	-
Increase / (Repayment) of borrowing facilities	(25,662)	104
Issue of Tier 2 Debt Facility	3,000	-
Interest paid	(3,085)	(3,119)
Net Cash Flows from Financing Activities	**(22,798)**	**(3,015)**
Net Increase / (Decrease) in Cash and Cash Equivalents	(347,160)	70,789
Cash and Cash Equivalents at Beginning of Period	376,945	306,156
Cash and Cash Equivalents at End of Period	29,785	376,945

The notes to these financial statements can be found on pages 38 to 77

CONSOLIDATED AND COMPANY STATEMENT OF CHANGES IN EQUITY

As at 31 March 2021

Group	Share Capital £'000	Share Premium £'000	Other Reserves £'000	Retained Earnings £'000	Total Equity £'000
As at 31 March 2019	3	336	1,763	(12,947)	(10,845)
Impact of Transition to IFRS9	-	-	-	(2,529)	(2,529)
As at 01 April 2019	3	336	1,763	(15,476)	(13,374)
Loss for the Period	-	-	-	(5,017)	(5,017)
Fair Value of Shares allocated to Employees	-	-	593	-	593
As at 31 March 2020	3	336	2,356	(20,493)	(17,798)
Issue of Shares	1	3,612	-	-	3,613
Debt for Equity Swap	7	37,112	(1,602)	-	35,517
Redemption of Shares	(2)	-	-	-	(2)
Loss for the Period	-	-	-	(4,358)	(4,358)
Fair Value of Shares allocated to Employees	-	-	919	-	919
As at 31 March 2021	9	41,060	1,673	(24,851)	17,891

Company	Share Capital £'000	Share Premium £'000	Other Reserves £'000	Retained Earnings £'000	Total Equity £'000
As at 31 March 2019	3	336	1,763	(18,348)	(16,246)
Impact of Transition to IFRS9	-	-	-	(2,529)	(2,529)
As at 01 April 2019	3	336	1,763	(20,877)	(18,775)
Loss for the Period	-	-	-	(7,108)	(7,108)
Fair Value of Shares allocated to Employees	-	-	594	-	594
As at 31 March 2020	3	336	2,357	(27,985)	(25,289)
Proceeds from Issue of Shares	1	3,612	-	-	3,613
Debt for Equity Swap	7	37,112	(1,603)	-	35,516
Redemption of Shares	(2)	-	-	-	(2)
Profit for the Period	-	-	-	2,865	2,865
Fair Value of Shares allocated to Employees	-	-	919	-	919
As at 31 March 2021	9	41,060	1,673	(25,120)	17,622

The notes to these financial statements can be found on pages 38 to 77

NOTES TO THE FINANCIAL STATEMENTS

1. General information
Advanced Payment Solutions Limited, trading as Cashplus Bank, is a private company limited by shares registered in England and Wales. It's registered office is located at 6th Floor, One London Wall, London, EC2Y 5EB. The principal activity of the company is to provide current accounts, revolving credit products loans and credit cards to the small and medium sized enterprises and consumers.

2. Accounting policies

i) Basis of preparation of financial statements
The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies 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 group management to exercise judgment in applying the group's accounting policies.

The Company has taken advantage of the exemption from preparing a statement of cash flows, on the basis that it is a qualifying entity and the consolidated statement of cash flows, included in these financial statements, includes the Company's cash flows.

The group has changed the format of the Income Statement, the Statement of Financial Position and the cashflow statement to align them with industry practice presentation for financial institutions. This has been done to provide the readers of the financial statements with improved information about asset class exposures and the liquidity risk profile of the group. Note 35 provides a reconciliation of each of the lines in the Income statement and the Statement of Financial Position as at 31 March 2020 between the old and new format.

ii) Standards adopted in this Financial year
No new standards were adopted in the preparation of the financial statements in the year.

iii) Basis of Consolidation
The consolidated financial statements present the results of the company and its own subsidiaries ("the group") as if they form a single entity. 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 Statement of Financial Position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated Statement of Comprehensive Income from the date on which control is obtained. They are deconsolidated from the date control ceases.

In accordance with the transitional exemption available in FRS 102, the group has chosen not to retrospectively apply the standard to business combinations that occurred before the date of transition to FRS 102, being 01 April 2016.

iv) Going Concern
The directors have continued to review the impact of the coronavirus pandemic on trading performance and the cost management programmes which were executed in response. They have also reviewed financial forecasts and capital and liquidity projections using downside scenarios.

Ahead of bank authorisation the group was able to complete the planned debt for equity swap due to the commitment of existing investors and therefore creating a positive net asset position and sufficient capital to meet regulatory requirements and buffers. The directors have also reviewed the benefits to the group of achieving the banking license during the year which has provided significant additional liquidity and enabled the repayment of existing debt facilities, reducing interest funding costs. The group has now also commenced plans for expansion that the directors reasonably expect will grow the profitability of the bank. Although the group has announced plans to raise further capital to facilitate some of this growth, it has also created financial plans that cover at least 12 month from the signing of the financial statements to ensure sufficient capital and liquidity without the need to raise further capital.

NOTES TO THE FINANCIAL STATEMENTS

On the basis of the considerations above the going concern basis has been used as the basis of preparing the financial statements.

v) Judgments and Estimates

The preparation of these financial statements, in line with the requirements of FRS102, requires management to make judgments, estimates and assumptions that affect the reported amounts of:

(i) assets and liabilities at the date of the financial statements; and

(ii) revenues and expenses during the year.

These judgements and estimates are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable at the time.
The following are areas in which judgments that the group has made in the process of applying its accounting policies and those that have the most material effect on the amounts recognised in the financial statements:

- **Recognition of Deferred Tax asset**
  Deferred Tax is recognised on the temporary difference between taxable profits and income/expenses in the Statement of Comprehensive Income. Deferred Tax assets are recognised to the extent it is probable that future taxable profits will be available against which this can be utilised and to the extent that there is reasonable certainty that taxable losses can be offset within a reasonable forecast period. The directors use judgments based on future forecasts to assess this probability and the level of deferred tax assets that can be recognised in its financial statements. See notes 9 and 13.

- **Recognition of future provisions**
  The group assesses assets for impairment using several methods that can be used to calculate the fair value, value in use or the recoverable amount of those assets. All methods use elements of judgment to calculate expected values which can be subjective, based on information available at the time. These calculations regularly include cashflow projections, assumptions on future economic conditions, discount rates and estimates on the sale value of assets.

The following are those items where the Directors have made estimates:

- **Impairment of Loans and advances to customers**
  The group prepares it's future provisions on the impairment of Loans and advances to customers using the recognition and measurement criteria

  of IFRS 9. This requires the use of an Expected Credit Loss (ECL) model which involves the use of estimations, specifically regarding the amount and timing of future cash flows and also determining significant increases in credit risk. The ECL is calculated at an individual account level by multiplying the probability of default (PD), exposure at default (EAD) and the loss given default (LGD) and discounting expected cashflows using the original effective interest rate (EIR). The key components are as follows:

  Probability of Default (PD)
  The PD is the likelihood of an account defaulting over the next 12 months for those accounts that are in stage 1, and over the lifetime of the account for those in stage 2 and 3 where significant increases in credit risk have been identified. Credit scores, using internal historical loss data and external bureau information, are used to make estimations of the likelihood of default.

  Exposure at Default (EAD)
  EAD is the amount expected to be owed at the time of default which is estimated using historical data. This includes changes in balance and relevant revenue that may be applied between the balance sheet measurement point and the time of default.

  Loss Given Default (LGD)
  LGD is expressed as a percentage of the EAD representing the loss adjusted for recoveries including cash recoveries made following credit collection activities. This percentage is also estimated using historic loss data.

NOTES TO THE FINANCIAL STATEMENTS

Estimated fair value inputs for the valuation of the Share Options Reserve
The group chooses to periodically grant share options to colleagues and several estimates and assumptions are made to calculate the options price for each issue. The most material estimate relates to the group's current share price input to the Black-Scholes model at the point of issue of the option. This uses an estimation of the value of the business which has been based on a combination of an external valuation exercise and the value used in the issue of shares in the period. The determined share value is then discounted to take into account the non-tradability of the instrument.

vi) Foreign Currency Translation

The group's functional and presentational currency is GBP.

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

At each period 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.

vii) Fees and Commission Income

Fees and Commission Income is recognised to the extent that it is probable that the economic benefits will flow to the group and the revenue can be reliably measured. It is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. Fees and Commission Income is recognised when the service is provided or when transactions are processed on an accruals basis. Fees and commissions receivable and other revenue are generated from the normal operation of the customer accounts in respect of the period. Initial fees are recognised after the first customer deposit, and monthly fees are recognised in the month raised where there is available credit on the customer's account.

viii) Fees and Commission Expense

Fees and Commission expense consist of costs incurred as result of customer transactions and from normal operation of the customer accounts in respect of the period. Costs are recognised in the income statement in the month incurred.

ix) Interest Income and Interest Expense

Income is generated from a range of different credit products:

Revolving credit facilities have no fixed repayment terms and balances can be withdrawn and repaid on a regular basis. Interest is charged on the balance borrowed and added to the loan and recognised in the month to which it relates using the effective interest method.

Credit cards charge interest at an effective interest rate on the outstanding balance and recognised in the month to which it relates.

Interest income is recognised on financial assets that have been classified as Cash and Balances with other Banks are recognised in the Statement of Comprehensive Income using the effective interest rate of the asset to which they relate.

Interest income on financial assets that have been classed as investment securities in the financial statements is recognised using the effective yield to maturity method as a basis for an effective interest rate calculation. The costs associated with the acquisition of the financial assets are accrued from the transaction date.

Interest expense is largely the cost of borrowing relating the group's debt and is recognised in the income statement using the effective interest rate method.

NOTES TO THE FINANCIAL STATEMENTS

x) Government Grants

Government grants are defined as assistance by government in the form of a transfer of resources to an entity in return for past or future compliance with specified conditions relating to the operating activities of the entity. Government refers to government, government agencies and similar bodies whether local, national or international.

Recognition and measurement

The group does not recognise grants until there is reasonable assurance that the entity will adhere to the conditions which are attached to the grant and that the grant will be received. The group chooses to recognise grants received using the accrual model and these are initially recognised at fair value as other income in the period the related costs are incurred by the entity for which the grant is intended to compensate

xi) Operating Leases

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

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

The group has taken advantage of the optional exemption available on transition to FRS 102 which allows lease incentives on leases entered into before the date of transition to the standard 01 April 2018 to continue to be charged over the period to the first market rent review rather than the term of the lease.

xii) Cash and Balances at other Banks

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 flows with insignificant risk of change in value.

In the Consolidated 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 group's cash management.

xiii) Financial Assets

The group applies IFRS 9 to recognise, classify, measure and de-recognise financial assets and liabilities, and to record any impairment on those financial assets.

Financial Assets Assessment

As per the requirements of IFRS 9, the financial assets of the Group have been assessed and are classified into one of three categories (amortised cost, Fair Value through Other Comprehensive Income (FVOCI) or Fair Value through Profit and Loss (FVTPL)).

To classify each of the various financial assets, the Group assesses:

- The objective of the business model in which the financial asset is held; and
- Whether the contractual cash flows of the financial asset are 'solely payments of principal and interest' (SPPI).

Business Model Assessment

The Group's business model assessment is made at a category level in line with the information provided to management and represents the way the instrument is managed. The information considered includes:

- The stated policies and objectives of the asset and the operation of those policies day to day. This considers whether the strategy is to earn contractual interest income or the matching of the life of the financial assets to the period of related liabilities.
- How the performance of the asset category is evaluated and reported to management.
- The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed.

NOTES TO THE FINANCIAL STATEMENTS

SPPI assessment
When making a judgment of the financial assets or liabilities in the SPPI assessment, the principal is defined as the fair value of the financial asset or liability on initial recognition. Interest is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during the observation period. Further consideration is given to other credit risks and costs such as capital risk, liquidity risk, admin costs and required margin.

The assessment of whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contain contractual terms that would alter the timing or amount of contractual cash flows, thereby not meeting this condition.
In making this assessment, the Group considers:
- Terms that may adjust the contractual interest rate;

Recognition
The group policy is to hold all financial assets and liabilities to collect or pay contractual cash flows, rather than to sell the instrument before maturity. The contractual terms of all financial assets held by the company give rise to cash flow that are solely payments of principal and interest. Therefore, all financial assets and liabilities are held at amortised cost using the effective interest rate method.
Categories that pass the SPPI test are:
- Cash and Balances with other Banks
- Debt and Investment Securities
- Loans and Advances to Customers

The Group's financial assets measured at amortised cost are initially recognised at fair value less any directly attributable transaction costs. The assets are subsequently measured at amortised cost using the effective interest method, less impairment. For financial assets that are not credit-impaired, interest revenue is calculated by applying the effective interest rate to the gross carrying amount of the asset.

Financial instruments held at amortised cost are subject to expected credit loss (ECL) provisions, per IFRS 9.

Derecognition
The group derecognises a financial asset, or a part of it, from the balance sheet when the contractual rights to cash flows from the asset have either expired, transferred or have been sold, along with substantially all the risks and rewards of the asset. Financial liabilities are derecognised when they are settled, have expired or been extinguished.

Impairment
The Group recognises impairment for Expected Credit Losses (ECL), on the following financial assets:

- Cash and Balances with other Banks
- Debt and Investment Securities
- Loans and Advances to Customers

For Loans and Advances to Customers the group applies impairment based on ECL. The measurement of ECL's and key inputs into the calculation including Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD) is defined separately in the credit provisioning policy.

The Group's Investment Securities are all deemed to meet the regulatory definition of zero risk weighted investment grade assets and are therefore recorded without any impairment applied.

NOTES TO THE FINANCIAL STATEMENTS

Loans and Advances to Customers
Amounts receivable from customers are assessed for impairment with reference to IFRS9 stages to assess the ECL of each account. Under IFRS9 "Stage 1" applies to accounts that are not credit impaired at initial recognition on origination. An account will move to "Stage 2" when there has been a significant increase in credit risk since origination either through a missed payment or an adverse change in behavioural risk score. The measure of significant increase has been set using statistical analysis based on standard deviations from the mean of the original risk score. An account will move into "Stage 3" when it has defaulted. Default is defined as an account which is over 90 days in arrears or is in a special status (bankrupt, individual voluntary arrangement, deceased or insolvent) or a payment arrangement. Accounts that also have been over 90 days in 1) arrears or 2) special status in the last 12 months but are now current also are classified as stage 3.

Impairment provisions are recognised by establishing an expected credit loss (ECL) based on assessing the probability of default (PD), exposure at default (EAD) and the typical loss given default (LGD) with the following applying to accounts at each stage:

- Stage 1 – The ECL is based on a 12 month PD
- Stage 2 – The ECL is based on a lifetime PD
- Stage 3 – The ECL is based on a lifetime PD

IFRS 9 requires the incorporation of adjustments to the ECL parameters of forward-looking macroeconomic information that is reasonable, supportable and independently sourced. To capture the effect of changes to the economic environment, the ECL models incorporate forward-looking information and assumptions linked to economic variables that impact losses in each product group over the 5-year lifetime horizon. Given the nature of the current portfolio which is currently focused on consumer credit the primary forward-looking parameter used is the UK unemployment rate.

Write offs
Accounts are written off once they are 210 days past due, defined as being seven instalments behind the agreed monthly minimum payment, unless forbearance has been applied. Accounts are also written off in special circumstance relating to bankruptcy, individual voluntary arrangements (IVAs) and deceased customers.

xiv) Intangible Assets
The group categorises certain expenditure as intangible assets are individually assessed to determine the duration of their useful economic life and amortised over that period.

Other acquired intangible assets, including purchased software, are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation. The carrying values of intangible assets are reviewed whenever there are indicators of impairment and both internal and external factors are considered. If there are no indicators of impairment then there are no requirements to perform a revaluation exercise.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years and is amortised using the straight line method from the month of purchase.

The estimated useful lives range as follows:
• Software - 2-3 years

NOTES TO THE FINANCIAL STATEMENTS

xv) Tangible Fixed Assets

Tangible fixed 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 so as 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:
- Leasehold Improvements – 5 years
- Other fixed assets – 3 Years
- Fixtures and fittings – 5 years
- Office equipment – 3 years
- Computer equipment – 3 years

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 Consolidated Statement of Comprehensive Income.

xvi) Other Assets

Other assets include prepayments and deferred tax. Other assets are initially recognised at fair value and subsequently measured at amortised cost. Other assets also include Mastercard collateral, recognised at fair value and held within the scheme bank account.

xvii) Taxation

The tax expense for the year comprises current and deferred tax. 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 on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company and the group operate and generate income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of Financial Position 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;

- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and

- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the group can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

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 reporting date.

NOTES TO THE FINANCIAL STATEMENTS

xviii) Customer Deposits

Customer deposits are measured at amortised cost using the effective interest rate method in line with the requirements of IFRS9. Deposits are initially measured at fair value and subsequently recognised at amortised cost.

xix) Contingent Liabilities

Contingent liabilities occur during the normal course of business and are reviewed regularly with external advisors to determine the likelihood of incurring a liability. Any potential liability that has been assessed as remote is not reported in the financial statements.

xx) Employee Benefits

Defined contribution pension plan

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

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

Share Based Payments

The group makes discretionary awards of share options to employees which are valued at fair value and then recognised as an expense in the P&L . The group does not have access to an observable market price for its shares and therefore measurement is undertaken using a Black Scholes methodology when calculating the options value at the point of issue. The share price at the issue of the option uses an estimation of the value of the business which has been based on a combination of an external valuation exercise and the value used issues of shares in the period. The determined share value is then discounted to take into account the non-tradability of the instrument.

xxi) Related Party Transactions

Related party transactions have been disclosed in the financial statements in accordance with FRS102 section 33. Related parties comprise any person or entity that is related to the group who has significant control, influence or is a member of the key management personnel. Disclosures include the relationship and the nature and value of any transactions In the year.

xxii) Administrative Expenses

Administrative expenses represent the costs incurred to support the groups day to day operations, separate from any cost directly attributable to revenue generating activity. Administrative costs are recognised in the statement of comprehensive income in the period to which they relate on an accrual basis.

xxiii) Provisions for Liabilities and Charges

Provisions are made where an event has taken place that gives the group an obligation that requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

xxiv) Other Liabilities and Accruals

Costs and liabilities from an obligation that are the result of business transactions are recognised in the financial statements using the accruals methodology which ensures transactions are recorded when they are incurred. These are initially measured at fair value and subsequently valued at amortised cost.

xxv) Dividend Income

Dividend income received on the group's investments is recognised in the Statement of Comprehensive Income on the date on which the Group’s right to receive payment is established.

NOTES TO THE FINANCIAL STATEMENTS

xxvi) Debt Instruments and Borrowings

Debt instruments and Borrowings, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

Borrowing costs 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.

In accordance with FRS 102 Section 22, the Series C and D convertible preferred shares are compound instruments. The proceeds received on issue of the group's convertible debt are allocated into their liability and equity components and presented separately in the balance sheet.

The debt component is classed as a financial liability and disclosed within creditors. The equity component is treated as other equity reserves and forms part of shareholders' funds. 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.

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. This is then measured at amortised cost. 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, with no gain or loss recognised.

xxvii) Share Capital

Ordinary shares and A&B preference shares are classed as equity. Incremental costs associated to the issue of new ordinary shares are shown in equity as a deduction of the Share Premium. Management considers the preference shares to be equity as per FRS102 (section 22) as the group does not have a contractual obligation to pay dividends and there are no rights for the preference shareholders to redeem the instruments and as a result, there is no mandatory redemption by the group.

xxviii) Reserves

The group's reserves are made up of the following:
Share Capital - The nominal value of the called up and issued share capital.
Share Premium - The premium on shares issued, net of any related costs.
Other Reserves - The fair value of options granted to employees. The prior year also included the share premium on the C&D preference shares
Profit and Loss - cumulative profit or losses of the group.

NOTES TO THE FINANCIAL STATEMENTS

3. Net Interest Income

	Group 31 March 2021 £'000	Group 31 March 2020 £'000	Company 31 March 2021 £'000	Company 31 March 2020 £'000
Interest Income				
Cash and Balances held at other banks	677	2,465	-	-
Loans and Advances to Customers	8,243	12,439	8,243	12,440
Total Interest Income	**8,920**	**14,904**	**8,243**	**12,440**
Interest Expense				
Management Loans	(1,218)	(856)	(1,218)	(856)
Loan Stock	(923)	(1,196)	(923)	(1,197)
Debt Securities	(20)	-	(2)	-
Revolving Credit Facility	(2,122)	(2,177)	(2,122)	(2,177)
Preference Share Interest	(388)	(168)	(388)	(168)
Tier 2 Debt Instrument / Mini Bonds	(185)	(86)	(131)	-
Total	**(4,856)**	**(4,483)**	**(4,784)**	**(4,398)**
Net Interest Income / (Expense)	**4,064**	**10,421**	**3,459**	**8,042**

NOTES TO THE FINANCIAL STATEMENTS

4. Net Fee and Commission Income

Fee and Commission Income	Group 31 March 2021 £'000	Group 31 March 2020 £'000	Company 31 March 2021 £'000	Company 31 March 2020 £'000
Customer card transaction revenue	18,625	21,895	18,625	21,895
Payment and related Services	10,555	11,254	10,555	11,254
Other	309	479	309	479
Total	**29,489**	**33,628**	**29,489**	**33,628**
Fee and Commission Expense				
Customer card transaction costs	**(1,715)**	**(1,925)**	**(1,715)**	**(1,925)**
Payment Services and related costs	(2,238)	(1,890)	(4,128)	(4,534)
Total	**(3,953)**	**(3,815)**	**(5,843)**	**(6,459)**
Net Fee and Commission Income	**25,536**	**29,813**	**23,646**	**27,169**

5. Other Income

	Group 31 March 2021 £'000	Group 31 March 2020 £'000	Company 31 March 2021 £'000	Company 31 March 2020 £'000
Government grants	212	-	212	-
Total	**212**	**-**	**212**	**-**

Government grants represent payments received as part of the Government's Job Retention Scheme.

NOTES TO THE FINANCIAL STATEMENTS

6. Gross Revenue

	Group 31 March 2021 £'000	Group 31 March 2020 £'000	Company 31 March 2021 £'000	Company 31 March 2020 £'000
Interest	8,920	14,904	8,243	12,440
Fees	29,489	33,628	29,489	33,628
Total	**38,409**	**48,532**	**37,732**	**46,068**

Gross revenue has been included as an alternative performance measure note to the statements to allow transparency of the underlying revenue items before charges. This allows a better comparison to be made on the performance of the business compared to previous years' presentation of the financial statements.

7. Administrative Expenses

	Group 31 March 2021 £'000	Group 31 March 2020 £'000	Company 31 March 2021 £'000	Company 31 March 2020 £'000
Staff Costs	11,781	13,570	9,578	10,625
Technology costs	3,235	3,225	3,235	3,225
Facilities and utilities	1,725	2,156	1,725	2,156
Depreciation of tangible assets	337	336	337	336
Amortisation of intangible assets	1,707	1,728	1,707	1,728
Marketing expenses	4,510	5,615	4,510	5,615
Other administrative expenses	7,264	9,179	8,602	9,191
Total	**30,559**	**35,809**	**29,694**	**32,876**

NOTES TO THE FINANCIAL STATEMENTS

Included within staff costs are the following:

	Group 31 March 2021 £'000	Group 31 March 2020 £'000	Company 31 March 2021 £'000	Company 31 March 2020 £'000
Salaries and similar costs	9,032	11,065	7,074	8,481
Social Security costs	998	1,463	812	1,191
FV of options granted to employees	919	594	919	594
Pension Contributions	239	271	181	182
Other staff costs and benefits	593	177	592	177
Total	**11,781**	**13,570**	**9,578**	**10,625**

Average number of people employed by the Group (including Directors) during the year was 167 (2020: 163).

Directors costs:	Group 31 March 2021 £'000	Group 31 March 2020 £'000	Company 31 March 2021 £'000	Company 31 March 2020 £'000
Salaries	548	965	249	429
Pensions Contributions	7	14	-	-
Total	**555**	**979**	**249**	**429**

Highest paid director:	Group 31 March 2021 £'000	Group 31 March 2020 £'000	Company 31 March 2021 £'000	Company 31 March 2020 £'000
Salaries	224	290	164	290
Pensions Contributions	6	-	-	-
Total	**230**	**290**	**164**	**290**

NOTES TO THE FINANCIAL STATEMENTS

8. Auditors' remuneration

	Group 31 March 2021 £'000	Group 31 March 2020 £'000
Fees payable to the group's auditor for the audit of the parent company and group's consolidated financial statements	158	135
Total	**158**	**135**

9. Taxation

	Group 31 March 2021 £'000	Group 31 March 2020 £'000	Company 31 March 2021 £'000	Company 31 March 2020 £'000
Current Tax:				
UK Corporation Tax	-	-	-	-
Adjustments in respect of prior periods	(224)	(215)	(9)	(215)
Total current tax charge / (credit)	**(224)**	**(215)**	**(9)**	**(215)**
Deferred Tax:				
Origination and reversal of timing differences	-	1,789	-	1,797
Adjustment in respect of prior years	-	43	-	43
Effect of tax rate changes on opening balances	-	(252)	-	(252)
Tax on Profit/(loss) on ordinary activities	**(224)**	**1,365**	**(9)**	**1,373**

NOTES TO THE FINANCIAL STATEMENTS

Reconciliation of Tax Charge:

The tax assessed for the year differs from the standard UK rate of corporation tax of 19% (2019 - 19%). The differences are explained below:

	Group 31 March 2021 £'000	Group 31 March 2020 £'000	Company 31 March 2021 £'000	Company 31 March 2020 £'000
Profit/(loss) on ordinary activities before tax	**(4,582)**	**(3,652)**	**2,856**	**(5,742)**
Tax on loss on ordinary activities at the standard rate	(871)	(694)	543	(1,091)
Effects of:				
Fixed asset differences	21	30	21	30
Expenses not deductible for tax purposes	317	302	(1,131)	302
Group relief surrendered/(claimed)	-	-	36	360
Adjustments in respect of prior periods	(224)	(172)	(9)	(241)
Timing differences not recognised in the computation	(547)	(252)	(549)	(252)
Deferred tax not recognised	1,080	2,151	1,080	2,265
Tax charge / (credit) for the period	**(224)**	**1,365**	**(9)**	**1,373**

Factors that may affect future tax charges:

In March 2021 the UK Government stated in its budget announcement that the main UK corporation tax rate would increase to 25% from 1 April 2023 from the current rate of 19%. The sensitivity of this is currently immaterial due to the level of group's unrelieved tax losses.

The group and company have unrelieved tax losses of £10.8m (2020: £7.5m) carried forward and available for offset against future trading profits.

The group and company now have a total deferred tax asset that has not been recognised of £3.2m (2020: £2.2m) due to uncertainty of timing on future profitability.

NOTES TO THE FINANCIAL STATEMENTS

10. Cash and Balances at Other banks

	Group 31 March 2021 £'000	Group 31 March 2020 £'000	Company 31 March 2021 £'000	Company 31 March 2020 £'000
Cash and Balances at Other Banks	29,785	13,223	29,803	4,722
Customer Safeguarded Funds	-	363,722	-	-
Total	**29,785**	**376,945**	**29,803**	**4,722**

Cash and Balances at Other Banks comprise balances held at regulated financial institutions including NatWest and Investec and are held at amortised cost.

There has been no impairment recognised on these amounts as they are placed with institutions with credit ratings of A and above and management has assessed the risk on these balances to be immaterial.

11. Investment Securities

	Group 31 March 2021 £'000	Group 31 March 2020 £'000	Company 31 March 2021 £'000	Company 31 March 2020 £'000
Investment securities	430,883	-	430,883	-

All investment securities are held at amortised cost and rated as AAA, qualifying as High Quality Liquid Assets (HQLA) items held for liquidity management purposes.

	Opening Balance 2020 £'000	Additions 2021 £'000	Matured 2021 £'000	Closing Balance 2021 £'000
Investment securities – Group	-	755,954	(325,071)	430,883

NOTES TO THE FINANCIAL STATEMENTS

Debt Securities	Group 31 March 2021 £'000	Group 31 March 2020 £'000	Company 31 March 2021 £'000	Company 31 March 2020 £'000
Treasury Bills	415,883	-	415,883	-
UK Government Issued Gilts	15,000	-	15,000	-
Total	**430,883**	**-**	**430,883**	**-**

12. Loans and Advances to Customers

	Group 31 March 2021 £'000	Group 31 March 2020 £'000	Company 31 March 2021 £'000	Company 31 March 2020 £'000
Customer Overdrafts Consumer	3,007	4,826	3,007	4,826
Customer Overdrafts SME	2,302	3,780	2,302	3,780
Credit cards	16,418	26,146	16,418	26,146
Other Loans to Customers*	1,066	1,505	1,066	1,505
Gross Loans and Advances to Customer	**22,793**	**36,257**	**22,793**	**36,257**
Less Impairment for Overdrafts – Consumer	(731)	(1,416)	(731)	(1,416)
Less Impairment for Overdrafts – SME	(562)	(1,109)	(562)	(1,109)
Less Impairment for Credit Cards	(4,084)	(7,936)	(4,084)	(7,936)
Less Impairment Other	(614)	(972)	(614)	(972)
Total Impairment	**(5,991)**	**(11,433)**	**(5,991)**	**(11,433)**
Net Loans and Advances to Customers	**16,802**	**24,824**	**16,802**	**24,824**

* Other loans include debit protect, Merchant Cash Advances and instances where customer have a negative balance position without a credit agreement in place

NOTES TO THE FINANCIAL STATEMENTS

13. Other Assets

Debtors	Group 31 March 2021 £'000	Group 31 March 2020 £'000	Company 31 March 2021 £'000	Company 31 March 2020 £'000
Trade Debtors	48	2,981	48	1,391
Prepayments and Accrued Income	1,900	1,548	1,900	1,548
Amounts owed by Group Undertakings	-	-	-	204
Stock	340	311	340	311
Deferred Tax	1,000	1,000	1,000	1,000
Fee Deferral	1,208	964	1,208	964
Payment Scheme Collateral	2,890	67	2,890	67
Payments awaiting settlement from schemes	3,920	716	3,920	-
Corporation tax	596	216	329	216
Sundry Debtors	4,451	5,076	4,451	4,405
Total	**16,353**	**12,879**	**16,086**	**10,106**

Deferred Tax	Group 31 March 2021 £'000	Group 31 March 2020 £'000	Company 31 March 2021 £'000	Company 31 March 2020 £'000
Balance brought Forward	1,000	2,185	999	2,185
Current Year deferred tax	-	46	-	46
Prior Periods adjustment	-	225	-	208
Credited / (Charged) to Profit and Loss	-	(1,456)	-	(1,440)
Deferred Tax Balance carried forward	**1,000**	**1,000**	**999**	**999**
Deferred Tax not recognised	3,231	2,151	3,231	2,151
Total Potential Deferred Tax Asset	**4,231**	**3,151**	**4,230**	**3,150**

NOTES TO THE FINANCIAL STATEMENTS

Potential Deferred Tax Asset made up of:	Group 31 March 2021 £'000	Group 31 March 2020 £'000	Company 31 March 2021 £'000	Company 31 March 2020 £'000
Accelerated Capital Allowances	590	228	590	228
Short Term Timing Differences	1,627	1,381	1,627	1,380
Losses and Other Deductions	2,014	1,542	2,013	1,542
Total	**4,231**	**3,151**	**4,230**	**3,150**

14. Fixed Assets

Group 2021

Cost	Leasehold Improvements £'000	Other Tangible Fixed Assets £'000	Intangible Assets £'000	Total Fixed Assets £'000
As at 1 April 2020	1,178	844	11,007	13,029
Additions	-	32	1,289	1,321
Disposals	(5)	-	-	(5)
As at 31 March 2021	**1,173**	**876**	**12,296**	**14,345**
Depreciation and Amortisation				
As at 1 April 2020	(656)	(529)	(8,836)	(10,021)
Charge for the Year	(194)	(143)	(1,707)	(2,044)
As at 31 March 2021	**(850)**	**(672)**	**(10,543)**	**(12,065)**
Net Book Value	**323**	**204**	**1,753**	**2,280**

NOTES TO THE FINANCIAL STATEMENTS

Group 2020

Cost	Leasehold Improvements £'000	Other Tangible Fixed Assets £'000	Intangible Assets £'000	Total Fixed Assets £'000
As at 1 April 2019	1,159	751	8,895	10,805
Additions	19	97	2,112	2,228
Disposals	-	(4)	-	(4)
As at 31 March 2020	**1,178**	**844**	**11,007**	**13,029**
Depreciation and Amortisation				
As at 1 April 2019	(461)	(388)	(7,108)	(7,957)
Charge for the Year	(195)	(141)	(1,728)	(2,064)
As at 31 March 2020	**(656)**	**(529)**	**(8,836)**	**(10,021)**
Net Book Value	**522**	**315**	**2,171**	**3,008**

Company 2021

Cost	Leasehold Improvements £'000	Other Tangible Fixed Assets £'000	Intangible Assets £'000	Total Fixed Assets £'000
As at 1 April 2020	1,178	844	11,007	13,029
Additions	-	32	1,289	1,321
Disposals	(5)	-	-	(5)
As at 31 March 2021	**1,173**	**876**	**12,296**	**14,345**
Depreciation and Amortisation				
As at 1 April 2020	(656)	(529)	(8,836)	(10,021)
Charge for the Year	(194)	(143)	(1,707)	(2,044)
As at 31 March 2021	**(850)**	**(672)**	**(10,543)**	**(12,065)**
Net Book Value	**323**	**204**	**1,753**	**2,280**

NOTES TO THE FINANCIAL STATEMENTS

Company 2020

Cost	Leasehold Improvements £'000	Other Tangible Fixed Assets £'000	Intangible Assets £'000	Total Fixed Assets £'000
As at 1 April 2019	1,159	751	8,895	10,805
Additions	19	97	2,112	2,228
Disposals	-	(4)	-	(4)
As at 31 March 2020	**1,178**	**844**	**11,007**	**13,029**
Depreciation and Amortisation				
As at 1 April 2019	(461)	(388)	(7,108)	(7,957)
Charge for the Year	(195)	(141)	(1,728)	(2,064)
As at 31 March 2020	**(656)**	**(529)**	**(8,836)**	**(10,021)**
Net Book Value	**522**	**315**	**2,171**	**3,008**

15. Investments in Subsidiaries

Company	As at 31 March 2020 £'000	Net Increase / (Decrease) during period £'000	As 31 March 2021 £'000
APS Financial Limited	800	(800)	-
APS Bonds plc	50	(50)	-
Total	**850**	**(850)**	**-**

During the year the parent company, Advanced Payment Solutions Limited (APS) acquired the assets and accepted the liabilities of its two subsidiaries APS Financial Limited (AFL) and APS Bonds plc (APB). These transactions were completed by the payment of consideration equal to the net liabilities of AFL and APB. The share capital of each subsidiary has been reduced to £1 and any remaining reserves distributed to the parent company via a declared dividend payment of £9.1m. As a result the investment value held by APS in each subsidiary company has been written down to £1.

NOTES TO THE FINANCIAL STATEMENTS

16. Provisions for Liabilities and Charges

	Group 31 March 2021 £'000	Group 31 March 2020 £'000	Company 31 March 2021 £'000	Company 31 March 2020 £'000
Provisions for Fines and Penalties	755	-	755	-
Total	**755**	**-**	**755**	**-**

The provision for fines and penalties includes a provision relating to historical conduct issues and is considered the directors' best estimate of the potential liability but at this time the full extent of the outcome is uncertain. However, the payment of these fines is expected to occur before the end of 2021. There have been no other movements in provisions for liabilities and charges in the year.

17. Customer Deposits

	Group 31 March 2021 £'000	Group 31 March 2020 £'000	Company 31 March 2021 £'000	Company 31 March 2020 £'000
Customer Deposits	460,162	-	460,162	-
Customer Liabilities in respect of e-money	-	363,050	-	-
Total	**460,162**	**363,050**	**460,162**	**-**

Since being granted it's banking licence, the group reports customer balances as deposits rather than liabilities in respect of e-money. This reclassification represents the removal of the need to safeguard funds under the Electronic Money regime with eligible customer deposits now guaranteed up to £85,000 per customer under the Financial Services Compensation Scheme (FSCS), the UK Deposit Guarantee Scheme.

NOTES TO THE FINANCIAL STATEMENTS

18. Debt Instruments and Borrowing

	Group 31 March 2021 £'000	Group 31 March 2020 £'000	Company 31 March 2021 £'000	Company 31 March 2020 £'000
Revolving credit facility	-	23,752	-	23,752
Loan stock	18	18,376	18	18,376
Directors and Management Loans	-	7,609	-	7,609
Mini Bonds	-	1,162	-	-
Tier 2 Debt	3,000	-	3,000	-
C&D Preference Shares	-	9,574	-	9,574
Total Debt Instruments	**3,018**	**60,473**	**3,018**	**59,311**

19. Other Liabilities and Accruals

	Group 31 March 2021 £'000	Group 31 March 2020 £'000	Company 31 March 2021 £'000	Company 31 March 2020 £'000
Trade creditors	1,590	2,499	1,590	2,183
Amounts owed to group undertakings	-	-	18	1,903
Corporation tax	-	-	-	8
Other taxation and social security	479	494	479	483
Accruals	1,748	2,578	1,748	1,778
Payment awaiting settlement with the schemes	4,390	1,389	4,390	-
Sundry creditors	5,918	4,741	5,920	2,903
Total	**14,125**	**11,701**	**14,145**	**9,258**

NOTES TO THE FINANCIAL STATEMENTS

20. Fair Value of Financial assets and liabilities recognised at amortised cost

Fair value hierarchy
The fair value of financial assets and liabilities is the price that would be received or paid to transfer an asset or liability in an orderly transaction between market participants at the measurement date.
To ensure consistency for the measurements at fair value is consistent and comparable, financial assets and labilities are categorised according to the hierarchy of the inputs used to measure them. These categories from Level 1 to Level 3 are based on the degree to which the fair value is observable.

Level 1 – Quoted prices in active markets for identical assets or liabilities which the Group can access at the date of measurement.
Level 2 – Inputs other than quoted market prices included in Level 1 that are observable either directly or indirectly.
Level 3 – Inputs that are not based on observable market data.

The group's accounting policy is to value all of its financial assets and liabilities at amortised cost. The following table details the fair values of financial instruments not measured at fair value and compares them to the carrying value.

	2021		2020	
Group Financial Assets	**Carrying value** £'000	**Fair value** £'000	**Carrying value** £'000	**Fair Value** £'000
Loans and advances to customers	16,802	16,802	24,824	24,824
Investment Securities	430,883	431,068	-	-
Cash and Balances at other Banks	29,785	29,785	376,945	376,945
Total Financial Assets	**477,470**	**477,655**	**401,769**	**401,769**
Group Financial Liabilities				
Customer Deposits / e-money	460,162	460,162	363,050	363,050
Total Financial Liabilities	**460,162**	**460,162**	**363,050**	**363,050**

Basis of Valuation:
The fair value of Cash and Balances at Other Banks is considered to be equal to the carrying book value as these are short term in nature and minimal credit risk. The Group has not recognised an ECL provision.

The deposits from customers are at market rate and are withdrawable on demand. Accordingly, the fair value of deposits from customers is considered to be the book value.

All Investment Securities qualify as HQLAs and are held for liquidity management purposes. These investments are valued at quoted market price and therefore classified as Level 1 assets. The group holds these assets to maturity at historical cost and measured at amortised cost. The Group has not recognised an ECL provision on its treasury investments as it accepted that any difference between the book carrying value and their Fair Value is only a temporary fall in value as a result of short-term movements in quoted prices.

Other Assets and Liabilities are short term in nature and therefore deemed to be fair value that matches the carrying value.

NOTES TO THE FINANCIAL STATEMENTS

21. Liquidity Risk Management

Liquidity risk is the risk that the group fails to meet its obligations as they fall due or without penalty. This requires the bank to have sufficient funds at all times and available as needed. The board's liquidity risk appetite is to meet all liabilities as they fall due. The contractual maturities of financial assets and liabilities are calculated on the contractual cash flows and are shown below.

As at 31 March 2021

	On Demand £'000	Less than 3 months £'000	Between 3 and 6 months £'000	Between 6 months and one year £'000	Over one year £'000	Total £'000
Group Financial Assets						
Cash and Balances at other Banks	29,785	-	-	-	-	**29,785**
Loans and advances to customers	-	-	-	-	16,802	**16,802**
Investment Securities	-	356,483	75,000	-	-	**431,483**
Other Assets	7,089	1,307	1,247	1,304	4,805	**15,753**
Total Assets	**36,874**	**357,790**	**76,247**	**1,304**	**21,607**	**493,823**
Group Financial Liabilities						
Customer Deposits	460,162	-	-	-	-	**460,162**
Other Liabilities	1,040	13,123	793	76	-	**15,032**
Debt Instruments and Borrowings	-	18	-	-	3,000	**3,018**
Total Liabilities	**461,202**	**13,141**	**793**	**76**	**3,000**	**478,212**
Net Assets	**(424,328)**	**344,649**	**75,454**	**1,228**	**18,607**	**15,611**

NOTES TO THE FINANCIAL STATEMENTS

As at 31 March 2020

Group Financial Assets	On Demand £'000	Less than 3 months £'000	Between 3 and 6 months £'000	Between 6 months and one year £'000	Over one year £'000	Total £'000
Cash and Balances at other Banks	146,945	96,000	134,000	-	-	**376,945**
Loans and advances to customers	-	-	-	-	24,824	**24,824**
Other Assets	11,402	-	-	-	904	**12,306**
Total Assets	**158,347**	**96,000**	**134,000**	**-**	**25,728**	**414,075**
Group Financial Liabilities						
Customer Deposits	363,050	-	-	-	-	**363,050**
Other Liabilities	11,931	-	-	-	-	**11,931**
Debt Instruments and Borrowings	23,752	-	1,162	25,985	9,574	**60,473**
Total Liabilities	**398,733**	**-**	**1,162**	**25,985**	**9,574**	**435,454**
Net Assets	**(240,386)**	**96,000**	**132,838**	**(25,985)**	**16,154**	**(21,379)**

Liquidity risk is managed by the Treasury team. Reporting and management of the liquidity risk is monitored by ALCO, which meets on a monthly basis. The Group currently holds its surplus assets in overnight deposits with regulated financial institutions and in treasury bills and gilts which can be liquidated on demand to provide liquidity. The key metric used to monitor liquidity risk is the Liquidity Coverage Ratio (LCR) and the group comfortably meets requirements.

22. Deferred Income

	Group 31 March 2021 £'000	Group 31 March 2020 £'000	Company 31 March 2021 £'000	Company 31 March 2020 £'000
Deferral of Annual Fees charges	152	230	152	230
Total	**152**	**230**	**152**	**230**

Deferred income represents annual fees on bank accounts and credit products that are recognised over the life of the product to which the fee relates.

NOTES TO THE FINANCIAL STATEMENTS

23. Operating Leases

	Group 31 March 2021 £'000	Group 31 March 2020 £'000	Company 31 March 2021 £'000	Company 31 March 2020 £'000
Less than one year	1,214	1,230	1,214	1,230
Between one and five years	2,432	3,692	2,432	3,692
Total	**3,646**	**4,922**	**3,646**	**4,922**

This represents the group's and company's future minimum lease payment commitments under non-cancellable operating leases on its premises.

	Group 31 March 2021 £'000	Group 31 March 2020 £'000	Company 31 March 2021 £'000	Company 31 March 2020 £'000
Lease expense on premises	917	986	917	986
Total	**917**	**986**	**917**	**986**

24. Share Capital

	Share numbers #	Value £
As at 1 April 2020	3,296,481	3,296
Ordinary Shares Issued of £0.001	7,744,356	7,744
Series A Shares Converted to Ordinary Shares	(2,097,034)	(2,097)
Series B Shares Converted to Ordinary Shares	(170,000)	(170)
As at 31 March 2021	**8,773,803**	**8,773**
Ordinary Shares issued from:		
Series A Shares Conversion	2,097,034	2,097
Series B Shares Conversion	170,000	170
Series C Shares Conversion	407,996	408
Series D Shares Conversion	663,631	664
Debt for Equity Swap	5,036,336	5,036
New Investment	398.806	399
Ordinary Shares Issued	**8,773,803**	**8,774**

NOTES TO THE FINANCIAL STATEMENTS

During December 2020 the balance sheet was restructured which included a debt for equity conversion and the receipt of new equity investment which resulted in the issue of 7,744,356 new £0.001 ordinary shares . This included the conversion of 2,097,034 Series A Convertible Preference shares and 170,000 Series B Convertible Preference shares to £0.001 ordinary shares. During the restructure Ordinary £0.001 shares were also issued relating to the conversion of Series C Convertible Preference shares (407,996) and Series D Convertible Preference shares (663,631) previously classed as debt, the settlement of other preference shares rights (1,163,522), conversion of Loan Stock and Directors Loans (2,843,367) and cash equity injection (398,367). All shares were issued at £9.06 per share and after the restructuring exercise a single share class of £0.001 Ordinary shares totalling 8,773,803 was in place at the year end with equal voting rights. Further information regarding the debt for equity swap is included in note 28.

	Share Numbers 2021 #	Value 2021 £	Share Numbers 2020 #	Value 2020 £
Ordinary Shares	8,773,803	8,774	1,029,447	1,029
Series A Convertible Preference Shares	-	-	2,097,034	2,097
Series B Preference Shares	-	-	170,000	170
Total Shares	**8,773,803**	**8,774**	**3,296,481**	**3,296**

25. Share Premium

	Group 31 March 2021 £'000	Group 31 March 2020 £'000	Company 31 March 2021 £'000	Company 31 March 2020 £'000
Total Share Premium	**41,060**	**336**	**41,060**	**336**

During the year the group raised equity capital through a debt for equity conversion and new equity investment largely from its existing shareholders. Further information included in notes 24 and 28.

	Group £'000	Company £'000
As at 31 March 2020	**336**	**336**
Issues of New Shares	3,612	3,612
Debt for equity swap	35,510	35,510
C&D pref share premium reassigned from other reserves	1,602	1,602
As at 31 March 2021	**41,060**	**41,060**

NOTES TO THE FINANCIAL STATEMENTS

26. Other Reserves

Group	Other Reserves £'000	Retained Earnings £'000	Total Reserves £'000
As at 31 March 2019	**1,763**	**(12,947)**	**(11,184)**
Share Options Issued	594	-	**594**
Loss for the Period	-	(7,546)	**(7,546)**
As at 31 March 2020	**2,357**	**(20,493)**	**(18,136)**
Share Options Issued	919	-	**919**
C&D pref share premium reallocated post conversion to Ordinary shares	(1,603)	-	**(1,603)**
Loss for the Period	-	(4,358)	**(4,358)**
As at 31 March 2021	**1,673**	**(24,851)**	**(23,178)**

Company	Other Reserves £'000	Retained Earnings £'000	Total Reserves £'000
As at 31 March 2019	**1,763**	**(18,348)**	**(16,585)**
Share Options Issued	594		**594**
Loss for the Period	-	(9,637)	**(9,637)**
As at 31 March 2020	**2,357**	**(27,985)**	**(25,628)**
Share Options Issued	919	-	**919**
C&D pref share premium reallocated post conversion to Ordinary shares	(1,603)	-	**(1,603)**
Profit for the Period	-	2,865	**2,865**
As at 31 March 2021	**1,673**	**(25,120)**	**(23,447)**

NOTES TO THE FINANCIAL STATEMENTS

27. Share Based Payment – Share Options

The group has a share option scheme for all employees (including directors). Options are exercisable at a price determined at issue, based on the share price calculated from a company valuation exercise. The usual vesting period is 4 years. There are no specific performance criteria attached to the exercise of options. The options are settled in ordinary shares once exercised.

The options expire if they remain unexercised after a period of 15 years from the date of grant.

Details of the number of share options and the weighted average exercise price (WAEP) outstanding during the year are as follows:

	Weighted Average Exercise Price 2021 £	Options 2021 #	Weighted Average Exercise Price 2020 £	Options 2020 #
Outstanding Options at Beginning of the Year	**0.91**	**666,112**	**0.90**	**529,762**
Granted During the Year	0.95	174,380	0.95	136,500
Forfeited During the Year	-	-	0.95	(150)
Exercised During the Year	-	-	-	-
Outstanding at the End of the Year	**0.92**	**840,492**	**0.91**	**666,112**

174,380 (2020: 136,500) options were issued during the year ended 31 Mar 2021. The weighted average share price based on a valuation exercise undertaken during the year was £3.98 (2020: £2.08).

A total of 480,092 (2020: 227,462) options have vested but currently remain unexercised.

The fair values were calculated using the Black-Scholes Pricing Model. The inputs into the model were as follows:

Risk Free Interest rate of	0.25%
Volatility estimated at	50%
expected maturity of	4 Years

The total charge for the year was £919k (2020: £594k).

NOTES TO THE FINANCIAL STATEMENTS

28. Analysis of Net Debt

Group	Brought Forward 2020 £'000	Cashflow 2021 £'000	New 2021 £'000	Non Cash 2021 £'000	Balance 2021 £'000
Cash and Balances at other Banks	376,945	(347,160)	-	-	29,785
Investment Securities	-	430,883	-	-	430,883
Revolving credit facilities	(23,752)	23,752	-	-	-
Loan Stock	(18,376)	493	-	17,865	(18)
Directors and Management Loans	(7,609)	255	-	7,354	-
Mini Bonds	(1,162)	1,162	-	-	-
Tier 2 Debt	-	-	(3,000)	-	(3,000)
C&D Preference Shares	(9,574)	-	-	9,574	-
Net Debt	**316,472**	**109,385**	**(3,000)**	**34,793**	**457,650**

Following the granting of its banking licence in February 2021, the group repaid it's revolving credit facilities. In December 2020, the group completed a balance sheet restructuring exercise including a debt for equity conversion with the majority of the loan stock and the C&D preference shares exchanged for £0.001 Ordinary shares at a price of £9.06 per share.

29. Credit Risk Management

Credit risk
Credit risk is the risk associated with losses arising from the inability or failure of a borrower to meets its contractual obligations.

For the group's credit programme, the assessment of credit risk is managed through lending decisions that utilise developed underwriting standards in combination with credit bureau information. Subsequent to the initial decision risk is managed through review and monitoring of the portfolio via established governance and risk management committees.

Cashplus aims to lend responsibly to SMEs and consumers and in doing so recognise that their credit risk to the business is influenced by the customers' ability to pay, macro-economic factors, concentration risk, model risk (or underwriting risk), and portfolio management risk.

The Credit Policy sets out the risk procedures and controls that Cashplus utilises to ensure it is making reasonable and proportionate risk assessments that meet FCA creditworthiness and affordability rules as well as to ensure the lending meets the profile approved by the Cashplus Governance structure. The mitigating controls implemented by Cashplus are created, operated and monitored to reduce risk to align to the company's risk appetite, to which there is zero tolerance for a breach. Cashplus will continuously review this policy to ensure that it is creating good lending and customer outcomes.

Cashplus acknowledges that the customer risk must include not only the point in time assessment but also the probability that the Credit risk for the customer increases in the immediate future.

NOTES TO THE FINANCIAL STATEMENTS

Loans and Advances to Customers	Group 31 March 2021 £'000	Group 31 March 2020 £'000	Company 31 March 2021 £'000	Company 31 March 2020 £'000
Overdrafts	5,309	8,606	5,309	8,606
Credit Cards	16,418	26,146	16,418	26,146
Other lending*	1,066	1,505	1,066	1,505
Gross Loans and Advances to Customers	**22,793**	**36,257**	**22,793**	**36,257**
Provisions for Expected Credit Loss	(5,991)	(11,433)	(5,991)	(11,433)
Net Loans and Advances to Customers	**16,802**	**24,824**	**16,802**	**24,824**

* Other lending includes debit protect, Merchant Cash Advances and instances where customer have a negative balance position without a credit agreement in place

IFRS9: 'Financial Instruments' was adopted from 1 April 2019. IFRS9 outlines a "three stage model" for impairment based on changes to credit quality.

Stage 1: applies to accounts that are not credit impaired at initial recognition on origination.

Stage 2: Occurs when there has been a significant increase in credit risk either through a missed payment or an adverse change in behavioural risk score. The measure of significance increase has been set using statistical analysis based on standard deviations from the mean of the original risk score. Stage 2 also includes assets where the credit risk has improved and has been moved back from Stage 3. For assets in Stage 2, a lifetime ECL is recognised.

Stage 3: An account will move into Stage 3 when it has defaulted. Default is defined as an account which is over 90 days in arrears or is in a special status (bankrupt, individual voluntary arrangement, deceased or insolvent) or a payment arrangement. Accounts that also have been over 90 days in 1) arrears or 2) special status in the last 12 months but are now current also are classified as stage 3. For assets in Stage 3, a lifetime ECL is recognised.

Impairment provisions are recognised by establishing an expected credit loss (ECL) based on assessing the probability of default (PD), exposure at default (EAD) and the typical loss given default (LGD) with the following applying to accounts at each stage:

- Stage 1 The ECL is based on a 12 month PD
- Stage 2 The ECL is based on a lifetime PD
- Stage 3 The ECL is based on a lifetime PD

IFRS 9 requires the incorporation of adjustments to the ECL parameters of forward-looking macroeconomic information that is reasonable, supportable and independently sourced. To capture the effect of changes to the economic environment, the ECL models incorporate forward-looking information and assumptions linked to economic variables that impact losses in each product group over the 5-year lifetime horizon. Given the nature of the current portfolio which is currently focused on consumer credit the primary forward-looking parameter used is the UK unemployment rate.

There is no fixed term for repayment of balances other than a general requirement for credit card customers to make a monthly minimum repayment towards their outstanding balance.

Expected Credit Loss is assessed regularly to incorporate changes arising from the following factors:

- Change in movement between stages;
- Reassessment of credit quality due to change in behaviour, usage of the product, risk score and change in macro economic environment.

NOTES TO THE FINANCIAL STATEMENTS

Credit Provisioning Position

The change in ECL due to reassessment includes a decrease in forward looking unemployment rate parameter from 7.2% used in March 2020 to 6.5% used in March 2021 reflecting the expectation of improving economic conditions as the UK economy emerges from the impact of the Covid-19 pandemic. A sensitivity on the economic factor has been analysed which observes that a movement of a 1% increase in the unemployment rate would increase the ECL by £106k with a 1% decrease reducing the ECL by £251k.

The gross receivable and provision for expected credit losses which form the net amounts from customers is as follows:

Provision Movement	**Stage 1** £'000	**Stage 2** £'000	**Stage 3** £'000	**Total** £'000
Provisions as at 31 March 2020	**1,487**	**1,712**	**8,234**	**11,433**
Provisions on New Loans and Advances	2	-	-	**2**
Transfers between stages:				
Stage 1	(228)	103	125	**-**
Stage 2	256	(553)	297	**-**
Stage 3	34	18	(52)	**-**
Change due to movement between stages	(251)	336	1,297	**1,382**
Change due to Re-assessment	(220)	29	57	**(134)**
Change due to Model Methodology	(76)	(129)	(323)	**(528)**
Release of Provision on Settled/Written off Accounts	(179)	(682)	(4,964)	**(5,825)**
Other Credit Provisions	-	-	(339)	**(339)**
Provisions as at 31 March 2021	**825**	**834**	**4,332**	**5,991**

Change in ECL due to reassessment of an account based on change in its utilisation or risk score of the product, where the account has not changed stage.

Change in ECL due to movement between stages of an account due to change in its behaviour, risk score or usage of the product.

Change due to Model Methodology is change in provision of an account due to:
- Change in regulatory requirements;
- Change in product construct;
- Change in macro environment

NOTES TO THE FINANCIAL STATEMENTS

Credit Quality as at 31 March 2020

	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
Low Risk	17,030	-	-	**17,030**
Medium Risk	3,175	278	-	**3,453**
High Risk	24	1,360	2,476	**3,860**
Delinquent	-	2,226	1,145	**3,371**
Defaulted	-	-	6,591	**6,591**
Other Loans and Advances*	-	-	1,952	**1,952**
Gross Loans and Advances to Customers	**20,229**	**3,864**	**12,164**	**36,257**
Provision Allowance	1,487	1,712	8,234	**11,433**
Net Loans and Advances to Customers	**18,742**	**2,152**	**3,930**	**24,824**
Coverage Ratio (%)	7.35%	44.31%	67.69%	**31.53%**

Credit Quality as at 31 March 2021

	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
Low Risk	11,848	4	-	**11,852**
Medium Risk	1,133	790	418	**2,341**
High Risk	-	721	1,820	**2,541**
Delinquent	-	819	733	**1,552**
Defaulted	-	-	3,368	**3,368**
Other Loans and Advances*	-	-	1,139	**1,139**
Gross Loans and Advances to Customers	**12,981**	**2,334**	**7,478**	**22,793**
Provision Allowance	825	834	4,332	**5,991**
Net Loans and Advances to Customers	12,156	1,500	3,146	**16,802**
Coverage Ratio (%)	6.36%	35.73%	57.93%	**26.28%**

* Other Loans and Advances include Debit Protect, Merchant Cash Advances and instances where customer have a negative balance position without a credit agreement in place

NOTES TO THE FINANCIAL STATEMENTS

Credit Quality Definitions

Quality	12 Month PD	Description
Low Risk	0% to 7.99%	Up to Date - Very High likelihood of full recovery
Medium Risk	8% to 19.99%	Up to Date - High likelihood of full recovery
High Risk	20% to 99.99%	Up to Date - Low likelihood of full recovery
Delinquent		Up to three payments in arrears but have not defaulted
Defaulted		At least four payments in arrears, insolvent, bankrupt or forbearance

30. Market Risk management

Market risk is the risk that changes in market conditions may adversely impact the value of assets or liabilities which may negatively impact the group's earnings.

The group's primary market risk is interest rate risk. As the group holds its cash balances in a mix of bank balances and UK treasury bills and gilt instruments the risk to the business comes from the impact to earnings associated with the interest rates on these balances, particularly negative rates. The group has a policy to manage this risk within set parameters using a combination of repricing of liabilities and setting maturities of the treasury bill and gilt assets at fixed rates.

Interest rate risk exposure is measured by calculating negative instantaneous shock to interest rates. The group assesses the exposure it has on the interest on cash balances and investment securities if market interest rates were to experience a shift of 200 basis points, including negative market rates. The change in net interest Income as a result of an immediate downwards shift in all relevant interest rates of this amount would be a decrease of £400k over the next 12 months and a net interest income increase of £340k as a result of an immediate upwards shift over the same period, measured as at the 31 March 2021. The measure assumes all interest rates, for all currencies and maturities move at the same time. The prior year was not materially affected to the same extent by the interest rate changes with cash balances were held within medium term fixed rate products across a number of financial institutions.

The group is not materially impacted by other market risks such as currency exchange.

NOTES TO THE FINANCIAL STATEMENTS

31. Regulatory Capital

A translation of the shareholders funds shown in the statement of financial position to the regulatory capital is presented below. Cashplus bank has complied with all regulatory imposed capital requirements during the period both as an e-money institution and as a bank.

The group has met all capital requirements during the period. The level of capital held by the group is measured against the regulatory framework, defined by the Capital Requirement Directive and Regulation (CRR & CRD IV), implemented in the UK by the PRA. Full details of the group's regulatory capital and calculation of its regulatory total capital requirement are included in the Pillar 3 report published on the company website.

The group maintains its capital at a level that supports the future plans of the business. The Board manages its capital levels for both current and future activities as well as its risk appetite and capital requirements under stress scenarios as part of the ICAAP. The ICAAP defines the Board's view of the group's risk appetite and forms the Group's capital plan for use by management to assess the resilience of the group against economic and idiosyncratic shock events.

	Group 31 March 2021 £'000	Group 31 March 2020 £'000	Company 31 March 2021 £'000	Company 31 March 2020 £'000
Shareholder's funds	17,891	(17,798)	17,622	(25,289)
Regulatory Deductions:				
Intangible Assets	(1,753)	(2,171)	(1,753)	(2,171)
Other deductions	(725)	-	(725)	-
Tapered allowance for impact of IFRS9	2,529	-	2,529	-
Common Equity Tier 1 (CET1) Capital	**17,942**	**(19,969)**	**17,673**	**(27,460)**
Tier 2 Debt	3,000	-	3,000	-
Adjustments to Tier 2	(173)	-	(173)	-
Tier 2 Capital	**2,827**	**-**	**2,827**	**-**
Total Regulatory Capital	**20,769**	**(19,969)**	**20,500**	**(27,460)**

NOTES TO THE FINANCIAL STATEMENTS

	Group 31 March 2021 £'000	Company 31 March 2021 £'000
Credit Risk Exposure	36,792	36,792
Operational Risk Exposure	71,444	71,444
Other	765	765
Total Risk Weighted Assets	**109,001**	**109,001**
Common Equity Tier 1 Ratio	16.5%	16.2%
Leverage Ratio	3.6%	3.5%

32. Related Party Transactions

Key management personnel are deemed to be the directors and their remuneration is disclosed in note 7.
Funding provided to the company in the form of directors loans have been disclosed in the liabilities note 18.

	Group 31 March 2021 £'000	Group 31 March 2020 £'000	Company 31 March 2021 £'000	Company 31 March 2020 £'000
Recognised through the Statement of Comprehensive Income				
Directors' Remuneration	555	979	249	429
Interest on Management Loans	(1,218)	(856)	(1,218)	(856)
Liabilities held on the Statement of Financial Position				
Amounts due on Management Loans	-	7,609	-	7,609

NOTES TO THE FINANCIAL STATEMENTS

33. Controlling Party

The ultimate controlling party is Trident Capital Management VI, L.L.C. which is the General Partner of Trident Capital Fund VI LP, a fund which has the majority shareholding in Advanced Payment Solutions Limited. Both Trident Capital Management VI, L.L.C. and Trident Capital Fund VI L.P. are entities incorporated in the United States of America.

The largest and smallest group of undertakings for which consolidated accounts have been prepared and are publicly available is that headed by Advanced Payment Solutions Limited.

34. Post Balance Sheet Events

The following events have taken place between 31 March 2021 and the date of approval of the financial statements:

- A further equity investment of £1.95m was received from existing investors in exchange for £0.001 Ordinary shares. This has allowed the group to increase its regulatory capital headroom supporting its financial plans.

35. Representation Reconciliation

The table below shows the reconciliation of comparative figures as at 31 March 2020 for items on the income statement and the Statement of Financial Position.

Group Income Statement

		Prior Year Presentation					
		Revenue £'000	**Cost of Sales** £'000	**Administrative Expenses** £'000	**Interest Payable and Similar Expenses** £'000	**Taxation** £'000	**Total** £'000
Revised Presentation	Interest Income	14,904	-	-	-	-	14,904
	Interest Expense	-	-	-	(4,483)	-	(4,483)
	Fee and Commission Income	33,628	-	-	-	-	33,628
	Fee and Commission Expense	-	(3,815)	-	-	-	(3,815)
	Impairment and Write Offs	-	-	(8,077)	-	-	(8,077)
	Administrative Expenses	-	(4,208)	(31,601)	-	-	(35,809)
	Taxation	-	-	-	-	(1,365)	(1,365)
	Total	**48,532**	**(8,023)**	**(39,678)**	**(4,483)**	**(1,365)**	**(5,017)**

NOTES TO THE FINANCIAL STATEMENTS

Group Statement of Financial Position

Revised Presentation

Assets	Prior Year Presentation					
	Tangible Fixed Assets £'000	Intangible Fixed Assets £'000	Stock £'000	Debtors £'000	Cash and Cash equivalents £'000	Total £'000
Cash and Balances with other Banks	-	-	-	-	376,945	**376,945**
Investment Securities	-	-	-	-	-	**-**
Loans and Advances to Customers	-	-	-	24,824	-	**24,824**
Other Assets	-	-	311	12,568	-	**12,879**
Plant, Property and Equipment	837	-	-	-	-	**837**
Intangible Assets	118	2,053	-	-	-	**2,171**
Total Assets	**955**	**2,053**	**311**	**37,392**	**376,945**	**417,656**

Revised Presentation

Liabilities	Prior Year Presentation			
	Customer Liabilities £'000	Creditors within one year £'000	Creditors Greater than one year £'000	Total £'000
Customer Deposits	-	-	-	**-**
Customer Liabilities for e-money	(363,050)	-	-	**(363,050)**
Provisions for Liabilities and Charges	-	-	-	**-**
Other Liabilities and Accruals	-	(11,701)	-	**(11,701)**
Debt Instruments and Borrowing	-	(50,899)	(9,574)	**(60,473)**
Deferred Income	-	(230)	-	**(230)**
Total Liabilities	**(363,050)**	**(62,830)**	**(9,574)**	**(435,454)**

Items of equity and reserves have not been reclassified or restated

NOTES TO THE FINANCIAL STATEMENTS

Company Statement of Financial Position

Revised Presentation	Prior Year Presentation					
Assets	Intangible & Tangible Fixed Assets £'000	Investments £'000	Stock £'000	Debtors £'000	Cash and Cash equivalents £'000	Total £'000
Cash and Balances with other Banks	-	-	-	-	4,722	**4,722**
Investment Securities	-	-	-	-	-	**-**
Loans and Advances to Customers	-	-	-	24,824	-	**24,824**
Other Assets	-	-	311	9,795	-	**10,106**
Investments in Subsidiaries	-	850	-	-	-	**850**
Plant, Property and Equipment	837	-	-	-	-	**837**
Intangible Assets	2,171	-	-	-	-	**2,171**
Total Assets	**3,008**	**850**	**311**	**34,619**	**4,722**	**43,510**

Revised Presentation	Prior Year Presentation			
Liabilities	Customer Liabilities £'000	Creditors within one year £'000	Creditors Greater than one year £'000	Total £'000
Customer Deposits	-	-	**-**	**-**
Customer Liabilities for e-money	-	-	-	**-**
Provisions for Liabilities and Charges	-	-	-	**-**
Other Liabilities and Accruals	-	(9,258)	-	**(9,258)**
Debt Instruments and Borrowing	-	(49,737)	(9,574)	**(59,311)**
Deferred Income	-	(230)	-	**(230)**
Total Liabilities	**-**	**(59,225)**	**(9,574)**	**(68,799)**

Items of equity and reserves have not been reclassified or restated