cashplus bank®

Registered Number: 04947027

FINANCIAL STATEMENTS

For the year ended 31 March 2022

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COMPANY INFORMATION

DIRECTORS

Mark Sismey-Durrant
Independent Non-Executive Chairman

Jim Jones
Non-Executive Director

Simon Knight (Resigned 17 Jan 2022)
Independent Non-Executive Director

Alessandro Hatami
Independent Non-Executive Director

Rich Wagner
Chief Executive Officer

Francesca Shaw
Independent Non-Executive Director

Peter Elcock (Appointed 02 Dec 2021)
Independent Non-Executive Director

COMPANY SECRETARY

Leo Nuttall (Appointed 31 Mar 2022)

Solomon Osagie (Resigned 31 Mar 2022)

REGISTERED OFFICE (Group & Company)

6th Floor
One London Wall
London
EC2Y 5EB

TRADING ADDRESS (Group & Company)

Cottons Centre
Cottons Lane
London
SE1 2QG

TRADING NAME

Cashplus Bank

COMPANY REGISTRATION NUMBER

04947027 (England and Wales)

AUDITOR

BDO LLP
Statutory Auditor
55 Baker Street
London
W1U 7EU

CHAIR'S REVIEW

We have come to the end of another extraordinary financial year, framed by ongoing disruption to the global economy.

Cashplus Bank's response to the continuing impact of these events has been defined by strong governance and constructive cooperation and understanding between the Board, management and second and third lines of defence. I am pleased to say that the business has emerged from the most challenging periods of the pandemic in a stable position. This has been made possible by the quality of the Bank's executive team and the strong and effective risk controls we have put in place.

At Board level we will continue to encourage the highest standards of governance, particularly as we evolve our plans for growth and development of the business, and we will continue to support management in developing and strengthening the structures and processes that will enable these practices to progress further.

High-quality people are of course key to successful management and governance of any bank, and we continued to strengthen the executive team and Board throughout the year. I was particularly pleased to welcome Peter Elcock as a Non-Executive Director and as a Senior Independent Director and Chair of the Risk Committee.

Peter is a highly experienced banker with over 40 years in financial services, and is an expert in credit and liquidity risk. I'm confident that Peter will be a valuable asset to the Board and I look forward to working with him and to his contributions to the Board.

As our small business and individual customers face an uncertain economic outlook in the UK economy, we want to ensure we remain there as a trusted partner to support their innovation and entrepreneurial ambitions with our digital banking and payments services.

Looking to the year ahead, we will look to grow our business and strengthen our capital and human resources – we want to fulfil our stated ambition to become the UK's best loved digital bank. We will remain focused on strong risk management, recognising the responsibility to grow the business safely in line with regulatory expectations, and we will continue to foster a culture of integrity and good conduct throughout the Bank.

From this solid foundation, the Board will support and guide the management team as they pursue the Bank's ambitious plans to better serve the UK's small businesses and individuals and to achieve our ambitious plans for sustainable growth.

Mark Sismey-Durrant
Chair

26 July 2022

CHIEF EXECUTIVE'S REVIEW

We began this financial year emerging from the UK's third national lockdown as a newly licenced bank, having been granted authorisation in February 2021.

12 months on, despite the ongoing impact of the pandemic and other global events, we are a stronger, more experienced company, with a well-established foundation to deliver on our ambitious plans for growth. This ambition is supported by a well established digital banking platform, complemented by a bank governance framework, that continues to show great maturity after only a year of being a bank, and one that we look to evolve so that good governance is not just an obligation, but a core differentiator for the Bank in the future.

I am very proud of the ongoing resilience, flexibility and adaptability shown by all of my colleagues at Cashplus Bank. These qualities allowed us to maintain our disciplined, sustainable approach to pursuing growth and delivering innovation, while ensuring we are delivering even greater value to our customers and shareholders at the same time.

Despite the challenges and distractions associated with the pandemic, we remained focused on our three strategic themes. Building a bank that customers love, developing brilliant sustainable products and earning an outstanding reputation.

Building a bank that customers love

We are always thinking about how to deliver even better service for the UK small businesses and individuals who use our digital platform. We've continued to invest in this area, maintaining an industry-beating 83% recommendation score from our business banking customers and this is something I'm very proud of but also determined to improve further.

I was delighted to welcome Colin Webb to my Executive Team as Operations Director in October 2021. Colin brings with him a wealth of experience in operations leadership and is responsible for developing and enhancing our customer contact strategy and ensuring we deliver great, personalised service to complement our digital customer experience, as well as overseeing other key areas including financial crime and fraud prevention.

I was pleased to secure Tatiana Lipiyaynen as our new Chief Customer and Marketing Officer as well, and look forward to her contribution over the year ahead.

These two senior appointments to my executive team this past year reflect my strong aspirations and future investment into building a bank that customers love.

Developing brilliant, sustainable products

One of the big wins of the year was our successful bid for a £5m grant from the BCR Capability and Innovation Fund (CIF), the independent body set up to drive competition in the SME banking market. We have already put these funds to good use in enhancing the products delivered through our platform, launching a new business credit card with 1% cashback within two months, and delivering a unique Business Creditbuilder product to the market in March. An achievement that is particularly close to my own heart having overseen the launch of our revolutionary personal Creditbuilder way back in 2008. We look forward to rolling out the remaining products and enhancements associated with this grant by the end of the calendar year.

Earning an outstanding reputation

Through the year we continued to build on our reputation with customers achieving a "great" rating and four stars on TrustPilot. We have worked hard to build trust with our customers by keeping our products and communications simple and straightforward, and by running our business in a way that is sustainable and ensures we will be able to support our customers over the long term, so it's pleasing to see our efforts recognised by the small businesses and individuals we serve.

We also continued to focus on our environmental, social and governance agenda, with further development of our diversity and inclusion strategy and the formation of a working group to support the transition to a net zero economy by 2050, building on earlier work to reduce the carbon impact caused by our operations and policies.

In the year ahead, we will continue to pursue sustainable growth, driving value for both our customers and our shareholders, by continuing to execute on our clear strategic plan to become the UK's best loved all-in-one digital banking partner.

Richard Wagner
26 July 2022

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

Our vision to be the UK's best loved all-in-one digital banking partner is supported by our purpose and three strategic themes.

Our Purpose

Breaking Down Barriers to Banking
Cashplus Bank was founded with the clear goal of removing unnecessary barriers to banking services in the UK. We remain committed to fulfilling that purpose by providing entrepreneurs and individuals, who are too often unfairly overlooked by major banks, with access to the simple, smart digital banking they deserve, from a partner they can trust.

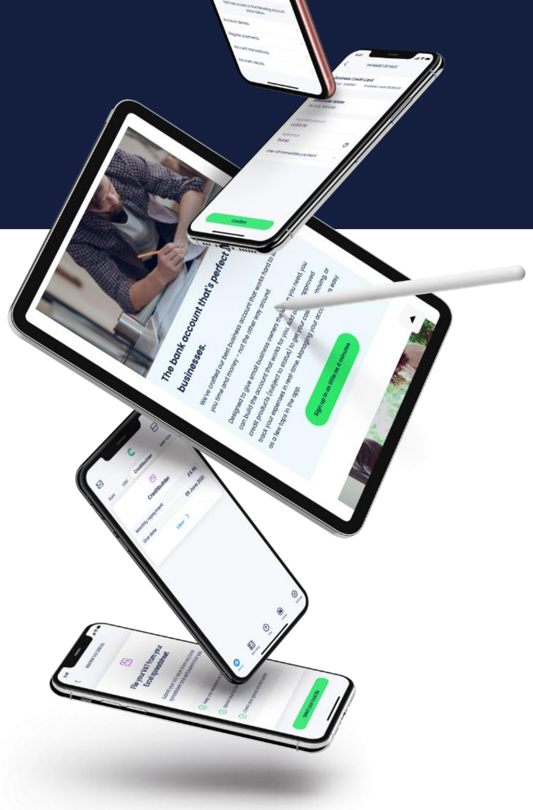
Our Strategic Themes

Becoming a bank that customers love
We truly value the customers we serve and we want them to see Cashplus Bank as a trusted partner. We are already highly-recommended by customers and we want to build on this foundation of trust by continuing to offer transparent, fair and honest pricing across our range of products and delivering great, personalised customer service that shows we really value the businesses and individuals we serve.

Developing brilliant, sustainable products
We know how tough it is to start and run a small business. We aim to provide an all-in-one business and banking solution tailored to the needs of SMEs and entrepreneurs, using our digital platform to help our customers succeed. We have a strong track record of technology-driven decision making which allows us to tailor and target our products to our customers' needs, giving them the tools they really need and delivering strong product economics for the company.

Earning an outstanding reputation
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 will build on our foundations as a digital bank conscious of environmental issues and the need to support diversity and inclusion. As we grow, we also recognise the need to raise positive awareness of our brand among the UK public and key stakeholders in our industry, the media and within the UK political arena.

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 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 and credit cards through our digital banking platform. We also specialise in providing digital banking solutions harnessing the power of data including Google Maps payment tracking and spend categorisation, integration to all major accountancy platforms and expense cards to provide autonomy and control over spending for our SME customers.

For larger businesses we also provide enterprise solutions, including tools to work with customers' apps and websites, and open banking bulk payments application interface (API) solutions to provide simple and cost effective product offerings to customers.

BUSINESS REVIEW

Financial Review

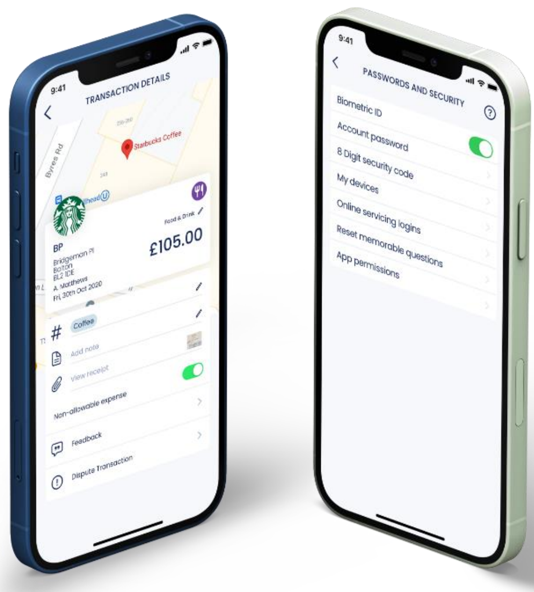
Cashplus Bank made a loss before tax of £3.6m (2021: £4.6m loss). Revenues have started to trend upwards during the year, following prior year COVID-19 related falls. This trend is anticipated to continue into the next financial year.

The value of loans and advances to customers increased by £4.7m to £21.5m (2021: £16.8m) due to loan book growth driven by strong sales performance in the year, and a slight fall in impairment charges to £5.4m (2021: £6.0m), reflecting increased credit book quality as underlying levels of delinquency and financial difficulties improved during the year. The provision at March 2022 continues to conservatively include assumptions of macroeconomic factors such as unemployment, which is significantly lower than the assessment made in the prior year at 4.1% (2021: 6.5%).

Encouragingly, although revenue per account was lower than expected due to COVID-19, customer active account volumes were comparable to prior year at 150,099 (2021: 153,525). New sales were slightly reduced at 102,783 (2021: 107,740), which was expected against the backdrop of lower marketing spend.

Gross revenue

Historically, as a small but growing business, Cashplus Bank has used Gross Revenue as a key measure of performance, calculated as income before the deduction of expenses relating directly to income. Gross Revenue was £41.4m (2021: £38.4m). We will continue to monitor this metric as we believe it is important to management and our stakeholders to understand this figure prior to the expenses shown in the Statement of Comprehensive Income. Note 34 to the Financial Statements provides a breakdown of its construction.



BUSINESS REVIEW

Liquidity
Cashplus Bank has a strong liquidity position, with the majority of funds available on a same-day basis held at Central Banks or in highly liquid UK Government assets. These qualify and are held as part of Cashplus Bank's liquidity buffer. Cashplus Bank had a Liquidity Coverage Ratio (LCR) of 980% (2021: 2,100%) and a Net Stable Funding Ratio (NSFR) of 1,143% (2021: 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 Bank raised £2.3m of CET1 eligible capital through cash injections from existing investors and management, to support business growth and forward capital planning. This allowed Cashplus Bank to meet the regulatory requirements and buffers, but also allowed for some minor growth capital. As at March 2022 the Bank's CET1 ratio was 14.3% (2021: 16.2%) and the Total Capital Ratio including Tier 2 debt was 16.4% (2021: 18.6%).

Key performance indicators
Cashplus Bank uses the following indicators to track business performance.

	FY 2022	FY 2021
Gross revenue	£40.8m	£38.4m
Net operating income	£31.9m	£26.0m
Gross loans & advances to customers	£26.9m	£22.8m

Other metrics

	FY 2022
Number of transactions	38.5m
Payment volumes	£6bn
Colleagues	160+
Total historical payment value	£26.9bn
Trustpilot rating “Great”	4.0/5

CURRENT AND EMERGING RISKS

Global conflict
The invasion of Ukraine is being monitored closely by a dedicated working group which was established within 24 hours of the invasion to assess the risks to the Bank. Most of these risks are not unique to Cashplus Bank, such as the heightened risk of cyber attack or disruption to internet connectivity impacting the banks operations or those of our suppliers. We have reviewed our controls and made enhancements as necessary.

In common with all financial institutions, we constantly monitor for any sanctioned individuals. To date we have identified one customer as being sanctioned, the account is now fully restricted and in the process of being offboarded.

COVID-19
The impact of COVID-19 was unprecedented for our customers. Cashplus Bank is a digital bank and good business continuity planning ensured that the Bank was able to respond to the physical challenges of the pandemic, and we continue to operate a hybrid working policy for all staff.

FY2022 saw some revenue recovery, although still supressed in part due to the national measures taken to contain the pandemic. The Bank now looks to position itself for growth and remains optimistic for further recovery in FY2023.

Climate change risk
We recognise this as a significant risk and although Cashplus Bank 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. This risk is incorporated into the enterprise risk management framework to ensure Cashplus Bank can identify, assess, mitigate and report on this exposure.

BUSINESS REVIEW

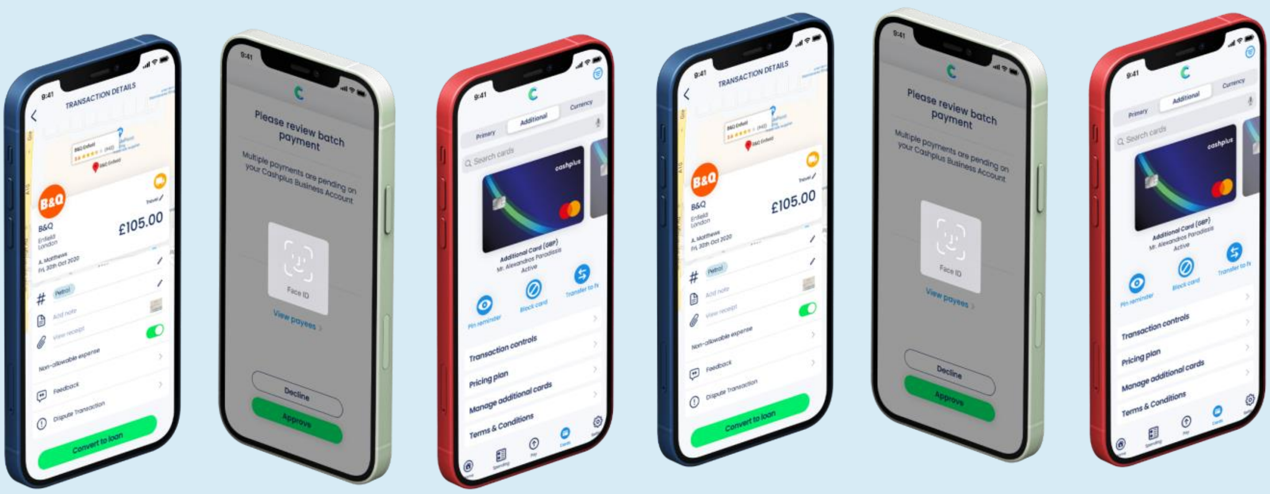
Macroeconomic environment

The impact of COVID-19, compounded by ongoing global conflict is creating an economic shock of uncertain duration and magnitude. This is expected to hinder GDP growth and further increase the rate of inflation (i.e. increasing the risk of 'stagflation'); as well as creating a 'risk off' sentiment in the market. This environment increases the risk of delays in equity investment, balanced by the relatively small amount of equity sought. From a credit perspective, the affordability assessment calculation is being recalibrated to take into account the increased costs of living.

Looking forward

In 2021, Cashplus Bank won the £5m CIF award and these funds will continue to be deployed to support SME customers across 2022/23. Additionally, Cashplus Bank is forecast to materially benefit from base rate increases at the Central Bank given its deposit positioning. The year ahead will present challenges from the ongoing global economic situation following COVID-19 and the inflationary pressures in the UK. However, given Cashplus Bank's low international exposure and history it is expected to moderately grow the credit book and payment revenues and this can be seen reflected in increased revenue in recent months, a recovery that is expected to continue.

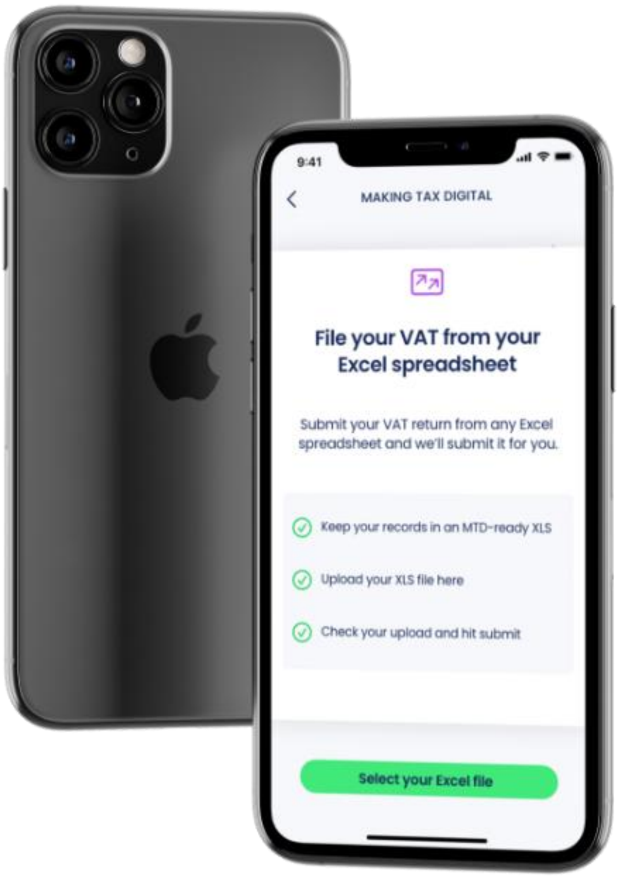
Cashplus Bank is continuing to raise further capital to support growth, investment and to further support customers.



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 and sustainable business. It has been designed to preserve financial and operational resilience and to ensure the business is operating safely, providing confidence to customers, suppliers, employees, regulators and investors. The Board is aware of the importance of having a sound risk culture and supports appropriate risk awareness, behaviours and judgements, ensuring individuals are well-trained and informed to take risk in accordance with clear policies. Cashplus Bank's future plans incorporate 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:

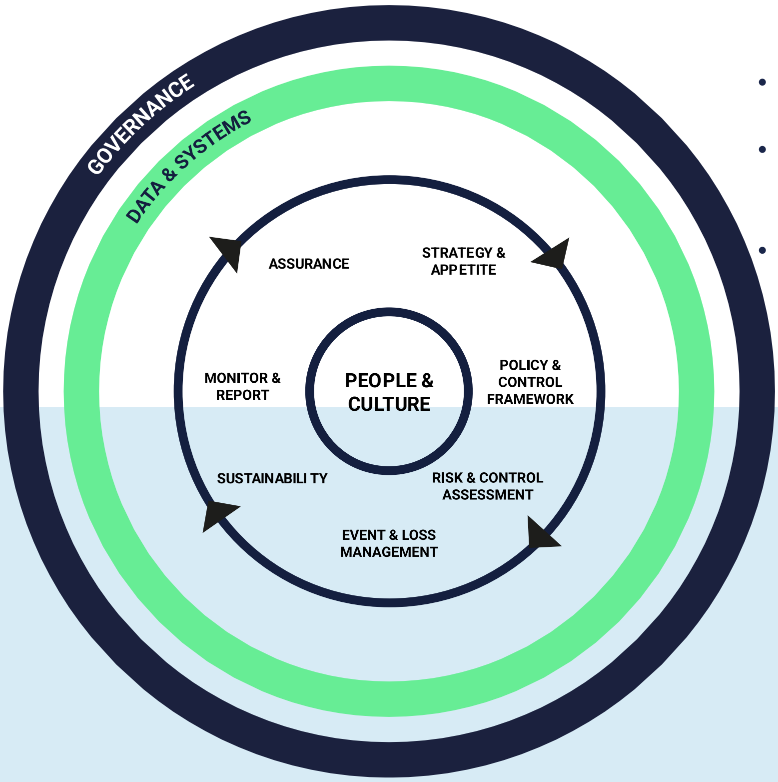
- Embed risk and control into internal policies and procedures that provides consideration to risk management in all day-to-day activities.
- Increase an understanding of risk and control across the business.
- Continually develop leadership knowledge and skills for identifying, understanding and managing 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.
- Ensure that risk management is a key element of the corporate governance design.

RISK MANAGEMENT FRAMEWORK

Cashplus Bank 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 (ERMF) 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 (including capital and liquidity), Financial Crime, Operational and Governance and Strategic.

These risks encapsulate all financial and non-financial risks faced by Cashplus Bank 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 independently to the Board Risk Committee in relation to these matters, reporting directly to the CEO on a day-to-day basis.

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 Senior Managers and Certification Regime (SMCR) responsibilities.
- Risk is ‘baked in’ to the strategy.

RISK OPERATING MODEL

Cashplus Bank 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:

Risk	Responsibilities
Senior Management (First Line)	• Responsible for the day-to-day management of risk within Cashplus Bank, 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 Bank's 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 Bank 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. Reports to the CEO for day-to-day activities, but independently to the Board 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 the Bank's undertakings can be quantified and mitigated.
Internal Audit Director (Third Line)	• Providing independent third line assurance and assessment of risk processes and controls across Cashplus Bank. The Internal Audit Director reports directly to the Chair of the Audit Committee to ensure independence, and to the CEO for day-to-day activities. An external firm is also used to supplement internal resource.
All Colleagues	• All colleagues are responsible for adhering to all rules and regulations 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 is set and owned by the Board, and is key in setting the parameters within which the business can operate. Qualitative and, in some cases, quantitative risk appetite statements have been developed for each of the risk categories. These set the overall tone for risk taking and influence quantitative metrics (Board Risk Measures and Key Risk Indicators) used 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

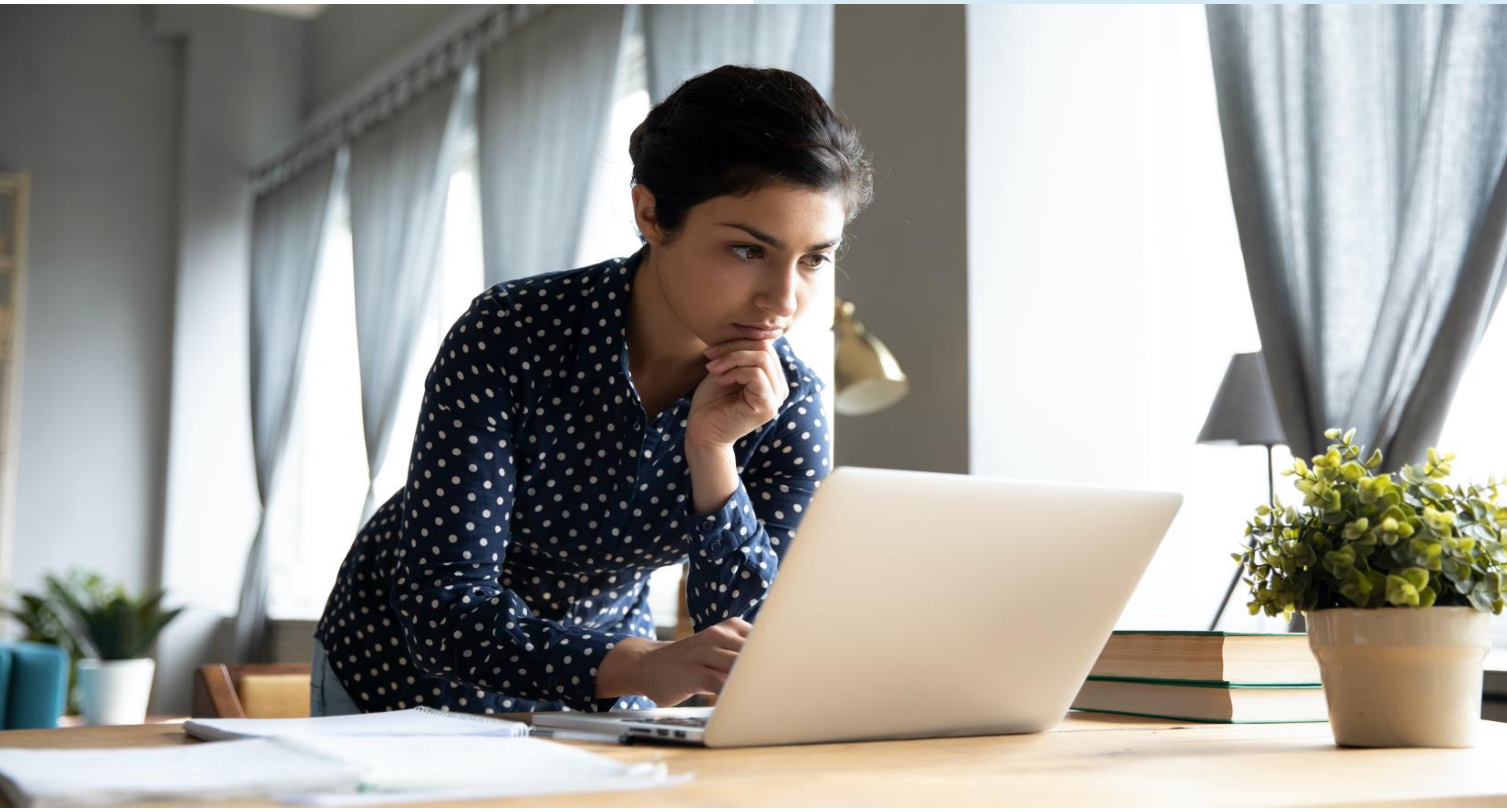
A Risk Register is used to standardise and enhance the monitoring of the risks by the Risk and Compliance Function. The Risk and Compliance Function help the relevant SMF and Functional owners operationalise their Risk Registers through meetings and relevant training. Further, Risk and Compliance monitor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

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-economic 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 approved company policies. The Risk and Compliance function is under the remit of the CRO, who reports directly to the CEO on a day-to-day basis, with independent reporting to the Risk Committee, Audit Committee and Board, and occasionally to the Remuneration and Nominations Committee as appropriate.



PRINCIPAL 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:

Risk	Description	Sub-Risks	Mitigating Actions and Committee Oversight	Over-Arching Processes
Conduct	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.	Customer Communications Customer Servicing Product & Service Design FCA Compliance & Regulatory Affairs Vulnerable Customers	Cashplus Bank's 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.	Enterprise Risk Management Framework Metrics and Monitoring to Risk Committee Regulatory Working Groups Supporting each Executive Committee
Credit	The risk associated with material financial disruption as a result of borrowers failing to meet obligations in accordance with agreed terms; lending exposures being grouped in such a manner that a correlated performance of the individual loans can be anticipated; and not acting in a customer's best interests, such that lending is not affordable, terms and conditions are not transparent and borrowers are not supported if they experience repayment difficulties.	Credit Risk Credit Concentration Risk Responsible Lending	The Credit Framework focuses on ensuring appropriate and affordable lending is provided to customers. Credit is managed to a defined risk appetite and associated measures, and monitored by the Credit Committee, which meets monthly and reports to the Risk Committee. The framework includes use of underwriting models which are regularly reviewed, performance monitoring, and key policies include the Credit Policy and Collections policies.	
Financial Crime	Financial crime is the risk of loss associated with criminal activities of customer and non-customer entities.	Money Laundering External Fraud Customer Due Diligence Financial Crime Reporting Internal Fraud	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 reports to the Risk Committee.	

PRINCIPAL 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.	Capital Adequacy Liquidity Adequacy Funding Concentration Risk Market Risk (IRRBB) Recovery & Resolution Planning Financial Controls, Accounting & Tax PRA Compliance & Regulatory Affairs	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 Assessment 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). Cashplus Bank also documents its Recovery Plan (RP), which includes the Liquidity Contingency Plan (LCP), and its Solvent Wind Down Plan (SWDP) to ensure that it effectively plans for all outcomes to minimise any potential 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 Execution, Delivery & Process Management Cyber risk & Information Security Service Delivery, Payment Processing Operational Resilience Software Development & Testing Data Protection (GDPR) Legal Risk	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 Bank 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 Bank's Governance Framework, culture, resources, capability and relationships with key stakeholders do not support the delivery of its stated strategic goals.	Financial Risk from Climate Change People & Resources Reputational Risk Governance & Culture Model 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. Model risk is managed to defined standards and ongoing monitoring and review. Key polices include the Management Responsibility Map and the Corporate Governance Manual.		

RISK OPERATING MODEL

Emerging Risks
In addition to the principal risks and uncertainties, we consider medium and long-term emerging risks and evolving threats that could affect our ability to meet strategic goals and objectives.

External information, including emerging regulatory changes, upstream risks and macro-economic factors are monitored to support a better understanding of threats and uncertainties.

Macroeconomic environment
The impact of COVID-19, compounded by ongoing global conflict is creating an economic shock of uncertain duration and magnitude. This is expected to hinder GDP growth and further increase the rate of inflation (i.e. increasing the risk of 'stagflation'); as well as creating a 'risk off' sentiment in the market. This environment increases the risk of delays in equity investment, balanced by the relatively small amount of equity sought and the Bank's diversified income stream. From a credit perspective, the affordability assessment calculation is being recalibrated to take into account the increased cost of living.

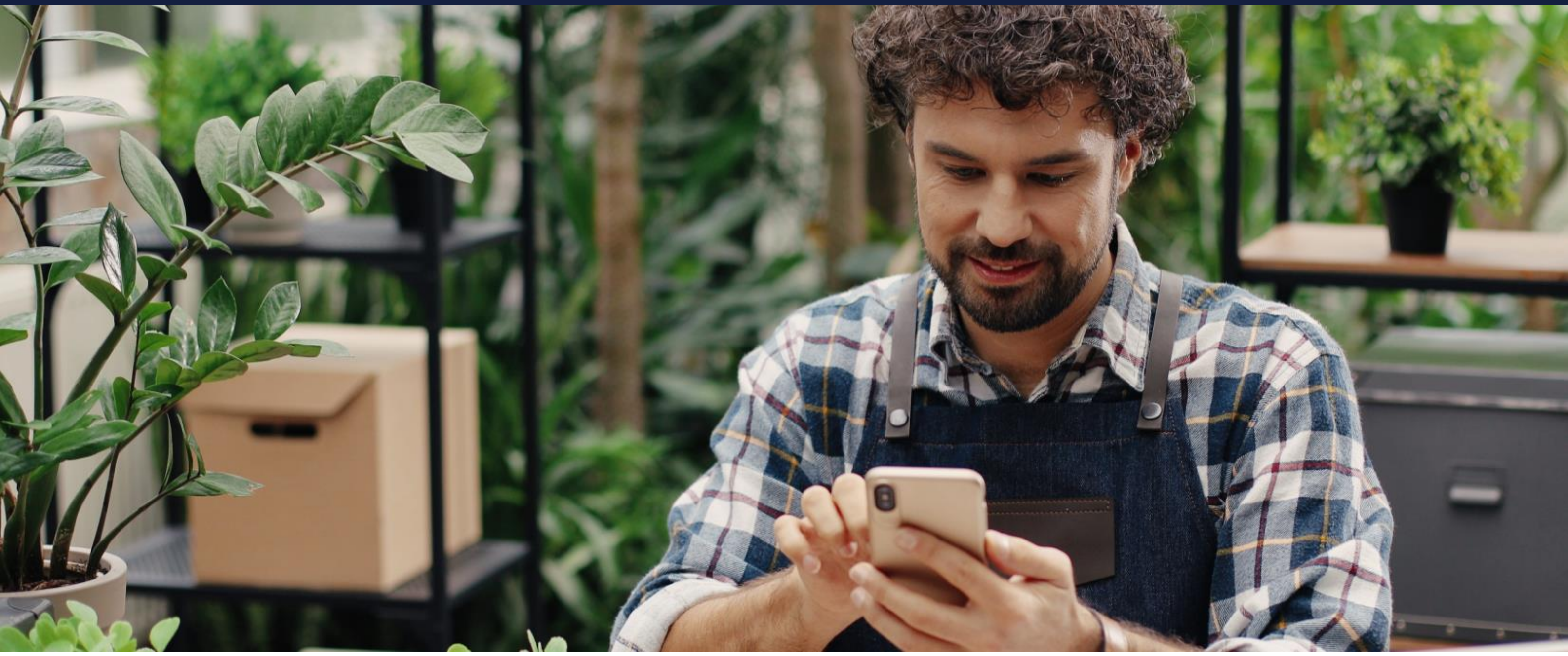
Economic Crime Risk
We note increasing risks faced by our customers, generated by social engineering, which are consistent with trends across the wider industry, particularly in Authorised Push Payment (APP) Fraud. Further, there is growing sophistication in organised money laundering rings trying to operate below detection levels. This means that continued investment, both at company and industry level, is required to address emerging Economic Crime activity. We further note political and regulatory views that consumers should not be made liable for socially engineered fraud losses; increasing previously expected firm liability for APP related losses. We are setting up an Economic Crime Unit to maximise our capabilities in this area, combining the experience of our expanded Fraud and Financial Crime teams.

Resourcing capability and capacity
There are resource attrition and talent attraction headwinds compounded by a buoyant job market and HR department capacity constraints in the short term. The interest rate rise(s) conserve capital such that key hiring and tactical spending – in line with SMF consultations/agreement – can take place even in the case of a 'no investment budget' in the 2022-23 financial year.

Climate Change Risk
Financial risks from climate change arise through two primary channels: physical risks (related to specific weather events and longer-term shifts in the climate) and transitional risk (arising from the process of adjustment towards a low or net-zero carbon economy). For Cashplus, the materiality of financial risks from climate change is currently assessed to be 'medium-low'. We are a small, SME-focused bank with no secured lending portfolio and no significant concentration in high carbon-intensive industries. Nevertheless, it is a key issue from both a regulatory and reputational aspect, that we monitor on an ongoing basis to consider how we can respond and adapt to longer-term changes that may expose key sensitivities in existing business plans.

The Board undertook a long-term scenario assessment exercise that analysed different 30-year paths for climate change and the wider economy. In addition, a specific risk register has been added to the ERMF, with a clear risk appetite and key metrics. This will ensure a strong control framework is in place to monitor how risk exposure could develop, including indirectly through physical or transitional risks faced by our customers or suppliers.

CORPORATE GOVERANCE



Cashplus Bank has a well-established governance framework commensurate with its responsibilities under the banking regime, including the PRA's expectations of Boards, as outlined in the relevant supervisory statements and the SMCR.

Although it is not required to do so, the Company seeks to comply with the provisions of the UK Corporate Governance Code in so far as they are considered by the Board to be relevant to the circumstances of the Company taking account of its size and relative simplicity.

The Board has strong banking experience and an appropriate balance of individuals, including executive and Independent Non-Executive Directors (INEDS).

The Board assumes responsibility for strategy, as well as the overall governance structure and control framework of the Bank. The Executive Committee (ExCo) is responsible for implementing the Board's decisions. The most recent governance structure has been enhanced through the addition of a Data Governance Committee and a Road Map Council.

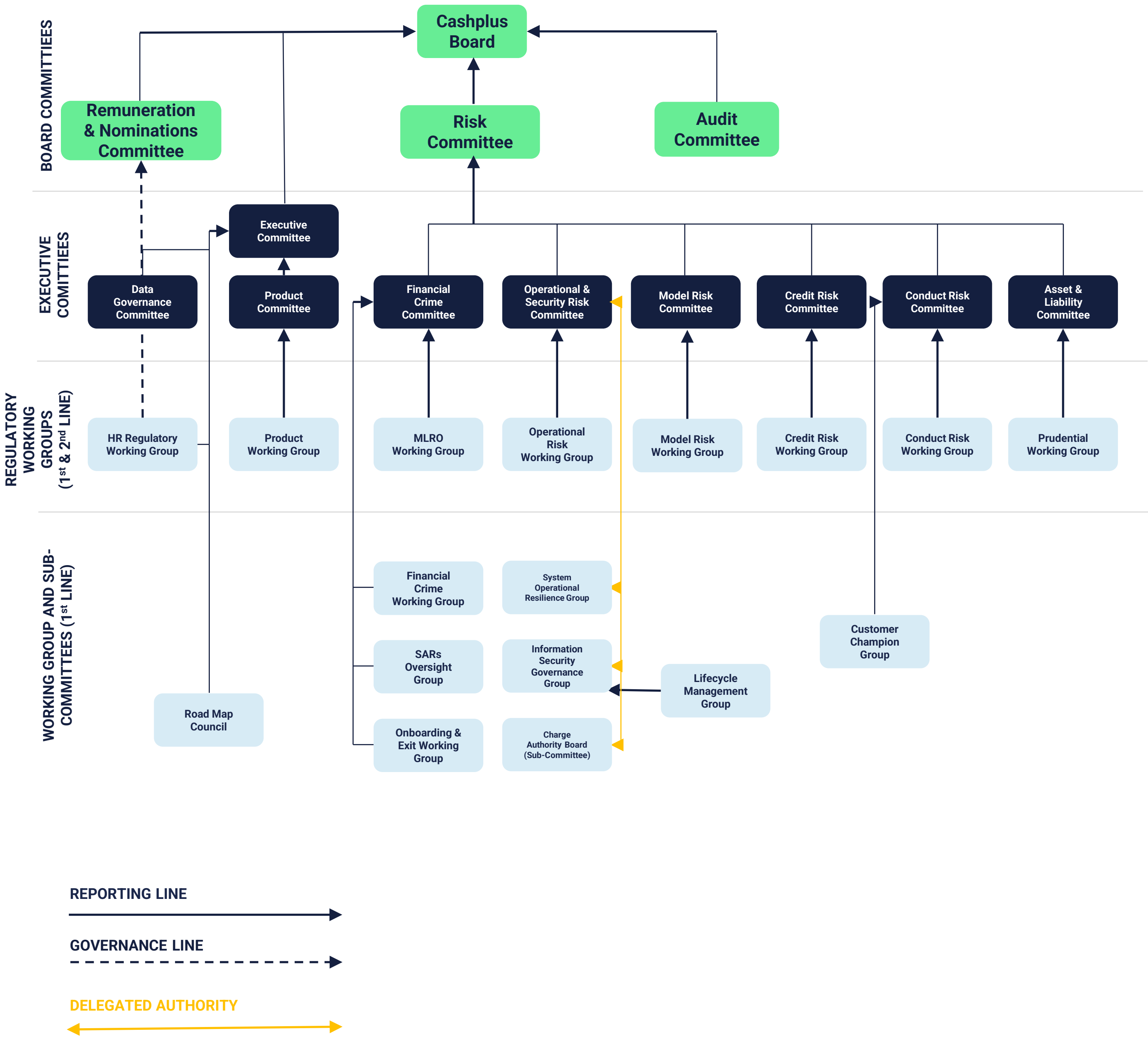
The Data Governance Committee is responsible for defining and enforcing policies relating to the governance of data management throughout its lifecycle, focused on ensuring that the Bank has confidence in data, and reducing risks related to data. In addition, a Road Map Council facilitates the timely delivery and execution of initiatives within the Bank.

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 Bank has an experienced Executive team which has been supplemented with the recruitment of a number of key individuals, with additional plans to recruit more to strengthen the First, Second and Third Lines of Defence.

CORPORATE GOVERANCE

The 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 Bank for the benefit of its members as a whole. When making decisions, the Board ensures that it acts in a way it considers, in good faith, would most likely promote the Bank'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 Bank's employees;
- The need to foster the Bank's business relationships with suppliers, customers, regulators and others;
- The impact of the Bank's operations on the community and environment;
- The desirability of the Bank maintaining a reputation for high standards of business conduct; and
- The need to act fairly as between the shareholders of the Bank.

This duty to assess the interests of all stakeholders is central to the Directors' 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 management information 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 Enterprise Risk Management Framework.

The Board is also provided with regular reports from its sub committees of key decisions taken, material risks and performance updates.

Long term decisions
Following the successful full banking application in the 2020/21 financial year, the Board reaffirmed the strategic focus on the SME market, and that it would be in the interests of all stakeholders to invite further equity capital to facilitate growth ambitions. Resources and capabilities of the firm across its people, IT systems and governance were strengthened despite a volatile macro-economic environment. A thorough gap analysis against the UK Corporate Code and other governance expectations was undertaken and any remaining gaps addressed. Focus was also given to the Equality, Diversity & Inclusion policy, strengthening the Bank's Operational Resilience, and ensuring regulatory requirements are met by the 31 March 2022 timeline.

The Bank was also awarded a £5m grant from the BCR Capability and Innovation Fund for SME banking initiatives, which include an SME credit card to meet unserved demand for small business lending; account opening and switching tools to drive SME banking competition; a new product to improve the credit rating of business customers, and tools to help small businesses towards Making Tax Digital.

The interests of our colleagues
The Directors recognise the need to attract and retain talent and ensure employee well-being. The Bank has put a progressive flexible working policy in place, using the lessons learned from the last two years. The Bank undertakes regular employee surveys to guide its HR and colleague policy making.

All colleague meetings are held monthly, when 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 give colleagues the opportunity to provide immediate and anonymous feedback.

SECTION 172 COMPANIES ACT 2006

Relationships with suppliers, customers and regulators
The Bank uses regular customer surveys to understand customer needs. The Directors monitor feedback using social media, comparison and review sites. The data collected from these sources help inform decision making and prioritise what is important to our customers.

The Bank 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 criteria 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 Bank is committed to engaging openly and transparently with its regulators. During the course of the year, there was frequent engagement with the regulators to provide them with key information relating to the capital and liquidity of the Bank, as well as policies and information relating to all aspects of the Bank's activities, including risk and compliance. A dedicated resource has been established to manage regulatory affairs.

The Bank places a high value on compliance with all relevant regulations, promoting the highest level of integrity and ethical behaviour. 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 Bank 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 Bank already provides a low environmental impact solution to banking. The Bank engages in a number of initiatives including recycling and low energy use in the small amount of office space that it does have. The Bank will also ensure that its forward-looking decisions on office space will be made with environmental 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 Bank 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 Bank will continue to engage openly and transparently with both its new and existing investors.

The Strategic Report was approved by the Board on 20 July 2022 and is signed on its behalf by

Leo Nuttall
Company Secretary

26 July 2022

GROUP DIRECTORS' REPORT

The Directors present their report and the financial statements for the year ended 31 March 2022.

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 judgements 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 £3.6m (2021: loss of £4.4m).
The Directors do not recommend the payment of a dividend (2021: £nil).

Directors
The names of those individuals who served as Directors of the Company during the year and who held office at the date of signature of this report are as follows:
Mark Sismey-Durrant
Jim Jones
Simon Knight (Resigned 17 Jan 2022)
Alessandro Hatami
Richard Wagner
Francesca Shaw
Peter Elcock (Appointed 02 Dec 2021)

Post Balance Sheet Events
There have been no material events affecting the Group between 31 March 2022 and the date of approval of the financial statements

Environmental, social and governance review
The Directors seek to drive positive environmental and social change through the actions they take. The Bank'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 strategy, which has a major impact on ESG priorities and how they are managed by the executive team.

The Bank 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
Cashplus Bank 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 Bank continually reviews the controls implemented by suppliers including those that prevent data security breaches, bribery, corruption, and modern slavery. The Bank also conducts regular meetings and supplier assurance reviews on the most critical suppliers to ensure the highest standards are being upheld.

Customers
Cashplus Bank takes the need for treating customers fairly very seriously and considers the needs of its customers in all of its business decisions. The Bank 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 Bank. The Bank is committed to transparency, ensuring colleagues have access to all the information that is relevant to them. This includes monthly company-wide meetings which encourage people to share opinions and ask questions to management.

The Bank has introduced reward schemes in the year to enable all colleagues to share in its success and has taken action to advance its diversity and inclusion strategy, including the introduction of mandatory unconscious bias training and carrying out gender pay analysis.

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

Sustainability and the Environment
The Group had an electricity consumption of 125.4 MWh (2021: 87.9 MWh) in the financial year throughout its leased premises which translates to 26,353 kg (2021: 20,493kg) 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 2022. Total emissions for the 12 months to 31 March 2022 are 28.6% greater than the previous year. Additionally, when viewed as an intensity metric, our emissions have increased by 28.6% per the average number of employees year-on-year.

The prior year reporting period was significantly impacted by reduced occupation of the Group's premises due to the COVID-19 situation. The current year emissions have increased but are still lower than pre-COVID levels.

	Group 31 Mar 2022 kg CO_2	Group 31 Mar 2021 kg CO_2	Movement Year on Year kg CO_2
Scope 2 emissions	**26,626**	**20,493**	**29.9%**
Intensity metric – Total Emissions per FTE	144.7	115.8	25.0%

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

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:

Waste & Recycling Strategy - the Group aims to maximise efficiencies and improve recycling rates. Current recycling figures for the premises are at 36%.

Transition to Green Energy - the Group switched its energy supply in the year to 100% renewable energy.

Enhanced heating control - the Group is working with the landlord of its premises to improve heating efficiency that adheres to current industry good practice. Cost effectiveness assessments have been undertaken for the building by the landlord, and the report is pending. Work is also underway to improve lighting to reduce power usage levels.

Future developments
The Bank is investing in the development of a Real Time Gross Settlement (RTGS) solution and expects to launch this during the course of 2022 and will give the Group direct access to the Faster Payments gateway.

Qualifying third party indemnity provisions
Qualifying third party indemnity arrangements (as defined in section 234 of the Companies Act 2006) were in force for the benefit of the Directors of the Company during the year and remain in place at the date of approval of this report.

Disclosure of information to auditors
So far as each of the Directors is aware, there is no relevant audit information (as defined in the Companies Act 2006) of which the Company's auditor is unaware, and each of the Directors has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information (as defined) and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 (2) of the Companies Act 2006.

Financial Instruments
Cashplus Bank finances its activities through a combination of equity, as disclosed in Notes 23 and 24, and through cash deposits held as disclosed in Note 10.

The Bank holds customer deposits classified as a financial liability, and issues overdrafts and loans to customers which are classified as financial assets. The Bank 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, 28 and 29 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 20), Credit risk (Note 28) and Market risk (Note 29).

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

Research and Development
Cashplus Bank 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

Directors' statement

The Directors as at the date of this Directors' Report, confirm that, to the best of their knowledge:

- the consolidated financial statements, prepared in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company;
- the Annual Report, including the Strategic Report, includes a fair review of the development and performance of the business and the position of the Company and undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- they consider the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for users (who have a reasonable knowledge of business and economic activities) to assess the Company's position, performance, business model and strategy.

Going Concern

In preparing these financial statements the Directors are required to satisfy themselves that the Bank continues as a going concern over the following 12 months, so that the going concern basis can be adopted. In assessing this, the Directors have considered the appropriate risks, including economic conditions and the ongoing global conflict, and mitigating actions.

The Directors have continued to review the tail impact of the Coronavirus pandemic on trading performance and the ongoing cost management programmes which were executed in response. They have also reviewed the financial forecasts including capital adequacy and liquidity projections using economic stress scenarios. The Group has also set out plans for growth that the Directors reasonably expect will support the profitability of the Bank, and this includes the benefits of forecast interest rate rises on Cashplus's deposits held with Central Banks that will directly contribute to revenue.

Although the Bank has announced plans to raise further capital to facilitate some of this growth, it has also created sustainable financial plans, with an additional downside scenario (a combined market wide and firm-specific stress), to ensure sufficient capital and liquidity without the need to raise further capital.

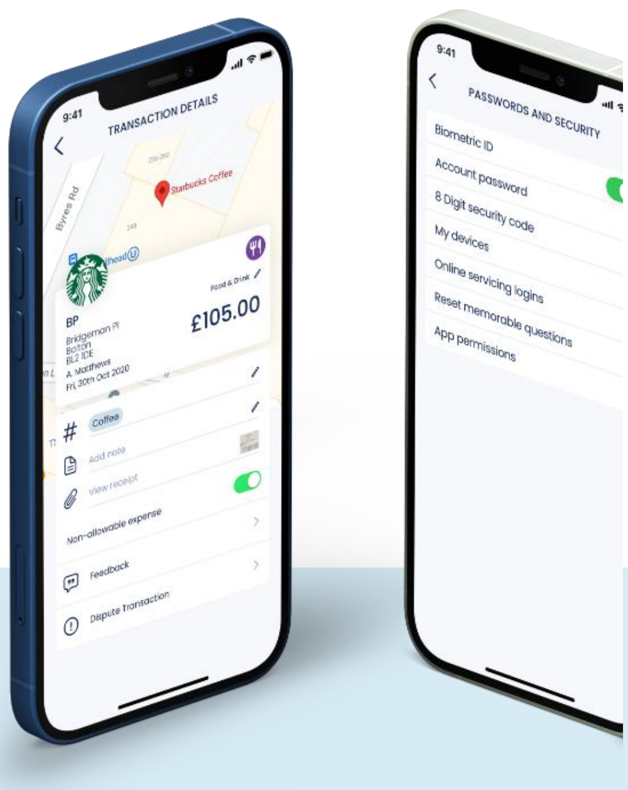
Based on the considerations above the going concern basis has been adopted in the preparation of the financial statements.

Reappointment of auditor

In accordance with section 487 of the Companies Act 2006, the Company's auditor, BDO LLP, will be deemed to have been re-appointed at the end of the period of 28 days following circulation of copies of these financial statements as no notice has been received from members pursuant to section 488 of the Companies Act 2006 prior to the end of the accounting reference period to which these financial statements relate.

Leo Nuttall

Company Secretary
26 July 2022
Registered Number: 04947027



INDEPENDENT AUDITOR'S REPORT

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

Opinion on the financial statements
In our opinion:

- give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 March 2022 and of the Group's loss for the year then ended;
- the Group and Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- the financial statements 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 2022 which comprise the Consolidated and Company Statement of Comprehensive Income, Consolidated and Company Statement of Financial Position, the Consolidated Cash Flow Statement, 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 Generally Accepted Accounting Practice, 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 3 years, covering the years ending 31 March 2020 to 31 March 2022. 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.

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. 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 is included in the Key audit matters section of our report.

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

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

INDEPENDENT AUDITOR'S REPORT

Coverage	100% (2021: 100%) of Group loss before tax 100% (2021: 100%) of Group revenue 100% (2021: 100%) of Group total assets		
		2022	**2021**
Key audit matters	KAM 1	- Going concern	- Going concern (& impact of COVID-19)
	KAM 2	- Loan loss provisioning	- Loan loss provisioning
Materiality	Group financial statements as a whole £683k (2021: £648k) based on 1.5% (2021: 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 100% 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.

INDEPENDENT AUDITOR'S REPORT

Key audit matter		How the scope of our audit addressed the key audit matter
Loan loss provisioning Refer to Note 2 (accounting policies) and Note 28	The provision for expected credit losses on Loans and Advances to customers is £5.4m (2021: £6.0m). Commensurate with the activities of the Group the Expected Credit Loss ("ECL") provision is a material balance subject to management judgement and estimation and is therefore considered to be a key audit matter. 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 specifically those relating to Probability of Default; • Inputs and assumptions used to estimate the impact of multiple economic scenarios.	Our procedures included the following: We assessed the overall characteristics of the Group's loan book and considered management's processes for the identification and treatment of underperforming loans. We have evaluated and challenged the Group's determination of what constitutes a Significant Increase in Credit Risk and definition of default used for the Group's estimate of Expected Credit Loss by benchmarking these to industry practice and compliance with the accounting standard. We performed an overall assessment of the ECL provision levels by stage to determine if they were reasonable considering the Group's portfolio, risk profile, credit risk management practices and the macroeconomic environment. We evaluated the selection and source of the information used by the Group 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. With the assistance of our internal specialists, we reviewed the code applied in calculating the ECL provision to assess the accuracy of the model and assess its compliance with Group policies and accounting standards. We assessed the reasonability of multiple economic scenarios used, including weighting and probability changes, by testing the correlation between economic factors and default as well as performing sensitivity analysis. We assessed the adequacy and appropriateness of disclosures for compliance with the accounting standards. **Key observations:** Based on the procedures above we consider the key management judgements and estimates made in respect of the loan loss provisioning to be reasonable.

INDEPENDENT AUDITOR'S REPORT

Key audit matter		How the scope of our audit addressed the key audit matter
Going concern Refer to Note 2 - iv	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 Directors' going concern assessment and made enquiries of the Directors to understand the continued 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, by assessing the Group's performance against targets to date and comparing to the wider market expectations where available. We assessed the base and stress scenario testing undertaken by the Directors to support the going concern assessment and considered the impact of the stressed scenario on the going concern assessment. As part of the above we have assessed the Group's capital and liquidity forecast position and its ability to comply with regulatory requirements within the forecast period. We have evaluated the Directors' assessment of the impact of supply chain pressures, inflation, Covid-19 and government actions thereon; and their impact on the Group, as well as possible cost saving measures. We reviewed post-balance sheet events to identify any that might have an impact on the Group's ability to continue as a going concern; and considered whether the related disclosures adequately reflect the Directors' assessment of the going concern and includes information relevant to the users' understanding based on the information we have gained throughout our audit. **Key observations:** See the Conclusions relating to going concern section above.

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	
	2022	2021	2022	2021
Materiality	£683,000	£648,000	£648,000	£640,000
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, and the continued focus of the Directors on cost management in the current environment.	We determined that expenses was 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 represents the most useful benchmark for users of the financial statements given that the Parent Company is loss making, and the continued focus of the Directors on cost management in the current environment.	We determined that expenses represents the most useful benchmark for users of the financial statements given that the Parent Company 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.
Performance materiality	£478,000	£409,500	£454,000	£388,000
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.	70% 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.	70% of materiality, determined on the basis of our risk assessment together with our assessment of the overall control environment.

INDEPENDENT AUDITOR'S REPORT

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £13,000 (2021: £13,000). 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.

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.

INDEPENDENT AUDITOR'S REPORT

Auditor's responsibility 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 Group and the industry in which it operates, and considered the risk of acts by the Group 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 considered the susceptibility of the financial statements to material misstatement, including those arising from fraud and considered that the areas in which fraud might occur were in the management override of controls, revenue recognition, and significant management assumptions and judgements.

We focused on laws and regulations compliance which may be fundamental to the Bank's ability to operate or to avoid a material penalty. 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 laws and regulation;
- reading minutes of Board and relevant Board Committee meetings;
- making inquiries of management and the Audit Committee about known or suspected non-compliance with laws or regulations, as well as instances of fraud;
- reading 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, including revenue recognition, 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.

DocuSigned by:

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

Date: 26 July 2022

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 2022

	Notes	Group 31 Mar 2022 £'000	Group 31 Mar 2021 £'000	Company 31 Mar 2022 £'000	Company 31 Mar 2021 £'000
Interest Income	4	7,471	8,920	7,471	8,243
Interest Expense	4	(460)	(4,856)	(460)	(4,784)
Net Interest Income	4	7,011	4,064	7,011	3,459
Fee and Commission Income	5	33,320	29,489	33,320	29,489
Fee and Commission Expense	5	(6,501)	(3,953)	(6,501)	(5,843)
Net Fee and Commission Income	5	26,819	25,536	26,819	23,646
Total Operating Income		**33,830**	**29,600**	**33,830**	**27,105**
Other Income	6	1,203	212	1,203	212
Dividends	15	-	-	-	9,068
Impairment Charge	-	(3,147)	(3,835)	(3,147)	(3,835)
Net Operating Income	-	31,886	25,977	31,886	32,550
Administrative Expenses	7	(35,446)	(30,559)	(35,177)	(29,694)
(Loss) /Profit before Taxation	-	(3,560)	(4,582)	(3,291)	2,856
Taxation	9	-	224	-	9
(Loss) /Profit after Taxation	-	(3,560)	(4,358)	(3,291)	2,865
Total Comprehensive Income / (Loss)	-	(3,560)	(4,358)	(3,291)	2,865

The notes to these financial statements can be found on pages 38 to 76

CONSOLIDATED AND COMPANY STATEMENT OF FINANCIAL POSITION

For the year ended 31 March 2022

		Notes	Group 31 Mar 2022 £'000	Group 31 Mar 2021 £'000	Company 31 Mar 2022 £'000	Company 31 Mar 2021 £'000
ASSETS	Cash and Balances at Banks	10	325,327	29,785	325,327	29,803
	Investment Securities	11	125,196	430,883	125,196	430,883
	Loans and Advances to Customers	12	21,474	16,802	21,474	16,802
	Other Assets	13	16,028	16,353	16,028	16,086
	Property, Plant and Equipment	14	4,141	527	4,141	527
	Intangible Assets	14	2,591	1,753	2,591	1,753
	Total Assets		494,757	496,103	494,757	495,854
LIABILITIES	Customer Deposits	17	(453,965)	(460,162)	(453,965)	(460,162)
	Debt Securities and Borrowing	18	(3,000)	(3,018)	(3,000)	(3,018)
	Other Liabilities and Accruals	19	(16,364)	(14,125)	(16,364)	(14,145)
	Deferred Income	21	(4,160)	(152)	(4,160)	(152)
	Provisions for Liabilities and Charges	16	-	(755)	-	(755)
	Total Liabilities		(477,489)	(478,212)	(477,489)	(478,232)
	Net Assets		17,268	17,891	17,268	17,622
EQUITY	Share Capital	23	9	9	9	9
	Share Premium	24	43,321	41,060	43,321	41,060
	Other Reserves	25	2,349	1,673	2,349	1,673
	Accumulated Profits/(losses)		(28,411)	(24,851)	(28,411)	(25,120)
	Total Equity		17,268	17,891	17,268	17,622

The notes on pages 38 to 76 form an integral part of these financial statements

Signed on behalf of the Board by:

Rich Wagner

Richard Wagner **Director 26 July 2022**

CONSOLIDATED CASH FLOW STATEMENT

As at 31 March 2022 **Cash Flows from Operating Activities**	Group 31 March 2022 £'000	Group 31 March 2021 £'000
Loss for the Period after Taxation	(3,560)	(4,358)
Corporation Tax Paid	-	(156)
Adjustments for Non-Cash items		
Depreciation and Amortisation	1,754	2,044
FV of Shares Allocated / Options Granted to Employees	676	919
Interest Expense	460	4,856
Corporation Tax Charge / (Credit)	-	(224)
Net Changes in Operating Assets and Liabilities		
Net (Increase) / Decrease in Loans and Advances to Customers	(4,672)	8,022
Net Decrease / (Increase) in Other Assets	325	(3,474)
Net (Decrease) / Increase in Customer Deposits	(6,197)	97,112
Net Increase in Other Liabilities	1,484	3,101
Net Increase in Deferred Income	4,008	-
Net Cash Flows (Used in) / Generated from Operating Activities	**(5,722)**	**107,842**
Cash Flows from Investing Activities		
Purchases of Fixed Assets	(6,206)	(1,321)
Purchase of Investment Securities	(1,155,196)	(755,954)
Disposal of Investment Securities	1,460,883	325,071
Net Cash Flows from / (Used in) Investing Activities	**299,481**	**(432,204)**
Cash Flows from Financing Activities		
Proceeds from Issue of Ordinary Shares	2,261	2,949
Repayment of Borrowing Facilities	-	(25,662)
Proceeds from Issue of Tier 2 Debt Facility	-	3,000
Interest paid	(478)	(3,085)
Net Cash Flows from / (Used in) Financing Activities	**1,783**	**(22,798)**
Net Increase / (Decrease) in Cash and Cash Equivalents	295,542	(347,160)
Cash and Cash Equivalents at Beginning of Period	29,785	376,945
Cash and Cash Equivalents at End of Period	325,327	29,785

Interest received was £7,471k (2021: £8,920k) and interest paid was £478k (2021: £3,085k).
The notes to these financial statements can be found on pages 38 to 76

CONSOLIDATED AND COMPANY STATEMENT OF CHANGES IN EQUITY

As at 31 March 2022 Group	Share Capital £'000	Share Premium £'000	Other Reserves £'000	Retained Earnings £'000	Total Equity £'000
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
Issue of Shares	-	2,261	-	-	2,261
Loss for the Period	-	-	-	(3,560)	(3,560)
Fair Value of Shares allocated to Employees	-	-	676	-	676
As at 31 March 2022	9	43,321	2,349	(28,411)	17,268
Company					
As at 31 March 2020	3	336	2,357	(27,985)	(25,289)
Issues 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
Loss for the Period	-	2,261	-	-	2,261
Profit for the Period	-	-	-	(3,291)	(3,291)
Fair Value of Shares allocated to Employees	-	-	676	-	676
As at 31 March 2022	9	43,321	2,349	(28,411)	17,268

The notes to these financial statements can be found on pages 38 to 76

NOTES TO THE FINANCIAL STATEMENTS

1. General information

Advanced Payment Solutions Limited, trading as Cashplus Bank, also referred to as "the Bank" and "the Company", is a private company limited by shares registered in England and Wales. Its registered office is located at 6th Floor, One London Wall, London, EC2Y 5EB. The principal activity of the Bank is to provide current accounts, revolving credit products, loans and credit cards to 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 the Companies Act 2006, and Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland. The Group has applied IFRS 9 in relation to the classification, measurement and impairment of financial instruments.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires the Bank's management to exercise judgement in applying the Company's accounting policies.

The financial statements have been presented using the following conventions:
Currency: GBP £
Rounding: £'000

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.

ii) Standards adopted in this Financial year

No new standards were adopted in the preparation of the financial statements in the year. The Group does not hold any LIBOR-linked contracts, and thus is not impacted by the LIBOR transition.

iii) Basis of Consolidation

The consolidated financial statements present the results of the Company and its wholly-owned subsidiary APS Financial Limited, referred to collectively as "the Group", as if they form a single entity. Intercompany transactions and balances between Group companies are therefore eliminated in full. Upon authorisation of Cashplus Bank, APS Financial Limited transferred all of its commercial activities, cash, assets and liabilities to Advanced Payment Solutions Limited as its parent company. APS Financial Limited ceased trading in February 2021 and commenced wind down proceedings, pending strike off in the next financial year. APS Bonds Limited was closed down in the year.

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.

NOTES TO THE FINANCIAL STATEMENTS

iv) Going Concern

The Directors have continued to review the tail impact of the Coronavirus pandemic on trading performance and the ongoing cost management programmes which were executed in response. They have also reviewed the financial forecasts including capital adequacy and liquidity projections using economic stress scenarios.

The Directors have assessed our ability to continue as a going concern, having considered the appropriate risks, including economic conditions, the tail impact of the Coronavirus pandemic and the ongoing global conflict, and mitigating actions. The Directors are satisfied that we have sufficient capital to meet regulatory requirements and buffers, and the resources to continue for the foreseeable future. The Group has also set out plans for growth that the Directors reasonably expect will support the profitability of the Bank, and this includes the benefit of forecast interest rate rises on the Bank's deposits held with Central Banks that will directly contribute to revenue. Although the Bank has announced plans to raise further capital to facilitate some of this growth, it has also created sustainable financial plans, with an additional downside scenario (a combined marketwide and firm-specific stress), to ensure sufficient capital and liquidity for at least 12 months from the signing of the financial statements, 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.

v) Judgements and Estimates

The preparation of these financial statements, in line with the requirements of FRS102, requires accounting judgements, 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 the areas in which judgements have been made in the process of applying accounting policies 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 judgements 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.

• **Impairment of assets**
The Bank assesses assets for impairment using several methods that can be used to calculate the fair value less cost to sell and value in use of the assets, the higher amount being the recoverable amount. All methods use elements of judgement 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 Bank recognises impairment loss allowances on Loans and Advances to Customers using the recognition and measurement criteria detailed in IFRS 9. This requires the use of an Expected Credit Loss ("ECL") model to calculate an unbiased probability-weighted estimate of the present value of credit losses. The ECL model takes into account forward-looking information over a range of possible economic outcomes, estimating the amount and timing of expected future cash flows. The ECL is calculated at an individual account level by multiplying the probability of each customer defaulting by the expected exposure at the time of default, and the loss that is expected to arise at default, discounting expected cashflows using the original effective interest rate ("EIR"). The key inputs into the measurement of ECL are:

NOTES TO THE FINANCIAL STATEMENTS

Probability of Default ("PD")
The PD is the likelihood of an account defaulting over the next 12 months for accounts that are in stage 1, and over the lifetime for accounts 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 probability of default.

Exposure at Default ("EAD")
EAD is the amount expected to be owed at the time of default, 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 the net value of loss that would be incurred in the event of default. LGD is expressed as a percentage of EAD, representing the loss adjusted for recoveries including cash recoveries made following credit collection activities. This percentage is also estimated using historic customer behaviour and loss data.

• **Estimated Fair Value Inputs for the Share Options Reserve Valuation**
The Bank periodically grants share options to colleagues. Several estimates and assumptions are made to calculate the options price for each issue. The most material estimate relates to the Bank'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 Bank's functional and presentational currency is GBP. At the end of each period foreign currency monetary items are translated to GBP using the closing rate. Non-monetary items measured at historical cost are translated using the spot exchange rate at the transaction date, and non-monetary items measured at fair value are measured using the spot exchange rate on the date the fair value was determined.

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

vii) Fee and Commission Income
The Bank recognises income from fees and commissions to the extent that it is probable that economic benefits will flow to the Bank and the revenue can be reliably measured. Income is reported as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes.

Fee and commission income is recognised when the service is provided, or when transactions are processed on an accruals basis. Fees and commissions receivable are generated from the normal operation of the customer accounts in 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.

Fees relating to a commitment to provide a service for a fixed period, such as initial account acquisition and any subsequent renewal are deferred and released over 12 months starting in the month of acquisition.

viii) Fee and Commission Expense
The Bank recognises fee and commission expenses incurred as result of customer transactions, and from normal operation of the customer accounts in the period. Costs are recognised in the Statement of Comprehensive Income in the month incurred.

NOTES TO THE FINANCIAL STATEMENTS

ix) Interest Income and Interest Expense
Interest income is generated from a range of credit products:

Revolving credit facilities have no fixed repayment terms, 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 and overdraft facilities charge interest at an effective interest rate on the outstanding balance recognised in the month to which it relates.

Cash and balances with other banks earn interest income that is recognised in the Statement of Comprehensive Income using the effective interest rate of the financial assets to which they relate.

Debt securities recognise interest income using the effective yield to maturity method, which approximates the effective interest rate method. Costs associated with the acquisition of financial assets are recognised in the income statement as they are incurred.

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

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
Recognition of the Capability and Innovation Fund "CIF" grant income in the Statement of Comprehensive Income is dependent upon the Group satisfying certain criteria. The grant is initially recognised as deferred income on the Statement of Financial Position. When the criteria for retention have been satisfied, the deferred income balance is released as follows:

Capital approach - CIF grant capital expenditure is maintained in deferred income, being released as the eligible assets are amortised over their economic useful life.

Income approach - CIF grant revenue is released from deferred income as the related costs incurred and included as Other Income in the Statement of Comprehensive Income.

xi) Operating Leases
Rentals paid under operating leases are charged to the 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 Bank 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 Bank's cash management.

NOTES TO THE FINANCIAL STATEMENTS

xiii) Financial Assets and Financial Liabilities

The Bank 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

The financial assets of the Bank have been assessed as required by IFRS 9, and 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 Bank 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 Bank'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.

SPPI assessment

When making a judgement of the financial assets or liabilities in the solely payments of principal and interest (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.

When conducting the assessment of whether the contractual cash flows are solely payments of principal and interest, the Bank considers the contractual terms of the instrument. This includes assessing whether the financial assets contain contractual terms that would alter the timing or amount of contractual cash flows, thereby not meeting this condition. In making this assessment, the Bank considers:

- Terms that may adjust the contractual interest rate;
- Contingent events that would change the amount or timing of cash flows;
- Prepayment and extension features; and
- Terms that limit the Bank's claim to cash flows.

Recognition

The Bank's policy is to hold all financial assets 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 Bank 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
- Trade Receivables and other financial assets included within Other Assets

The Bank'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, in accordance with IFRS 9.

NOTES TO THE FINANCIAL STATEMENTS

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

- Cash and Balances at Banks
- Investment Securities
- Loans and Advances to Customers
- Trade Receivables and other financial assets included within Other Assets

For Loans and Advances to Customers the Bank applies impairment based on ECL. The measurement of ECL 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 Bank'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.

Cash and Balances at Banks are all short term in nature, and placed with institutions with credit ratings of A or above. Management have assessed the risk on these balances to be zero, so no impairment is recognised.

Loans and Advances to Customers
Amounts receivable from customers are assessed for impairment with reference to IFRS 9 stages. Under IFRS 9, “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 significance 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” on default. 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 arrears or special status in the last 12 months, but are now current, are also 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 - Based on a 12-month ECL
- Stage 2 - Based on a lifetime ECL
- Stage 3 – Based on a lifetime ECL

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
Intangible assets are individually assessed to determine the duration of their useful economic life and amortised over that period. Acquired intangible assets, including purchased software, are initially recognised at cost. Internally generated intangible assets are recognised as per the criteria set out in FRS102, with all research phase expenditure being recognised as an expense and any expenditure

NOTES TO THE FINANCIAL STATEMENTS

incurred in the development phase (or from the development phase of an internal project) being recognised only if it can be demonstrated that all of the following criteria have been met:

(a) The technical feasibility of completing the intangible asset so that it will be available for use or sale.
(b) The intention to complete the intangible asset for use or sale.
(c) The ability to use or sell the intangible asset.
(d) The intangible asset will generate probable future economic benefits.
(e) The availability of adequate technical, financial, and other resources to complete the development and to use or sell the intangible asset.
(f) The ability to measure reliably the expenditure attributable to the intangible asset during its development.

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:
- Internally developed software - 2 years
- Purchased software - 5 years

Intangible asset arising from recognition of the CIF Grant
Where expenditure on software assets to support the Bank's obligations under the CIF award is considered to generate future economic benefit for the Bank, the expenditure is capitalised as an intangible asset. Grants related to intangible assets are released from Deferred Income to Other Income on a systematic basis over the expected economic useful life of the asset.

Costs incurred to establish technological feasibility or to maintain existing levels of performance are recognised as an Administrative Expense in the Statement of Comprehensive Income.

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
- Data centre equipment - 5 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:
- Mastercard collateral - recognised at fair value and held within the scheme bank account.
- Deferred tax and corporation tax - treated as per xviii.
- All other assets e.g. prepayments, stock and trade debtors are initially recognised at fair value and subsequently measured at amortised cost.

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

NOTES TO THE FINANCIAL STATEMENTS

Fair value hierarchy
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 Bank's accounting policy is to value its financial assets and liabilities at amortised cost.

xviii) 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 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.

xix) Customer Deposits

Customer deposits are measured at amortised cost using the effective interest rate method in line with the requirements of IFRS 9. Deposits are initially measured at fair value and subsequently recognised at amortised cost.

xx) 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.

xxi) Employee Benefits

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

The contributions are recognised as an expense in the 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.

NOTES TO THE FINANCIAL STATEMENTS

Share Based Payments
The Bank makes discretionary awards of share options to employees which are valued at fair value and then recognised as an expense in the Statement of Comprehensive Income. The Bank 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.

xxii) 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.

xxiii) Administrative Expenses
Administrative expenses represent the costs incurred to support the Bank's 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.

xxiv) Provisions for Liabilities and Charges
Provisions are made where an event has taken place that generates an obligation that the Bank is required to settle via a transfer of economic benefit, and where a reliable estimate can be made of the amount of the obligation, or where a risk-based approach is taken.

xxv) 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.

xxvi) Deferred Income
The residual amount received from the Capability and Innovation Fund ("CIF"), that has not been recognised in the Statement of Comprehensive Income, or eligible spend on intangible software assets that have yet to be amortised at the reporting date. The CIF grant can only be recognised as income once certain qualifying expenditure has occurred.

CIF income is recognised in the Statement of Comprehensive Income in the period in which the related costs have been incurred by the Bank. The Bank presents its financial information in relation to the CIF grant on a gross basis.

xxvii) Dividend Income
Dividend income received on the Bank's investments is recognised in the Statement of Comprehensive Income on the date on which the Bank's right to receive payment is established.

xxviii) 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 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.

xxix) Share Capital
Ordinary 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.

xxx) 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.
Profit and Loss - Cumulative profit or losses of the Group.

NOTES TO THE FINANCIAL STATEMENTS

3. Capability and Innovation Fund

The Bank received a grant of £5m in the year under the Capability and Innovation Fund (CIF). The CIF grant was received to introduce new features and functionality to our specialised small business banking solutions and expand on our position as a proven, highly credible alternative to traditional banks. The funding is being matched by Cashplus and used to:

1. Expand SME lending through delivery of a new business credit card with flexible credit and payments facilities and 1% cashback.
2. Make switching and opening credit products fast, simple, and beneficial for small businesses.
3. Provide advanced invoice reconciliation and expense tracking tools, along with direct accounting package integration and ensure Making Tax Digital is available to micro limited business and sole traders.
4. Expand partnerships with UK businesses to deliver CIF initiatives.

£166k of the grant monies have been spent on software development, and the related software capitalised as an intangible (see Note 14). £16k has been released from Deferred Income to Other Income reflecting the amortisation over the expected economic useful life of the software assets. The remaining £1,187k has been released from Deferred Income to Other Income when the related expenses were incurred.

The Bank submits quarterly returns to the BCR for approval, detailing the qualifying expenditure for the relevant period.

At the time of signing these Financial Statements, the BCR have confirmed their satisfaction with the evidence and information submitted by the Group for all Assessment Periods up to and including 31 March 2022. Furthermore, it has been confirmed that the amount spent in the Assessment Period from September 2021 to 31 March 2022 has been used for Permitted Purposes (and not for Prohibited Purposes) and in accordance with the BCR submitted Business Case.

Recognition of grant received from BCR under CIF

	Deferred Income Carrying Value £'000
As of March 2021	
Grant received	5,000
Credit for eligible spend	(1,203)
As at 31 March 2022	**3,797**

NOTES TO THE FINANCIAL STATEMENTS

4. Net Interest Income

Interest Income	Group 31 March 2022 £'000	Group 31 March 2021 £'000	Company 31 March 2022 £'000	Company 31 March 2021 £'000
Cash and balances at banks	341	677	341	-
Investment securities	171	-	171	-
Loans and advances to customers	6,959	8,243	6,959	8,243
Total Income	**7,471**	**8,920**	**7,471**	**8,243**

Interest Expense

Management loans	-	(1,218)	-	(1,218)
Loan stock	-	(923)	-	(923)
Debt securities	-	(20)	-	(2)
Revolving credit facility	(10)	(2,122)	(10)	(2,122)
Preference share interest	-	(388)	-	(388)
Tier 2 debt instrument / mini bonds	(450)	(185)	(450)	(131)
Total Interest Expense	**(460)**	**(4,856)**	**(460)**	**(4,784)**
Net Interest Income / (Expense)	**7,011**	**4,064**	**7,011**	**3,459**

NOTES TO THE FINANCIAL STATEMENTS

5. Net Fee and Commission Income

Fee and Commission Income	Group 31 March 2022 £'000	Group 31 March 2021 £'000	Company 31 March 2022 £'000	Company 31 March 2021 £'000
Customer card transaction revenue	23,972	18,625	23,972	18,625
Payment and related services	9,042	10,555	9,042	10,555
Other	306	309	306	309
Total	**33,320**	**29,489**	**33,320**	**29,489**

Fee and Commission Expense

Customer card transaction costs	(2,450)	(1,715)	(2,450)	(1,715)
Payment services and related costs	(4,051)	(2,238)	(4,051)	(4,128)
Total Interest	**(6,501)**	**(3,953)**	**(6,501)**	**(5,843)**
Net Fee and Commission Income	**26,819**	**25,536**	**26,819**	**23,646**

6. Other Income

	Group 31 March 2022 £'000	Group 31 March 2021 £'000	Company 31 March 2022 £'000	Company 31 March 2021 £'000
CIF eligible spend on staff costs	957	-	957	-
CIF eligible spend on other administrative expenses	246	-	246	-
CIF Grant Release to Other Income	**1,203**	**-**	**1,203**	**-**
Government grants	-	212	-	212
Total	**1,203**	**212**	**1,203**	**212**

Government grants represent payments received as part of the Government's Job Retention Scheme in the previous financial year. The CIF grant is released to income as the eligible spend on staff and administrative expenses is incurred.

NOTES TO THE FINANCIAL STATEMENTS

7. Administrative Expenses

	Group 31 March 2022 £'000	Group 31 March 2021 £'000	Company 31 March 2022 £'000	Company 31 March 2021 £'000
Staff costs	15,049	11,781	15,049	9,578
Technology costs	3,555	3,235	3,555	3,235
Facilities and utilities	1,827	1,725	1,827	1,725
Depreciation of tangible assets	292	337	292	337
Amortisation of intangible assets	1,460	1,707	1,460	1,707
Marketing expenses	4,203	4,510	4,203	4,510
Call centre and telephony expenses	1,990	2,107	1,990	2,107
Mastercard and bureau charges	1,950	1,504	1,950	1,504
Other administrative expenses	5,120	3,653	4,851	4,991
Total Administrative Expenses	**35,446**	**30,559**	**35,177**	**29,694**

Included within staff costs are the following:

	Group 31 March 2022 £'000	Group 31 March 2021 £'000	Company 31 March 2022 £'000	Company 31 March 2021 £'000
Salaries and similar costs	12,794	9,032	12,794	7,074
Social security costs	1,456	998	1,456	812
FV of options granted to employees	676	919	676	919
Pension contributions	289	239	289	181
Other staff costs and benefits	(166)	593	(166)	592
Total	**15,049**	**11,781**	**15,049**	**9,578**

Average number of people employed by the Group (including Directors) during the year was 184 (2021: 167).

NOTES TO THE FINANCIAL STATEMENTS

7. Administrative Expenses (continued)

Directors costs:	Group 31 March 2022 £'000	Group 31 March 2021 £'000	Company 31 March 2022 £'000	Company 31 March 2021 £'000
Salaries	678	548	678	249
Pension contributions	-	7	-	-
Total	**678**	**555**	**678**	**249**

Highest paid director:	Group 31 March 2022 £'000	Group 31 March 2021 £'000	Company 31 March 2022 £'000	Company 31 March 2021 £'000
Salaries	230	224	230	164
Pension contributions	-	6	-	-
Total	**230**	**230**	**230**	**164**

NOTES TO THE FINANCIAL STATEMENTS

8. Auditors' remuneration

	Group 31 March 2022 £'000	Group 31 March 2021 £'000
Fees payable to the Group's auditor for the audit of the parent company and the Group's consolidated financial statements	190	158
Total	**190**	**158**

9. Taxation

Current Tax:	Group 31 March 2022 £'000	Group 31 March 2021 £'000	Company 31 March 2022 £'000	Company 31 March 2021 £'000
UK corporation tax	-	-	-	-
Adjustments in respect of prior periods	-	(224)	-	(9)
Total Current Tax Charge / (Credit)	**-**	**(224)**	**-**	**(9)**

Deferred Tax:

Origination and reversal of timing differences & losses	316	-	315	-
Adjustment in respect of prior years	-	-	1	-
Effect of tax rate changes on opening balances	(316)	-	(316)	-
Tax on Profit/(loss) on Ordinary Activities	**-**	**(224)**	**-**	**(9)**

NOTES TO THE FINANCIAL STATEMENTS

9. Taxation (continued)

Reconciliation of Tax Charge:

The tax assessed for the year differs from the standard UK rate of corporation tax of 19% (2021 - 19%). The differences are explained below:

	Group 31 March 2022 £'000	Group 31 March 2021 £'000	Company 31 March 2022 £'000	Company 31 March 2021 £'000
Profit/(loss) on ordinary activities before tax	**(3,560)**	**(4,582)**	**(3,291)**	**2,856**
Tax on loss on ordinary activities at the standard rate	(676)	(871)	(625)	543
Effects of:				
Fixed asset differences	(328)	21	(328)	21
Expenses not deductible for tax purposes	180	317	129	(1,131)
Income not taxable for tax purposes	(26)	-	(26)	-
Group relief surrendered/(claimed)	-	-	-	36
Adjustments to brought forward values	(36)	-	(36)	-
Adjustments in respect of prior periods	-	(224)	-	(9)
Timing differences not recognised in the computation	(129)	(547)	(129)	(549)
Remeasurement of deferred tax for changes in tax rates	(1,656)	-	(1,656)	-
Movement in deferred tax not recognised	2,671	1,080	2,671	1,080
Tax Charge / (Credit) for the Period	**-**	**(224)**	**-**	**(9)**

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 £23.2m (2021: £10.8m) 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 £5.9m (2021: £3.2m) due to uncertainty of timing on future profitability.

NOTES TO THE FINANCIAL STATEMENTS

10. Cash and Balances at Banks

	Group 31 March 2022 £'000	Group 31 March 2021 £'000	Company 31 March 2022 £'000	Company 31 March 2021 £'000
Cash at central banks	318,001	-	318,001	-
Cash and balances at other banks	7,326	29,785	7,326	29,803
Total	**325,327**	**29,785**	**325,327**	**29,803**

Cash and balances at banks are held at amortised cost and comprise balances placed with central banks and regulated financial institutions for operational purposes.

The unencumbered balance held with central banks is included within the Bank's HQLA.

11. Investment Securities

	Group 31 March 2022 £'000	Group 31 March 2021 £'000	Company 31 March 2022 £'000	Company 31 March 2021 £'000
Investment securities	125,196	430,883	125,196	430,883

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

	Opening Balance 2021 £'000	Additions 2022 £'000	Disposals 2022 £'000	Closing Balance 2022 £'000
Investment securities	430,883	1,155,196	(1,460,883)	125,196

Of the £1.461bn of disposals, £267m were sold for liquidity management purposes and £1,194bn matured.

NOTES TO THE FINANCIAL STATEMENTS

Investment Securities	Group 31 March 2022 £'000	Group 31 March 2021 £'000	Company 31 March 2022 £'000	Company 31 March 2021 £'000
Treasury bills	-	415,883	-	415,883
UK Government issued gilts	125,000	15,000	125,000	15,000
Unamortised interest and discount	196	-	196	-
Total	**125,196**	**430,883**	**125,196**	**430,883**

12. Loans and Advances to Customers

	Group 31 March 2022 £'000	Group 31 March 2021 £'000	Company 31 March 2022 £'000	Company 31 March 2021 £'000
Customer overdrafts – Consumer	3,101	3,007	3,101	3,007
Customer overdrafts - SME	2,958	2,302	2,958	2,302
Credit cards	19,961	16,418	19,961	16,418
Other loans to customers*	891	1,066	891	1,066
Gross Loans and Advances to Customers	**26,911**	**22,793**	**26,911**	**22,793**
Less: Impairment for overdrafts – Consumer	(715)	(731)	(715)	(731)
Less: Impairment for overdrafts – SME	(844)	(562)	(844)	(562)
Less: Impairment for credit cards	(3,441)	(4,084)	(3,441)	(4,084)
Less: Impairment other	(437)	(614)	(437)	(614)
Total Impairment	**(5,437)**	**(5,991)**	**(5,437)**	**(5,991)**
Net Loans and Advances to Customers	**21,474**	**16,802**	**21,474**	**16,802**

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

NOTES TO THE FINANCIAL STATEMENTS

13. Other Assets

Debtors	Group 31 March 2022 £'000	Group 31 March 2021 £'000	Company 31 March 2022 £'000	Company 31 March 2021 £'000
Trade debtors	133	48	133	48
Prepayments and accrued income	1,750	1,900	1,750	1,900
Stock	357	340	357	340
Deferred tax	1,000	1,000	1,000	1,000
Fee deferral	1,137	1,208	1,137	1,208
Payment scheme collateral	2,890	2,890	2,890	2,890
Payment suspense awaiting settlement from schemes	4,501	3,920	4,501	3,920
Bank interest receivable	93	-	93	-
Corporation tax	276	596	276	329
Sundry debtors	3,891	4,451	3,891	4,451
Total	**16,028**	**16,353**	**16,028**	**16,086**

Deferred Tax	Group 31 March 2022 £'000	Group 31 March 2021 £'000	Company 31 March 2022 £'000	Company 31 March 2021 £'000
Balance brought forward	1,000	1,000	999	999
Current year deferred tax	-	-	1	-
Deferred Tax Already Recognised	**1,000**	**1,000**	**1,000**	**999**
Deferred tax asset made up of:				
Fixed asset timing differences	(521)	590	(521)	590
Short term timing differences	1,521	-	1,521	-
Losses and other deductions	-	410	-	409
Total Deferred Tax Asset	**1,000**	**1,000**	**1,000**	**999**
Deferred tax not yet recognised	5,902	3,231	5,902	3,231

NOTES TO THE FINANCIAL STATEMENTS

13. Other Assets (continued)

Deferred tax asset not yet recognised made up of:	Group 31 March 2022 £'000	Group 31 March 2021 £'000	Company 31 March 2022 £'000	Company 31 March 2021 £'000
Short term timing differences	109	1,573	109	1,573
Losses and other deductions	5,793	1,658	5,793	1,658
Total	**5,902**	**3,231**	**5,902**	**3,231**

14. Fixed Assets

Group 2022

Cost	Leasehold Improvements £'000	Computer Equipment £'000	Other Tangible Fixed Assets £'000	Intangible Assets £'000	Total Fixed Assets £'000
As at 1 April 2021	1,173	635	241	12,296	14,345
Additions	-	3,907	1	2,132	6,040
Disposals	-	(409)	-	-	(409)
CIF intangible	-	-	-	166	166
As at 31 March 2022	**1,173**	**4,133**	**242**	**14,594**	**20,142**

Depreciation and Amortisation

As at 1 April 2021	(850)	(494)	(178)	(10,543)	(12,065)
Charge for the year	(145)	(122)	(27)	(1,460)	(1,754)
Disposals	-	409	-	-	409
As at 31 March 2022	**(995)**	**(207)**	**(205)**	**(12,003)**	**(13,410)**
Net Book Value	**178**	**3,926**	**37**	**2,591**	**6,732**

Intangible Asset costs as at 1st April 2021 consisted of £9.930m of internally generated assets and £2.365m of purchased assets, with additions in the year consisting of £1.929m of internally generated assets and £0.204m of purchased assets. Amortisation charges as at the 1st of April 2021 consisted of £8.189m of amortisation relating to internally generated assets and £2.354m relating to purchased assets, with amortisation charged in the year consisting of £1.425m relating to internally generated assets and £0.035m relating to purchased assets.

NOTES TO THE FINANCIAL STATEMENTS

14. Fixed Assets (continued)

Group 2021 Cost	Leasehold Improvements £'000	Computer Equipment £'000	Other Tangible Fixed Assets £'000	Intangible Assets £'000	Total Fixed Assets £'000
As at 1 April 2020	1,178	603	241	11,007	13,029
Additions	-	32	-	1,289	1,321
Disposals	(5)	-	-	-	(5)
As at 31 March 2021	**1,173**	**635**	**241**	**12,296**	**14,345**
Depreciation and Amortisation					
As at 1 April 2020	(656)	(380)	(149)	(8,836)	(10,021)
Charge for the year	(194)	(114)	(29)	(1,707)	(2,044)
As at 31 March 2021	**(850)**	**(494)**	**(178)**	**(10,543)**	**(12,065)**
Net Book Value	**323**	**141**	**63**	**1,753**	**2,280**

Company 2022 Cost	Leasehold Improvements £'000	Computer Equipment £'000	Other Tangible Fixed Assets £'000	Intangible Assets £'000	Total Fixed Assets £'000
As at 1 April 2021	1,173	635	241	12,296	14,345
Additions	-	3,907	1	2,132	6,040
Disposals	-	(409)	-	-	(409)
Deferred income – CIF intangible	-	-	-	166	166
As at 31 March 2022	**1,173**	**4,133**	**242**	**14,594**	**20,142**
Depreciation and Amortisation					
As at 1 April 2021	(850)	(494)	(178)	(10,543)	(12,065)
Charge for the year	(145)	(122)	(27)	(1,460)	(1,754)
Disposals	-	409	-	-	409
As at 31 March 2022	**(995)**	**(207)**	**(205)**	**(12,003)**	**(13,410)**
Net Book Value	**178**	**3,926**	**37**	**2,591**	**6,732**

NOTES TO THE FINANCIAL STATEMENTS

14. Fixed Assets (continued)

Company 2021

Cost	Leasehold Improvements £'000	Computer Equipment £'000	Other Tangible Fixed Assets £'000	Intangible Assets £'000	Total Fixed Assets £'000
As at 1 April 2020	1,178	603	241	11,007	13,029
Additions	-	32	-	1,289	1,321
Disposals	(5)	-	-	-	(5)
As at 31 March 2021	**1,173**	**635**	**241**	**12.296**	**14,345**

Depreciation and Amortisation

Depreciation and Amortisation	Leasehold Improvements £'000	Computer Equipment £'000	Other Tangible Fixed Assets £'000	Intangible Assets £'000	Total Fixed Assets £'000
As at 1 April 2020	(656)	(380)	(149)	(8,836)	(10,021)
Charge for the year	(194)	(114)	(29)	(1,707)	(2,044)
As at 31 March 2021	**(850)**	**(494)**	**(178)**	**(10,543)**	**(12,065)**
Net Book Value	**323**	**141**	**63**	**1,753**	**2,280**

15. Investments in Subsidiaries

During the previous financial 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 was reduced to £1 and any remaining reserves were distributed to the Parent Company via a declared dividend payment of £9.1m.

The investment value held by APS in its subsidiary company APS Financial Limited as at 31st of March 22 is £1. APS Bonds plc was dissolved in the year.

NOTES TO THE FINANCIAL STATEMENTS

16. Provisions for Liabilities and Charges

Group/Company	Provision for Fines and Penalties £'000	VAT Provision £'000	Total £'000
As at 1 April 2021	755	-	755
Charge for the period	-	150	150
Provisions utilised	(755)	(150)	(905)
Total	-	-	-

The prior year provision for fines and penalties related to historical conduct issues. The amount was confirmed during the year, and payment was made in March 2022. During the year a £150k VAT provision was created, relating to the historic VAT treatment of charges made by APS to its subsidiary AFL. The provision was released after a liability of £223k (£210k plus £13k of interest) was agreed by HMRC in March 2022 and recognised as an expense in the Statement of Comprehensive Income, with the liability held within the VAT input control account until settled in April 22. No penalties or fines were levied. There have been no other movements in provisions for liabilities and charges in the year.

17. Customer Deposits

	Group 31 March 2022 £'000	Group 31 March 2021 £'000	Company 31 March 2022 £'000	Company 31 March 2021 £'000
Customer deposits	453,965	460,162	453,965	460,162
Total	**453,965**	**460,162**	**453,965**	**460,162**

Cashplus Bank is a member of the Financial Services Compensation Scheme (FSCS), the UK Deposit Guarantee Scheme. Eligible customer deposits are guaranteed up to £85,000 per customer.

NOTES TO THE FINANCIAL STATEMENTS

18. Debt Securities and Borrowing

	Group 31 March 2022 £'000	Group 31 March 2021 £'000	Company 31 March 2022 £'000	Company 31 March 2021 £'000
Tier 2 debt	3,000	3,000	3,000	3,000
Loan stock	-	18	-	18
Total Debt Instruments	**3,000**	**3,018**	**3,000**	**3,018**

19. Other Liabilities and Accruals

	Group 31 March 2022 £'000	Group 31 March 2021 £'000	Company 31 March 2022 £'000	Company 31 March 2021 £'000
Trade creditors	1,339	1,590	1,339	1,590
Amounts owed to group undertakings	-	-	-	18
Other taxation and social security	885	479	885	479
Accruals	1,592	1,748	1,592	1,748
Payment awaiting settlement with the schemes	4,255	4,390	4,255	4,390
Sundry creditors	8,293	5,918	8,293	5,920
Total	**16,364**	**14,125**	**16,364**	**14,145**

NOTES TO THE FINANCIAL STATEMENTS

20. Liquidity Risk Management

Liquidity risk is the risk that the Bank is unable to meet its obligations as they fall due or can only do so at exceptional cost. This requires the Bank to have sufficient funds at all times, available as needed. The Board's liquidity risk appetite is to meet all liabilities as they fall due. The contractual maturities of assets and liabilities are calculated based on the contractual cashflows. The undiscounted contractual maturities are shown below.

Contractual Maturity of Financial Assets and Liabilities

As at 31 March 2022

Group 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 banks	325,325	-	-	-	2	**325,327**
Loans and advances to customers	-	-	-	-	21,699	**21,699**
Investment securities	-	-	60,790	64,781	-	**125,571**
Other assets	2,671	9,031	284	568	2,890	**15,445**
Total Assets	**327,996**	**9,031**	**61,074**	**65,349**	**24,591**	**488,042**

Group Liabilities

Customer deposits	453,965	-	-	-	-	**453,965**
Other liabilities	5,035	12,612	1,364	1,364	-	**20,375**
Debt instruments and borrowings	-	-	-	-	3,000	**3,000**
Total Liabilities	**459,000**	**12,612**	**1,364**	**1,364**	**3,000**	**477,340**
Net Assets	**(131,004)**	**(3,581)**	**59,710**	**63,985**	**21,591**	**10,702**

NOTES TO THE FINANCIAL STATEMENTS

20. Liquidity Risk Management (continued)

As at 31 March 2021

Group 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 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 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**

Liquidity risk is managed by the Bank's treasury team. Reporting and management of liquidity risk is monitored by ALCO, which meets on a monthly basis. The Bank holds its surplus assets in overnight deposits with the Central Bank 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). At year end, and at all times throughout the year, the Bank was significantly in excess of all liquidity targets.

21. Deferred Income

	Group 31 March 2022 £'000	Group 31 March 2021 £'000	Company 31 March 2022 £'000	Company 31 March 2021 £'000
Deferred income - CIF grant (see Note 3)	3,647	-	3,647	-
CIF grant spend on software intangibles	150	-	150	-
Deferral of annual fee charges	363	152	363	152
Total	**4,160**	**152**	**4,160**	**152**

Deferred Income - CIF Grant represents the amounts received from the Capability and Innovation Fund, that cannot be recognised in the Statement of Comprehensive Income until certain qualifying expenditure has occurred. Income is recognised in the Statement of Comprehensive Income in the period in which the Bank recognises the CIF related costs for which the grant is intended to compensate.

CIF grant spend on software represents the grant spend that is yet to be amortised over the expected useful life of the asset.

Deferral of annual fee charges 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

22. Operating Leases

	Group 31 March 2022 £'000	Group 31 March 2021 £'000	Group 31 March 2022 £'000	Group 31 March 2021 £'000
Less than one year	1,214	1,214	1,214	1,214
Between one and five years	1,217	2,432	1,217	2,432
Total	**2,431**	**3,646**	**2,431**	**3,646**

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

	Group 31 March 2022 £'000	Group 31 March 2021 £'000	Group 31 March 2022 £'000	Group 31 March 2021 £'000
Lease expense on premises	1,004	917	1,004	917
Total	**1,004**	**917**	**1,004**	**917**

23. Share Capital

	Share Number #	Value £
As at 1 April 2021	8,773,803	8,774
Ordinary shares issued of £0.001	265,387	265
As at 31 March 2022	**9,039,190**	**9,039**
Ordinary shares issued from:		
New investment	265,387	265
Ordinary Shares Issued	**265,387**	**265**

During the year new equity investment resulted in the issue of 265,387 new £0.001 ordinary shares. A single share class of £0.001 Ordinary shares totaling 9,039,190 was in place at the year end with equal voting rights.

	Share Numbers 2022 #	Value 2022 £	Share Numbers 2021 #	Value 2021 £
Ordinary shares	9,039,190	9,039	8,773,803	8,774
Total Shares	**9,039,190**	**9,039**	**8,773,803**	**8,774**

NOTES TO THE FINANCIAL STATEMENTS

24. Share Premium

	Group 31 March 2022 £'000	Group 31 March 2021 £'000	Company 31 March 2022 £'000	Company 31 March 2021 £'000
Total Share Premium	**43,321**	**41,060**	**43,321**	**41,060**

There was new equity investment in the year, largely from existing shareholders. Further information is included in Note 25.

	Group £'000	Company £'000
As at 31 March 2021	**41,060**	**41,060**
Issue of new shares	2,261	2,261
As at 31 March 2022	**43,321**	**43,321**

25. Other Reserves

Group	Other Reserves £'000	Retained Earnings £'000	Total Reserves £'000
As at 31 March 2020	**2,357**	**(20,493)**	**(18,136)**
Share options issued	919	-	**919**
C&D preference 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)**
Share options issued	676	-	**676**
Loss for the period	-	(3,560)	**(3,560)**
As at 31 March 2022	**2,349**	**(28,411)**	**(26,062)**

NOTES TO THE FINANCIAL STATEMENTS

25. Other Reserves (continued)

Company

	Other Reserves £'000	Retained Earnings £'000	Total Reserves £'000
As at 31 March 2020	**2,357**	**(27,985)**	**(25,628)**
Share option reserve	919	-	**919**
C&D preference share premium reallocated post conversion to ordinary shares	(1,603)	-	**(1,603)**
Loss for the period	-	(2,865)	**(2,865)**
As at 31 March 2021	**1,673**	**(25,120)**	**(23,447)**
Share option reserve	676	-	**676**
Loss for the period	-	(3,291)	**(3,291)**
As at 31 March 2022	**2,349**	**(28,411)**	**(26,062)**

NOTES TO THE FINANCIAL STATEMENTS

26. Share Based Payment – Share Options

The Bank has an existing Executive Share Option Scheme with awards dating back to 2005. Options are exercisable at a price determined at issue. 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.

A new All-Colleague Share Option Scheme was created in the year, as part of a long-term incentive plan for all employees. The options are exercisable at a price determined at issue, with a 4-year vesting period for all awards. Options are only exercisable on a liquidity event. Options are automatically cancelled for employees that leave prior to an exercisable event, with exceptions for retirement, compulsory redundancy or death in service.

Options in both schemes expire if they remain unexercised after a period of 20 years from the date of grant.

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

	Weighted Average Exercise Price 2022 £	Options 2022 #	Weighted Average Exercise Price 2021 £	Options 2021 #
Outstanding options at 31 March 2021	**0.92**	**840,492**	**0.91**	**666,112**
Granted during the year	0.95	148,700	0.95	174,380
Forfeited during the year	0.95	(25,323)	-	-
Exercised during the year	0.95	(17,500)	-	-
Outstanding at 31 March 2022	**0.92**	**946,369**	**0.92**	**840,492**

148,700 (2021: 174,380) options were issued during the year ended 31 Mar 2022.

A total of 571,570 (2021: 480,092) 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 £676k (2021: £919k).

27. Analysis of Net Debt

Group	Brought Forward 2021 £'000	Cashflow 2022 £'000	New Debt Issued 2022 £'000	Non Cash Movement 2022 £'000	Balance 2022 £'000
Cash and balances at other banks	29,785	295,542	-	-	325,327
Tier 2 debt	(3,000)	-	-	-	(3,000)
Loan stock	(18)	18	-	-	-
Net Debt	**26,767**	**295,560**	**-**	**-**	**322,327**

NOTES TO THE FINANCIAL STATEMENTS

28. 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 Bank'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 Bank aims to lend responsibly to SMEs and consumers, recognising 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 Bank utilises to ensure it is making reasonable and proportionate risk assessments that meet FCA creditworthiness and affordability rules, as well as ensuring the lending meets the profile approved by the Bank's Governance structure. The mitigating controls implemented by the Bank are created, operated and monitored to reduce risk to align to the Bank's risk appetite, to which there is zero tolerance for a breach. Cashplus Bank will continuously review this policy to ensure that it is creating good lending and customer outcomes.

Cashplus Bank 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.

Loans and Advances to Customers	Group 31 March 2022 £'000	Group 31 March 2021 £'000	Company 31 March 2022 £'000	Company 31 March 2021 £'000
Overdrafts	6,059	5,309	6,059	5,309
Credit cards	19,961	16,418	19,961	16,418
Other lending*	891	1,066	891	1,066
Gross Loans and Advances to Customers	**26,911**	**22,793**	**26,911**	**22,793**
Provisions for expected credit loss	(5,437)	(5,991)	(5,437)	(5,991)
Net Credit Receivables	**21,474**	**16,802**	**21,474**	**16,802**

* Other lending includes 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

28. Credit Risk Management (continued)

Cashplus Bank reduces the value of the assets on the balance sheet using a Provision for Expected Credit Loss (ECL) under the IFRS 9 accounting standard. IFRS 9 requires a higher level of ECL to be recognised for underperforming loans, this is based on a three-stage model:

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 moves 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 is in a payment arrangement. Accounts that are now current but have been over 90 days in arrears or special status in the last 12 months are also classified as Stage 3. For assets in Stage 3, a lifetime ECL is recognised.

Impairment provisions are recognised by establishing an 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 ECL is based on a 12-month PD
- Stage 2 ECL is based on a lifetime PD
- Stage 3 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. The current portfolio is largely focused on consumer credit, so the primary forward-looking parameter used is the UK unemployment rate.

The ECL is assessed regularly to incorporate changes arising from movement between stages, as well as reassessment of credit quality due to change in behaviour, usage of the product, risk score, and changes in the macro economic environment.

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.

28. Credit Risk Management (continued)

Credit Provisioning Position

The change in ECL due to reassessment includes a decrease in forward looking unemployment rate parameter from 6.5% in March 2021 to 4.1% in March 2022 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 £777k with a 1% decrease reducing the ECL by £901k.

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 2021	**825**	**834**	**4,332**	**5,991**
1. Provisions on new loans and advances	270	370	486	**1,126**
2. Decreases due to derecognition	(43)	(50)	(110)	**(203)**
3. *Transfers between stages:*				
Stage 1	(111)	58	53	-
Stage 2	163	(292)	129	-
Stage 3	152	37	(189)	-
4. Change due to movement between stages	(288)	315	888	**915**
5. Change due to re-assessment	(187)	13	(356)	**(530)**
6. Change due to model methodology	(53)	(122)	11	**(164)**
7. Release of provision on settled/written off accounts	(26)	(191)	(1,344)	**(1,561)**
8. Other credit provisions	10	-	(147)	**(137)**
Provisions as at 31 March 2022	**712**	**972**	**3,753**	**5,437**

1. Increase in ECL resulting from loans and advances that have been newly originated, purchase or renewed.
2. Decrease in ECL due to derecognition of loans and advances.
3. Represents the impact of stage transfers prior to any ECL remeasurements.
4. Change in ECL due to movement between stages resulting from a change in its behaviour, risk score or usage of the product.
5. 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.
6. Change in ECL resulting from change in regulatory requirements, change in product construct, or change in the macro environment.
7. Decrease in ECL resulting from loans and advances that have been fully repaid, sold or written off.
8. Movement in non-IFRS 9 credit provisions.

NOTES TO THE FINANCIAL STATEMENTS

28. Credit Risk Management (continued)

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**

NOTES TO THE FINANCIAL STATEMENTS

28. Credit Risk Management (continued)

Credit Quality as at 31st March 2022	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
Low risk	14,498	44	12	**14,554**
Medium risk	1,909	1,056	116	**3,081**
High risk	73	597	1,844	**2,514**
Delinquent	13	1,578	645	**2,236**
Defaulted	-	-	3,469	**3,469**
Other loans and advances*	-	-	1,057	**1,057**
Gross Loans and Advances	**16,493**	**3,275**	**7,143**	**26,911**
Provision allowance	712	972	3,753	**5,437**
Net Loans and Advances to Customers	**15,781**	**2,303**	**3,390**	**21,474**
Coverage ratio (%)	4.32%	29.68%	52.54%	**20.20%**

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	**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 customers have a negative balance position without a credit agreement in place.

NOTES TO THE FINANCIAL STATEMENTS

28. Credit Risk Management (continued)

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

29. Market Risk management

Market risk is the risk that changes in market conditions may adversely impact the Bank's capital or earnings.

Interest rate risk is the risk of losses arising from volatility in interest rates associated with the mismatch between assets and liabilities in the banking book. These losses can arise from financial assets or liabilities being adversely affected by the movement in market prices, interest rates or exchange rates. It can be reflected in near term earnings or in the longer-term capital because of changes in the economic value of future cashflows.

The Bank's primary exposure to market risk is interest rate risk. As the Bank holds its interest rate-sensitive assets in a mix of credit, cash held at central banks and financial institutions, and UK Government securities, the risk to the business comes from the impact to earnings associated with the interest rates on these balances, particularly negative rates. The Bank has a policy to manage this risk within set parameters using a combination of repricing of liabilities, hedging instruments, and managing maturity mismatches using gilts at fixed rates.

The Bank measures and assesses interest rate risk primarily through variances on two methods, the economic value of equity (EVE) and net interest income (NII), which applies a 250 basis point shift and a planned hedging instrument over a 12-month time horizon. This reflects a change in methodology since FY2021, where previously a simplified EVE measure was used. The ΔEVE as at 31 March 2022 is £(0.87)k and ΔNII £(0.63)k.

The Bank does not hold any LIBOR linked products, and so does not have any sensitivity to LIBOR. The Bank is not materially impacted by other market risks such as currency exchange.

NOTES TO THE FINANCIAL STATEMENTS

30. Regulatory Capital

A reconciliation of shareholders funds shown in the Statement of Financial Position to regulatory capital is presented below. Cashplus Bank has met all regulatory capital requirements during the period.

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

The Bank 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 Bank's risk appetite and forms the Bank's capital plan for use by management to assess the resilience of the Bank against economic and idiosyncratic shock events.

	Group 31 March 2022 £'000	Group 31 March 2021 £'000	Company 31 March 2022 £'000	Company 31 March 2021 £'000
Shareholders' funds	17,268	17,891	17,268	17,622
Regulatory deductions:	-	-	-	-
Intangible assets	(3,728)	(1,753)	(3,728)	(1,753)
Other deductions	(441)	(725)	(441)	(725)
Tapered allowance for impact of IFRS9	2,529	2,529	2,529	2,529
Common Equity Tier 1 (CET1) Capital	**15,628**	**17,942**	**15,628**	**17,673**
Tier 2 debt	3,000	3,000	3,000	3,000
Adjustments to Tier 2	(772)	(173)	(772)	(173)
Tier 2 Capital	**2,228**	**2,827**	**2,228**	**2,827**
Total Regulatory Capital	**17,856**	**20,769**	**17,856**	**20,500**

Note: Regulatory deductions and adjustments to Tier 2 have not been subject to audit.

NOTES TO THE FINANCIAL STATEMENTS

	Group 31 March 2022 £'000	Group 31 March 2021 £'000	Company 31 March 2022 £'000	Company 31 March 2021 £'000
Credit risk exposure	36,075	36,792	36,075	36,792
Operational risk exposure	72,554	71,444	72,554	71,444
Other	353	765	353	765
Total Risk Weighted Assets	**108,982**	**109,001**	**108,982**	**109,001**
Common Equity Tier 1 ratio	14.3%	16.5%	14.3%	16.2%
Leverage ratio (including claims on central banks)	3.1%	3.6%	3.1%	3.5%
Leverage ratio (excluding claims on central banks)	8.8%	3.6%	8.8%	3.5%

Note: Risk weighted assets and ratio calculations have not been subject to audit.

31. Related Party Transactions

Key management personnel are deemed to be the Directors and their remuneration is disclosed in Note 7.

Recognised through the Statement of Comprehensive Income	Group 31 March 2022 £'000	Group 31 March 2021 £'000	Company 31 March 2022 £'000	Company 31 March 2021 £'000
Directors' remuneration	678	555	678	249
Interest on management loans	-	(1,218)	-	(1,218)

At the beginning of the financial year £nil (2021: £7.6m) was owing on management loans. All management loans were repaid in full during the 2021 financial year. No payments on management loans were made in the current financial year.

NOTES TO THE FINANCIAL STATEMENTS

32. 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.

33. Post Balance Sheet Events

There have been no material events affecting the Group between 31 March 2022 and the date of approval of the financial statements.

34. Gross Revenue

	Group 31 March 2022 £'000	**Group 31 March 2021** £'000	**Company 31 March 2022** £'000	**Company 31 March 2021** £'000
Interest income	7,471	8,920	7,471	8,243
Fee and commission income	33,320	29,489	33,320	29,489
Total	**40,791**	**38,409**	**40,791**	**37,732**

Gross revenue has been included as an alternative performance measure note to the statements to allow transparency of the underlying revenue items before charges.