cashplus bank®

ANNUAL REPORT

For the year ended 31 March 2023

COMPANY INFORMATION

COMPANY NAME

Advanced Payment Solutions Limited

REGISTERED OFFICE AND TRADING ADDRESS

Cottons Centre
Cottons Lane
London
SE1 2QG

TRADING NAME

Cashplus Bank

COMPANY REGISTRATION NUMBER

04947027
(England and Wales)

AUDITOR

BDO LLP
55 Baker Street
London
W1U 7EU

DIRECTORS

Mark Sismey-Durrant
Independent Non-Executive Chair

Richard Wagner
Chief Executive Officer

Peter Elcock
Independent Non-Executive Director

Francesca Shaw
Independent Non-Executive Director

Alessandro Hatami
Independent Non-Executive Director (Resigned 1 June 2023)

Barbara Gottardi
Independent Non-Executive Director (Appointed 1 June 2023)

Julia Warrack
Independent Non-Executive Director (Appointed 1 June 2023)

Jim Jones
Non-Executive Director

COMPANY SECRETARY

Leo Nuttall

HIGHLIGHTS FROM THE FINANCIAL YEAR

Strong financial performance with growth in all areas of the business and accelerating trends

GROSS REVENUE

FY2023 | £52m

FY2022 | £42m

+25% ↑

PROFIT AFTER TAX

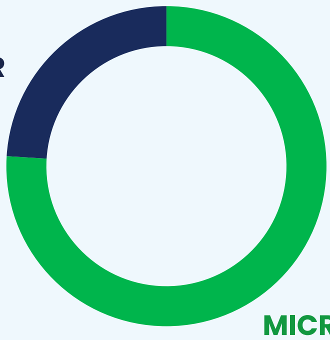
FY2023 | £5.5m

FY2022 | £(2.2m)

+7.7m ↑

MICROBUSINESS/ CONSUMER REVENUE

24%
CONSUMER



76%
MICROBUSINESS

CARD TRANSACTION REVENUE (INTERCHANGE)

FY2023 | £15.1m

FY2022 | £13.4m

+1.6m 12% ↑

RETURN ON TANGIBLE EQUITY

↑ **FY23 | 30%**

FY22 | (16%)

COST TO INCOME RATIO

FY2022 | 107%

FY2023 | 92% ↓

HIGHLIGHTS FROM THE FINANCIAL YEAR

Growth in our customer and deposit base with increased focus on our microbusiness current account

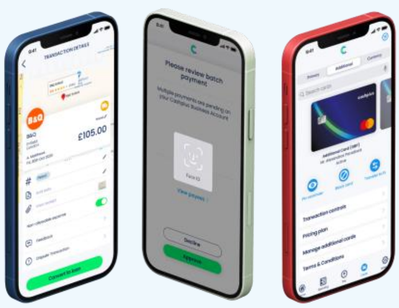
MICROBUSINESS ACCOUNT SALES	CUSTOMER ACCOUNTS	DEPOSITS
+20% ↑ Year on Year	FY2023 | 540k FY2022 | 496k +9% ↑	FY2023 | £512m FY2022 | £453m +13% ↑

Positive steps towards our vision to become the UK's best loved digital bank with improvements to our easy-to-use digital banking products

NET PROMOTER SCORE	TRUSTPILOT	GLASSDOOR
40 +54%* ↑ *Comparison of results measured in June 2022 and June 2023	**4.0**/5 "Great" same as PY ★★★★☆	**4.5**/5 +15% ↑ ★★★★½

10+ PRODUCT ENHANCEMENTS DELIVERED FOR CUSTOMERS

- Business Creditbuilder
- Invoicing tools
- Digital receipts
- Direct faster payments
- Making tax digital tools



- Innovative business credit card
- Non-card payments
- Flexible repayment terms
- Credit eligibility checker
- Credit transaction controls

CHAIR'S REVIEW

This financial year represents a significant milestone for Cashplus Bank

as the business delivered a strong performance and its first year of profitability since becoming a bank in the wake of the Covid-19 crisis, but once again against a backdrop of uncertainty and disruption in the UK and wider global economy.

A year on from Russia's invasion of Ukraine, we can reflect on the knock-on economic impact in the actions of governments and central banks and in the effects felt in the "real economy".

The International Monetary Fund forecast that the UK economy will avoid a recession in the coming financial year and there are encouraging signs of progress in areas such as UK relations with the EU and a projected easing of inflation towards the end of this calendar year. However, the overall picture remains uncertain, particularly for the microbusinesses and overlooked consumers that Cashplus Bank seeks to serve. In this environment, it is imperative that Cashplus continues to adapt and innovate to provide these customers with the simple, easy-to-access banking products that they need.

I am pleased that Cashplus has been able to adapt and deliver, achieving not only a strong performance for the Bank but also the launch of new products and services, responsibly growing lending and adjusting pricing to help make the Bank's products more accessible.

That adaptability is made possible because of the clear and strong governance structures put in place at Cashplus Bank, which enables the constructive and open dialogue which exists between management, Board and the second and third lines of defence.

This year, management and the Board have spent a significant amount of time reviewing and challenging the Bank's strategic plan which lays out a clear path for achieving our vision to become the UK's best loved digital bank, including the priority of raising capital investment to support and accelerate growth. We will seek to strengthen and refine our governance and controls in ways that are responsible and proportionate whilst delivering good outcomes for customers and our other stakeholders.

I am pleased to report our success in strengthening and diversifying the Board with the recent additions of Barbara Gottardi and Julia Warrack as Independent Non-Executive Directors, who bring a great deal of relevant experience to the Board. Alessandro Hatami retires from the Board, and we are grateful for his helpful contribution at such a pivotal time for the business.

CHAIR'S REVIEW

Delivery of the strategic plan will see Cashplus deliver vital banking services for its underserved consumers and micro businesses in the UK. Our plans call for capital to support this process and we anticipate this will unlock faster growth for the Bank, enable us to improve our products and customer servicing and raise the Bank's profile through a rebranding and market awareness exercise.

Mark Sismey-Durrant
Chair
1 September 2023

> **This year, management and the Board have spent a significant amount of time reviewing and challenging the Bank's strategic plan which lays out a clear path for achieving our vision to become the UK's best loved digital bank**

CHIEF EXECUTIVE'S REVIEW

A £5.5m profit after tax, 25% revenue growth, a 20% increase in sales

of our microbusiness current account and a strong return on tangible equity of 30%, all against an unpredictable economic backdrop.

I am extremely proud of this performance, which has demonstrated the resilience of our business model and our ability and determination to provide the easy-to-access, simple-to-use banking products that our customers need to succeed in this environment.

This year we have delivered solutions that save time and money for our customers. We have continued to enrich our current account offering with new accounting and invoicing tools, a new company formation service and direct access to Faster Payments, as well as launching a ground-breaking new business credit card with features targeted specifically at microbusinesses, sole traders and start-ups, such as eligibility checking, guaranteed savings on interest pricing and flexible repayment terms that allow businesses to convert their card balance to an instalment loan.

Looking to the year ahead, we believe that UK microbusinesses, who are all too often overlooked by the UK's major banks, will be key to the UK's economic recovery and we will continue to focus most of our product development in this area, while also seeking to grow our lending to businesses and customers in the growing near-prime consumer segment. This growing and underserved segment creates a strong market opportunity for a well-managed challenger bank like Cashplus, alongside the continuing benefits of interest rate tailwinds and, in our case, growing deposits.

Over the next year, we will aim to deliver accelerated growth and an ambitious plan to scale our business, we expect to fuel this growth by seeking further external capital investment and by continuing to strengthen our balance sheet to support higher levels of lending. We also expect to reveal an exciting new brand identity for the Bank, to better reflect who we are as a business today and to support our plans for greater awareness and growth.

Alongside this, we will continue to invest in our customer servicing capability, making it even easier to do business with Cashplus. This year we deepened our long-standing presence on Merseyside moving to a new Northwest HQ, the heart of our customer facing operation, at the state-of-the-art Spine building in Liverpool's Knowledge Quarter. We recently announced a further expansion, which will see us double our presence in the city and further enhance our ability to deliver a simple and easy banking experience for customers.

CHIEF EXECUTIVE'S REVIEW

Reflecting on our achievement this year, and what lies ahead, I would like to thank the wider Cashplus team, who are incredibly dedicated to supporting the business and our customers. We know that there is uncertainty ahead, but I remain confident in our ability to face any challenges, upbeat about the opportunities we see in our target markets and excited to continue our journey to become the UK's best loved digital bank.

Rich Wagner
Chief Executive Officer
1 September 2023

"Over the next year, we will aim to deliver accelerated growth and an ambitious plan to scale our business, we expect to fuel this growth by seeking further external capital investment and by continuing to strengthen our balance sheet to support higher levels of lending."

OUR PURPOSE

Enabling a more open and successful financial future

Cashplus Bank was founded with the ambition to make banking services more inclusive and accessible and to breaking down barriers for underserved businesses and individuals. We remain committed to fulfilling that purpose by providing customers with the simple, easy-to-access digital banking they deserve, from a partner they can trust.

OUR MISSION

Provide the UK’s underserved microbusinesses and people with easy-to-access, simple-to-use banking that helps them succeed

OUR VISION

Become the UK’s best loved digital bank

OUR STRATEGY

OUR STRATEGIC PRIORITIES

1

Create brilliant, commercially sustainable products
We aim to provide our customers with genuinely useful products that are simple-to-use, easy-to-access and designed around them. We have a strong track record of data-driven decision making, which allows us to tailor and target our products to our customers' needs, giving them the tools, they need to succeed and delivering strong product economics for the Bank.

2

Deliver a simple and easy banking experience to our customers
We know how tough it is to start and run a small business and how stressful managing money can be, so we want to make doing business with Cashplus Bank as easy as possible. We remain committed to excellent, knowledgeable, and friendly personal service, based in the UK and easily available by telephone. We will support this offer with advanced technologies to enhance the overall experience for customers and get them the answers and support they need ever more quickly and easily.

3

Build a well-known brand with an outstanding reputation
As we grow, we 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. We want to be a trusted name for all stakeholders including our customers, colleagues, investors and society as a whole. In the next financial year, we expect to reveal a new name and brand identity for Cashplus Bank to truly reflect the business we are today.

4

Scale our business
We know that our business has enormous potential and recognise that now is the time to grow more quickly and achieve the scale that will deliver exponential value for our shareholders, customers, colleagues and other stakeholders. We will seek to secure additional equity funding in the next financial year to accelerate growth by allowing us to acquire customers more quickly and unlocking our lending potential.

STRATEGIC REPORT

BUSINESS REVIEW

BUSINESS REVIEW

In FY2023, Cashplus Bank remained focused on its mission of “providing the UK’s underserved microbusinesses and people with easy-to-access and simple-to-use banking that helps them succeed” and on setting the foundations for an ambitious plan to accelerate growth over the next five years.

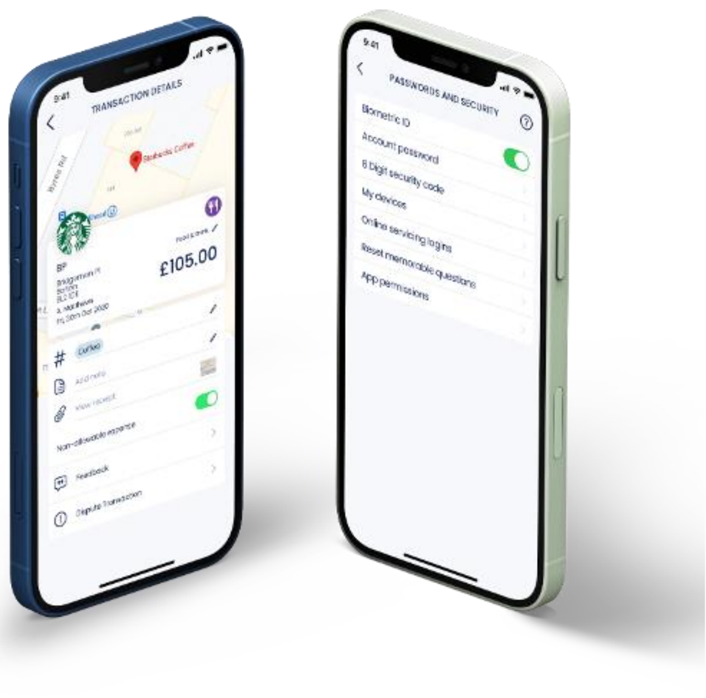
The Bank introduced several important enhancements to key products including upgrades to its microbusiness current account, such as invoicing and receipt capture tools; a new Business CreditBuilder product, which allows new businesses to establish a credit record, direct access to the Faster Payments scheme and an innovate new business credit card, which enables customers to make Open Banking enabled payments and set flexible repayment terms for their credit balance.

FINANCIAL REVIEW

Cashplus Bank made a profit before tax of £3.2m (2022: £2.1m loss). Revenues have significantly improved throughout the year with good performance in all areas of the business and the benefit from rising interest rates. Following a profitable year and strengthened capital, Cashplus is well positioned to continue the upwards revenue trend and the path toward achieving its strategic objective to accelerate growth and scale the business

Profit after tax for the year was £5.5m (2022: £2.1m loss). The Bank has recognised an additional deferred tax asset of £2.3m, increasing the total deferred tax asset on the balance sheet to £3.3m (2022: £1.0m). The value of the losses and differences have been reassessed for the change in the corporation tax rate from 19% to 25% effective 1 April 2023. The deferred tax asset is expected to be fully utilised over the next two years from the date of the Statement of Financial Position.

The value of loans and advances to customers increased by £0.8m to £22.6m (2022: £21.8m) due to loan book growth and assisted by a decrease in impairment provision to £4.8m (2022: £5.4m). This reflects the quality of the credit book as underlying levels of delinquency and financial difficulties improved during the year. The provision at 31 March 2023 continues to conservatively include assumptions of macroeconomic factors such as inflation and unemployment which has increased since the assessment made in the prior year at 4.5% (2022: 4.1%).



BUSINESS REVIEW

Debt charge-offs have increased in the year to £5.0m (2022: £3.7m), due to proactive management by the Bank of accounts that have historically been in special arrangements.

New account sales in the year totaled 103,929, an increase on the prior year (2022: 102,783), this included a 20% increase in sales of the core business current account product and a conscious reduction in marketing of the personal current account product.

Gross revenue

Historically, as a small and growing business, Cashplus 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 £52.0m (2022: £41.6m). 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 33 to the Financial Statements provides a breakdown of its construction.

Liquidity

Cashplus Bank has a very strong liquidity position, with the majority of funds held at central banks and available to withdraw on a same-day basis. A smaller portfolio of short-dated UK government bonds is held for liquidity diversification purposes and to minimise the Bank's exposure to interest rate risk. These qualify and are held as part of Cashplus Bank's liquidity buffer.

Cashplus Bank had a Liquidity Coverage Ratio (LCR) of 878% (2022: 980%) and a Net Stable Funding Ratio (NSFR) of 1,131% (2022: 1,143%) as at the reporting date. Cashplus is highly liquid due to the relatively small lending book versus deposit book.

Capital

As at 31 March 2023 the Bank's CET1 ratio was 18.2% (2022: 14.8%) and the Total Capital Ratio including Tier 2 debt was 21.0% (2022: 16.8%). Cashplus is seeking to raise capital to support further growth.

Looking forward

Looking to the year ahead, Cashplus Bank expects to build on the strong FY2023 performance and improved capital position to execute against its strategic priorities.

The management team will seek to raise additional capital in order to support the objective of scaling the business by accelerating growth.

This growth will also enable the Bank to invest in brilliant, commercially sustainable products and in delivering simple and easy banking experiences for customers. These product and servicing enhancements will include the introduction of savings pots and a new product tier for business current account customers and investment in new telephony technology to support customer servicing.

In order to support its objective of building a well-known brand with an outstanding reputation, the Bank will undertake a comprehensive rebranding exercise in order to create a brand identity that better represents the company to customers and other stakeholders.

STRATEGIC REPORT

RISK MANAGEMENT STRATEGY

RISK MANAGEMENT STRATEGY

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

Our risk strategy has three core elements:
(i) Simplicity in approach with efficient and effective tools and processes delivering the right information to the right people at the right time;
(ii) Sustainable controls enabling the Bank to absorb and adapt to shocks, and
(iii) An embedded framework, utilised by trained and motivated colleagues to optimise risk versus reward.

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 & Strategic.

These risks encapsulate all material 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.

SIMPLE	SUSTAINABLE	EMBEDDED
Develop a clear approach to manage risk and compliance	'Absorb and adapt to shocks' - customer service protected even in times of stress	Trained and motivated colleagues across the organisation embrace the framework
Supported by efficient and effective tools	Effective controls in line with regulatory expectations and risk appetite	Risk and compliance mindsets and behaviours linked to remuneration
Provide insightful management information to the right people at the right time	External threats are monitored and mitigated	Collaborative culture supporting Senior Managers and Certification Regime accountability
Target Operating Model ensures risk resource is aligned to business growth	Proactive consideration of risk, compliance, and control in everything we do	Risk management 'baked into' Strategy

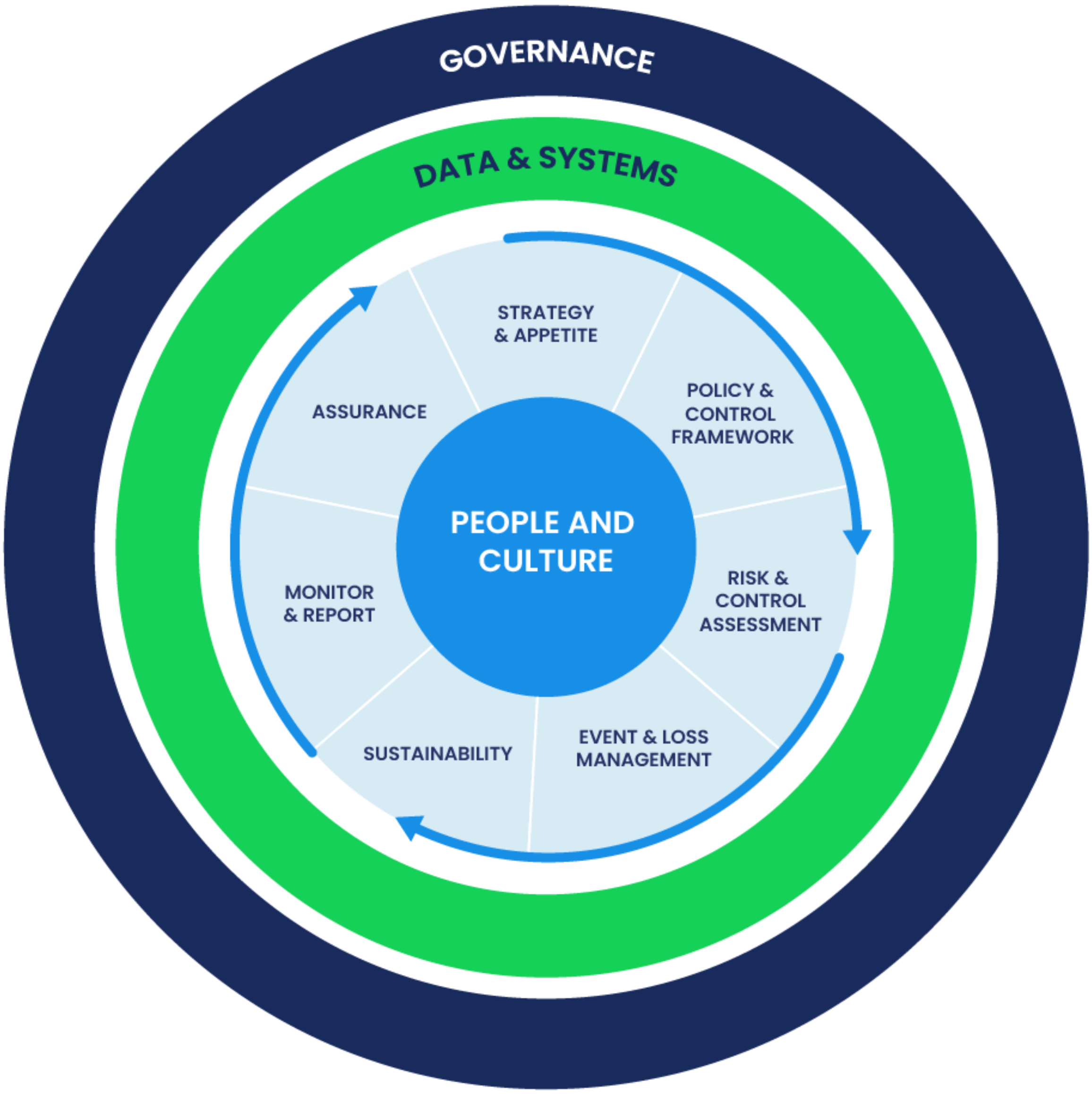
STRATEGIC REPORT

RISK MANAGEMENT FRAMEWORK

RISK MANAGEMENT FRAMEWORK

The Enterprise Risk Management Framework sets out the Bank's approach for managing risk and is designed and maintained by the Chief Risk Officer (CRO). It is reviewed and approved by the Risk Committee on at least an annual basis. The 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.

Management of risk is everybody's responsibility. The risks are not owned by the second line Risk function, but by each individual business area owner. The Risk function delivers the tools and processes to manage risk effectively and performs oversight to ensure that standards are being met. The risk function also helps 'reveal' the risk landscape for the benefit of the Risk Committee and Board.



STRATEGIC REPORT

RISK OPERATING MODEL

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:

Personnel/Line	Responsibilities
Senior Management (First Line)	• Responsible for the day-to-day management of risk within Cashplus, as per the Management Responsibilities Map and Senior Managers and Certification Regime (SMCR). • Ensures the implementation of appropriate and effective internal controls to manage the 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 on the overall effectiveness of the ERMF. 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 the metrics (Board Risk Measures and Key Risk Indicators) used to measure the performance of each risk and ensure appropriate intervention where 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. Risk and Compliance help the relevant Senior Manager Functions (SMF) and Functional owners to 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, the Executive Committee (ExCo), 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 also expected to be captured in the Risk Register commentary by the SMF and functional owners. In addition, relevant 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 ExCo, the Risk Committee and Board.

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 and Compliance function is under the remit of the CRO, who reports directly to the CEO on a day-to-day basis, with a dotted-line to the Chair of the Risk Committee. The CRO provides independent reporting to the Risk Committee, Audit Committee and Board, and occasionally to the Remuneration Committee as appropriate. 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. Enhanced governance is provided via the Executive Committee, who hold a regular, dedicated risk management meeting to consolidate and ensure effective management and oversight of key outputs emanating from the various Risk Governance committees.

STRATEGIC REPORT

PRINCIPAL RISKS AND UNCERTAINTIES

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 considers the Consumer Duty Principle to 'act to deliver good outcomes for retail customers' at every stage of the customer journey and have embedded the cross-cutting rules; to 'act in good faith', avoid causing foreseeable harm' and 'enable and support customers to pursue financial objectives' into the culture of the organisation and into the Enterprise Risk Management Framework. Conduct Risk is managed and monitored by the Conduct Committee which meets monthly and reports to the Executive Committee. The Product Committee manages the assessment of new products and their features to ensure they are appropriate; including undertaking annual product assessments.	Enterprise Risk Management Framework Metrics and Monitoring to Risk Committee Management Risk Committees Supporting Executive and Board Risk Committees
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 Executive Committee. The framework includes the use of: - underwriting models which are regularly reviewed; - performance monitoring; and - key policies such as the Credit and Collections policies.	
Financial Crime	Financial crime is the risk of loss associated with criminal activities of customer and non-customer entities.	Money Laundering & Terrorist Financing External Fraud PEPs & Sanctions Financial Crime Reporting Internal Fraud	The financial crime framework focuses on minimising the loss associated with criminal activity. These risks are managed by the Economic Crime Committee which meets monthly and reports to the Executive Committee.	

PRINCIPAL RISKS AND UNCERTAINTIES

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; • 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 Counterparty Credit Risk	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 Executive 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**	**Management Risk Committees Supporting Executive and Board Risk Committees**
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 Executive Committee. Key polices are the Business Continuity and Disaster Recovery plans that set out actions in the event of material IT systems 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 Business Model 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 a strategic five-year plan, which is updated at least once a year, the execution of an annual 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. Model risk is managed to defined standards and ongoing monitoring and review. Key polices include the Management Responsibility Map and the Corporate Governance Manual.		

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 macroeconomic factors are monitored to support a better understanding of threats and uncertainties.

Macroeconomic environment

The squeeze on the cost of living from the sharp rise in inflation in 2022, compounded by higher interest rates, the ongoing war in Ukraine and market uncertainty, places significant constraints and uncertainty on the economic outlook and consumer and business confidence levels. Inflation is projected to decline in 2023, but GDP growth and business investment is expected to be subdued and real disposable income levels face further constraints. Cashplus has access to diversified income streams that provide a large degree of financial resilience through the economic cycle. It has adopted a prudent strategy for its credit growth, taking account of cost-of-living increases in its affordability assessment calculations, but also identified opportunities to support its customers (e.g. increased product features such as cashback and credit builder).

Impact of Higher Interest Rates

Central banks (including the Bank of England) have raised interest rates sharply over the last 12 months in response to the higher inflationary environment. The abrupt end to the prolonged period of low interest rates since the 2008 crisis will continue to have implications for business performance, customer affordability and liquidity and funding risk management. Given the current structure of its balance sheet, Cashplus has benefited from higher interest rates on its treasury liquidity portfolio. Nevertheless, it continues to closely monitor the 'stickiness' of its depositor base, its funding costs and enhance its IRRBB capabilities. Cashplus' liquidity position remains strong and it only holds relatively short dated UK government bonds for liquidity management purposes.

Future Regulatory Change

Cashplus is preparing for the introduction of Basel 3.1 regulatory changes in the UK on 1 January 2025, but also recognises that it meets the PRA's criteria for a new 'strong and simple' regulatory framework for small, non-complex banks. It will be offered a choice in 2024 whether to move to Basel 3.1 or transition to the new 'strong and simple' regime. It will review the PRA's proposals for the capital and liquidity aspects of the new regime before making its decision. Cashplus is also required to meet the new Building Operational Resilience regulations by 31 March 2025.

PRINCIPAL RISKS AND UNCERTAINTIES

Resourcing capability and capacity
The recruitment market for finance and specialist resource remains competitive, potentially creating resource attrition and talent attraction headwinds. Cashplus Bank's profitability and flexible working approaches allow for talent retention and key hiring, augmented by specialist third party resource / consultancy support where required.

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 have established an Economic Crime Unit to maximise our capabilities in this area, combining the experience of our expanded Fraud and Financial Crime teams.

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). Climate change risk can impact on the valuation of financial assets as well as the assumptions underpinning these valuations.

For Cashplus, the materiality of financial risks from climate change is currently assessed to be 'medium-low'. We are a small, microbusiness-focused bank with no secured lending portfolio and no significant concentration in high carbon-intensive industries (e.g. energy, transport and mining). 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 as set out by the Network for Greening the Financial System (NGFS). 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.

Further details on our approach to sustainability and the environment are set out in the Directors' Report.

STRATEGIC REPORT

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE

Corporate Governance Statement

As a privately owned, non-listed company, the Bank is not required to comply with the UK Corporate Governance Code (the "Code"). The Board, however, continues to give careful consideration to the principles of corporate governance as set out in the Code and, having regard to its regulated status, remains committed both to maintaining high standards of corporate governance and complying with the Code so far as it is practicable and appropriate for a company of its size and relative simplicity.

Board of Directors

The Board has overall responsibility for management of the business of the Bank and the protection of depositors and must ensure that the business is managed in accordance with the threshold conditions applicable to an authorised bank.

The Board consists of the Non-Executive Chair, the Senior Independent Director, four Non-Executive Directors and one Executive Director.

During the year, the Board assessed the independence of the Non-Executive Directors and concluded that it was satisfied for the purposes of provision 11 of the Code that at least half of the Board, excluding the Chair, are Non-Executive Directors whom it considers to be independent.

Cashplus Bank does not require its Directors to retire and submit themselves for re-election. Any changes to the structure or composition of the Board are considered by the Nomination & Corporate Governance Committee. A review of the effectiveness of the Board is carried out annually.

The Board is required to meet at least six times per year and there is a schedule of formal matters specifically reserved for the Board's consideration. The Board programme is designed so that Directors have a regular opportunity to consider the Bank's strategy, operations, risks, policies, financial plans, customer outcomes, technology, financial results, liquidity, capital and regulatory requirements in order for the Board to arrive at a balanced assessment of the Bank's position and prospects.

CORPORATE GOVERNANCE

Strategic developments, operational performance, financial performance, risk management, customer outcomes and regulatory compliance are considered at each Board meeting.

During the year, the Board invited a number of internal subject matter experts to attend Board meetings to provide additional insight into their specialist areas and a programme of education and deep-dive sessions was held.

The Bank has a clear division of responsibility between the roles of the Chair of the Board and the Chief Executive Officer (CEO). The Non-Executive Chair, who does not have any executive responsibility for the day-to-day running of the Bank's business, is responsible for chairing and overseeing the performance of the Board and ensuring that it discharges its responsibilities.

The Board's role is to direct, supervise and oversee the business of the Bank. Implementation of the strategy set by the Board and management of the business of the Bank on a day-to-day basis within the financial, operational and risk limits and tolerances set by the Board is delegated to the CEO.

The CEO is supported by ExCo whose role is to support the CEO in the management and day-to-day running of the business and delivery of the Board approved strategy, business plans and customer strategy within the financial, operational and risk limits and tolerances set by the Board.

Internal Control and Risk Management

The Directors formally acknowledge their responsibility for establishing a framework of prudent and effective internal controls within the Bank. The Board has put in place a system of internal controls, set within the framework of a clearly defined organisational structure, with well understood lines of responsibility, delegation of authority, accountability, policies and procedures, which is supported by training, monitoring, reporting and review procedures.

A strategic plan (including a five-year financial plan) and an annual operating budget are prepared by management and challenged and approved by the Board. Monthly reporting against budget and revised forecasts are reported to and challenged by the Board.

The Company is structured such that the Internal Control Functions (being the Risk, Compliance and Internal Audit functions) are independent from the functions they oversee and have appropriate authority for the roles.

Details regarding the Bank's Risk Management Strategy, Enterprise Risk Management Framework and Risk Operating Model are provided on pages 14 to 25.

Board Committees

The Board has established a number of standing committees of the Board (Audit Committee, Nomination & Corporate Governance Committee, Remuneration Committee and Risk Committee) and delegated certain duties and responsibilities to these committees.

Each standing committee of the Board has written Terms of Reference which define their authority, duties and membership.

CORPORATE GOVERNANCE

Where there is a perceived overlap of responsibilities between the duties of one committee of the Board and another committee of the Board, the Terms of Reference provide the chairs of the respective committees with the discretion to agree which is the most appropriate committee to fulfil the obligation so as to avoid duplication or omission.

Further details regarding each committee are provided below:

AUDIT COMMITTEE

The membership of the Audit Committee consists of four independent Non-Executive Directors, each with relevant financial and commercial experience. The committee is chaired by Francesca Shaw. The Chair of the Risk Committee is a member of the committee. The Chair of the Board, CEO, Chief Financial Officer (CFO), Chief Risk Officer (CRO), Internal Audit Director (IAD) and other Non-Executive Directors who are not members of the committee ordinarily attend committee meetings at the invitation of the Chair of the Committee.

The role of the Audit Committee is to monitor the overall integrity of the financial reporting by the Bank, to review the Bank's internal control and risk management systems, to monitor the overall effectiveness of the Bank's Internal Audit function and to oversee the relationship with the Bank's external auditors.

The Audit Committee is responsible for assessing the independence and recommending the selection, appointment, reappointment and removal of the external auditors to the Board for approval.

It is responsible for approving the audit fee on an annual basis and for pre-approving any fees in respect of non audit services provided by the external auditors and ensuring that the provision of non-audit services does not impair the independence or objectivity of the external auditors.

NOMINATION & CORPORATE GOVERNANCE COMMITTEE

All Non-Executive Directors are members of the Nomination & Corporate Governance Committee. The Committee is chaired by Mark Sismey-Durrant. The CEO and Chief People Officer (CPO) ordinarily attend committee meetings at the invitation of the Chair of the Committee.

The role of the Nomination & Corporate Governance Committee is to assist the Board by:

- leading the process for Board appointments;
- ensuring plans are in place for orderly succession to both the Board and senior management positions;
- overseeing the development of a diverse pipeline for succession;
- overseeing the Bank's corporate governance arrangements; and
- reviewing and overseeing the Bank's approach to strategies, goals, policies, procedures, performance and disclosures related to sustainability, environmental, social and governance matters and Equality, Diversity and Inclusion.

Duties of the Nomination & Corporate Governance Committee include:

- periodically, and at least annually, reviewing the structure, size, composition and performance (including the skills, knowledge, experience, independence and diversity) of the Board and the Board-level committees in consultation with the chair of the committee in question; and
- reviewing the Board's Diversity and Inclusion Policy (including any measurable targets specified in this policy) at least annually and recommending any proposed changes to the Board for approval.

REMUNERATION COMMITTEE

The membership of the Remuneration Committee consists of four independent Non-Executive Directors. The committee was chaired by Alessandro Hatami until he stepped down from the Board and, subject to the receipt of regulatory approval, Julia Warrack has been appointed as Chair of the Committee. The chairs of the Audit Committee and Risk Committee are members of the Remuneration Committee.

The Chair of the Board, CEO, CPO and other Non-Executive Directors who are not members of the committee ordinarily attend committee meetings at the invitation of the Chair of the Committee.

The role of the Remuneration Committee is to assist the Board by ensuring that:

- the remuneration policy and practices of the Bank are designed to support its strategy and promote long-term sustainable success, reward fairly and responsibly, with a clear link to corporate and individual performance, having regard to statutory and regulatory requirements and expectations and applicable good practice on remuneration and corporate governance; and
- executive remuneration is aligned to the Bank's purpose and values and linked to delivery of the Bank's long-term strategy.

RISK COMMITTEE

All Non-Executive Directors are members of the Risk Committee. The committee is chaired by Peter Elcock. The CEO, CRO, CFO, IAD, Chief Commercial Officer, Chief Technology Officer, Head of Conduct Risk & Compliance and Money Laundering Reporting Officer ordinarily attend committee meetings at the invitation of the Chair of the Committee.

The role of the Committee is to assist the Board in its oversight of risk-related matters, the risks impacting the Bank, future risk strategy and the effectiveness of the Bank's Enterprise Risk Management Framework.

STRATEGIC REPORT

SECTION 172 COMPANIES ACT 2006

SECTION 172 COMPANIES ACT 2006

The Directors act in good faith to promote the success of the Bank

for the benefit of its members as a whole and, in doing so, have regard (amongst other matters) to:

- The likely consequences of any decisions in the longer term.
- The interest of the Bank's employees.
- The need to foster the Bank's business relationships with suppliers, customers, 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.
- The need to act fairly as between the shareholders of the Bank.

Detailed below are the key stakeholder groups identified by the Directors and how the Bank adheres to the requirements of Section 172 of the Companies Act 2006.

CUSTOMERS

Cashplus regularly seeks customer feedback through the use of customer surveys, the results are reviewed by the Board together with details of any actions it is proposed should be taken to respond to the feedback.

As part of our mission to provide customers with easy-to-access and simple-to-use banking that helps them succeed, customers are at the forefront of everything that Cashplus does.

The Bank launched direct access to the Faster Payments scheme this year to facilitate real time payments for customers, this was in direct response to feedback from customers.

REGULATORS

Cashplus has an open and transparent relationship with its regulators and maintains regular communications with them.

The Bank has been preparing for the implementation of the new Consumer Duty rules on 31 July 2023, to ensure the Bank is acting to deliver good outcomes for retail customers.

COLLEAGUES

The Bank actively monitors colleague engagement through regular anonymous surveys hosted by an external provider. Survey results are reviewed by the Executive Committee and the Board.

Details of the results of colleague engagement surveys and a summary of the proposed actions to be taken to respond to the feedback provided are shared with colleagues during the monthly 'All Colleague' meeting hosted by the CEO. These meetings are also used to provide colleagues with updates on business performance and key initiatives and, as part of this, colleagues have the opportunity to provide immediate and anonymous feedback to the CEO.

The Bank has a designated Non-Executive Director for Workforce Engagement whose role is to facilitate and develop communication between the workforce and the Board and provide an 'employee voice' to the Board by raising relevant matters, or issues of concern, highlighted by the workforce.

SECTION 172 COMPANIES ACT 2006

The Bank operates a Hybrid Working policy that is intended to help colleagues achieve a balance between their work and personal lives. This policy is also designed to promote diversity and inclusion by enabling people to work for Cashplus no matter where they are based in the UK.

Regular social events including monthly drinks, summer and Christmas parties are held to provide colleagues with an opportunity to develop and strengthen their relationships with colleagues.

INVESTORS

Cashplus maintains a regular open dialogue with its majority investor, Trident Capital.

SUPPLIERS

Cashplus recognises the importance of its suppliers to the continuing success of the Bank. As part of the Supplier Management Outsourcing Framework and Policy in place, regular meetings are held with key suppliers to review service performance and strengthen relationships.

COMMUNITIES AND THE ENVIRONMENT

Cashplus is committed to playing its part in supporting the UK's transition to a net-zero carbon economy and seeks to enhance its sustainability and minimise its environment footprint where it is possible and practical to do so. Further information regarding sustainability and environmental matters can be found in the Directors' Report.

The Bank's Operations team based in the Northwest of England moved into new offices at The Spine in Liverpool this year. This provides colleagues with an opportunity to work in a building certified at the International Well Building Institute's Core Platinum level, and the location provides ready access to local universities for the recruitment of future talent and support for the local business communities.

The Strategic Report was approved by the Board on 1st September 2023 and signed on its behalf by

Leo Nuttall
Company Secretary
1 September 2023

DIRECTORS' REPORT

The Directors present their report and the financial statements for the year ended 31 March 2023

DIRECTORS' RESPONSIBILITIES STATEMENT

The Directors are responsible for preparing the Strategic Report, the Directors' Report and the 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 of the profit or loss of the Company for that period.

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

- Select suitable accounting policies for the Company'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 Company 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 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In the prior year Advanced Payment Solutions Limited (APS) prepared consolidated financial statements presenting the results of the Company and its wholly-owned subsidiary APS Financial Limited (AFL), referred to collectively as "the Group". Upon authorisation of Cashplus Bank in February 2021, AFL transferred its commercial activities, cash, assets and liabilities to APS as its parent company. AFL ceased trading and was dissolved in August 2022. The Group no longer exists as at 31 March 2023 so the financial statements present the position and results of APS as a standalone entity.

Results and dividends

The profit for the year, after taxation, amounted to £5.5m (2022: loss of £2.1m). The Directors do not recommend the payment of a dividend (2022: £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
Richard Wagner
Peter Elcock
Francesca Shaw
Alessandro Hatami (Resigned 20 June 2023)
Barbara Gottardi (Appointed 1 June 2023)
Julia Warrack (Appointed 1 June 2023)
Jim Jones

Post Balance Sheet Events

There have been no material events affecting the Bank between 31 March 2023 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 ExCo.

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

- **Suppliers**
  Cashplus Bank is committed to developing long term business relationships with key suppliers through its supplier management framework and policies. It is important to the Directors that the Bank 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 operates a Hybrid Working Policy that is intended to help colleagues achieve a healthy balance between their work and personal lives, as well as promoting diversity and inclusion. 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 reward schemes 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

Cashplus is committed to playing its part in supporting the UK's transition to a net-zero carbon economy, based on two key strands:

(i) how it can identify and manage the inherent risks that climate change presents to its business model, and

(ii) how it can make a positive impact through the decisions it makes and the products and services it provides to its customers.

(i) Climate Change Risk Management

Cashplus takes a proportionate approach to climate change risk that recognises the importance of long-term thinking towards the risk while also taking account of the Bank's relatively low materiality of exposure and the nature of its operations. Cashplus is a small, microbusiness-focused bank with no secured lending portfolio and no significant concentration in high carbon-intensive industries (e.g. energy, transport and mining).

Nevertheless, it recognises that climate change is a key issue and monitors its exposure on an ongoing basis and uses scenario analysis to consider how it can respond and adapt to longer-term changes that may expose key sensitivities or key opportunities in its business plans.

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 risks (arising from the process of adjustment towards a low or net-zero carbon economy). In line with PRA guidance (SS3/19), Cashplus has developed a framework for identifying, measuring and monitoring its exposure to the financial risks from climate change and ensures that this has visibility across its governance and planning activities.

Current and potential exposures have been assessed across a range of risk types through which the physical and transitional risks could arise. At present, none of the risk types have a material financial impact for the Bank.

Cashplus has taken proactive steps to embed financial risks from climate change within its governance and risk management. A specific risk register for climate change risks has been added to the Bank's ERMF, with the Chief Risk Officer holding responsibility for the development and regular reporting of the register to ExCo and the Board. The register reports on the embedding of controls and includes initial qualitative measures to monitor progress. These will be supplemented by further quantitative metrics in FY23/24 as they are developed.

The Bank will also embed a consideration of climate change risks as part of its change management governance, covering any new products, marketing to new customer segments and new geographic expansion.

Risk type	Impact assessment	Outlook
Credit Risk	Cashplus has no collateral-based secured lending exposed to lower values from severe weather events and no significant geographic or sectoral concentration in its lending portfolios.	Quantitative metrics used to monitor sectoral exposures and opportunities within the customer base as the Bank's lending book grows.
Operational Risk	Cashplus has no major exposure, but potential exposures are considered in its operational resilience planning, such as decisions on the location of its data centres.	Scenario testing of operational resilience tolerances, including climate-related impacts (e.g. flooding).
Market Risk	Cashplus has a strong liquidity position that can help to mitigate against potential market volatility. Its treasury assets are conservatively held in UK T-bills and gilts.	Exposure through treasury assets is not projected to change materially over the medium term.
Other Risk (e.g. Conduct, Legal, Reputational)	Cashplus has no major exposures but also seeks to engage with customers and suppliers, both directly and through third parties, to support the transition to net zero.	Work with suppliers committed to supporting the transition to net zero. All critical suppliers have publicly stated carbon neutral targets by 2040.

The financial risks from climate change form part of threat assessments to the Bank's resilience and the setting of tolerances.

As this is further enhanced, it is likely to be a key part of the business case and or risk assessment for strategic changes.

ExCo and the Board have undertaken a joint qualitative workshop on different future transitional paths. This session identified key issues arising from a range of scenarios to 2050 as set out by the Network for Greening the Financial System (NGFS).

(ii) Environmental Impact

Cashplus is a digital bank that seeks to enhance sustainability across its business offering and operations where it is practical and possible to do so and to minimise its environmental footprint.

Though its small size and nature of its business model restricts the scale of the positive impact it can have through its activities and influence on its stakeholders, it has delivered several key initiatives that have a positive environmental impact. For example, the Bank has worked with its card supplier to issue recyclable cards whenever a new card is requested, with the entire card production journey independently verified as a sustainable process.

The Bank also seeks to minimise the carbon footprint across its key sites:

Liverpool – The Spine
From 1st September 2022 Cashplus Bank's North West Operations moved into their new offices at The Spine in Liverpool, chosen for its sustainable and wellbeing credentials . The Spine is one of the world's healthiest buildings, situated in Paddington Village. Its name is taken from the striking staircase that resembles human vertebrae, The Spine boasts internal biophilia including double-storey sky gardens, complete with high-oxygen producing plants, bicycle and shower facilities, a café and restaurant.

The Spine has excellent travel links, and an adjoining hotel, with ready access to the local universities for the recruitment of future talent and support for the local business communities. As part of the agreement and lease, the Landlord provides a free electric shuttle bus service, transporting colleagues and visitors to and from the train station and car park.

The Spine is registered to pursue a WELL Certification at the Core Platinum level through the International WELL Building Institute. WELL is a roadmap for improving the quality of our air, water and light with inspired design decisions that help to keep people connected, facilitate a good night's sleep, support mental health and help employees do their best work every day.

Initially Cashplus Bank occupied half of the 2nd floor (6,000 sq ft), with fixtures and fittings for 72 desks. As of 1st April 2023, Cashplus have taken occupancy of the remainder of the 2nd floor, another 6,000 sq ft, and are in the process of moving our Call Centre operation to give them a better working environment. The move was completed in May 2023.

London HQ – Cottons Centre
The landlord (London Bridge City) employs ethical, sustainable and inclusive management practices, focused on sustainable property management, recognising the climate crisis and making informed decisions and investments to mitigate impact whilst providing value for their customers and the local community.

London Bridge City (LBC) acts responsibly to be a local resource for our people and the area, offering a social value service to their occupiers embedded in all operations to achieve maximum impact. They utilise opportunities to influence socially-minded business decisions including procurement, recruitment, funding and social impact.

ELECTRICITY CONSUMPTION

The London HQ's electricity consumption was 116.3 MWh (2022: 125.4 MWh) in the financial year throughout its leased premises which translates to 22,487 kg (2022: 26,626kg) of carbon released based on Greenhouse gas reporting: conversion factors from Department for Business, Energy and Industrial Strategy.

The intensity metric chosen is the average number of employees as at the financial year ending 31 March 2023. Scope 2 emissions for the 12 months to 31 March 2023 are 15.5% lower than the previous year. When viewed as an intensity metric, our emissions have decreased by 23.3% per the average number of employees year-on-year.

LBC are a responsible energy provider utilising 100% renewably generated electricity. They are introducing initiatives to increase energy efficiency including lighting control programmes and sensor monitoring.

LBC are improving water efficiency through rainwater harvesting and recycling water initiatives, as well as chemical free cleaning. Waste is segregated for recycling to minimise landfill waste.

The Spine's electricity consumption is entirely from renewable energy sources. The Spine has a smart building management system to regulate temperature and lighting, saving energy by automatically turning off lights when rooms are not being used. The Spine utilises LED lighting saving 50% of energy costs compared to traditional lighting and optimises the space layout to ensure maximum exposure to natural light. Cashplus' individual electricity consumption is not monitored by The Spine, as they are serviced offices.

	31 Mar 2023 kg CO_2	**31 Mar 2022** kg CO_2	**Movement Year on Year** kg CO_2
Scope 2 emissions	**17,166**	**26,626**	**(35.5%)**
Intensity metric – Total emissions per FTE	84.8	144.7	(41.4%)

The Company 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).

Future developments
Cashplus seeks to execute on a 5-year strategic plan to grow the business sustainably through both external investment and internally generated capital.

Branches
Cashplus does not have any branches inside or outside of the UK.

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 auditor
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 Bank'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 Bank'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.

DIRECTORS' REPORT

Financial Instruments

Cashplus Bank finances its activities through a combination of equity, as disclosed in Notes 22 and 23, 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 Bank's operating activities. Notes 19, 27 and 28 contain information on managing risks related to financial assets and liabilities.

Risk Management

Risk management including financial, credit and market (including price) risk is detailed in the 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 19), Credit risk (Note 27) and Market risk (Note 28).

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 of 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. £139k was recognised in FY2023.

Directors' statement

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

- The 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, together with a description of the principal risks and uncertainties that they face; and

- 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 can continue operating as a going concern for a period of at least 12 months from the date of signing these financial statements, so that the going concern basis of accounting remains appropriate. In assessing this, the Directors have considered the appropriate risks, including macroeconomic conditions and the ongoing war in Ukraine, and mitigating actions.

The Directors have considered the tapering impact of the Coronavirus pandemic and the unfortunate subsequent effect the war in Ukraine has had on driving inflation in the UK and weakening the near-term economic outlook. Recent events in the US have also demonstrated the robustness and resilience of the UK banking system to external shocks and Cashplus has benefited from the rising interest rate environment. This has been considered as part of the review of the Bank's long-term strategic financial plan including capital adequacy and liquidity projections along with macroeconomic stress scenarios, which include impacts on reductions in interest rates, increases in unemployment and inflationary pressures, along with strategic and tactical mitigating actions. Cashplus has set out these plans for continued sustainable growth that the Directors expect will drive the future profitability of the Bank.

Based on the considerations above the going concern basis of accounting remains appropriate and 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.

The Directors' Report was approved by the Board on 29 June 2023 and signed on its behalf by

Leo Nuttall

Company Secretary

1 September 2023

Registered Number: 04947027

INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT

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

Opinion on the financial statements
In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2023 and of the Company's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Advanced Payment Solutions Limited (the 'Company' or 'the Bank') for the year ended 31 March 2023 which comprise the Statement of Comprehensive Income; Statement of Financial Position; Cash Flow Statement; 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 United Kingdom 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 4 years, covering the years ending 31 March 2020 to 31 March 2023. We remain independent of the 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 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 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 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.

Overview

		2023	2022
Key audit matters	KAM 1	• Loan loss provisioning	• Loan loss provisioning
	KAM 2	• Going concern	• Going concern
Materiality	Financial statements as a whole £550k (2022: £648k) based on 1% of revenue (2022: 1.5% of expenses)		

An overview of the scope of our audit

Our audit was scoped by obtaining an understanding of the Company and its environment, including the Company'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 disclosure of the Director's consideration of the impact of climate change on the operations of the entity is included in the Strategic Report and forms part of the "Other information". Our procedures on these unaudited disclosures therefore consisted solely of considering whether they are materially inconsistent with the financial statements, or our knowledge obtained in the course of the audit or otherwise appear to be materially misstated, in line with our responsibilities as set out in the "Other information" section of our audit report below.

In Note 2, the Directors have explained how they have reflected the impact of climate change in their financial statements, and the significant judgements and estimates relating to climate change

These disclosures also explain the uncertainty regarding effects arising from climate change including the limited impact on accounting judgments and estimates for the current period under the requirements of accounting standards. We have performed our own qualitative risk assessment of the impact of climate change on the operations of the entity, taking into consideration the sector in which the Company operates and how climate change affects this particular sector. Based on our risk assessment procedures, we did not identify there to be any Key Audit Matters materially impacted by climate-related risks.

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.

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

Refer to Note 2-v, xiii (accounting policies) and Note 27</td><td>• The provision for expected credit losses on Loans and Advances to customers is £4.8m (2022: £5.4m).

• Commensurate with the activities of the Company 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. Management accounts for ECL under IFRS 9.

• 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 the ECL specifically those relating to Probability of Default;

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

• Post model adjustments driven by increases in cost of living.

As a result of the significant judgements and assumptions required, loan loss provisioning together with the related disclosures was determined to be a key audit matter.</td><td>Our procedures included the following:

We assessed the overall characteristics of the Company's loan book and considered management's processes for the identification and treatment of underperforming loans. We have evaluated and challenged the Company's determination of what constitutes a Significant Increase in Credit Risk and definition of default used for the Company's estimate of Expected Credit Loss by benchmarking these to industry practice and compliance with the accounting standard.

In addition, we performed an overall assessment of the ECL provision levels by stage to determine if they were reasonable considering the Company's portfolio, risk profile, credit risk management practices and the macroeconomic environment. This included our independent assessment of staging based on independent assumptions.

With the support of our internal economic experts, we assessed the appropriateness of the predictive model as well as the macroeconomic variables used such as unemployment rate. 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 tested key data inputs into the model and evaluated the selection and source of the information used by the Company to determine Probability of Default, Loss Given Default and Exposure at Default which is largely based on unemployment rates and debt sale rates respectively.

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 involvement of our internal Data Analytics specialists, we reviewed the model related code applied in calculating the ECL modelled provision independently challenge and assess the accuracy of the model and evaluate its compliance with Company's policies and accounting standards.

We tested management's calculation and judgements involved in determining the post model adjustments by assessing the basis on which the post model adjustments was determined and its reasonableness given our knowledge of the industry and economic environment, performing sensitivity analysis. Further we collated common adjustments and assessed the relevance of those adjustments to the Company.</td></tr>
</table>

Key audit matter		How the scope of our audit addressed the key audit matter
Loan loss provisioning Refer to Note 2-v, xiii (accounting policies) and Note 27		We tested management's calculation and judgements involved in determining the post model adjustments by assessing the basis on which the post model adjustments was determined and its reasonableness given our knowledge of the industry and economic environment, performing sensitivity analysis. Further we collated common adjustments and assessed the relevance of those adjustments to the Company. 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 and the disclosure sufficient.
Going concern Refer to Note 2 - v	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 considered going concern to be a key audit matter.	Our evaluation of the Directors' assessment of the 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 the rise in inflation, cost of living as well as potential recession on the Company's financial performance, business activities, The audit team, together with the assistance of our regulatory risk experts, have assessed the reasonableness of assumptions used by the Directors' in their capital, liquidity, and profitability forecasts (including ICAAP and ILAAP of the Company). We have reviewed all correspondences with the Regulators, to confirm if there are indicators of non-compliance with regulatory requirements - including capital and liquidity, and any potential fines or restrictions on the business. We also evaluated forecasts and challenged the assumptions and predicted outcomes, by assessing the Company's performance against targets to date and comparing to the wider market expectations where available. We have reviewed key ratios to support liquidity assumptions as well as the Bank's profitability, solvency and operational efficiency. We have assessed how the Directors' have factored in key external factors expected to impact the Bank, ensuring these have been appropriately considered as part of the going concern assessment.

Key audit matter		How the scope of our audit addressed the key audit matter
Going concern Refer to Note 2 - v		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 Company's capital and liquidity forecast position and its ability to comply with regulatory requirements within the forecast period. We further gained an understanding of management's treasury management processes including processes for assessing any changes in behaviours of customers. We reviewed post-balance sheet events to identify any that might have an impact on the Company's ability to continue as a going concern. We 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. We performed a post year-end valuation on investment securities with an amount of £130m included in the investments in security line item to determine the impact of fair value on the Bank's liquidity in the event of a forced sale. **Key observations:** See Conclusions relating to going concern section above.

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:

	Financial statements	
	2023	2022
Materiality	£550,000	£648,000
Basis for determining materiality	1% of revenue	1.5% of expenses
Rationale for the benchmark applied	The Company has generated profits in the current year for the first time. Since the Company is operating as a Bank, Revenue is considered the most useful benchmark to users since it is a more stable benchmark and is an indicator of financial performance.	We determined that expenses was the most useful benchmark for users of the financial statements given that the 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	£413,000	£454,000
Basis for determining performance materiality	75% of materiality.	70% of materiality.
Rationale for the percentage applied for performance materiality	Performance materiality was determined on the basis of our risk assessment together with our assessment of the overall control environment and past audit experience of the Bank.	Performance materiality was determined on the basis of our risk assessment together with our assessment of the overall control environment.

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £11,000 (2022:£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 Annual Report 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 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 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 Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

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

We gained an understanding of the legal and regulatory framework applicable to the Company and the industry in which it operates, and considered the risk of acts by the Company 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 statement 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, improper revenue recognition, specifically through erroneous manual journals and significant management assumptions and judgments. In performing our risk assessment we included our fraud specialists.

Our procedures in response to the above included:

- 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 compliance with respective laws and regulations;
- reading minutes of Board and relevant Board Committee meetings for any instances of non-compliance with laws or regulations or fraud;
- making inquires of management and the Audit Committee about known or suspected non-compliance with laws or regulations, as well as any instances of fraud;
- reading correspondence with the FCA and PRA regarding any instances of non-compliance with laws and regulations;
- 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 those related to revenue recognition, and other adjustments by agreeing journals to supporting documents; and
- assessing whether the judgments made in making accounting estimates such as share price for share-based payments, probability of defaults and loss given default relating to expected credit losses and provisions for blocked account revenue recognition amongst others 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.

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 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 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 Company and the 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

Dated: 01 September 2023

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

FINANCIAL STATEMENTS

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2023	Notes	31 Mar 2023 £'000	Restated 31 Mar 2022 £'000
Interest income	4	16,925	7,358
Interest expense	4	(1,845)	(1,987)
Net interest income	4	15,080	5,371
Fee and commission income	5	34,990	33,756
Fee and commission expense	5	(7,652)	(6,654)
Net fee and commission income	5	27,338	27,102
Total operating income		42,418	32,473
Other income	6	3,047	1,203
Impairment charges and charge-offs		(4,426)	(3,147)
Net operating income		41,039	30,529
Administrative expenses	7	(37,796)	(32,632)
Profit / (loss) before taxation		3,243	(2,103)
Taxation	9	2,209	-
Profit / (loss) after taxation		5,452	(2,103)
Total comprehensive income / (loss)		5,452	(2,103)

The notes on pages 58 to 99 form an integral part of the financial statements.

STATEMENT OF FINANCIAL POSITION

	As at 31 March 2023	Notes	31 Mar 2023 £'000	Restated 31 Mar 2022 £'000
ASSETS	Cash and balances at banks	10	380,533	325,327
	Investment securities	11	129,949	125,196
	Loans and advances to customers	12	22,593	21,779
	Other assets	14	16,932	14,891
	Property, plant and equipment	15	3,528	4,141
	Intangible assets	15	4,520	2,591
	Total assets		558,055	493,925
LIABILITIES	Customer deposits	16	(511,463)	(452,500)
	Debt securities and borrowing	17	(3,000)	(3,000)
	Other liabilities and accruals	18	(18,386)	(16,364)
	Deferred income	20	(2,238)	(5,443)
	Total liabilities		(535,087)	(477,307)
EQUITY	Net assets		22,968	16,618
	Share capital	22	9	9
	Share premium	23	43,321	43,321
	Other reserves	24	3,247	2,349
	Accumulated profits/(losses)		(23,609)	(29,061)
	Total equity		22,968	16,618

The notes on pages 58 to 99 form an integral part of the financial statements.

Signed on behalf of the Board by:

Rich 7 Wagner

Richard Wagner
Chief Executive Officer
1 September 2023

CASH FLOW STATEMENT

As at 31 March 2023	31 March 2023 £'000	Restated 31 March 2022 £'000
Profit / (loss) for the financial year before taxation	**3,243**	**(2,103)**
Corporation tax paid	-	-
Interest (income) / expenses from non-operating activities	(1,392)	289
Operating profit / (loss)	**1,851**	**(1,814)**
Adjustment for non-cash items:		
Amortisation and depreciation	1,427	1,754
Loss on disposal of tangible and intangible assets	619	-
Share based payment charge	898	676
Amortisation of (discount) / premium for investment securities	(1,292)	196
Working capital movements:		
Net increase in loans and advances to customers	(814)	(4,593)
Net decrease in other assets	168	1,193
Net increase / (decrease) in customer deposits	58,963	(7,662)
Net increase in other liabilities	2,022	1,464
Net (decrease) / increase in deferred income	(3,205)	3,071
Net cash flow generated from / (used in) operating activities	**60,637**	**(5,715)**
Cash flow from investing activities		
Purchase of tangible and intangible assets	(3,362)	(6,206)
Purchase of investment securities	(134,949)	(1,155,196)
Disposal of investment securities	130,196	1,460,883
Interest received on investment securities	3,148	(25)
Net cash (used in) / generated from investing activities	**(4,967)**	**299,456**
Cash flow from financing activities		
Proceeds from issue of ordinary shares	-	2,261
Interest paid	(464)	(478)
Net cash (used in) / generated from financing activities	**(464)**	**1,783**
Net increase in cash and cash equivalents	55,206	295,524
Cash and cash equivalents at beginning of period	325,327	29,803
Cash and cash equivalents at end of period	380,533	325,327

In the prior year annual report the Company prepared the cash flow statement on a consolidated basis, taking advantage of an exemption from preparing a Company statement of cash flows. The Group no longer exists as at 31 March 2023 (Note 2(iii)), so the cash flow statement presents Company only figures for current year and prior year.

Total interest paid is £1,,845k (2022: £3,110k) of which £464k (2022: £478k) relates to interest on debt instruments; total interest received is £17,923k (2022: £7,163k) of which £3,148k (2022: £(25k)) relates to treasury income.

The notes to these financial statements can be found on pages 58 to 99.

STATEMENT OF CHANGES IN EQUITY

	Share Capital £'000	Share Premium £'000	Other Reserves £'000	Restated Retained Earnings £'000	Restated Total Equity £'000
As at 31 March 2021	**9**	**41,060**	**1,673**	**(26,958)**	**15,784**
Issue of shares	-	2,261	-	-	2,261
Loss for the period	-	-	-	(2,103)	(2,103)
Fair value of shares allocated to employees	-	-	676	-	676
As at 31 March 2022	**9**	**43,321**	**2,349**	**(29,061)**	**16,618**
Issue of shares	-	-	-	-	-
Profit for the period	-	-	-	5,452	5,452
Fair value of shares allocated to employees	-	-	898	-	898
As at 31 March 2023	**9**	**43,321**	**3,247**	**(23,609)**	**22,968**

The notes to these financial statements can be found on pages 58 to 99.

NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Advanced Payment Solutions Limited (APS), 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 Cottons Centre, Cottons Lane, London, SE1 2QG. The principal activity of the Bank is to provide current accounts, revolving credit products, loans and credit cards to microbusinesses 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 Company 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 judgment in applying the Bank's accounting policies.

The impact of Climate risk on the accounting judgments and estimates

The Bank makes use of reasonable and supportable information to make accounting judgments and estimates. This includes information about the observable effects of the physical and transition risks of climate change on the current creditworthiness of borrowers, asset values and market indicators, where relevant.

Many of the effects arising from climate change will be longer term in nature, with an inherent level of uncertainty, and have limited effect on accounting judgments and estimates for the current period. Some physical and transition risks can manifest in the shorter term.

ii) Standards adopted in this financial year

No new standards were adopted in the preparation of the financial statements in the year.

iii) Note on consolidation

In the prior year the Bank prepared consolidated financial statements presenting the results of the Company and its wholly-owned subsidiary APS Financial Limited (AFL), referred to collectively as "the Group", as if they formed a single entity. Upon authorisation of Cashplus Bank in February 2021, AFL transferred its commercial activities, cash, assets and liabilities to Advanced Payment Solutions Limited as its parent company. AFL ceased trading and was dissolved in August 2022. The Group no longer exists as at 31 March 2023 so the financial statements present the position and results of Advanced Payment Solutions Limited as a standalone entity.

iv) Changes in prior year figures

The Company has restated a number of prior year figures impacting the Statement of Comprehensive Income, Statement of Financial Position and Statement of Changes in Equity and related notes. These changes are detailed in Note 34. Additional prior year restatements relate to the reporting of contractual maturity of financial assets and liabilities in the liquidity note, these are detailed in Note 19.

v) Going concern

In preparing these financial statements the Directors are required to satisfy themselves that the Bank can continue operating as a going concern for a period of at least 12 months from the date of signing these financial statements, so that the going concern basis remains appropriate. In assessing this, the Directors have considered the appropriate risks, including macroeconomic conditions and the ongoing war in Ukraine, and mitigating actions.

The Directors have considered the tapering impact of the Coronavirus pandemic and the unfortunate subsequent effect the war in Ukraine has had on driving inflation in the UK and weakening the near-term economic outlook. Recent events in the US have also demonstrated the robustness and resilience of the UK banking system to external shocks and Cashplus has benefited from the rising interest rate environment. This has been considered as part of the review of the Bank's long-term strategic financial plan including capital adequacy and liquidity projections along with macroeconomic stress scenarios, which includes impacts on reductions in interest rates, increases in unemployment and inflationary pressures, along with both strategic and tactical mitigating actions. Cashplus has set out these plans for continued sustainable growth that the Directors expect will drive the future profitability of the Bank. On the basis of the considerations above the going concern basis has been used as the basis of preparing the financial statements.

vi) Judgments and estimates

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

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

(ii) revenues and expenses during the year.

These judgments 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 judgments have been made in the process of applying accounting policies that have the most material effect on the amounts recognised in the financial statements:

• **Treatment of transaction costs**

The Bank defers the transaction costs from the successful creation of a financial asset or liability. A proportion of cost that are deferred is determined by the management estimate of the proportion of customers successfully on-boarded. The period of deferral is based on a behavioural analysis of the customer's economic contribution over time. This is amortised on a straight-line basis over the expected economic life of the related financial instrument, prudently capped at two years due to forward-looking macroeconomic uncertainty given actual economic life is longer in some cases. Due to the short-dated nature, management considers this as an appropriate approximation of the IFRS 9 EIR methodology and that the difference in methodology between EIR and straight-line amortisation is deemed to be immaterial.

• **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 the asset can be utilised and to the extent that there is reasonable certainty that taxable losses can be offset within a reasonable forecast period. The Directors use judgments based on future forecasts to assess this probability and the level of deferred tax assets that can be recognised in its financial statements. See Notes 9 and 14.

• 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 judgment to calculate expected values which can be subjective, based on information available at the time. These calculations regularly include cashflow projections, assumptions on future economic conditions, discount rates and estimates on the sale value of assets.

• Capitalisation of intangible assets
The Bank assesses spend on intangible assets to determine whether it should be expensed or capitalised in accordance with the requirements of FRS 102.

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:

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 behavior and the Bank's historic 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.

vii) Foreign currency translation
The financial statements are presented in

pound sterling and rounded to thousands. The Bank's functional and presentation currency is the pound sterling. Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

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

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income.

viii) Fee and commission income and expense

Income from fees and commissions is recognised 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 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. 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.

Fee and commission expenses incurred as a result of customer transactions and from the normal operation of customer accounts in the period, which are not an integral part of the EIR, are recognised in the Statement of Comprehensive Income in the month incurred.

Fee and commission expenses that are directly attributable upfront transaction costs relating to the onboarding of a customer, such as affiliate fees, credit checks and verification costs, are considered integral to the acquisition, issue or disposal of the related financial asset or liability. In accordance with the EIR method, these costs are deferred and recognised on an effective interest basis, over 2 years reflecting the expected life of the underlying financial instrument. This is recognised through interest income for the underlying asset, or interest expense for the underlying liability.

ix) Interest income and interest expense

Interest income is generated from a range of credit products:

- Loans and advances to customers consist of credit cards and overdraft facilities which charge interest at an effective interest rate on the outstanding balance recognised in the month to which it relates. In accordance with the EIR method, directly attributable upfront costs incurred that are considered integral to the acquisition, issue or disposal of the financial asset, are deferred and recognised through interest income or on an effective interest rate basis over the expected life of the underlying asset.
- 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. Cash left on demand at central banks earns the base rate.

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

Interest expense is incurred on the following:

- Interest expense on customer accounts relates to directly attributable upfront costs incurred that are considered integral to the acquisition, creation or disposal of a financial liability (customer deposits). These costs are deferred and recognised through interest expense on an effective interest rate basis over the expected life of the underlying financial liability.
- Cost of borrowing relating to the Bank's Tier 2 debt and is recognised in the income statement using the effective interest rate method.

The effective interest rate is the rate that discounts estimated future cash receipts or payments through the expected life of the financial instrument to the gross carrying amount of the financial asset or liability. The effective interest rate method calculates the amortised cost of a financial asset or liability and allocates the interest income or expense over the relevant period.

The Bank estimates cashflows considering all contractual terms of the financial instruments but does not consider future credit losses.

In accordance with the EIR method, directly attributable upfront costs incurred, and fees paid or received, that are considered integral to the EIR, are deferred and recognised through interest income or on an effective interest rate basis over the expected life of the underlying asset or liability.

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 Bank satisfying certain criteria. The grant was initially recognised as deferred income on the Statement of Financial Position. When the criteria for retention are satisfied, the deferred income is released as follows:

- **Capital approach:** Expenditure incurred in the development of software to support the Bank's obligations under the CIF award is capitalised as an intangible asset, where it is considered that the asset created will generate future economic benefit for the Bank. The related CIF grant capital expenditure is maintained in deferred income, being released to Other Income in the Statement of Comprehensive Income in line with the amortisation of the eligible assets over their economic useful life.
- **Income approach:** CIF grant revenue is released from deferred income as the related costs are incurred and included as Other Income in the Statement of Comprehensive Income.

xi) Operating leases

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments 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 and balances at banks includes cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours, as well as deposits held with central banks, some of which are encumbered deposits as disclosed in Note 10.

Cash equivalents are unrestricted highly liquid investments that mature in no more than three months from the date of acquisition that are readily convertible to known amounts of cash flows with insignificant risk of change in value.

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

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 judgment 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 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.

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 have 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.

Trade receivables and other financial assets are largely short term in nature or held 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 behavioral 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.

Charge-offs
Loans and advances are charged-off when the Bank judges there to be no reasonable expectation that the amount can be recovered in full. Charge-offs typically occur once accounts are 210 days past due, defined as being seven instalments behind the agreed monthly minimum payment, unless forbearance has been applied. Accounts are also charged-off in special circumstances relating to bankruptcy, individual voluntary arrangements (IVAs) and deceased customers.

xiv) Intangible assets
Intangible assets include software development costs, purchased goodwill and purchased software. Intangible assets are individually assessed to determine the duration of their useful economic life and amortised over that period.

Software development costs are capitalised in accordance with the criteria set out in FRS 102, with all research phase expenditure being recognised as an expense and any expenditure incurred in the development phase (or from the development phase of an internal project) being recognised only if it can be demonstrated that all the 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.

Other development expenditure that does not meet the criteria above is recognised as an expense as incurred. Costs associated with maintaining computer software are recognised as an expense as incurred.

Acquired intangible assets are initially recognised at cost. Acquired software licences are expensed with the exception of perpetual licences, which are capitalised.

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 when the asset is available for use. The estimated useful life for internally developed software and purchased software is 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 (5 years for internally developed software).

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 are stated at historical cost less accumulated depreciation and accumulated impairment losses. Cost includes the original purchase price, costs directly attributable to bringing the item to its working condition for its intended use, major alterations and refurbishments 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:

- Leasehold improvements - 5 years
- Fixtures and fittings - 5 years
- Office equipment - 3 years
- Computer equipment - 3 years
- Data centre equipment - 5 years
- Other fixed assets - 3 Years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at the end of each reporting period. The effect of any change is accounted for prospectively.

Tangible assets are derecognised on disposal or when no future economic benefits are expected. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Income.

xvi) Other assets

Mastercard collateral is recognised at fair value and held within the scheme bank account. Deferred tax and corporation tax are 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 amount for which an asset could be exchanged, a liability settled, or an equity instrument granted could be exchanged, between knowledgeable, willing parties in an arm's length transaction.

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 Bank 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

Taxation expense for the period comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. Current or deferred taxation assets and liabilities are not discounted.

i. Current tax

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

Corporation tax recoverable from losses accumulated in prior years is determined using tax rate and legislation in force in the UK at the reporting date and is carried forward for future recovery when note fully utilised in the current period.

ii. Deferred tax

Deferred tax arises from timing differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax assets are recognised to the extent that there is reasonable certainty that taxable losses can be offset in the foreseeable future and to the extent it is probable that future taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax liabilities are generally recognised for all taxable temporary differences.

Deferred tax is determined using tax rates and legislation in force at the reporting date and those expected to apply when the deferred tax asset is realised, or the deferred tax liability is settled.

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 measured 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
The Bank provides a range of benefits to employees including paid holiday and defined contribution pension plans.

i. **Short-term employee benefits**
Short term employee benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the related service is provided. A liability is recognised for the amount expected to be paid if the Bank has a present legal or constructive obligation to pay the amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

ii. **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 Bank in independently administered funds.

iii. **Share based payments**
The Bank makes discretionary awards of share options to employees which are valued at fair value at the date of the grant. The fair value is expensed on a straight-line basis over the vesting period, as the scheme only contains a service condition. An employee attrition factor is applied to the value of the share options to allow for the probability of share options being cancelled prior to the vesting date, due to the non-market performance condition in the scheme. 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
Transactions with related parties have been disclosed in the financial statements in accordance with FRS 102 Section 33. Related parties comprise any person or entity that is related to the Bank, but not wholly owned within the same group, who has significant control, influence or is a member of the key management personnel. Where appropriate, transactions of a similar nature are aggregated unless, in the opinion of the Directors, separate disclosure is necessary to understand the effect of the transactions on the financial statements.

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 has been taken.

xxv) Abandoned funds
Abandoned funds arise when customers that hold a positive balance with Cashplus on their account fail to provide satisfactory proof of identity or address in response to the Bank's anti-money laundering (AML) and know your customer (KYC) requests.

After 12 months of no satisfactory responses to AML requests, the Bank treats the balance as no longer belonging to a customer, as in the absence of adequate AML data, the customer cannot be identified. The relationship is treated as terminated and the funds are in effect abandoned.

The Bank reclassifies the funds to revenue less a provision. The Bank intends to honour claims for a period of up to six years, where requested documents are provided. The size of the provision taken is based on the size of the balance, the time elapsed since the request and historical claim experience.

xxvi) 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.

xxvii) 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.

xxviii) 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.

xxix) 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.

xxx) 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.

xxxi) Reserves
The Bank's reserves are made up of the following:

- **Share capital -** The nominal value of the called up and issued share capital.
- **Premium -** The premium on shares issued, net of any related costs.
- **Other reserves -** The fair value of options granted to employees.
- **Profit and loss –** The cumulative profit or losses of the Bank.

3. CAPABILITY AND INNOVATION FUND

The Bank received a grant of £5m in October 2021 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 microbusiness 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.

The Bank was required to complete all grant related spend by 31 December 2022. Of the £5m grant received a total of £4.25m eligible spend has been recognised in Other Income. The remaining £0.75m is held in Deferred Income and has yet to be recognised in Other Income.

3. CAPABILITY AND INNOVATION FUND (CONTINUED)

The £0.75m deferred income relates to £0.88m of grant monies spent on software development, that have been capitalised as an intangible, less £0.13m of amortisation to date (see Note 15). Software is amortised over the expected economic useful life of the software assets, each month an equivalent amount is released from Deferred Income to offset the amortisation charge.

The BCR have confirmed their satisfaction with the evidence and information submitted by the Bank for all Assessment Periods up to and including 31 December 2022. BCR confirmed on 7 November 2022 that there is no right to clawback and no requirement for Cashplus Bank to return funds.

	Grant Spend £'000
As at 31 March 2021	
Grant received	5,000
Credit for eligible spend - P&L	(1,187)
Software amortisation - P&L	(16)
Software development spend - less amortisation (Deferred Income)	(150)
As at 31 March 2022	**3,647**
Credit for eligible spend - P&L	(2,931)
Software amortisation - P&L	(116)
Software development spend - less amortisation (Deferred Income)	(600)
As at 31 March 2023	**-**

	Software Development Deferred Income (Note 20) £'000
As at 31 March 2021	**-**
Software development grant spend (Deferred Income)	166
Software amortization – P&L	(16)
As at 31 March 2022	**150**
Software development grant spend (Deferred Income)	716
Software amortisation - P&L	(116)
As at 31 March 2023	**750**

4. NET INTEREST INCOME

Interest income	31 March 2023 £'000	Restated 31 March 2022 £'000
Cash and balances at banks	8,112	341
Investment securities	1,856	171
Loans and advances to customers [1]	6,957	6,846
Total interest income	**16,925**	**7,358**

Interest expense		
Revolving credit facility	-	(10)
Interest expense on customer accounts [1]	(1,381)	(1,527)
Tier 2 debt Instrument	(464)	(450)
Total interest expense	**(1,845)**	**(1,987)**
Net interest income	**15,080**	**5,371**

[1] Prior year amounts have been restated as detailed in Note 34.

5. NET FEE AND COMMISSION INCOME

Fee and commission income	31 March 2023 £'000	Restated 31 March 2022 £'000
Customer card transaction revenue	27,202	23,972
Payment and related services [1]	7,297	9,478
Other	491	306
Total	**34,990**	**33,756**

Fee and commission expense		
Customer card transaction costs [1]	(785)	(595)
Payment services and related costs [1]	(6,867)	(6,059)
Total	**(7,652)**	**(6,654)**
Net fee and commission income	**27,338**	**27,102**

[1] Prior year amounts have been restated as detailed in Note 34.

6. OTHER INCOME

	31 March 2023 £'000	31 March 2022 £'000
CIF eligible spend on staff costs	1,665	957
CIF eligible spend on other administrative expenses	1,382	246
CIF grant release to income	**3,047**	**1,203**
Total	**3,047**	**1,203**

The CIF grant is released to income as the eligible spend on staff and administrative expenses is incurred. Included within the CIF grant release to income for the year is £116k (2022: £16k) relating to software amortisation. Software is amortised over the expected economic useful life of the software assets, each month an equivalent amount is released from Deferred Income to offset the amortisation charge.

7. ADMINISTRATIVE EXPENSES

	31 March 2023 £'000	Restated 31 March 2022 £'000
Staff costs	18,835	15,049
Technology costs	4,125	3,555
Facilities and utilities	1,589	1,827
Depreciation of tangible assets	768	292
Amortisation of intangible assets	659	1,460
Marketing expenses[1]	3,524	3,282
Call centre and telephony expenses	2,183	1,990
Bureau charges[1]	411	326
Other administrative expenses	5,702	4,851
Total administrative expenses	**37,796**	**32,632**

[1] Prior year amounts have been restated as detailed in Note 34.

Included within staff costs are the following:	31 March 2023 £'000	31 March 2022 £'000
Salaries and similar costs	15,748	12,794
Social security costs	1,795	1,456
FV of options granted to employees	898	676
Pension contributions	336	289
Other staff costs and benefits	58	(166)
Total	**18,835**	**15,049**

The average number of people employed by the Bank (including Directors) during the year was 202.5 (2022: 184).

7. ADMINISTRATIVE EXPENSES (CONTINUED)

Directors' costs	31 March 2023 £'000	31 March 2022 £'000
Salaries	571	678
Pension contributions	-	-
Total	**571**	**678**

Highest paid director	31 March 2023 £'000	31 March 2022 £'000
Salaries	256	230
Pension contributions	-	-
Total	**256**	**230**

8. AUDITORS' REMUNERATION

	31 March 2023 £'000	31 March 2022 £'000
Fees payable to the Bank's auditor for the audit of the financial statements	295	190
Fees payable to the Bank's auditor for audit-related assurance services	65	-
Total	**360**	**190**

9. TAXATION

Current tax	31 March 2023 £'000	31 March 2022 £'000
UK corporation tax	-	-
Adjustments in respect of prior periods	138	-
Total current tax charge / (credit)	**138**	**-**

Deferred tax		
Origination and reversal of timing differences & losses	(2,848)	315
Adjustment in respect of prior years	501	1
Effect of tax rate changes on opening balances	-	(316)
Total deferred tax charge / (credit)	**(2,347)**	**-**
Tax on profit/(loss) on ordinary activities	**(2,209)**	**-**

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:

	31 March 2023 £'000	Restated 31 March 2022 £'000
Profit/(loss) on ordinary activities before tax [1]	**3,243**	**(2,103)**
Tax on profit / (loss) on ordinary activities at the standard rate	616	(400)
Effects of:		
Fixed asset differences	(140)	(328)
Expenses not deductible for tax purposes	205	129
Income not taxable for tax purposes	-	(26)
R&D expenditure credits	(118)	-
Adjustments to brought forward values	-	(36)
Deferred tax adjustment relating to share options	273	-
Recognition of previously unrecognised deferred tax balances	(3,948)	-
Adjustments in respect of prior period - current tax [2]	138	-
Adjustments in respect of prior period - deferred tax	501	-
Timing differences not recognised in the computation	-	(129)
Remeasurement of deferred tax for changes in tax rates	264	(1,585)
Movement in deferred tax not recognised	-	2,374
Tax credit for the period	**(2,209)**	**-**

[1] Prior year amounts have been restated as detailed in Note 34.
[2] The Adjustments in respect of prior period - current tax relate to a corporation tax debtor of £276k from the prior year that could not be claimed as it related to group relief, offset by an adjustment for the prior year Research and Development tax credit of £138k.

The UK corporation tax rate is 19% for the year ended 31 March 2023. In March 2021, the UK Government announced their intention to increase the main rate of corporation tax from 19% to 25% from 1 April 2023. The increase in corporation tax rate was substantially enacted and reflected in the calculation of the deferred tax balance as at 31 March 2023 for the Bank.

10. CASH AND BALANCES AT BANKS

	31 March 2023 £'000	31 March 2022 £'000
Cash at central banks	373,432	318,001
Cash and balances at other banks	7,101	7,326
Total	**380,533**	**325,327**

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

Of the amounts held with the central bank, £30,002k at 31 March 23 (2022: £2k) are encumbered (see Note 13) this relates to real-time gross settlement (RTGS) collateral. The unencumbered balance of £343.0m held with central banks is included within the Bank's high quality liquid assets (HQLA).

11. INVESTMENT SECURITIES

	31 March 2023 £'000	31 March 2022 £'000
Investment securities	129,949	125,196

All investment securities are held at amortised cost and are UK Government securities, qualifying as HQLA items held for liquidity management purposes.

	Opening Balance 2022 £'000	Additions 2023 £'000	Disposals 2023 £'000	Closing Balance 2023 £'000
Investment securities	125,196	134,949	(130,196)	129,949

Of the £130m of disposals, £80m matured and £50m were sold prior to maturity for risk 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 £1,461m disposals, £1,194m matured and £267m were sold prior to maturity for risk management purposes.

Investment securities:	31 March 2023 £'000	31 March 2022 £'000
Treasury bills	61,045	-
UK government issued gilts	70,000	125,000
Unamortised interest and discount	(1,096)	196
Total	**129,949**	**125,196**

12. LOANS AND ADVANCES TO CUSTOMERS

	31 March 2023 £'000	Restated 31 March 2022 £'000
Customer overdrafts consumer	2,844	3,101
Customer overdrafts microbusiness	2,515	2,958
Credit cards	20,894	19,961
Other lending*	749	891
Gross loans and advances to customer	**27,002**	**26,911**
Effective interest rate adjustment[1]	391	305
Total gross carrying amount including valuation adjustments	**27,393**	**27,216**
Less impairment for overdrafts - consumer	(666)	(715)
Less impairment for overdrafts - microbusiness	(472)	(844)
Less impairment for credit cards	(3,295)	(3,441)
Less impairment for other lending*	(367)	(437)
Total impairment	(4,800)	(5,437)
Net loans and advances to customers	**22,593**	**21,779**

* Other lending consists of customers with an unarranged negative balance position.

[1] The effective interest rate adjustment has been included as a restatement for the prior year as detailed in Note 34.

13. ASSETS PLEDGED AS COLLATERAL / ENCUMBERED ASSETS

	Encumbered		Unencumbered		Total	
	31 March 2023 £'000	31 March 2022 £'000	31 March 2023 £'000	31 March 2022 £'000	31 March 2023 £'000	31 March 2022 £'000
Cash and balances at banks	30,002	2	350,531	325,325	380,533	325,327
Other assets	2,890	2,890	14,042	12,001	16,932	14,891
Assets pledged / unpledged	**32,892**	**2,892**	**364,573**	**337,326**	**397,465**	**340,218**

Cash and Balances at banks includes balances with the Bank of England of £30,002k (2022: £2k) which are held as collateral for RTGS payment schemes and are encumbered.

Other Assets includes £2,890k (2022: £2,890k) of payment scheme collateral which comprises security deposits placed at a nominated bank at the request of the Bank's card scheme provider to support customer transaction volumes.

14. OTHER ASSETS

Debtors	31 March 2023 £'000	Restated 31 March 2022 £'000
Trade debtors	70	133
Prepayments and accrued income	2,577	1,750
Stock	353	357
Deferred tax	3,347	1,000
Payment scheme collateral [1]	2,890	2,890
Payments awaiting settlement from schemes	4,185	4,501
Bank interest receivable	-	93
Corporation tax	-	276
Sundry debtors	3,510	3,891
Total [2]	**16,932**	**14,891**

[1] Payment scheme collateral comprises security deposits placed with a nominated bank at the request of the Bank's card scheme provider to support customer transaction volumes.

[2] Prior year amounts have been restated as detailed in Note 34.

Deferred tax	31 March 2023 £'000	31 March 2022 £'000
Balance brought forward	1,000	999
Current year deferred tax	2,347	1
Deferred tax recognised	**3,347**	**1,000**

Deferred tax asset made up of:

Fixed asset timing differences	(1,021)	(521)
Short term timing differences	904	1,521
Losses and other deductions	3,464	-
Total deferred tax asset	**3,347**	**1,000**
Deferred tax not yet recognised [1]	2,466	5,960

[1] Prior year amounts have been restated as detailed in Note 34, this has increased the deferred tax not yet recognised by £0.27m.

The Company has recognised a deferred tax asset of £3.3m as at 31 March 2023 (2022: £1.0m) relating to carried forward tax losses of £3.5m (based on gross losses of £13.9m), other short term timing differences of £0.9m (gross £3.6m), and fixed asset timing differences of £(1.0m) (gross £4.1m). The deferred tax asset has been calculated at a corporation tax rate of 25% and has been recognised on the basis that there is sufficient evidence from profit forecasts that it is probable that future taxable profits would be available against which the asset could be utilised.

Deferred tax asset not yet recognised made up of:	31 March 2023 £'000	31 March 2022 £'000
Short term timing differences	-	109
Losses and other deductions	2,466	5,793
Adjustment for prior year restatement [1]	-	58
Total	**2,466**	**5,960**

15. FIXED ASSETS

2023	Tangible assets			Intangible assets		
Cost	**Leasehold Improvements** £'000	**Computer Equipment** £'000	**Other Tangible Fixed Assets** £'000	**Software Development** £'000	**Other intangible Assets** £'000	**Total Fixed Assets** £'000
As at 1 April 2022	1,173	4,133	242	11,565	3,029	20,142
Additions	22	204	80	2,340	-	2,646
Disposals	(548)	(1)	(99)	-	(664)	(1,312)
CIF intangible additions	-	-	-	716	-	716
As at 31 March 2023	**647**	**4,336**	**223**	**14,621**	**2,365**	**22,192**
Depreciation and amortisation						
As at 1 April 2022	(995)	(207)	(205)	(9,502)	(2,501)	(13,410)
Charge for the year	(51)	(694)	(23)	(603)	(56)	(1,427)
Disposals	419	1	77	-	196	693
As at 31 March 2023	**(627)**	**(900)**	**(151)**	**(10,105)**	**(2,361)**	**(14,144)**
Net book value	**20**	**3,436**	**72**	**4,516**	**4**	**8,048**

The format of the note has been amended to report internally developed software (Software Development) separately from all other intangible assets. Other intangible assets includes purchased software, goodwill and other intangibles. Goodwill and other intangibles have been disposed of in the year, leaving a nil net book value. The format of the prior year disclosure has been amended to align with the current year. In the prior year disclosure, a split of intangibles was provided between internally generated assets (consisting of software development, goodwill and other intangibles) and purchased assets. The prior year purchased assets category contained only purchased software, which is now included within other intangibles.

From 1 April 2022 the estimated useful life of the intangible assets was reassessed and increased from two to five years, reflecting the expected economic life of the assets. This provided a £980k reduction in amortisation for the year from £1,583k to £603k. Net Book Value (NBV) is £4,516k with the 5-year useful life, compared to a NBV of £3,536k if a 2-year useful life were applied.

15. FIXED ASSETS (CONTINUED)

2022	Tangible assets			Intangible assets (Restated)		
Cost	**Leasehold Improvements** £'000	**Computer Equipment** £'000	**Other Tangible Fixed Assets** £'000	**Software Development** £'000	**Other Intangible Assets** £'000	**Total Fixed Assets** £'000
As at 1 April 2021	1,173	635	241	9,471	2,825	14,345
Additions	-	3,907	1	1,928	204	6,040
Disposals	-	(409)	-	-	-	(409)
CIF intangible additions	-	-	-	166	-	166
As at 31 March 2022	**1,173**	**4,133**	**242**	**11,565**	**3,029**	**20,142**
Depreciation and amortisation						
As at 1 April 2021	(850)	(494)	(178)	(8,172)	(2,371)	(12,065)
Charge for the year	(145)	(122)	(27)	(1,330)	(130)	(1,754)
Disposals	-	409	-	-	-	409
As at 31 March 2022	**(995)**	**(207)**	**(205)**	**(9,502)**	**(2,501)**	**(13,410)**
Net book value	**178**	**3,926**	**37**	**2,063**	**528**	**6,732**

16. CUSTOMER DEPOSITS

	31 March 2023 £'000	Restated 31 March 2022 £'000
Customer deposits [1]	511,463	452,500
Total	**511,463**	**452,500**

[1] Prior year amounts have been restated as detailed in Note 34.

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.

17. DEBT SECURITIES AND BORROWING

	31 March 2023 £'000	31 March 2022 £'000
Tier 2 debt	3,000	3,000
Total debt instruments	**3,000**	**3,000**

In November 2022 the maturity of the existing tier 2 debt was extended by 2 years from December 2025 to December 2027.

18. OTHER LIABILITIES AND ACCRUALS

	31 March 2023 £'000	31 March 2022 £'000
Trade creditors	1,685	1,339
Other taxation and social security	848	885
Accruals	1,715	1,592
Payment awaiting settlement with the schemes	3,324	4,255
Customer transactions awaiting allocation	5,216	3,308
Sundry creditors	5,598	4,985
Total	**18,386**	**16,364**

19. 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 2023 Financial assets	On demand £'000	Less than 3 months £'000	Between 3 and 6 months £'000	Between 6 months and one year £'000	Over one year £'000	Total £'000
Cash and balances at banks	350,531	-	-	-	30,002	380,533
Loans and advances to customers	-	218	-	-	22,203	22,421
Investment securities	-	6,500	124,826	-	-	131,326
Other financial assets	6,018	1,122	-	218	3,153	10,511
Total financial assets	**351,252**	**11,285**	**124,826**	**218**	**57,211**	**544,792**

Financial liabilities

Customer deposits	513,033	-	-	-	-	513,033
Other financial liabilities	12,310	3,406	-	-	941	16,657
Debt instruments and borrowing	-	120	121	240	4,780	5,261
Total financial liabilities	**525,343**	**3,526**	**121**	**240**	**5,721**	**534,951**
Net financial assets	**(168,794)**	**4,314**	**124,705**	**(22)**	**49,637**	**9,840**

19. LIQUIDITY RISK MANAGEMENT (CONTINUED)

As at 31 March 2022 (Restated) Financial assets	On demand £'000	Less than 3 months £'000	Between 3 and 6 months £'000	Between 6 months and one year £'000	Over one year £'000	Total £'000
Cash and balances at banks	325,325	-	-	-	2	325,327
Loans and advances to customers[1]	-	225	-	-	21,474	21,699
Investment securities [1]	-	-	60,198	65,000	-	125,198
Other financial assets [1]	6,227	1,291	229	296	3,247	11,290
Total financial assets	**331,552**	**1,516**	**60,427**	**65,296**	**24,723**	**483,514**

Financial liabilities

Financial liabilities	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
Customer deposits	453,965	-	-	-	-	453,965
Other financial liabilities [2]	11,683	2,708	-	-	231	14,622
Debt instruments and borrowing [3]	-	112	113	224	4,197	4,646
Total financial liabilities	**465,648**	**2,820**	**113**	**224**	**4,428**	**473,233**
Net financial assets	**(134,096)**	**(1,304)**	**60,314**	**65,072**	**20,295**	**10,281**

[1] The following prior year reporting errors were identified in the reporting of financial assets:
- Loans and advances to customers included £225k of interest receivable in the Over one-year time bucket, this is now correctly included in Less than 3 months.
- Investment securities were incorrectly reported at the discounted value, the prior year comparative has been adjusted to show the values at contractual maturity, reducing Between 3 and 6 months by £592k and increasing Between 6 months and one year by £219k.
- Other financial assets incorrectly included prepayment, deferred tax, corporation tax, deferred fee amounts and a miscellaneous control account, the following amounts have been excluded from the prior year comparatives: Less than 3 months £3,302k, Between 3 and 6 months £284k, Between 6 months and one year £568k.

[2] Prior year reporting incorrectly included the following deferred income, provision for abandoned funds and other taxation and social security amounts within the Other financial liabilities line: Less than 3 months £3,025k, Between 3 and 6 months £1,364k and Between 6 months and one year £1,364k. These amounts have been excluded from the prior year comparatives for this financial year.

[3] Prior year reporting incorrectly excluded the interest payments on the sub debt: Less than 3 months £112k, Between 3 and 6 months £113k, Between 6 months and 1 year £224k and Over one year £1,197k. These contractual interest payments have now been included to show the contractual cashflow of sub debt.

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.

20. DEFERRED INCOME

	31 March 2023 £'000	Restated 31 March 2022 £'000
Deferred income – CIF grant (see Note 3)	-	3,647
CIF grant spend on software intangibles	750	150
Deferral of annual fee charges	1,488	1,646
Total	**2,238**	**5,443**

[1] Prior year amounts have been restated as detailed in Note 34.

- **Deferred income - CIF grant -** represents the £5m grant received from the Capability and Innovation Fund ("CIF"), that was recognised in the Statement of Comprehensive Income as certain qualifying expenditure occurred. Income was recognised in the Statement of Comprehensive Income in the period in which the Bank recognised the CIF related costs for which the grant was intended to compensate. The terms of the grant were that all expenditure had to be incurred by 31 December 2022, so all monies were utilised by this date.

- **CIF grant spend on software intangibles -** the CIF grant that was spent on the development of capitalized software intangibles, less amortisation to date. The balance is amortised through the Statement of Comprehensive Income over the expected useful life of the asset (Note 3).

- **Deferral of annual fee charges -** annual fees on bank accounts and credit products that are recognised over the life of the product to which the fee relates. Balance is net of refunds of fees offered under promotional schemes which are recognised over the life of the product to match the treatment of revenue

21. OPERATING LEASES

	31 March 2023 £'000	31 March 2022 £'000
Less than one year	572	1,214
Between one and five years	2,706	1,217
Greater than 5 years	624	
Total	**3,902**	**2,431**

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

	31 March 2023 £'000	31 March 2022 £'000
Lease expense on premises	746	1,004
Total	**746**	**1,004**

22. SHARE CAPITAL

	Share Numbers #	Value £
As at 31 March 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 of £0.001	-	-
As at 31 March 2023	**9,039,190**	**9,039**

There were no new share issues in the year. 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 2023 #	Value 2023 £	Share Numbers 2022 #	Value 2022 £
Ordinary shares	9,039,190	9,039	9,039,190	9,039
Total shares	**9,039,190**	**9,039**	**9,039,190**	**9,039**

23. SHARE PREMIUM

	31 March 2023 £'000	31 March 2022 £'000
Total share premium	**43,321**	**43,321**

There was no new equity investment in the year.

	£'000
As at 31 March 2021	**41,060**
Issue of new shares	2,261
As at 31 March 2022	**43,321**
Issue of new shares	-
As at 31 March 2023	**43,321**

24. OTHER RESERVES

	Other Reserves £'000	Restated Retained Earnings £'000	Restated Total Reserves £'000
As at 31 March 2021	**1,673**	**(26,958)**	**(25,285)**
Share option reserve	676	-	676
Loss for the period [1]	-	(2,103)	(2,103)
As at 31 March 2022	**2,349**	**(29,061)**	**(26,712)**
Share option reserve	898	-	898
Profit for the period	-	5,452	5,452
As at 31 March 2023	**3,247**	**(23,609)**	**(20,362)**

[1] Prior year amounts have been restated as detailed in Note 34.

25. SHARE BASED PAYMENT - SHARE OPTIONS

Cashplus Bank has created two schemes for the benefit of employees:

- **An Executive Share Option Scheme** established in 2005. The 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 the options. The options are settled in ordinary shares once exercised.

- **An All-Colleague Share Option Scheme** established in 2021 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, and are equity settled. Options are automatically cancelled for employees that leave prior to an exercisable event, with exceptions for retirement, compulsory redundancy or death in service. There are no other performance criteria attached to the exercise of the options.

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:

Executive share option scheme	Weighted Average Exercise Price 2023 £	Options 2023 £	Weighted Average Exercise Price 2022 #	Options 2022 £
Outstanding options - opening balance	**0.92**	**880,336**	**0.92**	**840,492**
Granted during the year	0.95	229,000	0.95	71,500
Forfeited during the year	0.95	(29,427)	0.95	(14,156)
Exercised during the year	0.95	-	0.95	(17,500)
Outstanding options - closing balance	**0.93**	**1,079,909**	**0.92**	**880,336**

229,000 (2022: 71,500) options were issued during the year ended 31 Mar 2023.
A total of 667,866 (2022: 571,570) options have vested, but currently remain unexercised.

All-colleague share option scheme	Weighted Average Exercise Price 2023 £	Options 2023 £	Weighted Average Exercise Price 2022 #	Options 2022 £
Outstanding options - opening balance	**0.95**	**66,033**	**0.95**	**-**
Granted during the year	0.95	45,200	0.95	77,200
Forfeited during the year	0.95	(14,231)	0.95	(11,167)
Exercised during the year	0.95	-	0.95	-
Outstanding options - closing balance	**0.93**	**97,002**	**0.95**	**66,033**

45,200 (2022: 77,200) options were issued during the year ended 31 Mar 2023. To date none of the all-colleague scheme options have vested.

The fair values for both schemes were calculated using the Black-Scholes pricing model. The inputs into the model were as follows:

- **Risk free interest rate** of 3.84%

- **Volatility** estimated at 40%

- **Expected maturity** of 4 years

The total charge for the year was £898k (2022: £676k).

26. ANALYSIS OF NET DEBT

	Brought forward 2022 £'000	Cash flow 2023 £'000	New debt issued 2023 £'000	Non-cash movement 2023 £'000	Balance 2023 £'000
Cash and balances at banks	325,327	55,206	-	-	380,533
Tier 2 debt	(3,000)	464	-	(464)	(3,000)
Net debt	**322,327**	**55,670**	**-**	**(464)**	**377,533**

27. 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.

Established Governance and Risk Management Committees oversee the Bank's Credit Strategies and Programmes. The initial assessment of credit risk is managed through lending decisions that utilise developed underwriting standards in combination with application, current account and credit bureau information. Subsequent to the initial decision, risk is managed through review and monitoring of the portfolio through management information and bespoke credit assessment algorithms.

Cashplus Bank aims to lend responsibly to microbusiness and consumers, recognising that their credit risk to the business is influenced by the customers' ability to pay, macroeconomic 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

	31 March 2023 £'000	Restated 31 March 2022 £'000
Overdrafts	5,359	6,059
Credit cards	20,894	19,961
Other lending*	749	891
Gross loans and advances to customers	**27,002**	**26,911**
Effective interest rate adjustment[1]	371	285
Total gross carrying amount including valuation adjustments	**27,373**	**27,196**
Provisions for expected credit loss	(4,433)	(5,000)
Provisions for other lending*	(367)	(437)
Net loans and advances to customers	**22,573**	**21,759**

*Other lending consists of customers with an unarranged negative balance position.

[1] The effective interest rate adjustment has been included as a restatement for the prior year as detailed in Note 34.

27. 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 macroeconomic 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.

27. CREDIT RISK MANAGEMENT (CONTINUED)

Credit Provisioning Position

The change in ECL due to reassessment includes an increase in forward looking unemployment rate parameter from 4.1% in March 2022 to 4.5% in March 2023 reflecting the expectation of economic conditions as the UK economy confronts the cost-of-living impact. 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 £464k with a 1% decrease reducing the ECL by £661k.

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 2022	**712**	**972**	**3,753**	**5,437**
[1] Provisions on new loans and advances	169	186	247	602
[2] Decreases due to derecognition	(37)	(34)	(91)	(162)
[3] Transfers between stages:				
Stage 1	(117)	58	59	-
Stage 2	182	(329)	147	-
Stage 3	78	45	(123)	-
[4] Change due to movement between stages	(221)	376	1,002	1,157
[5] Change due to reassessment	(21)	(18)	(247)	(286)
[6] Change due to model methodology	75	65	222	362
[7] Release of provision on settled/written off accounts	(43)	(403)	(1,954)	(2,400)
[8] Other credit provisions	367	-	(277)	90
Provisions as at 31 March 2023	**1,144**	**918**	**2,738**	**4,800**

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 macroenvironment.
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. Stage 3 includes customers with an unarranged negative balance position.

27. CREDIT RISK MANAGEMENT (CONTINUED)

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 reassessment	(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**

Credit quality as at 31 March 2023	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
Low risk	15,872	83	20	15,975
Medium risk	1,641	1,201	279	3,121
High risk	27	551	1,759	2,337
Delinquent	-	1,694	717	2,411
Defaulted	-	-	2,410	2,410
Other lending*	-	-	748	748
Gross loans and advances to customers	**17,540**	**3,529**	**5,933**	**27,002**
Effective interest rate adjustment				371
Provision allowance	(1,144)	(918)	(2,738)	(4,800)
Net loans and advances to customers	**16,396**	**2,611**	**3,195**	**22,573**
Coverage ratio (%)	6.52%	26.01%	46.15%	17.78%

Credit quality as at 31 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 landing*	-	-	1,057	1,057
Gross loans and advances to customers	**16,493**	**3,275**	**7,143**	**26,911**
Effective interest rate adjustment [1]				285
Provision allowance	(712)	(972)	(3,753)	(5,437)
Net loans and advances to customers	**15,781**	**2,303**	**3,390**	**21,759**
Coverage ratio (%)	4.32%	29.68%	52.54%	20.20%

* Other lending consists of customers with an unarranged negative balance position.
[1] The effective interest rate adjustment has been included as a restatement for the prior year as detailed in Note 34.

27. CREDIT RISK MANAGEMENT (CONTINUED)

Credit Quality Definitions	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

28. 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 in the banking book is the risk of losses arising from volatility in interest rates associated with the mismatch between interest rate sensitive 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, i.e. the risk arising from potential changes in interest rates impacting economic value of equity (EVE), which applies six prescribed interest rate scenarios and changes in net interest income (NII), which applies 250 basis points parallel up and down shifts with a planned hedging instrument over a 12-month time horizon. The sensitivity scenario is unchanged from the prior year. The ΔEVE as at 31 March 2023 is £(1,417)k (2022: £(0.87)k) and ΔNII as at 31 March 2023 is £(1,371)k (2022: £(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.

29. 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.

	31 March 2023 £'000	Restated 31 March 2022 £'000
Shareholders' funds [1]	22,968	16,618
Regulatory deductions		
Intangible assets [1]	(4,520)	(2,591)
Deferred tax deduction	(2,654)	-
Other deductions	(19)	(441)
Tapered allowance for impact of IFRS9	1,897	2,529
Common equity tier 1 (CET1) capital	**17,672**	**16,115**
Tier 2 debt	3,000	3,000
Adjustments to tier 2	(207)	(772)
Tier 2 capital	**2,793**	**2,228**
Total regulatory capital	**20,465**	**18,343**

[1] Prior year Shareholders' funds have been restated for the change in prior year retained earnings as detailed in Note 34. Intangible assets have been restated due to the reclassification of the deferred portion of affiliate fees from Other assets to form part of the amortised cost of the related financial asset or liability.

Note: Regulatory deductions and adjustments to Tier 2 have not been subject to audit. CET1 capital is calculated based on the audited financial statements figures.

	31 March 2023 £'000	31 March 2022 £'000
Credit risk exposure	34,818	36,075
Operational risk exposure	62,464	72,554
Other	-	353
Total risk weighted assets	**97,282**	**108,982**
Common equity tier 1 ratio	18.2%	14.8%
Total capital ratio	21.0%	16.8%
Leverage ratio (UK definition)	9.7%	9.1%

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

30. 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	**31 March 2023** £'000	**31 March 2022** £'000
Directors' remuneration	571	678

31. 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.

32. POST BALANCE SHEET EVENTS

There have been no material events affecting the Bank between 31 March 2023 and the date of approval of the financial statements.

33. GROSS REVENUE

	31 March 2023 £'000	**Restated 31 March 2022** £'000
Interest income [1]	16,925	7,358
Fee and commission income [1]	34,990	33,756
Total	**51,915**	**41,114**

[1] Prior year amounts have been restated as detailed in Note 34.

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

34. PRIOR YEAR RESTATEMENTS

The Bank's financial statements have been restated during the year for the following items:

(a) Transaction Costs

Incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or liability, such as commissions paid to affiliates, credit checks and verification costs are required to be deferred and recognised through interest income on an effective interest basis over the expected life of the underlying asset or interest expense for the underlying liability. The unamortised portion of these fees form part of the amortised cost of the related financial assets and liabilities

In the prior year, commissions paid to affiliates for the acquisition of a financial asset or liability are considered to be directly attributable costs. However, these commissions were classified as Fee expense -customer card transaction costs (Note 5), with unamortised commissions reported within Other Assets, and the other transaction costs reported as administrative expenses. In accordance with accounting standards, the restated financial statements incorporate these costs as part of the effective interest rate of the related financial instruments (Loans & Advances and Customer Deposits), amortising all costs over the expected life of the related financial asset or liability. The related unamortised portion of these costs should not be included in Other Assets, instead forming part of the amortised cost of the underlying financial instrument.

The restatement has reduced Fee expense -customer card transactions costs (Note 5) by £1.39m, Admin expense (Note 7) by £0.54m and Other assets (Note 14) by £1.10m, with related adjustments to Interest expense on customer accounts (Note 4) increased £1.53m, Interest income - loans and advances to customers reduced by £0.11m, Customer deposits (Note 16) reduced by £1.47m, and Loans & advances to customers (Note 12) increased by £0.3m. The restatement resulted in an increase of net assets of £0.67m and reduction of losses of £0.28m in prior year.

(b) Annual Fee Income Deferral & Promotional Fees

Revenue from annual fee charges is required to be recognised on a straight-line basis throughout the year in which the relevant services are provided. In prior years, a greater proportion of these fees had been recognised as an expense in the month of on-boarding. This treatment has been revised to bring it in line with accounting standards.

Additionally, charges relating to promotional fees, where the customer is refunded the annual fee were in prior years recognised on a straight-line basis as a fee expense, with the unamortised portion in Other assets. This treatment has been revised to ensure that the fee income including the deferred portion are presented net of the associated promotional fees to align with the accounting standards.

These changes result in an increase in prior year opening accumulated losses of £2.22m reflecting under-deferral prior to 31 March 2021. The deferral of annual fee charges (Note 20) has increased by £1.28m with Fee income -payment services (Note 5) increased by £0.44m and Fee expense reducing by £0.47m

(c) Mastercard reclass

Mastercard and related charges were classified as administrative expenses in prior years but have been restated as Fee and Commission expense in accordance with the accounting standards. Charges totalling £2.01m have been reclassified as Fee and Commission Expense-Payment services (Note 5) and related costs from Admin Expense (Note 7).

34. PRIOR YEAR RESTATEMENTS (CONTINUED)

Impact of the restatements on the Statement of Comprehensive Income

	Notes	Year ended 31 Mar 2022 (Reported) £'000	Adj (a) £'000	Adj (b) £'000	Adj (c) £'000	Year ended 31 Mar 2022 (Restated) £'000
Interest income	4	7,471	(113)	-	-	7,358
Interest expense	4	(460)	(1,527)	-	-	(1,987)
Net interest income	4	7,011	(1,640)	-	-	5,371
Fee and commission income	5	33,320		436	-	33,756
Fee and commission expense	5	(6,501)	1,384	471	(2,008)	(6,654)
Net fee and commission income	5	26,819	1,384	907	(2,008)	27,102
Total operating income		33,830	(256)	907	(2,008)	32,473
Other income	6	1,203	-	-	-	1,203
Impairment charges and charge-offs		(3,147)	-	-	-	(3,147)
Net operating income		31,886	(256)	907	(2,008)	30,529
Administrative expenses	7	(35,177)	537	-	2,008	(32,632)
Loss before taxation		(3,291)	281	907	-	(2,103)
Taxation	9	-	-	-	-	-
Loss after taxation		(3,291)	281	907	-	(2,103)
Total comprehensive loss		(3,291)	281	907	-	(2,103)

34. PRIOR YEAR RESTATEMENTS (CONTINUED)

Impact of the restatements on the Statement of Financial Position

		Notes	As at 31 Mar 2022 (Reported) £'000	Adj (a) £'000	Adj (b) £'000	Adj (c) £'000	As at 31 Mar 2022 (Restated) £'000
ASSETS	Cash and balances at banks	10	325,327	-	-	-	325,327
	Investment securities	11	125,196	-	-	-	125,196
	Loans and advances to customers	12	21,474	305	-	-	21,779
	Other assets	14	16,028	(1,105)	(32)	-	14,891
	Property, plant and equipment	15	4,141	-	-	-	4,141
	Intangible assets	15	2,591	-	-	-	2,591
	Total assets		494,757	(800)	(32)	-	493,925
LIABILITIES	Customer deposits	16	(453,965)	1,465	-	-	(452,500)
	Debt securities and borrowing	17	(3,000)	-	-	-	(3,000)
	Other liabilities and accruals	18	(16,364)	-	-	-	(16,364)
	Deferred income	20	(4,160)	-	(1,283)	-	(5,443)
	Total liabilities		(477,489)	1,465	(1,283)	-	(477,307)
EQUITY	Net assets		17,268	665	(1,315)	-	16,618
	Share capital	22	9	-	-	-	9
	Share premium	23	43,321	-	-	-	43,321
	Other reserves	24	2,349	-	-	-	2,349
	Accumulated profits/(losses)		(28,411)	665	(1,315)	-	(29,061)
	Total equity		17,268	665	(1,315)	-	16,618

34. PRIOR YEAR RESTATEMENTS (CONTINUED)

Impact of the restatements on the Statement of Changes in Equity

	As at 31 Mar 2022 (Reported) £'000	Adj (a) £'000	Adj (b) £'000	Adj (c) £'000	As at 31 Mar 2022 (Restated) £'000
Retained earnings as at 31 March 2021	(25,120)	384	(2,222)	-	(26,958)
Loss for the period	(3,291)	281	907	-	(2,103)
Retained earnings as at 31 March 2022	(28,411)	665	(1,315)	-	(29,061)

Registered Number: 04947027

Cashplus Bank is the trading name of Advanced Payment Solutions Limited – Financial Statements for the year ended 31 March 2023