Chetwood Financial Limited

Annual Report and Financial Statements for the year ended 31 March 2022

Registered number 09964966

Company information

Directors
C S Allsop
M Bracken
A R Cook
E Daly
C Daniels
D Martin
A Mielczarek
M Symonds

Registered Number

09964966

Registered office

Wrexham Technology Park
Wrexham
Wales
LL13 7YT

Auditor

KPMG LLP
One St Peter's Square
Manchester
M2 3AE

Contents

Strategic Report

The directors present their strategic report and the audited financial statements of Chetwood Financial Limited Group ("Chetwood" or "the Group") for the year ended 31 March 2022.

Review of the business

The principal activities of the Group are the provision of consumer lending and savings products. Chetwood also owns a mortgage portfolio purchased from a third party and during the year completed a group restructure, acquiring Yobota Limited, the technology company providing the core banking system, from its parent company.

Chetwood Financial Limited is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority, under registration number 740551. The key financial performance indicators during the year were as follows:

	Group Year ended 31 March 2022	Group and Company Year ended 31 March 2021
Unsecured gross loans and advances to customers (£'000)	189,478	182,145
Secured gross loans and advances to customers (£'000)	147,644	-
Number of customer accounts (at 31 March)	52,324	37,307
Customer deposits (£'000)	322,625	160,015
Net interest income (£'000)	27,213	14,432
Impairment allowance as a % of ending gross loans and advances to customers at amortised cost	10.8%	14.2%
Loss for the financial year (£'000)	29,753	21,310

The financial year has been a transformational one for Chetwood. Despite the continued macro-economic uncertainty driven by the pandemic, it has continued to invest in its core business, successfully developing and launching the 'Wave' credit card proposition to sit alongside the Group's unsecured loans business. It has also materially grown its balance sheet, increasing gross loans and advances to customers by £155m, ending the year on £337m (2021: £182m). The net growth includes the sale of an unsecured loan portfolio, and the purchase of a third-party mortgage portfolio.

As a result, net interest income grew by 88.6% to £27m (2021: £14m). At the same time customer deposits increased to £323m (2021: £160m) as the Group utilised its self-built SmartSave retail deposit proposition to fund its net loan book growth. The continued investment in growth has seen the Group make a loss of £29.8m (2021: £21.3m).

Chetwood has also changed the shape of its balance sheet over the past twelve months, setting up an 'originate to distribute' model for its BetterBorrow unsecured loans business, whereby it is able to originate and then sell the beneficial interest in its loans for profit on a monthly basis. The sales price determined is a function of the interest rate, risk profile and expected behavioural life of the loans. It completed the first such trade in March 2022 for £131m of gross receivables, recognising a gain over carrying value of £4.2m. Future sales are expected to generate a small gain over carrying value, as the loans are being originated with the intention to sell and consequently carried at fair value.

At the same time it also agreed to purchase a portfolio of £158m performing prime buy-to-let mortgages, transforming its year end balance sheet from one that would otherwise be 100% unsecured, to one where almost half of its loan book represented secured mortgage assets. As a result the overall provision coverage has reduced to 10.8% of the year ending gross loans held at amortised cost (2021: 14.2%), versus a coverage ratio of 20% against unsecured assets held at amortised cost in isolation.

This change de-risks Chetwood by weighting its balance sheet towards an asset class that is less susceptible to certain macro economic volatilities such as inflation, whilst also providing it with a dual business model whereby it can act as both a platform originator and balance sheet aggregator across its three core lending businesses: mortgages, unsecured loans and credit cards.

The Group recognises that despite the decrease in the overall provision coverage, the risks to the performance of the unsecured book have remained heightened post Covid-19, with the current inflationary pressures within the UK economy causing further uncertainty. This is a key driver of the impairment loss in the year, which increased to £30.7m (2021: £13.4m).

The year has seen the business continue to invest heavily in its technology infrastructure, in particular with the £15m acquisition of Yobota Ltd ('Yobota') in March 2022. The purchase of Yobota provides Chetwood with the opportunity to take full control over its core loans and savings technology platform, as well as fully direct future development work on the platform, so as to maximise the commercial benefit available from it. Yobota brings with it not only a great technology platform, but also a highly skilled and motivated workforce, which will complement Chetwood's existing team as it continues to grow and develop.

In launching the Wave credit card, the Group has deployed its first mobile app, with native apps being launched both on the iOS App Store and the Google Play Store. This app has been developed with future flexibility in mind and can be quickly rebranded, or even reconfigured to support different products. This is an important element in the Group's Banking as a Service offering, enabling it to offer a highly featured credit card proposition on a white-label basis.

Investment in innovation has also remained at the forefront of the business model, with a focus on data and analytics capability and the technology required to support its existing loans and cards businesses, whilst also building out an organic mortgage proposition, which is on track to be launched to market during the second half of the next financial year. The Group is fortunate to have had the continuing support of its shareholders during this period, as well as the commitment of dedicated employees.

During the year, the Group further invested in its Data Science and Advanced Analytics capability, pooling existing and new expertise across the business, providing the capability to develop scorecards and decisioning tools in-house and to react far more effectively to changes in the market and customer behaviour. These decision tools are now integrated with, and actively using data from, all three Credit Bureaux, as well as a number of additional Fraud and Financial Crime data services.

These integrations will accelerate the development of new decision models for new products, both for the Group itself (e.g. the new mortgage product) or for Banking as a Service offerings. The Data Science team built the launch scorecard for the new credit card product as well as developing an in-house new loans scorecard, enabling better credit decisioning. These significant improvements in pricing analytics are expected to drive better loan level economics for new business than achieved in previous years, for a similar credit risk profile.

Whilst the Group remains on track with its broader strategic plan, the continued investment in the business has moved the forecast break even further back than had initially been envisaged. Nonetheless, over the coming years material benefits are expected from the investments made in relation to credit cards, mortgages and its existing loans proposition.

Future developments

The Group's Banking as a Service strategy has been refined through the year with greater focus on embedded finance and retail partners, partnerships with such businesses are being explored with a view to gaining access to greatly expanded sales and marketing coverage.

The principal investor has demonstrated their continued support of the Group's growth plans by injecting £55m of capital during the year and a further £22m between the balance sheet date and the date of signing. Further capital injections are anticipated in the coming year, to support growth predictions.

The Group strategy is designed to grow market share within a competitive market, whilst remaining within risk appetite. The Group expects to build lending and savings trading volumes and to launch its organic mortgage product in 2023.

The Group recognises the risks to business performance associated with the current inflationary pressures within the UK economy, which may manifest in a recession during the next financial year, and that the impact may be amplified for a business such as Chetwood, which needs further growth in its balance sheet and lending activities to reach profitability. The Group further recognises that its exposure to unsecured consumer credit may particularly be impacted by the squeeze in affordability as a consequence of the increase in the cost of living.

Risk management

The Board recognises the importance of having a robust risk culture and supports the key factors that contribute to an open and transparent environment, where knowledgeable and skilled individuals take intelligent risk decisions aligned to clear policies, in pursuit of the Group's defined strategy.

The Group is committed to delivering a robust approach to its management of risk, across all three lines of defence, and every colleague is expected to support this process. The Board has ultimate responsibility for overseeing Group's strategy, risk appetite, risk management and control frameworks.

As a business the Group takes appropriate risks in delivering products and services to its customers. The following principles underpin risk management within its business:

- Risk is taken within a defined risk appetite;
- Risk taken needs to be adequately compensated;
- Risk is factored in the overall decision-making process;
- Risk should be dynamic and adaptable to change;
- Risk should be continuously monitored and managed; and
- Risks are considered in terms of their potential impact on customers, colleagues, the Group and the broader market.

Managing risk well is a foundation of the Group's business and underpins its ability to deliver responsible, sustainable growth. It contributes to the strength and sustainability of the Group for the future, and it supports the work the Group does today to serve its customers, shareholders, stakeholders and employees.

i) Risk Categories

Within the Group's business model, the Board has identified the following principal risk areas for regular review and management:

Risk	Description	Mitigation
Strategic Risk	The risk which can affect the Group's ability to achieve its corporate and strategic objectives either through the strategy failing to respond to changes in the market, or management taking poor strategic decisions or poorly executing such decisions.	The Group has a clearly defined Board-approved strategy and has assumed a corporate governance framework with a Board of experienced executive and non- executive Directors. The Board sub-committees and executive committees are in place to oversee and address strategic issues as they arise. This is supported by a business plan, Risk Appetite Statement and an experienced executive team.
Capital Risk	The risk that the Group has insufficient capital to cover regulatory requirements and/or the growth plans of the business. In order to ensure sufficient capital is maintained to support growth plans the Group is reliant on the continued support of its Investors. A complete assessment of the Group's capital requirement is contained in its Pillar 3 disclosures published as a separate document on Chetwood's website.	The Group assesses its capital requirements under an Internal Capital Adequacy Assessment Process (ICAAP), in line with its business plan and investment plan. Key metrics are monitored and regularly reviewed by the Executive Committee, through the Assets and Liability Committee (ALCO) and the Board, including its capital adequacy and its operational requirements. The Investors have direct line of sight over the capital position through management information. In the absence of further equity funding there are other actions management can take to ensure capital remains sufficient.
Liquidity Risk	The risk that the Group is not able to meet financial obligations as they fall due or can do so only at excessive cost.	The Group assesses its liquidity requirements through the Internal Liquidity Adequacy Assessment Process (ILAAP). The end-to-end process and key metrics are overseen by the Assets and Liability Committee with escalation to Board. The Group has two key sources of liquidity; issuing customer deposits, which it has done effectively during the 2022 and 2021 year ends and through its debt facility with its principal investor, which provides access to up to £100m. The debt facility has not been utilised during the current financial year.
Credit Risk	The risk of financial loss arising from the borrower or a counterparty failing to meet their financial obligations to the Group in accordance with agreed terms. This risk is heightened as a result of the impact of COVID-19 and its impact on macro-economic conditions.	The Group's Board approved Credit Policy and Risk Appetite Statement describe the Group's approach to managing credit risk supported by procedures linked to a scorecard-driven customer acquisition and credit management process. Credit exposures are monitored regularly with oversight from the Credit Risk Committee as well as reporting to the Board Risk Committee and Board. The Group has enhanced its management of credit risk focusing on collections functionality, processes and forbearance arrangements for customers. There has also been focus on front-end decisioning, with the in-house developed decisioning tool.

Operational Risk	The risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This risk includes technology, information security, change management, outsourcing, people, legal, and financial control risks. This risk includes the exposure to Yobota, a Group subsidiary and provider of the underlying banking platform.	The Group has a suite of operational risk policies and procedures covering the identification, management and reporting of risks associated with technology, information security, change management, outsourcing, people, legal and financial control risks. These risks are managed through the Risk and Control Self-Assessment (RCSA) process by the first line of defence and overseen by second line of defence, which provides assurance with risk management oversight through Operational Risk. This includes oversight of the subsidiary banking platform relationship. The RCSA ensures controls remain appropriate and robust to prevent, detect and mitigate risk. Outcomes of the RCSA as well as material incidents are reported through to the executive team through the Legal, Operational, Regulatory and Conduct Committee and escalated through to Board Risk Committee as appropriate.
Conduct Risk	The risk that decisions or behaviours lead to detrimental or poor outcomes for customers.	The Group's Conduct Risk Policy sets the framework for the fair treatment of customers as well as ensuring appropriate conduct by staff in line with the Group's expectations and the Financial Conduct Authority's (FCA's) Conduct rules. The Group has a range of measures and thresholds covering the Group's management of conduct risk across the customer journey, including through outsourced services, such as the collections process which is managed by CSL Ltd. The policy is supported by the Risk Appetite Statement and is reported to the Legal, Operational, Regulatory and Conduct Committee.
Regulatory Risk	The failure to comply with, or effectively respond to changes in, applicable regulations, principles, codes of conduct and standards of good practice resulting in regulatory sanctions, financial loss or reputational damage.	As a relatively newly licensed Bank Chetwood is subject to close supervision by the regulator. As a result, the Group maintains frequent interaction with the Prudential Regulation Authority (PRA) and the Financial Conduct Authority. A series of policies and procedures are in place to ensure that the Group is compliant with legislation and regulations, including a programme of mandatory staff training.

Within the Operational Risk category particular attention is paid to technology/cyber risk, operational resilience and change risk. Market risk, model risk, reputational risk and financial crime are also monitored and managed within the risk appetite and management framework, which is detailed overleaf.

As a branchless, digital and largely paperless bank built in the cloud, the Group endeavours to minimise its environmental impact by encouraging a paperless environment and limiting travel. Environmental Risk is monitored through the Legal, Operational, Regulatory and Conduct Committee. The Group also recognises the important role the products play in society and strives to be a responsible lender, treating customers fairly at all stages of the journey.

ii) Risk governance and oversight

The Group's risk framework defines the systems, processes and controls by which risks are identified, assessed, managed, monitored and reported. The Board looks to senior management to ensure that the risk management framework and risk governance structure is applied in practice and operates robustly.

The Board Risk Committee assists the Board in overseeing the effective design and operation of the risk management framework through the review of risk-related information. Aligned to the risk categories described above, the Board approves a series of risk appetite statements which describe the extent to which the business is prepared to take risk in pursuit of its goals. The risk appetite is expressed in the form of a series of strategic risk objectives and risk appetite metrics with a limit structure in place to ensure delivery within appetite.

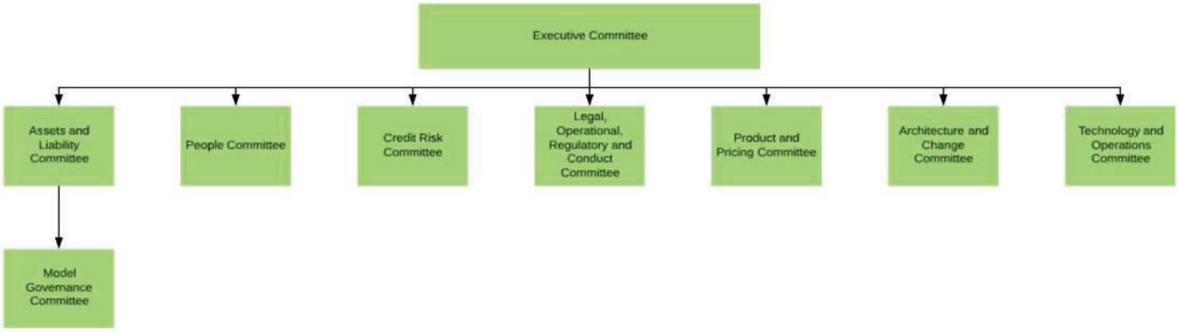
The following diagram illustrates the Group's current risk management governance structure which aligns risks with the appropriate governance committees to ensure the risks are appropriately managed within the agreed risk appetite and in accordance with the risk management framework.

<table>
<tr><th rowspan="2">Oversight</th><th colspan="4">Board</th></tr>
<tr><th colspan="3">Board Risk Committee</th><th>Board Audit Committee</th></tr>
<tr><th>Risk Category</th><th>First Line</th><th>Oversight</th><th>Second Line</th><th>Third Line</th></tr>
<tr><td>Strategic Risk</td><td>Executive Committee and Senior Managers</td><td>Executive Committee</td><td>CRO</td><td rowspan="11">Internal Audit</td></tr>
<tr><td>Capital Risk</td><td>Finance</td><td>Assets and Liability Committee (ALCO)</td><td>CRO</td></tr>
<tr><td>Liquidity Risk</td><td>Finance</td><td>Assets and Liability Committee (ALCO)</td><td>CRO</td></tr>
<tr><td>Market Risk</td><td>Finance</td><td>Assets and Liability Committee (ALCO)</td><td>CRO</td></tr>
<tr><td>Model Risk</td><td>Finance</td><td>Model Risk Committee (delegated through ALCO)</td><td>CRO</td></tr>
<tr><td>Credit Risk</td><td>Credit management in operational areas</td><td>Credit Risk Committee</td><td>Credit Risk</td></tr>
<tr><td>Operational Risk</td><td>All business areas and Technical and Operations Committee (TOC)</td><td>Legal, Operational, Regulatory and Conduct Committee (LORC)</td><td>Operational Risk</td></tr>
<tr><td>Conduct Risk</td><td>All business areas</td><td>Legal, Operational, Regulatory and Conduct Committee (LORC)</td><td>Compliance</td></tr>
<tr><td>Regulatory risk</td><td>All business areas</td><td>Legal, Operational, Regulatory and Conduct Committee (LORC)</td><td>Compliance</td></tr>
<tr><td>Financial Crime Risk</td><td>All business areas</td><td>Legal, Operational, Regulatory and Conduct Committee (LORC)</td><td>Fraud and Financial Crime</td></tr>
<tr><td>Reputational Risk</td><td>All business areas</td><td>Legal, Operational, Regulatory and Conduct Committee (LORC)</td><td>Operational Risk</td></tr>
</table>

The following committees are in place to ensure that risks are appropriately managed within the agreed risk appetite and in accordance with the requirements of the risk management framework.

- Board Risk Committee
- Board Audit Committee
- Remuneration and Nominations Committee
- Executive Committee (ExCo)

ExCo has established a number of sub-committees as set out in the chart below:



iii) Risk Frameworks

The Group's approach to risk management uses a number of interconnected frameworks creating an Enterprise wide Risk Management Framework (ERMF) to address the key risks to which the Group is exposed. These are identified, assessed, managed, monitored and reported to the Board Risk Committee.

The Enterprise wide Risk Management Framework comprises of:

- The Risk Appetite Statement
- A Risk Management Framework (including policies and supporting documentation) together with independent governance and oversight of risk under the Chief Risk Officer
- Articulation of the principal risks as above
- Stress testing of various scenarios

The application of the risk management frameworks includes all material risk types facing the Group and comprises as follows:

a) Risk identification & measurement

The process seeks to identify the risks to which Chetwood is exposed across each of the material risk categories. The risk identification process requires in-depth knowledge of the Group's strategic objectives, business objectives and operational processes and includes a detailed review of the risk factors that could impact Chetwood.

A regular risk review cycle is integrated into the business planning process and new product development and project management process. Xactium/ Risk connect is used as a system of record to support this process and to enable management insight and reporting.

Risk measurement quantifies the risks to the business and allows the selection of the appropriate means to manage the risk and enables appropriate resources to be dedicated to risk management.

b) Risk appetite

Chetwood's Risk Appetite is formulated to support and maintain financial soundness, confidence from stakeholders and operational resilience. Chetwood's risk appetite ensures that the following strategic risk objectives are met:

- Fair outcomes for customers by designing and selling clear and transparent products that consistently meet customer needs
- A positive reputation and confidence amongst all its stakeholders including customers, employees, distribution partners, investors and regulators
- Sustainability and on-going viability through effective capital and liquidity management
- Operational stability and resilience including through our third-party providers
- Manage the risk appetite in line with its strategic plan and direction

As a key component of the Enterprise wide Risk Management Framework, the Risk Appetite Statement (RAS) is reviewed, challenged and approved annually by the Chetwood Board. The Risk Appetite metrics were reviewed and updated in the revised RAS that was approved by Board in November 2021; at a high level Chetwood's risk appetite is encapsuled in the following statement:

"We will take risk/reward decisions to deploy our capital in areas that enable us to run an innovative digital bank being safe, sound and sustainable, delivering on our obligations to customers and key stakeholders in a reputable way."

The Risk Appetite is then set out in a number of core thresholds for each principal type of risk, with a series of management triggers and early warning indicators that ensure action is taken before thresholds are approached.

c) Risk operating model

Chetwood employs a 'Three lines of Defence' model which defines clear responsibilities and accountabilities, thereby ensuring effective, independent assurance over key business activities.

Key outcomes of adopting the three-line model are that Chetwood ensures ownership of risk is embedded throughout its business, and that assurance of robust risk management, control and oversight can be provided to stakeholders.

- First line of defence is responsible for identifying, assessing and managing risks and controls related to their own business line activities on a day-to-day basis. First line colleagues operate the business in accordance with the risk management framework and ensure that its requirements are translated into effective operating processes.
- Second line of defence is the Risk Function, which is responsible for overseeing the application of the risk management framework and ensuring that the business operates within the risk appetite, limits and tolerances that have been set by the Board.
- Third line of defence is the Internal Audit function, which provides independent assurance over the adequacy of the first- and second-line activities in relation to all aspects of the business, including the effectiveness of the risk management practices and internal controls. The Group has engaged PwC as internal auditor, PwC report directly to the Board audit committee.

d) Risk Testing and Planning

Stress testing seeks to determine the circumstances where failure might arise under abnormal conditions or as a consequence of the occurrence of extreme, but plausible, events, such as those seen through the 2008 financial crisis. The Group have considered stress outcomes aligned to recently published Office for Budget Responsibility and Bank of England scenarios to determine the impact on future performance.

Following management actions, it is considered the Group would be able to withstand the impact of these stresses given everything known at the time, accepting that there is ongoing uncertainty in the global, macro-economic environment considering matters such as the exit from the pandemic, the war in Ukraine and the increased cost of living within the Group's target UK customer base.

The Group uses stress testing to inform capital and liquidity planning and recovery plans. The stress testing results are subject to scrutiny through the Bank’s governance framework including engagement with internal and external subject matter experts and auditors.

Section 172(1) Statement

For the year ended 31st March 2022, the Directors provide the following statement describing how they have had regard to the matters set out in section 172(1) of The Companies Act 2006 when performing their duty to promote the success of the Group under section 172.

The Board confirms that, for the year ended 31 March 2022, it has acted to promote the success of Chetwood for the benefit of its members as a whole and continues to have due regard to the following matters laid out in S172(1) of the Companies Act 2006:

a) The likely consequences of any decision in the long-term

b) The interest of the Group's employees

c) The need to foster the Group's business relationships with suppliers, customers and others

d) The impact of the Group's operations on the community and the environment

e) The desirability of the Group maintaining a reputation for high standards of business conduct

f) The need to act fairly as between members of the Group

Customers

Chetwood's purpose is to provide financial products that make customers better off, with seamless digital journeys and clear and transparent communications and touchpoints from the beginning.

To ensure the Group provides fair products and services to meet customers' needs, Chetwood carries out extensive research with target markets, testing every touchpoint of the product. Management regularly reviews customer behaviour with the use of MI and analytics, and customer feedback and satisfaction through direct and external channels such as social media and Trustpilot. The Board recognises that positive customer outcomes are essential to Chetwood's success and has oversight of complaint volumes, outcomes and any remediation activity.

Employees

The employees are the Group's biggest asset, maintaining a happy and engaged workforce is key to the Board and they recognise that the culture is of upmost importance. Over the year, a number of company-wide employee surveys were completed to gain greater understanding of ways of working and general view of culture, with the results and any actions discussed with the Board.

Employees are kept fully informed of Chetwood's strategy and performance through a variety of mechanism; including all employee strategy away days and monthly floor meetings. Through the Remuneration Committee the Board have ultimate oversight and an active role in talent management, succession plans and employee reward schemes. During the year, the Remuneration Committee, have considered and approved a number of enhancements for employees, including a significant improvement to the employee pension benefit and an imminent migration to a new pension provider, aimed to enable all employees to save for retirement with greater company support and in a cost effective way.

Following the acquisition of Yobota Limited, the Board had oversight of employee communication strategies and activities to ensure a smooth transition to working together as one combined group, towards common goals.

The Group provides equal employment opportunities to all people in all aspects of the employment relationship and is committed to equal employment opportunities to all employees and applicants. It is company policy to select, develop, and promote employees based on the individual's performance.

Shareholders

The Board maintains close relations with its shareholders and regular meetings take place between the ultimate majority shareholder and executives across the Group. The Board have oversight and directly approve any investment activity. The directors ensure that the Group's strategy and practices duly acknowledge the interests of shareholders.

Communities and the environment

Chetwood and its employees are active in the local communities, raising funds for various charities throughout the year. This year has also seen a drive to offer apprenticeship schemes, with apprenticeship offers made across a variety of departments, enabling Chetwood Group employees to pass on knowledge and nurture local talent.

As a digital company without branches, the Group is environmentally aware and strives to further reduce its carbon footprint by encouraging a paperless working environment and limiting travel, including supporting employees to work remotely where business needs allow, an initiative that started prior to the pandemic. The Group has a minimal environmental impact resulting from its operational activities and as a consequence of the transactions it undertakes with customers, however the directors remain diligent in seeking to identify and mitigate environment and sustainability risks as they emerge.

The UK's commitments to addressing climate related issues were reaffirmed and extended at the COP26 summit in 2021, the UK government has set a net zero goal by 2050 and regulatory focus continues to increase in this area. The Board understands Chetwood has a role to play in the climate change and sustainability agenda, recognises the risks and challenges posed by climate change and is increasingly mindful of these risks when making business decisions.

Climate change risk is the risk of loss arising from the impact of climate change on the Group's assets including physical risks related to the increased frequency of detrimental weather events, and transition risks being the potential impacts from the process of moving to a carbon neutral economy, including changes in government policy or consumer behaviour. Climate risk is not considered to be a significant risk to the Group for this year end due to the relatively short expected behavioural life of the purchased mortgage portfolio, which is all fully reverted to variable rates.

A further detailed environmental risk assessment will be undertaken in the coming year, prior to the Group entering into organic mortgage originations, to ensure climate risk and the impact of the UK economy continuing to transition to lower carbon activities is fully considered in designing the Group's future product offerings.

Regulators

Board members and executive management maintain an open and transparent dialogue with supervisory teams at both the Financial Conduct Authority and the Prudential Regulation Authority. Throughout the year these relationships have proven to be productive and supportive.

The views of the regulators are used to inform future plans and the directors review and challenge management throughout the governance framework and specifically through the annual internal capital and liquidity assessment processes.

Suppliers

The Board recognises the important role supplier relationships play in the success of Chetwood.

The Executive Directors, along with members of the management team, engage collaboratively with suppliers to discuss matters of mutual interest, address risks and look to build long-term, mutually beneficial relationships. The Board is given updates from management, as appropriate, regarding the Group's relationships with its suppliers, including with respect to any potential future new suppliers.

How stakeholder interest has influenced decision making

The Board is responsible for the long-term success of the Group. The directors have acted in good faith, in the way that they considered would be most likely to promote the success of the Group for the benefit of its shareholders, but with regard to the interests of all stakeholders and where applicable the communities and environment within which the Group entities operate.

Directors' report

The Directors present their report and audited financial statements of the Group for the year ended 31 March 2022

Directors

The Directors who held office during the period were as follows:

Mr Charles Simon Allsop (appointed 23 November 2021)
Mr Michael Bracken
Mr Alan Cook
Ms Emer Daly
Mr Christopher Daniels
Mr Mark Jenkinson (resigned 25 January 2022)
Mr Duncan Martin
Mr Andrew Mielczarek
Mr Matthew Symonds

General information

The Company is a private company, limited by shares, incorporated and domiciled in England and Wales (registered number: 09964966).

Qualifying third party indemnity provisions

The Group has put in place qualifying third party indemnity provisions for all of the directors of Chetwood Financial Limited and its subsidiaries. The indemnity provisions were in force during the whole of the financial year and at the date of approval of the financial statements, or from the date of appointment in respect of directors who joined the board during the financial year.

Dividends

No dividend was declared or paid during the current or prior periods. The directors do not recommend the payment of a final dividend for the year (2021: £nil).

Political donations and political expenditure

The Group made no political donations nor incurred any political expenditure during the current or prior period.

Events since the balance sheet date

During the year the Group entered into a key strategic funding arrangement to originate loans with the intention to sell the beneficial ownership to Cherub Funding Limited, a special purpose vehicle controlled by the Group's ultimate controlling party. Between the year end and the date of signing these financial statements the Group sold the beneficial ownership of loans and advances to customers with a carrying value of £72.8m to Cherub Funding Limited, for a premium. £42.6m of these loans were on the balance sheet at the year end.

On the 30 June 2022 Chetwood Financial Limited issued 10,977,036 shares at £2.004, total value £22m to its immediate parent entity, Shropshire Holdings Limited.

On the 30 June 2022 Yobota Limited issued 1,500,000,000 shares at £0.001, total value £1.5m to Chetwood Financial Limited, its immediate parent entity.

Consumer price inflation has continued to rise in the United Kingdom post the year end, putting pressure on household disposable incomes. This remains a key watch area for the group. See note 3.1(e) for further details.

Going concern

The financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons:
As at 31 March 2022 the Group had cash balances of £74m and a loss for the year of £30m. The existing investor made additional capital injections of £22m after the year end. Cash balances as at 30 June 2022 totalled £106m.

The directors have prepared base case and stressed forecasts, which consider capital requirements, funding and liquidity, for a period of at least 12 months from the date of approval of these financial statements. In assessing the going concern basis of preparation, the directors have considered a severe but plausible downside scenario, aligned to the ICAAP and elements of the Bank of England solvency test, including the assumption of no further funding from its investors and an inflation stress. This scenario is broadly consistent with the most severe downside scenario used in calculating expected credit losses. The forecasts indicate that even in this severe but plausible downside scenario the Group is able to maintain adequate capital and liquidity throughout a period of at least 12 months from the date of approval of these financial statements by making use of available management actions, including cost cutting measures and curtailing lending.

The Group is still in the growth stage and the Directors expect the Group, in the normal course of business, to require additional funding from its investors in order to continue to grow and to fulfil its business plan, until longer-term sustainable profitability is achieved. The principal investor has been consistently supportive to date, including throughout the pandemic, and has indicated that, based on the facts and circumstances they are aware of at the date of signing, it is their current intention to financially support the Group for a period of not less than 12 months from the date of approval of these financial statements. As with any Group placing reliance on its investor for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Based on the above, the going concern basis of accounting has been used to prepare these financial statements.

Matters covered in the Strategic Report

Disclosures required under S416(4) of the Companies Act 2006 are commented upon in the Strategic Report as the directors consider them to be of strategic importance to the Group.

Disclosure of information to the auditor

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Group's auditor is unaware; and each Director has taken all the steps that he or she ought to have taken as a Director to make himself or herself aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

By order of the board

	Alan Cook
Andrew Mielczarek	Alan Cook
Chief Executive Office and Director	Chairman
5 August 2022	5 August 2022

Statement of Directors' Responsibilities in respect of the Strategic Report, the Directors' Report and the Financial Statements

The directors are responsible for preparing the Strategic Report, the Directors’ Report and the Group and parent Company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare Group and parent Company financial statements for each financial year. Under that law they have elected to prepare the Group and parent Company financial statements in accordance with international accounting standards in conformity with the requirements of the UK-adopted international accounting standards and applicable law.

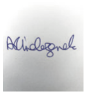
Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent Company and of the Group’s profit or loss for that period. In preparing each of the Group and parent Company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with international accounting standards in conformity with the requirements of UK-adopted international accounting standards.
- assess the Group and parent Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent Company’s transactions and disclose with reasonable accuracy at any time the financial position of the parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a Strategic Report and a Directors’ Report that complies with that law and those regulations.

By order of the board



Andrew Mielczarek
Chief Executive Office and Director
5 August 2022

Alan Cook
Chairman
5 August 2022

Independent auditor's report

to the members of Chetwood Financial Limited

1. Our opinion is unmodified

We have audited the financial statements of Chetwood Financial Limited ("the Company") for the year ended 31 March 2022 which comprise the Consolidated Statement of Total Comprehensive Income, Consolidated Statement of Financial Position, Company Statement of Financial Position, Consolidated Statement of Changes in Equity, Company Statement of Changes in Equity, Consolidated and Company Statement of Cashflows, and the related notes, including the accounting policies in note 2.

In our opinion:

— the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 March 2022 and of the Group's loss for the year then ended;

— the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;

— the parent Company financial statements have been properly prepared in accordance with UK-adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006;

— and the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the audit committee.

We were first appointed as auditor by the directors on 13 April 2017. The period of total uninterrupted engagement is for the five financial years ended 31 March 2022. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to public interest entities. No non-audit services prohibited by that standard were provided.

Overview		
Materiality: group financial statements as a whole	£1.3m (2021:£0.8m, Parent Only) 1.9% (2021: 1.6%) of net assets	
Coverage	100% (2021:100%) of net assets	
Key audit matters		**vs 2021**
Recurring risks	Impairment of loans and receivables	◀▶
	Going concern	◀▶
Event driven	**New:** Yobota Valuation	NEW

2. Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, 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. We summarise below the key audit matters, in decreasing order of audit significance, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

Key audit matter	The risk	Our response
Impairment of loans and advances to customers – unsecured loans (£33.34 million; 2021: £25.90m) *Refer to page 32 (Note 2 accounting policy) and page 36 (financial disclosures).*	**Subjective estimate** The measurement of expected credit losses ('ECL') involves significant judgements and estimates. The key areas where we identified greater levels of management judgement and therefore increased levels of audit focus in the Group and the Company's estimation of ECL are: **Model estimations** – Inherently judgmental modelling is used to estimate ECLs which involves determining Probabilities of Default ('PD'), Loss Given Default ('LGD'), and Exposures at Default ('EAD'). The PD and LGD models used in the ECL calculation are the key drivers of the Group and Company's ECL results and are therefore the most significant judgmental aspect of the Group and Company's ECL modelling approach. **Post model adjustments** – Adjustments to the model-driven ECL results are raised by management to address issues relating to model responsiveness or emerging trends such as cost of living. Such adjustments are inherently uncertain and significant management judgement is involved in estimating these amounts. **Significant Increase in Credit Risk ('SICR')** – The criteria selected to identify a SICR is a key area of judgement within the Company's ECL calculation as these criteria determine whether a 12 month or lifetime provision is recorded. Increased judgement exists in the current year relating to the treatment of those customers who were granted one or more Covid-19 payment reliefs. **Economic scenarios** – IFRS 9 requires the Company to measure ECL on a forward-looking basis reflecting a range of future economic conditions. Significant management judgement is applied to determining the economic scenarios used, particularly in the context of COVID-19, and the probability weightings assigned to each economic scenario. The effect of these matters is that, as part of our risk assessment, we determined that impairment of loans and receivables has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole. The financial statements (Note 3) disclose the sensitivity estimated by the Group and Company. **Disclosure quality** The disclosures regarding the Group and Company's application of IFRS 9 are key to explaining the key judgements and material inputs to the IFRS 9 ECL results.	Our procedures included: — **Tests of detail:** Key aspects of our testing involved: • We tested the key inputs and assumptions impacting the Group and Company's overall ECL calculation to assess their reasonableness. This included tracing a sample of input data back to source documentation and assessing the key assumptions against the Company's historical experience and external data sources. • We performed a recalculation of the overall ECL. — **Our financial risk modelling expertise**: We involved our own financial risk modelling specialists in evaluating the IFRS 9 models. We used our knowledge of the Group and Company and our experience of the industry that the Group operates in to independently assess the appropriateness of the IFRS 9 models and key components. — **Our economic scenario expertise:** We involved our own economic specialists to assist us in assessing the appropriateness of the Company's methodology for determining the economic scenarios used and the probability weightings applied to them. We assessed the overall reasonableness of the economic forecasts by comparing the Company's forecasts to our own forecasts. — **SICR:** We assessed the effectiveness of the SICR criteria and independently recalculated the loans' stage for 100% of the Company's loans and receivables. — **Post model adjustments**: We critically assessed the post-model adjustments including the cost of living adjustment by challenging the calculation methodology applied and critically assessing the assumptions used in determining the value of the adjustment recognised. — **Assessing transparency:** We assessed the adequacy of the Group and Company's disclosures about the degree of estimation involved in arriving at the impairment of loans and receivables. **Our results** — We found the resulting estimate of Impairment of loans and advances to customers and the related disclosures to be acceptable (2021: acceptable).

2. Key audit matters: our assessment of risks of material misstatement

Key audit matter	The risk	Our response
Yobota Valuation (Parent company) *(£15.0 million; 2021: N/A)* *Refer to page 27 (Note 2 accounting policy) and page 34 (financial disclosures).*	**Subjective valuation** During the year, Chetwood Financial Limited purchased Yobota Limited ('Yobota') from their parent company. As this is a related party transaction, there is a risk of law and regulation breaches if the transaction price does not reflect a fair market value under IFRS 13. The estimated day one fair value is subjective due to the inherent uncertainty involved in estimating rebuild costs, forecasting future cash flows and deriving an appropriate discount rate. Small changes in the assumptions and estimates used in estimating the day one fair value of Yobota would have a significant effect on the valuation. The effect of these matters is that, as part of our risk assessment, we determined that the day one fair value of Yobota has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole. The financial statements (note 3.5) disclose the sensitivity estimated by the Company. **Disclosure quality** The disclosures regarding the Company's approach to determining the day one fair value of Yobota are key to explaining the key judgements within the related party transaction.	We performed the following audit procedures rather than seeking to rely on the Company's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described: — **Tests of detail:** Key aspects of our testing involved: • We tested the key inputs and assumptions impacting the calculation to assess their reasonableness. This included tracing a sample of input data back to source documentation and assessing the key assumptions against external data sources. • We performed a recalculation of the valuation. — **Our sector experience:** We used our knowledge of the Company and our experience of the industry that the Company operates in to independently assess the appropriateness of the key assumptions against the Company's historical experience and external data sources. — **Benchmarking assumptions:** We compared the Company's assumptions to externally derived data in relation to certain key inputs and challenged management on the forecast business performance. — **Comparing valuations:** We compared the Company's valuation methodologies to alternative methodologies to assess the reasonableness of the assumptions. — **Assessing transparency**: We evaluated whether the Company's disclosures appropriately reflect and address the uncertainty which exists when determining the Yobota fair value. **Our results** — We found the Yobota valuation and the related disclosures to be acceptable.

2. Key audit matters: our assessment of risks of material misstatement

Key audit matter	The risk	Our response
Going Concern *Refer to page 27 (Note 2.4: Going Concern).*	**Disclosure quality** The financial statements explain how the Board has formed a judgement that it is appropriate to adopt the going concern basis of preparation for the Group and Company. That judgement is based on an evaluation of the inherent risks to the Group's business model and how those risks might affect the Group's financial resources or ability to continue operations over a period of at least 12 months from the date of approval of the financial statements. The risks most likely to adversely affect the Group's available financial resources over this period is the reliance on continued funding from the Group's principal investor in order to maintain sufficient regulatory capital to meet minimum regulatory capital levels over the course of the next 12 months. There are also less predictable but realistic second order impacts, such as increases to the level of impairment in loans and advances to customers. The risk for our audit is whether or not those risks were such that they amounted to a material uncertainty that may have cast significant doubt about the ability to continue as a going concern. Had they been such, then that fact would have been required to have been disclosed.	We considered whether these risks could plausibly affect the liquidity and capital position of the Group in the going concern period by assessing the directors' sensitivities over the level of available financial resources indicated by the Group's financial forecasts taking account of severe, but plausible, adverse effects that could arise from these risks individually and collectively. Our procedures included: **Key dependency assessment:** — We assessed management's conclusion that the Group is currently dependent on the continued support of its principal investor. — We assessed whether the assumptions made in the capital forecast are realistic and achievable and consistent with our knowledge of the external economic environment and relevant matters identified in the course of our audit. — We assessed the ability and intent of the investor to provide the required support to the Group through an assessment of the financial position and liquidity of the investor and assessed their intent to meet the capital injections as they fall due. — We made direct inquiry of the Group directors and the principal investor representative to confirm the continued support. **Sensitivity analysis** — We considered sensitivities over the level of available financial resources indicated by the Group's financial forecasts taking account of reasonably possible (but not unrealistic) adverse effects, such as increases to the level of impairment in loans and advances to customers, that could arise from these risks individually and collectively. **Evaluating directors' ability** — We evaluated the achievability of the actions the Directors consider they would take to improve the position should the risks materialise. **Assessing transparency** — We assessed the completeness and accuracy of the matters covered in the going concern disclosure, including those in the strategic report, by comparing the overall picture against our understanding of the risks. **Our results** We found the going concern disclosure without any material uncertainty to be acceptable (2021: acceptable).

3. Our application of materiality and an overview of the scope of our audit

Materiality for the Group financial statements as a whole was set at £1.3m, determined with reference to a benchmark of Group net assets of £66.0m, of which it represents 1.9%.

Materiality for the parent Company financial statements as a whole was set at £1.3m (2021: £0.8m), determined with reference to a benchmark of Company net assets, of which it represents 1.9% (2021: 1.6%).

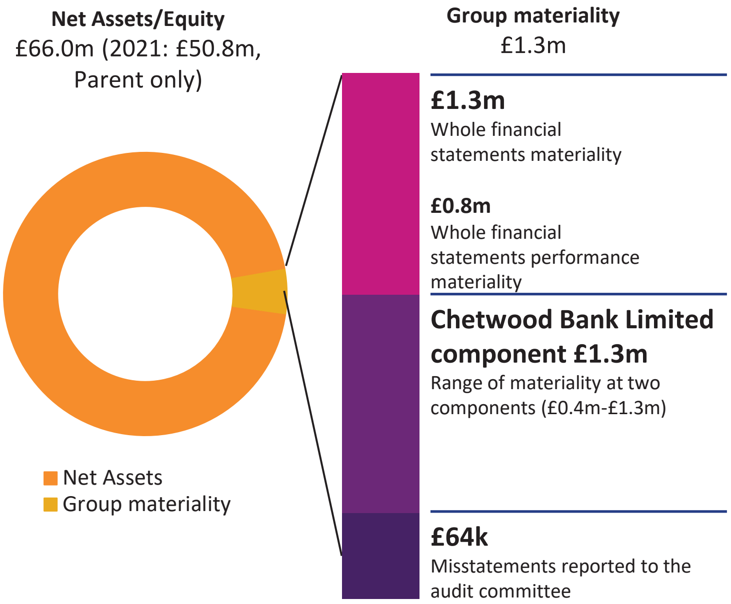
We consider net assets to the be the most appropriate benchmark as it provides a more stable measure year on year than group profit before tax.

In line with our audit methodology, our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the financial statements as a whole.

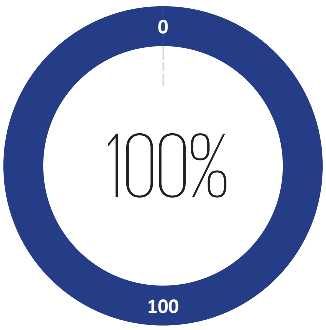
Performance materiality was set at 65.0% (2021: 64.9%) of materiality for the financial statements as a whole, which equates to £0.8m for the Group and £0.8m (2021: £0.5m) for the parent Company. We applied this percentage in our determination of performance materiality based on the level of identified misstatements and control deficiencies during the prior period.

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £64k, in addition to other identified misstatements that warranted reporting on qualitative grounds.

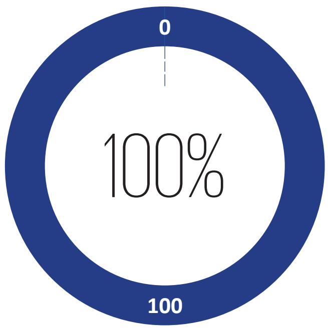
Of the Group's 2 reporting components, we subjected 2 to full scope audits for group purposes. The components within the scope of our work accounted for the percentages illustrated opposite.



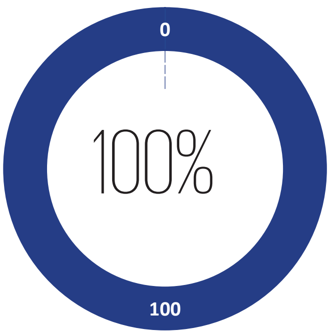
Group revenue



Group profit before tax



Group net assets



Full scope for group audit purposes 2022

4. Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the Company or to cease their operations, and as they have concluded that the Group's and the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

An explanation of how we evaluated management's assessment of going concern is set out in section 2 of this report.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group's or Company's ability to continue as a going concern for the going concern period; and
- we found the going concern disclosure in note 2.4 to be acceptable.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Group or the Company will continue in operation.

5. Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors, the audit committee, internal audit and inspection of policy documentation as to the Group's high-level policies and procedures to prevent and detect fraud , including the internal audit function, and the Group's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading board, audit committee, risk committee and other relevant meeting minutes.
- Considering remuneration incentive schemes and performance targets; and
- Using analytical procedures to identify any unusual or unexpected relationships;

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit. This included communication from the Group audit team to component audit teams of relevant fraud risks identified at the Group level and request to component audit teams to report to the Group audit team any instances of fraud that could give rise to a material misstatement at the Group level.

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that Group and component management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements such as fair value accounting and impairment provisioning. On this audit we do not believe there is a fraud risk related to revenue recognition because of system driven non-complex loan interest revenue calculations involving minimal management judgement.

We identified a fraud risk related to impairment of loans and advances to customers and the day one Yobota valuation in response to management override of controls due to significant judgement involved in the estimate. Further detail in respect of impairment of loans and advances to customers and the day one Yobota valuation is set out in the key audit matter disclosures in section 2 of this report.

In determining the audit procedures we took into account the results of our evaluation and testing of the operating effectiveness of the Group -wide fraud risk management controls.

5. Fraud and breaches of laws and regulations – ability to detect (cont.)

Identifying and responding to risks of material misstatement due to fraud (cont.)

We also performed procedures including:

- Identifying journal entries to test for all full scope components based on risk criteria and comparing the identified entries to supporting documentation. These included journals posted outside the normal course of business and those posted to unusual accounts.
- Evaluated the business purpose of significant unusual transactions.
- Assessing whether the judgements made in making accounting estimates are indicative of a potential bias.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, and through discussion with the directors and other management (as required by auditing standards), and from inspection of the Group's regulatory and legal correspondence and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

As the Group is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. This included communication from the Group audit team to component audit teams of relevant laws and regulations identified at the Group level, and a request for component auditors to report to the Group audit team any instances of non-compliance with laws and regulations that could give rise to a material misstatement at the Group level.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

5. Fraud and breaches of laws and regulations – ability to detect (cont.)

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations (cont.)

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of the Group's license to operate. We identified the following areas as those most likely to have such an effect: specific areas of regulatory capital and liquidity, conduct, money laundering and financial crime and certain aspects of company legislation recognising the financial and regulated nature of the Group's activities and its legal form.

We discussed with the audit committee matters related to actual or suspected breaches of laws or regulations, for which disclosure is not necessary, and considered any implications for our audit.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

6. We have nothing to report on the strategic report and the directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

— we have not identified material misstatements in those reports;

— in our opinion the information given in the strategic report and the directors' report for the financial year is consistent with the financial statements; and

— in our opinion those reports have been prepared in accordance with the Companies Act 2006.

7. We have nothing to report on the other matters on which we are required to report by exception

Under the Companies Act 2006, we are required 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.

We have nothing to report in these respects.

8. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 13, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

9. The purpose of our audit work and to whom we owe our responsibilities

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.

A Simpson

Alexander Simpson (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 Sovereign Square
Sovereign Street
Leeds
LS1 4DA
5 August 2022

Consolidated Statement of Total Comprehensive Income

	Notes	Group Year ended 31 March 2022 £'000	Group and Company Year ended 31 March 2021 £'000
Interest income calculated using the effective interest rate method	4	29,755	17,567
Interest payable and similar charges	4	(2,542)	(3,135)
Net interest income		**27,213**	**14,432**
Fee and commission income	5	244	-
Fee and commission expense	5	(152)	-
Net fee and commission income		**92**	-
Net income from financial instruments held at fair value through profit and loss	6	108	15
Other income		15	-
Total income		**27,428**	**14,447**
Administrative expenses	7	(30,809)	(22,372)
Impairment of loans and advances to customers	8	(30,737)	(13,375)
Net gain arising from derecognition of financial assets measured at amortised cost	9	4,369	-
Loss before taxation		**(29,749)**	**(21,300)**
Taxation	13	(4)	(10)
Loss after tax		**(29,753)**	**(21,310)**
Other comprehensive income / (expense)			
Items that may subsequently be reclassified to profit or loss:			
Fair value (losses)/ gains on debt instruments during the year		(120)	5
Profit or loss transfer in respect of maturity of debt instruments		-	(34)
Total other comprehensive income/ (expense) for the year		**(120)**	(29)
Total comprehensive loss for the year		**(29,873)**	**(21,339)**

All amounts relate to continuing operations.

The Company only loss after tax for the financial year amounted to £29.2m (2021: £21.3m). A separate income statement has not been prepared for the Company under the provisions of section 408 of the Companies Act 2006.

The notes on pages 27 to 60 form part of these financial statements

Consolidated Statement of Financial Position

	Notes	**Group As at 31 March 2022**	Group and Company As at 31 March 2021
		£'000	£'000
ASSETS			
Loans and advances to banks	**14**	**74,498**	52,173
Loans and advances to customers	**15**	**302,546**	156,249
Investment in debt securities	**16**	**4,883**	-
Prepayments and accrued income	**18**	**930**	555
Derivative financial assets	**24**	**138**	19
Other Assets	**17**	**8,620**	3,486
Current tax assets		**64**	45
Property, plant and equipment	**19**	**690**	819
Intangible assets	**20**	**7,669**	3,178
Total assets		**400,038**	**216,524**
LIABILITIES			
Customer deposits	**22**	**322,625**	160,015
Accruals and deferred income	**23**	**6,790**	4,127
Derivative financial liabilities	**24**	**457**	5
Provisions	**25**	**591**	-
Other Liabilities	**26**	**3,582**	1,547
Total liabilities		**334,045**	**165,694**
Net assets		**65,993**	**50,830**
EQUITY			
Called up share capital	**28**	**168,688**	113,688
Share premium account	**28**	**2,851**	2,851
Capital contribution	**29**	**6,247**	-
Other reserves	**29**	**203**	114
Retained losses		**(112,766)**	(65,823)
Merger reserve	**29**	**770**	-
Total equity		**65,993**	**50,830**
Total equity and liabilities		**400,038**	**216,524**

The notes on pages 27 to 60 form part of these financial statements.

These financial statements were approved by the board of Directors on 19 July 2022 and were signed on its behalf by:

A Mielczarek

Andrew Mielczarek
Chief Executive Office and Director
5 August 2022

Alan Cook

Alan Cook
Chairman
5 August 2022

Company Statement of Financial Position

	Notes	**Company As at 31 March 2022 £'000**	Company As at 31 March 2021 £'000
ASSETS			
Loans and advances to banks	14	**73,223**	52,173
Loans and advances to customers	15	**302,686**	156,249
Investment in Debt Securities	16	**4,883**	-
Prepayments and accrued income	18	**726**	555
Derivative financial assets	24	**138**	19
Other Assets	17	**8,057**	3,486
Current tax assets		**64**	45
Property, plant and equipment	19	**525**	819
Intangible assets	20	**4,402**	3,178
Investment in subsidiaries	21	**15,003**	-
Total assets		**409,707**	**216,524**
LIABILITIES			
Customer deposits	22	**322,594**	160,015
Accruals and deferred income	23	**6,221**	4,127
Derivative financial liabilities	24	**457**	5
Provisions	25	**591**	-
Other Liabilities	26	**3,157**	1,547
Total liabilities		**333,020**	**165,694**
Net Assets		**76,687**	**50,830**
EQUITY			
Called up share capital	28	**168,688**	113,688
Share premium account	28	**2,851**	2,851
Other reserves	29	**203**	114
Retained losses		**(95,055)**	(65,823)
Total equity		**76,687**	**50,830**
Total equity and liabilities		**409,707**	**216,524**

The notes on pages 27 to 60 form part of these financial statements.

These financial statements were approved by the board of Directors on 19 July 2022 and were signed on its behalf by:

Andrew Mielczarek
Chief Executive Office and Director
5 August 2022

Alan Cook
Chairman
5 August 2022

Consolidated Statement of changes in equity

	Called-up Share Capital £'000	Share Premium £'000	Retained losses £'000	Shared based payment reserve £'000	Debt securities revaluation reserve £'000	Merger and capital contribution reserve £'000	Total equity £'000
As at 31 March 2020	84,688	2,851	(44,513)	12	29	-	43,067
Comprehensive income:							
Loss for the period	-	-	(21,310)	-	-	-	(21,310)
Other comprehensive income:							
Debt instruments at FVOCI	-	-	-	-	-	-	-
Net changes in fair value	-	-	-	-	5	-	5
Reclassified to income statement	-	-	-	-	(34)	-	(34)
Tax on other comprehensive income	-	-	-	-	-	-	-
Total other comprehensive income	-	-	-	-	(29)	-	(29)
Total comprehensive income	-	-	(21,310)	-	(29)	-	(21,339)
Transactions with equity holders:							
Equity-settled shared-based payment transactions	-	-	-	102	-	-	102
Issue of shares	29,000	-	-	-	-	-	29,000
Balance at 31 March 2021	**113,688**	**2,851**	**(65,823)**	**114**	**-**	**-**	**50,830**
Comprehensive income:							
Loss for the period	**-**	**-**	**(29,753)**	**-**	**-**	**-**	**(29,753)**
Retained losses acquired on purchase of subsidiary	**-**	**-**	**(17,190)**	**-**	**-**	**-**	**(17,190)**
Other comprehensive income:							
Debt instruments at FVOCI							
Net changes in fair value	**-**	**-**	**-**	**-**	**(120)**	**-**	**(120)**
Reclassified to income statement	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Tax on other comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total other comprehensive income	**-**	**-**	**-**	**-**	**(120)**	**-**	**(120)**
Total comprehensive income	**-**	**-**	**(46,943)**	**-**	**(120)**		**(47,063)**
Transactions with equity holders:							
Equity-settled shared-based payment transactions	**-**	**-**	**-**	**209**	**-**	**-**	**209**
Issue of shares	**55,000**	**-**	**-**	**-**	**-**	**-**	**55,000**
Debt waiver by ultimate controlling party	**-**	**-**	**-**	**-**	**-**	**6,247**	**6,247**
Merger reserve arising on consolidation	**-**	**-**	**-**	**-**	**-**	**770**	**770**
Balance at 31 March 2022	**168,688**	**2,851**	**(112,766)**	**323**	**(120)**	**7,017**	**65,993**

Company Statement of changes in equity

	Called-up Share Capital £'000	Share Premium £'000	Retained losses £'000	Shared based payment reserve £'000	Debt securities revaluation reserve £'000	Total equity £'000
As at 31 March 2020	84,688	2,851	(44,513)	12	29	43,067
Comprehensive income:						
Loss for the period	-	-	(21,310)	-	-	(21,310)
Other comprehensive income:						
Debt instruments at FVOCI	-	-	-	-	-	-
Net changes in fair value	-	-	-	-	5	5
Reclassified to income statement	-	-	-	-	(34)	(34)
Tax on other comprehensive income	-	-	-	-	-	-
Total other comprehensive income	-	-	-	-	(29)	(29)
Total comprehensive income	-	-	(21,310)	-	(29)	(21,339)
Transactions with equity holders:						
Equity-settled shared-based payment transactions	-	-	-	102	-	102
Issue of shares	29,000	-	-	-	-	29,000
Balance at 31 March 2021	**113,688**	**2,851**	**(65,823)**	**114**	**-**	**50,830**
Comprehensive income:						
Loss for the period	**-**	**-**	**(29,232)**	**-**	**-**	**(29,232)**
Other comprehensive income:						
Debt instruments at FVOCI						
Net changes in fair value	**-**	**-**	**-**	**-**	**(120)**	**(120)**
Reclassified to income statement	**-**	**-**	**-**	**-**	**-**	**-**
Tax on other comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**
Total other comprehensive income	**-**	**-**	**-**	**-**	**(120)**	**(120)**
Total comprehensive income	**-**	**-**	**(29,232)**	**-**	**(120)**	**(29,352)**
Transactions with equity holders:						
Equity-settled shared-based payment transactions	**-**	**-**	**-**	**209**	**-**	**209**
Issue of shares	**55,000**	**-**	**-**	**-**	**-**	**55,000**
Balance at 31 March 2022	**168,688**	**2,851**	**(95,055)**	**323**	**(120)**	**76,687**

Consolidated and Company Statement of Cashflows

	Notes	**Group Year ended 31 March 2022 £'000**	**Company Year ended 31 March 2022 £'000**	Group and Company Year ended 31 March 2021 £'000
Cash Flows from operating activities				
Loss after tax		**(29,753)**	**(29,232)**	(21,310)
Adjustments to reconcile loss for the year to net cash flow from operating activities				
Depreciation of property, plant and equipment	19	**322**	**307**	347
Remeasurement of right-of-use asset		**304**	**105**	-
Amortisation of intangibles	20	**694**	**610**	106
Interest expense on financing activities		**35**	**33**	40
Equity-settled shared-based payment transactions	30	**209**	**209**	102
Movement in fair value of deriative financial assets		**(119)**	**(119)**	(15)
Movement in fair value of derivative financial liabilities		**452**	**452**	(4)
Loss on disposal of property, plant and equipment		**1**	**1**	12
Loss on disposal of intangible assets		**18**	**18**	402
Movement in provision		**591**	**591**	-
Net gain arising from derecognition of financial assets measured at amortised cost	9	**(4,369)**	**(4,252)**	-
Changes in operating assets and liabilities:				
Net increase in loans and advances to customers		**(146,297)**	**(146,437)**	(19,344)
(Increase)/decrease in prepayments and accrued income		**(175)**	**(171)**	223
Increase in other assets		**(4,696)**	**(4,571)**	(2,881)
Increase in tax asset		**(19)**	**(19)**	(45)
Increase/(decrease) customer deposits		**162,610**	**162,579**	(52,195)
Increase/(decrease) in accruals and deferred income		**1,612**	**2,094**	2,838
Increase/(decrease) in other liabilities		**1,447**	**1,610**	(396)
Adjust operating cash flows for financing and investing activities:				
Derecognition of assets at amortised cost on sale		**(123,733)**	**(123,851)**	-
Purchase of mortgage portfolio		**157,842**	**157,842**	-
Net cash from operating activities		**16,976**	**17,799**	**(92,120)**
Cash flows from investing activities				
Net maturity/(purchase) of debt securities		**(5,003)**	**(5,003)**	30,170
Purchase of loans and advances to customers		**(157,842)**	**(157,842)**	-
Purchases of property, plant and equipment		**(119)**	**(119)**	(116)
Investment in Intangible assets		**(1,852)**	**(1,852)**	(3,201)
Purchase of Subsidiary (group net of cash acquired)		**(12,903)**	**(15,003)**	-
Net cash flows from investing activities		**(177,719)**	**(179,819)**	**26,853**
Cash flows generated from financing activities				
Issuance of ordinary shares	28	**55,000**	**55,000**	29,000
Interest paid on lease liabilities		**(35)**	**(33)**	(40)
Proceeds from the sale of Loans and advances at amortised cost		**128,103**	**128,103**	-
Net cash flows from financing activities		**183,068**	**183,070**	**28,960**
Net cash flows for the period		**22,325**	**21,050**	**(36,307)**
Opening cash and cash equivalents		**52,173**	**52,173**	88,480
Closing cash and cash equivalents	14	**74,498**	**73,223**	**52,173**

The notes on pages 27 to 60 form part of these financial statements

Notes to the financial statements

1 General information

Chetwood Financial Limited is a private company limited by shares, incorporated and domiciled in England and Wales. Registered number 09964966, the address is Ellice Way, Wrexham Technology Park, Wrexham, LL13 7YT. The nature of the Group's operations and its principal activities are set out in the strategic report. The consolidated financial statements of Chetwood Financial Limited, for the year ended 31 March 2022, comprise the results of the Company and its subsidiaries (together, the 'Group').

2 Accounting policies

2.1 Basis of preparation

The Group financial statements are presented in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006. The financial information has been prepared under the historical cost convention, as modified by investment in debt securities measured at fair value through other comprehensive income and financial assets held for sale and derivative contracts both measured at fair value through profit or loss.

The preparation of financial statements in compliance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Group's accounting policies (see note 3).

The statutory consolidated Financial Statements comprise the Financial Statements of the Company and its subsidiaries (collectively, the Group) as at 31 March 2022. The subsidiaries are listed in Note 21. The Financial Statements of the Group's subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. All intra-Group balances, transactions, income and expenses are eliminated in full. No individual statement of comprehensive income or related notes are presented for the Company as permitted by Section 408 of the Companies Act 2006.

The Group's functional and presentation currency is the pound sterling. The Group's financial statements are presented in pound sterling and rounded to thousands, except when otherwise stated.

The financial statements provide comparative information of the previous period. In the prior period the Company took advantage of the exemption from presenting consolidated financial statements under Section 402 of the Companies Act 2006. Due to the acquisition of a related company during the period this exemption no longer applies, as at 31 March 2022 the Chetwood Financial Limited Group and Company information has been presented.

The following principal accounting policies have been applied:

2.2 Future accounting developments

The Group has considered all issued upcoming amendments to IFRS and concluded there are no standards and interpretations in issue but not effective which address matters relevant to the Group's accounting and reporting.

2.3 Acquisition accounting

On 1 March 2022 the Company acquired 100% of the share capital of Yobota Limited, from its parent company, Shropshire Holdings Limited ("Shropshire"). The Group considers this transaction to meet the definition of a business combination under common control, Yobota remains controlled by Shropshire and the same ultimate controlling parties both before and after the transaction. The Group has therefore opted to apply merger accounting to this transaction, which involves measuring all acquired assets and liabilities at book value on the date of acquisition. The difference between the book value acquired and the price paid has been recognised as a merger reserve within equity. All transaction costs relating to this acquisition have been expensed to the consolidated statement of comprehensive income including the cost of an independent, third-party valuation report, commissioned to validate that the acquisition price reflected fair value.

The acquisition has been reflected in these financial statements prospectively only, from the acquisition date.

2.4 Going concern

The financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons:

The financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons:
As at 31 March 2022 the Group had cash balances of £74m and a loss for the year of £30m. The existing investor made additional capital injections of £22m after the year end. Cash balances as at 30 June 2022 totalled £106m.

The directors have prepared base case and stressed forecasts, which consider capital requirements, funding and liquidity, for a period of at least 12 months from the date of approval of these financial statements. In assessing the going concern basis of preparation, the directors have considered a severe but plausible downside scenario, aligned to the ICAAP and elements of the Bank of England solvency test, including the assumption of no further funding from its investors and an inflation stress. This scenario is broadly consistent with the most severe downside scenario used in calculating expected credit losses. The forecasts indicate that even in this severe but plausible downside scenario the Group is able to maintain adequate capital and liquidity throughout a period of at least 12 months from the date of approval of these financial statements by making use of available management actions, including cost cutting measures and curtailing lending.

The Group is still in the growth stage and the Directors expect the Group, in the normal course of business, to require additional funding from its investors in order to continue to grow and to fulfil its business plan, until longer-term sustainable profitability is achieved. The principal investor has been consistently supportive to date, including throughout the pandemic, and has indicated that, based on the facts and circumstances they are aware of at the date of signing, it is their current intention to financially support the Group for a period of not less than 12 months from the date of approval of these financial statements. As with any Group placing reliance on its investor for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Based on the above, the going concern basis of accounting has been used to prepare these financial statements.

2.5 Interest income and expense

Financial instruments measured at amortised cost

For all interest-bearing financial instruments measured at amortised cost, including loans and advances, interest income and expense is calculated using the effective interest rate method. 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 Group estimates cash flows considering all contractual terms of the financial instruments but does not consider future credit losses. The calculation includes all amounts that are an integral part of the overall return, including direct incremental costs related to the acquisition of a financial instrument.

Once a financial asset is considered to be in default, interest income is only recognised on the net lending balance after impairment. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

Financial instruments measured at fair value

Loans and advances to customers held for sale are measured at fair value, accordingly interest income on such assets is calculated on an accruals basis and included in the statement of total comprehensive income within net income from financial instruments held at fair value through profit and loss, along with any changes in the fair value of the financial instruments.

Net interest income on interest based derivative instruments is included within net income from financial instruments held at fair value through profit and loss along with any changes in the fair value of the financial instruments.

2.6 Fee and commission income and expense

Fee and commission income and expense which are not an integral part of the effective interest rate are recognised in the consolidated statement of comprehensive income on an accruals basis, when the service has been provided.

Interchange income is included within fee and commission income, this represents merchant fees for credit card transactions processed through the interchange networks, the related fee retained by the merchant's processing bank is included within fee and commission expense. Interchange income is earned at the time of the transaction.

Fees received for the provision of software platforms and loans administration services are recorded in fee and commission income and accounted for in accordance with IFRS 15 *'Revenue from Contracts with Customers',* with income recognised once the relevant service has been delivered and the benefits transferred to the customers. The income from minimum service fees receivable for provision of software platforms is initially recognised on a straight-line basis over the life of the contract, with additional income recognised on a consumption-driven basis over and above any minimum fees. Where consultancy services are provided on a fixed fee basis, income is recognised as agreed project milestones are achieved.

2.7 Gain on derecognition of assets

The difference between the carrying amount of the financial assets and the consideration received is recognised as a gain on sale in the consolidated statement of comprehensive income.

2.8 Government grants

Government grants are recognised in the Consolidated Statement of Comprehensive Income, based on the accrual model when it is reasonable to expect the grants will be received and that all related conditions have been met.

2.9 Employee benefits

Defined contribution pension plan

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

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

Share-based payment transactions

Shares in Shropshire Holdings Limited, the parent company of Chetwood Financial Limited are awarded to senior management under a management incentive scheme.

The cost of equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at grant date and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award. No expense is recognised for awards that do not ultimately vest. At each balance sheet date before vesting, the cumulative expense is calculated, representing management's best estimate of the achievement or otherwise of non-market conditions and the number of equity instruments that will ultimately vest. The movement in cumulative expense since the previous balance sheet date is recognised in the Consolidated Statement of Comprehensive Income, with a corresponding entry in equity.

Where the terms of an equity-settled award are modified, or a new award is designated as replacing a cancelled or settled award, the cost based on the original award terms continues to be recognised over the original vesting period. In addition, an expense is recognised over the remainder of the new vesting period for the incremental fair value of any modification, based on the difference between the fair value of the original award and the fair value of the modified award, both as measured on the date of the modification. No reduction is recognised if this difference is negative. Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any cost not yet recognised in the profit and loss account for the award is expensed immediately. Any compensation paid up to the fair value of the award at the cancellation or settlement date is deducted from equity, with any excess over fair value expensed.

2.10 Intangible assets

Intangible assets are initially recognised when they are separable or arise from contractual or other legal rights, the cost can be measured reliably and where it is probable that there will be future economic benefits attributable to the assets.

For internally generated intangible assets, only costs incurred during the development phase are capitalised. Any expenditure incurred in the research phase is recognised as an expense in the period in which it is incurred. Intangible assets are initially recognised at cost.

After recognition, intangible assets are measured at cost less any accumulated amortisation and impairment losses and are amortised over their estimated useful lives from the point the asset is available for use. The estimated useful lives are based on the period over which the assets are expected to generate future economic benefit for the business as follows:

- Internally generated software: 12 months to 5 years
- Other software: 5 years
- Patents and Royalties: 3 years

At each balance sheet date, the carrying amounts and remaining useful lives of intangible assets are reviewed, to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than the carrying amount, the carrying amount is impaired to the recoverable value. Intangible assets not yet available for use are reviewed annually for impairment by calculating the value-in-use, which involves estimating the future expected cash flows and comparing to the carrying value of the intangible asset.

2.11 Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged on a straight-line basis to allocate the difference between the cost and expected residual value over their estimated useful lives, as follows:

Fixtures, fittings and equipment	- 5 years
Right-of-use assets	- Over the lease term
IT equipment	- 3 years
Leasehold improvements	- Over the period of lease term until break clause

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Consolidated Statement of Comprehensive Income.

2.12 Leases

The Group accounts for a contract, or a portion of a contract, as a lease when it conveys the right to use an asset for a period of time in exchange for consideration. Leases are those contracts that satisfy the following criteria:

(a) There is an identified asset;
(b) The Group obtains substantially all the economic benefits from use of the asset; and
(c) The Group has the right to direct use of the asset.

In determining whether the Group obtains substantially all the economic benefits from use of the asset, the Group considers only the economic benefits that arise from the use of the asset, not those incidental to legal ownership or other potential benefits.

In determining whether the Group has the right to direct use of the asset, the Group considers whether it directs how and for what purpose the asset is used throughout the period of use. If there are no significant decisions to be made because they are pre-determined due to the nature of the asset, the Group considers whether it was involved in the design of the asset in a way that predetermines how and for what purpose the asset will be used throughout the period of use. If the contract or portion of a contract does not satisfy these criteria, the Group applies other applicable IFRSs rather than IFRS 16.

The benefit received from leasing assets under operating leases is recognised as a right of use asset with the present value of the lease payments being recognised as a lease liability upon inception of the lease. All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

– Leases of low value assets; and
– Leases with a duration of twelve months or less.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless this is not readily determinable, in which case the Group's incremental borrowing rate on commencement of the lease is used.

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term.

During the year the Group has reassessed the reasonably likely lease exit dates and remeasured the lease liability, the reduction in lease liability has resulted in an equal reduction in the right of use asset, in accordance with IFRS 16.

2.13 Loans and advances to banks

Loans and advances to banks include unrestricted balances held with central banks and demand deposits with original maturities of three months or less. Loans and advances to banks are carried at amortised cost.

2.14 Investment in subsidiary

Investment in subsidiary undertakings is stated at cost less any provision for impairment. Investment in subsidiary is reviewed for impairment losses at the end of each period and whenever changes in circumstances indicate that the carrying amount may not be recoverable. Any such impairment loss is recognised in the Consolidated Statement of Comprehensive Income.

2.15 Taxation

Taxation on the profit or loss for the year comprises current and deferred tax. Taxation is recognised in the Consolidated Statement of Comprehensive Income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Research and Development (R&D) tax credits, are recognised as income in the period in which the R&D income is receivable.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

2.16 Fair value measurement

The Group measures financial instruments, loans and advances to customers held for sale, investments in debt securities and derivatives at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transactions to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 - quoted (unadjusted) market prices in active markets for identical assets or liabilities;

Level 2 - valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and

Level 3 - valuation techniques where at least one input is not based on observable market data and has a significant effect on the instrument's valuation.

2.17 Financial Instruments

Financial assets comprise loans and advances to customers, investments in debt securities, loans and advances to banks, derivative financial assets, amounts owed by Group undertakings and cash collateral and trade debtors.

Financial liabilities comprise customer deposits, derivative financial liabilities, amounts due to Group undertakings and trade creditors.

Financial assets and liabilities are recognised when the Group becomes party to the terms of the contract. For loans and advances this is the point at which cash is advanced to the borrower.

On initial recognition financial assets are classified into one of three categories and measured at amortised cost, fair value through other comprehensive income or fair value through profit and loss. In classifying each financial asset, the Group assesses:
• The objective of the business model In which the financial asset is held and
• Whether the contractual cash flows of the financial asset are 'solely payments of principal and interest' (SPPI).

Financial instruments measured at amortised cost

Financial assets that are held to collect contractual cash flows of principal and interest are measured at amortised cost. Financial assets measured at amortised cost are loans and advances to banks, loans and advances to customers that are not held for sale, and other current assets. Interest income on financial instruments measured at amortised cost is accounted for using the effective interest method.

Financial liabilities are measured at amortised cost except for derivative financial liabilities, which are measured at fair value through profit or loss.

Financial instruments measured at fair value through other comprehensive income

Investments in debt securities are measured at fair value through Other Comprehensive Income. They are classified as fair value level 1 as the fair value is measured based on current, quoted bid prices in active markets for identical assets.

Interest income on such assets is recognised in the Consolidated Statement of Comprehensive Income using the effective interest rate method. Impairment provisions, should they be required are recognised in the Consolidated Statement of Comprehensive Income. Other fair value movements are recognised in Other Comprehensive Income until the disposal or maturity of such assets, at which time the gain or loss accumulated in equity is reclassified to the Consolidated Statement of Comprehensive Income.

Financial instruments measured at fair value through profit or loss

Financial assets measured at fair value through profit or loss are recognised in the Statement of Financial Position at fair value. Fair value gains and losses together with any interest income on an accruals basis, are recognised within net income from financial instruments held at fair value in the Consolidated Statement of Comprehensive Income. Loans and advances to customers that are held for sale and all derivatives are carried at fair value through profit or loss.

Derecognition of financial assets on securitisation

When the Group sells assets into a securitisation vehicle, management considers whether the assets securitised meet the criteria to be derecognised, or should continue to be recognised by the Group. A financial asset is derecognised when the rights to the cash flows from that asset expire, or when the contractual rights to cashflows are transferred, or when the risks and rewards of the financial asset have been substantially transferred.

2.18 Impairment of financial assets

Expected credit losses are recognised, where appropriate, for all assets not measured at fair value through profit or loss. Expected credit losses are a probability-weighted estimate of default, adjusted to take into account possible future economic scenarios, then applied to the estimated exposure of the Group at the point of default. After taking into account any loss mitigants should default occur. The expected credit loss is measured as the difference between contractual cash flows and expected cash flows, discounted using the assets effective interest rate.

At initial recognition an allowance is made for expected credit losses resulting from default events that are possible in the next 12 months.

Subsequent measurement of impairment allowance depends on the increase in the probability of an asset defaulting since initial recognition. The guidance requires assets to be classified into three stages:

Stage 1: financial assets that have not had a significant increase in credit risk since initial recognition or that have low credit risk at the reporting date. For financial assets in stage 1, a 12-month expected credit loss is recognised.

Stage 2: financial assets that have shown a significant increase in credit risk from initial recognition but that are not classed as defaulted, are stage 2. For these assets allowance is made for expected credit losses resulting from all possible default events over the expected life of the financial instrument.

Stage 3: includes assets where there is objective evidence of impairment meaning the financial asset is considered to be in default. For these assets, lifetime expected credit losses are recognised and interest income is calculated on the net carrying amount.

Where the credit risk of an asset subsequently improves the asset can be transferred back to an earlier stage.

An assessment of whether the credit risk has increased significantly since initial recognition considers both quantitative and qualitative factors. However, the credit risk is always deemed to have increased significantly when an asset is more than 30 days past due. The Group also deems that default occurs no later than when a payment is 90 days past due.

A loan is derecognised when the contractual rights to the cashflow have been transferred or have expired. On derecognition the difference between the carrying amount and any consideration received is recognised in the Consolidated Statement of Comprehensive Income.

Acquired loans that meet the Group’s definition of default (90 days past due or an unlikeliness to pay position) at acquisition are treated as purchased or originated credit impaired ("POCI") assets. These assets attract a lifetime expected credit loss allowance over the full term of the loan, even when these loans no longer meet the definition of default post acquisition. The Group does not originate credit-impaired loans.

In response to the COVID-19 pandemic, during the prior year the Group extended additional short-term concessions to customers in the form of payment holidays, these came to an end in August 2021. These concessions were accounted for as a non-substantial modification and did not result in derecognition of the underlying asset. As at 31 March 2022, the total loans and advances to customers that were on payment holiday was £nil (2021: £2,580k), during the year the cumulative total of all loans and advances on payment holiday was £3,268k (2021: £25,806k).

Assets secured against collateral

During the year the Group has acquired the rights to cashflows on a portfolio of secured assets, these assets are serviced by a third party provider. The agreement with the servicer includes the provision of all necessary collection activities, including, where necessary, repossession of collateral.

The Group's policy is to sell repossessed assets rather than use them for its internal operations, any surplus funds would be returned to the customers/obligors.

3 Judgements in applying accounting policies and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 2, the directors are required to make judgements that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation in applying the Group's accounting policies

The following are the key sources of estimation, that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

3.1 Expected credit loss (ECL) measurement

The calculation of the Group's ECL under IFRS 9 requires a number of judgements, assumptions and estimates. The most significant of which are:

a) ECL model estimates

Credit losses are the expected cash shortfalls from the contractually due amounts over the next 12-months or the expected life of a financial instrument. The impairment models multiply the probability of default (PD), loss given default (LGD) and the exposure at default (EAD) to calculate the expected credit loss. The 12-month PD is used for all assets in stage 1 and the lifetime PD is used for all other assets.

For secured lending the probability of default is modelled based on historic data, management deem this to be materially reasonable at present given the low level of defaults experienced historically in the portfolio purchased. For the unsecured portfolio the probability of default is calculated using a term structure where, all things being equal, the probability of default reduces (and probability of survival increases) as the term on book progresses.

Due to a lack of historic trading data, industry data for customers with a similar risk profile is predominantly used in all models to predict customer behaviour. Going forward industry data will be replaced with trading data as this becomes available.

The following table shows the sensitivity of significant modelling estimates, being the PD and expected recoveries incorporated in the LGD calculation.

	Sensitivity in £000's PD : +5% relative	Sensitivity in £000's PD : -5% relative
Impact on ECL	976	(954)

	Sensitivity in £000's LGD : +5% relative	Sensitivity in £000's LGD : -5% relative
Impact on expected post default recoveries	1,762	(1,784)

b) Definition of default - judgement

The Group classifies an account as in default when there is evidence that the customer is experiencing significant financial difficulty and historical data shows the customer is unlikely to pay, including where contractual payments are more than 90 days past due or upon qualitative observations including insolvency.

c) Significant increase in credit risk - judgement

In determining whether an account has demonstrated a significant increase in credit risk since origination the Group applies the following criteria:

- Quantitative measures consider severity of any change in an accounts PD from that expected at origination. The Group has segmented the unsecured portfolio into origination PD risk grades and has determined a threshold for each risk grade where a movement in excess of the threshold since origination is considered to be significant, in such case an account would be moved to stage 2. For the secured portfolio, the proximity of the year end to the purchase date means no SICR has been observed.

- Qualitative criteria which consider whether an account has displayed behaviour that would be indicative of a significant increase in credit risk. In the case of credit card balances this includes overlimit accounts.

- Delinquency data is used to identify any accounts which are more than 30 days past due, the Group assumes all financial assets have shown a significant increase in credit risk if they are more than 30 days past due.

The Group uses up-to-date external credit bureau data in the PD determination, and as a result in most instances adverse behaviour is reflected in the quantitative measure. An account is moved back to stage 1 when it no longer meets the criteria for a period of longer than one month.

d) Economic forecasts

The calculation of ECL incorporates a probability-weighted range of possible future outcomes. The Group has identified the most significant macroeconomic factor likely to impact credit loss as the change in the UK unemployment rate. For 2022 the scenarios include a base, an upside and two downside scenarios, which are all based on external forecasts. The probability weighting applied to each scenario is based on management's best estimate of the likely occurrence of each scenario. The choice of alternative scenarios and scenario weights is a judgemental assessment.

e) Post model adjustments

Limitations in the Group's impairment models or data inputs may be identified through the ongoing assessment and validation of the output of the models. In these circumstances, management make appropriate adjustments to the allowance for impairment losses to ensure that the overall provision adequately reflects all material risks. Any such adjustments are subject to internal review and challenge to ensure amounts are appropriately calculated and that there is an agreed release criteria within a specified timeframe.

Post-Covid recovery has been recently hampered by geopolitical tensions, including the war in Ukraine, this is creating uncertainty across global markets, including high levels of inflation.

The Group considers that unemployment rate is the key macro-economic input that has the most significant ECL impact, currently overall forecasts for unemployment remain below pre-COVID levels, the portfolio has also been built with robust affordability checks, leaving the lending book well positioned. Nevertheless the Group is monitoring carefully the impacts of higher inflation and the associated cost of living implications for customers and has applied a post-model adjustment of £551k for affordability stress across the unsecured portfolios, in order to account for potential impacts of the current environment that is likely to be underestimated in the modelled outcome. This is an area of management judgement and it is possible the actual outcome could vary significantly from the estimate.

f) Purchased or originated credit impaired (POCI)

Acquired loans that meet the Group's definition of default (90 days past due or an unlikeliness to pay position) at acquisition are treated as POCI assets. These assets attract a lifetime ECL allowance over the full term of the loan, even when these loans no longer meet the definition of default post acquisition. The Group does not originate credit-impaired loans.

Once a financial asset is classified as POCI, it remains there until derecognition irrespective of its credit quality. POCI financial assets are disclosed separately from those financial assets in Stage 3

g) Provisions against credit commitments

The exposure at default models take into account available but unutilised credit commitments, including unused credit limits on revolving credit facilities and committed mortgage drawdowns. The Group considers secured lending to be committed at the point the customer accepts the offer. Although no transfer of assets is undertaken until legal completion is confirmed, a provision is recognised against secured loans from the point of commitment.
In accordance with IFRS 9, the expected credit loss against off-balance sheet commitments is recognised in provisions in the Statement of Financial Position.

3.2 Effective interest rate (EIR)

Cost arising on the acquisition of loan assets, premium or discounts on purchase and estimated reduction in interest rates for loans customers are amortised through the Statement of Total Comprehensive Income over the expected life of the asset on an EIR basis. The 'effective interest rate' is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or financial liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or financial liability. When calculating the EIR, the Group estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses. The calculation of the EIR includes those transaction costs and fees paid or received, which are deemed to be an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

The EIR method of accounting for income recognition requires management to make a number of assumptions. In particular, management must make a significant judgement around the estimation of the expected life of loan assets. In determining the expected life of loan assets, management consider likely redemption profiles and the anticipated level of early settlements. For revolving products, informed by market data, but in the absence of any historical observed behaviour, an estimated life of 5 years has been used.

Sensitivity analysis has been performed on the behavioural assumptions of customer prepayment across all products and increase/decrease in expected prepayments of 10% would have an impact of +/- £479k on the EIR balance held at year end.

3.3 Secured lending book acquisition accounting

Acquired loan books are initially recognised at fair value with interest computed using the effective interest rate methodology. The fair value of the loan book includes any premium paid or discount received and any directly attributable costs of purchase. On 15 March 2022, the Group took assignment of the call rights for Precise Mortgage Funding 2017-1 PLC, a securitisation vehicle, and used those rights to purchase the underlying mortgage assets owned by the securitisation vehicle for £157.8m. The call rights gave the Group the beneficial interest of all cashflows and substantially all the risks and rewards of ownership, the assets were accordingly recognised on the purchase date on the balance sheet at the price paid, being the fair value of the transaction.

Significant estimation is required in calculating the acquisition fair value and the effective interest rate of the mortgage book, including assumptions on interest rates, behavioural prepayment rates and the expected losses. The purchase price was informed by similar external deals and internal modelling to ensure the purchase gives the Group the required expected return, fair value sensitivities have also been performed, including the market rate applied to the discounted cash flows. Where the margin applied is increased/decreased by 10bps the initial premium recognised on book would have increased/decreased by £415k.

The effective interest rate calculated at acquisition is not changed for subsequent changes to expected behavioural cash flows, but is updated for any change to market rates of interest. The Group monitors the actual cashflows received against the expectation and where these vary from expectation, the revised future cashflows are discounted at the original effective interest rate, with any resulting change in carrying value being taken to interest income.

3.4 Business Model

IFRS 9 requires the Group to conclude on its business model, this determines the classification of the Group's financial assets. During the year the Group entered into a transaction to sell loans and advances previously originated with the intention to hold to collect and therefore measured at amortised cost. This transaction provided a new cost-efficient funding stream to the Group and was a justified deviation from the business model at origination. The gain arising from this sale has been recognised in the Consolidated Statement of Comprehensive Income.

Management assessed the future business model and determined the Group now operates a split business model, where assets are being originated both with the intention to hold to collect and the intention to sell these into the same securitisation vehicle, the Group has therefore created two portfolios to track originations to collect and to sell as distinct populations. The Group acts as the risk retention holder, meaning as a condition of each sale 5% of all loans otherwise eligible for sale are legally retained on the Group's balance sheet to maturity. The Group agrees to retain these assets and not otherwise take action to mitigate the risks inherent in their ownership for so long as the securitisation transaction remains in place and outstanding.

3.5 Purchase of Yobota Limited

On 1 March 2022, Chetwood Financial Limited purchased 100% of the share capital of Yobota Limited, a cloud based banking software provider, from its parent company, Shropshire Holdings Limited for £15m, including £2.1m cash balance on acquisition. This was a related party transaction, but management took appropriate steps, supported by an independent valuation and legal advice, to establish what was an appropriate value range for an 'arm's length' transaction.

The acquisition was undertaken to increase operational efficiencies within the Shropshire Group by enhancing the expertise within Chetwood Financial Limited in relation to its core banking platform, and also enabling the Company the ability to better commercialise a Banking-as-a-Service proposition to the market. The core banking system purchased within Yobota is unique as Chetwood worked with Yobota to design bespoke capabilities within the system.

The valuation performed considered both income and replacement cost approaches to calculate a reasonable range of equity estimates for the valuation of Yobota, the price agreed was the mid-point of the range.

Equity valuations are inherently judgemental, and the income approach was based on management forecasts, to which a discounted cash flow methodology was applied to arrive at a present value. Such forecasts are management's best estimate of future revenue and costs, discounted both for time value of money, and additionally to reflect the uncertain nature of any forecast. In addition to the base case, three alternative scenarios were produced to try to mitigate the uncertainty in these forecasts. The key assumptions within the income approach were the growth rate of additional revenues, the inflation rate applied to operating costs, and the discount rate.

The discounted cash flow methodology is inherently judgemental, key sensitivities include:

• Were the forecast revenues and associated attributable costs to increase/decrease by 10% and 20%, all other variables remaining constant, the impact on the income valuation approach would have been £2.5m and £3.7m respectively.
• Were the discount rate to increase/decrease by 5% with all other variables remaining constant, the impact on the income valuation approach would have been £6.3m.

The cost approach involves estimating the value of the core banking system by reference to the costs that would have to be expended in order to recreate the asset. This approach estimated the costs to recreate the technology based on the historical total development costs, indexed to the purchase date and applying an obsolescence factor of 10%.

As the core banking system purchased within Yobota is bespoke, key sensitivities include:

•The impact of changing the cost of current market rate salaries by 5%, all other variables remaining constant, would have been an £0.8m increase/decrease in fair value.
•The impact of increasing/decreasing the obsolescence factor by 5% in the cost approach, all other variable remaining constant, would have been £0.7m.

3.6 Derecognition of financial assets

The primary management judgement around the derecognition of financial assets is in determining the extent to which the risks and rewards are transferred on sale. In order to numerically assess the extent the risks and rewards were being transferred on the sale of £123.9m of loans and advances to Cherub Funding Limited, management completed a variability analysis, showing the residual rights to cashflows under a series of possible outcomes, including consideration of the ongoing fee for acting as a servicing agent for the assets after sale. In all cases it was determined that substantially all the risks and rewards of ownership have been transferred and the assets were derecognised accordingly.

3.7 Intangible assets

The Group capitalises the cost of internal system development where the project is expected to result in a separately identifiable asset, the project is technically feasible, the Group has the ability and sufficient resources to complete development, if future economic benefits are probable and if the Group can measure reliably the expenditure attributable to the intangible asset during its development.

The expenditure capitalised includes third party and internal employee time costs for software and system development. Capitalised costs are initially measured at cost and amortised straight-line from the date at which the system is available for use, over the period for which the developed system is expected to be in use. Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on the research phase of projects, is recognised as an expense as incurred.

Intangible assets are reviewed for indicators of impairment at least annually at the balance sheet date. For intangible assets that are not yet available for use, the recoverable amount is estimated at the reporting date. The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that are largely independent of the cash inflows of other assets (the cash generating unit).

An impairment loss is recognised if the carrying amount of an asset or cash generating unit exceeds its estimated recoverable amount. The calculation of recoverable amounts requires management judgements to be taken regarding the future expected benefits, allocation of assets to cash generating units and the appropriate discount rate to be used.

At 31 March 2022 the Group had £nil (2021: £2,919k) capitalised for assets under construction.

4 Interest income or interest payable

	Group Year ended 31 March 2022 £'000	Group and Company Year ended 31 March 2021 £'000
Interest income		
Interest income from loans and advances to customers held at amortised cost	**29,616**	17,444
Interest income from banks and debt securities	**139**	123
Total interest income calculated using the effective interest rate method	**29,755**	17,567

	Group Year ended 31 March 2022 £'000	Group and Company Year ended 31 March 2021 £'000
Interest payable and similar charges		
Interest payable on customer deposits	**2,507**	3,043
Other interest payable	**35**	92
Total interest payable	**2,542**	3,135

Other interest expense includes £35k (2021: £40k) arising from the unwind of lease liabilities required under IFRS 16 Leases ("IFRS 16").

5 Fee and Commission

	Group Year ended 31 March 2022	Group and Company Year ended 31 March 2021
Fee and commission income	**£'000**	£'000
Transaction based fees	**135**	-
Other fee and commission income	**109**	-
Total fee and commission income	**244**	-
Fee and commission expense		
Fee and commission expense	**(152)**	-
Total fee and commission expense	**(152)**	-

Fee and commission income and expense that are integral to the effective interest rate on a financial asset or financial liability are included in the effective interest rate (see note 4).

Other fee and commission income - including account servicing fees, is recognised as the related services are performed. Other fee and commission expenses relate mainly to transaction and service fees, which are expensed as the services are received.

6 Net income from financial instruments held at fair value through profit and loss

	Group Year ended 31 March 2022 £'000	Group and Company Year ended 31 March 2021 £'000
Net income from financial instruments mandatorily measured at FVTPL	**99**	(3)
Fair value movement of financial instruments mandatorily measured at FVTPL	**(361)**	18
Net income from financial instruments designated as at FVTPL	**143**	-
Fair value movement of financial instruments designated as FVPTL	**227**	-
	108	15

Further information in relation to the measurement of financial instruments can be found in note 2.17

7 Administrative expenses

		Group Year ended 31 March 2022 £'000	Group and Company Year ended 31 March 2021 £'000
Staff costs	11	**17,000**	13,696
Depreciation of property, plant and equipment	19	**322**	347
Amortisation of intangible assets	20	**694**	106
Government grant		**-**	(205)
Auditors' remuneration	10	**898**	395
Other administration and general expenses		**11,895**	8,033
		30,809	22,372

Government grant relates to a prior year award of business finance funding from the Welsh government, to aid job creation. No further grant payments have been awarded in relation to the current period.

8 Impairment of loans and advances to customers

	Group Year ended 31 March 2022 £'000	Group and Company Year ended 31 March 2021 £'000
Provided in period	**33,280**	14,606
Recovery of written off amounts	**(2,543)**	(1,231)
Impairment of loans and advances to customers	**30,737**	13,375

The Group's impairment charge includes the net impact of transfers between stages, changes in loss allowance as a result of movements in the probability of default which have not resulted in a transfer between stages and the impact of write-offs and recoveries. For further information see note 31.2.

9 Gain arising from derecognition of financial assets measured at amortised cost

	Group Year ended 31 March 2022 £'000	Group and Company Year ended 31 March 2021 £'000
Net gain arising from derecognition of financial assets measured at amortised cost	**4,369**	-

On 7 March 2022, the Group completed a securitisation sale of gross loans and advances with a carrying value of £123.7m for proceeds of £128.1m, resulting in a gain on sale of £4.4m. For further details see note 33.

10 Auditors' remuneration

	Group Year ended 31 March 2022 £'000	Group and Company Year ended 31 March 2021 £'000
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	**829**	395
Fees payable to the subsidiary undertakings' auditor and its associates for the audit of the subsidiary undertakings' annual financial statements	**69**	12
	898	407

In addition to the amounts disclosed above, an additional amount of £95k in relation to the audit of the prior year financial statements has been paid during the year.

11 Employees

Staff costs, including directors' remuneration, were as follows:	**Group Year ended 31 March 2022 £'000**	**Company Year ended 31 March 2022 £'000**	Group and Company Year ended 31 March 2021 £'000
Wages and salaries	**12,159**	**11,722**	8,279
Capitalised to intangibles	**(506)**	**(506)**	(560)
Social security costs	**1,439**	**1,417**	1,005
Pension costs	**403**	**388**	251
Other staff costs	**3,505**	**3,474**	4,721
	17,000	**16,495**	13,696

Included within wages and salaries above is an amount totalling £209k (2021- £102k) relating to share-based payments.

The average monthly number of employees, including the directors, during the year was as follows:

	Group Year ended 31 March 2022 £'000	**Company Year ended 31 March 2022 £'000**	Group and Company Year ended 31 March 2021 £'000
Directors	**8**	**8**	9
Employees	**166**	**159**	110
	174	**167**	119

All employees are located in the United Kingdom and are engaged in the delivery of consumer finance products and the development of cloud-based core banking platforms.

12 Directors' remuneration

	Group Year ended 31 March 2022 £'000	Group and Company Year ended 31 March 2021 £'000
Directors' emoluments	**1,697**	1,782
Group contributions to defined contribution pension schemes	**24**	25
	1,721	1,807

During the year retirement benefits were accruing to 3 directors (2021 – 4) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £471k (2021- £388k) including £nilk (2021: £12k) of Group contributions paid to a defined contribution pension scheme.

The Group’s parent undertaking operates an equity-settled share scheme. Included within directors’ remuneration is £39k (2021: £31k) expense in respect of shares awarded.

Key management compensation related wholly to the directors, who have the authority and responsibility for directing and controlling the Group’s activities.

13 Taxation

Current tax	**Group Year ended 31 March 2022 £'000**	Group and Company Year ended 31 March 2021 £'000
Total current tax expense	**4**	10
Taxation on profit on ordinary activities	**4**	10

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2021: higher than) the standard rate of corporation tax in the UK of 19% (2021: 19%). The differences are explained below:

	Group Year ended 31 March 2022 £'000	Group and Company Year ended 31 March 2021 £'000
Loss on ordinary activities before tax	**(29,749)**	(21,300)
Tax on loss at standard UK tax rate of 19% (2021: 19%)	**(5,652)**	(4,047)
Effects of:		
Adjustments in respect of previous years	**15**	10
Expenses not deductible	**189**	262
Unrecognised deferred tax	**5,463**	3,785
Research and development tax credit	**(11)**	-
Tax charge for the year	**4**	10

Based on their assessment of the timing and level of future taxable profits, the Directors have concluded that it would not be appropriate to recognise a deferred tax asset at the balance sheet date. The unrecognised deferred tax asset as at 31 March 2022 is £17,219k (2021: £11,756k).

An increase in the UK corporation rate from 19% to 25% (effective 1 April 2023) was substantively enacted on 24 May 2021. This will increase the Group's future current tax charge accordingly.

14 Loans and advances to banks

Cash and cash equivalents for the purposes of the Cash flow statement include the following:

	Group As at 31 March 2022	Company As at 31 March 2022	Group and Company As at 31 March 2021
	£'000	£'000	£'000
Bank of England	66,625	66,625	44,510
Commercial banks	7,873	6,598	7,663
Total	74,498	73,223	52,173

All balances are held with institutions rated A or above by external credit reference agencies. The fair value of loans and advances to banks is considered to be the book value, these items have a short-term maturity. The Group has assessed the balances and determined no impairment provision is necessary for these items.

15 Loans and advances to customers

	Group As at 31 March 2022	Company As at 31 March 2022	Group and Company As at 31 March 2021
	£'000	£'000	£'000
Gross loans and advances to customers at amortised cost	320,324	320,464	182,145
Impairment allowances	(34,576)	(34,576)	(25,896)
Net loan receivables held at amortised cost	285,748	285,888	156,249
Loans and advances to customers at FV	16,798	16,798	-
Net loan receivables at FV	16,798	16,798	-
Total loans and advances to customers	302,546	302,686	156,249

For details of the contractual maturity see note 31.5. For details of the contractual maturity profile and the expected credit loss assessment performed on loans and advances to customers, see note 31.2.

16 Investment in debt securities

	Group As at 31 March 2022	Company As at 31 March 2022	Group and Company As at 31 March 2021
	£'000	£'000	£'000
Debt securities	4,883	4,883	-

Investments in debt securities are held by the Group to provide a liquidity pool and are recorded at fair value through other comprehensive income. All instruments are investments in UK sovereign treasury bills, scheduled to mature in January 2024. The total historic cost of these positions is £5.0m. Treasury bills are highly rated government securities for which traded prices are readily available.

17 Other assets

	Group As at 31 March 2022 £'000	**Company As at 31 March 2022 £'000**	Group and Company As at 31 March 2021 £'000
Amounts owed by parent undertakings	**254**	**254**	134
Amounts owed by subsidiary undertakings	**-**	**-**	173
Other debtors	**5,571**	**5,008**	984
Cash collateral	**2,795**	**2,795**	2,195
Total other assets	**8,620**	**8,057**	3,486

Cash collateral represents margin calls made on derivative contracts and security deposits placed to support payment processes and customer transaction volumes.

Other debtors includes £3.2m due as a result of the acquisition of the beneficial interest in the portfolio of residential mortgages. This amount was settled shortly following the year end.

Amounts owed by parent and subsidiary undertakings is unsecured, non-interest-bearing and repayable on demand. All amounts due from undertakings are included within Stage 1 for IFRS 9 purposes, the expected credit loss is £nil (2021: £nil).

18 Prepayments and accrued income

	Group As at 31 March 2022 £'000	**Company As at 31 March 2022 £'000**	Group and Company As at 31 March 2021 £'000
Prepayments	**822**	**618**	555
Accrued income	**108**	**108**	-
	930	**726**	555

19 Property, plant and equipment

Group	Fixtures, Fittings and Equipment	IT Equipment	Right-of-use assets	Total
	£'000	£'000	£'000	£'000
Costs				
As at 1 April 2021	635	223	636	1,494
Additions	11	108	-	119
Acquisition of subsidiary undertaking at net book value	15	42	322	379
Disposals	(5)	(14)	-	(19)
Remeasurement of the ROU asset	-	-	(304)	(304)
As at 31 March 2022	656	359	654	1,669
Depreciation				
As at 1 April 2021	352	123	200	675
Charge for the period	127	68	127	322
Disposals	(4)	(14)	-	(18)
As at 31 March 2022	475	177	327	979
Net Book Value at 31 March 2022	181	182	327	690
Net Book Value at 31 March 2021	283	100	436	819

The right-of-use assets consist of buildings leased by the Group for use in business operations. During the year the Group has reassessed the reasonably likely lease exit dates and remeasured the right of use asset and lease liability in accordance with IFRS 16.

Acquisition of subsidiary undertaking at net book value relate to the purchase of Yobota Limited by the Group on the 1 March 2022 (see accounting policy note 2.3 for further details).

Company	Fixtures, Fittings and Equipment	IT Equipment	Right-of-use assets	Total
	£'000	£'000	£'000	£'000
Costs				
As at 1 April 2021	635	223	636	1,494
Additions	11	108	-	119
Disposals	(5)	(14)	-	(19)
Remeasurement of the ROU asset	-	-	(105)	(105)
As at 31 March 2022	641	317	531	1,489
Depreciation				
As at 1 April 2021	352	123	200	675
Charge for the period	127	65	115	307
Disposals	(4)	(14)	-	(18)
As at 31 March 2022	475	174	315	964
Net Book Value at 31 March 2022	166	143	216	525
Net Book Value at 31 March 2021	283	100	436	819

The right-of-use assets consist of buildings leased by the Company for use in business operations. During the year the Company has reassessed the reasonably likely lease exit dates and remeasured the right of use asset and lease liability in accordance with IFRS16.

In respect of prior year

Group and Company	Fixtures, Fittings and Equipment	IT Equipment	Right-of-use assets	Total
	£'000	£'000	£'000	£'000
Costs				
As at 1 April 2020	620	149	755	1,524
Additions	15	101	-	116
Disposals	-	(27)	(119)	(146)
As at 31 March 2021	635	223	636	1,494
Depreciation				
As at 1 April 2020	222	70	170	462
Charge for the period	130	68	149	347
Disposals	-	(15)	(119)	(134)
As at 31 March 2021	352	123	200	675
Net Book Value at 31 March 2021	283	100	436	819
Net Book Value at 31 March 2020	398	79	585	1,062

20 Intangible assets

Group

	Software Licences £'000	Patents and Royalties £'000	Software development £'000	Total £'000
Costs				
As at 1 April 2021	**115**	**12**	**3,041**	**3,168**
Additions	**33**	**-**	**1,819**	**1,852**
Acquisition of subsidiary undertaking at net book value	**-**	**-**	**3,434**	**3,434**
Disposals	**(64)**	**-**	**-**	**(64)**
As at 31 March 2022	**84**	**12**	**8,294**	**8,390**
Amortisation				
As at 1 April 2021	**48**	**10**	**15**	**73**
Charge for the period	**21**	**2**	**671**	**694**
Disposals	**(46)**	**-**	**-**	**(46)**
As at 31 March 2022	**23**	**12**	**686**	**721**
Net Book Value at 31 March 2022	**61**	**-**	**7,608**	**7,669**
Net Book Value at 31 March 2021	67	2	3,026	3,095

Acquisition of subsidiary undertaking at net book value relate to the purchase of Yobota Limited by the Group on the 1 March 2022 (see accounting policy note 2.3 for further details).

Company

	Software Licences £'000	Patents and Royalties £'000	Software development £'000	Total £'000
Costs				
As at 1 April 2021	**115**	**12**	**3,167**	**3,294**
Additions	**33**	**-**	**1,819**	**1,852**
Disposals	**(64)**	**-**	**-**	**(64)**
As at 31 March 2022	**84**	**12**	**4,986**	**5,082**
Amortisation				
As at 1 April 2021	**48**	**10**	**58**	**116**
Charge for the period	**21**	**2**	**587**	**610**
Disposals	**(46)**	**-**	**-**	**(46)**
As at 31 March 2022	**23**	**12**	**645**	**680**
Net Book Value at 31 March 2022	**61**	**-**	**4,341**	**4,402**
Net Book Value at 31 March 2021	67	2	3,109	3,178

Group and Company	Banking Licence £'000	Software Licences £'000	Patents and Royalties £'000	Software development £'000	Total £'000
Costs					
As at 1 April 2020	494	110	11	-	615
Additions	-	33	1	3,167	3,201
Disposals	(494)	(28)	-	-	(522)
As at 31 March 2021	-	115	12	3,167	3,294
Amortisation					
As at 1 April 2020	112	18	-	-	130
Charge for the period	-	38	10	58	106
Disposals	(112)	(8)	-	-	(120)
As at 31 March 2021	-	48	10	58	116
Net Book Value at 31 March 2021	-	67	2	3,109	3,178
Net Book Value at 31 March 2020	382	92	11	-	485

During the year the Group has capitalised expenditure incurred on the development of in-house software, including the development of a customer facing credit card app, deemed to meet the capitalisation requirements under IAS38 ‘Intangible Assets’.
Amortisation of all classes of intangible assets is included within administrative expenses in the Statement of Other Comprehensive Income.

21 Investment in subsidiaries

The Company holds a 100% interest in two companies ordinary share capital.

Yobota Limited, a Company which develops and licenses cloud-based banking platforms. The registered office is: Bentima House, 168-172 Old Street, London, United Kingdom, EC1V 9BP. The issued ordinary share capital is £15,003k nominal value (2021: £3,295).

Arrowsmiths No 1 Limited, a Company which is currently not trading. The registered office is: Ellice Way, Wrexham Technology Park, Wrexham, Wales, LL13 7YT. The issued ordinary share capital is £100 nominal value (2021:£100).

The Group does not have restrictions on its ability to access or use its assets and settle its liabilities.

22 Customer deposits

The Customer Deposits Group balance of £322,625k (2021: £160,015k) at year ended 31 March 2022 is inclusive of £1,520k (2021: £654k) accrued interest on the SmartSave deposits. For maturity analysis see note 31.5.

The Customer Deposits Company balance of £322,594k (2021: £160,015k) at year ended 31 March 2022 is inclusive of £1,520k (2021: £654k) accrued interest on the SmartSave deposits. For maturity analysis see note 31.5.

Chetwood Financial Limited is a member of the Financial Services Compensation Scheme. Eligible Customer Deposits are guaranteed up to £85k per individual customer.

23 Accruals and deferred income

	Group As at 31 March 2022 £'000	**Company As at 31 March 2022 £'000**	Group and Company As at 31 March 2021 £'000
Accruals	**6,312**	**5,743**	3,637
Deferred Income	**478**	**478**	490
	6,790	**6,221**	4,127

Deferred income includes advanced payment from key partners to support future marketing and technology spend.

24 Derivative financial instruments

Group	**Notional Amount £'000**	Fair Value of assets £'000	Fair Value of liabilities £'000
Interest rate swaps:			
As at 31 March 2022	**101,250**	**138**	**(457)**
Interest rate swaps:			
As at 31 March 2021	6,000	19	(5)

	Group As at 31 March 2022 £'000	Group and Company As at 31 March 2021 £'000
Gains and losses from derivatives are as follows:		
Gains on derivative financial instruments	**53**	19
Losses on derivative financial instruments	**(414)**	-
Fair value gains/(loss) on derivative financial instruments	**(361)**	19

Company	**Notional Amount £'000**	Fair Value of assets £'000	Fair Value of liabilities £'000
Interest rate swaps:			
As at 31 March 2022	**101,250**	**138**	**(457)**
Interest rate swaps:			
As at 31 March 2021	6,000	19	(5)

	Company As at 31 March 2022 £'000	Group and Company As at 31 March 2021 £'000
Gains and losses from derivatives are as follows:		
Gains on derivative financial instruments	**53**	19
Losses on derivative financial instruments	**(414)**	-
Fair value gains/(loss) on derivative financial instruments	**(361)**	19

The Group reduces the risk of variable interest rate liabilities where applicable via undertaking interest rate swaps. These derivative instruments are indexed to compounded SONIA benchmark rates, as at the reporting date the Group is not subject to any uncertainty driven by IBOR reform.

The Group has entered into an enforceable master netting agreement in relation to these derivatives. The master netting agreement does not meet the criteria for offsetting in the Group statement of financial position, in addition the Group does not intend to settle on a net basis.

At the year-end the Group has £850k cash collateral pledged in respect of the interest rate derivatives (2021: £500k), see note 17.

25 Provisions

Group	Undrawn loan commitments	Other provision	Total
	£'000	£'000	£'000
As at 1 April 2020	-	-	-
Charge for the year	-	-	-
Utilised during the year	-	-	-
As at 31 March 2021	-	-	-
As at 31 March 2021	**-**	**-**	**-**
Charge for the year	**483**	**108**	**591**
Utilised during the year	**-**	**-**	**-**
As at 31 March 2022	**483**	**108**	**591**

Company	Undrawn loan commitments	Other provision	Total
	£'000	£'000	£'000
As at 1 April 2020	-	-	-
Charge for the year	-	-	-
Utilised during the year	-	-	-
As at 31 March 2021	-	-	-
As at 31 March 2021	**-**	**-**	**-**
Charge for the year	**483**	**108**	**591**
Utilised during the year	**-**	**-**	**-**
As at 31 March 2022	**483**	**108**	**591**

Undrawn loan commitment provision relates to the expected credit loss on the loan commitments the Group has made to its customers for undrawn balances. As at year-end, the provision of £483k was categorised as £477k in stage 1, £6k in stage 2 and £nil in stage 3. In the prior year no such undrawn loan commitments existed and therefore no undrawn loan commitments provision was required.

Other provisions are the expected cost of rectifying certain circumstances, following a review of arrears handling activities during the year, rectification is expected to be completed within the next financial year. There is no uncertainty over the expected timing or amount of this payment.

26 Other Liabilities

	Group As at 31 March 2022	**Company As at 31 March 2022**	Group and Company As at 31 March 2021
	£'000	**£'000**	£'000
Trade payables	**1,534**	**1,488**	661
Taxation and social security	**600**	**385**	290
Other payables	**959**	**958**	102
Lease liabilities	**489**	**326**	494
	3,582	**3,157**	1,547

Included within other liabilities are £nil pension contributions (2021: £1k)

Lease liabilities consist of leases for buildings used in operating activities. The scheduled maturities of the leases are as follows:

	Group As at 31 March 2022	**Company As at 31 March 2022**	Group and Company As at 31 March 2021
	£'000	**£'000**	£'000
Less than one year	**386**	**223**	71
Between one and two years	**103**	**103**	77
Between two and five years	**-**	**-**	266
More than five years	**-**	**-**	80
Total	**489**	**326**	494

During the year the Group has reassessed the reasonably likely lease exit dates and remeasured the right of use asset and lease liability in accordance with IFRS 16.

27 Classification of financial assets and financial liabilities

The following tables provide a reconciliation between line items in the Consolidated and Company statement of financial position and categories of financial instruments.

See accounting policies note 2.16 and 2.17 for further detail on the classification types.

Group

2022	Note	Mandatorily at FVTPL £'000	Designated at FVTPL £'000	FVOCI- Debt Instruments £'000	Amortised cost £'000	Total carrying amount £'000
Loans and advances to banks	14	**-**	**-**	**-**	**74,498**	**74,498**
Investment in debt securities	16	**-**	**-**	**4,883**	**-**	**4,883**
Loans and advances to customers	15	**-**	**16,798**	**-**	**285,748**	**302,546**
Derivative assets held for risk management	24	**138**	**-**	**-**	**-**	**138**
Other financial assets	17	**-**	**-**	**-**	**8,493**	**8,493**
Total Financial Assets		**138**	**16,798**	**4,883**	**368,739**	**390,558**
Customer Deposits	22	**-**	**-**	**-**	**322,625**	**322,625**
Derivative liabilities held for risk management	24	**457**	**-**	**-**	**-**	**457**
Other financial liabilities	26	**-**	**-**	**-**	**2,975**	**2,975**
Total Financial Liabilities		**457**	**-**	**-**	**325,600**	**326,057**

2021	Note	Mandatorily at FVTPL £'000	Designated at FVTPL £'000	FVOCI- Debt Instruments £'000	Amortised cost £'000	Total carrying amount £'000
Loans and advances to banks	14	-	-	-	52,173	52,173
Investment in debt securities	16	-	-	-	-	-
Loans and advances to customers	15	-	-	-	156,249	156,249
Derivative assets held for risk management	24	19	-	-	-	19
Other financial assets	17	-	-	-	3,313	3,313
Total Financial Assets		19	-	-	211,735	211,754
Customer Deposits	22	-	-	-	160,015	160,015
Derivative liabilities held for risk management	24	5	-	-	-	5
Other financial liabilities	26	-	-	-	1,258	1,258
Total Financial Liabilities		5	-	-	161,273	161,278

Company

2022	Note	Mandatorily at FVTPL £'000	Designated at FVTPL £'000	FVOCI- Debt Instruments £'000	Amortised cost £'000	Total carrying amount £'000
Loans and advances to banks	14	**-**	**-**	**-**	**73,223**	**73,223**
Investment in debt securities	16	**-**	**-**	**4,883**	**-**	**4,883**
Loans and advances to customers	15	**-**	**16,798**	**-**	**285,888**	**302,686**
Derivative assets held for risk management	24	**138**	**-**	**-**	**-**	**138**
Other financial assets	17	**-**	**-**	**-**	**7,930**	**7,930**
Total Financial Assets		**138**	**16,798**	**4,883**	**367,041**	**388,860**
Customer Deposits	22	**-**	**-**	**-**	**322,594**	**322,594**
Derivative liabilities held for risk management	24	**457**	**-**	**-**	**-**	**457**
Other financial liabilities	26	**-**	**-**	**-**	**2,767**	**2,767**
Total Financial Liabilities		**457**	**-**	**-**	**325,361**	**325,818**

2021	Note	Mandatorily at FVTPL £'000	Designated at FVTPL £'000	FVOCI- Debt Instruments £'000	Amortised cost £'000	Total carrying amount £'000
Loans and advances to banks	14	-	-	-	52,173	52,173
Investment in debt securities	16	-	-	-	-	-
Loans and advances to customers	15	-	-	-	156,249	156,249
Derivative assets held for risk management	24	19	-	-	-	19
Other financial assets	17	-	-	-	3,313	3,313
Total Financial Assets		19	-	-	211,735	211,754
Customer Deposits	22	-	-	-	160,015	160,015
Derivative liabilities held for risk management	24	5	-	-	-	5
Other financial liabilities	26	-	-	-	1,258	1,258
Total Financial Liabilities		5	-	-	161,273	161,278

28 Share Capital

Group and Company

Allotted, called up and fully paid

	As at 31 March 2022			
	Number	**Nominal value**	**Share capital**	**Share premium**
	'000	**£**	**£'000**	**£'000**
Ordinary Shares	**84,168**	**2.004184**	**168,688**	**2,851**
	84,168		**168,688**	**2,851**

	As at 31 March 2021			
	Number	Nominal value	Share capital	Share premium
	'000	£	£'000	£'000
Ordinary Shares	56,725	2.004184	113,688	2,851
	56,725		113,688	2,851

During the year 27,442,591 (2021: 14,469,730) ordinary shares of £2.004 (2021: £2.004) were issued for £55m (2021: £29m).

All ordinary shares rank equally in all respects, including the right to receive all dividends and other distributions declared, made or paid on the ordinary share capital of the Group.

Share premium

The share premium account represents premiums paid above par value of share capital.

Retained losses

The retained losses account includes all current and prior period retained profits and losses.

29 Other Reserves

Group	Share based payments	Debt securities revaluation	Capital Contribution reserve	Merger Reserve	Total
	£'000	£'000	£'000	£'000	£'000
As at 1 April 2020	12	29	-	-	41
Movement in year	102	(29)	-	-	73
As at 31 March 2021	114	-	-	-	114
Movement in year	**209**	**(120)**	**6,247**	**770**	**7,106**
As at 31 March 2022	**323**	**(120)**	**6,247**	**770**	**7,220**

Company	Share based payments	Debt securities revaluation	Total
	£'000	£'000	£'000
As at 1 April 2020	12	29	41
Movement in year	102	(29)	73
As at 31 March 2021	114	-	114
Movement in year	**209**	**(120)**	**89**
As at 31 March 2022	**323**	**(120)**	**203**

The Group capital contribution reserve relates to a debt waiver granted to Yobota Limited by the Group's ultimate controlling party, prior to the acquisition by Chetwood.

The Group merger reserve arises on consolidation following the restructure of the Group. On 1 March 2022 Chetwood Financial acquired 100% of the share capital of Yobota Limited, from its parent company. Merger accounting was applied to this transaction. For further information please see note 2.3.

30 Share Based Payments

During the year, the Group's parent undertaking, Shropshire Holdings Limited, operated a management share incentive plan. Under the plan, restricted share units were issued to certain employees.

Employee share-based payment charges are a component of staff costs (Note 11), the charge reflected in the Consolidated Statement of Comprehensive Income is as follows:

	Group As at 31 March 2022	**Company As at 31 March 2022**	Group and Company As at 31 March 2021
	£'000	**£'000**	£'000
Management Incentive Plan	**209**	**209**	114
Total share-based payments	**209**	**209**	114

The following table summarises the movement in the number of restricted share units:

	Group As at 31 March 2022	**Company As at 31 March 2022**	Group and Company As at 31 March 2021
	Number of shares	**Number of shares**	Number of shares
Opening balance	**171,935**	**171,935**	10,000
Granted	**-**	**-**	245,935
Forfeited	**(37,000)**	**(37,000)**	(84,000)
Vested	**(37,000)**	**(37,000)**	-
Closing Balance	**97,935**	**97,935**	171,935

An additional 162,303 restricted share units have been contractually committed to during the year but not granted by the year-end (2021: 30,000). The charge in relation to contractual future grants is included in the total charge shown above.

Details of the share-based scheme in operation are as follows:

The scheme is an equity-settled share-based payment scheme. Individuals included in the incentive plan were issued with 'C' class shares in Shropshire Holdings Limited, the parent company.

During the year no shares have been issued in the scheme, in the prior year 245,935 shares were issued at a price of £1 per share (2020: nil) and funded via the issue of full recourse loans from Shropshire Holdings Limited, 23,925 were granted at nominal value of 1p per share.

There are no performance conditions attached to shares in the scheme, the employee must remain in service to retain the shares. These shares are restricted, there is no ability to trade, the shares are only expected to deliver a return in the event of a prescribed exit event.

The fair value of shares contractually committed to in the year was estimated to be £3.67, this value was calculated using a Monte Carlo valuation model, the fair value will be reassessed on grant date of these shares.

31 Risk management

31.1 Credit risk

The Group is exposed to credit risk on loans and advances to customers and other financial assets. Credit risk is the risk of financial loss arising from a customer or counterparty failing to meet their contractual obligations to the Group in accordance with agreed terms.

Credit risk is managed by the Board Risk Committee, which closely monitors the Group's credit risk profile and performance. The Group uses strict lending criteria and credit acceptance scorecards, which include a review of the applicant's credit history, to assess applications for unsecured lending.

The table below shows the financial assets subject to credit risk. The maximum credit risk exposure in the event of other parties failing to perform their obligations is considered to be the balance sheet carrying amounts, as shown in the tables below, this takes no account of any collateral held. For non-derivative off-balance sheet transactions, the maximum credit risk exposure is the contractual commitment to lend of £10,446k (2021: nil), see note 38 for further detail on commitments.

The credit risk associated with loans and advances to banks, investment in debt securities, derivative financial instruments and other assets is not considered to be significant.

Unsecured	**Group As at 31 March 2022**	**Company As at 31 March 2022**	Group and Company As at 31 March 2021
	£'000	**£'000**	£'000
Loans and advances to banks	**74,498**	**73,223**	52,173
Investment in debt securities	**4,883**	**4,883**	-
Derivative financial instruments	**138**	**138**	19
Other financial assets	**8,493**	**7,930**	3,313
Unsecured loans and advances to customers	**154,966**	**155,106**	156,249
Total financial statement position exposure	**242,978**	**241,280**	211,754

All the above loans and advances to customers are unsecured with no collateral held as security. The Group lends to individual customers geographically located in the United Kingdom; a further geographical breakdown is not provided as credit risk is managed on a portfolio basis.

	Group As at 31 March 2022	**Company As at 31 March 2022**	Group and Company As at 31 March 2021
	£'000	**£'000**	£'000
Secured loans and advances to customers	**147,580**	**147,580**	-

All the above loans and advances to customers are secured by charges over residential properties in England and Wales. The geographical distribution of the Group's residential mortgage assets by gross carrying value is set out below.

	Group and Company As at 31 March 2022	Group and Company As at 31 March 2021
	%	%
North East England	**0.7**	-
North West England	**4.2**	-
Yorkshire and the Humber	**2.6**	-
East Midlands	**2.7**	-
West Midlands	**3.9**	-
East of England	**10.4**	-
Greater London	**48.6**	-
South East England	**20.7**	-
South West England	**4.9**	-
Wales	**1.3**	-
Total	**100**	-

31.2 Credit quality

The following tables set out information about the credit quality of loans and advances to customers.

Credit Quality	**12-month probability of default**	**Credit quality description**
Low	Lower than 5%	Up-to-date accounts which have a very high likelihood of being fully recovered
Medium	5-15%	Up-to-date accounts which have a medium likelihood of being fully recovered
High	Higher than 15%	Up-to-date accounts which may be fully recovered but where the likelihood of default is higher
Delinquent		Accounts that are up to 89 days in arrears and have not defaulted
Defaulted		Accounts that are at least 90 days in arrears, insolvent or bankrupt or otherwise credit impaired.
POCI		Accounts meeting the definition of defaulted upon purchase or origination

Stage 1: financial assets that have not had a significant increase in credit risk since initial recognition or that have low credit risk at the reporting date. For financial assets in stage 1, a 12-month expected credit loss is recognised.

Stage 2: financial assets that have shown a significant increase in credit risk from initial recognition but that are not classed as defaulted, are stage 2. For these assets allowance is made for expected credit losses resulting from all possible default events over the expected life of the financial instrument.

Stage 3: includes assets where there is objective evidence of impairment meaning the financial asset is considered to be in default. For these assets, lifetime expected credit losses are recognised and interest income is calculated on the net carrying amount.

Unsecured lending at amortised cost

Group

As at 31 March 2022	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
Up to date				
Risk Grade				
Low	**8,226**	**139**	**38**	**8,403**
Medium	**116,509**	**6,653**	**316**	**123,478**
High	**1,932**	**8,881**	**356**	**11,169**
	126,667	**15,673**	**710**	**143,050**
Delinquent				
Risk Grade				
Low	**14**	**15**	**-**	**29**
Medium	**8**	**226**	**7**	**241**
High	**9**	**8,771**	**3,832**	**12,612**
	31	**9,012**	**3,839**	**12,882**
Defaulted				
Risk Grade				
Low	**-**	**-**	**-**	**-**
Medium	**-**	**-**	**43**	**43**
High	**-**	**-**	**16,705**	**16,705**
	-	**-**	**16,748**	**16,748**
Total Loan receivables	**126,698**	**24,685**	**21,297**	**172,680**
Total impairment allowance	**(7,740)**	**(8,517)**	**(18,255)**	**(34,512)**
Net Loan receivables	**118,958**	**16,168**	**3,042**	**138,168**

As at 31 March 2021	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
Up to date				
Risk Grade				
Low	99,075	774	32	99,881
Medium	44,422	6,189	73	50,684
High	1,954	8,727	94	10,775
	145,451	15,690	199	161,340
Delinquent				
Risk Grade				
Low	45	600	38	683
Medium	-	1,284	138	1,422
High	-	4,490	1,333	5,823
	45	6,374	1,509	7,928
Defaulted				
Risk Grade				
Low	-	-	21	21
Medium	-	-	176	176
High	-	-	12,680	12,680
	-	-	12,877	12,877
Total Loan receivables	145,496	22,064	14,585	182,145
Total impairment allowance	(6,292)	(7,149)	(12,455)	(25,896)
Net Loan receivables	139,204	14,915	2,130	156,249

The following table explains the changes in the impairment losses between the beginning and the end of the year:

Unsecured lending at amortised cost

	Stage 1	Stage 2	Stage 3	Total
	£'000	£'000	£'000	£'000
As at 31 March 2021	6,292	7,149	12,455	25,896
Transfer between stages:				
to stage 1	**1,073**	**(1,073)**	**-**	**-**
to stage 2	**(1,064)**	**1,064**	**-**	**-**
to stage 3	**(663)**	**(3,731)**	**4,394**	**-**
Total	**(654)**	**(3,740)**	**4,394**	**-**
Remeasurement of ECL	**3,419**	**1,993**	**7,811**	**13,223**
Provision released on sale or write off	**(6,132)**	**(960)**	**(10,844)**	**(17,936)**
ECL on new loans and advances to customers originated in the year	**4,815**	**4,075**	**4,439**	**13,329**
At 31 March 2022	**7,740**	**8,517**	**18,255**	**34,512**
Provision against undrawn credit commitments (note 25)	**477**	**6**	**-**	**483**

Included in the ending impairment provision is £33,341k in relation to unsecured loans.

	Stage 1	Stage 2	Stage 3	Total
	£'000	£'000	£'000	£'000
As at 31 March 2020	6,547	6,541	8,312	21,400
Transfer between stages:				
to stage 1	1,813	(1,743)	(70)	-
to stage 2	(819)	850	(31)	-
to stage 3	(442)	(2,953)	3,395	-
Total	552	(3,846)	3,294	-
Remeasurement of ECL	(4,309)	2,324	500	(1,485)
Recoveries of prior balances written off	-	-	(1,207)	(1,207)
ECL on new loans and advances to customers originated in the year	3,502	2,130	1,556	7,188
At 31 March 2021	6,292	7,149	12,455	25,896

Secured lending

Credit quality of secured lending is assessed with reference to external credit scores or internally assigned risk ratings, as appropriate, taking into account the expected loss given default. These gradings represent credit quality on an absolute basis.

Group

As at 31 March 2022	Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired (POCI)	Total
	£'000	£'000	£'000	£'000	£'000
Up to date					
Risk Grade					
Low	90,990	-	-	-	90,990
Medium	34,299	-	-	-	34,299
High	21,113	-	-	-	21,113
	146,402	-	-	-	146,402
Delinquent					
Risk Grade					
Low	542	-	-	-	542
Medium	-	-	-	-	-
High	150	-	-	-	150
	692	-	-	-	692
Defaulted					
Risk Grade					
Low	-	-	-	268	268
Medium	-	-	-	282	282
High	-	-	-	-	-
	-	-	-	550	550
Total Loan receivables	147,094	-	-	550	147,644
Total impairment allowance	(51)	-	-	(13)	(64)
Net Loan receivables	147,043	-	-	537	147,580

The following table explains the changes in the impairment losses between the acquisition date and the end of the year:

Secured lending

	Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired (POCI)	Total
	£'000	£'000	£'000	£'000	£'000
As at 31 March 2021					
Total	-	-	-	-	-
Remeasurement of ECL					
Provision released on redemptions and repayments	-	-	-	-	-
Provision released on sale or write off	-	-	-	-	-
ECL on purchased loans and advances to customers in the year	51	-	-	13	64
At 31 March 2022	51	-	-	13	64
Provision against undrawn credit commitments (note 25)	2	-	-	-	2

On the acquisition of the secured portfolio loans were categorised as stage 1 or POCI assets. POCI assets attract a lifetime expected credit loss allowance over the full term of the loan, even when these loans no longer meet the definition of default post acquisition. The Group does not originate credit-impaired loans. The proximity of the year end to the purchase date means no significant increase in credit risk has been observed in the stage 1 portfolio since acquisition.

Loan to value analysis of mortgage portfolio

	Group and Company As at 31 March 2022	Group and Company As at 31 March 2021
	%	%
< 40 %	3.6	-
40% to <50%	2.7	-
50% to <60%	8.1	-
60% to <70%	14.3	-
70 to <80%	58.1	-
80% and greater	13.2	-
Total	100	-

31.3 Credit quality of loans and advances to banks

The following tables set out information about the credit quality of loans and advances to banks. Ratings shown below are per Fitch Ratings.

	Group As at 31 March 2022	**Company As at 31 March 2022**	Group and Company As at 31 March 2021
	£'000	**£'000**	£'000
Cash with central banks rated:			
AA-	**66,645**	**66,645**	44,510
Cash with retail banks rated:			
A+	**6,596**	**6,578**	1
A	-	-	7,662
A-	**1,257**	-	-
Total	**74,498**	**73,223**	52,173

The following tables set out information about the credit quality of Derivative Financial instruments. Ratings shown below are per Fitch Ratings.

	Group As at 31 March 2022	**Company As at 31 March 2022**	Group and Company As at 31 March 2021
	£'000	**£'000**	£'000
Carrying value of derivative financial instruments:			
A+ assets	**138**	**138**	19
A+ liabilities	**(457)**	**(457)**	(5)
Net Exposure (Note 24)	**(319)**	**(319)**	14

31.4 Collateral pledged

The Group gives collateral in the form of cash in respect of derivatives and to facilitate payment settling services; such collateral has to be returned immediately on maturity of the transaction or upon cancellation of the payment settling services. As at the year-end £850k (2021: £500K) cash has been pledged in respect of derivative contracts (see note 24), £1,245k (2021: £1.245K) cash has been pledged to facilitate Mastercard scheme settlement and £700k (2021: £450k) has been pledged as security against BACS payments.

When required collateral is pledged it is transferred to reputable institutions, meeting all the internal requirements associated with the risk of a deposit.

31.5 Liquidity risk

Liquidity risk is the risk that the Group is not able to meet financial obligations as they fall due, or can only do so at excessive cost. To manage this risk the Group holds highly liquid assets as a buffer against expected future lending and deposit flows.

Contractual maturity for financial assets and liabilities at undiscounted amounts are summarised as follows:

Group

2022	On Demand	Up to 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Loans and advances to banks	**74,498**	**-**	**-**	**-**	**-**	**74,498**
Investment in debt securities	**-**	**-**	**-**	**4,883**	**-**	**4,883**
Loans and advances to customers	**-**	**3,846**	**9,806**	**152,066**	**154,606**	**320,324**
Loans and advances to customers held for sale	**-**	**-**	**240**	**13,895**	**2,663**	**16,798**
Other financial assets	**8,493**	**-**	**-**	**-**	**-**	**8,493**
Customer deposits	**-**	**(28,526)**	**(162,899)**	**(131,200)**	**-**	**(322,625)**
Other financial liabilities	**-**	**(2,975)**	**-**	**-**	**-**	**(2,975)**
Total	**82,991**	**(27,655)**	**(152,853)**	**39,644**	**157,269**	**99,396**

For the maturity profile of the lease liabilities, £489k (2021: £494k) see note 26.

Company

2022	On Demand	Up to 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Loans and advances to banks	**73,223**	**-**	**-**	**-**	**-**	**73,223**
Investment in debt securities	**-**	**-**	**-**	**4,883**	**-**	**4,883**
Loans and advances to customers	**-**	**3,849**	**9,813**	**152,188**	**154,614**	**320,464**
Loans and advances to customers held for sale	**-**	**-**	**240**	**13,895**	**2,663**	**16,798**
Other financial assets	**7,930**	**-**	**-**	**-**	**-**	**7,930**
Customer deposits	**-**	**(28,525)**	**(162,881)**	**(131,188)**	**-**	**(322,594)**
Other financial liabilities	**-**	**(2,767)**	**-**	**-**	**-**	**(2,767)**
Total	**81,153**	**(27,443)**	**(152,828)**	**39,778**	**157,277**	**97,937**

2021	On Demand	Up to 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Loans and advances to banks	52,173	-	-	-	-	52,173
Investment in debt securities	-	-	-	-	-	-
Loans and advances to customers	-	1,004	5,517	164,335	11,289	182,145
Other financial assets	3,313	-	-	-	-	3,313
Customer deposits	-	(14,806)	(61,509)	(83,700)	-	(160,015)
Other liabilities	-	(764)	-	-	-	(764)
Total	**55,486**	**(14,566)**	**(55,992)**	**80,635**	**11,289**	**76,852**

31.6 Market Risk

Market risk is the risk of financial impact from movements in market prices on the value of assets and liabilities including interest rate risk which is the risk of financial loss as a result of adverse movements in interest rates.

The Group does not hold foreign currency, carry out proprietary trading or hold any positions in assets or equities which are actively traded.

The Bank is exposed to the risk that changes in interest rates at which it lends and those at which it borrows may adversely affect its net interest income and profitability. The Group seeks to match the maturity profile of assets and liabilities and uses financial instruments, such as interest rate swaps, to hedge the exposure arising from repricing gaps. The below sensitivity shows the notional annualised impact of such a change on the net interest income of the Group, based on the year-end balance sheet. The calculation assures that all relevant UK interest rates move by the same amount in parallel and that all repricing takes place at the balance sheet date, all other variables are held constant.

Impact to net interest income:

	100 basis points	(100) basis points
Interest rate shock table	£'000	£'000
2022 (increase)/decrease to NII	**1,488**	**(1,488)**

A 1% increase in UK interest rates would increase profit before tax by £1,488k, a 1% decrease would decrease profit before tax by £1,488k.

31.7 Fair values of financial instruments

The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties.

The Group uses the following three levels of fair value hierarchy:

- Level 1 fair value measurements are those derived from unadjusted quoted prices in active markets for identical assets and liabilities.
- Level 2 valuations are those where quoted market prices are not available, or valuation techniques are used to determine fair value and the inputs are based significantly on observable market data.
- Level 3 portfolios are those where at least one input is not based on observable market data and has a significant effect on the instrument’s valuation.

Investment in debt securities are measured at fair value and are classified as level 1 as the fair value is measured based on current, quoted bid prices in active markets for identical assets. Derivative financial instruments are also measured at fair value using a discounted cash flows basis and are classified as level 2.

Fair value of financial instruments carried at amortised cost

Group

As at 31 March 2022	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total carrying value £'000	Fair value £'000
Financial assets					
Loans and advances to banks	-	**74,498**	**-**	**74,498**	**74,498**
Loans and advances to customers	-	**-**	**285,748**	**285,748**	**287,296**
Other assets	-	**8,493**	**-**	**8,493**	**8,493**
Total	**-**	**82,991**	**285,748**	**368,739**	**370,287**
Financial Liabilities					
Customer Deposits	-	**-**	**322,625**	**322,625**	**319,424**
Other financial liabilities	-	**2,975**	**-**	**2,975**	**2,975**
Total	**-**	**2,975**	**322,625**	**325,600**	**322,399**

As at 31 March 2021	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total carrying value £'000	Fair value £'000
Financial assets					
Loans and advances to banks	-	52,173	-	52,173	52,173
Loans and advances to customers	-	-	156,249	156,249	157,342
Other assets	-	3,313	-	3,313	3,313
Total	**-**	55,486	156,249	211,735	212,828
Financial Liabilities					
Customer Deposits	-	-	160,015	160,015	160,147
Other financial liabilities	-	1,258	-	1,258	1,258
Total	**-**	1,258	160,015	161,273	161,405

A number of inputs required to measure the fair value of loans and advances to customers are unobservable. The fair value shown is derived from discounting expected cash flows using the current market price for lending to customers with similar credit quality. The fair value is therefore classified as level 3 in the hierarchy.

The fair value of loans and advances to banks is considered to be the book value, these items have a short-term maturity.

The fair value of customer deposits is estimated using discounted cash flows applying market rates for deposits of similar remaining maturities. As this involves unobservable inputs, the fair value is classified as level 3 in the hierarchy.

The fair value of all other financial instruments is considered to be materially equal to their carrying value and classified as level 2 in the fair value hierarchy.

32 Capital management

The Group is subject to supervision by the PRA as an authorised bank. The amount of capital held is measured against the regulatory framework defined by the Capital Requirements Regulation (‘CRR’). The Board manages capital levels for both current and future activities, models stress scenarios and documents its risk appetite as part of the Internal Capital Adequacy Assessment Process (ICAAP).

Current and forecast levels of capital resources are monitored and reviewed by the Board and management on a regular basis. The Group has complied with all regulatory capital requirements during the period.

The regulatory capital resources managed by the Group as at 31 March 2022 are as follows:

	Group As at 31 March 2022	Unaudited Group and Company As at 31 March 2021
	£'000	£'000
Share capital	**168,688**	113,688
Share premium	**2,851**	2,851
Retained earnings	**(112,766)**	(65,823)
Other reserves	**6,450**	114
Intangible assets	**(7,669)**	(193)
Total regulatory capital	**57,554**	50,637

Common equity tier 1 (CET1) capital ratio (unaudited) for year ended 31 March 2022: 29% (2021 restated: 28%)

33 Related parties

Parties are considered to be related if one party has the ability to control the other party, exercise significant influence over the other party, or one other party controls both.

All balances with related parties are unsecured in nature and are expected to be settled in cash or by cash equivalents. Transactions in the year are reflected through the Statement of Total Comprehensive Income.

During the year the Company undertook a number of transactions with related companies;

On 1 March 2022, Chetwood Financial Limited purchased 100% of the share capital of Yobota Limited, a cloud based banking software provider, from its parent company, Shropshire Holdings Limited for £15m. This transaction was undertaken on an arms-length basis, supported by an independent market valuation. See note 3.5 for further details.

On 7 March 2022, Chetwood Financial Limited completed the sale of gross loans and advances with a carrying value of £123.9m to Cherub Funding Limited, for proceeds of £128.1m, resulting in a gain on sale of £4.2m. Cherub Funding Limited is a remote legal entity, related by common ultimate control. The sale of these assets provides the Group with a key strategic and cost-efficient funding source.

Chetwood Financial Limited remains the administrator for these assets, during the year Cherub Funding Limited paid £108k in servicing fees to the Group. Between the year end and date of signing of these financial statements, the Group has completed further sales of loans with a carrying value of £56.5m to Cherub Funding Limited, at a premium. All transactions have been completed on an arm's length basis.

On 15 March 2022, Chetwood Financial Limited took assignment of the call rights for Precise Mortgage Funding 2017-1 PLC, a securitisation vehicle, giving the Group the rights to purchase mortgage assets with a current balance of £153.8m from the vehicle. The Group paid £157.8m to purchase the mortgage assets; the assignment of the call rights was from an entity under the same common ultimate control. The transaction was completed at fair market value, using a market standard approach to valuation. See note 3.3 for further details.

Group Transactions

The Group is a wholly owned subsidiary of Shropshire Holdings Limited. In the normal course of business, a number of transactions are entered into with Shropshire Holdings Limited the parent company and Yobota Limited, a company which was previously under common control and from 1st March 2022 is a direct subsidiary of Chetwood Financial Limited. The transactions below cover both the period of common control and ownership:

A summary of the outstanding balances at the year end and related income and expense for the year are set out below.

	Expenses from related party £'000	Amounts owed by related party £'000	Amounts owed to related party £'000
Shropshire Holdings Limited			
2022	**-**	**254**	**-**
2021	-	134	-
Yobota Limited			
2022	**(2,129)**	**-**	**71**
2021	(1,631)	173	-
Total			
2022	**(2,129)**	**254**	**71**
2021	(1,631)	307	-

During the year the Group has paid £120k (2021: £54k) expenses on behalf of its immediate parent entity, Shropshire Holdings Limited. These expenses relate to audit and other professional fees, the expense is transferred at cost.

Equity Transactions

During the year the Company issued 27,442,591 shares (2021: 14,469,730) to its parent entity, Shropshire Holdings Limited for a total injection of £55m (2021: £29m).

Other Related Party Transactions

Azzurro Associates Limited (“Azzurro”) is a related party due to common ultimate control. During the previous year the Group completed a sale of defaulted assets to Azzurro. During the current year a number of payments received on these sold assets have been paid on to Azzurro, the total amount transferred during the year was £117k at the balance sheet date £5k (2021: £24k) remained due to Azzurro. The transaction was enacted on a commercial basis. No additional sale of defaulted assets to Azzurro has been undertaken during the current year.

Totally Money Limited is a related party due to the ultimate controlling parties of the Group having significant influence, the Companies maintain a commercial relationship. During the year the Group incurred expenses from Totally Money Limited of £89k (2021: £32k) in respect of referral commission, at the balance sheet date £9k remained due (2021: £8k).

Transactions with Key Management

Key management are defined as those persons having authority and responsibility for directing and controlling the activities of the Group, either directly or indirectly. Accordingly, these comprise the Directors of Chetwood Financial Limited and the Directors of Shropshire Holdings Limited, the immediate parent entity.

The Group provides banking services to key management and persons connected to them as follows:

Loans

Non-interest-bearing test loans are advanced in order to test system functionality. During the year one test loan was advanced to a staff member of £3k (2021: £nil).
The value of test loans advanced to directors totalled £nil (2021: £nil), with balances of £nil (2021: £1k) receivable at the reporting date. The maximum balance in year did not exceed the opening position.

No allowances for impairment were recognised in respect of loans to key management personnel.

Deposits

The balances held in SmartSave deposit accounts by Directors and related individuals were as follows:

	Group Year ended 31 March 2022	**Company Year ended 31 March 2022**	Group and Company Year ended 31 March 2021
	£'000	**£'000**	£'000
As at 1 April	**85**	**85**	60
Deposits received during the year	**-**	**-**	85
Deposits repaid during the year	**(85)**	**(85)**	(60)
As at 31 March	**-**	**-**	85

These deposits were made in the ordinary course of business, on the same terms as those in place at the time for transactions with non-related persons.

Credit Cards

A number of non-interest-bearing credit cards were issued to employees in the prior year as part of the initial testing phase. As at the balance sheet date none remained active (2021: 16 accounts) with a total balance of £nil (2021: £1k). No accounts are currently held by Directors (2021: 2), balance £nil (2021: £265) remained outstanding in relation to these cards at the balance sheet date.

Directors' remuneration

See note 12 for disclosure of key management compensation.

34 Post-employment benefits

The Group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The pension charge represents contributions payable by the Group to the fund and amounted to £403k (2021: £251k). Contribution's totalling £nil (2021: £1k) are outstanding to the fund at the reporting date.

35 Controlling parties

The immediate parent undertaking is Shropshire Holdings Limited, a company incorporated in Jersey, the registered office is 26 New Street, St Helier, Jersey, JE2 3RA.
The directors consider the ultimate controlling parties to be Elliott Associates L.P. and Elliott International L.P.

36 Country-by-country reporting

The Group operates in the UK only. The principal activities of the Company are the provision of consumer lending and savings products.

	Group As at 31 March 2022	**Company As at 31 March 2022**	Group and Company As at 31 March 2021
	£'000	**£'000**	£'000
Turnover*	**27,213**	**27,194**	14,432
Loss before tax	**(29,749)**	**(29,217)**	(21,310)
Corporation tax paid	**(4)**	**(15)**	(10)
Average number of employees (FTE)	**174**	**167**	119

*Turnover is defined as total interest income less interest expense

The reporting obligations set out in the European Union's Capital Requirements Directive IV (CRD IV) have been implemented in the UK by Capital Requirements (Country by Country Reporting) Regulations 2013. The regulations require the Group to disclose information regarding the source of its income and location of its operations.

37 Events after the end of the reporting period

During the year the Group entered into a key strategic funding arrangement to originate loans with the intention to sell the beneficial ownership to Cherub Funding Limited, a special purpose vehicle controlled by the Group's ultimate controlling party. Between the year end and the date of signing these financial statements the Group has completed further sales of loans with a carrying value of £72.8m to Cherub Funding Limited, for a premium. £42.6m of these loans were on the balance sheet at the year end.

On the 30 June 2022 Chetwood Financial Limited issued 10,977,036 shares at £2.004, total value £22m to its immediate parent entity, Shropshire Holdings Limited.

On the 30 June 2022 Yobota Limited issued 1,500,000,000 shares at 0.001, total value £1.5m to Chetwood Financial Limited, its immediate parent entity.

Consumer price inflation has continued to rise in the United Kingdom post the year end, putting pressure on household disposable incomes. This remains a key watch area for the group. See note 3.1(e) for further details.

38 Capital commitments and contingent liabilities

At 31 March 2022, the Group had no committed capital expenditure that had not been provided for (2021: £nil).

Credit commitments

At the balance sheet date undrawn credit lines and other commitments to lend were £10,446k (2021: £nil), this includes commitments to lend subject to completion of property purchases by customers where the case has reached post-offer stage, such funds may only be drawn subject to completion of purchase.