# Bradford & Bingley Limited

## Annual Report & Accounts
## for the 12 months to 31 March 2023

# Contents

The Directors present their Annual Report & Accounts for the year to 31 March 2023. Bradford & Bingley Ltd ('the Company') is a limited company which was incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales. The Company and its subsidiary undertakings comprise the Bradford & Bingley Ltd Group ('B&B' or 'the Group'). The Company's principal subsidiary is Mortgage Express ('MX'), a directly held unlimited company. The subsidiaries which comprise the Group and are fully consolidated into the Group Financial Statements are listed in note 9.

## Overview

In 2021, B&B along with its assets was sold by its previous shareholder, UK Asset Resolution Limited ('UKAR'), to a consortium comprising Davidson Kempner Capital Management LP ('Davidson Kempner') and Citibank ('Citi'). Mortgage loan portfolio balances were de-recognised on contract signature and beneficial interest in the loans was transferred to the asset owners, who became the Group and Company's clients, in March 2021.

Following regulatory approval, B&B was sold to Davidson Kempner's acquisition vehicle, Jupiter Jersey BidCo Limited ('JJB'), on 29 October 2021.

The Group and Company primarily operates as master servicer and legal title holder, providing oversight of mortgage loans secured on residential properties. The servicing of the mortgage loans is outsourced to a mortgage servicing supplier. The Group and Company also collects balances on shortfall debts that were written-off prior to the sale of the Company's mortgage loan portfolios.

During the period, the Board approved a change in strategy that is expected to result in master servicing and legal title holding ceasing during 2023/24, following which the Group and Company will be focussed on the management of its residual obligations in the coming years.

# Key performance indicators ('KPIs')

In addition to the primary Financial Statements, we have adopted the following KPIs in managing business performance.

| | March 2023 | March 2022 |
|---|---|---|
| Ongoing Administrative Expenses [1] | £14,178k | £22,964k |
| Underlying Profit / (Loss) Before Tax [2] | £974k | (£6,072k) |
| Statutory Loss Before Tax [2] | (£9,068k) | (£2,098k) |
| Legal title balances | £2,288.4m | £2,657.0m |
| No. of shortfall debt accounts | 20,400 | 20,600 |

1 *Ongoing administrative expenses exclude non-recurring costs, such as provisions for redundancy, which the Board do not believe reflect the performance of the underlying business. An analysis of the difference between ongoing administrative expenses and administrative expenses is provided in note 5.*

2 *An analysis of the difference between statutory loss and underlying profit before tax is provided below.*

# Business review

These financial results are for the year to 31 March 2023.

## Performance

The Board continues to believe it is appropriate to assess performance based on the underlying profit of the business, which excludes non-recurring administrative expenses and remediation of regulatory defects. Whilst these gains or losses permanently impact capital reserves, the Board does not believe that they reflect the performance of the underlying business. The commentary on the results in this statement uses underlying profits and its components as the primary measure of performance. An analysis of the difference between the statutory loss and the underlying profit is provided below.

Following the sale of the beneficial interest in the mortgage assets in February 2021, it was anticipated that B&B would be loss-making in future in the absence of interest income from the mortgage book. However, an underlying profit was made for the year to March 2023 of £974k (2021/22: £6,072k loss). The £7,046k increase in underlying profits is primarily a result of lower administrative expenses.

For the year to March 2023, total income decreased by £1,700k to £12,106k (2021/22: £13,806k) due to lower servicing fees from clients, which reduced in line with amortisation of the mortgage book. Ongoing administrative expenses were £8,786k lower than the previous year at £14,178k (2021/22: £22,964k). Net recoveries on written-off debt were £3,046k representing a slight decrease on the prior year (2021/22: £3,086k).

There was a statutory loss before taxation of £9,068k (2021/22: £2,098k loss) which included £10,700k non-recurring administrative expenses and a £658k credit due to the release of customer redress provisions.

**Reconciliation of underlying profit/(loss) before taxation to statutory loss before taxation**

| For the year ended 31 March | 2023 £000 | 2022 £000 |
|---|---|---|
| Net interest income | **192** | 77 |
| Non-interest income | **11,914** | 13,729 |
| **Total income** | **12,106** | 13,806 |
| Ongoing administrative expenses | **(14,178)** | (22,964) |
| Recoveries of written-off debt | **3,046** | 3,086 |
| **Underlying profit / (loss) before taxation** | **974** | (6,072) |
| Non-recurring administrative expenses | **(10,700)** | (821) |
| Release of customer redress provisions | **658** | 4,846 |
| Loss on sale of loans | **-** | (51) |
| **Statutory loss before taxation** | **(9,068)** | (2,098) |

# Business review (continued)

## Balance Sheet

The Balance Sheet has reduced by £35,052k since March 2022 to £70,559k (March 2022: £105,611k), primarily due to the distribution of interim dividends totalling £32,900k in the period.

In November 2021, the Group loaned JJB's parent, Jupiter Jersey Holdings Limited ('JJH'), £9,100k as part of a share allocation exercise. It is anticipated that this will be repaid over time as and when JJB claims against certain indemnities provided by UKAR. During the year to 31 March 2023, £1,715k of the loan was repaid leaving an outstanding balance of £7,385k.

## Capital

The Company operates under a MIPRU regulatory status. The rules of the Financial Conduct Authority ('FCA') require the Company to hold capital in excess of 1% of total Balance Sheet assets.

As at 31 March 2023, capital in the Company represented 47.8% of the Company's assets (March 2022: 72.6%). Capital in MX, the Company's principal subsidiary, represented 33.5% (March 2022: 29.2%) of MX's assets. The Company met its capital requirements in full throughout the year.

In September 2022, the Company distributed a dividend of £22,900k to its parent, JJB, which equated to £5,725 per ordinary share. In March 2023 it distributed a further dividend of £10,000k, which equated to £2,500 per ordinary share. Both dividends were settled in cash.

**Capital resources – B&B (company only)**

| At 31 March | 2023<br>£000 | 2022<br>£000 |
|---|---|---|
| Share capital and reserves | **38,199** | 80,130 |
| Less: deductions[1] | **(3,462)** | (2,334) |
| **Total capital** | **34,737** | 77,796 |

1 *The deduction from capital resources of £3,462k reflects the Company's investment in MX (March 2022: £2,334k). This has increased following £1,128k profits generated by MX in the financial year.*

# Section 172(1) statement

The Board has complied with the requirements of Section 172(1) of the Companies Act during the year and clearly articulates its Vision, Mission, Strategic Objectives and Values.

Notwithstanding the change in strategy of the Group, how we work with our clients, colleagues, outsourcing partners, suppliers and the shareholder to achieve our goals remains of critical importance.

We are committed to doing the right thing for all stakeholders and acting in an ethical and fair manner consistent with all legal and regulatory requirements. All Board and Board Committee reports include a mandatory evaluation of Section 172(1) issues to ensure that the impact on stakeholders of any recommended actions are given appropriate consideration.

The Directors had regard to the needs of all stakeholders and the effect of that regard, in making principal decisions during the financial year 2022/23 as follows:

## Shareholder

JJB is B&B's sole shareholder. Their views are considered through one appointed Non-Executive Director attending Board and Committee meetings and through close working relationships between representatives of Davidson Kempner and B&B.

## Customers

### Customer servicing

Whilst we have outsourced our mortgage servicing operations to Computershare since 2016, we retain the legal and regulatory responsibility for customer outcomes and we take this responsibility seriously. We have comprehensive oversight of the service our customers receive through regular monthly board reporting, customer complaint levels and root cause analysis, service level agreements, independent customer research programmes, and audit and compliance reporting.

Our colleague surveys continue to demonstrate that our colleagues are committed to ensuring our customers receive excellent service and are focused on ensuring we do the right things for our customers. We have 13,800 customers under management (March 2022: 16,000), with 17,700 mortgage accounts (March 2022: 20,500). Towards the end of the year, cost of living pressures were starting to feed through into rising arrears but still the majority of loans continue to perform well with more than 86% of mortgage customers up to date with their monthly payments. In addition, we hold a significant portfolio of accounts where the loan has historically redeemed at a shortfall and the Company continues to pursue the debt.

We endeavour to contact all customers who are facing financial difficulty, following a missed payment, to understand their situation and consider solutions to help them manage their mortgage. For customers experiencing temporary or short-term financial difficulty this includes a range of forbearance options. Where appropriate we actively encourage customers to seek help from non-fee charging debt advice agencies.

### Support for customers experiencing payment difficulties

The rising cost of living has inevitably put pressure on many of our customers. We have monitored this closely, with regular customer research in place to better understand our customers' challenges and needs. We offer forbearance where appropriate and continue to suspend all arrears fees. In addition, in January and February 2023, we wrote to over 9,000 residential customers offering help and guidance in light of cost of living pressures.

### Doing the right thing for our customers

We remain committed to doing the right thing for our customers and where we identify issues that have caused customer detriment, we will ensure that they are fully remediated.

# Section 172(1) statement (continued)

## Workforce

### People Strategy

Notwithstanding the change in strategy of the Group, we believe colleagues continue to be the differentiating factor in enabling us to deliver for our customers, clients and stakeholders. To 'be a great company to work for' remains one of our five strategic objectives, ensuring colleagues feel valued, connected to the objectives of the business and able to positively contribute to the continued fair treatment of customers. Our HR strategy enables us to maintain our high standards of conduct whilst the Company continued to simplify its operations and governance structures during the period.

The Managing Director is the executive responsible for equality, diversity and inclusion. We treat all colleagues as individuals, recognise the benefits of having a diverse workforce and have policies and practices in place that assess all on the merits of their individual performance, irrespective of their age, gender, race, sexual orientation or any other protected characteristic.

We support colleagues through various 'well-being' programmes, offering membership of a private medical insurance scheme, access to health and well-being materials via our benefits portal, and access to an Employee Assistance Programme.

## Regulator

B&B and MX are regulated by the FCA and as such comply with the rules and guidance set out in the FCA Handbook and by the Regulator more widely. We are required to manage our capital in accordance with the FCA rules and guidance.

## Suppliers

The service from our four key suppliers is reviewed and reported through the Supplier Relationship Management Toolkit which is reviewed by the Executive Risk Committee ('ERC') each quarter.

## Community

In September 2022 colleagues voted to support Dementia UK as our Charity of the Year, raising funds via both one-off activities and Give As You Earn donations. In addition, colleagues continued to show support for Junior Chamber International, supporting appeals that benefited disadvantaged families and children in our local community at Easter and Christmas.

# Principal risks and uncertainties

Pages 7 to 8 form an integral part of the audited Financial Statements

## Introduction

The following sections describe the Group's major risk categories under management. Other factors could affect the Group's results, including economic and geo-political factors. Therefore, the categories of risk described below should not be considered to represent all of the potential risks and uncertainties which could impact the Group.

The transfer of the economic interest in the mortgage loan portfolios during the year ended 31 March 2021 changed the nature and focus of the principal risks, In particular the Group no longer has any material exposure to credit risk. The Group does, however, continue to manage credit risk on behalf of its clients under servicing contracts.

## Risk categorisation

During the year the Group categorised risk under the following headings:

### (i) Conduct risk

Conduct risk is defined as the 'risk of treating customers unfairly and delivering inappropriate outcomes leading to customer detriment or impacting market integrity'.

This risk category is governed by a Conduct Risk Framework ('CRF') which forms part of the Enterprise-wide Risk Management Framework ('EWRMF'). Through the EWRMF the approach to conduct risk is led by the Board and Senior Management. It ensures a joined-up and consistent approach to the management of conduct risk and is integrated into business strategy, management and decision making.

The CRF sets out the approach to the effective assessment, management and monitoring of conduct risk in accordance with our stated conduct risk appetite. The Group has a zero risk appetite for systemic conduct risk that could lead to unfair customer outcomes or pose a risk to market integrity, including through those services provided by a third party. Conduct risk is an integral part of the way the Group does business, specifically, the interests of customers and market integrity are at the heart of the Group's strategy, business and culture. With clear and visible leadership from the Board everyone takes responsibility for good conduct throughout our business with established controls to deliver fair and appropriate outcomes to our customers, including vulnerable customers. Our market conduct ensures that the Group has no impact on market integrity. Annual conduct risk training is included in the colleague mandatory training programme.

### (ii) Outsourcing risk

Outsourcing risk is defined as 'the risk of loss/disruption arising from inadequate or ineffective appointment, supervision and control or any subsequent contractual termination of outsourced service providers.'

The Group appoints outsourced service providers in accordance with the Board's Outsourcing Risk Policy and supporting Supplier Relationship Management Framework. The Group adopts a proportionate and risk based approach to the appointment and oversight of outsourced service providers based on the nature, scale and complexity of the outsource and deploys a range of policy, governance, reporting, monitoring and assurance activities.

Third Party reports, covering the suitability of design and operating effectiveness of controls, are also utilised to provide an additional level of review and assurance over the Group's mortgage servicing partner. The Group are advised of any findings and subsequent action plans to resolve. These reports are prepared in accordance with the International Standard on Assurance Engagements (ISAE) 3402 and 3000, Assurance Reports on Controls at a Service Organisation, issued by the International Auditing and Assurance Standards Board.

### (iii) Operational risk

Operational risk is defined as 'the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events'.

The Operational Risk Framework consists of an appropriate suite of policies, standards and procedures to enable effective identification, assessment, monitoring and reporting of key operational risks. The Framework is overseen and reported on by the Risk Function which also provides expertise in relation to Financial Crime, Cyber Risk, Data Protection, Operational Resilience, Business Continuity and Disaster Recovery. The key elements of the Framework include Risk & Control Self-Assessment, Operational Risk Event reporting, Key Risk Indicators and scenario analysis.

### (iv) Credit risk

The Group is no longer exposed to credit risk on mortgage loan portfolios, however, we continue to manage credit risk on behalf of clients. The approach to managing credit risk includes a governance framework, credit behavioural scoring and fraud detection techniques.

Counterparty credit risk is limited to operational bank accounts and cash deposits with banks. Credit risk limits apply to all counterparties which reflect their credit rating as well as size, depth and quality of their capital base.

# Principal risks and uncertainties (continued)

Pages 7 to 8 form an integral part of the audited Financial Statements

## Risk categorisation (continued)

### (v) Strategic risk

Strategic risk is managed at a Group level and is defined as the 'current or prospective risk to earnings arising from changes in the business environment and from adverse business decisions, improper implementation of decisions, lack of responsiveness to changes in the business environment or the requirement to remediate former customers'.

The Group considers the primary strategic risks to be the external environment, outsourcing, political/geo-political, regulatory and legal risk, infrastructure, people, project risk and claims upheld in favour of former customers in relation to potential breaches of contractual terms or other requirements.

The Group's focus is on continuous assessment and measurement of movement in strategic risk status in order to ensure continuous monitoring of potential impacts on business plans and strategic objectives. Close oversight of movements in strategic risk (proximity, financial impact, probability) is maintained via reporting to the Executive Committee and the Board.

### (vi) Liquidity risk

Liquidity risk is the 'risk of being unable to pay liabilities as they fall due'.

The Board's appetite for liquidity risk is low. Liquidity is managed to ensure there is adequate liquidity to meet commitments at all times with minimum liquidity levels set out in the Board-approved Liquidity Risk Policy. Responsibility for managing liquidity risk is delegated to the Finance Director. Stress tests are used to assess the adequacy of liquidity. Liquidity is reported daily to both the Finance and Risk teams and reported to ERC and the Board. ERC is responsible for ensuring that the strategies of the Finance Director maintain liquidity risk within the Board's Risk Appetite.

### (vii) Regulatory risk

Regulatory risk is the 'risk of failing to comply with the legal and regulatory requirements applying to B&B arrangements and activities'. The Group has a zero regulatory risk appetite and undertakes its activities in line with this. The Group has established, implements and maintains policies and procedures designed to detect any risk of failure by B&B to comply with its obligations under the regulatory system, as well as associated risks. The Group has put in place adequate measures and procedures designed to minimise these risks and to enable the FCA (and any relevant regulator) to exercise its powers effectively under the regulatory system.

**Mark Wouldhave**
Managing Director, on behalf of the Board
5 July 2023

# Directors' Report and Governance Statement

### Group structure

On 1 October 2010 UKAR was established as the holding company for B&B and NRAM, bringing together the two companies under shared management and a common Board of Directors. UKAR itself is wholly owned by HM Treasury, whose shareholding was managed by UK Government Investments Limited ('UKGI').

In February 2021 UKAR agreed to sell the issued share capital of B&B and NRAM to Davidson Kempner. Change of control took place on 29 October 2021 and JJB acquired the issued share capital of B&B and NRAM.

The Company's principal subsidiary is MX, a directly held unlimited company. The subsidiaries which comprise the B&B Group and are fully consolidated into the Group Financial Statements are listed in note 9.

### Corporate governance

The Company is controlled by JJH, the parent of JJB.

The Board has established an Audit & Risk Committee ('ARC') comprised of the non-Executive Directors of the Company. ARC monitors the integrity of financial reporting for the business, provides assurance that the Group has in place effective audit processes and internal control systems and supports the Board in ensuring that key risks are managed and monitored within the approved risk appetite, and that an appropriate risk culture and systems of internal control to mitigate those key risks are maintained, including the monitoring of our outsourced mortgage service provider.

### Directors and Company Secretary

The names of the Directors and Secretary of the Company are below.

| | | |
|---|---|---|
| Brendan McDonagh | Non-Executive Director | Director for whole of 2022/23 |
| Brendan Russell | Non-Executive Director | Director for whole of 2022/23 |
| Mark Wouldhave | Executive Director | Director for whole of 2022/23 |
| Martin Scott | Executive Director | Director for whole of 2022/23 |
| Matthew Gilmour | Non-Executive Director | Director for whole of 2022/23 |
| Claire Craigie | Company Secretary | Company Secretary for whole of 2022/23 |

### Directors' interests

B&B and NRAM share a common Board of Directors. None of the Directors have beneficial interests in the share capital of the Company.

### Directors' conflicts of interest

The Board, as permitted by the Company's articles of association, has authorised all potential conflicts of interest declared by individual Directors and a full register is reviewed and maintained.

### Future developments

As stated on page 2, during the year the Board approved a change to the strategy of the Group. In light of challenging economic and market conditions it was agreed that the likelihood of increasing third-party assets under management to a level that would sustain a value accretive business model was remote. As a result, the decision was taken to commence the carefully managed wind-down of the business and the Directors now expect that the Group will cease to operate as a master servicer and legal title holder in respect of its existing servicing relationships during the 2023/24 financial year, following which it will focus on the management of its residual obligations in the coming years.

# Directors' Report and Governance Statement (continued)

### Directors' indemnities

B&B has provided each Director with a Deed of Indemnity, which constituted 'qualifying third party indemnity provision' in accordance with the provisions of the Companies Act 2006. The Deeds were in force during the whole of the financial year ended 31 March 2023 and remain in force as at the date of approval of the Directors' Report.

The Deeds indemnify the Directors to the fullest extent permitted by law against all losses suffered or incurred in respect of acts and omissions arising as a result of holding office. The indemnities also extend to the reimbursement of each Director with the costs of defending all claims, actions and proceedings including regulatory investigation arising out of or connected with the exercise of, or failure to exercise, any of the Director's powers, duties or responsibilities as an officer, Director, trustee, agent or employee of B&B and any of its subsidiaries. Reimbursement is subject to the Director's obligation to repay the Company in accordance with the provisions of the Companies Act 2006. The payment obligations of the Company under those indemnities issued prior to 1 November 2021 were backed by a specific guarantee in favour of the Directors entered into between the Company and HM Treasury which was terminated for future obligations and liabilities with effect from 29 October 2021. The termination of the Guarantee does not affect any liabilities, claims or demands that any Party may have against the other under or in connection with such Guarantee arising prior to 29 October 2021.

There were no amounts paid or liabilities incurred by the Company for the purpose of fulfilling the indemnities during the financial year ended 31 March 2023.

The Company has also arranged.Directors' and Officers' Insurance on behalf of the Directors in accordance with the provisions of the Companies Act 2006.

## Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulations. Company law requires the Directors to prepare Financial Statements for each financial period. Under that law the Directors have prepared the Group and Parent Company Financial Statements in accordance with International Accounting Standards ('IAS') in conformity with the requirements of the Companies Act 2006. 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 the Company and of the profit or loss of the Group for that period. In preparing these Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IAS in conformity with the requirements of the Companies Act 2006 have been followed, subject to any material departures disclosed and explained in the Financial Statements; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company and·Group will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's and the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the Financial Statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Each of the Directors confirms that, to the best of each person's knowledge and belief:

- the Financial Statements, prepared in accordance with IAS in conformity with the requirements of the Companies Act 2006, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and Company;
- the Directors' Report contained in the Annual Report includes a fair review of the development and performance of the business and the position of the Company and Group, together with a description of the principal risks and uncertainties that they face; and
- the Annual Report & Accounts, taken as a whole, is fair, balanced and understandable, providing the information necessary for shareholders to assess the Group's position, performance, business model and strategy.

# Directors' Report and Governance Statement (continued)

## Statement of Directors' responsibilities (continued)

### Going concern

The Directors have assessed the Company's and the Group's ability to continue as a going concern, taking into consideration the principal risks set out on pages 7 to 8 and the change in strategy of the Group. The validity of the going concern basis of accounting is dependent upon the funding position of the Company and on the Directors' expectations regarding the continuation of trading.

The Group has sufficient resources to meet its known commitments and liabilities as they fall due for a period of more than 12 months beyond the date of approval of these Financial Statements.

Accordingly, the Directors are satisfied at the time of approval of these Financial Statements that the B&B Group has adequate resources to continue in business for the foreseeable future. They are also satisfied that the Company's business will continue for at least 12 months from the approval of these Financial Statements. The Directors therefore consider it appropriate to prepare these Financial Statements on a going concern basis.

### Employees

B&B is committed to employment practices and policies which recognise the benefits of having a diverse workforce and ensuring we treat all colleagues fairly irrespective of their age, gender, disability, gender reassignment, sexual orientation, marriage or civil partnership status, pregnancy or maternity, race, religion or belief or lack of belief – known as protected characteristics.

Colleagues are kept closely involved in major changes affecting them through regular virtual or face-to-face engagement forums, internal communications and easy access to Directors. Our recognised trade union, Unite, are also kept up to date, ensuring that the views of members are taken into account in reaching decisions.

The Non-Executive Directors have service contracts with B&B. All Executive Directors and colleagues are employed by B&B.

### Financial risk management objectives and policies

Information regarding the financial risk management objectives and policies of the Group in relation to the use of financial instruments is given in note 22. A description of the principal risks to which the Group and Company are exposed is provided on pages 7 to 8 which form an integral part of the audited consolidated Financial Statements.

### Dividends

B&B declared two interim dividends during the year, totalling £32,900k, which were settled in cash. £22,900k was declared in September 2022 and £10,000k in March 2023. The Directors do not propose the payment of any further dividends in respect of the year ended 31 March 2023.

### Political donations

The Company has not made any political donations or incurred any political expenditure during the financial year.

## Auditors and disclosure of information to auditors

As at the date of this report, each person who is a Director confirms that:

- so far as each Director is aware there is no relevant audit information of which the Company's auditors are unaware; and
- each Director has taken such steps as he or she ought to have taken as a Director in order to make him or herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

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

**Mark Wouldhave**
Managing Director, on behalf of the Board
5 July 2023

# Independent Auditor's report to the Members of Bradford & Bingley Limited

## Opinion

We have audited the financial statements of Bradford & Bingley Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 March 2023 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated and Company Balance Sheets, the Consolidated and Company Statements of Changes in Equity, the Consolidated and Company Statements of Cash Flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK-adopted international accounting standards and as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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 2023 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 under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

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

## Other information

The other information comprises the information included in the Strategic Report and Directors' Report and Governance Statement, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the Strategic Report and Directors' Report and Governance Statement. Our opinion on the group and parent company financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

# Independent Auditor's report to the Members of Bradford & Bingley Limited (continued)

## Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report and Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report and Governance Statement have been prepared in accordance with applicable legal requirements.

## Matters on which we are required to report by exception

- In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report and Governance Statement.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

## Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the group and parent company financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the group and parent company financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

## Auditor's responsibilities for the audit of the financial statements

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

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

## Independent Auditor's report to the Members of Bradford & Bingley Limited (continued)

### Auditor's responsibilities for the audit of the financial statements (continued)

- We obtained an understanding of the group and parent company and the sector in which they operate to identify laws and regulations that could reasonably be expected to have a direct effect on the financial statements. We obtained our understanding in this regard through discussions with management, industry research, our cumulative audit experience and reviewing the previous auditor's prior year audit file.
- We determined the principal laws and regulations relevant to the group and parent company in this regard to be those arising from the Companies Act 2006; International Financial Reporting Standards; employment law; UK tax legislation; and regulatory requirements imposed by the Financial Conduct Authority.
- We designed our audit procedures to ensure the audit team considered whether there were any indications of non-compliance by the group or parent company with those laws and regulations. These procedures included, but were not limited to, enquiries of management and those charged with governance; review of internal meeting minutes; and review of regulatory/legal correspondence.
- We also identified the risks of material misstatement of the financial statements due to fraud. We considered, in addition to the non-rebuttable presumption of a risk of fraud arising from management override of controls, the potential for management bias with regard to the assumptions used in calculating the customer redress provision and restructuring provisions. We addressed this by challenging the assumptions and judgements made by management when auditing significant accounting estimates, and by reviewing and considering post year end activity.
- As in all of our audits, we addressed the risk of fraud arising from management override of controls by performing audit procedures which included, but were not limited to: the testing of journals; reviewing accounting estimates for evidence of bias; and evaluating the business rationale for any significant transactions that are unusual or outside the normal course of business.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

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

### Use of our report

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

M. R. Watson

**Martin Watson (Senior Statutory Auditor)**
**For and on behalf of PKF Littlejohn LLP**
**Statutory Auditor**

One Park Row
Leeds
LS1 5HN

**5 July 2023**

# The Accounts



## Notes to the Financial Statements

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | Note | **12 months to 31 March 2023 £000** | 12 months to 31 March 2022 £000 |
|---|---|---|---|
| Interest receivable and similar income | | **208** | 77 |
| Interest expense and similar charges | | **(16)** | - |
| **Net interest income** | | **192** | 77 |
| Revenue from contracts | 3 | **11,783** | 13,627 |
| Other operating income | 4 | **131** | 102 |
| **Non-interest income** | | **11,914** | 13,729 |
| **Total income** | | **12,106** | 13,806 |
| Administrative expenses | 5 | **(24,878)** | (23,785) |
| Provision for customer redress | 17 | **658** | 4,846 |
| Recoveries of written-off debt and net impairment charge on loans to customers | | **3,046** | 3,086 |
| Loss on sale of loans | | **-** | (51) |
| **Loss before taxation** | | **(9,068)** | (2,098) |
| Taxation | 6 | **37** | 1,189 |
| **Loss for the financial year attributable to owners of the parent** | | **(9,031)** | (909) |
| **Other comprehensive income** | | | |
| Items that will not be reclassified subsequently to profit or loss: | | | |
| - retirement benefit remeasurements | | **-** | 160 |
| **Total other comprehensive income** | | **-** | 160 |
| **Total comprehensive expense for the financial year** | | **(9,031)** | (749) |

The notes on pages 21 to 40 form an integral part of these Financial Statements.

The Company's loss after tax for the financial year was £9,031k (2021/22: loss of £819k) including dividend income of £nil (2021/22: £4,858k) declared by its subsidiary Mortgage Express ('MX'). As permitted by Section 408 of the Companies Act 2006, the Company's individual Income Statement, Statement of Comprehensive Income and related notes have not been presented in these Financial Statements.

## BALANCE SHEETS

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | **31 March 2023** | 31 March 2022 | **31 March 2023** | 31 March 2022 |
| | Note | **£000** | £000 | **£000** | £000 |
| **Assets** | | | | | |
| Cash at bank and in hand | 7 | **19,148** | 73,670 | **12,106** | 68,138 |
| Amounts deposited with banks | 8 | **40,120** | - | **40,120** | - |
| Amounts owed by parent undertaking | 20 | **7,385** | 9,100 | **7,385** | 9,100 |
| Amounts owed by fellow subsidiary undertakings | 20 | **104** | 16,781 | **104** | 16,781 |
| Amounts owed by subsidiary undertakings | 20 | **-** | - | **6,630** | 5,520 |
| Investments in Group undertakings | 9 | **-** | - | **3,462** | 2,334 |
| Current tax assets | 6 | **-** | 237 | **-** | 365 |
| Deferred tax assets | 16 | **874** | 964 | **-** | - |
| Lease assets | 10 | **609** | 2,669 | **609** | 2,669 |
| Other assets | 11 | **2,319** | 2,190 | **2,319** | 2,190 |
| **Total assets** | | **70,559** | 105,611 | **72,735** | 107,097 |
| **Liabilities** | | | | | |
| Amounts owed to subsidiary undertakings | 20 | **-** | - | **2,426** | 1,510 |
| Lease obligations | 10 | **4,348** | 5,577 | **4,348** | 5,577 |
| Accruals | 12 | **3,181** | 3,966 | **2,951** | 3,966 |
| Cash held on behalf of clients | 13 | **9,851** | 7,136 | **9,851** | 7,136 |
| Other liabilities | 14 | **1,655** | 572 | **1,643** | 556 |
| Provisions | 17 | **13,317** | 8,222 | **13,317** | 8,222 |
| **Total liabilities** | | **32,352** | 25,473 | **34,536** | 26,967 |
| **Equity** | | | | | |
| Issued capital and reserves attributable to owners of the parent: | | | | | |
| - share capital | 18 | **1** | 1 | **1** | 1 |
| - retained earnings | | **38,206** | 80,137 | **38,198** | 80,129 |
| **Share capital and reserves attributable to owners of the parent** | | **38,207** | 80,138 | **38,199** | 80,130 |
| **Total equity and liabilities** | | **70,559** | 105,611 | **72,735** | 107,097 |

The disclosures regarding risk management and control on pages 7 to 8 and the notes on pages 21 to 40 form an integral part of these Financial Statements.

The Financial Statements on pages 16 to 40 were approved by the Board of Directors on 5 July 2023 and signed on its behalf by:

**Mark Wouldhave**
Managing Director

**Martin Scott**
Finance Director

Bradford & Bingley Limited is registered in England and Wales under company number 03938288.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

**For the 12 months to 31 March 2023**

| | Note | Share capital £000 | Share premium reserve £000 | Capital redemption reserve £000 | Retained earnings £000 | Total share capital and reserves £000 |
|---|---|---|---|---|---|---|
| **At 1 April 2022** | | **1** | **-** | **-** | **80,137** | **80,138** |
| Loss for the financial year | | - | - | - | (9,031) | (9,031) |
| **Total comprehensive expense** | | **-** | **-** | **-** | **(9,031)** | **(9,031)** |
| Dividends | 18 | - | - | - | (32,900) | (32,900) |
| **At 31 March 2023** | | **1** | **-** | **-** | **38,206** | **38,207** |

For the 12 months to 31 March 2022

| | Note | Share capital £000 | Share premium reserve £000 | Capital redemption reserve £000 | Retained earnings £000 | Total share capital and reserves £000 |
|---|---|---|---|---|---|---|
| At 1 April 2021 | | 361,336 | 198,832 | 29,232 | 642,287 | 1,231,687 |
| Other comprehensive income: | | | | | | |
| - retirement benefit remeasurements | 15 | - | - | - | 160 | 160 |
| - tax effects of the above | | - | - | - | - | - |
| Total other comprehensive income | | - | - | - | 160 | 160 |
| Loss for the financial year | | - | - | - | (909) | (909) |
| Total comprehensive expense | | - | - | - | (749) | (749) |
| Issue of share capital | 18 | - | 9,100 | - | - | 9,100 |
| Capital reduction[1] | 18 | (361,335) | (207,932) | (29,232) | 598,499 | - |
| Dividends | 18 | - | - | - | (1,159,900) | (1,159,900) |
| At 31 March 2022 | | 1 | - | - | 80,137 | 80,138 |

[1] *During the year ended 31 March 2022 the Company reduced its share capital to £1,000.*

## COMPANY STATEMENT OF CHANGES IN EQUITY

**For the 12 months to 31 March 2023**

| | Note | Share capital £000 | Share premium reserve £000 | Capital redemption reserve £000 | Retained earnings £000 | Total share capital and reserves £000 |
|---|---|---|---|---|---|---|
| **At 1 April 2022** | | **1** | **-** | **-** | **80,129** | **80,130** |
| Loss for the financial year | | - | - | - | (9,031) | (9,031) |
| **Total comprehensive expense** | | - | - | - | (9,031) | (9,031) |
| Dividends | 18 | - | - | - | (32,900) | (32,900) |
| **At 31 March 2023** | | **1** | **-** | **-** | **38,198** | **38,199** |

For the 12 months to 31 March 2022

| | Note | Share capital £000 | Share premium reserve £000 | Capital redemption reserve £000 | Retained earnings £000 | Total share capital and reserves £000 |
|---|---|---|---|---|---|---|
| At 1 April 2021 | | 361,336 | 198,832 | 29,232 | 642,191 | 1,231,591 |
| Other comprehensive income: | | | | | | |
| - retirement benefit remeasurements | 15 | - | - | - | 160 | 160 |
| - tax effects of the above | | - | - | - | - | - |
| Total other comprehensive income | | - | - | - | 160 | 160 |
| Loss for the financial year | | - | - | - | (821) | (821) |
| Total comprehensive expense | | - | - | - | (661) | (661) |
| Issue of share capital | 18 | - | 9,100 | - | - | 9,100 |
| Capital reduction[1] | 18 | (361,335) | (207,932) | (29,232) | 598,499 | - |
| Dividends | 18 | - | - | - | (1,159,900) | (1,159,900) |
| At 31 March 2022 | | 1 | - | - | 80,129 | 80,130 |

[1] *During the year ended 31 March 2022 the Company reduced its share capital to £1,000.*

## CASH FLOW STATEMENTS

| | Group | | Company | |
|---|---|---|---|---|
| | **12 months to 31 Mar 2023 £000** | 12 months to 31 Mar 2022 £000 | **12 months to 31 Mar 2023 £000** | 12 months to 31 Mar 2022 £000 |
| **Cash flows from operating activities** | | | | |
| Loss before taxation for the financial year | **(9,068)** | (2,098) | **(9,031)** | (1,191) |
| *Adjustments to reconcile profit to cash generated from operating activities:* | | | | |
| - interest expense and similar charges | **16** | - | **5** | - |
| - provision for customer redress | **(658)** | (4,794) | **(658)** | (4,794) |
| - non-recurring charges | **8,047** | 821 | **8,047** | 821 |
| - defined benefit pension scheme charges | **-** | 72 | **-** | 72 |
| - contribution to defined benefit pension scheme | **-** | (259) | **-** | (259) |
| - depreciation | **173** | 275 | **173** | 275 |
| - loss on sale of loans | **-** | 51 | **-** | 60 |
| - impairment of right-of-use lease assets | **858** | (1,116) | **858** | (1,116) |
| - onerous contracts provision credit | **(999)** | - | **(999)** | - |
| - impairment of investments in Group undertakings | **-** | - | **(1,128)** | (2,560) |
| | **(1,631)** | (7,048) | **(2,733)** | (8,692) |
| *Net decrease/(increase) in operating assets:* | | | | |
| - amounts owed by Group undertakings | **18,392** | (22,729) | **17,145** | (21,410) |
| - other assets | **(222)** | 1,525 | **(78)** | 1,525 |
| *Net (decrease)/increase in operating liabilities:* | | | | |
| - amounts owed to Group undertakings | **-** | - | **916** | 59 |
| - cash held on behalf of clients | **2,715** | (2,541) | **2,715** | (2,541) |
| - accruals | **(643)** | (7,715) | **(873)** | (7,403) |
| - other liabilities | **1,078** | (1,028) | **1,087** | (975) |
| - provisions | **(1,438)** | (3,443) | **(1,438)** | (3,443) |
| Income tax refund | **349** | 3,992 | **349** | 4,630 |
| **Net cash (used in)/generated from operating activities** | **18,600** | (38,987) | **17,090** | (38,250) |
| **Cash flows used in financing activities:** | | | | |
| - issue of share capital (see note 18) | **-** | 9,100 | **-** | 9,100 |
| - dividends paid (see note 18) | **(32,900)** | (1,159,900) | **(32,900)** | (1,159,900) |
| - sub-lease receipts (see note 10) | **1,010** | 2,039 | **1,010** | 2,039 |
| - payment of lease obligations (see note 10) | **(1,112)** | (2,473) | **(1,112)** | (2,473) |
| - sub-lease termination receipt (see note 10) | **-** | 3,408 | **-** | 3,408 |
| - lease termination payment (see note 10) | **-** | (7,519) | **-** | (7,519) |
| - transfer of pension (see note 15) | **-** | (6,627) | **-** | (6,627) |
| - amounts deposited with banks | **(40,120)** | - | **(40,120)** | - |
| **Net cash used in financing activities** | **(73,122)** | (1,161,972) | **(73,122)** | (1,161,972) |
| **Net (decrease)/increase in cash and cash equivalents** | **(54,522)** | (1,201,111) | **(56,032)** | (1,200,222) |
| Cash and cash equivalents at beginning of year | **73,670** | 1,274,781 | **68,138** | 1,268,360 |
| **Cash and cash equivalents at end of year** | **19,148** | 73,670 | **12,106** | 68,138 |
| **Represented by cash and assets with original maturity of three months or less within:** | | | | |
| - cash at bank and in hand | **19,148** | 73,670 | **12,106** | 68,138 |
| **Total cash and cash equivalents at end of year** | **19,148** | 73,670 | **12,106** | 68,138 |

## 1. Principal accounting policies

Bradford & Bingley Limited ('the Company') is a private company limited by shares incorporated and domiciled in the United Kingdom and is registered in England and Wales. The Company's entire share capital was acquired by JJB from UKAR on 29 October 2021.

These Financial Statements were authorised for issue by the Directors on 5 July 2023 and will be put to the shareholder for approval at the Company's Annual General Meeting.

### (a) Statement of compliance

Both the Company Financial Statements and the Group (comprising the Company and its subsidiaries) Financial Statements have been prepared and approved by the Directors in accordance with International Accounting Standards ('IAS') as endorsed for use in the UK, in conformity with the requirements of the Companies Act 2006. IAS comprises International Financial Reporting Standards prefixed IFRS issued by the International Accounting Standards Board ('IASB') and those prefixed IAS which were issued by the IASB's predecessor body, along with interpretations issued by the IFRS Interpretations Committee ('IFRIC') prefixed IFRIC and those prefixed SIC which were issued by the IFRIC's predecessor body. In publishing the Company Financial Statements here together with the Group Financial Statements, the Company has taken advantage of the exemption in s408 of the Companies Act 2006 not to present its individual Income Statement and related notes.

There have been no significant changes to the Group's and Company's accounting policies since 31 March 2022.
All new issued standards, amendments to standards and interpretations have no impact upon, the Financial Statements of the Group or Company.

### (b) Basis of preparation

The Financial Statements have been prepared on a going concern basis and using the historical cost convention. The going concern basis continues to be appropriate despite the change in strategy.

The functional and presentational currency of the Group and Company is pounds sterling.

The Company has sufficient cash to meet its commitments for the foreseeable future. The Company continues to trade, benefiting from recoveries of written-off debt, trail commissions and being in receipt of servicing fees and fees for holding legal title to loans, the economic interest in which was sold in previous years.

The Directors therefore consider it appropriate to prepare these Financial Statements on a going concern basis.

The Directors consider that the accounting policies set out in this note are the most appropriate to the Group's and the Company's circumstances, have been consistently applied to both the Group and the Company in dealing with items which are considered material and are supported by reasonable and prudent estimates and judgements.

These accounting policies have been applied to all periods presented in these Financial Statements.

The Company and its subsidiary MX are regulated by the FCA as mortgage administration companies, and the Directors believe that each has an appropriate and adequate level of capital to support its activities. Further details regarding capital are provided in note 21.

The Financial Statements have been prepared in accordance with IAS in conformity with the requirements of the Companies Act 2006. A summary of accounting policies is set out below. The preparation of the Financial Statements in conformity with these accounting policies and generally accepted accounting principles requires the use of estimates and assumptions that affect the reported values of assets and liabilities at the date of the Financial Statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amounts, events or actions, actual results ultimately may differ from those estimates (see note 2).

The Directors consider the business to comprise one operating and geographical segment.

### (c) Basis of consolidation

The Group's Financial Statements are prepared in accordance with IFRS 10 'Consolidated Financial Statements', and incorporate on a fully consolidated line-by-line basis the Financial Statements of the Company and those entities which are controlled by the Company (its subsidiaries).

### (d) Interest income and expense

Interest income is received on balances held in notice accounts and fixed term deposits.

All of the Group's interest income and expense is recognised on the effective interest method other than the interest received in the year on overpaid tax which was recognised on receipt.

## 1. Principal accounting policies (continued)

### (e) Servicing fee and legal title holder fee income

The Group is responsible for the servicing of certain loans for which the Group has sold the beneficial interest; as the beneficial interest has been sold, the loans are not recognised on the Group's Balance Sheet. The servicing is outsourced to Computershare and the owners of the beneficial interest are charged by the Company in accordance with agreed contractual terms. The servicing is invoiced in arrears on a monthly basis and the invoices are due for payment within 30 days. This charging structure is considered to fairly represent the timing of the performance of the service, and the revenue is recognised as the service becomes due to be invoiced. No significant judgements are involved in the timing of recognition of the revenue. The associated costs of outsourcing the servicing to Computershare are accounted for within administrative expenses.

### (f) Mortgage fee income

Mortgage fees were recognised at the point they became chargeable to the customer; no fees have been recognised since the beneficial interest in the mortgage loans was sold.

### (g) Commission income

Trail commissions on wealth and insurance products sold by the Group in previous years are accounted for on a cash basis as received as it is not possible to estimate reliably the future amounts receivable due to those amounts being highly susceptible to factors outside the Group's influence. This is in accordance with IFRS 15 'Revenue from Contracts with Customers'. Income received in respect of the use of the B&B brand name under license by third parties is recognised on a cash basis as received.

### (h) Unpresented cheques

The Group and Company write off and derecognise cheques which they have previously raised when the cheque has remained unpresented for 6 years; the Group considers that the Group no longer has a legal liability in respect of materially all of these cheques. The write-off is taken to 'other operating income'.

### (i) Bonuses payable

An accrual is made for all bonuses which have been earned by the Balance Sheet date, even though these may not subsequently be payable due to clawback or the employee leaving the Group.

### (j) Taxation

(i) Current tax

The charge for taxation is based on the result for the year and takes into account taxation deferred or accelerated arising from temporary differences between the carrying amounts of certain items for taxation and for accounting purposes. Tax relating to items which are taken directly to reserves is also taken directly to reserves. Tax credits are recognised in respect of allowable losses only when it is probable that future taxable profits will be available against which these losses can be utilised.

(ii) Deferred tax

Deferred tax is calculated using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Financial Statements. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the Balance Sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled. Deferred tax relating to items which are recognised in other comprehensive income is also recognised in other comprehensive income.

Deferred tax assets are recognised when it is probable that future taxable profits will be available against which these temporary differences can be utilised. Deferred tax assets are released when it is determined that it is no longer probable that such future profits will be available. The release is recognised in other comprehensive income where the original credit to set up the deferred tax asset can be identified as having been recognised in other comprehensive income, and otherwise in the Income Statement.

### (k) Financial instruments

IFRS 9 requires that each financial asset is classified at initial recognition, or at the point of first adoption of IFRS 9, into one of three categories:

(i) Financial assets at fair value through profit and loss ('FVP&L');

(ii) Financial assets at fair value through other comprehensive income ('FVOCI'); or

(iii) Financial assets at amortised cost;

and each financial liability into one of two categories:

(iv) Financial liabilities at FVP&L; or

(v) Financial liabilities at amortised cost.

## 1. Principal accounting policies (continued)

### (k) Financial instruments (continued)

The classification of each financial asset is determined by the business model for the asset and whether the cash flows on the asset are 'solely payments of principal and interest' ('SPPI').

All of the Group's and Company's other financial assets and liabilities are classified as at amortised cost and the assets categorised for impairment as stage 1.

IFRS 9 requires that all financial assets are subject to impairment provisioning except those which are carried at FVP&L. Each financial asset subject to impairment provisioning is categorised as 'stage 1', 'stage 2' or 'stage 3'. Stage 1 assets are those for which there has been no significant increase in credit risk since the asset's origination. Stage 2 assets are those for which there has been a significant increase in credit risk since the asset's origination, but the asset is not in default. Stage 3 assets are those which are in default. IFRS 9 requires a forward-looking 'expected credit loss' ('ECL') approach to impairment provisioning. In respect of stage 1 assets provisioning is required for twelve-month expected losses whereas for stage 2 and stage 3 assets provisioning is required for full lifetime expected losses.

### (l) Recognition and de-recognition of financial assets and liabilities

Purchases and sales of financial assets are accounted for once the tests set out in IFRS 9 have been met in relation to the contractual rights to the cash flows on the assets and the risks and rewards of ownership of the assets. When an asset carried at FVOCI is derecognised, the element of the fair value reserve relating to that asset is reclassified to the Income Statement.

A financial liability is de-recognised only when the contractual obligation is discharged, cancelled or has expired.

### (m) Offsetting financial instruments

Financial assets and liabilities, including intra-Group loans and outstanding balances, are offset and the net amount reported on the Balance Sheet when and only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

### (n) Cash at bank and in hand

Cash at bank and in hand comprises balances which are highly liquid and have an original maturity of three months or less. For the purposes of the Cash Flow Statement, accrued interest is excluded from the balance. The Group's cash balances are all on demand or withdrawable at short notice and hence amortised cost is deemed to equal the principal amount plus accrued interest.

### (o) Amounts deposited with banks

Amounts deposited with banks comprises cash placed on deposit for a fixed-term and with an original maturity of greater than three months. Such balances can only be withdrawn before their maturity date in exceptional circumstances and would incur fees. Amortised cost is deemed to equal the principal amount plus accrued interest.

### (p) Written-off debt

A loan to a customer was written off and derecognised, and any associated impairment allowance released, when and only when the property was sold or the account was redeemed. Irrespective of the sale of the beneficial interest in loans to customers in the financial year ended 31 March 2021, the Group retains the right to collect certain balances which had previously been written off. Written-off debt continues to be recovered in line with Mortgage Conduct of Business ('MCOB') rules, and is recognised on a cash basis as received, net of associated recovery costs. Written-off debt has been fully derecognised from the Balance Sheet.

### (q) Leases

The leases to which the Group is a party comprise leases on buildings. Under IFRS 16 'Leases' the Group recognises on its Balance Sheet a lease obligation and a lease asset. The lease obligations comprise the discounted value of the lease payments to the date at which the Company expects to break the lease. Full provision is made for the expected costs to restore the leased property at the end of the lease term to the condition required by the terms and conditions of the lease.

Lease assets comprise net investments in sub-leases, where the leased property is sub-let, and right-of-use assets, where the leased property is not sub-let. Net investments in sub-leases are financial assets and are reviewed for impairment in accordance with IFRS 9. Right-of-use assets are impaired down to their recoverable amount. In addition, provision is made under IAS 37 'Provisions Contingent Liabilities and Contingent Assets' for other anticipated costs of leases which are not sub-let and which the Group does not expect to occupy or sub-let.

**1. Principal accounting policies** (continued)

**(r) Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and provision for impairment as appropriate. Additions and subsequent expenditure are included in the asset's carrying value or are recognised as a separate asset only when they improve the expected future economic benefits to be derived from the asset. Additions include costs directly attributable to bringing the assets to the location and condition necessary for them to be capable of operating in the manner intended by management. All other expenditure is regarded as repairs and maintenance and is charged to the Income Statement in the period in which it is incurred. Depreciation is provided so as to write off the cost less the estimated residual value of each significant component of each item of property, plant and equipment over that component's estimated useful life. A full month's depreciation is provided in the month in which the asset becomes available for use and no depreciation is charged in the month of disposal.

The Group's current property, plant and equipment comprises fixtures and fittings in respect of the Group's leased head office and is being depreciated on a straight-line basis from the month in which the office became available for use, i.e. December 2021, to the end of the lease in 2026.

*All items of property, plant and equipment are reviewed at each published balance sheet date for any indication of impairment.* If there is indication of impairment, the carrying value is reviewed. If any impairment is identified the asset is written down to the impaired value, being the higher of value in use and estimated net proceeds of sale, with the impairment being charged immediately to the Income Statement. In addition, the estimated useful lives and estimated residual values are also reassessed annually and if they are judged to have changed then the rate of depreciation charged in periods after the date of the change reflects the revised estimates.

A previously recognised impairment charge on an asset may be reversed in full or in part where a change in circumstances leads to a change in the estimates used to determine its recoverable amount. The carrying value of the asset will not be increased above the carrying value at which it would have been held had the impairment not been recognised.

**(s) Retirement benefits**

The Group has operated a number of retirement benefit plans for its employees, including defined contribution plans, defined benefit plans and post-retirement medical benefits. During and prior to the year ended 31 March 2022, costs were charged to the 'administrative expenses' line of the Income Statement and to other comprehensive income in accordance with IAS 19 'Employee Benefits' and IFRIC 14 'IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction'.

The Company's remaining pension obligations were transferred to UKAR on 8 October 2021 and hence no retirement benefits are carried on the Balance Sheet at 31 March 2023.

**(t) Provisions and contingent liabilities**

Provisions are recognised when, and only when, the following criteria set out in IAS 37 'Provisions Contingent Liabilities and Contingent Assets' are all met:

- there is a present obligation (legal or constructive) as a result of a past event;
- it is probable that an outflow of resources will be required to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

Provisions are reviewed at each Balance Sheet date and are released if they no longer meet the above criteria.

Provisions are discounted to net present value using rates which reflect the risks specific to the provision, if the effect of discounting is material.

Contingent liabilities are possible obligations whose existence depends upon the outcome of uncertain future events or are present obligations where the outflows of resources are uncertain or cannot be reliably measured. Contingent liabilities are not recognised on the Balance Sheet but are disclosed unless they are remote.

**(u) Debt and equity securities in issue**

Issued securities are classified as liabilities where the contractual arrangements result in the issuer having an obligation to deliver either cash or another financial asset to the security holder, or to exchange financial instruments under conditions that are potentially unfavourable to the issuer. Issued securities, including ordinary share capital, are classified as equity where they meet the definition of equity and confer a residual interest in the issuer's assets on the holder of the securities. The Group currently has no issued securities which are classified as liabilities.

## 1. Principal accounting policies (continued)

**(v) Investments in Group undertakings**

In the Financial Statements of the Company, investments in Group undertakings are carried at cost less any impairment. Investments are reviewed at each published Balance Sheet date and when other significant changes arise in the subsidiaries, for any indication of impairment. If there is indication of impairment of any investment, the carrying value of the investment is reviewed and any impairment identified is charged immediately to the Company's Income Statement. The net assets of the subsidiary falling below the carrying value of the investment is considered an indicator of impairment, as is the expectation that the subsidiary will be loss-making. An impairment loss recognised in prior periods is reversed if, and only if, there has been a change in the estimates used to determine the investment's recoverable amount since the last impairment loss was recognised. An increase in the net assets of the subsidiary would constitute such a change in estimate. The increased carrying amount following a reversal of impairment may not exceed the carrying amount that would have been the case had no impairment loss previously been recognised.

**(w) Amounts owed by and to Group undertakings**

Amounts owed by Group undertakings are classified under IFRS 9 as being at amortised cost and are repayable on demand. The balances are considered to be stage 1, i.e. that there has been no significant increase in credit risk since the asset's origination.

Amounts owed to Group undertakings are classified under IFRS 9 as being at amortised cost and are repayable on demand.

**(x) Dividends receivable and payable**

Dividends receivable from subsidiary undertakings are recognised as income once the right to receive payment is established, in accordance with IAS 27 'Separate Financial Statements'.

Dividends payable by the Company are recognised in retained earnings once they are appropriately authorised and no longer at the Company's discretion.

## 2. Critical judgements and accounting estimates

In preparing the Financial Statements, management are required to make a series of judgements and estimates. Judgements involve an interpretation of requirements to decide how to allocate, value or recognise an item. Estimates arise from using assumptions which result in a range of possible outcomes. The most important judgements and estimates used in preparing these Financial Statements are described below.

***Critical judgements***

**(a) Going concern**

As detailed in note 1(b), the Directors consider it appropriate to prepare these Financial Statements on a going concern basis. If the Financial Statements were prepared on a basis other than a going concern basis, consideration would be required as to whether the carrying amounts of any assets should be impaired and whether any additional costs should be provided for.

**(b) Carrying amount of amounts owed by parent undertaking, subsidiary and fellow subsidiary**

The Directors consider that the carrying amount of the amounts owed by parent undertaking, subsidiary and fellow subsidiary are not impaired; further detail is provided in note 20.

***Accounting estimates***

**(c) Carrying amount of investments in Group undertakings**

At 31 March 2022 the carrying value of the Company's investment in MX was reviewed for impairment. The carrying value was impaired to £4.9m, which was considered to be the value in use of the investment in MX at 31 March 2022 (see note 9). At 31 March 2023 the carrying value of the investment was again reviewed for impairment; the carrying value has been impaired to £2.9m, which is considered to be the value in use of the investment in MX at 31 March 2023.

**(d) Provisions for customer redress**

Provisions are carried in respect of customer redress, as described in note 17. Provisions are set at a level which covers the estimated number of future payments and the estimated average payment amount, using the best available information, but the actual future outcomes of redress provided for may differ from expectations.

**(e) Provisions for leasehold exposures**

As detailed in note 17, an onerous contracts provision is carried in respect of potential future costs of leased properties during future periods beyond the dates on which sub-lessees are able to break their leases. As detailed in note 14, the right-of-use assets have been impaired down to the weighted average of the projected future cash inflows from the leased properties after the sub-lease break dates. Should the lessees not exercise the breaks, these provisions will be reduced.

**(f) Provisions for restructuring**

As detailed in note 17, following the change in strategy during the year a provision is carried for the estimated costs associated with the wind-down of certain activities. Certain of these have been estimated and as such actual costs may differ from expectations.

## 3. Revenue from contracts

| | **12 months to 31 March 2023 £000** | 12 months to 31 March 2022 £000 |
|---|---|---|
| Servicing fees | **9,098** | 11,311 |
| Legal title holder fees | **798** | - |
| Trail commissions | **1,770** | 2,064 |
| Licence fees | **117** | 252 |
| **Total** | **11,783** | 13,627 |

The servicing fee income of £9,098k for the year (2021/22: £11,311k) comprised fees charged for the servicing of loans for which the Group holds legal title. The associated costs of outsourcing the servicing to Computershare are accounted for within administrative expenses. The beneficial interest in these loans was sold in February 2021 and hence the loans are not recognised on the Group's Balance Sheet. In accordance with contractual terms, the fees are invoiced monthly in arrears as the service is performed, and the invoices are payable on 30-day terms; amounts receivable totalled £nil at 31 March 2023 and £897k at 31 March 2022 (see note 11). No impairment has been recognised in respect of servicing fee income receivables.

The legal title holder fees of £798k for the year (2021/22: £nil) comprised fees receivable for being legal title holder of the mortgage loans for which the Group sold the beneficial interest in February 2021. The Group became entitled to charge these fees from the point at which a Long Term Servicing Agreement was signed in July 2022. In accordance with the contractual terms, the fees are invoiced monthly in arrears, and the invoices are payable on 30-day terms; there were no amounts receivable at 31 March 2023 (see note 11).

Trail commissions are earned in respect of third party wealth and insurance products which were sold by the Group in previous years. Revenue is accounted for on a cash basis as received as it is not possible to estimate reliably the future amounts receivable due to those amounts being highly susceptible to factors outside the Company's influence.

The licence fee income of £117k for the year (2021/22: £252k) was earned in respect of a licence to a third party for use of the B&B brand name. The revenue is recognised as the third party makes the sales and is generally received within 60 days of the sale. There were no amounts receivable at 31 March 2023 and 31 March 2022 (see note 11).

## 4. Other operating income

The other operating income of £131k in 2022/23 (2021/22: £102k) principally comprised the write-off and derecognition of cheques which were raised in prior years and which have remained unpresented for 6 years; the Group considers that the Group no longer has a legal liability in respect of materially all of these cheques.

## 5. Administrative expenses

B&B provides services to NRAM, and provided services to UKAR, its former shareholder, until 29 October 2021. NRAM had no direct employees during the years presented. UKAR had no direct employees in the period 1 April 2020 to 29 October 2021. Although in February 2021 the Group sold the beneficial interest in all of its loans to customers, the Group continues to hold legal title to 17,700 mortgage loans and continues to be responsible for ensuring the fair treatment of those customers and for arranging the servicing of those loans. Hence the Group incurs certain costs in respect of those loans. The Company has a mortgage servicing arrangement with Computershare.

The monthly average number of persons employed by B&B during the year was as follows:

| | **12 months to 31 March 2023 Number** | 12 months to 31 March 2022 Number |
|---|---|---|
| **Average headcount:** | | |
| Full time | **50** | 68 |
| Part time | **6** | 5 |
| **Total employed** | **56** | 73 |
| **Total average full time equivalent** | **55** | 72 |

The full-time equivalent is based on the average hours worked by employees in the year.

## 5. Administrative expenses (continued)

The number of persons employed by B&B at the end of the year was as follows:

| | **31 March 2023 Number** | 31 March 2022 Number |
|---|---|---|
| Full time | **47** | 61 |
| Part time | **6** | 5 |
| **Total employed** | **53** | 66 |
| **Total full time equivalent** | **52** | 65 |

Staff numbers include Executive but not Non-Executive Directors. In addition to the permanent staff above, the B&B Group had engaged a full time equivalent of 2 temporary staff and specialist contractors at 31 March 2023 (31 March 2022: 2). The reduction in staff numbers during the year reflected simplification of the business.

| | **12 months to 31 March 2023 £000** | 12 months to 31 March 2022 £000 |
|---|---|---|
| The Group's aggregate costs of permanent staff were as follows: | | |
| Wages and salaries | **4,907** | 5,801 |
| Social security costs | **616** | 687 |
| Defined benefit pension costs (see note 15) | **-** | 72 |
| Defined contribution pension costs (see note 15) | **318** | 444 |
| Other retirement benefit costs (see note 15) | **159** | 244 |
| **Total staff costs** | **6,000** | 7,248 |
| IT costs | **1,886** | 2,543 |
| Outsourced and professional services | **8,112** | 14,894 |
| Depreciation | **173** | 275 |
| Provision for onerous contracts (see note 17) | **(999)** | - |
| Impairment of right-of-use assets (see note 10) | **858** | (1,116) |
| Other administrative expenses | **1,762** | 2,922 |
| | **17,792** | 26,766 |
| **Management recharge to NRAM** | **(3,614)** | (3,802) |
| **Total ongoing administrative expenses** | **14,178** | 22,964 |
| Non-recurring costs | **10,700** | 821 |
| **Total administrative expenses** | **24,878** | 23,785 |

Non-recurring costs of £10,700k include £9,276k estimated costs for the wind-down of certain activities. The remainder relates to costs that have been incurred by the Company but for which JJB is indemnified for by UKAR. The £821k costs in the prior year related to business simplification.

**Auditor's remuneration**
The following costs are included within administrative expenses:

| | **12 months to 31 March 2023 £000** | 12 months to 31 March 2022 £000 |
|---|---|---|
| Fees payable to the Company's auditors and their associates in respect of audit of the parent Company's individual and consolidated Financial Statements | **36** | 30 |
| Fees payable to Company's auditors and their associates for other services: | | |
| - the audit of the Company's subsidiaries pursuant to legislation | **18** | 10 |
| **Total** | **54** | 40 |

The amounts shown in the above analysis are exclusive of VAT. No separate disclosure has been provided of fees payable in respect of the Company as the consolidated Financial Statements are required to disclose these fees on a consolidated basis as shown in the above table.

## 6. Taxation

| The tax credit for the year comprises: | **12 months to 31 March 2023 £000** | 12 months to 31 March 2022 £000 |
|---|---|---|
| Current tax: | | |
| - on loss for the year | **-** | (128) |
| - adjustments in respect of prior periods | **128** | 353 |
| Total current tax credit | **128** | 225 |
| | | |
| Deferred tax (see note 20): | | |
| - origination and reversal of temporary differences | **(133)** | 964 |
| - effect of changes in tax rates | **(42)** | - |
| - adjustments in respect of prior periods | **84** | - |
| Total deferred tax | **(91)** | 964 |
| **Total taxation credit per the Income Statement** | **37** | 1,189 |

There was no foreign tax charged in the year (2022: £nil).

The tax credit on the Group's loss before tax differs from the theoretical amount that would arise using the standard weighted average rate of UK corporation tax of 19.0% (2022: 19.0%) as follows:

| | **12 months to 31 March 2023 £000** | 12 months to 31 March 2022 £000 |
|---|---|---|
| **Loss before taxation** | **(9,068)** | (2,098) |
| | | |
| Tax calculated at rate of 19.0% (2022: 19.0%) | **1,723** | 399 |
| | | |
| Effects of: | | |
| - credits not taxable | **(169)** | 1,326 |
| - tax losses not utilised | **(1,687)** | (1,853) |
| - adjustments in respect of prior periods | **212** | 351 |
| - reinstatement of deferred tax assets (see note 20) | **-** | 798 |
| - change in tax rate | **(42)** | 168 |
| **Total taxation credit/(charge) for the year** | **37** | 1,189 |

Taxation appropriately reflects changes in tax rates which had been substantively enacted by 31 March 2023. The planned increase in the standard rate of UK corporation tax to 25% with effect from 1 April 2023 previously announced.

The Group is anticipated to continue to incur losses. No further profits are expected to be available against which the losses can be relieved and no further tax credits are expected to be recognised.

At 31 March 2023 the Group carried a debtor of £nil (2022: £237k) and Company carried a debtor of £nil (2022: £365k) in respect of current tax, which is repayable on demand.

## 7. Cash at bank and in hand

| | **Group** | | **Company** | |
|---|---|---|---|---|
| | **31 March 2023 £000** | 31 March 2022 £000 | **31 March 2023 £000** | 31 March 2022 £000 |
| Balances with banks | **19,148** | 73,670 | **12,106** | 68,138 |
| **Total** | **19,148** | 73,670 | **12,106** | 68,138 |

The Group and Company have sufficient cash to meet their working capital requirements.

None of the Group's cash at bank and in hand balances are impaired and all are with UK institutions. Of the balances with banks, 100% (2022: 100%) are with institutions rated A or above, based upon the lower of those published by Fitch and Moody's. Expected credit losses arising in the 12 months to 31 March 2023 are not material, and no provision has been made.

## 8. Amounts deposited with banks

| | Group and Company | |
|---|---|---|
| | **31 March 2023** | 31 March 2022 |
| | **£000** | £000 |
| Fixed-term deposits | **40,120** | - |
| **Total** | **40,120** | - |

Amounts deposited with banks consists of fixed-term deposits with an original maturity date greater than 3 months.

The Group and Company have sufficient liquidity to meet their commitments for the foreseeable future.

None of the Group's amounts deposited with banks are impaired and all are with UK institutions. 100% are with institutions rated A or above, based upon the lower of those published by Fitch and Moody's. Expected credit losses arising in the 12 months to 31 March 2023 are not material, and no provision has been made.

## 9. Investments in Group undertakings

The Company's principal subsidiary at 31 March 2023 is detailed below:

| | Registered number | Nature of business | Country of incorporation | Class of shares held |
|---|---|---|---|---|
| Mortgage Express | 02405490 | Legal title holder | UK | Ordinary |

MX is a directly wholly owned, unlimited company. Its registered office is at The Waterfront, Salts Mill Road, Shipley BD17 7EZ. It operates in the UK and is fully consolidated into the Group Financial Statements.

The following companies are also fully consolidated into the Group Financial Statements; all operate in their country of incorporation. All are wholly owned and have their registered office at The Waterfront, Salts Mill Road, Shipley BD17 7EZ.

| | Registered number | Nature of business | Country of incorporation | Class of shares held |
|---|---|---|---|---|
| Bradford & Bingley Homeloans Limited | 02405307 | Non-trading | UK | Ordinary |
| Bradford & Bingley Investments | 03326913 | Non-trading | UK | Ordinary |
| Bradford & Bingley Mortgage Management Limited | 02405306 | Non-trading | UK | Ordinary |
| Finance for Mortgages Limited | 02220176 | Non-trading | UK | Ordinary |
| HSMS | 01192730 | Non-trading | UK | Ordinary |
| Leamington Mortgage Corporation Limited | 02066450 | Non-trading | UK | Ordinary |
| Mortgage Express (No. 2) | 00891681 | Non-trading | UK | Ordinary |
| Scotlife Homeloans (No. 2) Limited | 02220177 | Non-trading | UK | Ordinary |
| Silhouette Mortgages Limited | 02356078 | Non-trading | UK | Ordinary |

| | **31 March 2023** | 31 March 2022 |
|---|---|---|
| | **£000** | £000 |
| At start of year | **2,334** | 4,895 |
| Impairment reversal | **1,128** | - |
| Impairment | **-** | (2,561) |
| **At end of year** | **3,462** | 2,334 |

During the year ended 31 March 2022 the carrying value of the Company's investment in its subsidiary MX was reviewed for impairment following the declaration of dividends by that subsidiary. The carrying amount of the investment was impaired by £2,561k to reduce it to its value in use at 31 March 2022. At 31 March 2023 the carrying value of the investment was again reviewed for impairment resulting in a partial reversal of the impairment previously recognised. This increased the value of the investment by £1,128k to reflect its value in use.

## 10. Lease assets and obligations

The leases to which the Company is a party comprise leases on buildings. Certain buildings on which the Company is the head-lessee are sub-let to other parties. The Company has therefore recognised a net investment in sub-leases in respect of the period over which properties are sub-let and a right-of-use asset in respect of the period over which properties are not sub-let.

The lease obligations comprise the discounted value of the lease payments to which the Company is committed. On adoption of IFRS 16, with effect from 1 April 2019, a discount rate of 1.18% pa was adopted being the rate at which it was considered that a similar entity in the public sector would be able to borrow funds as at that date for a 10 year period. On inception of a new head office lease during 2021/22, a rate of 7.5% was used, being the rate at which it was considered that a similar entity in the private sector would be able to borrow funds for a 5 year period.

For older leases on properties not occupied by the Company it has been assumed that the Company will break leases at the earliest permitted break dates, or the end date if there is no break date, being between 2022 and 2027.

For the properties which are sub-let to other parties, the terms of the sub-leases allow the sub-lessees to break the sub-leases at an earlier date than the Company's first permitted break date, being between 2023 and 2024. The Company has considered the likelihood of various scenarios, in calculating the impairment of the right-of-use assets, including that the sub-leases will be broken at the sub-lessees' first permitted break date. In December 2022 the sub-tenant for these leased properties served notice that they would break at the first permitted break date.

The right-of-use lease assets have been reviewed for impairment. On 4 January 2022 the Company terminated its lease on its previous head office and simultaneously the sub-lease of the building. As a result, lease obligations reduced by £7.5m and net investments in sub-leases by £3.4m.

During the prior year the Company entered into a new lease on a new head office building. At inception the lease obligation and right-of-use asset were £0.4m. During the year the Company reassessed the assumptions around its head office building and as a result now expect to exercise the break in the lease in December 2024, earlier than previously assumed.

The net investment in sub-leases has been reviewed for impairment. Payments are up to date and this asset is categorised as 'stage 1' as defined by IFRS 9, i.e. that there has been no significant increase in credit risk since it was first recognised. No impairment has been recognised as 12-month expected credit losses, as defined in IFRS 9, are considered to be immaterial.

## 10. Lease assets and obligations (continued)

| Right-of-use assets | Year ended 31 March 2023 £000 | Year ended 31 March 2022 £000 |
|---|---|---|
| At start of year | **1,476** | 241 |
| Additions | **-** | 377 |
| Re-evaluation of headlease term | **(116)** | - |
| Impairment (charge)/reversal | **(858)** | 1,116 |
| Depreciation charge | **(86)** | (258) |
| At end of year | **416** | 1,476 |
| **Net investment in sub-leases** | | |
| At start of year | **1,193** | 6,583 |
| Termination of leases | **-** | (3,408) |
| Lease receipts | **(1,010)** | (2,039) |
| Interest income | **10** | 57 |
| **At end of year** | **193** | 1,193 |
| **Total lease assets at end of year** | **609** | 2,669 |

| Lease obligations | Year ended 31 March 2023 £000 | Year ended 31 March 2022 £000 |
|---|---|---|
| At start of year | **5,577** | 15,035 |
| Additions | **-** | 377 |
| Re-evaluation of headlease term | **(192)** | - |
| Termination of leases | **-** | (7,519) |
| Lease payments | **(1,112)** | (2,473) |
| Interest expense | **75** | 157 |
| **At end of year** | **4,348** | 5,577 |

| The lease obligations are payable in the following periods | At 31 March 2023 £000 | At 31 March 2022 £000 |
|---|---|---|
| Year ending 31 March 2023 | **-** | 1,161 |
| Year ending 31 March 2024 | **1,108** | 1,108 |
| Year ending 31 March 2025 | **1,151** | 1,108 |
| Year ending 31 March 2026 | **1,010** | 1,108 |
| Year ending 31 March 2027 | **1,010** | 1,108 |
| Year ending 31 March 2028 | **197** | 234 |
| Discounting | **(128)** | (250) |
| **Total** | **4,348** | 5,577 |

The maturity analysis and future cash flows in respect of lease obligations are provided in note 22(b).

## 11. Other assets

The Group and Company's other assets of £2,319k (2022: £2,190k) comprised £nil (2022: £545k) in respect of amounts recharged to and receivable from UKAR under indemnities following the sale of the Company to JJB, £1,674k (2022: £1,361k) in respect of prepayments, £407k (2022: £45k) in respect of receivables and £238k (2022: £239k) in respect of property, plant and equipment.

## 12. Accruals

The Group's accruals of £3,181k (2022: £3,966k) comprised, £133k (2022: £305k) in respect of amounts which have been agreed as payable to specific persons as remediation for PPI mis-selling in previous years with the remaining £3,048k (2022: £3,661k) being accruals relating to costs.

The Company's accruals of £2,951k (2022: £3,966k) comprised £133k (2022: £305k) in respect of amounts which have been agreed as payable to specific persons as remediation for PPI mis-selling in previous years, with the remaining £2,818k (2022: £3,661k) being accruals relating to costs.

## 13. Cash held on behalf of clients

This comprised cash received from customers in respect of loans for which the Group still holds legal title and which was owed to the beneficial interest owner.

## 14. Other liabilities

The Group's other liabilities of £1,655k (2022: £572k) comprised £1,240k (2022: £79k) in respect of trade creditors and £253k (2022: £279k) in respect of unpresented cheques aged greater than 6 months with the remaining £162k (2022: £214k) relating to payroll and other sundry liabilities.

The Company's other liabilities of £1,643k (2022: £556k) comprised £1,240k (2022: £79k) in respect of trade creditors and £233k (2022: £261k) in respect of unpresented cheques aged greater than 6 months with the remaining £170k (2022: £216k) relating to payroll and other sundry liabilities.

## 15. Retirement benefit obligations

**(a) Defined contribution pension scheme**

The Company operates a defined contribution pension scheme, the Company Pension Plan, into which both employees and the Group make contributions. The assets of this scheme are independent from those of the Group. The Group and Company had no liabilities or prepayments associated with this scheme at 31 March 2023 (2022: £nil). The cost in the year to the Group of this scheme was £318k (2021/22: £444k). The cost varies according to the number of employees, their salary and contribution levels, but the Group has no risk of being required to provide additional funding to the scheme.

**(b) Other retirement benefit costs**

Other pension related costs totalled £159k for the year (2021/22: £244k).

## 16. Deferred taxation

At 31 March 2023, the Company's subsidiary MX recognised a deferred tax asset of £874k as revised forecast results indicate it will have sufficient future profits.

| Group | **At 1 April 2022 £000** | **Recognised in income £000** | **Recognised in equity £000** | **At 31 March 2023 £000** |
|---|---|---|---|---|
| Impairment of loans to customers | **964** | **(90)** | **-** | **874** |
| Total | **964** | **(90)** | **-** | **874** |

| Group | At 1 April 2021 £000 | Recognised in income £000 | Recognised in equity £000 | At 31 March 2022 £000 |
|---|---|---|---|---|
| Impairment of loans to customers | - | 964 | - | 964 |
| Total | - | 964 | - | 964 |

At 31 March 2023 the Group and Company had £2,220k of deferred tax assets unrecognised.

## 17. Provisions

| **Group and Company** | **Customer redress £000** | **Onerous contracts £000** | **Restructuring £000** | **Total £000** |
|---|---|---|---|---|
| **At 1 April 2022** | **3,916** | **3,484** | **822** | **8,222** |
| Utilised in the year | **(631)** | **(19)** | **(788)** | **(1,438)** |
| Charged in the year | **86** | **357** | **8,081** | **8,524** |
| Released in the year | **(602)** | **(1,356)** | **(33)** | **(1,991)** |
| **At 31 March 2023** | **2,769** | **2,466** | **8,082** | **13,317** |

| Group and Company | Customer redress £000 | Onerous contracts £000 | Restructuring £000 | Total £000 |
|---|---|---|---|---|
| At 1 April 2021 | 9,802 | 3,854 | 2,142 | 15,798 |
| Utilised in the year | (1,491) | (229) | (2,122) | (3,842) |
| Reclassified from accruals | 399 | - | - | 399 |
| Charged in the year | 370 | 1,505 | 862 | 2,737 |
| Released in the year | (5,164) | (1,646) | (60) | (6,870) |
| At 31 March 2022 | 3,916 | 3,484 | 822 | 8,222 |

The Group remains committed to doing the right thing for our customers and where we identify issues that have caused customer detriment we will ensure that they are fully remediated.

Customer redress provisions at 31 March 2023 total £2,769k (2022: £3,916k) and represent management's best estimate of future costs. All are expected to be utilised by 31 March 2026. During the year, provisions reduced by £602k following a reassessment of expected liabilities for customer redress, inclusive of £113k relating to the impact of discounting. £631k of provisions were utilised during the year ending 31 March 2023.

As detailed in note 10, an onerous contracts provision of £7,174k was made during the year ended 31 March 2020 in respect of potential future costs of leased properties including rent, rates, service charges and maintenance for periods beyond the dates on which sub-lessees are able to break their leases. At 31 March 2022 the provision was reassessed and adjusted to £3,484k. At 31 March 2023 the provision was again reassessed and adjusted to £2,466k. In addition to this provision, the right-of-use assets have been impaired by £3,487k. The Group's expected discounted exposure to costs during these future periods is £5,953k.

The restructuring provision at 31 March 2022 related primarily to costs in relation to business simplification announced in February 2022 and was utilised during the year. The £8,081k charge in the year relates to estimated costs associated with the change in strategy of the Group.

## 18. Share capital

| Issued and fully paid: Ordinary shares of 25p each | Group and Company | | | |
|---|---|---|---|---|
| | **Year ended 31 March 2023 Number** | **Year ended 31 March 2023 £** | Year ended 31 March 2022 Number | Year ended 31 March 2022 £ |
| At start of year | **4,000** | **1,000** | 1,445,344,774 | 361,336,194 |
| Issue of share capital | **-** | **-** | 1 | - |
| Reduction in share capital | **-** | **-** | (1,445,340,775) | (361,335,194) |
| **Total** | **4,000** | **1,000** | 4,000 | 1,000 |

On 1 November 2021 the Company issued 1 25p Ordinary share to its parent JJB for consideration of £9,100k represented by a loan due from JJB's parent JJH. Also on 1 November 2021 the Company passed a resolution to reduce the Company's share capital to £1,000. All of the Company's issued shares are fully paid.

In accordance with the Companies Act 2006, the Company has no authorised capital other than its issued capital.

The Company has one class of shares: Ordinary shares of 25p each, ranking equally in respect of rights attached to voting, dividends and in the event of a winding up.

During the year ended 31 March 2023 the Company declared and paid two interim dividends totalling £32,900k. The first dividend of £22,900k was paid in cash to JJB and represented £5,725 per Ordinary share. The second of £10,000k was also paid in cash to JJB and, represented £2,500 per Ordinary share. No other dividends had been proposed by the date of approval of these Financial Statements.

## 19. Financing activities

This note provides disclosure of movements during the year in the liabilities which the Group categorises for the purposes of the Cash Flow Statement as financing.

| Lease obligations | **Year ended 31 March 2023 £000** | Year ended 31 March 2022 £000 |
|---|---|---|
| At start of year | **5,577** | 15,035 |
| Additions | **-** | 377 |
| Re-evaluation of headlease term | **(192)** | - |
| Termination of leases | **-** | (7,519) |
| Lease payments | **(1,112)** | (2,473) |
| Interest expense | **75** | 157 |
| **At end of year** | **4,348** | 5,577 |

## 20. Related party disclosures

### (a) Key management personnel

The Group considers the Board of Directors and the members of the Executive Committee to be the key management personnel. There were no amounts owed to or by key management personnel at any time during the year (2021/22: £nil).

The weighted average headcount of key management personnel during the year was 7 (2021/22:10). A summary of the Group's share of the remuneration of the key management personnel is set out in the table below. These amounts include the Group's share of the remuneration of the Directors. The aggregate emoluments of the Group's Directors across the B&B Group and the NRAM Group were £826,639 (2021/22: £1,522,016) and the emoluments of the highest paid Director including termination benefits were £424,277 (2021/22: £728,527). The B&B Group and the NRAM Group made loss of office payments of £nil to Directors in the year (2021/22: £462,286). The Directors contributed £8,000 (2021/22: £4,000) to the Group's money purchase pension scheme during the year. The Group made no payments into this scheme in respect of the Directors during the year or previous year.

As in 2021/22, in 2022/23 the B&B Group bore two thirds of the total cost of the Directors in its Income Statement, the other third being borne by NRAM. Included in the B&B Group's Income Statement, the aggregate Directors' emoluments and the emoluments of the highest paid Director amounted to £577,324 and £269,314 respectively (2021/22: £1,014,736 and £485,716 respectively).

The key management personnel contributed £8,000 (2021/22: £4,000) to Group pension schemes during the year.

| Remuneration of key management personnel: cost borne by the B&B Group | 12 months to 31 March 2023 £000 | 12 months to 31 March 2022 £000 |
|---|---|---|
| Short-term employee benefits | **842** | 1,174 |
| Other long-term benefits | **94** | 97 |
| Post-employment benefits | **5** | 3 |
| Termination benefits | **-** | 433 |
| **Total** | **941** | 1,707 |

Further details of the accounting treatment of pensions and of the Group's and Company's transactions and balances with the Group's pension schemes are given in note 19. There were no amounts due to or from the schemes at 31 March 2023 (2022: £nil).

### (b) Parent company

As described in note 25, since 29 October 2021 the Company has considered JJB to be its parent company. On 1 November the Company issued 1 25p Ordinary share to JJB for consideration of £9,100k represented by a loan due from JJH. At 31 March 2023 the Company was owed £7,385k by JJH; this balance is interest-free and repayable on demand, expected credit losses are considered immaterial and no impairment has been recognised. In September 2022 the Company declared and paid an interim dividend of £22,900k to JJB. In March 2023 the Company declared and paid a further dividend of £10,000k to JJB. No amounts were owed by the Group to or from JJB at 31 March 2023.

### (c) Subsidiary undertakings

Amounts owed by and to the Company's subsidiary companies and movements in these balances were as follows:

| Receivable | 2023 £000 | 2022 £000 |
|---|---|---|
| At start of year | **5,520** | 6,765 |
| Net movement over the year | **1,110** | (1,245) |
| **At end of year** | **6,630** | 5,520 |

| Payable | 2023 £000 | 2022 £000 |
|---|---|---|
| At start of year | **(1,510)** | (6,303) |
| Net movement over the year | **(909)** | 4,793 |
| **At end of year** | **(2,419)** | (1,510) |

The balance at 31 March 2023 and during the year then ended is interest-free and repayable on demand, expected credit losses are considered immaterial and no impairment has been recognised.

During the year ended 31 March 2022 the Company reversed previously recognised impairment in the carrying value of its investment in MX of £1,128k (see note 9), increasing its investment to £3,462k, which is considered to be the value in use of the investment.

### (d) Fellow subsidiary

During the year ended 31 March 2023 the Company recharged to NRAM a total of £3,614k (2021/22: £3,802k) of administrative expenses. On 1 November 2021 B&B made a loan of £17,100k to NRAM. This loan was interest-free and was fully repaid during the year ended 31 March 2023.

## 21. Capital structure

The Company met its capital requirements in full throughout 2022/23 and 2021/22. The Company is regulated by the FCA as a mortgage administration company under the MIPRU regime. MIPRU regulation is applied at individual company level, not at B&B Group level. FCA rules require the Company to hold capital in excess of 1% of its assets. Because the Company's subsidiary MX continues to hold an intercompany loan on its Balance Sheet, FCA rules also require MX to hold capital in excess of 1% of total Balance Sheet assets. The Board considers core equity to be of pre-eminent importance in the capital structure of the Company and continues to monitor this closely, in addition to the total level of capital. The Directors believe the Company has an appropriate and adequate level of capital to support its activities. As at 31 March 2023 capital in the Company represented 47.8% (2022: 72.6%) of the Company's assets. At 31 March 2023 capital in MX represented 33.5% (2022: 29.2%) of its assets. MX's capital as at 31 March 2023 was £3,462k (2022: £2,334k). The increase in MX's capital is due its retained earnings for the year.

The table below sets out the Company's regulatory capital resources under MIPRU.

| **Company** | **31 March 2023 £000** | 31 March 2022 £000 |
|---|---|---|
| Share capital and reserves | **38,199** | 80,130 |
| Less: deductions for investments in Group undertakings | **(3,462)** | (2,334) |
| **Total capital** | **34,737** | 77,796 |

The primary objectives of the Company's capital management are to maintain capital resources to support the objectives of the business, to cover risks inherent in its activities and to ensure compliance with externally imposed capital requirements. The capital structure is managed in response to changes in the nature of the Company's activities and economic conditions.

The Company defines equity as capital. The Company's capital adequacy and capital resources are managed and monitored in accordance with the regulatory capital rules of the FCA. The Company must at all times monitor and demonstrate compliance with the relevant regulatory capital requirements of the FCA. The required capital information is submitted to the FCA on a quarterly basis.

On 1 November 2021 the Company issued 1 25p Ordinary share to JJB for consideration of £9,100k and the Directors expect that JJB would provide further capital to the Company should it be required.

## 22. Financial instruments

**(a) Categories of financial assets and financial liabilities: carrying value compared to fair value**

All financial assets and financial liabilities are carried at amortised cost. For each category of financial asset and financial liability, the carrying amount is considered to be a reasonable approximation of fair value.

Valuation methods for calculations of fair values are as follows:

*Cash at bank and in hand*
The fair value is estimated to be the carrying amount as the balances are repayable on demand.

*Amounts deposited with banks*
The fair value is estimated to be the carrying amount as the balances are repayable on demand.

*Amounts owed from and to Group undertakings*
The fair value is estimated to be their carrying amount as the balances are repayable on demand.

*Cash held on behalf of clients*
The fair value approximates to carrying amount because the balances are short term in nature.

*Accruals and other financial assets and liabilities*
Fair value approximates to carrying value because the balances are short term in nature.

## 22. Financial instruments (continued)

### (b) Interest income and expense by category of financial instrument

| | 12 months to 31 March 2023 £000 | 12 months to 31 March 2022 £000 |
|---|---|---|
| **Interest income recognised on an EIR method:** | | |
| On financial assets carried at amortised cost | 208 | - |
| **Total** | 208 | - |
| On unpaid tax | - | 77 |
| **Total interest income per the Income Statement** | 208 | 77 |
| | | |
| **Interest expense recognised on an EIR method:** | | |
| On unpaid tax | (16) | - |
| **Total interest expense per the Income Statement** | (16) | - |

### (c) Impaired financial assets

No impairment allowance has been recognised in respect of any class of financial asset and no class of financial asset includes assets that are past due; expected credit losses in the next 12 months are considered to be immaterial.

### (d) Offsetting

No financial assets have been offset against financial liabilities. No balances are subject to enforceable master netting arrangements or similar agreements.

## 23. Financial risk management

A description of the principal risks to which the Group is exposed is provided on pages 7 to 8 which form an integral part of the audited Financial Statements.

### (a) Credit risk

Credit risk is the risk of financial loss caused by a party failing to meet an obligation as it becomes due. The Group's exposure to credit risk has fallen markedly following the sale of the loans but was managed as part of the overall governance framework. The Group closely monitors its credit risk against the Board's credit policies.

The maximum credit risk exposure at the Balance Sheet date was as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 31 March 2023 £000 | 31 March 2022 £000 | 31 March 2023 £000 | 31 March 2022 £000 |
| **On Balance Sheet:** | | | | |
| Cash at bank and in hand | 19,148 | 73,670 | 12,106 | 68,138 |
| Amounts deposited with banks | 40,120 | - | 40,120 | - |
| Amounts owed by Group undertakings | 7,489 | 25,881 | 14,119 | 31,401 |
| Net investment in sub-lease | 193 | 1,193 | 193 | 1,193 |
| Other financial assets | 407 | 587 | 407 | 587 |
| **Total on Balance Sheet** | 67,357 | 101,331 | 66,945 | 101,319 |

No impairment loss has been recognised in respect of these assets; expected credit losses in the next 12 months are considered to be immaterial. Additional information in respect of credit risk on cash at bank and in hand is provided in note 7.

## 23. Financial risk management (continued)

### (b) Liquidity risk

The Group and Company closely monitor their liquidity position against the Board's liquidity policy. Minimum and target liquidity levels are established through stress testing and cash flow forecasting, taking into consideration an assessment of any emerging and potentially extreme funding conditions.

The table below analyses the Group's and Company's financial assets and liabilities into relevant maturity groupings:

**Group**

| At 31 March 2023 | On demand £000 | Within three months £000 | After three months but within six months £000 | After six months but within one year £000 | After one year but within five years £000 | After five years £000 | Total £000 |
|---|---|---|---|---|---|---|---|
| **Financial assets:** | | | | | | | |
| Cash at bank and in hand | 19,148 | - | - | - | - | - | 19,148 |
| Amounts deposited with banks | - | 7,520 | 11,025 | 21,575 | - | - | 40,120 |
| Amounts owed by Group undertakings | 7,489 | - | - | - | - | - | 7,489 |
| Net investment in sub-leases | - | 193 | - | - | - | - | 193 |
| Other financial assets | - | 407 | - | - | - | - | 407 |
| **Total financial assets** | 26,637 | 8,120 | 11,025 | 21,575 | - | - | 67,357 |
| **Financial liabilities:** | | | | | | | |
| Lease obligations | - | 261 | 262 | 527 | 3,298 | - | 4,348 |
| Accruals | - | 3,181 | - | - | - | - | 3,181 |
| Cash held on behalf of clients | - | 9,851 | - | - | - | - | 9,851 |
| Other financial liabilities | - | 1,655 | - | - | - | - | 1,655 |
| **Total financial liabilities** | - | 14,948 | 262 | 527 | 3,298 | - | 19,035 |

Group

| At 31 March 2022 | On demand £000 | Within three months £000 | After three months but within six months £000 | After six months but within one year £000 | After one year but within five years £000 | After five years £000 | Total £000 |
|---|---|---|---|---|---|---|---|
| Financial assets: | | | | | | | |
| Cash at bank and in hand | 73,670 | - | - | - | - | - | 73,670 |
| Amounts owed by Group undertakings | 25,881 | - | - | - | - | - | 25,881 |
| Net investment in sub-leases | - | 249 | 249 | 502 | 193 | - | 1,193 |
| Other financial assets | - | 587 | - | - | - | - | 587 |
| Total financial assets | 99,551 | 836 | 249 | 502 | 193 | - | 101,331 |
| Financial liabilities: | | | | | | | |
| Lease obligations | - | 279 | 254 | 555 | 4,293 | 196 | 5,577 |
| Accruals | - | 3,966 | - | - | - | - | 3,966 |
| Cash held on behalf of clients | - | 7,136 | - | - | - | - | 7,136 |
| Other financial liabilities | - | 572 | - | - | - | - | 572 |
| Total financial liabilities | - | 11,953 | 254 | 555 | 4,293 | 196 | 17,251 |

**Company**

| At 31 March 2023 | On demand £000 | Within three months £000 | After three months but within six months £000 | After six months but within one year £000 | After one year but within five years £000 | After five years £000 | Total £000 |
|---|---|---|---|---|---|---|---|
| **Financial assets:** | | | | | | | |
| Cash at bank and in hand | 12,106 | - | - | - | - | - | 12,106 |
| Amounts deposited with banks | - | 7,520 | 11,025 | 21,575 | - | - | 40,120 |
| Amounts owed by Group undertakings | 14,119 | - | - | - | - | - | 14,119 |
| Net investment in sub-leases | - | 193 | - | - | - | - | 193 |
| Other financial assets | - | 407 | - | - | - | - | 407 |
| **Total financial assets** | 26,225 | 8,120 | 11,025 | 21,575 | - | - | 66,945 |
| **Financial liabilities:** | | | | | | | |
| Amounts owed to Group undertakings | 2,426 | - | - | - | - | - | 2,426 |
| Lease obligations | - | 261 | 262 | 527 | 3,298 | - | 4,348 |
| Accruals | - | 2,951 | - | - | - | - | 2,951 |
| Cash held on behalf of clients | - | 9,851 | - | - | - | - | 9,851 |
| Other financial liabilities | - | 1,643 | - | - | - | - | 1,643 |
| **Total financial liabilities** | 2,426 | 14,706 | 262 | 527 | 3,298 | - | 21,219 |

## 23. Financial risk management (continued)

### (b) Liquidity risk (continued)

Company

| At 31 March 2022 | On demand £000 | Within three months £000 | After three months but within six months £000 | After six months but within one year £000 | After one year but within five years £000 | After five years £000 | Total £000 |
|---|---|---|---|---|---|---|---|
| Financial assets: | | | | | | | |
| Cash at bank and in hand | 68,138 | - | - | - | - | - | 68,138 |
| Amounts owed by Group undertakings | 31,401 | - | - | - | - | - | 31,401 |
| Net investment in sub-leases | - | 249 | 249 | 502 | 193 | - | 1,193 |
| Other financial assets | - | 587 | - | - | - | - | 587 |
| Total financial assets | 99,539 | 836 | 249 | 502 | 193 | - | 101,319 |
| Financial liabilities: | | | | | | | |
| Amounts owed to Group undertakings | 1,510 | - | - | - | - | - | 1,510 |
| Lease obligations | - | 279 | 254 | 555 | 4,293 | 196 | 5,577 |
| Accruals | - | 3,966 | - | - | - | - | 3,966 |
| Cash held on behalf of clients | - | 7,136 | - | - | - | - | 7,136 |
| Other financial liabilities | - | 556 | - | - | - | - | 556 |
| Total financial liabilities | 1,510 | 11,937 | 254 | 555 | 4,293 | 196 | 18,745 |

Other assets and liabilities are included in the above table according to the earliest date that payment can be contractually demanded. The contractual undiscounted cash outflows in respect of lease obligations are disclosed in note 10. None of the Group's or Company's other financial liabilities is interest-bearing or discounted and hence the Group's and Company's contractual undiscounted cash outflows at 31 March 2023 and 31 March 2022 are identical to the maturities shown in the above tables.

Assets and liabilities with a remaining period to contractual maturity of within one year are classed as current and those with a remaining period of more than one year are classed as non-current. Non-financial assets and liabilities of the Group amount to £3,202k and £13,317 respectively (2022: £4,280k and £8,222k) of which £2,328k and £nil respectively are classed as current (2022: £2,916k and £nil) and £874k and £13,317k respectively are classed as non-current (2022: £1,364k and £8,222k). Non-financial assets and liabilities of the Company amount to £5,790k and £13,317k respectively (2022: £5,778k and £8,222k) of which £2,328k and £nil respectively are classed as current (2022: £5,413k and £nil) and £3,462k and £13,317k respectively are classed as non-current (2022: £365k and £8,222k).

### (c) Market risk

At 31 March 2023 and 31 March 2022 the Group and Company had no exposure to foreign exchange rate fluctuations or changes in foreign currency interest rates. The Group has no significant exposure to other market risk.

## 24. Contingent liabilities

(a) In February 2021 the Group recognised the sale of the beneficial interest in all of its loans to customers. The Group provided certain warranties and indemnities in respect of this sale. The sale agreements set various time limits for the purchaser to bring claims under the warranties and indemnities. For most warranties the time limit to bring claims varies from 1 to 5 years from 29 October 2021 and the time limits to bring claims under the indemnities are up to 20 years. It is not possible to provide any meaningful estimate or range of the possible cost over and above the remediation provision currently carried and no such provision has been made.

(b) The Group's previous lending and other consumer credit business is governed by consumer credit law, the FCA's MCOB rules and other laws and regulations. The Group's contractual relationships with its customers were also determined by the specific product terms and conditions which applied when products were sold. Claims upheld in favour of former customers in relation to potential breaches of contractual terms or other requirements could result in costs to the Group. Although the Group has no loans to customers on its Balance Sheet at 31 March 2023, claims could arise in respect of loans which have redeemed or been sold and in respect of loans for which the Group still holds legal title. It is not possible to provide any meaningful estimate or range of the possible cost.

(c) The Company has a potential exposure in respect of redress where the customers have a valid claim but the Company has been unable to obtain the necessary information from customers to make payment. The majority of this exposure is not provided for as it is not considered probable that payment will be made. At 31 March 2023 the potential maximum unprovided exposure to the Company is estimated to be £2.2m.

(d) In addition to the asset sales referred to above, certain warranties and indemnities remain in place in respect of other prior year asset sales. The relevant sale agreements set various time limits for the purchaser to bring claims under those warranties and indemnities with the latest expiring in April 2032. It is not possible to provide any meaningful estimate or range of the possible cost.

(e) The Company has confirmed its intentions to continue to support its subsidiary MX until at least 31 July 2024 in order that MX is able to meet its liabilities as they fall due. In addition the Company has confirmed its intentions to honour all intragroup balances in this same timeframe. It is not possible to provide any meaningful estimate or range of the possible cost. No provision has been made.

(f) As stated in the Strategic Report, the Board approved a change in strategy during the period that is expected to result in master servicing and legal title holding ceasing during 2023/24. £9,196k has been provided in relation to estimable costs associated with this change. It is expected that costs will exceed this level as work progresses but it is not possible to provide any reliable estimate or range of the possible future cost over and above the current provision until solutions are more fully developed around how the Company and the Group will manage their residual obligations in the coming years.

## 25. Ultimate controlling party

Until 29 October 2021 the Company was a wholly owned subsidiary of UKAR, a private limited company incorporated and domiciled in the United Kingdom, which is wholly owned by the Treasury Solicitor as nominee for HM Treasury. On 29 October 2021 the Company was sold to JJB.

The Company is 100% owned by its immediate parent JJB. JJB's immediate parent is JJH. JJB and JJH are private companies limited by shares registered in Jersey with their registered office at 3rd Floor, 37 Esplanade, St Helier, Jersey JE1 1AD. The Directors consider JJH to be the Company's ultimate parent and controlling party. The Company's Financial Statements are not consolidated into the group financial statements of any entity.

JJH is owned by certain investment funds managed and advised by Davidson Kempner Capital Management LP (Delaware).

## 26. Events after the reporting period

The Directors are of the opinion that there have been no significant events which have occurred since 31 March 2023 to the date of this Report that are likely to have a material effect on the Group's financial position as disclosed in these Financial Statements.