Company Registration No. 07959823

New Wave Capital Limited

Group annual report and financial statements

For the year ended 31 March 2022

COMPANY INFORMATION AND INDEPENDENT AUDITORS

Directors	George Karibian Juan Farrarons David Luck Anthony Faillace Andrew Roberto
Company secretary	Filex Services Limited No.1, London Bridge London SE1 9BG
Registered office	No.1 London Bridge London SE1 9BG
Independent auditors	PricewaterhouseCoopers LLP 7 More London Riverside London SE1 2RT

CONTENTS

The directors present their Strategic Report on New Wave Capital Limited ("the Company") and its subsidiaries, as shown in note 18 (together "the Group"), for the year ended 31 March 2022.

Business review and principal activities

The principal activity of the Company and Group is providing short term finance solutions to small and medium sized businesses in the UK, US and Spain.

The Group continued on its growth trajectory in the year, with net interest income climbing 62% on prior year to £71.7m (2021: £44.3m). The majority of the Group's net interest income came from the UK business of the Company, where in the year continued growth has led to an increase in book size from £209.4m to £343.4m, driving an increase in net interest income from £44.0m to £68.9m.

The US business has net interest income in the year of £2.2m (2021: £nil), as it continued its growth trajectory and began to build a portfolio of loans and advances to customers. This was underlined by an increase in portfolio to a closing balance at the reporting date of £38.4m (2021: £0.0m). Overall, the performance of the US business is in line with management's expectations as the business continues to focus on book growth.

In September 2021 the Group ceased further lending on the Spanish portfolio as part of a tapering down of the Spanish business. The book shrank in the year to £1.0m (2021: £3.6m) following this decision.

In the year, the Group and Company switched accounting frameworks to UK-adopted international accounting standards ("IFRS"), having previously adopted FRS 102 under UK GAAP. The transition resulted in a reduction in brought forward retained earnings and Group profit before tax in both the current and comparative financial years. This transitional adjustment was primarily due to the application of IFRS9, which requires a forward-looking methodology for calculation of provisions on customer loans and advances amongst other areas. Under this forward-looking methodology, expected future credit losses on loans and advances are recognised in advance of incurred losses regardless of whether there has been an impairment trigger, with the impact of increasing bad debt provisions at the reporting date and all comparative periods presented when compared to those provisions expected under an incurred loss model as applied by FRS 102. Under this new accounting framework we anticipate the Group will make a return to profitability in the near future. Further detail on the transition to IFRS can be found *in note 5 to the financial statements.*

Overall, the Group made a loss for the financial year of £42.6m (2021: profit of £25.5m). Full details of the Group's performance are shown in the consolidated Statement of Profit or Loss on page 15. The Company made a loss for the year of £27.3m (2021: profit of £27.0m).

The pandemic, Brexit and Russia's invasion of Ukraine have led to challenging and uncertain market conditions as at the year-end, which are likely to continue into the future. Despite these difficult conditions, our outlook for the business remains positive. However, we remain vigilant to the impact of these events on macroeconomic conditions and will continue to assess these risks in our ongoing management of the Group and Company.

Principal risks and uncertainties

The Group is subject to principal risks and uncertainties as detailed below:

Impairment of financial assets and arrears

Decreased ability for our customers to repay monies borrowed could have a material impact on the Group's performance. This risk is monitored and managed through key performance indicators and reviewed by the senior management team on a monthly basis. Additionally, the Group works with debt recovery services to mitigate this risk.

The impact of the pandemic, Brexit and Russia's invasion of Ukraine on the national and international economy impacts upon this principal risk, as the recoverability of loans in the portfolio may be affected by changes to the macroeconomic environment in which customers operate. A more detailed review of the impact of these factors on the Group and how the Group has worked to mitigate this impact can be found in note 6.1.3 of the notes to the financial statements.

Continued access to liquidity

To support its portfolio, the Group requires access to debt capital markets. The business maintains adequate future funding commitments in its existing facilities to finance the future growth of the business and see no reason why they would not be able to secure further funding in the future. On 2 August 2022 the Group executed a deal for a further £190.0m of funding via a new funding vehicle, Westbourne 8 Limited, further details of which can be found in note 30, which provides further detail of this continued access to funding after the reporting date.

Competition

Provision of finance is a competitive marketplace. Entrance of multiple and / or large competitors with significant financial resources could result in either reduced profitability or a reduced rate of market share capture. Management regularly monitor market competition and based on current levels, are expecting minimal profit margin compression.

Future developments

The Group will continue to focus on growing its offering to small and medium sized businesses in the UK and internationally, which will be achieved through leveraging our current operational capabilities. Management have access to sufficient liquidity and capital to achieve this objective through our existing funding partners.

Ongoing impacts from the coronavirus pandemic, the conflict in Ukraine, and inflationary pressures continue to drive global economic uncertainty.

In the UK, the US and Spain the approach of central banks to rising inflation has been to increase interest rates. Further interest rates rises are anticipated as inflationary pressures continue to push inflation higher, despite slowdowns in economic growth in both economies which are also expected to continue into the future as high inflation reduces consumer spending power.

These macroeconomic factors will impact businesses of all sizes in the future, including the small and medium sized businesses that the Group services, and represent the key risks to the Group's future performance foreseen by the Directors at the reporting date.

The Group continues to monitor the potential impact of these events on the future performance of the business through its existing financial risk management framework, as described further in the Directors' Report.

Section 172(1) statement

Section 172 of the Companies Act 2006 requires directors to act in a way that would most likely promote the success of the company for the benefit of its members as a whole. Section 172 requires directors to consider, amongst other matters, the:

- likely consequences of any decisions in the long-term;
- interests of the company's employees;
- need to foster the company's business relationships with suppliers, customers and others;
- impact of the company's operations on the community and environment;
- desirability of the company maintaining a reputation for high standards of business conduct; and
- need to act fairly as between members of the company.

In discharging our section 172 duties the directors have regard to the matters set out above.

The directors delegate day-to-day management of the Company to key employees and then work with management in setting, approving and overseeing business strategies and related policies. Board meetings are held periodically where the directors consider the Company's activities and make decisions. As a part of those meetings the directors receive information in a range of different formats to ensure that they have regard to section 172 matters when making relevant decisions.

The Company's key stakeholders are its customers, employees, suppliers, regulators, Government agencies, and non-governmental organisations. The views of and the impact of the Company's activities on those stakeholders are an important consideration for the Directors when making relevant decisions.

In accordance with section 426b of the Companies Act 2006 a copy of this statement is available at www.capitalontap.com/en/s172.

Use of Adjusted Performance measures by Management

The Board of Directors and management use a range of key performance indicators ("KPIs") to target, measure and assess the performance of the business.

Results in the financial statements starting on page 15 of this document are prepared in accordance with IFRS.

Internal results used for the assessment of business performance by management are prepared on the basis of IFRS with adjustments applied by management, where such adjustments do not meet the criteria for recognition and measurement under IFRS but which are relevant to how management assesses the overall performance of the business. This is the first year of providing an adjusted performance measure, as these adjustments relate to IFRS accounting treatments not previously required under UK GAAP.

To calculate this adjusted business performance (the "Adjusted Performance", "AP"), management make the following adjustments:

- the provision and impairment charge on loans and advances to customers as calculated by IFRS9 is reversed, and is replaced with a full impairment for all loans and advances to customers which are defaulted as per the default definition in note 31
- the impact of any material exceptional items occurring outside of the normal course of business is reversed

Management considers this Adjusted Performance more representative of the ongoing performance of the Group as:

- By replacing the forward-looking IFRS9 impairment provision, which requires recognition of expected credit losses on assets prior to the identification of any impairment triggers, with an incurred loss provisioning approach, the Statement of Profit or Loss better reflects the performance of the Group in the period. For example, should the economic forecast significantly worsen immediately prior to the end of the reporting period, under IFRS9 the credit loss expense recognised in the period would be increased to reflect potentially higher future defaults. This would more reflect the business' position at the reporting date, forecasting higher defaults in the future, than the business' performance in the reporting period, during which no such increase in defaults had materialised.
- Financial covenants linked to the Group's external debt financing reference the Adjusted Performance measure, replacing IFRS9 provision amounts with provisions based on an incurred-loss model.
- Removing material exceptional items in the period which are, by nature, non-recurring better reflects the underlying performance of the Group from its ongoing trading activities.

A reconciliation between the Statement of Profit or Loss and Statement of Financial Position reported under UK-adopted IFRS and this Adjusted Performance, used to calculate key financial indicators is provided below.

Reconciliation between UK-adopted IFRS and Adjusted Performance for the year ended 31 March 2022

Statement of Profit or Loss (Group only, to Operating Profit)

	* UNAUDITED *			* UNAUDITED *		
	2022			2021		
In £ thousand	**IFRS results**	**Adj.**	**Adj. Performance**	**IFRS results**	**Adj.**	**Adj. Performance**
Continuing operations						
Interest and similar income	96,868	-	96,868	64,032	-	64,032
Interest and similar expense	(25,201)	-	(25,201)	(19,775)	-	(19,775)
Net interest income	**71,667**	-	**71,667**	**44,257**	-	**44,257**
Fee and commission income	32,653	-	32,653	15,826	-	15,826
Fee and commission expense	(14,869)	-	(14,869)	(6,257)	-	(6,257)
Net fee and commission income	**17,784**	-	**17,784**	**9,569**	-	**9,569**
Total income	**89,451**	-	**89,451**	**53,826**	-	**53,826**
Credit loss expense on financial assets	(91,921)	61,639	(30,282)	1,452	(16,638)	(15,186)
Other operating income	-	-	-	-	-	-
Net operating income	**(2,470)**	**61,639**	**59,169**	**55,278**	**(16,638)**	**38,640**
Personnel expenses	(15,966)	-	(15,966)	(10,286)	-	(10,286)
Depreciation and amortisation expense	(481)	-	(481)	(497)	-	(497)
Other operating expenses	(27,178)	-	(27,178)	(16,659)	-	(16,659)
Exceptional items	3,203	(3,203)	-	-	-	-
Operating profit	**(42,892)**	**58,436**	**15,544**	**27,836**	**(16,638)**	**11,198**

Note: The column entitled "Adj." in the above table details adjustments applied to the IFRS results in reaching the Adjustment Performance. The column entitled "Adj. Performance" details this Adjusted Performance.

Reconciliation between UK-adopted IFRS and Adjusted Performance for the year ended 31 March 2022 (continued)

Statement of Financial Position

	* UNAUDITED * 2022			* UNAUDITED * 2021		
In £ thousand	**IFRS results**	**Adj.**	**Adj. Performance**	**IFRS results**	**Adj.**	**Adj. Performance**
ASSETS						
Non-current assets						
Property and equipment and right-of-use assets	934	-	934	768	-	768
	934	**-**	**934**	**768**	**-**	**768**
Current assets						
Loans and advances to customers	381,771	101,914	483,685	209,498	40,296	249,794
Other assets	14,004	-	14,004	5,292	-	5,292
Cash and cash equivalents	64,205	-	64,205	37,164	-	37,164
	459,980	**101,914**	**561,894**	**251,954**	**40,296**	**292,250**
Total assets	**460,914**	**101,914**	**562,828**	**252,722**	**40,296**	**293,018**
EQUITY AND LIABILITIES						
Current liabilities						
Debt issued and other borrowings	(1,057)	-	(1,057)	(11,310)	-	(11,310)
Other liabilities	(16,898)	(3,203)	(20,101)	(10,985)	-	(10,985)
	(17,955)	**(3,203)**	**(21,158)**	**(22,295)**	**-**	**(22,295)**
Non-current liabilities						
Debt issued and other borrowings	(487,986)	-	(487,986)	(239,837)	-	(239,837)
Other liabilities	-	-	-	(2)	-	(2)
	(487,986)	**-**	**(487,986)**	**(239,839)**	**-**	**(239,839)**
Total liabilities	**(505,941)**	**(3,203)**	**(509,144)**	**(262,134)**	**-**	**(262,134)**
Equity						
Capital and reserves attributable to equity holders of the parent						
Share capital	-	-	-	-	-	-
Preference shares	-	-	-	-	-	-
Share premium	(31,618)	-	(31,618)	(23,830)	-	(23,830)
Retained earnings	76,078	(98,711)	(22,633)	33,348	(40,296)	(6,948)
Foreign exchange reserve	567	-	567	(93)	-	(93)
	45,027	**(98,711)**	**(53,684)**	**9,425**	**(40,296)**	**(30,871)**
Non-controlling interests in equity	-	-	-	(13)	-	(13)
Total equity	**45,027**	**(98,711)**	**(53,684)**	**9,412**	**(40,296)**	**(30,884)**
Total equity and liabilities	**(460,914)**	**(101,914)**	**(562,828)**	**(252,722)**	**(40,296)**	**(293,018)**

Note: The column entitled "Adj." in the above table details adjustments applied to the IFRS results in reaching the Adjustment Performance. The column entitled "AP" details this Adjusted Performance.

Key performance indicators

The directors manage the Group's operations on a departmental basis and monitor the ongoing performance of the business through a number of measures including:

- total income, net operating income and operating profit as calculated under the Alternative Performance measure
- net operating income margin and operating margin as calculated under the Alternative Performance measure
- performance of loans and advances to customers, including levels of impairment and arrears

The below table provides a summary of the key performance indicators regarding total revenue, gross profit, and operating profit:

	* UNAUDITED *	
In £ thousand	**2022**	**2021**
Total income (Adjusted Performance measure)	89,451	53,826
Net operating income (Adjusted Performance measure)	59,169	38,640
Operating profit (Adjusted Performance measure)	15,544	11,198
Net operating income margin (Adjusted Performance measure)	66%	72%
Operating profit margin (Adjusted Performance measure)	17%	21%

Total income increased 66% in the period to £89.5m (2021: £53.8m), with similar rises in net operating income and operating profit of 53% and 39% to £59.2m (2021: £38.6m) and £15.5m (2021: £11.2m) respectively.

Details of the performance of loans and advances to customers in the period, including levels of impairment and arrears, can be found in note 31 to the financial statements.

Approved on behalf of the Board.

David Luck
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David Luck

Director

29 September 2022

The directors present their annual report and the audited consolidated financial statements of the Group and the Company for the year ended 31 March 2022.

Principal activities

The principal activity of the Company and Group continued to be that of lending short term finance to businesses. The Company and Group will continue with these activities for the foreseeable future. Additional detail about principal activities and future developments is contained in the Strategic Report.

Directors

The Directors who held office at any time during the year and up to the date of signature of the financial statements were as follows:

- George Karibian
- Juan Farrarons
- David Luck
- Anthony Faillace
- Andrew Roberto

Results and dividends

The results for the financial year are set out on page 15. The Group's loss for the financial year amounted to £42.6m (2021: profit of £25.5m). The Company's loss for the year amounted to £27.3m (2021: profit of £27.0m).

The profits recognised by the Company and Group in the prior year were achieved due to the release of provisions on loans and advances to customers as at 31 March 2020 booked due to the expected impact of the coronavirus pandemic on future defaults.

The losses in the current year are reflective of increased provisions booked against loans and advances to customers for both the Group and Company in response to the prevailing macroeconomic environment and forecast future environment at the reporting date. This is considered further in the going concern assessment in note 6.1.3 to the financial statements. These accounts represent the first set of accounts prepared by the Company and Group under IFRS. Further detail on the impact of the transition to IFRS on the Company and Group's performance can be found in the Strategic Report and in note 5 to the financial statements.

Interim dividends of £0.1m were paid in the year (2021: £nil). The directors did not recommend a final dividend (2021: £nil, 1 April 2020: £nil).

Going concern

During the year, the Group recognised a loss of £42.6m (2021: profit of £25.5m) and the Company recognised a loss of £27.3m (2021: profit of £27.0m). A significant proportion of this loss was driven by an increase in ECL coverage ratios on loans and advances to customers for both the Company and Group to 25% in the year, up from 19% in the comparative period. This increase in coverage ratios accounted for £30.5m and £27.5m of the losses incurred in the year by the Group and Company respectively. For the Group, the remaining £12.1m of losses related to the US business, which is in line with management's expectation for the entity given its stage of growth as the business continues to scale. In addition, the £172.3m, or 82%, increase in portfolio size in the year to £381.8m (2021: £209.5m, 1 April 2020: £200.1m) has also impacted profitability in the period as 12-month ECLs have been recognised on these new originations under IFRS9 prior to a full year's revenue having been generated against these assets.

The increase in ECL coverage ratios in the year is a result of the future economic forecast scenarios included within the forward-looking element of the ECL calculation. Management's adjustments to the weighting of these forward-looking scenarios to skew further towards the downside forecasts accounts for £24.4m and £22.8m of the loss for the Group and Company respectively, as detailed further in note 31.2.5.1 to the financial statements. This adjustment to the forward-looking scenario weightings is a direct result of the rising levels of inflation observed at year-end which has roots in both the continuing impact of the pandemic and Brexit, but which was further exacerbated by Russia's invasion of Ukraine in February 2022.

Whilst the coronavirus pandemic, the aforementioned geopolitical tensions and Brexit represent a clear source of uncertainty and risk to the macroeconomic conditions in which the Company will operate in the future, and may drive higher levels of default as the small businesses which the Group and Company serve weather a difficult macroeconomic environment as a result, the directors believe the Company is well positioned to navigate these difficulties and continue to meet its ongoing obligations and strategic objectives.

The directors have assessed the forecast levels of net debt, headroom on existing borrowing facilities and compliance with debt covenants. As part of its going concern assessment, the directors reviewed the Company and Group's access to liquidity and its future balance sheet solvency for the 12 months from the date of approval of the financial statements.

In preparing these forecasts, the directors have considered the potential macroeconomic impacts of the pandemic, Russia's invasion of Ukraine and subsequent sanctions and Brexit on the performance of the Company and Group.

At the time of approving the financial statements, the directors have a reasonable expectation that the Company and Group has adequate resources to continue in operational existence over the 12 months following the approval of these financial statements and into the future. Thus, the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

A more detailed review of the going concern assumption can be found in note 6.1.3 to the financial statements.

Political and charitable donations

During the year, the Group did not make any political or charitable donations (2021: £nil).

Financial risk management

A detailed analysis of the Group's financial risk management practices can be found in note 31 to the financial statements.

Third party indemnity provisions

At the time this report was approved and during the year, no qualifying third-party indemnity provision was in place for the benefit of one or more of the directors or one or more directors of a subsidiary company (2021: No qualifying third-party indemnity provision was in place).

Streamlined Energy and Carbon Reporting (SECR)

The Company is out of scope of the Streamlined Energy and Carbon Reporting (SECR), as it does not meet the numerical thresholds in relation to turnover and number of employees.

Independent auditors

Under section 487(2) of the Companies Act 2006, PricewaterhouseCoopers LLP have confirmed their willingness to continue in office.

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Group annual report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the Group and the Company financial statements in accordance with UK-adopted international accounting standards.

Under company law, 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 Company and of the profit or loss of the Group for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable UK-adopted international accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The directors are responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Directors' confirmations

In the case of each director in office at the date the directors' report is approved:

- so far as the director is aware, there is no relevant audit information of which the Group's and Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Group's and Company's auditors are aware of that information

Approved on behalf of the Board

David Luck

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David Luck

Director

29 September 2022

Independent auditors' report to the members of New Wave Capital Limited

Report on the audit of the financial statements

Opinion

In our opinion, New Wave Capital Limited's group financial statements and parent company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2022 and of the group's loss and the group's cash flows for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Group annual report and financial statements (the "Annual Report"), which comprise: the consolidated and Company Statements of Financial Position as at 31 March 2022; the consolidated Statement of Comprehensive Income, the consolidated Statement of Cash Flows and the consolidated and Company Statements of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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 and the parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the group's and the parent company's ability to continue as a going concern.

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

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, 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 audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. 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 based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 March 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and parent company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' 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 auditors' 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.

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to the Financial Conduct Authority's regulations under the Financial Services and Markets Act 2000, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to the posting of inappropriate journal entries. Audit procedures performed by the engagement team included:

- Making inquiries with those charged with governance in relation to known or suspected instances of non-compliance with laws and regulations and fraud;
- Testing journals using a risk-based approach and evaluating whether there was evidence of bias;
- Reading key correspondence with the Financial Conduct Authority; and
- Review of minutes of director meetings occurring during the year and enquiries of management.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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

Use of this report

This report, including the opinions, has been prepared for and only for the parent company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- 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
- certain disclosures of directors' remuneration specified by law are not made; or
- the parent company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Jessica Miller (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
29 September 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 MARCH 2022

In £ thousand	Notes	2022	2021 as restated for IFRS[1]
Continuing operations			
Interest and similar income	8	96,868	64,032
Interest and similar expense	9	(25,201)	(19,775)
Net interest income		**71,667**	**44,257**
Fee and commission income	10	32,653	15,826
Fee and commission expense	10	(14,869)	(6,257)
Net fee and commission income		**17,784**	**9,569**
Total income		**89,451**	**53,826**
Credit loss income/(expense) on financial assets	11,12	(91,921)	1,452
Net operating income/(expense)		**(2,470)**	**55,278**
Personnel expenses	13	(15,966)	(10,286)
Depreciation and amortisation expense	16,17	(481)	(497)
Other operating expenses	14	(27,178)	(16,659)
Exceptional items	24	3,203	-
Operating profit/(loss)		**(42,892)**	**27,836**
Income tax income/(expense)	15	274	(2,311)
Profit/(loss) for the year		**(42,618)**	**25,525**
Profit/(loss) attributable to:			
Equity holders of the parent		(42,618)	25,523
Non-controlling interest		-	2

[1] *The comparative period has been restated on transition to IFRS. See note 5 to the financial statements for further details on this transition and its impact on the comparative year's stated performance*

The results shown above are derived from the Group's continuing operations.

The accounting policies and notes on pages 22 to 66 form an integral part of these financial statements.

The Company has taken advantage of the exemption in section 408 of the Companies Act from disclosing its individual Statement of Profit or Loss. The Company recorded a loss for the year of £27.3m (2021: profit of £27.0m).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2022

In £ thousand	Notes	2022	2021 as restated for IFRS[1]
Profit/(loss) for the year		**(42,618)**	**25,525**
Other comprehensive income/(expense) for the year, net of tax			
Exchange gains/(losses) on translation of foreign currency operations		(660)	113
Total comprehensive income/(expense) for the year, net of tax		**(43,278)**	**25,638**
Total comprehensive income/(expense) for the period attributable to:			
Equity holders of the parent		(43,278)	25,636
Non-controlling interest		-	2

[1] *The comparative period has been restated on transition to IFRS. See note 5 to the financial statements for further details on this transition and its impact on the comparative year's stated performance*

NEW WAVE CAPITAL LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2022

In £ thousand	Notes	2022	2021 as restated for IFRS[1]	As at 1 April 2020 as restated for IFRS[1]
ASSETS				
Non-current assets				
Property and equipment and right-of-use assets	16	934	768	482
Intangible assets	17	-	-	15
		934	**768**	**497**
Current assets				
Loans and advances to customers	19	381,771	209,498	200,146
Other assets	20	14,004	5,292	4,275
Cash and cash equivalents	21	64,205	37,164	33,614
		459,980	**251,954**	**238,035**
Total assets		**460,914**	**252,722**	**238,532**
EQUITY AND LIABILITIES				
Current liabilities				
Debt issued and other borrowings	22	(1,057)	(11,310)	(9,980)
Other liabilities	23	(16,898)	(10,985)	(8,762)
		(17,955)	**(22,295)**	**(18,742)**
Non-current liabilities				
Debt issued and other borrowings	22	(487,986)	(239,837)	(254,840)
Other liabilities	23	-	(2)	-
		(487,986)	**(239,839)**	**(254,840)**
Total liabilities		**(505,941)**	**(262,134)**	**(273,582)**
Equity				
Capital and reserves attributable to equity holders of the parent				
Share capital	24	-	-	-
Preference shares	24	-	-	-
Share premium	24	(31,618)	(23,830)	(23,830)
Accumulated loss		76,078	33,348	58,873
Foreign exchange reserve		567	(93)	20
		45,027	**9,425**	**35,063**
Non-controlling interests in equity		-	**(13)**	**(13)**
Total equity		**45,027**	**9,412**	**35,050**
Total equity and liabilities		**(460,914)**	**(252,722)**	**(238,532)**

[1] *The comparative period has been restated on transition to IFRS. See note 5 to the financial statements for further details on this transition and its impact on the comparative year's stated performance*

The accounting policies and notes on pages 22 to 66 form an integral part of these financial statements.

The financial statements on pages 15 to 66 were approved by the Board of Directors and authorised for issue on 29 September 2022.

David Luck

David Luck, Director

29 September 2022

NEW WAVE CAPITAL LIMITED

COMPANY STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2022

In £ thousand	Notes	2022	2021 as restated for IFRS[1]	As at 1 April 2020 as restated for IFRS[1]
ASSETS				
Non-current assets				
Investments in subsidiaries	18	3	3	3
Property and equipment and right-of-use assets	16	885	768	482
Intangible assets	17	-	-	15
		888	**771**	**500**
Current assets				
Loans and advances to customers	19	343,357	209,433	199,435
Other assets	20	29,666	7,175	5,716
Cash and cash equivalents	21	20,110	13,741	4,170
		393,133	**230,349**	**209,321**
Total assets		**394,021**	**231,120**	**209,821**
EQUITY AND LIABILITIES				
Current liabilities				
Debt issued and other borrowings	22	(607)	(10,710)	(9,530)
Other liabilities	23	(13,680)	(8,483)	(4,710)
		(14,287)	**(19,193)**	**(14,240)**
Non-current liabilities				
Debt issued and other borrowings	22	(2,000)	(1,119)	(719)
Other liabilities	23	(404,566)	(218,019)	(229,030)
		(406,566)	**(219,138)**	**(229,749)**
Total liabilities		**(420,853)**	**(238,331)**	**(243,989)**
Equity				
Share capital	24	-	-	-
Preference shares	24	-	-	-
Share premium	24	(31,618)	(23,830)	(23,830)
Accumulated loss		58,450	31,041	57,998
Total equity		**26,832**	**7,211**	**34,168**
Total equity and liabilities		**(394,021)**	**(231,120)**	**(209,821)**

[1] *The comparative period has been restated on transition to IFRS. See note 5 to the financial statements for further details on this transition and its impact on the comparative year's stated performance*

The accounting policies and notes on pages 22 to 66 form an integral part of these financial statements.

The financial statements on pages 15 to 66 were approved by the Board of Directors and authorised for issue on 29 September 2022.

David Luck

David Luck, Director

29 September 2022

NEW WAVE CAPITAL LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2022

		Attributable to the equity holders of the parent						
In £ thousand	**Notes**	**Issued capital**	**Preference shares**	**Share premium**	**Foreign currency translation reserve**	**Accumulated loss**	**Non-controlling interests**	**Total equity**
Balance at 1 April 2020 as restated for IFRS[1]		**-**	**-**	**23,830**	**(20)**	**(58,873)**	**13**	**(35,050)**
Profit for the period as restated for IFRS[1]		-	-	-	-	25,525	-	25,525
Foreign currency translation as restated for IFRS[1]		-	-	-	113	-	-	113
At 31 March 2021 as restated for IFRS[1]		**-**	**-**	**23,830**	**93**	**(33,348)**	**13**	**(9,412)**
Loss for the period		-	-	-	-	(42,618)	-	(42,618)
Foreign currency translation		-	-	-	(660)	-	-	(660)
Conversion of shareholder loans to equity	24	-	-	7,788	-	-	-	7,788
Dividends paid	25	-	-	-	-	(112)	-	(112)
Disposal of non-controlling interest		-	-	-	-	-	(13)	(13)
At 31 March 2022		**-**	**-**	**31,618**	**(567)**	**(76,078)**	**-**	**(45,027)**

[1] *The comparative period has been restated on transition to IFRS. See note 5 to the financial statements for further details on this transition and its impact on the comparative year's stated performance*

NEW WAVE CAPITAL LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2022

In £ thousand	Notes	Issued capital	Preference shares	Share premium	Accumulated loss	Total equity
Balance at 1 April 2020 as restated for IFRS		**-**	**-**	**23,830**	**(57,998)**	**(34,168)**
Profit for the period as restated for IFRS		-	-	-	26,957	26,957
At 31 March 2021 as restated for IFRS		**-**	**-**	**23,830**	**(31,041)**	**(7,211)**
Loss for the period		-	-	-	(27,297)	(27,297)
Conversion of shareholder loans to equity	24	-	-	7,788	-	7,788
Dividends paid	25	-	-	-	(112)	(112)
At 31 March 2022		**-**	**-**	**31,618**	**(58,450)**	**(26,832)**

[1] *The comparative period has been restated on transition to IFRS. See note 5 to the financial statements for further details on this transition and its impact on the comparative year's stated performance*

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2022

In £ thousand	Notes	2022	2021 as restated for IFRS[1]
Cash flows from operating activities			
Cash generated from/(used in) operations	26	(184,167)	37,590
Interest paid		(24,716)	(19,793)
Income taxes paid/(received)		(540)	81
Net cash inflow/(outflow) from operating activities		**(209,423)**	**17,878**
Cash flows from investing activities			
Payments for property, plant and equipment and right-of-use assets	16	(646)	(786)
Net cash outflow from investing activities		**(646)**	**(786)**
Cash flow from financing activities			
Net proceeds/(repayments) from borrowings		237,896	(13,673)
Dividends paid to company's shareholders	25	(112)	-
Net cash inflow/(outflow) from financing activities		**237,784**	**(13,673)**
Net increase in cash and cash equivalents		**27,715**	**3,419**
Cash and cash equivalents at the beginning of the financial year	21	37,164	33,614
Effects of exchange rate changes on cash and cash equivalents		(674)	131
Cash and cash equivalents at end of year		**64,205**	**37,164**

1. Corporate information

The consolidated financial statements of New Wave Capital Limited and its subsidiaries (collectively, "the Group") for the year ended 31 March 2022 were authorised for issue in accordance with a resolution of the directors on 29 September 2022.

New Wave Capital Limited ("the Company" or "the parent") is a private company limited by shares, registered and domiciled in England and Wales, registration number 07959823. The address of its registered office is No. 1 London Bridge, London, SE1 9BG.

The Group is principally engaged in the provision of credit services to small- and medium-sized businesses. Information on the Group's structure is provided in note 18. Information on other related party relationships of the Group is provided in note 29.

2. Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with UK-adopted international accounting standards ("IFRS") and the requirements of the Companies Act 2006.

For all years up to and including the year ended 31 March 2021, the Group prepared its financial statements in accordance with UK GAAP, applying the FRS 102 reporting framework as issued by the Financial Reporting Council (FRC). These financial statements for the year ended 31 March 2022 are the first the Group has prepared in accordance with IFRS. Refer to note 5 for information on how the Group adopted IFRS.

The consolidated financial statements have been prepared on a historical cost basis, except for certain financial assets and liabilities measured at fair value in accordance with the applicable accounting framework.

The consolidated financial statements are presented in Pound Sterling (£) and all values are rounded to the nearest thousand (£000), except when otherwise indicated.

The Group has prepared its consolidated financial statements on the basis this it will continue to operate as a going concern. Refer to note 6.1.3 for further commentary on this assertion.

3. Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 March 2022 including controlled structured entities. The Group consolidates a subsidiary when it controls it. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through it power over the investee.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether it controls an investee if facts or circumstances indicate that there are changes to one or more of the three elements of control.

The decision to consolidate entities in which the Group does not hold a majority of voting rights is a significant judgement. Further analysis of this has been provided in note 6.

3. Basis of consolidation (continued)

For non-controlling interests in subsidiaries, the Group elected to recognise the non-controlling interests at the proportionate share of the acquired net identifiable assets. Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

If the Group loses control over a subsidiary, it derecognises the related assets, liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss.

Given the level of judgement required regarding consolidation of structured entities, these considerations are described further in the significant accounting judgements in note 6.1.1. Disclosures for investment in subsidiaries and controlled structured entities are provided in note 18.

4. Summary of significant accounting policies

4.1 Current versus non-current classification

The Group presents assets and liabilities in the Statement of Financial Position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period
  Or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period
  Or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The terms of the liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

All other liabilities are classified as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

4.2 Foreign currency translation

4.2.1 Functional and presentational currency

The consolidated financial statements are presented in Pound Sterling (£), which is also the parent's functional currency. For each entity in the Group, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation.

4.2 Foreign currency translation (continued)

4.2.2 Transactions and balances

Transactions in foreign currencies are initially recorded in the functional currency at the spot rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated into the functional currency at the spot rate of exchange at the reporting date.

Non–monetary items that are measured at historical cost in a foreign currency are translated using the spot exchange rates as at the date of the transaction.

4.2.3 Group companies

On consolidation, the assets and liabilities in foreign operations are translated into Pound Sterling at the closing rate at the reporting date and income and expenses for each income statement (including comparatives) are translated at the exchange rates at the dates of the transaction. The exchange differences arising on translation for consolidation are recognised in OCI.

4.3 Recognition of interest income

4.3.1 The effective interest rate method

Under IFRS 9, interest income is recorded using the EIR method for all financial assets measured at amortised cost. Interest expense is also calculated using the EIR method for all financial liabilities held at amortised cost. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset or liability or, when appropriate, a shorter period, to the gross carrying amount of the financial asset.

The EIR (and therefore, the amortised cost of the financial asset) is calculated by taking into account transaction costs and any discount or premium on the acquisition of the financial asset, as well as fees and costs that are an integral part of the EIR.

If expectations of fixed rate financial assets' or liabilities' cash flows are revised for reasons other than credit risk, then changes to future contractual cash flows are discounted at the original EIR with a consequential adjustment to the carrying amount. The difference from the previous carrying amount is booked as a positive or negative adjustment to the carrying amount of the financial asset or liability on the balance sheet with a corresponding increase or decrease in interest revenue/expense calculated using the effective interest method.

For floating-rate financial instruments, periodic re-estimation of cash flows to reflect the movements in the market rates of interest also alters the effective interest rate, but when instruments were initially recognised at an amount equal to the principal, re-estimating the future interest payments does not significantly affect the carrying amount of the asset or the liability.

The IBOR reform Phase 2 amendments allow as a practical expedient for changes to the basis for determining contractual cash flows to be treated as changes to a floating rate of interest, provided certain conditions are met. The conditions include that the change is necessary as a direct consequence of IBOR reform and that the transition takes place on an economically equivalent basis.

4.3.2 Interest and similar income/expense

Net interest income comprises interest income and interest expense calculated using the effective interest method.

The Group calculates interest income on financial assets, other than those considered credit-impaired, by applying the EIR to the gross carrying amount of the financial asset.

When a financial asset becomes credit-impaired (as set out in note 4.11) and is therefore regarded as 'Stage 3', the Group calculates interest income by applying the EIR to the net amortised cost of the financial asset. If the financial asset cures (as outlined in note 4.11) and is no longer credit-impaired, the Group reverts to calculating interest income on a gross basis.

4.4 Fee and commission income

Fee and commission income is recognised at an amount that reflects the consideration to which the Group expects to be entitled in exchange for providing the services.

The performance obligations, as well as the timing of their satisfaction, are identified, and determined, at the inception of the contracts. The Group's revenue contracts do not include multiple performance obligations.

The Group's fee and commission income includes the following:

Interchange fees: Interchange fee income is generated from customer credit card usage. Interchange fees are recognised upon settlement of the card transaction payment.

Rewards scheme fees: The Group offers a number of cashback reward schemes, whereby customers accrue rewards points which can then be redeemed at a set value per point. For paid schemes, customers are charged a membership fee to access the scheme for a 12-month period. The membership fee is released against fee and commission income over the period for which the service is provided to the customer.

4.5 Fee and commission expense

Fee and commission expense relates to rewards points provided to customers through cardholder reward schemes. The provision of rewards points to customers is recognised in fee and commission expense at the time the points are earned by the customer. The amount recognised is the fair value of points earned, calculated as the monetary value of the points multiplied by an expected rate of redemption. This redemption rate is based on the historical redemption rates of rewards points earned and is reviewed annually.

The fair value of rewards points earned but not yet redeemed at the reporting date is included under 'Other liabilities' on the Statement of Financial Position.

4.6 Net gain/loss on derecognition of financial assets measured at amortised cost

Net gain or loss on derecognition of financial assets measured at amortised cost includes gains or losses recognised on sale or derecognition of financial assets measured at amortised cost calculated as the difference between the book value (including impairment) and the proceeds received.

4.7 Financial instruments – initial recognition

4.7.1 Initial recognition and measurement

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

At initial recognition, the Group measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commission. Immediately after initial recognition, an expected credit loss allowance (ECL) is recognised for financial assets measured at amortised cost, which results in an accounting loss being recognised in profit or loss when an asset is newly originated.

4.7 Financial instruments – initial recognition (continued)

4.7.2 Measurement categories of financial assets and liabilities

The Group classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

- Amortised cost
- Fair value through other comprehensive income (FVOCI)
- Fair value through profit or loss (FVPL)

All financial assets held by the Group are classified and measured at amortised cost.

A financial liability is initially measured at fair value and subsequently at amortised cost unless it is either held for trading or designated as at FVPL. The classification of a financial liability is irrevocable.

All financial liabilities held by the Group are classified and measured at amortised cost.

4.8 Financial assets and liabilities

4.8.1 Loans and advances to customers

The Group measures loans and advances to customers at amortised cost only if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding

The details of these conditions are outlined below.

4.8.1.1 Business model assessment

The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective:

- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed and the way cash is collected
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected)

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

Loans and advances held by the Group relate to amounts due from customers on revolving credit facilities. The Group's business model is to hold these financial assets in order to collect contractual cash flows, which are set out in the agreements entered into by customers at the inception of the account. Loans and advances to customers which default are sold to third party debt purchasers periodically via forward flow agreements.

4.8.1.2 The SPPI test

As a second step of its classification process the Group assesses the contractual terms of the financial asset to identify whether they meet the SPPI test.

To make this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risk and a profit margin that is consistent with a basic lending arrangement.

Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at FPVL.

4.8 Financial assets and liabilities (continued)

4.8.2 Debt issued and other borrowed funds

After initial measurement, debt issued and other borrowed funds are subsequently measured at amortised cost. Amortised cost is calculated by taking into account any discount or premium on issued funds, and costs that are an integral part of the Effective Interest Rate (EIR). A compound financial instrument which contains both a liability and an equity component is separated at the issue date.

The Group has issued financial instruments with equity conversion rights. When establishing the accounting treatment for these instruments, the group first establishes whether the instrument is a compound instrument and classifies such instrument's components separately as financial liabilities, financial assets, or equity instruments in accordance with IAS 32. Classification of the liability and equity components of a convertible instrument is not revised as a result of a change in the likelihood that a conversion option will be exercised. When allocating the initial carrying amount of a compound financial instrument to the equity and liability components, the equity component is assigned as the residual amount after deducting from the entire fair value of the instrument the amount separately determined for the liability component.

4.9 Derecognition of financial assets and liabilities

4.9.1 Financial assets

A financial asset is derecognised when the rights to receive cash flows from the financial asset have expired. The Group also derecognises the financial asset if it has both transferred the financial asset and the transfer qualifies for derecognition.

The Group has transferred the financial asset if, and only if, either:

- The Group has transferred its contractual rights to receive cash flows from the financial asset; or
- It retains the rights to the cash flows, but has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement

Pass-through arrangements are transactions whereby the Group retains the contractual rights to receive the cash flows of a financial asset (the original asset), but assumes a contractual obligation to pay those cash flows to one or more entities (the eventual recipients), when all of the following conditions are met:

- The Group has no obligation to pay amounts to the eventual recipients unless it has collected equivalent amounts from the original asset
- The Group cannot sell or pledge the original asset other than as security to the eventual recipients
- Cash flows collected by the Group on behalf of the eventual recipients are remitted without material delay.

A transfer only qualifies for derecognition if either:

- The Group has transferred substantially all the risks and rewards of the asset; or
- The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

The Group considers control to be transferred if the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and can exercise that ability unilaterally and without imposing additional restrictions on the transfer.

4.9.1.1 Securitisation transactions

The parent has entered into certain arrangements with its subsidiaries whereby its subsidiaries purchase receivables from the parent as part of funding arrangements with lenders. As the parent has retained substantially all the risks and rewards of the underlying assets, such financial instruments continue to be recognised on the Company's Statement of Financial Position within Loans and advances to customers, and a liability recognised for the proceeds of the funding transactions within Debt issued and other borrowings in the Company's Statement of Financial Position.

4.9.2 Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

4.10 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the Consolidated Statement of Financial Position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

4.11 Impairment of financial assets

4.11.1 Overview of the ECL principles

The Group records an allowance for expected credit loss for all loans and other financial assets not held at FVPL. Equity instruments are not subject to impairment under IFRS9.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit losses or LECL), unless there has been no significant increase in credit risk (SICR) since origination, in which case the allowance is based on 12 months' expected credit losses (12ECL). The Group's policies for determining if there has been a SICR are set out in note 31.

The 12ECL is the portion of LECL that represents the ECL that results from default events on a financial instrument that are possible within 12 months after the reporting date.

The Group calculates both 12ECL and LECL by applying the impairment model for all financial instruments, having individually assessed PDs and SICR at an individual account level.

The Group has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

Based on the above process, loans are grouped into Stage 1, Stage 2 and Stage 3, as described below:

- Stage 1: When loans are first recognised, the Group recognises an allowance based on 12ECL. Stage 1 also includes loans where the credit risk has improved such that the SICR criteria is no longer met and the loan has been reclassified from Stage 2.
- Stage 2: When a loan has shown a significant increase in credit risk since origination, the Group records an allowance for LECL. Stage 2 also includes loans where the credit risk has improved such that the Stage 3 credit-impaired criteria are no longer met, but the loan's credit risk has still significantly increased from origination, and the loan has been reclassified from Stage 3.
- Stage 3: Loans considered credit-impaired, defined as accounts over 90 days in arrears or which have been identified as insolvent or fraudulent. The Group records an allowance for LECL.

4.11.2 The calculation of ECL

The Group calculates ECL based on four probability-weighted scenarios to measure the expected cash shortfalls, discounted at the EIR. A cash shortfall is the difference between the cash flows that are due in accordance with the contract and the cash flows the Group expects to receive.

The mechanics of the ECL calculations are outlined below and the key elements are as follows:

- Probability of Default (PD): An estimate of the likelihood of default over a given time horizon.
- Exposure at Default (EAD): An estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, expected drawdowns on facilities and accrued interest from missed payments.
- Loss Given Default (LGD): An estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the Group expects to receive. It is usually expressed as a percentage of the EAD.

When estimating the ECL, the Group considers four scenarios (a base case, an upside, a mild downside (downside 1) and a more extreme downside (downside 2)).

4.11 Impairment of financial assets (continued)

The Group's loans and advances to customers relate to lending to customers via a revolving facility which can be utilised either through cash advances or card spend. The Group has the right to cancel and/or reduce customer facilities with one days' notice. When calculating EAD, the Group takes into account expected future drawdowns against revolving facilities made by customers.

In addition to the revolving credit facilities discussed above, the Group also has £10.2m (2021: £11.9m, 1 April 2020: £nil) and £0.4m (2021: £1.2m, 1 April 2020: £nil) of Loans and Advances to Customers advanced through the British Business Bank's (BBB) Bounce Back Loan Scheme (BBLS) and Coronavirus Business Interruption Loan Scheme (CBILS) respectively. Under these schemes, the Group issued term loans to customers with principal repayments and interest repayments guaranteed by the BBB for 5 years and interest repayments for 1 year. The guarantee provided against principal repayments by the BBB guarantees 100% and 80% of the finance to the lender for the BBLS and CBILS schemes respectively. When calculating EAD, no future drawdowns are considered by the Group given the nature of the lending.

Based on past experience and the Group's expectations, the period over which the Group calculates lifetime ECL for this lending is 3 years across all portfolios with the exception of BBLS lending, for which lifetime is taken to be the contractual term of the loan.

The mechanics of the ECL method are summarised below:

- Stage 1: The 12ECL is calculated as the portion of LECL that represents the LECL from default events that are possible within 12 months of the reporting date. The expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by the EIR. This calculation is made for each of the four scenarios.
- Stage 2: When a loan has shown a significant increase in credit risk since origination, the Group records an allowance for the LECL. The mechanics are similar to Stage 1, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument.
- Stage 3: For loans considered credit-impaired, the Group recognises LECL. The method is similar to that for Stage 2 assets, with the PD set at 100%.

4.11.3 Forward looking information

In its ECL models, the Group relies on a broad range of forward-looking information as key economic inputs:

- GDP growth
- Unemployment rates
- CPI Inflation

The inputs and models used for calculating ECL may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material. These adjustments are applied either as amendments to the model inputs themselves or as an adjustment to the weighting between the four scenarios applied by the ECL model. Ordinarily, a base weighting between scenarios is applied as follows:

Scenario	Base weighting
Upside	20%
Base	60%
Downside	15%
Extreme downside	5%

Detailed information about these inputs and sensitivity analysis, along with details of any adjustments to the base weightings above, are provided in note 31.

4.12 Write offs

Financial assets are written off either partially or in their entirety at the earlier of the date when the Group has no reasonable expectation of recovering a financial asset in its entirety or a portion thereof, or where a period of six years has passed since the date of default (as defined in note 31). If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to credit loss expense.

4.13 Taxes

4.13.1 Current tax

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from, or paid to, the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted, or substantively enacted, by the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the Statement of Profit or Loss.

4.13.2 Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available which the deferred tax assets can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax relating to items outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

4.14 Cash dividends

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the Group's shareholders. Interim dividends are deducted from equity when they are declared and are no longer at the discretion of the Group.

Dividends for the year that are approved after the reporting date are disclosed as an event after the reporting date.

4.15 Property, equipment and right-of-use assets

Property and equipment is stated at cost less accumulated depreciation and accumulated impairment in value. Changes in the expected useful life are accounted for by changing the amortisation period or methodology, as appropriate, and treated as changes in accounting estimates. Right-of-use assets are presented together with property and equipment in the Statement of Financial Position – refer to the accounting policy in note 4.16. Right-of-use assets are depreciated on a straight-line basis over the lease term.

4.15 Property, equipment and right-of-use assets (continued)

Depreciation of owned assets is calculated on a straight-line basis over the estimated useful lives of the assets, as follows:

- Leasehold property improvements 3 years
- Computer hardware 3 years
- Other fixtures and fittings 3 years

The depreciation expense is recognised in the Statement of Profit or Loss in "Depreciation and amortisation expense" line item.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal (i.e. at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the Statement of Profit or Loss when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

Assets are assessed for signs of impairment on an annual basis, or more frequently when there are indications that impairment may have occurred.

4.16 Leases

The Group assess at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Lease arrangements entered into by the Group relate to the leasing of office space, where the Group is the lessee.

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

4.16.1 Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term.

All right-of-use assets held by the Group in the year, and all comparative years presented, relate to buildings leases where the Group is the lessee.

The right-of-use assets are presented within note 16 and are subject to impairment in line with the Group's policy as described in note 4.15.

4.16.2 Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (less any lease incentives receivable), variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

4.17 Intangible assets

Intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in the Statement of Profit or Loss in the period in which the expenditure is incurred.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

An intangible asset is derecognised upon disposal (i.e. at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the Statement of Profit or Loss.

The amortisation expense on intangible assets is recognised in the Statement of Profit or Loss in "Depreciation and amortisation expense" line item.

4.17.1 Research and development costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- Its intention to complete and its ability and intention to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. Amortisation is recorded in cost of sales. During the period of development, the asset is tested for impairment annually.

4.18 Cash and cash equivalents

Cash and cash equivalents in the Statement of Financial Position comprise cash at banks and on hand. At the reporting date, £43.8m (2021: £24.1m, 1 April 2020: £29.4m) of restricted cash was held by the Group. These restricted cash balances are held by the Group's special purpose vehicle subsidiaries and are restricted in their use, as defined in the Facility Agreements of the respective entities. The use of these cash balances is detailed in the facility agreements which govern the operation of the subsidiaries. In addition, restricted cash balances relating to safeguarding of customer overpayments and e-money are also held.

4.19 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. When the effect of the time value of money is material, the Group determines the level of provision by discounting the expected cash flows at a pre-tax rate reflecting the current rates specific to the liability. The expense relating to any provision is presented in the Statement of Profit or Loss net of any reimbursement in other operating expenses. Detailed disclosures are provided in note 23.

4.20 Pensions

The Group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate entity. Once the contributions have been paid the Group has no further obligations. The amount charged to profit or loss is the contributions payable in the year. Amounts not paid are shown in accruals in the Statement of Financial Position.

4.21 Exceptional items

Where a transaction outside of the usual course of business is considered to be material to understanding the performance of the Group, a separate disclosure will be provided on the face of the Statement of Profit or Loss for these amounts, with additional disclosure provided in the Notes to the Financial Statements.

5. First-time adoption of IFRS

These financial statements, for the year ended 31 March 2022, are the first the Group has prepared in accordance with IFRS. For years up to and including the year ended 31 March 2021, the Group prepared its financial statements in accordance with UK GAAP.

Accordingly, the Group has prepared financial statements that comply with IFRS applicable as at 31 March 2022, together with the comparative period data for the year ended 31 March 2021, as described in the summary of significant accounting policies. In preparing the financial statements, the Group's opening Statement of Financial Position was prepared as at 1 April 2020, the Group's date of transition to IFRS. This note explains the principal adjustments made by the Group in restating its UK GAAP financial statements, including the Statement of Financial Position at 1 April 2020 and the financial statements as of, and for, the year ended 31 March 2021.

5.1 Exemptions applied

IFRS 1 allows first-time adopters certain exemptions from the retrospective application of certain requirements under IFRS.

The Group has applied the following exemptions:

- The Group assessed all contracts existing at 1 April 2020 to determine whether a contract contains a lease based upon the conditions in place as at 1 April 2020. Lease liabilities were measured at the prevent value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at 1 April 2020. Right-of-use assets were measured at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the Statement of Financial Position immediately before 1 April 2020. The lease payments associated with leases for which the lease term ends within 12 months of the date of transition to IFRS and leases for which the underlying asset is of low value have been recognised as an expense on a straight-line basis over the lease term.

5.2 Estimates

The estimates at 1 April 2020 and at 31 March 2021 are consistent with those made for the same dates in accordance with UK GAAP (after adjustments to reflect any differences in accounting policies) apart from the following items where application of IFRS requires estimates not required in the application of UK GAAP:

- Leases
- Financial instruments measured at amortised cost, including loans and advances to customers and debt issued

The estimates used by the Group to present these amounts in accordance with IFRS reflect conditions at 1 April 2020, the date of transition to IFRS and as at 31 March 2021.

5.3 Group reconciliation of equity as at 1 April 2020 (date of transition to IFRS)

In £ thousand	Notes	UK GAAP	Reclassification and remeasurements	IFRS as at 1 April 2020
ASSETS				
Non-current assets				
Property and equipment and right-of-use assets		191	291	482
Intangible assets		15	-	15
		206	**291**	**497**
Current assets				
Loans and advances to customers	A	257,094	(56,948)	200,146
Other assets		4,275	-	4,275
Cash and cash equivalents		33,615	(1)	33,614
		294,984	**(56,949)**	**238,035**
Total assets		**295,190**	**(56,658)**	**238,532**
EQUITY AND LIABILITIES				
Current liabilities				
Debt issued and other borrowings	B	(9,689)	(291)	(9,980)
Other liabilities	B	(8,425)	(337)	(8,762)
		(18,114)	**(628)**	**(18,742)**
Non-current liabilities				
Debt issued and other borrowings		(254,840)	-	(254,840)
		(254,840)	**-**	**(254,840)**
Total liabilities		**(272,954)**	**(628)**	**(273,582)**
Equity				
Capital and reserves attributable to equity holders of the parent				
Share capital		-	-	-
Preference shares		-	-	-
Share premium		(23,830)	-	(23,830)
Accumulated loss	A,B	1,594	57,279	58,873
Foreign exchange reserve		13	7	20
		(22,223)	**57,286**	**35,063**
Non-controlling interests in equity		(13)	-	(13)
Total equity		**(22,236)**	**57,286**	**35,050**
Total equity and liabilities		**(295,190)**	**56,658**	**(238,532)**

5.4 Group reconciliation of equity as at 31 March 2021

In £ thousand	Notes	UK GAAP	Reclassification and remeasurements	IFRS as at 31 March 2021
ASSETS				
Non-current assets				
Property and equipment and right-of-use assets		428	340	768
		428	**340**	**768**
Current assets				
Loans and advances to customers	A	249,794	(40,296)	209,498
Other assets		5,292	-	5,292
Cash and cash equivalents		37,164	-	37,164
		292,250	**(40,296)**	**251,954**
Total assets		**292,678**	**(39,956)**	**252,722**
EQUITY AND LIABILITIES				
Current liabilities				
Debt issued and other borrowings	B	(10,889)	(421)	(11,310)
Other liabilities	B	(11,025)	40	(10,985)
		(21,914)	**(381)**	**(22,295)**
Non-current liabilities				
Debt issued and other borrowings		(239,837)	-	(239,837)
Other liabilities		(2)	-	(2)
		(239,839)	**-**	**(239,839)**
Total liabilities		**(261,753)**	**(381)**	**(262,134)**
Equity				
Capital and reserves attributable to equity holders of the parent				
Share capital		-	-	-
Preference shares		-	-	-
Share premium		(23,830)	-	(23,830)
Accumulated loss	A,B	(6,984)	40,332	33,348
Foreign exchange reserve		(98)	5	(93)
		(30,912)	**40,337**	**9,425**
Non-controlling interests in equity		(13)	-	(13)
Total equity		**(30,925)**	**40,337**	**9,412**
Total equity and liabilities		**(292,678)**	**39,956**	**(252,722)**

5.5 Group reconciliation of total comprehensive income for the year ended 31 March 2021

In £ thousand	Notes	UK GAAP	Remeasurements	IFRS for the year ended 31 March 2021
Continuing operations				
Interest and similar income		64,032	-	64,032
Interest and similar expense	B	(19,563)	(212)	(19,775)
Net interest income		**44,469**	**(212)**	**44,257**
Fee and commission income		15,826	-	15,826
Fee and commission expense		(6,257)	-	(6,257)
Net fee and commission income		**9,569**	**-**	**9,569**
Total income		**54,038**	**(212)**	**53,826**
Credit loss income/(expense) on financial assets	A	(15,198)	16,650	1,452
Net operating income		**38,840**	**16,438**	**55,278**
Personnel expenses		(10,286)	-	(10,286)
Depreciation and amortisation expense	B	(154)	(343)	(497)
Other operating expenses	B	(17,509)	850	(16,659)
Operating profit		**10,891**	**16,945**	**27,836**
Income tax expense		(2,311)	-	(2,311)
Profit for the year		**8,580**	**16,945**	**25,525**
Profit for the year attributable to:				
Equity holders of the parent		8,578	16,945	25,523
Non-controlling interest		2	-	2

5.6 Notes to the reconciliation of equity as at 1 April 2020 and 31 March 2021 and total comprehensive income for the year ended 31 March 2021

A Loans and advances to customers

The adoption of IFRS has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing the incurred loss approach adopted by FRS 102 with a forward-looking expected credit loss (ECL) approach. IFRS requires the Group to recognise an allowance for ECLs for all financial instruments not held at fair value through profit or loss.

At the date of transition to IFRS, the Group recognised additional impairment on its loans and advances to customers of £57.0m, which resulted in a decrease in retained earnings of the same amount.

B Leases

Under FRS 102, a lease is classified as a finance lease or an operating lease. Operating lease payments are recognised as an operating expense in the Statement of Profit or Loss on a straight-line basis over the lease term. Under IFRS, as explained in note 4.16, a lessee applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets and recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

5.6 Notes to the reconciliation of equity as at 1 April 2020 and 31 March 2021 and total comprehensive income for the year ended 31 March 2021 (continued)

At the date of transition to IFRS, the Group applied the transitional provision and measured lease liabilities at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the date of transition to IFRS. Right-of-use assets were measured at the amount equal to the lease liabilities adjusted by the amount of any prepaid or accrued lease payments.

As a result, the Group recognised an increase of £0.3m of lease liabilities and £0.3m of right-of-use assets at the date of transition to IFRS.

6. Significant accounting judgements, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the accompanying disclosures. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities in future periods.

6.1 Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements:

6.1.1 Consolidation of structured entities

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements. The Group consolidates the structured entities that it controls, as explained in note 3. When making this judgement, the Group also considers voting and similar rights available to itself and other parties, who may limit the Group's ability to control, including rights to appoint, reassign or remove members of the structured entity's key management personnel who have the ability to direct relevant activities. The Group's structured entities are consolidated securitisation vehicles. See note 18 for further details.

6.1.2 Measurement of the expected credit loss allowance – significant increase in credit risk

The measurement of impairment losses under IFRS9 across all categories of financial assets in scope requires judgement, in particular, the assessment of a significant increase in credit risk when determining the staging of assets between stages 1 and 2 of the impairment model. Changes to the judgement surrounding when an asset is deemed to have incurred a significant increase in credit risk can result in changes to the level of impairment allowance recognised.

The Group's criteria for assessing if there has been a significant increase in credit risk can be found in note 31.2.

6.1.3 Going concern

During the year, the Group recognised a loss of £42.6m (2021: profit of £25.5m) and the Company recognised a loss of £27.3m (2021: profit of £27.0m). A significant proportion of this loss was driven by an increase in ECL coverage ratios on loans and advances to customers for both the Company and Group to 25% in the year, up from 19% in the comparative period. This increase in coverage ratios accounted for £30.5m and £27.5m of the losses incurred in the year by the Group and Company respectively. For the Group, the remaining £12.1m of losses related to the US business, which is in line with management's expectation for the entity given its stage of growth as the business continues to scale. In addition, the £172.3m, or 82%, increase in portfolio size in the year to £381.8m (2021: £209.5m, 1 April 2020: £201.1m) has also impacted profitability in the period as 12-month ECLs have been recognised on these new originations under IFRS9 prior to a full year's revenue having been generated against these assets.

The increase in ECL coverage ratios in the year is a result of the future economic forecast scenarios included within the forward-looking element of the ECL calculation. Management's adjustments to the weighting of these forward-looking scenarios to skew further towards the downside forecasts accounts for £24.4m and £22.8m of the loss for the Group and Company respectively, as detailed further in note 31.2.5.1 to the financial statements. This adjustment to the forward-looking scenario weightings is a direct result of the rising levels of inflation observed at year-end which has roots in both the continuing impact of the pandemic and Brexit, but which was further exacerbated by Russia's invasion of Ukraine in February 2022.

The coronavirus pandemic, the aforementioned geopolitical tensions and Brexit represent a clear source of uncertainty and risk to the macroeconomic conditions in which the Company will operate in the future and may drive higher levels of defaults as the small businesses which the Group and Company serve weather a difficult macroeconomic environment as a result.

In assessing the going concern assumption for the Company and Group, the directors have assessed forecasts of the Company and Group's future performance. In these forecasts, the directors have assessed the levels of net debt, headroom on existing borrowing facilities and compliance with debt covenants. The directors also reviewed the Company and Group's access to liquidity and its future balance sheet solvency for the 12 months from the date of approval of the financial statements.

As part of this assessment the Group produced two forecast scenarios: a base case scenario was prepared in which levels of bad debt remained at observed levels; and a downside scenario was prepared in which levels of defaults on loans and advances to customers were increased for the duration of the forecasting period to simulate the impact of a recession on the Group's performance. In both forecasts, forward curves for SONIA and SOFR interest rates were applied to reflect the likelihood of increases to the base rates set by central banks to combat sustained high levels of inflation both in the UK and overseas.

In both forecasts, the Company and Group retained sufficient levels of non-restricted cash to continue its operations.

When assessing continued access to liquidity, the directors considered the maturity profile of financial liabilities held by the Company and Group. Of the Company and Group's debt facilities, none have contractual maturities in the 12 months following the approval of these financial statements. A full listing of maturities can be seen in note 31.4 of the financial statements.

At the time of approving the financial statements, the directors have a reasonable expectation that the Company and Group has adequate resources to continue in operational existence over the 12 months following the approval of these financial statements and into the future. Thus, the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

6.2 Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared.

6.2 Estimates and assumptions (continued)

6.2.1 Measurement of the expected credit loss allowance

The measurement of impairment losses under IFRS9 across all categories of financial assets in scope requires estimates driven by a number of factors, changes in which can result in different levels of allowances.

The Group's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered critical accounting estimates include:

- Selection of forward-looking macroeconomic scenarios and their probability weightings, see note 31.2
- Post-model adjustments applied by management, see note 31.2

Detailed analysis of the Group's ECL calculations, including sensitivity analyses on these key inputs, can be found in note 31.2.

6.2.2 Measurement of the expected future redemption rate of rewards points earned by customers

The Group estimates the outstanding value of points awarded under rewards schemes. The value of outstanding points is calculated by multiplying the estimated redemption rate and the monterary value assigned to the rewards points earned. In estimating the redemption rate, the Group considers breakage which represents the portion of points issued that will never be redeemed. The redemption rate is assessed annually and the liability for unredeemed points is adjusted accordingly.

As points issued under the rewards schemes do not expire, estimates of the value are subject to significant uncertainty. Any significant changes in customers' redemption patterns will impact the estimated redemption rate. As at 31 March 2022, the estimated liability for unredeemed points was £6.9m (2021: £6.4m, 1 April 2020: £3.2m). If the estimated redemption rate used had been higher by 1% than management's estimate, the carrying amount of the estimated liability for unredeemed points as at 31 March 2022 would have been higher by £0.1m (2021: £0.1m, 1 April 2020: £0.0m).

7. Geographical information

The Group operates in the United Kingdom, the United States and Spain. The following tables show the distribution of the Group's net operating income for the years ended 31 March 2022 and 31 March 2021:

In £ thousand	2022	2021
United Kingdom	6,496	53,953
United States	(7,503)	(29)
Spain	(1,463)	1,354
Total net operating income	**(2,470)**	**55,278**

8. Interest and similar income

In £ thousand	2022	2021
Interest Revenue	96,867	64,032
Other Revenue	1	-
Total interest and similar income	**96,868**	**64,032**

9. Interest and similar expense

In £ thousand	2022	2021
Shareholder Loan Interest	(702)	(1,050)
Funding Facility Interest	(23,876)	(18,513)
Lease Liability Interest	(623)	(212)
Total interest and similar expense	**(25,201)**	**(19,775)**

In November 2021, £7.0m of convertible shareholder loans were converted to equity. On conversion, £3.2m of accrued shareholder loan interest was extinguished, with the amount being released to the Statement of Profit or Loss. This release is shown on the face of the Statement of Profit or Loss within Exceptional items.

10. Net fee and commission income

In £ thousand	2022	2021
Fees and commission income		
Interchange Revenue	31,291	14,481
Annual Fee Revenue	1,362	1,345
Fees and commission expense		
Loyalty Points Expense	(14,869)	(6,257)
Net fees and commission income	**17,784**	**9,569**

11. Credit loss income/(expense) on financial assets

Credit loss expense relates to the ECL charges on financial instruments for the year recorded in the Statement of Profit or Loss. Derecognitions and write-offs have been treated as movements in the ECL loss allowance – refer to note 31 where reconciliations and explanations in respect of the movement are provided for each asset class.

12. Net gains/(losses) on derecognition of financial assets measured at amortised cost

In £ thousand	2022	2021
Sale of bad debt	5,000	3,673
Net gains/(losses) on derecognition of financial assets measured at amortised cost	**5,000**	**3,673**

The net gains recognised on derecognition of financial assets measured at amortised cost relate to the sale of loans and advances to customers where these customers have defaulted, in line with the Company and Group's business model set out in note 4.8.

The net gains on derecognition of financial assets measured at amortised cost are included within the Statement of Profit or Loss in the line item 'Credit loss expense on financial assets measured at amortised cost'.

13. Personnel expenses

In £ thousand	2022	2021
Wages and salaries	(13,288)	(8,841)
Social security	(1,372)	(993)
Other staff costs	(965)	(339)
Pensions	(341)	(113)
Total personnel expenses	**(15,966)**	**(10,286)**

Directors' emoluments were as follows:

In £ thousand	2022	2021
Aggregate emoluments (including benefits in kind)	(360)	(360)
Total directors' emoluments	**(360)**	**(360)**

No Director exercised share options during the year (2021: nil). The highest paid director was paid £0.3m during the year (2021: £0.3m). No contributions were made by any director to money purchase schemes in the year (2021: nil), nor to any defined benefit or defined contribution pension schemes (2021: nil). Key management is considered to be the directors of the company.

The number of directors for whom retirement benefits are accruing under defined benefit schemes amounted to nil (2021: nil).

13. Personnel expenses (continued)

13.1 Staff numbers

The average monthly number of persons (including directors) employed by Group and the Company during the year was:

Number	Group			Company		
	2022	2021	2020	2022	2021	2020
Sales and administration	224	145	100	204	140	100

14. Other operating expenses

In £ thousand	2022	2021
Marketing	(6,837)	(5,760)
Other operating expenses	(16,633)	(8,576)
Rent and rates	(322)	(409)
Legal and professional fees	(3,368)	(1,360)
Exchange Rate Variance	(18)	(554)
Total other operating expenses	**(27,178)**	**(16,659)**

Rent and rates includes expenses relating to short-term leases of £0.3 million (2021: £0.4 million).

Legal and professional fees include fees payable to the auditor of £0.7m (2021: £0.2m) as analysed below:

In £ thousand	2022	2021
Statutory audit of New Wave Capital Limited	445	115
Statutory audit of subsidiaries	52	40
Non-audit services	153	18
Total amount payable to the Company's auditors	**650**	**173**

15. Income tax

The components of income tax expense are as follows:

In £ thousand	2022	2021
Current tax		
UK current income tax	274	(2,311)
Overseas		
Overseas current tax	-	-
Total income tax	**274**	**(2,311)**

15.1 Reconciliation of the total tax charge

The tax charge shown in the income statement differs from the tax charge that would apply if all profits had been charged at New Wave Capital Limited's corporate rate. A reconciliation between the tax expense and the accounting profit multiplied by New Wave Capital Limited's domestic tax rate is as follows:

In £ thousand	2022	2021
Accounting profit / (loss) before tax	**(42,892)**	**27,836**
At UK's statutory income tax rate of 19% (2021: 19%)	(8,149)	5,289
IFRS9 adjustments in respect of prior periods	-	(3,220)
Overseas tax differences	-	323
R&D tax credits	-	(81)
Deferred tax assets not recognised on balance sheet	8,149	-
Adjustments to prior periods	(274)	-
Income tax income/(expense) reported in the consolidated income statement	**(274)**	**2,311**

The effective income tax rate for 2022 is 0.0% (2021: 8.3%).

15. Income tax (continued)

15.1 Reconciliation of the total tax charge (continued)

The amount of gross temporary differences and unused tax losses for which no deferred tax asset is recognised in the balance sheet was £8.1m (2021: £0.5m, 1 April 2020: £0.1m). This amount included unused UK tax losses of £5.1m (2021: £nil, 1 April 2020: £nil) and unused overseas tax losses of £3.0m (2021: £0.5m, 1 April 2020: £0.1m), all of which arose after 1 April 2017 and can be recovered against the future taxable profits of any of the Group's UK tax resident subsidiaries. No deferred tax was recognised on any of these losses due to the absence of forecasted profits in the near future against which to recover them. Deferred tax asset recognition is reassessed at each balance sheet date based on the available evidence.

16. Property and equipment and right-of-use assets

16.1 Group disclosure

In £ thousand	Leasehold property improvements	Computer equipment	Fixtures and fittings	Right-of-use assets	Total
Cost or valuation					
At 1 April 2020	63	406	78	291	**838**
Additions	311	80	3	392	**786**
Disposals	-	-	-	(291)	**(291)**
At 31 March 2021	**374**	**486**	**81**	**392**	**1,333**
Additions	-	336	33	277	**646**
Disposals	(63)	(182)	(63)	-	**(308)**
At 31 March 2022	**311**	**640**	**51**	**669**	**1,671**
Depreciation and impairment					
At 1 April 2020	(63)	(215)	(78)	-	**(356)**
Depreciation charge for the year	(26)	(131)	-	(343)	**(500)**
Disposals	-	-	-	291	**291**
At 31 March 2021	**(89)**	**(346)**	**(78)**	**(52)**	**(565)**
Depreciation charge for the year	(112)	(152)	(12)	(204)	**(480)**
Disposals	63	182	63	-	**308**
At 31 March 2022	**(138)**	**(316)**	**(27)**	**(256)**	**(737)**
Net book value					
At 1 April 2020	-	191	-	291	**482**
At 31 March 2021	285	140	3	340	**768**
At 31 March 2022	173	324	24	413	**934**

No impairments were recognised in the year (2021: No impairments recognised). Right-of-use assets included within this note relate to lease agreements on buildings in the UK and US. For further information, see note 4.15.

16. Property and equipment and right-of-use assets (continued)

16.2 Parent disclosure

In £ thousand	Leasehold property improvements	Computer equipment	Fixtures and fittings	Right-of-use assets	Total
Cost or valuation					
At 1 April 2020	63	406	78	291	**838**
Additions	311	80	3	392	**786**
Disposals	-	-	-	(291)	**(291)**
At 31 March 2021	**374**	**486**	**81**	**392**	**1,333**
Additions	-	287	33	277	**597**
Disposals	(63)	(182)	(63)	-	**(308)**
At 31 March 2022	**311**	**591**	**51**	**669**	**1,622**
Depreciation and impairment					
At 1 April 2020	(63)	(215)	(78)	-	**(356)**
Depreciation charge for the year	(26)	(131)	-	(343)	**(500)**
Disposals	-	-	-	291	**291**
At 31 March 2021	**(89)**	**(346)**	**(78)**	**(52)**	**(565)**
Depreciation charge for the year	(112)	(152)	(12)	(204)	**(480)**
Disposals	63	182	63	-	**308**
At 31 March 2022	**(138)**	**(316)**	**(27)**	**(256)**	**(737)**
Net book value					
At 1 April 2020	-	191	-	291	**482**
At 31 March 2021	285	140	3	340	**768**
At 31 March 2022	173	275	24	413	**885**

No impairments were recognised in the year (2021: No impairments recognised). Right-of-use assets included within this note relate to lease agreements on buildings in the UK and US. For further information, see note 4.15.

17. Intangible assets

17.1 Group disclosure

In £ thousand	Mobile app	Internally generated assets	Total
Cost			
At 1 April 2020	69	15	**84**
At 31 March 2021	**69**	**15**	**84**
Disposals	(69)	(15)	**(84)**
At 31 March 2022	**-**	**-**	**-**
Depreciation and impairment			
At 1 April 2020	(69)	-	**(69)**
Amortisation	-	(15)	**(15)**
At 31 March 2021	**(69)**	**(15)**	**(84)**
Disposals	69	15	**84**
At 31 March 2022	**-**	**-**	**-**
Net book value			
At 1 April 2020	-	15	**15**
At 31 March 2021	-	-	**-**
At 31 March 2022	-	-	**-**

No impairments were recognised in the year (2021: No impairments recognised).

17. Intangible assets (continued)

17.2 Parent disclosure

In £ thousand	Mobile app	Internally generated assets	Total
Cost			
At 1 April 2020	69	15	84
At 31 March 2021	**69**	**15**	**84**
Disposals	(69)	(15)	(84)
At 31 March 2022	**-**	**-**	**-**
Depreciation and impairment			
At 1 April 2020	(69)	-	(69)
Amortisation	-	(15)	(15)
At 31 March 2021	**(69)**	**(15)**	**(84)**
Disposals	69	15	84
At 31 March 2022	**-**	**-**	**-**
Net book value			
At 1 April 2020	-	15	15
At 31 March 2021	-	-	-
At 31 March 2022	-	-	-

No impairments were recognised in the year (2021: No impairments recognised).

18. Investments in subsidiaries

18.1 Consolidated subsidiaries

The consolidated financial statements include the financial statements of New Wave Capital Limited and its subsidiaries. The Group does not have any joint ventures or associates. The subsidiaries of New Wave Capital Limited are:

Name of subsidiary	Country of incorporation	% equity interest 2022	% equity interest 2021	% equity interest 2020
Westbourne 2016 – 1 WR Limited *	UK	-	-	100
Westbourne 2016 – 3 Limited	UK	100	100	100
Westbourne 6 plc *	UK	-	-	-
Westbourne 7 Limited *	UK	-	-	-
Westbourne CM Limited	UK	100	100	100
NWC USA Group Limited	UK	100	-	-
NWCH GP Limited	UK	100	-	-
Capital On Tap Iberia sl	Spain	100	100	100
New Wave Card Inc	USA	-	100	-
New Wave Card LP	USA	100	-	-
Shoreditch 1 LP	USA	100	-	-
Shoreditch 2 LP	USA	100	-	-
NWCO GP LLC	USA	100	-	-
NWC USA Operations LP	USA	100	-	-
NWCS GP 1 LLC	USA	100	-	-
NWCS GP 2 LLC	USA	100	-	-

* New Wave Capital Limited consolidates these entities based on de facto control, see note 3

18. Investment in subsidiaries and structured entities (continued)

18.2 Nature, purpose and extent of the Group's exposure to structured entities

In the course of its business, the Group's activities include transactions with various structured entities which have been designed to achieve a specific business objective. A structured entity is one that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements.

A structured entity often has some or all of the following features or attributes:

- Restricted activities
- A narrow and well-defined objective, such as to provide a source of capital or funding to an entity or provide investment opportunities for investors by passing on risks and rewards associated with the assets of the structured entity to investors
- Insufficient equity to permit the structured entity to finance its activities without subordinated financial support
- Financing in the form of multiple contractually linked instruments to investors that create concentrations of credit or other risks (tranches)

The primary use of structured entities is to provide access to liquidity through asset securitisations. Structured entities' legal forms may vary, but, generally, include limited liability corporations, trusts, funds and partnerships. Structured entities generally finance the purchase of assets through securitisation and, therefore, raise finance from external investors by enabling them to invest in parcels of specified financial assets.

Details of the amounts due to each structured entity at the reporting date is provided in notes 23 and 29.

18.3 Consolidated structured entities

The Group has a number of consolidated structured entities:

- Westbourne 2016 – 1 WR Limited
- Westbourne 2016 – 3 Limited
- Westbourne 6 plc
- Westbourne 7 Limited
- Shoreditch 1 LP
- Shoreditch 2 LP

Further details on these entities is provided in note 18.1 above.

18.4 Audit exemptions taken

The audit exemption for dormant companies has been taken for Westbourne CM, as detailed in section 480 of the Companies Act 2006.

19. Loans and advances to customers

In £ thousand		Group			Company	
	2022	2021	As at 1 April 2020	2022	2021	As at 1 April 2020
Gross carrying amount	507,991	259,487	268,765	458,615	259,186	267,728
Bad debt provision	(126,220)	(49,989)	(68,619)	(115,258)	(49,753)	(68,293)
Total loans and advances to customers	**381,771**	**209,498**	**200,146**	**343,357**	**209,433**	**199,435**

20. Other assets

In £ thousand	Group			Company		
	2022	2021	As at 1 April 2020	2022	2021	As at 1 April 2020
Other debtors	4,960	641	329	4,960	628	316
Prepayments	5,418	2,368	3,392	3,705	2,144	3,203
Collateral balances	3,626	2,283	554	1,984	1,913	554
Intercompany receivable	-	-	-	19,017	2,490	1,643
Total other assets	**14,004**	**5,292**	**4,275**	**29,666**	**7,175**	**5,716**

Collateral balances relate to amounts held by third parties relating to card scheme memberships.

In the year ending 31 March 2022, receivables of £4.7m (2021: £nil, 1 April 2020: £nil) were outstanding from the British Business Bank for claims in relation to the Bounceback Loan Scheme. This receivable is included within Other debtors.

No impairment was recognised on intercompany receivables by the Company at the reporting date (2021: No impairment, 1 April 2020: No impairment).

21. Cash and cash equivalents

Certain cash balances held by the Group and Parent are restricted in use, either for regulatory or contractual reasons. The table below provides a summary of cash balances held.

In £ thousand	Group			Company		
	2022	2021	As at 1 April 2020	2022	2021	As at 1 April 2020
Cash and cash equivalents	20,406	13,099	4,233	18,860	12,943	4,150
Funding facility cash	42,549	23,267	29,361	-	-	-
Customer safeguarding cash	1,250	798	20	1,250	798	20
Total cash and cash equivalents	**64,205**	**37,164**	**33,614**	**20,110**	**13,741**	**4,170**

Cash held as restricted for use as per securitisation funding agreements relate to collections of loans and receivables to be used by the Group's securitisation vehicles to fund future expenses and obligations, including the purchase of receivables from the parent, interest on notes payable, credit losses and upcoming debt maturities.

22. Debt issued and other borrowings

In £ thousand	Group			Company		
	2022	2021	As at 1 April 2020	2022	2021	As at 1 April 2020
Due after more than one year						
Notes payable	(487,986)	(239,837)	(254,840)	(2,000)	(1,119)	(719)
Due within one year						
Shareholder Loans	-	(10,289)	(9,239)	-	(10,289)	(9,239)
Notes payable	(450)	(600)	(450)	-	-	-
Lease liability	(607)	(421)	(291)	(607)	(421)	(291)
Total debt issued and other borrowings	**(489,043)**	**(251,147)**	**(264,820)**	**(2,607)**	**(11,829)**	**(10,249)**

Convertible shareholder loans are issued by the parent and incur a fixed rate of interest of 15% per annum. In November 2021 the shareholder loans were converted to equity.

22. Debt issued and other borrowings (continued)

Notes payable under securitisation arrangements relate to the outstanding amounts drawn by the Group's funding vehicles for the purchase of receivables from the parent. Total outstanding for each facility is included below.

In £ thousand	Maturity date	2022	2021	As at 1 April 2020
Westbourne 2016 – 1 WR Limited	Dec-23	108,754	103,958	96,361
Westbourne 2016 – 3 Limited	Dec-23	40,505	42,386	42,786
Westbourne 6 plc	Aug-22	-	91,924	113,924
Westbourne 7 Limited	Oct-26	289,750	-	-
Shoreditch 1 LP	Jun-25	43,363	-	-
Shoreditch 2 LP	Mar-26	3,614	-	-

The Westbourne 2016 – 3 Limited and Shoreditch 1 LP facility agreements are secured by financial guarantees provided by the Company. Details of these guarantees can be found in note 27.

23. Other liabilities

In £ thousand	Group			Company		
	2022	2021	As at 1 April 2020	2022	2021	As at 1 April 2020
Due after more than one year						
Intercompany payable	-	(2)	-	(404,566)	(218,019)	(229,030)
Due within one year						
Trade Creditors	(1,350)	(1,427)	(1,050)	(591)	(1,252)	(1,025)
Accruals and deferred revenue	(3,628)	(2,221)	(2,322)	(1,729)	(1,094)	(1,330)
Other Creditors	-	(1,159)	(3,385)	-	-	(350)
Provisions	(2,500)	-	-	(2,500)	-	-
Loyalty points outstanding	(6,938)	(3,172)	(1,480)	(6,383)	(3,172)	(1,480)
Taxation and social security	(2,482)	(3,006)	(525)	(2,477)	(2,965)	(525)
Total other liabilities	**(16,898)**	**(10,987)**	**(8,762)**	**(418,246)**	**(226,502)**	**(233,740)**

A £2.5m provision has been included in the accounts (2021: £nil, 1 April 2020: £nil) for expected charges related to the underpayment of VAT on the provision of services to the Group from overseas suppliers.

23.1 Reconciliation of customer rewards points

In £ thousand	Group		Company	
	2022	2021	2022	2021
At 1 April	**3,172**	1,480	**3,172**	1,480
Accrued during the year	15,657	6,281	14,434	6,281
Redeemed during the year	(11,454)	(4,589)	(10,786)	(4,589)
Change in provisioning rate	(437)	-	(437)	-
At 31 March	**6,938**	**3,172**	**6,383**	**3,172**

These amounts relate to the accrual and release of customer rewards points. As at 31 March 2022, the total value of unredeemed points amounted to £9.5m (2021: £4.06m, 1 April 2020: £1.89m).

24. Issued capital and reserves

In £	2022	2021	As at 1 April 2020
Ordinary share capital	100	77	77
Preference shares	78	93	93
Share premium	31,617,891	23,830,408	23,830,408
Total issued capital and reserves	**31,618,069**	**23,830,578**	**23,830,578**

24.1 Movement in ordinary shares

Ordinary shares *Issued and fully paid*	**Number**	**£**
At 1 April 2020	**7,744,128**	**77**
Issued in year	-	-
At 31 March 2021	**7,744,128**	**77**
Sub-division of shares from 0.001p per share to 0.0001p per share	69,697,152	-
Cancellation of shares at 0.0001p per share	(14,901,438)	(15)
Reclassification of A Preferred shares at 0.0001p per share	19,121,195	19
Reclassification of B Preferred shares at 0.0001p per share	8,341,614	8
Reclassification of C Preferred shares at 0.0001p per share	34,602,246	35
Reclassification to Series B shares at 0.0001p per share	(30,976,512)	(31)
Consolidation of shares from 0.0001p per share to 0.0005p per share	(74,902,708)	-
Cancellation of shares at 0.0005p per share	(6,006)	(0)
Issued in year at 0.0005p per share	1,238,956	6
At 31 March 2022	**19,958,627**	**100**

24.2 Movement in preferred shares

Preferred shares	**A Preferred / Series A Preferred**		**B Preferred / Series B Preferred**		**C Preferred**	
Issued and fully paid	**Number**	**£**	**Number**	**£**	**Number**	**£**
At 1 April 2020	**3,824,239**	**38**	**1,390,269**	**14**	**4,111,889**	**41**
Issued in year	-	-	-	-	-	-
At 31 March 2021	**3,824,239**	**38**	**1,390,269**	**14**	**4,111,889**	**41**
Issued in year at 0.001p per share	-	-	-	-	1,655,152	17
Sub-division of shares from 0.001p per share to 0.0001p per share	34,418,151	-	12,512,421	-	51,903,369	-
Reclassification of shares at 0.0001p per share	(15,296,956)	(15)	38,365,120	38	(23,068,164)	(23)
Reclassification of shares to ordinary share capital at 0.0001p per share	(19,121,195)	(19)	(8,341,614)	(8)	(34,602,246)	(35)
Reclassification of shares from ordinary share capital at 0.0001p per share	-	-	30,976,512	31	-	-
Consolidation of shares from 0.0001p per share to 0.0004p per share	-	-	(56,177,031)	-	-	-
Cancellation of shares at 0.0004p per share	-	-	(42,571)	(0)	-	-
At 31 March 2022	**3,824,239**	**4**	**18,683,106**	**75**	**-**	**0**

24. Issued capital and reserves (continued)

24.3 Notes on movements in issued capital and reserves in the year

During the year, the Company made a number of changes to the structure of its share capital. These changes included:

- Sub-division of share classes, leading to a reduction in nominal value per share from 0.001p to 0.0001p for Ordinary Share Capital, A Preferred, B Preferred, and C Preferred
- *Creation of Series A Preferred and Series B Preferred preference share classes*
- Reclassification of outstanding amounts between share classes
- Consolidation of Ordinary Share Capital, increasing nominal value per share from 0.0001p to 0.0005p
- Consolidation of Series B Preferred, increasing nominal value per share from 0.0001p to 0.0004p
- Conversion of Convertible Shareholder Loans to equity

In November 2021, £7.8m of convertible shareholder loans (including accrued but not paid interest) was converted into 1,655,152 C Preferred shares with a nominal value of £16.55. Prior to the conversion, £3.99m of interest had accrued against the convertible shareholder loans, with £3.2m being extinguished prior to the conversion. This extinguishment of the accrued interest liability has been recognised in the Statement of Profit or Loss. On conversion of the £7.8m of convertible shareholder loans, £7.8m was recognised in the Share Premium reserve, with the £16.55 nominal value recognised in Share Capital.

In addition, 1,238,956 of Ordinary Share Capital was issued in the year, at a nominal price of 0.0005p per share.

25. Distributions made and proposed

In £ thousand	**2022**	**2021**	**As at 1 April 2020**
Special cash dividends on ordinary shares declared and paid	112	-	-
Total distributions made and proposed	**112**	**-**	**-**

26. Net cash used in operating activities

In £ thousand	**2022**	**2021**
Profit/(loss) for the financial year	**(42,618)**	**25,525**
Adjustments for:		
Tax paid/(received)	(274)	2,311
Interest paid	25,201	19,775
Depreciation and impairment of intangible assets	481	497
Movements in working capital		
Decrease/(increase) in debtors	(180,985)	(10,369)
(Decrease)/increase in creditors (excl. debt issued and other borrowings, corporation tax, accrued interest)	6,240	(149)
(Decrease)/increase in share premium on conversion of shares	7,788	-
Cash flow from operating activities	**(184,167)**	**37,590**

27. Contingent liabilities, commitments and leasing arrangements

27.1 Financial guarantees, letters of credit and other undrawn commitments

The Company has provided a £10m (2021: £10m, 1 April 2020: £10m) financial guarantee to its subsidiary Westbourne 2016 – 3 Limited, payable should the entity be unable to cover its liabilities in the future. In addition, a $6m (2021: £nil, 1 April 2020: £nil) financial guarantee has been provided the counterparties of Shoreditch 1 LP's facility agreement, should the entity be unable to cover its liabilities in the future.

27. Contingent liabilities, commitments and leasing arrangements (continued)

27.2 Group as a lessee

The Group has entered into commercial leases for premises. The leases have an average life of between three and five years.

Set out below are the undiscounted potential future rental payments relating to periods following the exercise date of extension and termination options that are not included in the lease term:

In £ thousand	Within five years	More than five years	Total
31 March 2020	730	-	**730**
31 March 2021	2,320	-	**2,320**
31 March 2022	1,422	-	**1,422**

28. Retirement benefit schemes

The Group operates a defined contribution pension scheme for all employees in the United Kingdom. The assets of the scheme are held separately from those of the Group in an independently administered fund. The contributions payable by the Group charged to profit or loss amounted to £0.3m (2021: £0.1m).

29. Related party disclosures

Note 18 provides information about the Group's structure, including details of the subsidiaries and the holding company.

As at the reporting date, shareholder loans owed by the Company totalled £nil (2021: £10.3m, 1 April 2020: £9.2m). A full breakdown of shareholder loans is included below.

In £ thousand	Group	Company
At 1 April 2020	9,239	9,239
Borrowing during the year	-	-
Interest accrued on borrowing	1,050	1,050
Balance at 31 March 2021	**10,289**	**10,289**
Borrowing during the year	-	-
Interest accrued on borrowing	702	702
Conversion of shareholder loans to equity	(10,991)	(10,991)
Balance at 31 March 2022	-	-

The outstanding balance owed by the Company to related entities at the reporting date is set out below:

In £ thousand	2022	2021	As at 1 April 2020
Amounts owed to Westbourne 2016 – 1 WR Limited	102,397	93,117	87,249
Amounts owed to Westbourne 3 Ltd	34,875	40,328	38,933
Amounts owed to Westbourne 6 plc	-	84,577	102,847
Amounts owed to Westbourne 7 Limited	267,294	-	-
Amounts owed to Shoreditch 1 LP **amounts owed by New Wave Card LP*	40,939	-	-
Amounts owed to Shoreditch 2 LP **amounts owed by New Wave Card LP*	(171)	-	-

All amounts due to related entities at the reporting date per the table above were due after more than one year (2021: After more than one year, 1 April 2020: After more than one year).

During the financial year, the Company paid £1,500 (2021: £nil) for fees due by and on behalf of Capital On Tap Limited, a dormant entity which is not a subsidiary of the Company and instead a related party owned by three of the Company's directors.

30. Events after the reporting date

On 16 August 2022, the outstanding notes payable of Westbourne 2016 – 1 WR Limited ("WB1") were fully repaid and all receivables sold by the Company to WB1 were repurchased.

On 2 August 2022, Westbourne 8 Limited (WB8), entered into a Facility Agreement for total funding of £190.0m, made up of £165.0m senior notes and £25.0m mezzanine notes. On 16 August 2022, WB8 drew £70.1m of senior notes and £10.6m of mezzanine notes and used these funds to purchase from the Company all assets repurchased from WB1.

WB8 is an orphan entity, to be consolidated into the Group in the next financial year due to assumed control as per note 6.1.1.

On 24 May 2022 NWCH GP Limited, a wholly owned dormant subsidiary of the Company, was dissolved.

31. Risk management

31.1 Introduction

The Group operates in the UK, the USA and Spain. Whilst risk is inherent in the Group's activities, it is managed through a risk management framework including ongoing identification, measurement and monitoring, and subject to various controls. The Group is exposed to a variety of financial risks including credit risk, liquidity risk and market risk. It is also subject to country risk and various operating and business risks.

The Board of Directors is responsible for the overall risk management approach and for approving the risk management strategies and principles.

The Risk Committee has the overall responsibility for the development of the risk strategy and implementing principles, frameworks and policies. The Risk Committee is responsible for managing risk decisions and monitoring risk levels and reports to the Board of Directors.

31.2 Credit risk

31.2.1 Introduction

Credit risk is the risk that the Group will incur a loss because its customers fail to discharge their contractual obligations. The Group manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual customers and for certain concentrations, and by monitoring exposures in relation to such limits.

Credit risk is monitored by the Group's Credit department. It is their responsibility to review and manage credit risk and to report on this to the Group's Risk Committee.

The Group's credit quality review process provides early identification of possible changes in the creditworthiness of customers. Customer limits are adjusted as required as a result of these credit quality reviews. The review process utilises a credit risk classification system to identify areas of heightened risk. The purpose of this process is to assess potential losses as a result of risks to which the Group is exposed and to take corrective actions.

31.2.2 Impairment assessment

The references below show where the Group's impairment assessment and measurement approach is set out in this report. It should be read in conjunction with note 4.11 which sets out the Group's impairment policy.

31. Risk management (continued)

31.2 Credit risk (continued)

31.2.2.1 Definition of default, impaired and cure
The Group considers a financial instrument defaulted for ECL calculations in all cases when the borrower becomes in 90 days past due on its contractual payments.

As part of a qualitative assessment of whether an exposure is credit-impaired, the Group also considers a variety of instances that may indicate unlikeliness to pay. When such events occur, the Group considers whether the event should result in treating the customer as defaulted and therefore assessed as Stage 3 for ECL calculations or whether Stage 2 is appropriate. Such events include:

- An exposure is forborne or modified due to financial difficulties of the borrower
- Internal rating of the borrower indicating default
- The borrower is deceased or lacks mental capacity
- The borrower files for bankruptcy

The Group considers a financial instrument as 'cured' and therefore re-classified out of Stage 3 when none of the default criteria remain present. The decision whether to classify an asset as Stage 2 or Stage 1 once cured depends on the updated credit grade at the time of the cure, and whether this indicates there has been a significant increase in credit risk compared to initial recognition.

31.2.2.2 The Group's internal rating and PD estimation process
The Group's Credit department operates an internal rating model. The model incorporates both qualitative and quantitative information and, in addition to information specific to the borrower, utilises supplemental external information that could affect the borrower's behaviour. The internal rating is used to determine the probability of default (PDs). The PDs are then adjusted for IFRS9 ECL calculations to incorporate the forward-looking information and the IFRS9 stage classification of the exposure. This is repeated for each economic scenario as appropriate.

31.2.2.3 Exposure at default
The exposure at default (EAD) represents the estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, expected drawdowns on committed facilities and accrued interest from missed payments. The EAD of a financial asset represents its gross carrying amount at the time of default subject to the impairment calculation, addressing both the counterparty's ability to increase its exposure while approaching default and potential early repayments too.

The Group assesses the possible default events within 12 months for the calculation of the 12ECL. For Stage 2 and Stage 3 financial assets, the exposure at default is considered for events over the lifetime of the instruments.

31.2.2.4 Loss given default
The LGD is estimated based on a standard LGD assessment framework that results in a certain LGD rate. These LGD rates take into account the expected EAD in comparison to the amount expected to be recovered.

These LGD rates are estimated and, where possible, calibrated through back testing against recent recoveries.

31.2.2.5 Significant increase in credit risk
The Group continuously monitors all assets subject to ECL. In order to determine whether an instrument or a portfolio of instruments is subject to 12ECL or LECL, the Group assesses whether there has been a significant increase in credit risk since initial recognition.

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and expert credit assessment and including forward-looking information. The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure by comparing:

31. Risk management (continued)

31.2 Credit risk (continued)

31.2.2.5 Significant increase in credit risk (continued)

- The remaining lifetime PD at the reporting date, with
- The remaining lifetime PD for this point in time that was estimated at the time of initial recognition of the exposure

The Group uses three criteria for determining whether there has been a significant increase in credit risk:

- A quantitative test based on movement in PD
- Qualitative indicators; and
- A backstop of 30 days past due for all financial assets (regardless of the change in internal credit grades)

Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure.

Credit risk grades are defined and calibrated such that the risk of default occurring increases as the credit risk grade deteriorates so, for example, the difference in risk of default between credit risk grades in high grades is smaller than the differences between credit risk grades in standard grades. A SICR is defined as a 75% increase in the lifetime PD of a financial asset, compared to the lifetime PD at origination.

The quantitative measure of significance varies depending on the credit quality at origination using the internal rating assigned at initial recognition.

Qualitative indicators used include confirmed fraud, customers in financial difficulty and customers where payment holidays or other payment arrangements are in effect.

31.2.3 Analysis of inputs to the ECL model under multiple economic scenarios
An overview of the approach to estimating the allowance for ECL is set out in note 4.11. The four economic scenarios applied in the forward-looking model apply macroeconomic variables including the GDP growth rate, CPI and the unemployment rate.

For the UK, the base scenario is based on the Bank of England's published macroeconomic forecasts, published as part of their quarterly Monetary Policy Report. Experts in the Credit department verify the accuracy of the inputs to the model, with other scenarios then created by applying shocks to this base scenario. The Credit department also reviews the reasonableness of the weights attributable to the multiple scenarios in calculating the final ECL figure.

Details of how forward-looking forecast has been applied to the US and Spain portfolios can be found in note 31.2.3.2.

The tables below show the values of the key forward looking economic variables/assumptions used in each of the economic scenarios for the ECL calculations. The figures for "Long term rate" represent a long-term average and so are the same for each scenario.

31. Risk management (continued)

31.2 Credit risk (continued)

31.2.3 Analysis of inputs to the ECL model under multiple economic scenarios (continued)

31.2.3.1 Economic scenarios applied to the UK business

31 March 2022 Key drivers	ECL scenario	Assigned weightings %	2022 %	2023 %	2024 %	2025 %	Long term rate %
GDP growth %							
	Upside	10.0%	10.9%	5.3%	4.6%	4.5%	1.4%
	Base case	35.0%	10.2%	2.4%	1.2%	1.1%	1.4%
	Downside 1	40.0%	9.7%	-0.2%	-1.7%	-1.8%	1.4%
	Downside 2	15.0%	9.2%	-2.0%	-3.7%	-3.7%	1.4%
Unemployment rates %							
	Upside	10.0%	3.9%	2.3%	2.3%	2.4%	5.9%
	Base case	35.0%	4.2%	4.0%	4.3%	4.6%	5.9%
	Downside 1	40.0%	4.6%	5.4%	6.0%	6.3%	5.9%
	Downside 2	15.0%	4.8%	6.4%	7.1%	7.4%	5.9%
CPI %							
	Upside	10.0%	3.7%	4.5%	0.7%	-0.4%	2.2%
	Base case	35.0%	3.9%	6.2%	2.9%	1.8%	2.2%
	Downside 1	40.0%	4.1%	7.8%	4.9%	3.9%	2.2%
	Downside 2	15.0%	4.2%	9.0%	6.4%	5.3%	2.2%

31 March 2021 Key drivers	ECL scenario	Assigned weightings %	2021 %	2022 %	2023 %	2024 %	Long term rate %
GDP growth %							
	Upside	20.0%	12.5%	12.6%	2.0%	2.4%	1.4%
	Base case	60.0%	7.6%	11.2%	1.6%	1.7%	1.4%
	Downside 1	15.0%	3.7%	9.0%	1.5%	1.2%	1.4%
	Downside 2	5.0%	1.2%	7.2%	1.5%	0.9%	1.4%
Unemployment rates %							
	Upside	20.0%	4.6%	3.6%	2.8%	2.9%	5.9%
	Base case	60.0%	4.8%	5.3%	4.7%	4.6%	5.9%
	Downside 1	15.0%	4.9%	6.9%	6.6%	6.4%	5.9%
	Downside 2	5.0%	5.0%	8.0%	8.0%	7.7%	5.9%
CPI %							
	Upside	20.0%	0.4%	-0.4%	-0.6%	-0.6%	2.2%
	Base case	60.0%	0.7%	1.8%	2.1%	2.0%	2.2%
	Downside 1	15.0%	0.9%	3.7%	4.5%	4.4%	2.2%
	Downside 2	5.0%	1.0%	5.0%	6.2%	6.1%	2.2%

1 April 2020 Key drivers	ECL scenario	Assigned weightings %	2020 %	2021 %	2022 %	2023 %	Long term rate %
GDP growth %							
	Upside	5.0%	1.1%	2.8%	3.7%	4.3%	1.4%
	Base case	25.0%	0.7%	1.0%	1.5%	1.8%	1.4%
	Downside 1	45.0%	0.4%	-0.5%	-0.5%	-0.4%	1.4%
	Downside 2	25.0%	0.2%	-1.6%	-1.9%	-2.0%	1.4%
Unemployment rates %							
	Upside	5.0%	3.6%	3.0%	2.6%	2.2%	5.9%
	Base case	25.0%	3.8%	3.9%	3.8%	3.6%	5.9%
	Downside 1	45.0%	4.0%	4.7%	4.8%	4.9%	5.9%
	Downside 2	25.0%	4.1%	5.3%	5.5%	5.7%	5.9%
CPI %							
	Upside	5.0%	1.6%	-0.1%	0.1%	0.2%	2.2%
	Base case	25.0%	1.8%	1.4%	1.9%	2.1%	2.2%
	Downside 1	45.0%	1.9%	2.7%	3.6%	3.9%	2.2%
	Downside 2	25.0%	2.1%	3.6%	4.7%	5.1%	2.2%

31. Risk management (continued)

31.2 Credit risk (continued)

31.2.3 Analysis of inputs to the ECL model under multiple economic scenarios (continued)

31.2.3.1 Economic scenarios applied to the UK business (continued)

The following table outlines the impact of multiple scenarios on the allowance. This table shows the contribution to total ECL of each probability weighted scenario in addition to the total incremental effect on ECL of applying multiple economic scenarios compared to the ECL that would have results from applying a 100% weighting to the base case scenario:

	Weighting applied			Group ECL			Parent ECL		
	2022	2021	As at 1 April 2020	2022	2021	As at 1 April 2020	2022	2021	As at 1 April 2020
	%	%	%	£000s	£000s	£000s	£000s	£000s	£000s
Upside	10%	20%	5%	6,523	6,079	2,244	5,822	6,034	2,234
Base case	35%	60%	25%	33,638	27,725	13,928	30,493	27,586	13,870
Downside 1	40%	15%	45%	57,374	11,016	31,428	52,563	10,978	31,275
Downside 2	15%	5%	25%	28,685	5,169	21,019	26,380	5,155	20,914
Total	**100%**	**100%**	**100%**	**126,220**	**49,989**	**68,619**	**115,258**	**49,753**	**68,293**
Effect of multiple economic scenarios				**30,111**	**3,781**	**12,907**	**28,136**	**3,777**	**12,814**

The following tables outline the impact on ECL from applying a 100% weighting to each scenario:

In £ thousands	Group			Parent		
Gross exposure	2022	2021	As at 1 April 2020	2022	2021	As at 1 April 2020
ECL						
Upside	65,228	30,391	44,861	58,229	30,172	44,700
Base case	96,109	46,208	55,712	87,122	45,976	55,479
Downside 1	143,435	73,441	69,841	131,407	73,186	69,500
Downside 2	191,233	103,386	84,077	175,867	103,106	83,654

31.2.3.2 Application of IFRS9 to the US and Spanish portfolios

Whilst the UK business is established, with several years of historical performance data, the US and Spanish businesses are very recent with limited historical performance data available. In addition, the Spanish business is in the process of reducing its portfolio having ceased additional lending in September 2021. As a result, no detailed IFRS9 model has been prepared for these portfolios due to the preparation of such models with the limited data available being impracticable.

To calculate ECLs for the US and Spanish portfolios, the UK IFRS9 model has been utilised with a post-model coverage ratio multiplier applied to align PDs with those observed historically in each geography respectively.

As historical performance data becomes available for these portfolios, the Group will prepare detailed IFRS9 models for calculation of ECL figures.

31. Risk management (continued)

31.2 Credit risk (continued)

31.2.4 Expected credit losses

31.2.4.1 Summary of credit risk

The tables below provide a breakdown of the Group's ECL impairment by stage and geography:

31 March 2022	Group				Parent
In £ thousands	UK	US	Spain	Total	Total
Gross carrying amount					
Stage 1	329,053	42,121	2,506	373,680	331,559
Stage 2	92,970	4,127	402	97,499	93,372
Stage 3	30,457	3,128	3,227	36,812	33,684
Total	**452,480**	**49,376**	**6,135**	**507,991**	**458,615**
ECL					
Stage 1	46,983	6,173	1,320	54,476	48,303
Stage 2	40,081	2,180	542	42,803	40,623
Stage 3	23,105	2,609	3,227	28,941	26,332
Total	**110,169**	**10,962**	**5,089**	**126,220**	**115,258**
Coverage ratio					
Stage 1	14%	15%	53%	15%	15%
Stage 2	43%	53%	135%	44%	44%
Stage 3	76%	83%	100%	79%	78%
Total	**24%**	**22%**	**83%**	**25%**	**25%**
Movement in ECL					
Stage 1	27,670	6,145	408	34,223	28,078
Stage 2	23,670	2,180	421	26,271	24,091
Stage 3	10,242	2,609	2,886	15,737	13,336
Total	**61,582**	**10,934**	**3,715**	**76,231**	**65,505**

31 March 2021	Group				Parent
In £ thousands	UK	US	Spain	Total	Total
Gross carrying amount					
Stage 1	194,265	72	4,317	198,654	198,582
Stage 2	44,711	0	294	45,005	45,005
Stage 3	15,487	0	341	15,828	15,599
Total	**254,463**	**72**	**4,952**	**259,487**	**259,186**
ECL					
Stage 1	19,313	28	912	20,253	20,225
Stage 2	16,411	0	121	16,532	16,532
Stage 3	12,863	0	341	13,204	12,996
Total	**48,587**	**28**	**1,374**	**49,989**	**49,753**
Coverage ratio					
Stage 1	10%	39%	21%	10%	10%
Stage 2	37%	-	41%	37%	37%
Stage 3	83%	-	100%	83%	83%
Total	**19%**	**39%**	**28%**	**19%**	**19%**
Movement in ECL					
Stage 1	(1,885)	28	645	(1,212)	(973)
Stage 2	(13,748)	-	90	(13,658)	(13,627)
Stage 3	(4,073)	-	313	(3,760)	(3,940)
Total	**(19,706)**	**28**	**1,048**	**(18,630)**	**(18,540)**

31. Risk management (continued)

31.2 Credit risk (continued)

31.2.4 Expected credit losses (continued)

31.2.4.1 Summary of credit risk (continued)

1 April 2020		Group			Parent
In £ thousands	**UK**	**US**	**Spain**	**Total**	**Total**
Gross carrying amount					
Stage 1	169,026	-	949	169,975	169,026
Stage 2	79,223	-	60	79,283	79,223
Stage 3	19,479	-	28	19,507	19,479
Total	**267,728**	**-**	**1,037**	**268,765**	**267,728**
ECL					
Stage 1	21,198	-	267	21,465	21,198
Stage 2	30,159	-	31	30,190	30,159
Stage 3	16,936	-	28	16,964	16,936
Total	**68,293**	**-**	**326**	**68,619**	**68,293**
Coverage ratio					
Stage 1	13%	-	28%	13%	13%
Stage 2	38%	-	52%	38%	38%
Stage 3	87%	-	100%	87%	87%
Total	**26%**	**-**	**31%**	**26%**	**26%**

31.2.4.2 Analysis of Stage 2 loans reflecting the criteria for inclusion in Stage 2

An analysis of Stage 2 balances at the reporting date reflecting the reasons for inclusion in Stage 2 by class of loans and advances to customers (gross carrying amount and corresponding ECL) is presented below. For the purposes of this analysis, where balances satisfy more than one criterion for determining a significant increase in credit risk, the corresponding gross carrying amount and ECL have been assigned in the order of the categories presented, for example, accounts with PD deterioration may also trigger backstops, but are only reported under "PD movement".

The indicators of significant increase in credit risk (SICR) are explained in 31.2.2.5.

31 March 2022	Group								Parent	
In £ thousands	**UK**		**US**		**Spain**		**Total Stage 2**		**Total Stage 2**	
	Gross carrying amount	**ECL**	**Gross carrying amount**	**ECL**	**Gross carrying amount**	**ECL**	**Gross carrying amount**	**ECL**	**Gross carrying amount**	**ECL**
Less than 30 days past due (dpd)										
PD movement	86,800	36,050	-	-	-	-	86,800	36,050	86,800	36,050
Other qualitative reasons	437	191	1,239	540	2	1	1,678	732	439	192
More than 30 dpd	5,733	3,840	2,888	1,640	400	541	9,021	6,021	6,133	4,381
Total	**92,970**	**40,081**	**4,127**	**2,180**	**402**	**542**	**97,499**	**42,803**	**93,372**	**40,623**

31 March 2021	Group								Parent	
In £ thousands	**UK**		**US**		**Spain**		**Total Stage 2**		**Total Stage 2**	
	Gross carrying amount	**ECL**	**Gross carrying amount**	**ECL**	**Gross carrying amount**	**ECL**	**Gross carrying amount**	**ECL**	**Gross carrying amount**	**ECL**
Less than 30 dpd										
PD movement	42,421	15,074	-	-	-	-	42,421	15,074	42,421	15,074
Other qualitative reasons	306	15	-	-	10	-	316	15	316	15
More than 30 dpd	1,984	1,322	-	-	284	121	2,268	1,443	2,268	1,443
Total	**44,711**	**16,411**	**-**	**-**	**294**	**121**	**45,005**	**16,532**	**45,005**	**16,532**

31. Risk management (continued)

31.2 Credit risk (continued)

31.2.4 Expected credit losses (continued)

31.2.4.2 Analysis of Stage 2 loans reflecting the criteria for inclusion in Stage 2 (continued)

1 April 2020	Group								Parent	
In £ thousands	UK		US		Spain		Total Stage 2		Total Stage 2	
	Gross carrying amount	ECL	Gross carrying amount	ECL	Gross carrying amount	ECL	Gross carrying amount	ECL	Gross carrying amount	ECL
Less than 30 dpd										
PD movement	71,908	25,842	-	-	-	-	71,908	25,842	71,908	25,842
Other qualitative reasons	405	35	-	-	3	-	408	35	405	35
More than 30 dpd	6,910	4,282	-	-	57	31	6,967	4,313	6,910	4,282
Total	**79,223**	**30,159**	**-**	**-**	**60**	**31**	**79,283**	**30,190**	**79,223**	**30,159**

31.2.4.3 Analysis of Stage 3 loans

An analysis of Stage 3 loans is presented below. The table shows loans less than 90 days past due and loans greater than 90 days past due by portfolio and by stage, thus presenting the loans classified as Stage 3 due to ageing and those identified at an earlier stage due to other criteria.

31 March 2022	Group								Parent	
In £ thousands	UK		US		Spain		Total Stage 3		Total Stage 3	
	Gross carrying amount	ECL	Gross carrying amount	ECL	Gross carrying amount	ECL	Gross carrying amount	ECL	Gross carrying amount	ECL
Less than 90 dpd	17,455	10,810	-	-	-	-	17,455	10,810	17,455	10,810
More than 90 dpd	13,002	12,295	3,128	2,609	3,227	3,227	19,357	18,131	16,229	15,522
Total	**30,457**	**23,105**	**3,128**	**2,609**	**3,227**	**3,227**	**36,812**	**28,941**	**33,684**	**26,332**

31 March 2021	Group								Parent	
In £ thousands	UK		US		Spain		Total Stage 3		Total Stage 3	
	Gross carrying amount	ECL	Gross carrying amount	ECL	Gross carrying amount	ECL	Gross carrying amount	ECL	Gross carrying amount	ECL
Less than 90 dpd	8,593	6,201	-	-	-	-	8,593	6,201	8,593	6,201
More than 90 dpd	6,894	6,662	-	-	341	341	7,235	7,003	7,006	6,795
Total	**15,487**	**12,863**	**-**	**-**	**341**	**341**	**15,828**	**13,204**	**15,599**	**12,996**

1 April 2020	Group								Parent	
In £ thousands	UK		US		Spain		Total Stage 3		Total Stage 3	
	Gross carrying amount	ECL	Gross carrying amount	ECL	Gross carrying amount	ECL	Gross carrying amount	ECL	Gross carrying amount	ECL
Less than 90 dpd	6,865	5,090	-	-	-	-	6,865	5,090	6,865	5,090
More than 90 dpd	12,614	11,846	-	-	28	28	12,642	11,874	12,614	11,846
Total	**19,479**	**16,936**	**-**	**-**	**28**	**28**	**19,507**	**16,964**	**19,479**	**16,936**

31. Risk management (continued)

31.2 Credit risk (continued)

31.2.4 Expected credit losses (continued)

31.2.4.4 Analysis of loans supported by Government-backed programmes

In June 2020 the Company was granted access to the British Business Bank's (BBB's) Coronavirus Business Interruption Loan Scheme (CBILS) and Bounce Back Loan Scheme (BBLS), which provide an 80% and 100% financial guarantee to the Company on all lending to customers made through the scheme respectively, along with a financial guarantee on 12 months of interest revenue for both schemes. These schemes were only available for the Group's UK business, with no similar schemes available in either the US or Spain.

An analysis of government-backed loans is presented below. The table shows the total gross carrying amount and ECL of these loans by stage.

In £ thousands	2022		2021		2020	
	Gross carrying amount	ECL	Gross carrying amount	ECL	Gross carrying amount	ECL
Stage 1	10,546	-	13,094	-	-	-
Stage 2	-	-		-	-	-
Stage 3	-	-		-	-	-
Total	**10,546**	**-**	**13,094**	**-**	**-**	**-**

31.2.4.5 Reconciliation of movements in ECL (Group)

In £ thousands	Stage 1 Gross carrying amount	Stage 2 Gross carrying amount	Stage 3 Gross carrying amount	Total Gross carrying amount
At 1 April 2020	**169,975**	**79,283**	**19,507**	**268,765**
New assets originated	40,181	3,845	1,098	**45,124**
Payments and assets derecognised	(32,457)	(8,480)	7,431	**(33,506)**
Transfers to Stage 1	37,805	(36,187)	(1,618)	-
Transfers to Stage 2	(10,907)	11,208	(301)	-
Transfers to Stage 3	(5,902)	(4,661)	10,563	-
Amounts written off	-	-	(20,851)	**(20,851)**
Foreign exchange translation	(41)	(3)	(1)	**(45)**
At 1 April 2021	**198,654**	**45,005**	**15,828**	**259,487**
New assets originated	116,533	14,143	6,792	**137,468**
Payments and assets derecognised	79,174	32,835	19,762	**131,771**
Transfers to Stage 1	11,949	(10,674)	(1,275)	-
Transfers to Stage 2	(18,769)	19,146	(377)	-
Transfers to Stage 3	(13,822)	(2,953)	16,775	-
Amounts written off	-	-	(20,690)	**(20,690)**
Foreign exchange translation	(39)	(3)	(3)	**(45)**
At 31 March 2022	**373,680**	**97,499**	**36,812**	**507,991**

31. Risk management (continued)

31.2 Credit risk (continued)

31.2.4 Expected credit losses (continued)

31.2.4.5 Reconciliation of movements in ECL (Group) (continued)

In £ thousands	Stage 1 ECL	Stage 2 ECL	Stage 3 ECL	Total ECL
At 1 April 2020	**21,465**	**30,190**	**16,964**	**68,619**
New assets originated	4,842	2,057	750	**7,649**
Payments and assets derecognised	(8,214)	(3,959)	5,989	**(6,184)**
Transfers to Stage 1	14,933	(13,919)	(1,014)	-
Transfers to Stage 2	(920)	1,083	(163)	-
Transfers to Stage 3	(763)	(1,953)	2,716	-
Impact on ECL of transfers	(11,079)	3,034	6,096	**(1,949)**
Amounts written off	-	-	(18,133)	**(18,133)**
Foreign exchange translation	(11)	(1)	(1)	**(13)**
At 1 April 2021	**20,253**	**16,532**	**13,204**	**49,989**
New assets originated	18,692	4,853	5,462	**29,007**
Payments and assets derecognised	16,700	18,480	15,282	**50,462**
Transfers to Stage 1	5,178	(4,501)	(677)	-
Transfers to Stage 2	(1,873)	2,128	(255)	-
Transfers to Stage 3	(1,030)	(965)	1,995	-
Impact on ECL of transfers	(3,436)	6,277	11,193	**14,034**
Amounts written off	-	-	(17,260)	**(17,260)**
Foreign exchange translation	(8)	(1)	(3)	**(12)**
At 31 March 2022	**54,476**	**42,803**	**28,941**	**126,220**

In £ thousands	Stage 1	Stage 2	Stage 3	Total
ECL allowance change for the year	34,223	26,271	15,737	**76,231**
Write offs	-	-	20,690	**20,690**
Recoveries on write offs	-	-	(5,000)	**(5,000)**
Total impairment charge for the year ending 31 March 2022	**34,223**	**26,271**	**31,427**	**91,921**

In £ thousands	Stage 1	Stage 2	Stage 3	Total
ECL allowance change for the year	(1,212)	(13,658)	(3,760)	**(18,630)**
Write offs	-	-	20,851	**20,851**
Recoveries on write offs	-	-	(3,673)	**(3,673)**
Total impairment charge for the year ending 31 March 2021	**(1,212)**	**(13,658)**	**13,418**	**(1,452)**

31. Risk management (continued)

31.2 Credit risk (continued)

31.2.4 Expected credit losses (continued)

31.2.4.5 Reconciliation of movements in ECL (Parent)

In £ thousands	Stage 1 Gross carrying amount	Stage 2 Gross carrying amount	Stage 3 Gross carrying amount	Total Gross carrying amount
At 1 April 2020	**169,026**	**79,223**	**19,479**	**267,728**
New assets originated	40,144	3,845	1,098	**45,087**
Payments and assets derecognised	(31,584)	(8,423)	7,318	**(32,689)**
Transfers to Stage 1	37,805	(36,187)	(1,618)	-
Transfers to Stage 2	(10,907)	11,208	(301)	-
Transfers to Stage 3	(5,902)	(4,661)	10,563	-
Amounts written off	-	-	(20,940)	**(20,940)**
At 1 April 2021	**198,582**	**45,005**	**15,599**	**259,186**
New assets originated	75,757	10,024	3,711	**89,492**
Payments and assets derecognised	77,862	32,824	20,149	**130,835**
Transfers to Stage 1	11,949	(10,674)	(1,275)	-
Transfers to Stage 2	(18,769)	19,146	(377)	-
Transfers to Stage 3	(13,822)	(2,953)	16,775	-
Amounts written off	-	-	(20,898)	**(20,898)**
At 31 March 2022	**331,559**	**93,372**	**33,684**	**458,615**

In £ thousands	Stage 1 ECL	Stage 2 ECL	Stage 3 ECL	Total ECL
At 1 April 2020	**21,198**	**30,159**	**16,936**	**68,293**
New assets originated	4,815	2,057	750	**7,622**
Payments and assets derecognised	(7,955)	(3,929)	5,893	**(5,991)**
Transfers to Stage 1	14,933	(13,919)	(1,014)	-
Transfers to Stage 2	(920)	1,083	(163)	-
Transfers to Stage 3	(763)	(1,953)	2,716	-
Impact on ECL of transfers	(11,083)	3,034	6,084	**(1,965)**
Amounts written off	-	-	(18,206)	**(18,206)**
At 1 April 2021	**20,225**	**16,532**	**12,996**	**49,753**
New assets originated	13,314	4,422	2,892	**20,628**
Payments and assets derecognised	15,924	16,805	15,673	**48,402**
Transfers to Stage 1	5,178	(4,501)	(677)	-
Transfers to Stage 2	(1,872)	2,127	(255)	-
Transfers to Stage 3	(1,029)	(965)	1,994	-
Impact on ECL of transfers	(3,437)	6,203	11,120	**13,886**
Amounts written off	-	-	(17,411)	**(17,411)**
At 31 March 2022	**48,303**	**40,623**	**26,332**	**115,258**

In £ thousands	Stage 1	Stage 2	Stage 3	Total
ECL allowance change for the year	28,078	24,091	13,336	**65,505**
Write offs	-	-	20,898	**20,898**
Recoveries on write offs	-	-	(5,000)	**(5,000)**
Total impairment charge for the year ending 31 March 2022	**28,078**	**24,091**	**29,234**	**81,403**

31. Risk management (continued)

31.2 Credit risk (continued)

31.2.4 Expected credit losses (continued)

31.2.4.5 Reconciliation of movements in ECL (Parent) (continued)

In £ thousands	Stage 1	Stage 2	Stage 3	Total
ECL allowance change for the year	(973)	(13,627)	(3,940)	**(18,540)**
Write offs	-	-	20,940	**20,940**
Recoveries on write offs	-	-	(3,673)	**(3,673)**
Total impairment charge for the year ending 31 March 2021	**(973)**	**(13,627)**	**13,327.**	**(1,273)**

31.2.5 Model adjustments and management overlays

31.2.5.1 Model adjustment for year ending 31 March 2022

Amid a continuing recovery from the Covid pandemic, early 2022 saw a growing consensus that UK inflation was set to rise, with a general expectation it would reach levels not seen for over 30 years. Issues with gas and oil supplies were already causing hikes in household fuel bills, while other markets including food and used cars have also seen rising prices. Increased costs have squeezed company margins, leading to price rises across a broad range of industries. The start of the Ukraine war exacerbated the situation by casting further uncertainties over ongoing fuel sources.

The most recent Bank of England quarterly monetary policy report as at the reporting date was published on 3rd February 2022. While there was already an expectation of increasing inflation, this report predated the start of the war, and the outlook has worsened further since then. Under the Base scenario this report forecast CPI to peak at c.7%, while the actual figure later published for March was already 7.0%, with no sign of plateauing at this level.

The Group considers that the most likely economic driver of increased default risk is increased inflation and recognises that the February BoE forecast fails to reflect the full extent of inflationary increase to be reasonably expected beyond March. As a result of this, an adjustment to the scenario weightings applied in calculating the 2022 ECL was made. A summary of the adjustment to the weightings, along with the impact to the reported ECL figure compared to the base weighting, is included below:

			Group		Parent	
	Base weighting	Adjusted weighting	Base ECL contribution	Adjusted ECL contribution	Base ECL contribution	Adjusted ECL contribution
	%	%	£000s	£000s	£000s	£000s
Upside	20	10	13,046	6,523	11,646	5,822
Base case	60	35	57,665	33,638	52,273	30,493
Downside 1	15	40	21,515	57,374	19,711	52,563
Downside 2	5	15	9,562	28,685	8,793	26,380
Total	**100**	**100**	**101,788**	**126,220**	**92,423**	**115,258**

31.2.5.2 Model adjustment for year ending 31 March 2021

Prior to 31 March 2021, the latest Monetary Report was released on 4 February 2021. The report was released while the UK was still in lockdown, with an unclear timeline to the lockdown ending. The report notably expected a GDP drop of 4% during Q1 2021.

The roadmap for lifting the lockdown was announced in late February, with the first step of measures lifted by 29 March 2021 (allowing people to once again leave home). All non-essential shops and services were expected to reopen by 12 April 2021, and rules limiting the size of gatherings to be relaxed by mid-May 2021. It was not expected that all social distancing limits would be removed prior to 21 June 2021.

31. Risk management (continued)

31.2 Credit risk (continued)

31.2.5 Model adjustments and management overlays (continued)

31.2.5.2 Model adjustment for year ending 31 March 2021 (continued)
Given the release of lockdowns and the roadmap, management saw several macroeconomic indicators suggesting that the economy would recover quicker than originally anticipated by the Bank of England's projections. These were:

1. GDP levels higher than predicted in the Bank of England forecast during December 2020 and January 2021
2. The FTSE 100 experiencing significant growth following the announcement of the lockdowns being lifted - reflective of the market view that output (and hence GDP) was significantly expected to increase going forward
3. UK gilt yields rapidly rising in February and March 2021 suggesting improvement in comparison to the expected macroeconomic performance

Based on these observations, it was management's view that the GDP dip expected in the February 2021 report would no longer be as severe as forecast. As the adjustment to inputs was made primarily to adjust the short term forecast for GDP growth and the unemployment rate, the adjustments made were to the model inputs rather than to the scenario weightings.

The adjustments made were as follows:

- GDP: The early shock projected in the 21 February Monetary Report was smoothed out over the first three quarters of 2021. Thereafter, GDP was assumed to grow at the same rate as initially expected in the published projections.
- Unemployment rate: The early shock projected in the 21 February Monetary Report was smoothed out over the first three quarters of 2021. Thereafter, the unemployment rate was assumed to fall at the same rate as initially expected in the published projections.
- CPI: The inflation projection was left unchanged. There were some very early indicators that inflation was actually lower than expected. However, given the Bank of England's 2% target for inflation, it was felt it would likely follow a similar path as originally predicted back to its expected value.

A summary of the adjustments made, along with the impact to the reported ECL figure compared to the base inputs, is included below:

31 March 2021 Key drivers per Bank of England published forecast	ECL scenario	Assigned weightings	2021	2022	2023	2024	Long term rate
		%	%	%	%	%	%
GDP growth %							
	Upside	20%	6.2%	15.7%	1.9%	1.0%	1.4%
	Base case	60%	4.0%	14.4%	1.7%	1.7%	1.4%
	Downside 1	15%	1.5%	13.1%	1.9%	2.8%	1.4%
	Downside 2	5%	-0.4%	12.0%	2.2%	3.8%	1.4%
Unemployment rates %							
	Upside	20%	4.3%	4.7%	3.1%	3.0%	5.9%
	Base case	60%	4.9%	7.0%	5.4%	5.1%	5.9%
	Downside 1	15%	5.4%	9.1%	7.7%	7.2%	5.9%
	Downside 2	5%	5.8%	10.6%	9.4%	8.8%	5.9%
CPI %							
	Upside	20%	0.4%	-0.4%	-0.6%	-0.6%	2.2%
	Base case	60%	0.7%	1.8%	2.1%	2.0%	2.2%
	Downside 1	15%	0.9%	3.7%	4.5%	4.4%	2.2%
	Downside 2	5%	1.0%	5.0%	6.2%	6.1%	2.2%

31. Risk management (continued)

31.2 Credit risk (continued)

31.2.5 Model adjustments and management overlays (continued)

31.2.5.2 Model adjustment for year ending 31 March 2021 (continued)

31 March 2021 Adjusted key drivers applied in calculating ECL	ECL scenario	Assigned weightings	2021	2022	2023	2024	Long term rate
		%	%	%	%	%	%
GDP growth %							
	Upside	20%	12.5%	12.6%	2.0%	2.4%	1.4%
	Base case	60%	7.6%	11.2%	1.6%	1.7%	1.4%
	Downside 1	15%	3.7%	9.0%	1.5%	1.2%	1.4%
	Downside 2	5%	1.2%	7.2%	1.5%	0.9%	1.4%
Unemployment rates %							
	Upside	20%	4.6%	3.6%	2.8%	2.9%	5.9%
	Base case	60%	4.8%	5.3%	4.7%	4.6%	5.9%
	Downside 1	15%	4.9%	6.9%	6.6%	6.4%	5.9%
	Downside 2	5%	5.0%	8.0%	8.0%	7.7%	5.9%
CPI %							
	Upside	20%	0.4%	-0.4%	-0.6%	-0.6%	2.2%
	Base case	60%	0.7%	1.8%	2.1%	2.0%	2.2%
	Downside 1	15%	0.9%	3.7%	4.5%	4.4%	2.2%
	Downside 2	5%	1.0%	5.0%	6.2%	6.1%	2.2%

31 March 2021 Impact of post-model adjustment on ECL		Group		Parent	
	Assigned weightings	Base ECL contribution	Adjusted ECL contribution	Base ECL contribution	Adjusted ECL contribution
	%	£000s	£000s	£000s	£000s
Upside	20	6,725	6,079	6,722	6,034
Base case	60	35,821	27,725	35,801	27,586
Downside 1	15	17,728	11,016	17,718	10,978
Downside 2	5	8,614	5,169	8,609	5,155
Total	**100**	**68,888**	**49,989**	**68,850**	**49,753**

31.2.5.3 Model adjustment for year ending 31 March 2020

During early March 2020, community detection of COVID-19 had been discovered in the UK and by the end of the month over 17,000 cases had been reported, including over 1,000 COVID-19 related deaths.

On 16th March 2020 initial restrictions were introduced, with the population strongly encouraged to limit contact with others and reduce travel when not essential. The public were asked to avoid pubs, clubs, theatres and other social venues.

By the 20th March 2020 all hospitality and entertainment venues were closed by law. On the same day the government announced the furlough scheme which offered to cover 80% of the wages of any employee who could not work resulting from the restrictions currently in place or any further restrictions that may be introduced in the future.

On March 23rd 2020 a national lockdown was introduced, curtailing all movement beyond shopping for essentials, exercise, medical need and travel to or from work, where work could not be performed remotely. There was no timeline placed on the duration of this lockdown.

By the end of March, the country was in lockdown, with the growth in COVID-19 cases still unabated and with a very uncertain future.

31. Risk management (continued)

31.2 Credit risk (continued)

31.2.5 Model adjustments and management overlays (continued).

31.2.5.3 Model adjustment for year ending 31 March 2020 (continued)

The regulatory guidance was that

- The government would work with lenders to help protect all businesses that were viable prior to the lockdowns, recognising there was currently no scheme in place for micro-SMEs.
- The Bank of England advice was that 'Given the sudden onset of the virus, the PRA believes there is little such information available as yet, and regards the preparation of reliable and detailed forecasts as difficult. If firms believe they can make such forecasts, the PRA expects firms to reflect the temporary nature of the shock, and fully take into account the significant economic support measures already announced by global fiscal and monetary authorities.

At the reporting date there was essentially no data available on what the macroeconomic and customer impact would be due to the unprecedented COVID-19 restrictions imposed.

To capture the impact of a worsening macroeconomic environment in the face of COVID-19 and the restrictions introduced, the Group adjusted its scenario weightings to favour more heavily the downside and extreme downside scenarios compared to the base weightings applied. A summary of the adjustment to the weightings, along with the impact to the reported ECL figure compared to the base weighting, is included below:

			Group		Parent	
	Base weighting	Adjusted weighting	Base ECL contribution	Adjusted ECL contribution	Base ECL contribution	Adjusted ECL contribution
	%	%	£000s	£000s	£000s	£000s
Upside	20	5	8,972	2,244	8,940	2,234
Base case	60	25	33,427	13,928	33,287	13,870
Downside 1	15	45	10,476	31,428	10,425	31,275
Downside 2	5	25	4,204	21,019	4,183	20,914
Total	100	100	57,079	68,619	56,835	68,293

31.3 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Group is exposed to two types of market risk; interest rate risk impacts the Group on both its financial assets and financial liabilities whilst currency risk impacts the Group due to its foreign operations in the US and Spain. Financial instruments affected by these risks include loans and advances to customers and debt issued.

31.3.1 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates.

The Group's exposure to interest rate risk is minimal due to the short-term nature of its assets and the ability of the Group to reprice customer loans.

The Group's loan portfolios contain short term receivables that are linked to a fixed rate of interest, which are adjustable upon 60 days-notice.

All funding arrangements outstanding at year-end reference a variable rate of interest. The funding arrangements of the subsidiaries require interest to be paid according to one-month compounded SONIA/SOFR plus a fixed margin. Given the ability of the Group to adjust the applicable interest rate of the loan portfolio, and the short-dated nature of these assets, the Group does not believe it is materially exposed to movements in interest rates.

The Group does not consider that it is exposed to significant interest rate risk due to its liabilities referencing one month SONIA/SOFR and the ability to reprice its assets with 60 days' notice. Management review any potential interest rate exposure on a periodic basis.

The Group's existing financing facilities reference SONIA in calculation of the interest payable on drawn amounts.

31. Risk management (continued)

31.3 Market risk (continued)

31.3.2 Currency risk

Currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities and the Group's net investments in foreign subsidiaries.

31.4 Liquidity and funding risk

The Group manages liquidity risk through arranging access to a range of short to medium term funding facilities to meet its requirements and constant portfolio performance monitoring and underwriting.

The below table summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

In £ thousands	2022	2021	1 April 2020
On demand	1	1	993
Less than 3 months	10,831	5,078	5,653
3 to 12 months	32,493	15,234	16,958
1 to 5 years	925,970	352,433	377,415
>5 years	-	-	-
Total	**969,296**	**372,746**	**401,018**

The above detailed gross contractual cashflows assumes the following: i) all funding facilities will be redeemed upon the expected maturity, ii) no alteration in interest rates, and iii) all funding facilities are fully drawn.

31.5 Capital risk

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for the shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Company and its subsidiaries are subject to external capital requirements as set out below:

- minimum requirement under the Companies Act 2006, that is, the shares have a fixed nominal value and they are denominated in Pound Sterling; and
- minimum requirements for purposes of EMI license, as reported to the FCA.

The Group has not breached any of its capital requirements in the year.