

**Strategic Report, Report of the Directors and  
Financial Statements for the Year Ended 31 December 2021  
for  
Chip Financial Ltd**

Davis Grant Limited  
Chartered Certified Accountants and  
Statutory Auditors  
Treviot House  
186-192 High Road  
Ilford  
Essex  
IG1 1LR

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for the Year Ended 31 December 2021**

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**Chip Financial Ltd**  
**Company Information**  
**for the Year Ended 31 December 2021**

**DIRECTORS:**

S G Miles  
R S Frank  
A C T Latham  
S B Rabin

**REGISTERED OFFICE:**

7 Bell Yard  
London  
WC2A 2JR

**REGISTERED NUMBER:**

10113174 (England and Wales)

**AUDITORS:**

Davis Grant Limited  
Chartered Certified Accountants and  
Statutory Auditors  
Treviot House  
186-192 High Road  
Ilford  
Essex  
IG1 1LR

**Strategic Report  
for the Year Ended 31 December 2021**

The directors present their strategic report for the year ended 31 December 2021.

Chip Financial Ltd ("Chip") is a UK based company operating the Chip wealth management app, enabling its customers to deposit into savings and investment funds and then earn the best possible returns on those deposits.

Chip's mission is to create wealth for its customers and has developed its own proprietary technology to enable its services including automated Savings AI, OpenBanking powered account aggregation, payment and transfer systems, reconciliations and deposit ledgers as well as many consumer facing features through an iOS and Android mobile app.

Chip's business model does not require the company to hold customer balances, instead funds are transferred to third party custody accounts, deposit taking banks, investment funds or brokers.

Customer's pay a subscription fee for premium features and commissions are earned by Chip in some circumstances although the business model has remained predominantly pre-revenue whilst the focus has been on customer growth.

Chip is authorised by the Financial Conduct Authority under the Payment Service Regulations 2017, firm reference number no. 911255, for the provision of payment services. Chip provides access to savings accounts with UK authorised partner banks and an e-money wallet with a UK authorised e-money provider, Prepaid Financial Services Limited (PFS). Chip is an agent of PFS who are authorised by the Financial Conduct Authority under the Electronic Money Regulations 2011, firm reference number 900036, for the issuance of electronic money and provision of payment services. The e-wallet service ceased new deposits in July 2021 with the termination of the agency relationship with Prepaid Financial Services Limited taking place in 2022 as part of the planned migration away from e-money to core banking infrastructure.

Chip also provides customers access to investment funds. For our Investment Platform business only, Chip is an Appointed Representative of P1 Investment Management Ltd, which is authorised and regulated by the Financial Conduct Authority, under Firm Reference Number 752005.

**Strategic Report  
for the Year Ended 31 December 2021**

**BUSINESS AND FINANCE REVIEW**

During 2021 Chip's registered user numbers grew to over 400,000 and cumulative deposits exceeded £830 million by the end of the year - a 350% increase on 2020.

2021 was a buoyant yet volatile year for the UK economy, following the impact of COVID-19 in 2020 which continued to cause a significant shift in people's incomes, financial attitudes, and priorities.

Chip's customers became more engaged with the need for a financial safety net, and the advantages of investing. Overall growth and favourable movements in equity markets impacted Chip positively, measured by the continued spike in customer numbers and increase in balances.

During the year Chip fully migrated its account infrastructure from e-money to full stack banking with FSCS eligible accounts at ClearBank. This was the final step toward a wider migration away from Prepaid Financial services and e-money and towards the provision of fully integrated banking services.

In Summer 2021 Chip launched an investing product for customers offering a General Investment Account and a Stocks & Shares Individual Saving Account. The accounts offer a selection of mutual funds and ETFs provided by Blackrock.

Revenue increased by 694% to £1.6 million (2020: £0.2 million) and is expected to continue increasing in the next financial year from an annualisation of customer subscription revenue, the launch of new products and services as well as higher trade volumes. Chip also improved its payment features as it moved away from e-money which significantly improved gross margin, this is expected to be optimised further and Chip expects to become gross margin positive on an annual basis in 2022.

The company's loss of £12.6 million (2020: £6.1 million) is a result of an increased level of costs. This amount was in line with the budget set out at the end of 2020 and is similar to competitors operating in this space. The main area the company has invested in is headcount. We have increased the number of employees mainly across the product and engineering department in order to continue the development and roll-out of new features and functions which will help drive the development of our app into 2022. These include PISP (payment initiation service provider), new fixed-term notice accounts as well as new ETFs and investment funds. There has also been investment in supporting functions, mainly in operations and customer success which is required to support growing customer numbers.

Chip ended 2021 with £10.5 million of net assets and with £10.6 million of cash at bank. In October 2021 the business secured a further £10.5 million in additional funding on the Crowdcube platform which enabled it to make considerable investments in further customer growth going into 2022. Our crowdfunding investors have been some of our strongest supporters and they are a constant source of encouragement. They are also highly engaged in the product and help provide valuable customer feedback.

**Strategic Report  
for the Year Ended 31 December 2021**

**PRINCIPAL RISKS AND UNCERTAINTIES**

**Strategic Risks**

Chip defines Strategic Risk as all events that disprove Chip's main business assumptions and threaten Chip's business model and strategy - Chip's strategy is set out and overseen by the Executive Committee, supported by the Executive Leadership team. The strategy is mirrored in Chip's KPIs which are monitored and analysed frequently which allows for remedial actions to be taken as soon as deviations are identified.

**Capital and Funding Risk**

Capital Risk is the Risk that Chip does not have sufficient capital to perform its business activities. Chip is authorised under the Payment Services Regulations 2017 for the provision of payment services.

Chip is required to retain sufficient Tier 1 capital to meet its regulatory requirements, this is actively managed by the FP&A department with appropriate trigger levels monitored to ensure sufficient capital is in place at all times.

Funding Risk is the Risk that Chip does not have sufficient sources of funding to meet its obligations. Chip's funding position is managed by the FP&A department using early warning indicators and scenario analysis in order to assess the financing needs of the company.

Chip expects to have in the future sufficient capital and funding to be able to support its capital requirements and to meet its business objectives.

**Financial Crime Risk**

As a customer-facing company Chip needs to comply with all applicable regulations. One of the major risks is coming from the significant volume of transactions in client funds and the embedded risk of criminal activity and any losses related to it. To mitigate this risk Chip has robust Know-your-customer and Anti-Money-Laundering policies, monitors customers and transactions regularly. Chip uses a combination of the third party software and bespoke in-house tools to manage all Financial crime and AML processes.

**Operational Risk**

As a financial technology company, Chip relies on its people, operational infrastructure and technology. There is an inherent risk of failure of any of those resources. In order to mitigate this risk Chip has adopted a BusinessContinuation Policy that is being reviewed regularly and has robust real time incident management protocols in place to deal with any issues quickly and effectively as they arise.

**Third Party Risk**

Chip works with different third parties in its daily operations including payment processing, Open Banking, AML, KYC and other important servicers. Failure in their systems and/or processes can impact Chip negatively. Chip monitors real time the performance of its service providers which allows for immediate actions to be taken in case of any disruptions.

**Cyber and Data Security Risk**

Chip continuously evaluates its security risks, processes and practices and has adopted a number of measures to lower the likelihood and impact of these risks. These include continuous infrastructure and network scanning, security and phishing training for all staff, pen-testing of the application and api, and hardening of underlying infrastructure in line with best practices.

**Strategic Report  
for the Year Ended 31 December 2021**

**GOING CONCERN**

The financial statements have been prepared on a going concern basis, as management believes that the Company will be able to meet its liabilities as and when they fall over the next 12 months from the date of signing of these financial statements.

The directors will continue to meet their regulatory and fiduciary obligations in respect of the Company, along with taking all necessary management steps and decisions to ensure that all financial commitments can be met when they fall due in the current economic environment (also considering the post COVID-19 macro-economic climate).

However, the directors recognise that there is material uncertainty that exists when operating in a high growth technology sector, where raising further capital is essential to meeting the Company's liabilities as they fall due. At the date of writing this report management is in ongoing discussions with prospective institutional investors to raise further capital and is confident that the full process will complete before the end of December 2022.

In March 2022 Chip launched a successful crowdfunding campaign where we raised over £6 million. In addition, the Company also plans to offer new equity to its customers and community via the Crowdcube platform in September 2022. As one of Europe's most successfully crowdfunded companies the management has high confidence this portion of new equity will be oversubscribed.

In the full year to December 2021, the Company raised in excess of £11.5m on this platform and therefore the directors are confident any future fundraising would raise sufficient funds for the Company to continue to meet its liabilities as they fall due.

Should there be a delay in any of the new funding or material deviations from the budget occur management has planned strict cost control scenarios which allow for immediate actions to be taken.

The directors highlight that Chip acts as an intermediary between different financial institutions which are regulated by the FCA in their own right. This means that all customers' money is ring-fenced and sits outside the balance sheet of Chip Financial Ltd. All interest accounts currently offered are eligible for FSCS protection up to £85,000.

**ON BEHALF OF THE BOARD:**

S B Rabin - Director

21 August 2022

**Report of the Directors  
for the Year Ended 31 December 2021**

The directors present their report with the financial statements of the company for the year ended 31 December 2021.

**DIVIDENDS**

No dividends will be distributed for the year ended 31 December 2021.

**DIRECTORS**

The directors shown below have held office during the whole of the period from 1 January 2021 to the date of this report.

R S Frank

S B Rabin

Other changes in directors holding office are as follows:

S G Miles - appointed 10 May 2021

A C T Latham - appointed 10 May 2021

**DIRECTORS' RESPONSIBILITIES STATEMENT**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

**ENGAGEMENT WITH EMPLOYEES**

Chip considers its most valuable asset to be its employees and places great importance on engaging with all employees through clear communications on company progress and transparency on information through the company KPIs and regular consultation and inclusion on decisions that affect the direction of the company.

Chip puts great emphasis on providing equal opportunities for all employees and ensures fair selection and development procedures apply consistently at all times. The aim of Chip's employee policies are to ensure that no job candidate or employee is treated unfairly on the basis of age, sex, sexual orientation, marital status, colour, religion, race, or ethnic origin or is disadvantaged by condition or requirements which cannot be shown as justifiable.

**STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS**

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

**Report of the Directors  
for the Year Ended 31 December 2021**

**AUDITORS**

The auditors, Davis Grant Limited, will be proposed for re-appointment at the forthcoming Annual General Meeting.

**ON BEHALF OF THE BOARD:**

S B Rabin - Director

21 August 2022

## **Report of the Independent Auditors to the Members of Chip Financial Ltd**

### **Opinion**

We have audited the financial statements of Chip Financial Ltd (the 'company') for the year ended 31 December 2021 which comprise the Income Statement, Other Comprehensive Income, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and Notes to the Cash Flow Statement, Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Material uncertainty in relation to Going Concern**

We draw attention to the accounting policy in relation to going concern contained within the financial statements, which indicates that there is a material uncertainty relating to the ability of the Company to obtain further capital investment and the value of this

As stated in the note these events or conditions, along with the other matters as set forth in the note indicate that some uncertainty exists that may cast doubt on the companies ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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

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

### **Other information**

The directors are responsible for the other information. The other information comprises the information in the Strategic Report and the Report of the Directors, but does not include the financial statements and our Report of the Auditors thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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 such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **Opinions on other matters prescribed by the Companies Act 2006**

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

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

## **Report of the Independent Auditors to the Members of Chip Financial Ltd**

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

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Report of the Directors.

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

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

### **Responsibilities of directors**

As explained more fully in the Directors' Responsibilities Statement set out on page six, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

## **Report of the Independent Auditors to the Members of Chip Financial Ltd**

### **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 a Report of the Auditors 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.

The objectives of our audit are to identify and assess the risks of material misstatement of the financial statements due to fraud or error, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatements due to fraud and error; and to respond appropriately to these risks. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned in accordance with the ISA's (UK).

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations our procedures included the following:

- We obtained an understanding of the legal and regulatory frameworks applicable to the company and the sector in which they operate. We determined that the following laws and regulations were most significant: the Companies Act 2006, the UK Corporate Governance code and the UK corporate taxation laws,
- We obtained an understanding of how the company are complying with the with those legal and regulatory frameworks by making enquiries with the company's directors. We corroborated our inquiries through our review of the board minutes and other information provided to the audit team.

We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur. Audit procedures performed by the engagement team included:

- Identifying and assessing the design effectiveness of controls management has in place to prevent and detect fraud
- Understanding how those charged with governance considered and addressed the potential for override of controls or other inappropriate influence over the financial reporting process
- Challenging assumptions and judgements made by management in its significant accounting estimates
- Identifying and testing journal entries, in particular any journal entries posted with unusual account collaborations
- Assessing the extent of compliance with the relevant laws and regulations.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our Report of the Auditors.

**Report of the Independent Auditors to the Members of  
Chip Financial Ltd**

**Use of our report**

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

Mr Barry Grant Chernoff FCA FCCA (Senior Statutory Auditor)  
for and on behalf of Davis Grant Limited  
Chartered Certified Accountants and  
Statutory Auditors  
Treviot House  
186-192 High Road  
Ilford  
Essex  
IG1 1LR

22 August 2022

Chip Financial Ltd (Registered number: 10113174)

**Income Statement  
for the Year Ended 31 December 2021**

		<b>2021</b>	<b>2020</b>
	Notes	£	as restated £
<b>TURNOVER</b>		<b>1,561,775</b>	<b>196,597</b>
Cost of sales		<u><b>3,788,925</b></u>	<u><b>1,506,389</b></u>
<b>GROSS LOSS</b>		<b>(2,227,150)</b>	<b>(1,309,792)</b>
Administrative expenses		<u><b>11,954,595</b></u>	<u><b>6,165,904</b></u>
		<b>(14,181,745)</b>	<b>(7,475,696)</b>
Other operating income		<u><b>-</b></u>	<u><b>61,738</b></u>
<b>OPERATING LOSS</b>	<b>4</b>	<b>(14,181,745)</b>	<b>(7,413,958)</b>
Interest receivable and similar income		<u><b>18</b></u>	<u><b>4</b></u>
		<b>(14,181,727)</b>	<b>(7,413,954)</b>
Interest payable and similar expenses	<b>5</b>	<u><b>143,503</b></u>	<u><b>227,097</b></u>
<b>LOSS BEFORE TAXATION</b>		<b>(14,325,230)</b>	<b>(7,641,051)</b>
Tax on loss	<b>6</b>	<u><b>(1,687,387)</b></u>	<u><b>(1,494,323)</b></u>
<b>LOSS FOR THE FINANCIAL YEAR</b>		<u><b>(12,637,843)</b></u>	<u><b>(6,146,728)</b></u>

The notes form part of these financial statements

**Chip Financial Ltd (Registered number: 10113174)**

**Other Comprehensive Income  
for the Year Ended 31 December 2021**

	<b>2021</b>	<b>2020</b>
Notes	£	as restated £
<b>LOSS FOR THE YEAR</b>	<b>(12,637,843)</b>	<b>(6,146,728)</b>
<b>OTHER COMPREHENSIVE INCOME</b>	<b>-</b>	<b>-</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b><u>(12,637,843)</u></b>	<b><u>(6,146,728)</u></b>

The notes form part of these financial statements

**Chip Financial Ltd (Registered number: 10113174)**

**Balance Sheet  
31 December 2021**

		<b>2021</b>		<b>2020 as restated</b>	
	Notes	£	£	£	£
<b>FIXED ASSETS</b>					
Tangible assets	8		<b>153,577</b>		130,190
<b>CURRENT ASSETS</b>					
Debtors	9	<b>2,331,363</b>		1,446,524	
Cash at bank		<u><b>10,635,109</b></u>		<u>10,357,696</u>	
		<b>12,966,472</b>		<b>11,804,220</b>	
<b>CREDITORS</b>					
Amounts falling due within one year	10	<u><b>2,658,102</b></u>		<u>774,022</u>	
<b>NET CURRENT ASSETS</b>			<u><b>10,308,370</b></u>		<u>11,030,198</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<b>10,461,947</b>		11,160,388
<b>CREDITORS</b>					
Amounts falling due after more than one year	11		<u>-</u>		<u>11,400,103</u>
<b>NET ASSETS/(LIABILITIES)</b>			<u><b>10,461,947</b></u>		<u>(239,715)</u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	13		<b>6</b>		3
Share premium	14		<b>34,515,318</b>		12,039,629
Share Options Reserve	14		<b>1,381,201</b>		517,388
Retained earnings	14		<u><b>(25,434,578)</b></u>		<u>(12,796,735)</u>
<b>SHAREHOLDERS' FUNDS</b>			<u><b>10,461,947</b></u>		<u>(239,715)</u>

The financial statements were approved by the Board of Directors and authorised for issue on 21 August 2022 and were signed on its behalf by:

S B Rabin - Director

The notes form part of these financial statements

**Statement of Changes in Equity  
for the Year Ended 31 December 2021**

	<b>Called up share capital £</b>	<b>Retained earnings £</b>	<b>Share premium £</b>	<b>Share Options Reserve £</b>	<b>Total equity £</b>
<b>Balance at 1 January 2020</b>	3	(6,650,007)	9,342,304	293,347	2,985,647
<b>Changes in equity</b>					
Issue of share capital	-	-	2,697,325	-	2,697,325
Total comprehensive income	-	(6,146,728)	-	-	(6,146,728)
Share option charge	-	-	-	224,041	224,041
<b>Balance at 31 December 2020</b>	<u>3</u>	<u>(12,796,735)</u>	<u>12,039,629</u>	<u>517,388</u>	<u>(239,715)</u>
<b>Changes in equity</b>					
Issue of share capital	3	-	22,475,689	-	22,475,692
Total comprehensive income	-	(12,637,843)	-	-	(12,637,843)
Share option charge	-	-	-	863,813	863,813
<b>Balance at 31 December 2021</b>	<u>6</u>	<u>(25,434,578)</u>	<u>34,515,318</u>	<u>1,381,201</u>	<u>10,461,947</u>

**Chip Financial Ltd (Registered number: 10113174)**

**Cash Flow Statement  
for the Year Ended 31 December 2021**

		<b>2021</b>	2020
		<b>£</b>	as restated
	Notes		£
<b>Cash flows from operating activities</b>			
Cash generated from operations	1	(11,545,058)	(6,997,177)
Interest paid		(143,503)	(227,097)
Tax paid		987,366	506,704
Net cash from operating activities		<u>(10,701,195)</u>	<u>(6,717,570)</u>
<b>Cash flows from investing activities</b>			
Purchase of tangible fixed assets		(97,000)	(77,068)
Government grants received		-	61,738
Interest received		18	4
Net cash from investing activities		<u>(96,982)</u>	<u>(15,326)</u>
<b>Cash flows from financing activities</b>			
New loans in year		-	11,400,103
Share issue		11,075,590	2,697,325
Net cash from financing activities		<u>11,075,590</u>	<u>14,097,428</u>
<b>Increase in cash and cash equivalents</b>		<u>277,413</u>	<u>7,364,532</u>
<b>Cash and cash equivalents at beginning of year</b>	2	10,357,696	2,993,164
<b>Cash and cash equivalents at end of year</b>	2	<u>10,635,109</u>	<u>10,357,696</u>

The notes form part of these financial statements

**Notes to the Cash Flow Statement  
for the Year Ended 31 December 2021**

**1. RECONCILIATION OF LOSS BEFORE TAXATION TO CASH GENERATED FROM OPERATIONS**

	2021	2020 as restated
	£	£
Loss before taxation	(14,325,230)	(7,641,051)
Depreciation charges	73,613	45,746
Share option charge	863,813	192,134
Government grants	-	(61,738)
Finance costs	143,503	227,097
Finance income	(18)	(4)
	<u>(13,244,319)</u>	<u>(7,237,816)</u>
(Increase)/decrease in trade and other debtors	(184,819)	107,237
Increase in trade and other creditors	<u>1,884,080</u>	<u>133,402</u>
<b>Cash generated from operations</b>	<b><u>(11,545,058)</u></b>	<b><u>(6,997,177)</u></b>

**2. CASH AND CASH EQUIVALENTS**

The amounts disclosed on the Cash Flow Statement in respect of cash and cash equivalents are in respect of these Balance Sheet amounts:

**Year ended 31 December 2021**

	31.12.21	1.1.21
	£	£
Cash and cash equivalents	<u>10,635,109</u>	<u>10,357,696</u>

**Year ended 31 December 2020**

	31.12.20	1.1.20
	as restated	
	£	£
Cash and cash equivalents	<u>10,357,696</u>	<u>2,993,164</u>

**3. ANALYSIS OF CHANGES IN NET FUNDS**

	At 1.1.21	Cash flow	At 31.12.21
	£	£	£
<b>Net cash</b>			
Cash at bank	<u>10,357,696</u>	<u>277,413</u>	<u>10,635,109</u>
	<u>10,357,696</u>	<u>277,413</u>	<u>10,635,109</u>
<b>Total</b>	<u>10,357,696</u>	<u>277,413</u>	<u>10,635,109</u>

**Notes to the Financial Statements  
for the Year Ended 31 December 2021**

**1. STATUTORY INFORMATION**

Chip Financial Ltd is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the Company Information page.

The presentation currency of the financial statements is the Pound Sterling (£).

**2. ACCOUNTING POLICIES**

**Basis of preparing the financial statements**

These financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Companies Act 2006.

**Turnover**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes.

**Tangible fixed assets**

Depreciation is provided at the following annual rates in order to write off the cost less estimated residual value of each asset over its estimated useful life.

Improvements to property	- Straight line over the life of the lease
Plant and machinery	- 25% on cost
Computer equipment	- Straight line over 3 years

**Government grants**

Grants are accounted under the accruals model as permitted by FRS 102. Grants of a revenue nature are recognised in the Statement of Comprehensive Income in the same period as the related expenditure.

**Taxation**

Taxation for the year comprises current and deferred tax. Tax is recognised in the Income Statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current or deferred taxation assets and liabilities are not discounted.

Current tax is recognised at the amount of tax payable using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

**Research and development**

Expenditure on research and development is written off in the year in which it is incurred.

**Notes to the Financial Statements - continued  
for the Year Ended 31 December 2021**

**2. ACCOUNTING POLICIES - continued**

**Foreign currencies**

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

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

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

**Pension costs and other post-retirement benefits**

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

The contributions are recognised as an expense in profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the Company in independently administered funds.

**Going concern**

The financial statements have been prepared on a going concern basis, as management believes that the Company will be able to meet its liabilities as and when they fall over the next 12 months from the date of signing of these financial statements. The directors will continue to meet their regulatory and fiduciary obligations in respect of the Company, along with taking all necessary management steps and decisions to ensure that all financial commitments can be met when they fall due in the current economic environment (also considering the COVID-19 macro-environment climate).

However, the directors recognise that there is material uncertainty that exists when operating in a high growth technology sector, where raising further capital is essential to meeting the Company's liabilities as they fall due.

At the date of writing this report, management is in ongoing discussions with prospective institutional investors to raise further capital and is confident that the full process will complete before the end of December 2022. In addition, the Company also plans to offer new equity to its customers and community via the Crowdcube platform in October 2022. As one of Europe's most successfully crowdfunded companies the management has high confidence this portion of new equity will be oversubscribed. In the year to December 2021, the company raised in excess of £10m on this platform and therefore the directors are confident any future fundraising would raise sufficient funds for the Company to continue to meet its liabilities as they fall due.

Should there be a delay in any of the new funding or material deviations from the budget occur, management has planned strict cost control scenarios which allow for immediate actions to be taken. Additionally, the 2022 financial year has seen the introduction of alternative assets investments which the directors feel will have strong potential to diversify and increase our revenue streams. This along with the potential to monetise the company current customer base provides a big opportunity to increase our overall revenue and reduce our cash burn. At the end of May 2022, the positive deviation in the cash position compared to budget is £2m

**Notes to the Financial Statements - continued  
for the Year Ended 31 December 2021**

**2. ACCOUNTING POLICIES - continued**

**Debtors**

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

**Cash and cash equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

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

**Creditors**

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

**Financial instruments**

The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in ordinary shares.

**Share based payments**

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to profit or loss over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each Statement of Financial Position date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

The fair value of the award also takes into account non-vesting conditions. These are either factors beyond the control of either party (such as a target based on an index) or factors which are within the control of one or other of the parties (such as the Company keeping the scheme open or the employee maintaining any contributions required by the scheme).

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to profit or loss over the remaining vesting period.

Where equity instruments are granted to persons other than employees, profit or loss is charged with fair value of goods and services received.

Notes to the Financial Statements - continued  
for the Year Ended 31 December 2021

3. EMPLOYEES AND DIRECTORS

	2021	2020 as restated
	£	£
Wages and salaries	5,678,570	2,944,026
Social security costs	661,687	334,640
Other pension costs	83,277	45,026
	<u>6,423,534</u>	<u>3,323,692</u>

The average number of employees during the year was as follows:

2021	2020 as restated
<u>101</u>	<u>58</u>

The remuneration for the key management personnel amounted to £636,042 (2020: £402,304).

	2021	2020 as restated
	£	£
Directors' remuneration	<u>295,000</u>	<u>98,055</u>

Information regarding the highest paid director for the year ended 31 December 2021 is as follows:

2021
£
Emoluments etc
<u>125,000</u>

The directors of the company hold 7,107,108 share options at 31 December 2021 (2020 - 4,748,220)

4. OPERATING LOSS

The operating loss is stated after charging:

	2021	2020 as restated
	£	£
Depreciation - owned assets	73,613	42,942
Auditors' remuneration	19,000	7,950
Foreign exchange differences	<u>7,883</u>	<u>8,936</u>

Notes to the Financial Statements - continued  
for the Year Ended 31 December 2021

5. INTEREST PAYABLE AND SIMILAR EXPENSES

	2021	2020 as restated
	£	£
Bank interest	6,357	754
Convertible loan interest	137,146	226,343
	<u>143,503</u>	<u>227,097</u>

6. TAXATION

**Analysis of the tax credit**

The tax credit on the loss for the year was as follows:

	2021	2020 as restated
	£	£
Current tax:		
UK corporation tax	(1,687,387)	(987,618)
Adjustments in respect of previous periods	-	(506,705)
Tax on loss	<u>(1,687,387)</u>	<u>(1,494,323)</u>

**Reconciliation of total tax credit included in profit and loss**

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The difference is explained below:

	2021	2020 as restated
	£	£
Loss before tax	<u>(14,325,230)</u>	<u>(7,641,051)</u>
Loss multiplied by the standard rate of corporation tax in the UK of 19% (2020 - 19%)	(2,721,794)	(1,451,800)
Effects of:		
Expenses not deductible for tax purposes	188,373	54,670
Capital allowances in excess of depreciation	(6,216)	-
Adjustments to tax charge in respect of previous periods	-	(506,705)
Additional deduction for R&D expenditure	(961,330)	(731,459)
Deferred Tax not recognised	(397,479)	834,469
Surrender of tax losses for R&D Tax Credit refund	<u>2,211,059</u>	<u>306,502</u>
Total tax credit	<u>(1,687,387)</u>	<u>(1,494,323)</u>

Notes to the Financial Statements - continued  
for the Year Ended 31 December 2021

7. **PRIOR YEAR ADJUSTMENT**

A prior year adjustment has been made in relation to the share options being incorrectly accounted for in 2019 and 2020. This resulted in the share option charge within the profit and loss account in the year ended 31 December 2020 being overstated by £309,834 along with an equal overstatement in the associated share option reserve. The charge in relation to 2019 was understated by £101,213. This resulted in the profit and loss reserve brought forward and the share option reserve being understated by this amount.

In addition it was noted that prior years fund raising costs were incorrectly debited to the profit and loss account rather than the share premium reserve. This resulted in the profit and loss reserve brought forward being understated by £362,881, the share premium being overstated by £376,747 and administration expenses being overstated by £13,866 within the 31 December 2020 financial statements.

All the above amounts have been adjusted by way of a prior year adjustment within these financial statements.

8. **TANGIBLE FIXED ASSETS**

	Improvements to property £	Plant and machinery £	Computer equipment £	Totals £
<b>COST</b>				
At 1 January 2021	-	6,107	183,477	189,584
Additions	8,908	856	87,236	97,000
At 31 December 2021	8,908	6,963	270,713	286,584
<b>DEPRECIATION</b>				
At 1 January 2021	-	2,694	56,700	59,394
Charge for year	-	1,036	72,577	73,613
At 31 December 2021	-	3,730	129,277	133,007
<b>NET BOOK VALUE</b>				
At 31 December 2021	8,908	3,233	141,436	153,577
At 31 December 2020	-	3,413	126,777	130,190

9. **DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2021 £	2020 as restated £
Trade debtors	10,356	8,058
Other debtors	129,559	49,756
Tax	1,687,638	987,618
VAT	109,687	33,469
Prepayments and accrued income	394,123	367,623
	<u>2,331,363</u>	<u>1,446,524</u>

Notes to the Financial Statements - continued  
for the Year Ended 31 December 2021

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2021	2020 as restated
	£	£
Trade creditors	171,196	95,866
PAYE	212,752	121,031
Other creditors	95,004	16,380
Accruals and deferred income	2,179,150	540,745
	<u>2,658,102</u>	<u>774,022</u>

11. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2021	2020 as restated
	£	£
Other creditors	-	11,400,103

12. LEASING AGREEMENTS

Minimum lease payments under non-cancellable operating leases fall due as follows:

	2021	2020 as restated
	£	£
Within one year	10,238	53,864
Between one and five years	235,463	-
	<u>245,701</u>	<u>53,864</u>

13. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:		Nominal value:	2021	2020 as restated
Number:	Class:		£	£
43,360,481	A Ordinary shares shares of £0.0000001- each	0.0000001	4	2
17,972,457	B Investment shares of £0.0000001 each-	0.0000001	2	1
			<u>6</u>	<u>3</u>

Notes to the Financial Statements - continued  
for the Year Ended 31 December 2021

14. **RESERVES**

	Retained earnings £	Share premium £	Share Options Reserve £	Totals £
At 1 January 2021	(12,796,735)	12,039,629	517,388	(239,718)
Deficit for the year	(12,637,843)			(12,637,843)
Cash share issue	-	22,475,689	-	22,475,689
Share option charge	-	-	863,813	863,813
At 31 December 2021	<u>(25,434,578)</u>	<u>34,515,318</u>	<u>1,381,201</u>	<u>10,461,941</u>

**Reserves**

**Share premium account**

Includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium.

**Share options reserve**

The share options reserve relates to the employee share option scheme established to incentivise employees of the Company.

**Profit and loss account**

The profit and loss account includes all current year and prior years profits and losses.

15. **PENSION COMMITMENTS**

The company operates a defined contribution scheme.

The assets and the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £83,277 (2020: £45,026). Contributions totalling £26,472 (2020: £12,692) were payable to the fund at the reporting date.

Notes to the Financial Statements - continued  
for the Year Ended 31 December 2021

16. SHARE-BASED PAYMENT TRANSACTIONS

Share based payments

The company operates two share option schemes:

A type - providing leavers with a right to keep their vested options

B type - whereby employees cannot keep their options upon leaving

Given that leaver assumptions are typically not included in fair value analysis, both option types are equally treated for valuation purposes.

There are various grant dates across the seven year period which are grouped into twenty two groups by their date, on a quarterly basis. The options issued in the Groups either have an exercise price set according to the fair market share price at the time of issue or an exercise price of £0.0000001.

All options issued have a contractual life of ten years. None of the grants carry market-based performance conditions.

The Company measures the cost of equity-settled options based on the fair value of the awards granted. The fair value is determined based on the Black-Scholes valuation model since the share options aren't actively traded. Using an option valuation model to determine the fair value means including highly subjective assumptions including the expected price volatility, expected life of the award and dividend yield. Changes in the subjective assumptions can materially affect the fair value estimates.

Across the Groups, all options have a contractual life of ten years, with either a three year or four-year vesting period for the non-market based performance conditions attached to the options. The company has applied an expected life of five years, which is halfway through the contractual life of the options. This assumption is based on empirical studies which show that employees tend to exercise their options midway through the contractual life.

The company has used an annualised median 50-day volatility for a basket of comparable companies, using data sourced from S&P Capital IQ.

The risk free interest rate considered is the implied yield on zero-coupon government issues with a remaining term equal to the expected life of the option, as at the grant date.

	Weighted average exercise price (pence) 2021	Number2021	Weighted average exercise price (pence) 2020	Number2020
Outstanding at the beginning of the year (as restated)	70.1	7,196,138	52.9	3,999,471
Granted during the year	<u>127.4</u>	<u>2,099,000</u>	<u>93.6</u>	<u>3,197,467</u>
Outstanding at the end of the year	<u>83.7</u>	<u>9,295,138</u>	<u>70.1</u>	<u>7,196,938</u>

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.