Company Number: 05197592

PLATA FINANCE LIMITED

(formerly Zopa Limited)

ANNUAL REPORT

AND

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

Company Information

Directors
S C Jones (appointed 10 February 2022)
N Aspinall (appointed 10 February 2022)
C Farnish
N Wear (resigned 31 May 2022)
M Woodburn (resigned 10 February 2022)
D Honold (resigned 10 February 2022)

Registered office
Frobisher House
Southbrook Road
Southampton
SO15 1GX

Company registered number
05197592

Principal Bankers
National Westminster Bank
1 Princes Street
London
EC2R 8BP

Independent auditors
PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
7 More London Riverside
London
SE1 2RT

STRATEGIC REPORT

The directors present their Strategic Report for the year ended 31 December 2022.

Review of the Business

Plata Finance Limited ("Plata" or "the Company") is regulated by the Financial Conduct Authority. The Company operates a marketplace lending platform which allows institutional investors to lend unsecured personal loans to pre-screened UK based customers. Plata services the resulting loan portfolios on behalf of these institutional investors and seeks to grow the business.

As noted in last year's financial statements, in February 2022 Zopa Group sold Zopa Limited to Plata Holdings UK Limited, an affiliate of the primary shareholder of Zopa Group. As reported in last year's Strategic Report, to deliver the best outcome for its retail investors, the previous (Zopa Limited) Board agreed to sell all outstanding loans which had been owned by retail investors to Zopa Bank Limited. This sale was completed in a series of transactions between December 2021 and January 2022 prior to the acquisition by Plata Holdings UK Limited. Following these transactions, the Company no longer provides servicing of the loan portfolio previously owned by retail investors.

The Company originates and services loans on behalf of several institutions, including banks, asset managers and other institutional investors. Its primary sources of revenue are the origination and servicing fees it earns for the provision of these services.

These financial statements reflect the lower servicing fee income resulting from the sale of the retail investor-owned portfolio. This loss of revenue has been offset to some extent by increasing origination and servicing revenues from the launch of a new institutional investor relationship during the second half of the year. This relationship is comprised of a consortium of investors including affiliates of the ultimate parent of the Company. Overall, in 2022 servicing fee and commission income reduced by £8.1m to £4.3m (2021: £12.4m) and profitability increased by £6.2m from a loss of £6.0m in 2021 to a profit of £0.3m in 2022.

Customers' expressions of satisfaction with Plata and its products and services have been favourable. In 2022 the Company secured 661 Trustpilot reviews with an average star rating of 4.9 out of 5 and a Trustpilot score of 4.9 out of 5.

The principal risks and uncertainties faced by the Company are strategic risk, market risk, financial risk including capital, liquidity and credit risk, and operational risk.

Strategic risk relates to the risk of loss from the failure to optimise the earnings potential of the Company's lending and servicing platforms. This is actively managed by a team of skilled and industry experienced individuals and is the subject of regular strategic discussions.

Market risk is the risk of a reduction in earnings or the economic value of equity caused by the changes in the prices of financial instruments. The Company has no significant exposure to changes in the prices of financial instruments as it does not have a trading book and it has no financial instruments whose value is impacted by changing interest rates. The Company monitors the impact of higher inflation in the UK economy and incorporates the expectation of future inflation in its underwriting of new loans and grants appropriate forbearance to impacted customers within the servicing portfolios.

Financial risk relates to the risk that the Company has insufficient resources (capital and liquidity) to support its business model and strategy. These risks are minimised as the Company structures its cash flows with its counterparties to ensure that it is net cash flow positive. Its servicing fee income is critical to the effective functioning of the portfolios it services and therefore it ranks appropriately high for payment which also minimises credit risk. Origination fee income becomes payable to the Company within a month of loan origination. The Company maintains a capital buffer above the minimum regulatory requirements and regularly monitors its capital and liquidity requirements to ensure that they are adequate to meet the needs of its current and future business plans.

Operational risk is the risk that the Company suffers losses from inadequate or failed internal processes or outsourced supplier performance. It includes fraud or risks from the impact of external events. It also includes legal and compliance risk, for example, that the Company fails to meet its regulatory obligations including those relating to client money and conduct risk, that is, that the Company's actions result in poor outcomes for its customers. These risks are mitigated with the regular review of operational risk assessments, establishing pertinent policies and procedures and salient key performance indicators (KPIs) to monitor these, regular governance meetings with the Company's outsourced suppliers, strong systems of internal control, and regular cyber security vulnerability testing. Good communication is maintained with the regulator at all levels, the Company diligently meets all routine regulatory information requests and maintains an appropriate dialogue with the regulator as the business develops and grows.

Key performance indicators

The Company tracks key performance indicators (KPIs) to monitor and manage its operations. The KPIs for the year to 31 December 2022 compared to the previous year are summarised below:

For the year ended 31 December 2022

	2022 £000	**2021 £000**	**% Change**
Fee and commission Income	4,318	12,410	(65%)
Fee and commission expense	(3,193)	(4,564)	(30%)
Administrative expenses	(922)	(17,406)	(95%)
Profit / (loss) before taxation	268	(5,955)	105%
Total Equity	3,994	3,726	7%

Our stakeholders and communities

This Strategic Report sets out how the Board seeks to comply with the requirements of section 172(1) of the Companies Act 2006. That is, how the Board seeks to promote the success of the Company for the benefit of its stakeholders, notably customers, suppliers, the regulatory authorities and shareholders.

The Board considers the pillars supporting Plata's business to be:

a. Relevant and fair products that meet its investors' and customers' needs.
b. Excellent customer experience in all customer interactions.
c. Nimble technology and insightful analytical capabilities.
d. Strong regulatory discipline and maintaining good communication with the regulators.
e. Collaborative partnership relationships across all suppliers and investors.
f. Ready access to experienced, capable and professional resource.

These pillars support the generation of franchise and brand value for our shareholders.

The Board holds regular Board meetings to review reports on all areas of the business including customer servicing, key trends in customer feedback, the quality of its relationships with its various constituencies and to ensure that the Company is on an appropriate track to meet its value creation objectives for shareholders. Board members receive training to assist them in meeting their duties and responsibilities as Board members.

Outlook

The UK economy emerged from the pandemic stronger than had been initially anticipated as successive economic forecasts showed improving trends with lower unemployment and stronger growth forecast. In late 2021 with post-pandemic supply chain disruption and higher energy prices, the Bank of England increased its forecasts for inflation and interest rates. Wage growth has responded in partial mitigation. In 2022 the war in Ukraine created further uncertainty concerning its impact on the global economy as has some recent turbulence in banking markets and the cost-of-living crisis.

The directors believe that the Company has adequate financial resources to continue in operation for the foreseeable future, considered to be 12 months from the signing of these financial statements and accordingly the annual financial statements have been prepared on a going concern basis. This is based on forecasts and projections which included an assessment of a range of scenarios including a severe but plausible scenario. The directors have satisfied themselves that the Company is in a sound financial position and they are not aware of any new material changes that may adversely impact the Company. The directors are also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the Company.

The directors consider that the Company is well positioned for growth given its expectations for the growth of overall serviced loan portfolios and opportunities that may arise for new lending relationships to be developed. It also considers that it is able to adapt to make changes, in particular those necessitated by macro-economic developments.

The Strategic Report has been approved by the Board of Directors and signed on its behalf by:

....

Scott Christopher Jones
Director

Dated: 17 May 2023

DIRECTORS' REPORT

The directors present their report and audited financial statements for the year ended 31 December 2022.

Directors

The directors who served during the year and up to the date of approval of these financial statements are:
S C Jones (appointed 10 February 2022)
N Aspinall (appointed 10 February 2022)
C Farnish
N Wear (resigned 31 May 2022)
M Woodburn (resigned 10 February 2022)
D Honold (resigned 10 February 2022)

Results and dividends

The profit after tax for the year ended 31 December 2022 amounted to £0.3m (2021: loss £6.0m). The directors do not recommend the payment of a dividend for the year (2021: £nil).

Future developments

Future developments and events since the balance sheet date are detailed under Outlook within the Strategic Report on page 5.

Commentary

This is set out in the Strategic Report.

Statement of engagement with suppliers, customers and others in a business relationship with the Company

The Company carefully selects its suppliers and strategic business partners after comprehensive due diligence with a view to establishing long term relationships which will serve the Company well. Strong communication, relationship governance and oversight is maintained with these parties.

Statement of directors' responsibilities

The directors are responsible for preparing the 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 financial statements in accordance with UK-adopted International Accounting Standards.

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 year. In preparing these 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 Company will continue in business.

The directors are responsible for safeguarding the assets of the 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 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.

Outlook and going concern

These are discussed under Outlook in the Strategic Report above.

Key performance indicators

Key performance indicators and a business review for the year ended 31 December 2022 are disclosed in the Strategic Report as required by 414c (11) of 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 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 Company's auditors are aware of that information.

Re-appointment of auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the Annual General Meeting.

The Directors' Report has been approved by the Board of Directors and signed on its behalf by:

....

Scott Christopher Jones
Director

Dated: 17 May 2023

Independent auditors' report to the members of Plata Finance Limited

Report on the audit of the financial statements

Opinion

In our opinion, Plata Finance Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its profit and 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 Annual Report and Financial Statements (the "Annual Report"), which comprise: the statement of financial position as at 31 December 2022; the statement of comprehensive income, statement of cash flows and statement 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 company 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 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 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 December 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 company and its 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, 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 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.

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 company and industry, we identified that the principal risks of non-compliance with laws and regulations related to rules of the Financial Conduct Authority (FCA), 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 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 posting inappropriate journal entries. Audit procedures performed by the engagement team included:

- Discussions with management, including considerations of known or suspected instances of non-compliance with laws and regulations and fraud;
- Reading correspondence with the FCA;
- Reading minutes of the Board to identify any matters of audit relevance; and
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations.

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 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 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 financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Nick Morrison

Nick Morrison (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
17-05-2023

FINANCIAL STATEMENTS

Statement of comprehensive income

For the year ended 31 December

	Note	2022 £000	2021 £000
Interest income		-	70
Interest expense		-	(109)
Net interest (expense) / income		-	**(39)**
Fee and commission income	2	4,318	12,410
Fee and commission expense	2	(3,193)	(4,564)
Net fee and commission income		**1,125**	**7,846**
Other operating income		-	2,274
Net gains on derecognition of financial assets measured at amortised cost		103	20
Changes in fair value of financial instruments measured at FVTPL		-	152
Total operating income		**1,228**	**10,253**
Administrative expenses	3	(922)	(17,406)
Operating gain / (loss)		**306**	**(7,153)**
Net gains on disposal of property, plant and equipment and ROU asset		-	877
Change in expected credit losses and other credit impairment charges	14	9	222
Change in provisions for other liabilities and charges		(47)	99
Profit / (loss) before taxation		**268**	**(5,955)**
Taxation	7	-	-
Profit / (loss) and total comprehensive income / (expense) for the year		**268**	**(5,955)**

The notes on pages 15-32 form part of these financial statements.

The operating profit / (loss) of the Company is derived from continuing operations in the current and prior year.

Statement of financial position
As at 31 December 2022

	Note	2022 £000	2021 £000
Assets			
Cash and balances with banks		6,004	4,112
Loans and advances to customers		-	22
Amounts due from other Group undertakings	13	1,814	-
Prepayments and accrued income		162	233
Other assets		-	1,558
Current tax asset		155	87
Total assets		**8,135**	**6,012**
Liabilities			
Amounts due to other Group undertakings	13	3,597	1,739
Accruals and deferred income		539	246
Provisions	9	5	80
Other liabilities		-	221
Total liabilities		**4,141**	**2,286**
Equity			
Share capital	10	30	200
Share premium		-	5,816
Other reserves		-	44,681
Retained earnings / (accumulated losses)		3,964	(46,971)
Total equity		**3,994**	**3,726**
Total liabilities and equity		**8,135**	**6,012**

The notes on pages 15-32 form part of these financial statements.

The financial statements of Plata Finance Limited (Registered Number 05197592) on pages 11-32 were approved by the Board of Directors on 17 May 2023 and were signed on its behalf by:

Scott Christopher Jones
Director
17 May 2023

Statement of changes in equity

For the year ended 31 December

	Note	Share Capital £000	Share Premium £000	Other Reserves £000	Accumulated Profit/(Losses) £000	**Total Equity £000**
Balance at 1 January 2021		**200**	**5,816**	**44,271**	**(41,016)**	**9,271**
Comprehensive expense						
Loss for the year		-	-	-	(5,955)	**(5,955)**
Total comprehensive expense		**-**	**-**	**-**	**(5,955)**	**(5,955)**
Transactions with owners						
Share based payment charge	12	-	-	410	-	**410**
Total transactions with owners		**-**	**-**	**410**	**-**	**410**
Balance at 31 December 2021		**200**	**5,816**	**44,681**	**(46,971)**	**3,726**
Balance at 1 January 2022		**200**	**5,816**	**44,681**	**(46,971)**	**3,726**
Comprehensive income						
Profit for the year		-	-	-	268	268
Total comprehensive income		**-**	**-**	**-**	**268**	**268**
Transfers to retained earnings		(170)	(5,816)	(44,681)	50,667	-
Balance at 31 December 2022		**30**	**-**	**-**	**3,964**	**3,994**

The notes on pages 15-32 form part of these financial statements.

Statement of cash flows

For the year ended 31 December

	Note	2022 £000	2021 £000
Cash flows from operating activities			
Profit / (Loss) before taxation		268	(5,955)
Adjustments for:			
Changes in operating assets and liabilities:			
Loans and advances to customers		22	283
Prepayments and accrued income		70	955
Other assets		1,491	1,717
Accruals and deferred income		292	(695)
Other liabilities and provisions		(361)	(663)
Change in amounts due to other Group undertakings		44	-
Total changes in operating assets and liabilities		**1,558**	**1,597**
Non-cash and other items		66	270
Net cash from / (used in) operating activities		**1,892**	**(4,088)**
Cash flows from investing activities			
Payment for lease surrender		-	(400)
Net cash (used in) / generated from investing activities		**-**	**(400)**
Cash flows from financing activities			
Change in intercompany loan balances	13	-	4,920
Payment of lease liabilities		-	(1,099)
Net cash (used in) / generated from financing activities		**-**	**3,821**
Net increase / (decrease) in cash and cash equivalents		**1,892**	**(667)**
Cash and cash equivalents at the start of the year		4,112	4,779
Movement during the year		1,892	(667)
Cash and cash equivalents at the end of the year		**6,004**	**4,112**

The notes on pages 15-32 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. Basis of preparation and significant accounting policies

Overview
This section sets out the Company's accounting policies that relate to the financial statements as a whole. Where an accounting policy is specific to one note the policy is described in the note to which it relates.

1.1 General information
The Company is incorporated and domiciled in England & Wales in the United Kingdom under the Companies Act 2006. The Company is a private company and is limited by shares. The address of the registered office in England is detailed on page 2.

1.2 Basis of preparation
The financial statements of the Company comply with the UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006.

Accounting policies have been applied consistently other than where new policies have been adopted.

The financial statements have been prepared under the historical cost convention modified by derivatives held at fair value through profit and loss.

1.3 Going concern
The financial statements have been prepared on a going concern basis, as the Directors are satisfied that the Company will have the resources to continue in business for the foreseeable future.

The directors believe that the Company has adequate financial resources to continue in operation for the foreseeable future, considered to be 12 months from the signing of these financial statements and accordingly the annual financial statements have been prepared on a going concern basis. This is based on forecasts and projections which included an assessment of a range of scenarios including a severe but plausible scenario. The directors have satisfied themselves that the Company is in a sound financial position and they are not aware of any material changes that may adversely impact the Company. The directors are also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the Company.

1.4 Functional and presentational currency
The financial statements are presented in Pounds Sterling ('GBP'), which is the functional and presentational currency of the Company. All amounts have been rounded to the nearest thousand ('£000'), except where otherwise indicated.

Foreign currency transactions are translated into functional currency using the spot exchange rate at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency using the spot exchange rate at the reporting date. Foreign exchange gains and losses resulting from the restatement and settlement of such transactions are recognised in the statement of comprehensive income.

Non-monetary assets and liabilities that are measured on a historical cost basis and denominated in foreign currencies are translated into the functional currency using the spot exchange rate at the date of the transaction. Non-monetary assets and liabilities that are measured at fair value and denominated in foreign currencies are translated into the functional currency at the spot exchange rate at the date of valuation.

1.5 Statement of cash flows

The statement of cash flows shows the changes in cash and cash equivalents arising during the year from operating activities, investing activities and financing activities. The cash flows from operating activities are determined by using the indirect method. Under that method, profit / (loss) before tax is adjusted for non-cash items and changes in operating assets and liabilities to determine net cash inflows or outflows from operating activities. Cash flows from investing and financing activities are determined using the direct method which directly reports the cash effects of the transactions.

1.6 Net fee and commission income

The Company recognises fee and commission income when services are provided to customers and the Company has satisfied its performance obligations under the contract at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods and services and management concludes that there is a high probability that there will be no significant reversal of the estimated income.

1.7 Presentation of risk and capital disclosures

Principal risks and uncertainties are disclosed in the Strategic Report whilst IFRS 7 disclosures for financial risks, including capital risk, are disclosed in Note 14.

1.8 Use of estimates and judgements

The preparation of financial statements in conformity with UK-adopted International Accounting Standards requires management to make judgements and accounting estimates that affect the reported amount of assets and liabilities at the date of the financial statements and the reported amount of income and expenses during the reporting year. Management evaluates its judgements and accounting estimates on an ongoing basis. This takes into account any historical experience and various other factors that are believed to be reasonable under the circumstances.

Key judgement

The Company originates consumer loans through its platform which are funded by banks, asset managers and other institutional investors. An evaluation is required which represents a key judgement in the preparation of these financial statements to determine whether these loans should be recognised on the Company's balance sheet. The Company has a 'pass-through' arrangement in relation to the transfer of loan receivables to investors as the Company retains the contractual rights to receive the cash flows of the loan receivables but assumes a contractual obligation to pay those cash flows on. IFRS 9 requires an entity to derecognise financial assets if the entity transfers substantially all the risks and rewards of ownership of the financial asset and the Company has determined that this is the case.

Management believe that the underlying assumptions applied as at 31 December 2022 are appropriate and that the financial statements therefore present the financial position and results of the Company fairly.

1.9 New accounting standards, interpretations, and changes to accounting policies

A number of new and revised standards issued by the International Accounting Standards Board (IASB) are yet to come into effect. None of these are expected to have a material impact on the Company's financial statements. Furthermore, there are no standards, amendments and interpretations to existing standards that are not yet effective that have been early adopted by the Company.

The Company did not make any changes to its accounting policies during the year.

2. Fee and commission income and expense

	2022 £000	2021 £000
Origination commissions	2,336	-
Servicing fees	1,982	12,410
Total fee and commission income	**4,318**	**12,410**

Commission income from origination is earned at the time of origination as a percentage of the amount lent. Servicing fee income is earned monthly for servicing the loan portfolios as a percentage of the outstanding balance of the loans until they are fully amortised.

	2022 £000	2021 £000
Origination expenses	1,816	-
Servicing expenses	1,377	4,564
Total fee and commission expense	**3,193**	**4,564**

3. Administrative expenses

	Note	2022 £000	2021 £000
Staff costs	4	(277)	(1,285)
Information technology		(1)	(268)
Intercompany recharges		-	(12,283)
Legal and professional		(458)	(805)
Depreciation		-	(1,248)
Other		(186)	(1,517)
Total administrative expenses		**(922)**	**(17,406)**

4. Staff costs

Wages and salaries include non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service.

Bonus costs are recognised when the Company has a present obligation that can be reliably measured. Bonus costs are recognised over the relevant service period required to entitle the employee to the reward.

The Company operates a defined contribution pension plan. The Company pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. It has no further payment obligations once the contributions have been paid.

The accounting policies on share based payments are included in Note 12.

	Note	2022 £000	2021 £000
Wages and salaries		(166)	(747)
Social security costs		(109)	(101)
Other pension costs		(2)	(26)
Share based payments	12	-	(410)
Total staff costs		**(277)**	**(1,285)**

Wages and salaries are reduced by government grants in relation to COVID-19 totalling £nil (2021: £18k). There are no unfulfilled conditions attached to these grants. Pension costs relate to amounts paid into defined contribution pension schemes. The average monthly number of persons (including Directors) employed during the year was:

	2022 Number	2021 Number
Loan operations and servicing staff	-	4
Administration	1	7
Total staff	**1**	**11**

5. Directors' remuneration

This table sets out emoluments, pension and share awards in respect of 2022 and 2021.

	2022 £000	2021 £000
Directors' emoluments	59	265
Payments in respect of personal pension plans	1	10
	60	**275**

Highest paid Director

The below amounts include the following in respect of the highest paid Director:

	2022 £000	2021 £000
Emoluments	46	154
Payments in respect of personal pension plans	-	10
	46	**164**

Directors' emoluments are the aggregate amount of remuneration (including salary, fees, bonuses and benefits in kind) paid / payable within the year.

Pension contributions in 2022 relate to payments into personal pension plans of 1 director (2021: 3).

There were no share based options exercised by the Directors in 2022 and 2021.

6. The Company's auditors

Services provided by the Company's auditors are presented excluding VAT.

Services provided by the Company's auditors (excluding VAT):	2022 £000	2021 £000
Fees payable to the Company's auditors for the audit of the financial statements	134	139
Audit related assurance services	122	105
Other assurance services	94	81
	350	**325**

Auditors' remuneration to PricewaterhouseCoopers LLP for 2022 in relation to the statutory audit includes £nil (2021: £47k) which related to the prior year.

7. Taxation

Accounting policy

The income tax expense or credit for the year is the tax payable on the current year's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting year in the countries where the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting year and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. At the balance sheet date the Company is not recognising any deferred tax assets.

The Company is entitled to claim special tax deductions for investments in qualifying assets or in relation to qualifying expenditure (e.g. the Research and Development Tax Incentive regime in the UK or other investment allowances). The financial statements account for such allowances as tax credits which means that the allowance reduces income tax payable and current tax expense.

a) Tax charge

	2022 £000	2021 £000
Over provision in previous years	-	-
Total current tax charge	-	-
Total deferred tax charge	-	-
Total tax charge	-	-

At Budget 2020, the government announced that the Corporation Tax main rate (for all profits except ring fence profits) for the years starting 1 April 2021 and 2022 would remain at 19%. On 1 April 2023 the main rate of corporation tax increased from 19% to 25%. Deferred taxes at the reporting date have been measured using these tax rates and reflected in these statements.

b) Reconciliation of effective tax rate

The tax assessed for both 2022 and 2021 differ from that arising from applying the standard rate of corporation tax in the UK of 19%. A reconciliation from the credit implied by the standard rate to the actual tax charge is as follows:

	2022 £000	2021 £000
Profit / (Loss) before tax	**268**	**(5,955)**
Tax at 19% (2021: 19%)	51	(1,132)
Expenses not deductible for tax purposes	-	98
Losses for which no deferred tax asset is recognised	(51)	1,041
Other differences	-	(7)
Total tax charge	**-**	**-**

c) Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items because it is not probable that future taxable profit will be available against which the Company can use the benefits therefrom.

	2022 £000	2021 £000
Deductible temporary differences	461	475
Tax losses carried forward	11,105	11,176
	11,566	**11,651**

8. Financial instruments

Accounting policy

Recognition and derecognition

A financial asset or a financial liability is recognised on the statement of financial position when the Company becomes party to the contractual provisions of the instrument. The Company measures a financial asset or liability on initial recognition at its fair value plus or minus transaction costs that are directly attributable to the acquisition or issue of the financial asset or the financial liability. The exception to this are financial assets or liabilities measured at Fair Value Through Profit or Loss ('FVTPL') where transaction costs are recognised directly in the income statement as they are incurred. Purchases and sales of financial assets are recognised on the trade date.

Derecognition of financial instruments

Financial assets are derecognised when and only when:

- the contractual rights to receive the cash flows from the financial asset expire; or
- the Company has transferred substantially all the risks and rewards of ownership of the assets.

On derecognition of a financial asset, the difference between the carrying amount (or the carrying amount allocated to the portion being derecognised) and the sum of the consideration received (including any new asset obtained less any new liability assumed) is recognised in the income statement.

A financial liability is derecognised when the obligation is discharged, cancelled or expires. Any difference between the carrying amount of a financial liability derecognised and the consideration paid is recognised in the income statement.

Classification of financial assets

There are three principal classification categories for financial assets:

- measured at amortised cost;
- fair value through other comprehensive income (FVOCI); and
- fair value through profit or loss.

To classify financial assets the Company performs two tests: one to evaluate the business model in which financial assets are managed and the other to assess their cash flow characteristics.

The business model assessment determines whether the Company's objective is to generate cash flows from collecting contractual cash flows or by both collecting contractual cash flows and selling financial assets.

The assessment of cash flow characteristics determines whether the contractual cash flows of the financial asset are solely payments of principal and interest on the principal amount outstanding (SPPI) and is referred to as the 'SPPI test'.

Based on the two assessments and the financial assets held by the Company, all are classified as measured at amortised cost.

Measurement of financial assets

Financial assets measured at amortised cost are initially measured at fair value plus transaction costs that are directly attributable to the financial asset. Subsequently, these are measured at amortised cost using the effective interest rate (EIR) method. The amortised cost is the amount advanced less principal repayments plus or minus the cumulative amortisation using the EIR method of any difference between the amount advanced and the maturity amount, less allowance for expected credit losses. Financial assets measured at amortised cost mainly comprise loans and advances to customers and cash and balances with other banks.

The accounting policies on the expected credit loss of financial instruments are included in note 15.

Financial liabilities at amortised cost

Financial liabilities are contractual obligations to deliver cash or another financial asset. Financial liabilities are recognised initially at fair value net of directly attributable transaction costs for financial liabilities other than derivatives. Subsequently they are measured at amortised cost. Any difference between proceeds net of transaction costs and the redemption value is recognised in the income statement over the year of the borrowings using the EIR method.

Derivatives

Derivative financial instruments are mandatorily classified as fair value through profit or loss. Derivatives are classified as financial assets where their fair value is positive and financial liabilities where their fair value is negative. Where the counterparties are under common control derivatives are initially recognised in equity as a capital contribution with subsequent fair value movements through profit and loss. To calculate fair values the Company uses discounted cash flow models. Further details of fair values can be found in note 15.

Offsetting

The company only offsets its financial assets and liabilities when it has a legally enforceable right to do so and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. The net amount is then presented on the statement of financial position either as an asset or a liability.

Impairment of financial assets

This policy applies to financial assets measured at amortised cost.

The estimation of credit risk of loans and advances for credit risk management purposes is complex and requires the use of models, as exposure varies with changes in market conditions, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties. The Company measures credit risk using Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD). Expected credit loss (ECL) is the product of these 3 values.

IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality. A financial instrument that is not credit impaired on initial recognition is classified as in Stage 1 and has its credit risk continually monitored by the Company. If a significant increase in credit risk (SICR) since initial recognition is identified, the financial instrument is moved to Stage 2 but is not yet deemed credit impaired. If the financial instrument is classified as credit impaired, the financial instrument is then moved to Stage 3.

The following table summarises the classification and carrying amounts of the Company's financial assets and liabilities:

	FVTPL	Amortised cost	**Total**
31 December 2022	£000	£000	**£000**
Cash and balances with banks	-	6,004	6,004
Amounts due from other Group undertakings	-	1,814	1,814
Total financial assets	**-**	**7,818**	**7,818**
Amounts due to other Group undertakings	-	3,597	3,597
Total financial liabilities	**-**	**3,597**	**3,597**

	FVTPL	Amortised cost	**Total**
31 December 2021	£000	£000	**£000**
Cash and balances with banks	-	4,112	4,112
Loans and advances to customers	-	22	22
Other assets	-	1,265	1,265
Total financial assets	**-**	**5,399**	**5,399**
Amounts due to other Group undertakings	387	1,352	1,739
Other liabilities	43	145	188
Total financial liabilities	**430**	**1,497**	**1,927**

9. Provisions

Accounting policy
A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation.

	Total £000
As at 1 January 2021	1,154
Utilised during the year	(1,074)
Balance at 31 December 2021	**80**
Balance at 1 January 2022	80
Utilised during the year	(75)
Balance at 31 December 2022	**5**

The balance as at 31 December 2022 and the prior year relates to operational risk events in relation to loans originated in prior years.

10. Share capital

	2022 £000	2021 £000
Authorised:		
2,969,170 ordinary shares of £0.01 each (2021: 200,000 ordinary shares of £1 each)	30	200
Share Capital	**30**	**200**
Allotted and fully paid:		
2,969,170 ordinary shares of £0.01 each (2021: 199,824 ordinary shares of £1 each)	30	200
Share Capital	**30**	**200**

As at 31 December 2022 there were 2,969,170 ordinary £0.01 shares in issue resulting in share capital of £30k (31 December 2021: 199,824 ordinary £1 shares and £200k respectively).

On 16 December 2022 the Board approved the reduction of the Company's share capital by cancelling the entire balance of its share premium account £5,816k and reallocating it to retained earnings.

On 21 December 2022 the Board approved the appropriation, firstly of the amounts of £37,075k from the Capital Contribution Reserve and £7,606k from the Share Based Payment Reserve (Total Other Reserves : £44,681k) to extinguish the deficit in the Company's retained earnings and, secondly, in paying up 2,969,170 Ordinary shares of £1.00 to the sole member of the Company to be allotted and issued fully paid up as to their nominal amount as bonus shares. The Board also approved a reduction in the Company's share capital by £2,939k by cancelling £0.99 of the amount paid up on each issued Ordinary share of £1.00 in the capital of the Company and reducing the nominal value of each issued ordinary share to £0.01 followed by the allocation of the proceeds of the reduction to retained earnings.

11. Ultimate parent undertaking and controlling party

Plata Holdings UK Limited (UK company number 13530148) held 100% of the issued capital of Plata Finance Limited as at 31 December 2022 and was therefore regarded as the immediate parent undertaking. Plata Holdings UK Limited prepares consolidated financial statements, including the results of the Company, which are available from Companies House for all group entities.

The ultimate beneficial owner of Plata Holdings UK Limited is Silverstripe International Holdings LLC.

12. Share based payments

Accounting policy
Equity-settled share based compensation benefits were provided to employees of the Zopa Group subsidiaries. They are all granted and equity settled by the parent company, Zopa Group Limited. The fair value of options granted is recognised as an employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted which is calculated using a Black-Scholes model. The total expense is recognised over the vesting year which is the year over which all of the specified vesting conditions are to be satisfied. At the end of each year, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss with a corresponding adjustment to equity. In the event of a modification of an award the fair value of the original award and of the modified or replacement award are assessed at the date of the modification. Where a modification is beneficial, the incremental fair value is recognised in profit and loss over the remaining vesting year with the incremental fair value for vested awards recognised immediately.

As these schemes related to the Zopa Group of which the Company is no longer a member of, no share options were issued nor were any share based payments made in 2022.

Set out below are the range of exercise prices and the weighted average lifetime of outstanding share options held by employees of the Company at the end of the year.

	Option Plans	CSOP	JSOP	Total	Weighted Average Exercise Price
Outstanding options at 1 January 2021	**34,524**	-	**222,627**	**257,151**	**4.1956**
Granted during 2021	30,000	-	191,469	221,469	4.8653
Employee transfer	8,273	-	(6,834)	1,439	6.38
Lapsed during 2021	(3,893)	-	(18,591)	(22,484)	6.998
Balance at 31 December 2021	**68,904**	-	**388,671**	**457,575**	**4.6925**
Employee transfer	(68,904)	-	(388,671)	(457,575)	4.6925
Balance at 31 December 2022	-	-	-	-	-
Range of exercise prices 2021 (£)	2.18-3.5	n/a	3.5-6.75	2.18-6.75	n/a
Weighted average remaining contractual life 2021 (years)	7.58	n/a	7.85	7.81	n/a
Exercisable options at 31 December 2021	38,014	n/a	221,422	259,526	4.631

The employee transfer relates to the transfer of the share based benefits of the Company's employees who were transferred to Zopa Group prior to the sale of the Company.

The share based payment charge in the year was £nil (2021: £410k).

13. Related parties

Key management personnel

IAS 24 Related party disclosures requires additional information for key management compensation. Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company. The Directors are considered to be the key management personnel for disclosure purposes. Directors' remuneration relating to emoluments and payments in respect of personal pension plans are disclosed within note 5. The share based compensation expense recognised during the year attributable to directors amounted to £nil (2021: £62k). In total, the key management personnel compensation amounted to £60k in 2022 (2021: £337k).

Other transactions with related parties

Intercompany balances are repayable on demand.

31 December 2022	Income £000	Expenditure £000	Amounts due from related parties £000	Amounts due to related parties £000
Origination and servicing fees due	2,424	-	1,814	-
Amounts due for services provided	-	2,699	-	1,932
Cash and cash equivalents	-	-	-	1,665
Total	**2,424**	**2,699**	**1,814**	**3,597**

The Company charges origination and servicing fees to affiliated companies for consumer loans originated and serviced by the Company.

The Company receives origination and underwriting services from its sister company Silverstripe Credit and Technologies Limited.

The Company shares costs with affiliated companies in relation to loan origination and servicing, business support functions, premises and IT hardware costs.

31 December 2021	Income £000	Expenditure £000	Amounts due from related parties £000	Amounts due to related parties £000
Zopa Group Limited - trading balances	-	180	-	2
Zopa Group Limited – intercompany loan	32	-	-	-
Zopa Bank Limited - intercompany loan	26	-	-	-
Zopa Bank Limited - trading balances	2,453	12,283	-	1,350
Zopa Bank Limited - yield support derivative	152	-	-	387
Total	**2,663**	**12,463**	**-**	**1,739**

The Company was not charged interest for any loans with Zopa Group Limited in 2022 and 2021.

In December 2021 and January 2022, Zopa Bank Limited acquired a loan portfolio consisting of both unsecured personal loans and hire purchase auto loans. These were purchased from retail investors serviced by the Company's peer-to-peer lending platform.

All transactions are at arm's length. There are no related party transactions in relation to key management personnel. Key management personnel are directors of the Company.

14. Financial risk management

14.1 Credit risk

Credit risk arises from the Company's borrowers or other counterparties on their loans or obligations. The credit quality of the financial assets has been assessed and expected credit losses (ECL) recognised.

Counterparty credit risk arises from the Company's non-consumer counterparties with whom the Company has cash deposits. For deposits at commercial banks, the financial institutions considered need to have a credit rating above BBB-. The financial stability of partners is assessed prior to and at regular intervals during the relationship. Where available, the external credit rating of partners is monitored.

Maximum exposure to credit risk

The following table contains an analysis of the Company's maximum exposure to credit risk on financial assets.

	2022 £000	2021 £000
Cash and balances with banks	6,004	4,112
Loans and advances to customers	-	42
Amounts due from other group undertakings	1,814	-
Other assets	-	1,265
Gross credit risk exposure	**7,818**	**5,419**
Less: allowance for credit losses	-	(20)
Net credit risk exposure	**7,818**	**5,399**

The Company does not enter into any netting or offsetting arrangements with counterparties.

14.2 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. This is limited by managing the maturity profile of its assets and liabilities to avoid material liquidity gaps and holding sufficient liquidity resources to meet its liquidity needs and minimum regulatory requirements. The liquidity position is monitored on an ongoing basis.

Liquid assets

	2022 £000	2021 £000
Unencumbered cash and bank balances	6,004	4,112
Total liquid assets	**6,004**	**4,112**

The table below presents the contractual maturities of the assets and liabilities on the balance sheet:

Assets 31 December 2022	Up to 1 month £000	1 to 3 months £000	3 to 12 months £000	1 to 5 years £000	Over 5 years £000	Total £000
Cash and balances with banks	6,004	-	-	-	-	**6,004**
Amounts due from Group undertakings	-	-	1,814	-	-	1,814
Total	**6,004**	**-**	**1,814**	**-**	**-**	**7,818**

Liabilities 31 December 2022	Up to 1 month £000	1 to 3 months £000	3 to 12 months £000	1 to 5 years £000	Over 5 years £000	Total £000
Amounts due to other group undertakings	-	-	3,597	-	-	**3,597**
Total	**-**	**-**	**3,597**	**-**	**-**	**3,597**

Assets 31 December 2021	Up to 1 month £000	1 to 3 months £000	3 to 12 months £000	1 to 5 years £000	Over 5 years £000	Total £000
Cash and balances with banks	4,112	-	-	-	-	**4,112**
Loans and advances to customers	-	22	-	-	-	**22**
Other assets	1,265	-	-	-	-	**1,265**
Total	**5,377**	**22**	**-**	**-**	**-**	**5,399**

Liabilities 31 December 2021	Up to 1 month £000	1 to 3 months £000	3 to 12 months £000	1 to 5 years £000	Over 5 years £000	Total £000
Amounts due to other group undertakings	-	-	1,739	-	-	**1,739**
Other liabilities	-	-	188	-	-	**188**
Total	**-**	**-**	**1,927**	**-**	**-**	**1,927**

14.3 Market risk

Market risk is the risk of a reduction in earnings or the economic value of equity caused by changes in the prices of financial instruments. The Company does not have a trading book. The Company's market risk consists primarily of exposure to changes in interest rates and change in prices of marketable securities held in liquid assets. Interest rate risk is the risk that the net value of, or net income arising from, the firm's assets and liabilities is impacted as a result of changes to interest rates.

In 2021 financial assets were limited to fixed interest rate loans and advances to customers and loans to other group entities and financial liabilities included a derivative with yield payments linked to the performance of an existing loan portfolio. The sensitivity analyses performed in 2021 and 2020 showed that the impact on economic value of equity ("EVE") from a two percentage point shift in the interest yield curve was deemed to be insignificant as the related financial liability is no longer material. Financial assets and liabilities in 2022 are non-interest bearing and on this basis are not subject to interest rate fluctuations.

14.4 Capital risk and management

Capital risk is the risk that the Company has insufficient capital to cover regulatory requirements and / or support its growth plans. The Company's objective when managing capital is to safeguard its ability to continue as a going concern and to meet the FCA regulatory financial resources requirements. Financial performance is regularly reviewed by various committees in the business. The process includes the monitoring of the annual budget and forecasts.

The Company met all external financial resource requirements throughout the year and at year-end. The Company's capital resources and capital requirements as at 31 December 2022 amounted to £3,812k (2021: £3,639k) and £236k (2021: £556k), respectively.

15. Fair values

Accounting policy

Fair value of financial instruments

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which we have access at that date. The fair value of a liability reflects its non-performance risk.

The fair values of financial instruments are measured using a fair value hierarchy which reflects the significance of the inputs used in making the measurements. There are three levels to the hierarchy as follows:

- Level 1: quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs that include one or more unobservable input that is significant to the measurement as whole.

All financial instruments are measured at amortised cost except for the derivative with Zopa Bank Limited which is classified as FVTPL with a level 3 fair value. There were no reclassifications of financial assets or liabilities during the year ended 31 December 2022 or 2021.

Derivatives relate to the fair value of yield commitments payable to Zopa Bank Limited of £387k which were settled in 2022.

The derivative included in amounts due to other Group undertakings is level 3 amounting to £nil (2021: £387k). A discounted cash flow model is used to estimate its value. Inputs to this model include the amortisation of the notional loan amounts, their expected life and the yield support rate, these are unobservable inputs that require management judgement.

The derivative included in other liabilities is also level 3 with its value estimated using a discounted cash flow model.

The fair value of the financial assets and financial liabilities of the Company approximates their carrying amounts.

Key considerations in the calculation of the fair values for those financial assets and liabilities carried at amortised cost include the following:

(a) Cash and balances with banks

These represent either amounts with an initial maturity of less than three months or longer term variable rate deposits placed with banks where adjustments to fair value in respect of the credit risk of the counterparty are not considered necessary. Accordingly, the carrying value of the assets is considered to be not materially different from their fair value.

(b) Loans and advances to customers

For fixed rate lending products, the Company has estimated the fair value of the fixed rate interest cash flows by discounting those cash flows by the current appropriate market reference rate used for pricing equivalent products plus the credit spread attributable to the borrower. Expected credit losses as determined for IFRS 9 purposes are reflected in the fair value amounts.

(c) Amounts due to banks

These relate to payments due in less than 30 days to the credit card provider and the carrying amount is deemed to be a reasonable approximation to their fair value.

The Company does not apply any accounting offsetting between financial assets and financial liabilities.