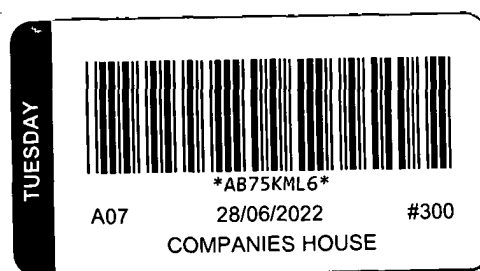




Oxbury Bank Plc
Annual Report and Accounts
Year ended 31st December 2021

Registration Number: 11383418





Corporate Information

Company Directors:

R Huw Morgan

(Chair and Independent Non-Executive Director)

James C D Farrar

(Chief Executive Officer)

Nicholas R Evans

(Managing Director)

K Mark Aitchison

(Investor Non-Executive Director)

Timothy Fitzpatrick

(Senior Independent Non-Executive Director)

David A Hutchinson

(Investor Non-Executive Director)

Simon Featherstone

(Independent Non-Executive Director)

Charles Richard Percy

(Independent Non-Executive Director)

Company Secretary: David Hanson

Registered Office: One City Place
Queens Street
Chester
CH1 3BQ

Auditors: BDO LLP
55 Baker Street
London
W1U 7EU

Table of Contents

Corporate Information.....	2
Strategic Report	4
Chairman's Statement	4
Chief Executive's Statement	6
Principal Activities and review of the year.....	8
Board, Executive and Company Values.....	8
Risk Management	9
Risk Management Framework.....	9
Risk Appetite Statement	10
Risk Operating Model	10
Principal Risks and Uncertainties.....	11
Corporate Governance.....	13
Meeting Attendance:.....	14
Audit Committee Report.....	15
External audit.....	16
Risk Committee Report.....	17
Economic Outlook.....	18
Section 172 Statement.....	19
Investors.....	19
Employees.....	19
Suppliers.....	19
Customers.....	19
Regulators.....	20
Environment and Society.....	20
Directors' Report.....	21
Directors' Responsibilities.....	24
Independent Auditors Report to the members of Oxbury Bank Plc.....	25
2021 Financial Statements.....	35
Notes forming part of the financial statements	40

Oxbury///

Strategic Report

The directors present their strategic report for Oxbury Bank Plc (Oxbury) for the year ended 31st December 2021.

Chairman's Statement

The opening comments of the Chair's statement for 2021 remain as pertinent today as they were 12 months ago, namely "we continue to live in challenging times".

The above said, we are hopefully now moving towards the end of the Covid 19 pandemic in the UK. However, the impact created by Covid and Brexit on global supply chains will remain for the short to medium term. Central banks, including the Bank of England, have reacted to inflationary pressures by raising interest rates. These events have been exacerbated by the terrible war in the Ukraine which has, in turn, directly affected global agricultural supply chains particularly availability of cereals, oilseeds and fertilisers.

These global events have heightened the importance that the role of the UK agriculture sector plays in the UK itself, particularly in providing "food security" for consumers. Oxbury Bank has already played a meaningful role in helping some farmers weather the economic uncertainty, whilst others have been supported as they seek to seize new opportunities.

Oxbury Bank has been established to support the sector and is setting a new standard being grounded and accessible for our customers. There is a unique blend of agricultural knowledge at every level in the organisation - perhaps best typified by our newly recruited graduates. This knowledge and a deep expertise in technology allied with banking and risk control provides a strong platform for the business. Add to this an open, positive culture and all the elements are aligned for achieving future growth. Oxbury is backed by the security and efficiency of the latest technology, servicing customers' needs on-line, whilst providing a human face at critical stages to the benefit of our customers. This is a business model that the more traditional banks will find difficult to compete with.

Oxbury's future is dedicated to growth, but it is also dedicated to a strong governance ethos. The risk framework sets the structure while the Chairs of Audit and Risk provide oversight and counsel. This is a core strength evidenced through the great experience of many colleagues.

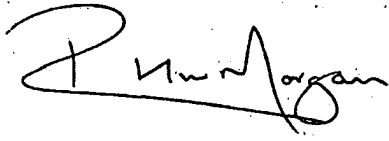
Climate risk represents a material risk to all and, specifically, to all financial firms and Oxbury has made great progress in embedding climate related risks into strategy and the business. We will work closely with our customers to develop products to support them to meet the challenge of climate change. We will shortly be setting out more detail on our proposed actions in our disclosure report aligned to the Taskforce for Climate Related Financial Disclosures. This will give further guidance on our ambition to achieve our target of net zero by 2040.

This was a challenging year in which to establish our bank, but as you will see from our CEO's report, great progress has been made and a strong base has been established.

I would like to finish by expressing my gratitude to all the customers who have trusted us with their deposits and those who have asked us to support their businesses with facilities. Likewise, I must thank the 92 colleagues who established the bank through Covid and who support our customers on a day-to-day basis. I must also thank the investors in our business who have made our bank possible and, finally, my fellow Board directors whose oversight has been exemplary.

We look forward to building on this very encouraging start as we seek to serve the Agricultural community more broadly in 2022.

Oxbury///

A handwritten signature in black ink, appearing to read 'Huw Morgan', written in a cursive style.

Huw Morgan, Chair of the Board of Directors

21 June 2022

Oxbury///

Chief Executive's Statement

Not for decades has anyone founded a specialist bank in the United Kingdom focused on agriculture and the food supply chain. A sector that produces around 60% of the U.K.'s food and is custodian to over 71% of the U.K.'s land*. The sector is also consistently one of the strongest performing from a risk perspective, one experiencing unprecedented change and one that appreciates the services a dedicated practical bank can provide. This is the market that Oxbury Bank is focused on.

During the 2021 financial year we completed the authorisation as a bank and started deposit gathering in February and lending in March. The market response and the customer buy in has been exceptional and that momentum continues to build as we continue to back farmers. At the year-end we have over £110 million in lending to the sector with £126 million of facilities in place. This is alongside holding over £138 million of mostly retail deposits split between bonds and notice access accounts.

We have chosen to grow the business in a measured and targeted manner. Our growth has also meant that we have continued to successfully raise capital to back the business. Perhaps unusually this includes strong backing from the customers that we serve. We have founding shareholders from the sector who continue to invest, family offices with a focus on food and Agtech, we have farmers themselves as well as Fintech investors. This combination of existing shareholders and new investors has meant that we have already added £18m to our capital base since the year end with further capital drawdowns approved. Our shareholders have also agreed to access Tier 2 with a facility of up to £25m.

The future for Oxbury in the UK is very much about growth in our specialist sector and supporting the market the team and the investors are intimately tied to.

A key part of establishing the bank was the emphasis we placed on the effectiveness and efficiency of the technology infrastructure. We have created a robust, secure and nimble cloud native banking platform. This modular, auto scaling, auto replicating banking, API infrastructure has already attracted interest from providers of banking services to agriculture globally. In building our SaaS provision we also acquired our co-developer and provider of core banking Naqoda Ltd at the beginning of 2022. This established Oxbury Earth Limited as our SaaS subsidiary.

The bank's success is only delivered through the dedication, commitment and focus of a very able team. We continued to develop the team during each of the pandemic stages and now work both remotely and in the office adopting a hybrid model that we will continue to iterate as the environment changes.

Oxbury continues to be proud of our position as the only UK bank that has offset the residual emissions of its operations since formation and our ongoing approach to offsetting our residual Scope 1 and 2 emissions during 2021 as well as aspects of our Scope 3 emissions via employee offsets. We also recognise that there are further actions we can take to ensure continuous improvement in managing our direct and indirect impact on the environment. We will set this out in more detail in our forthcoming disclosure report which will be published in line with the Taskforce for Climate-Related Financial Disclosures (TCFD) framework. We remain committed to playing our part in the transition to a net-zero economy through providing an appropriate set of financial products and services to customers and we will continue to work in partnership to achieve our overarching target of net-zero by 2040.

Oxbury///

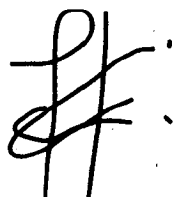
We are cognisant of the external factors impacting both our own and our customers' environment including Brexit, Covid and the events in Ukraine and act accordingly as we continue to expand and grow Oxbury.

(*DEFRA report on United Kingdom Food Security Report 2021: Theme 2: UK Food Supply Sources – Dec-21)

Thank you for the support from our customers, our investors, the Regulators and from the team that has built the bank and led it through the first 12 months of successful trading.

Key Performance Indicators:

Loan Book Measures:	
Total Facilities available to customers (£m)	£126m
Loans and Advances to customers (£m)	£110m
ECL allowance / loans and advances to customers (%)	0.08%
Lending to Deposit Ratio – Dec-21 (%)	81%
Capital and Liquidity Measures (Unaudited):	
CET1 / Total Capital Ratio – Dec-21	23%
Leverage Ratio – Dec-21	15%
Liquidity Coverage Ratio – Dec-21	1090%



James Farrar, Chief Executive Officer

21 June 2022

Oxbury///

Principal Activities and review of the year

Oxbury is a new specialist bank uniquely focused on agriculture and the rural economy. We provide specialist funding to farmers to support their cash flow management via our Oxbury Farm and Flexi Credit Accounts and term lending products to enable longer term investment in farm infrastructure. We also provide a range of deposit products to individuals, businesses and farmers that want to support farmers and the wider rural community.

Oxbury serves its customers through cloud-based technology solutions, avoiding the constraints of legacy-based systems.

Oxbury entered a mobilisation phase of development in January 2020 having received authorisation from the UK regulators and has continued to develop its infrastructure in technology, people and processes, against the challenging backdrop of the COVID-19 pandemic, to exit mobilisation in January 2021.

Oxbury has continued to develop its proposition through structured engagement with a wide range of stakeholders and through beta testing of its products. This engagement has reinforced that there is market demand for a finance provider focused on Agriculture at a time when the industry faces into changes to subsidy arrangements following the UK's exit from the EU, COVID-19, and the ongoing effects of climate change.

In the year, the Company increased the annual loss to £7.5m (2020: £4.1m) representing continued investment to support the Bank's ability to exit mobilisation and commence trading. The carrying value of the technology solution, an intangible asset, increased to £3.8m (2020 £3.1m). Having concluded successful capital raises in April and October 2021 the business had cash assets of £50.6m (2020: £19.2m) at the year end.

Company Values

Oxbury has established a Board with broad experience across both financial services and agriculture supported by an experienced executive team operating within a robust governance structure described in the Corporate Governance section below.

The Board have set out key values against which the business will operate, and these are as follows:

- Integrity – we aim to be transparent in everything we do and have open, honest, and respectful engagement with all our stakeholders.
- Customer Focused – we will design products and services that are focused on meeting customer needs.
- Risk – we will continue to create a culture where everyone in the business takes responsibility for managing risk.
- Competitive – we aim to be competitive in the markets in which we will operate providing genuine choice for customers.
- Partnership - We actively work to receive the respect of colleagues, customers, partners, regulators, shareholders and suppliers.
- Sustainability - We consider our environmental footprint in our day-to-day operations and actively ensure a carbon neutral status. Our ethos is to support sustainability and the transition to a low-carbon economy.

Risk Management

Oxbury has continued, to maintain adequate capital resources and liquidity, remain operationally robust for our customers, and remains compliant with all laws and regulations, at all times.

The risk management strategy within Oxbury is designed to deliver these outcomes. The strategy encourages all our colleagues to identify, mitigate and manage all risks within the business and for these risks to be appropriately escalated to executive management and the Board.

The critical components underpinning the risk management strategy are highlighted below:

Risk Management Framework

The Risk Management Framework (RMF) sets out the basis on which risk is managed within Oxbury to support delivery of the business strategy. The RMF defines the key risks faced by Oxbury and the key roles and responsibilities for the management of those risks including the need for a Risk Appetite Statement. The RMF also sets out, at a high level, the control environment incorporating a series of policies which provide guidance on the approach to the management of the key risks. A Risk Register is reported to the Board and regularly reviewed in more detail by the Board Risk Committee.

The RMF categorises the risks faced by the Bank and the principal categories are:

Conduct, Legal and Compliance Risk Conduct Risk is defined as the risk of customer detriment or harm due to inappropriate culture, improper business conduct and/or poor customer treatment.

Legal and Compliance Risk is the risk to the financial and reputation soundness of the Bank arising from non-compliance with any legislation or regulation or regulatory expectation.

Credit Risk The risk of a reduction in earnings and/or value as a result of the failure of the party with whom the Bank have contracted to meet obligations (both on and off-balance sheet), as they fall due taking into account the sector and geography.

Environmental and Climate Risk The risk of loss caused by the Bank's failure to adapt, or its customers or suppliers' failure to adapt, to the transition risks to a carbon neutral economy or to the physical impacts of climate change.

Financial Risk The risk that the Bank does not have sufficient financial resources to meet its commitments when they fall due, or can secure them only at excessive cost, or that the Bank does not have sufficiently stable and diverse sources of funding, or that the funding structure is insufficient caused by the adverse movements in external markets and/or ineffective internal controls.
The Bank also faces financial risk to revenue compared to budget and medium-term plans arising through sub-optimal implementation of the Bank's strategy as approved by the Board.

Operational Risk The risk of loss caused by human error, ineffective or inadequately designed internal processes, system failure, improper conduct, fraud, and external events.

The risk of system failure during day-to-day operations or at a time of system development leading to an inability to continue the day-to-day operations of the Bank to a satisfactory standard.

The Risk Management Framework is reviewed and approved annually by the Board.

Risk Appetite Statement

A key component of the Risk Management Framework is the Risk Appetite Statement (RAS) approved by the Board which provides guardrails within which Oxbury delivers its business strategy. The Risk Appetite Statement contains qualitative statements which describe the intended outcomes together with metrics setting out the risk limits. The Risk Appetite Statement (including the metrics overseen by the Board and executive committees) is approved by the Board and reviewed at the Board and Board Risk Committee.

Risk Operating Model

Oxbury's risk operating model is managed through a "three lines of defence" model with clear roles and responsibilities aligned to developing a culture where everyone in the business takes responsibility for managing risk.

The key responsibilities of the three lines of defence are set out as follows:

First Line

The first line comprises all the operating business areas. Each business area is responsible for operating within the risk appetite set by the Board, identifying risks, including climate related risks, within their operation, determining appropriate controls to mitigate them, reporting, and escalating relevant risks.

Second Line

The second line comprises the Risk and Compliance function and is accountable for supporting the Board to determine the risk management framework and risk appetite and, undertaking oversight reviews of adherence to the RMF and RAS by the first line.

Third Line

The third line of defence comprises the Internal Audit function which reports directly to the Chair of the Board Audit Committee. Oxbury utilises an outsourced internal audit structure. In June 2019 PricewaterhouseCoopers were appointed as our independent internal auditors to deliver the Bank's internal audit capability. The internal audit function is responsible for conducting risk-based audits of the effectiveness of the first and second lines on discharging their risk responsibilities.

Oxbury///

Principal Risks and Uncertainties

The principal risks and uncertainties faced by Oxbury together with mitigating actions are as follows:

Description	Mitigation	Risk Category
Capital – the risk that Oxbury is unable to raise additional capital to support ongoing growth of the business to profitability.	Continued development and execution of the customer proposition, by experienced management team to demonstrate path to profitability.	Financial
Agriculture Industry transformation – risk that transformation driven by EU exit and change in subsidy regime increases failure rates and bad debt.	Design of products to support farmers to make the transition successfully and underwriting processes designed to provide individual assessment.	Financial Credit
Financial Crime – the risk that criminals look to use Oxbury to facilitate financial crime.	Oxbury has put in place a suite of tools at both onboarding and transaction monitoring stages to protect its customers from suffering the effects of financial crime. Internal controls are also in place to protect against internal fraud.	Operational Conduct
Liquidity – the risk that Oxbury is unable to attract or retain sufficient deposit funds to support itself to meet its obligations.	To meet our liquidity requirements, we maintain a buffer of unencumbered High Quality Liquid Assets ('HQLA'). Our deposit products are designed to support the Bank's funding requirements and our treasury management processes monitor the position daily.	Financial
UK Economy – the impacts of COVID-19 and the UK's new trading environment result in inflationary pressures and labour shortages.	Oxbury has designed products to be competitive and sustainable whilst managing its cost base tightly and underwriting processes designed to provide individual assessment.	Financial Credit
Credit Risk – the risk that customers are unable to make repayments on their loans from Oxbury.	Oxbury undertakes detailed credit assessment of each application and for larger transactions undertakes scenario analysis to ensure repayments are affordable even in stressed scenarios.	Credit Financial
Change Management – the risk that Oxbury is unable to maintain service to customers resulting from	Oxbury has in place robust change management protocols to manage changes to its systems or processes.	Operational

Oxbury///

a failure to successfully manage change.

Climate Risk – the risk that Oxbury and our customers are unable to adequately assess the impacts of physical or transition climate risks.

Oxbury integrates potential climate risks as part of its full management of credit risk from ICAAP through to credit approval processes as well as portfolio management against a range of NGFS scenarios and works with customers to manage the potential impacts through its product and service offerings.

Environmental
and Climate
Credit
Financial

Poor customer Outcomes/Harm – The risk that Oxbury provides, or continues to provide, an incorrect product or does not provide sufficient information on how a product works leading to customer harm.

Oxbury reviews all products regularly and new products subject to a robust governance process before launch. Staff receive training on products and attest to sales suitability in credit approvals. Customer feedback/complaints are subject to root cause analysis and subsequent amendment as required.

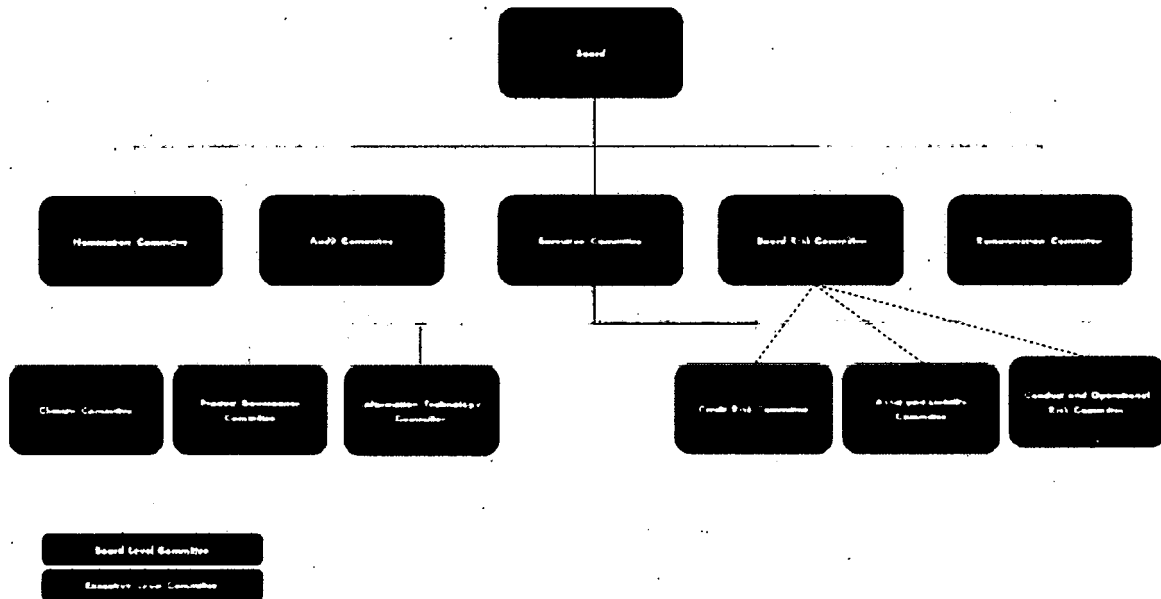
Customer
Conduct

Corporate Governance

Oxbury's corporate governance framework is designed to ensure the independence of the Board and support its ability to efficiently oversee the effectiveness of the management team in executing the Bank's strategy within the Board's risk appetite.

Although Oxbury is not required to fulfil the UK Corporate Governance code, the bank applies the code when applicable.

The diagram below provides details of the Board and executive committees within Oxbury.



The Board is comprised of an independent non-executive Chair, three further independent non-executive directors, two investor non-executive directors, the Chief Executive Officer, and the Managing Director.

The Board sets the values and standards by which the business operates and is responsible for the development, approval and monitoring of strategy, the review of business and financial performance, the treatment of customers, and ensuring effective systems and controls are in place for risk management.

The Board is supported in discharging its responsibilities by four sub committees:

- Nomination Committee – leads the process for appointments to the Board, and succession planning for the Board and Executive Committee.
- Audit Committee – oversees financial reporting and internal control.
- Board Risk Committee – oversees the management of the risks to which Oxbury is exposed.
- Remuneration Committee – leads on Remuneration Policy and supports ongoing delivery of sustainable performance.

The Board also provides oversight of the Executive Committee.

Oxbury///

Meeting Attendance:

The table below sets out the attendance of Directors at Board meetings and the attendance of Committee members at the relevant Committee meetings held through the year.

	Board	Audit Committee	Risk Committee*	Nomination Committee	Remuneration Committee
Huw Morgan	16/16	5/6	5/5	2/2	3/3
Tim Fitzpatrick	16/16	6/6	5/5	2/2	3/3
Simon Featherstone	15/16	5/6	5/5	2/2	3/3
Charles Richard Percy	16/16	6/6	5/5	-	-
David Hutchinson	12/16	-	-	-	-
Mark Aitchison	15/16	-	-	-	-
James Farrar	16/16	-	-	-	-
Nicholas Evans	15/16	-	-	-	-

*Excludes meetings solely for approval of lending proposals.

We have undertaken a committee effectiveness self-assessment for the Board Committees during the year and the results were reviewed at individual committee level and, in aggregate, by the Board with actions being taken forward by committee Chairs.

Audit Committee Report

Internal Audit

The Board's Audit Committee met 6 times in 2021. The committee chair is Tim Fitzpatrick, an independent non-executive. The committee consists of a minimum of 3 members, all independent non-executive directors of the Bank. Details of committee membership and attendance is shown on page 14. The Audit Committee meetings are also regularly attended by the Chief Executive Officer, Managing Director, Head of Programme Management, Chief Risk Officer, and Chief Financial Officer.

The PricewaterhouseCoopers outsourced Internal Audit function is accountable to the Board through the Committee Chair, although administratively reports to the Head of Programme Management. In order to carry out their responsibilities, the Internal Audit function has:

- full and unrestricted access to all records, property and personnel;
- independent access to the Committee Chair and members of the Committee;
- the right to request meetings with the Committee; and
- the authority and obligation to report significant findings or other concerns to the Committee.

Internal Audit is independent of and has no responsibility for operational business management. This ensures the integrity and objectivity of its annual Audit Plan. The authority of the Internal Audit function is derived from the Committee. Internal Audit undertakes audits and agrees with management the appropriate findings and actions to remediate and improve internal controls, risk management and governance.

The Chair of the Audit Committee met regularly with PwC to review the current audit programme performance, discuss emerging business risks and future audit activity.

The Audit Committee approves the annual audit plan, including the proposed audit scope as the Bank develops, the methods of approach to be used and allocation of resources. A key focus of the internal audit plan for 2021 was activities in support of mobilisation assurance.

The committee challenges management in relation to the design and operational effectiveness of the internal control environment and remedial actions in respect of control weaknesses.

During the period the Committee received progress reports on the execution of the Financial Year 2021 Internal Audit Plan, notably in support of activities in relation to the mobilisation of the Bank and how the plan would be completed due to access restrictions resulting from COVID-19. This was largely addressed by the increased use of technology and reviews being completed remotely.

This has been a year of consolidation for the Committee's operation as we have completed mobilisation and building the Bank and moved to live operation. The principle focus of the Committee and PwC into 2022 will move to the effectiveness of balance sheet, programme and Treasury management, operational resilience and cyber security.

Review findings, any control enhancements and recommendations made by the Internal Audit function were discussed with and addressed by the executive in accordance with agreed timescales. The committee monitored the closure of actions resulting from these reviews. The Committee also considered the ongoing remit of Internal Audit, its budget and resources and the nature and extent of any potential outsourcing to specialist providers.

Oxbury///

External audit

BDO were reappointed as the Company's external auditor at the 2021 Annual General Meeting. They have been the Company's external auditor since inception in 2018. The engagement has been consistently led since BDO's first appointment on 6 July 2018.

The Committee places great importance on the quality, effectiveness and independence of the external audit process. The Committee approved and has monitored BDO's execution of the external audit plan. It also discussed all significant matters identified in BDO's 2021 final Audit report including the key accounting judgements taken by management and management's responses to any audit findings.

An important responsibility of the Committee is to review and agree the most significant management accounting estimates and judgements which impact the financial statements. After receiving reports on the significant estimates and areas of judgement and after discussion with BDO, the Committee agreed that the judgements made were appropriate and correctly reflected and presented in the Annual Report. The Company's Accounting Policies and significant judgements can be found in the notes to the financial statements on page 40 onwards.

The Committee is responsible for the implementation and monitoring of the Company's policies on external audit, which are designed to maintain the objectivity and safeguard the independence of the external auditor. These policies are reviewed annually. They cover the engagement of the external auditor for non-audit services and the appointment by the Bank of former employees of the external auditor.

Audit effectiveness is assessed continually using measures including; a review of the quality and scope of the proposed audit plan and progress against the plan; responsiveness to changes in our businesses; appropriate scepticism and challenge of management; and monitoring the independence, professionalism, and transparency of the audit.

The Committee's review and confirmation of BDO's independence included examining written confirmation from BDO to confirm that they remained independent and objective within the context of applicable professional standards.

The Committee recognises that certain permissible non-audit services can be completed more cost effectively and efficiently from the incumbent auditor given the audit firm's existing knowledge of Oxbury.

Tim Fitzpatrick, Chair of the Audit Committee

Risk Committee Report

The Board's Risk Committee met 5 times in 2021. The committee chair is Simon Featherstone, an independent non-executive. The committee consists of a minimum of 3 members, all independent non-executive directors of the Bank. Details of committee membership and attendance is shown on page 14. The Risk Committee meetings are also regularly attended by the Chief Risk Officer, Chief Executive Officer, Managing Director and Chief Financial Officer.

The committee has through the year supported the Board by providing more in-depth oversight of the management of existing and emerging risks faced by Oxbury as set out in the Risk Management Section on pages 9 to 12 above. This has been delivered through structured reviews of the following areas:

- the Risk Management Framework;
- the Risk Appetite Statement;
- policy approvals within authority delegated by the Board including those related to financial crime, credit risk, cybercrime, business continuity and data protection;
- detailed review of the Risk Register recommending amendments to the Board reflecting the changing internal and external risk environment;
- specific discussion of the impacts of the forthcoming transition in the agricultural sector including the impacts of climate risk, the potential impact of the UK's new global trading relationships, cyber security, the financial crime risks facing Oxbury, credit portfolio quality and COVID-19 among others on the risk profile of the business;
- approval of credit applications within the delegated authority of the committee or making recommendations for credit applications requiring approval of the Board; and
- agreement of the Annual Risk and Compliance Plan and oversight of the review findings. Areas subject to review during 2021 have included Anti Money Laundering procedures, the management of complaints, financial promotions, user access, fraud procedures, the supplier framework, processes supporting vulnerable customers and the management of colleague training. The committee also monitored the timely closure of actions resulting from these reviews by management.

The Chair of the committee has held regular meetings with the Chief Risk Officer to review the current and emerging risk landscape of the business and the current and future oversight activity.

As we move into next year the focus of the committee will continue to be on the existing and emerging risks of the business combined with an increased focus on performance of the business against the risk appetite set by the Board as the business continues to grow.

Simon Featherstone, Chair of the Board Risk Committee

Economic Outlook

The UK economy has rebounded strongly in 2021 even allowing for the continued pressures of the COVID-19 pandemic. The strength of the rebound combined with other global impacts has created pockets of disruption particularly in energy costs and the availability of labour in some sectors, including agriculture. In the agricultural sector commodity prices have been robust supported by global conditions and domestic demand driven by a strong rebound in hospitality spend during the latter part of the year.

The inflationary pressures evident in the economy look likely to be structural rather than transitory and this in turn is likely to see increases in interest rates towards pre financial crisis norms through 2022. Combined with tax changes already announced this is likely to place continued pressure on household incomes with wage growth unlikely to keep pace. Continued uncertainty surrounding the impacts of new COVID variants has the potential to rein back the level of international travel providing continued support to the UK hospitality sector which may offset lower consumer confidence resulting from pressure on household incomes.

Further clarity on the approach, and therefore effect, of the transition from the Basic Payment Scheme to the Environmental Land Management Scheme of subsidy support for farmers is expected during 2022. Combined with the impact of any further trade deals to be announced and moves throughout the food supply chain to meet the objectives set out at COP26 this will continue to be a period of uncertainty, but also opportunity for farmers and Oxbury in its support of them.

The Russian invasion of Ukraine on 24th February and the UK Government's response as part of global sanctions imposed on Russia has created significant volatility in a number of key markets linked to our agricultural and retail customer base. These events accentuate the uncertainties set out above.

Oxbury continues to closely monitor the economic trends in developing its business model and providing support to UK agriculture and the wider rural community.

Section 172 Statement

The Directors of Oxbury remain cognisant of their responsibilities under section 172 of the Companies Act 2006, to act in good faith to promote the success of the business for all stakeholders, with reference to delivery of Oxbury's strategy.

Within this assessment, the Board recognises that there are a wide range of stakeholders including investors, employees, suppliers, customers, regulators, the environment, and the need to act fairly for all stakeholders.

The Board addressed these responsibilities throughout the year as follows:

Investors

The Board approves Oxbury's business plan on an annual basis together with any amendments that may be required from time to time. In doing so the Board take into consideration the long-term strategy for the business and the need to provide a return to shareholders.

The Board reviews the performance of the business against the business plan, assessing any variations and the development of the business, and its alignment with expectations.

The Board has taken specific consideration of the capital and liquidity position of the Bank together with the closure of restriction conditions imposed by our regulators during mobilisation and the operational readiness of the Bank. In exercising this oversight, the Board and its committees continue to review policies and procedures against which Oxbury will operate. The Board has also approved the Risk Management Framework and the Risk Appetite Statement.

Employees

The Board recognise the importance of people in developing the capability and culture of Oxbury and have reviewed throughout the year the structure, composition, and recruitment of appropriately skilled colleagues, with many bringing agricultural knowledge.

In step with Oxbury's values the business encourages a diverse workforce and open culture to deliver a diversity of views in its operations and decisions making.

Suppliers

The Board recognises the importance of suppliers in the development and ongoing success of the Bank. The selection, performance and remuneration of critical suppliers continue to be reviewed by the Board. The business reviews all suppliers in the context of their fit with the Bank's strategy and overall third-party risks including operational resilience.

Customers

The provision of lending facilities to the UK agricultural community to support both their cashflow management and investment in future success combined with the provision of competitive and innovative deposit products to meet the needs of the rural community are central to the success of the Bank.

The Board continued to review the development of the product range, the development of the customer experience and feedback from potential customers including those engaged in early testing of the application process. The Board also recognises the need to protect customers and the Bank from financial crime and the Board and its committees continue to review the required progress made to put appropriate controls in place.

Oxbury///

Regulators

The Board have ensured that the Bank maintains a transparent and effective relationship with our Regulators throughout the year, involving direct engagement where appropriate at both executive and Board level and through the timely provision of documentation in support of the operations of the Bank.

Environment and Society

Climate Change is a real and recognised threat to society, the sector we serve and the financial system. Oxbury is conscious of our responsibility to ensure that we grow sustainably and support our customers to transition to a low-carbon, sustainable and resilient economy.

Oxbury's strategy is to actively minimise our carbon footprint and offset any footprint we are unable to eradicate in our standard operations such that Oxbury is a net carbon neutral company, a position we have held since Company formation in May 2018. We will also support our customers to meet their carbon objectives. We have continued to achieve this goal through our partnership with Forest Carbon and through our Oxbury Forest Saver account, and our low-carbon lending initiatives.

In addition to the annual ESG Report, published each September, Oxbury is committed to disclosure of our full climate impact via the Taskforce for Climate Related Financial Disclosures (TCFD) standard and our TCFD Report will be published subsequent to this Annual Report.

Our commitment to the sector we serve is based on meaningful strategic partnerships, whether that is via bespoke training of our staff with the Institute for Agricultural Secretaries (IAgSa), the Royal Agricultural Benevolent Institution (RABI) and the Farm Safety Foundation (Yellow Wellies) or via our ongoing commitment to recruit the next generation of top talent from Harper Adams University and our ongoing engagement with the National Farmers Union (NFU).



Directors' Report

The Directors present their annual report on the affairs of the Company, together with the financial statements and auditor's report, for the year ended 31st December 2021.

The principal activities of the business are to develop an authorised credit institution with a focus on a technology led solution to the agricultural community and savers across Great Britain. The developments to date supported the development of the Bank following the removal of restrictions by the regulator on 29th January 2021. The financial results and position of the business as disclosed in these financial statements are considered satisfactory.

Oxbury is required to hold a sufficient quantum of regulatory capital to meet its capital requirements. In assessing the use of the going concern approach, the Directors have assessed the ability of the Bank to continue to meet those requirements for a period of at least 12 months from the date on which the financial statements are approved.

Based on these assessments and having regard to resources available to the Bank, there is expected to be a need for further capital injections within the next 12 months, which are not currently committed to the Bank. The additional capital will allow Oxbury to continue to meet its regulatory requirements, and therefore continue to realise its assets and discharge its liabilities. The Directors however note that due to the capital not being accessible at this time, there is a material uncertainty that may cast significant doubt on the Bank's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

Notwithstanding their views, the Directors have taken the necessary steps to ensure these concerns are sufficiently mitigated, to enable them to prepare the financial statements on a going concern basis as explained further below. This conclusion takes into consideration the available regulatory capital, expectations of continued growth and the range of mitigating actions available. It is also recognised that the business is loss making through the start of 2022, with monthly profitability forecast within the next year.

The Directors recommend that no dividend payments be made. The Directors confirm that no political contributions were made during the year. During the period, Oxbury maintained provision for qualifying third-party indemnity provisions to the benefit of the Directors, which remain in force at the date of this report.

The primary financial risks to the business are determined as relating to credit, liquidity, interest rate and business. These risks are discussed in more detail in Note 19 to the financial statements.

Oxbury does not operate to a specific code or standard in relation to the payment of its creditors. The Company agrees the terms of payment with each supplier at the time of engagement and subsequently abides by those terms. The value of outstanding creditors at the end of the period represents 18.15 days of the total expenditure for the duration of the period.

Directors during the year ended 31 December 2021

Non-Executive Directors

R H Morgan - Chairman

S Featherstone

T Fitzpatrick

Oxbury///

C Percy

Executive Directors

J Farrar – Chief Executive Officer

N Evans – Managing Director

Investor Non-Executive Directors

M Aitchison

D Hutchinson

Significant post balance sheet events are disclosed in note 29 of the notes to the financial statements as follows:

Issue of additional Share Capital (January 2022)

In January 2022 the Company secured investment of £6,885k in the form of a capital raise through the issue of 3,338,412 A shares of £0.01 nominal value. This equated to £34k share capital plus £6,851k share premium.

Acquisition of Subsidiary (January 2022)

In January 2022 Oxbury purchased 100% of the share capital of Naqoda Limited (subsequently changed to Oxbury Earth Limited). The total consideration for the business consisted of cash and share options in the acquirer, with a total value of £2.55m.

Issue of additional Share Capital (May/June 2022)

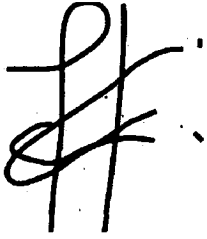
During May and June, the Company completed the first tranches of the latest capital raising, securing investment of £11,079k in the form of a capital raise through the issue of 5,275,652 A shares of £0.01 nominal value. This equated to £53k share capital plus £11,026k share premium.

Each of the persons named as Directors when this report is approved has confirmed that:

- as far as each Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- each Director has taken all reasonable steps to ensure information needed by the Company's auditor in connection with preparing its report has been provided and to establish that the Company's auditor is aware of that information.

Likely future developments for the business include the continuing review of the product set available to address requirements from customers of both the lending and savings perspectives.

This report is approved by the Board and signed on its behalf.

A handwritten signature in black ink, appearing to be 'JF', with a small dot at the end of the second stroke.

James Farrar

Chief Executive Officer and Company Director

21 June 2022

Directors' Responsibilities

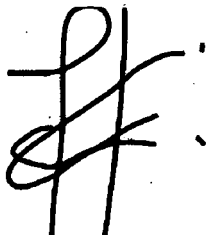
The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable laws and regulation. Company law requires the Directors to prepare financial statements for each financial year, in accordance with UK adopted international accounting standards and in conformity with the requirements of the Companies Act 2006.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with UK adopted international accounting standards and the Companies Act 2006; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

It is the responsibility of the Directors to keep adequate accounting records that are sufficient to show and provide explanation of the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company, enabling them to ensure that the financial statements comply with the Companies act 2006. They are also responsible for such internal control as they determine necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error, and have a general responsibility for taking such steps as are reasonably available to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Signed on behalf of the Board by:



James Farrar

Chief Executive Officer and Company Director

21 June 2022

Independent Auditors Report to the members of Oxbury Bank Plc

Opinion on the financial statements

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 the it's loss 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 of Oxbury Bank Plc (the 'Company') for the year ended 31 December 2021 which comprise the Statement of Total Comprehensive Income, the Statement of Financial Position, the Statement of Cash Flows, Statement of Changes in Equity and notes forming part of 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 UK adopted international accounting standards.

Basis for opinion

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

Independence

Following the recommendation of the Audit Committee, we were appointed by the Annual General Meeting on 30 June 2021 to audit the financial statements for the year ended 31 December 2021 and subsequent financial periods. The period of total uninterrupted engagement is 4 years covering the years ended 31 December 2018 and 31 December 2021. We remain 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 as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

The non-audit services prohibited by that standard were not provided to the Company.

Material uncertainty related to going concern

We draw attention to Note 4.1 of the financial statements, which indicates that the ability of the company to continue as a going concern is dependent on further capital injections from its investors which have not yet been committed.

As stated in Note 4.1 these events and conditions indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Given the conditions and uncertainties noted above, we considered going concern to be a key audit 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 evaluation of the directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting and in response to the key audit matter included:

- Obtaining the Directors' assessment of their Going Concern Board paper and challenging the Directors' assumptions and judgements made with regards to their forecast;
- Reviewing the capital requirements and ensuring they are within the regulatory limits;
- Reviewing the Directors' forecasted position against capital requirements to evaluate the reasonability of the Director's assessment of minimum capital injections required and the point at which they would be required and;
- Reviewing the capital raise and lending pipeline against the Company's actual performance for the year to date to assess for reasonability of the capital raise plan;
- We assessed how the directors have factored in inflationary pressures and the potential impact of the COVID-19, Brexit and Ukraine/Russia conflict on the business, checking these had been appropriately considered as part of the Directors' going concern assessment.
- Traced the additional capital injections of £6.9M received post year end to the third party bank statements and by inspecting board meeting minutes.
- Reviewed the correspondences with regulators and the impact of the Directors' plans and sensitivities on the Company's liquidity requirements of the next twelve months and its overall current capital requirements

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

Overview

Key audit matter	2021	2020
Capitalisation of intangible assets	✓	✓
Revenue recognition	✓	X
Loan Loss provisioning	✓	X
Materiality	£198,000 based on 0.75% of Net Assets (2020: £110,000 based on 0.5% of Net Assets)	

An overview of the scope of our audit

Our audit was scoped by obtaining an understanding of the Company and its environment, including the Company's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How the scope of our audit addressed the key audit matter
<p>Capitalisation of intangible assets</p> <p>Note 14 (accounting policy: page 41)</p>	<p>The Company has invested in its core banking platform.</p> <p>Consultancy, salaries and other costs incurred in acquiring and developing this software are capitalised.</p> <p>Capitalisation of intangible assets requires judgement in determining whether the costs meet the requirements for capitalisation in accordance with the applicable accounting standards and we therefore consider this to be a key audit matter.</p> <p>We tested a sample of third party software development expenses capitalised. For the sample tested, we assessed whether the costs capitalised met the capitalisation requirements of the accounting framework.</p> <p>For staff costs, we performed audit procedures to confirm the existence and accuracy of payroll costs for the relevant employees through agreeing to payroll records, payment to bank statements and to signed employment contracts. We also obtained time analysis to support that the percentage of costs capitalised was in line with the actual time spent on the projects. For the sample tested, we assessed whether the costs capitalised met the capitalisation requirements of the accounting framework.</p> <p>We reviewed the listing of additions of intangible assets and agreed to supporting documentation to check the existence and accuracy of these at year end. We have considered the completeness of additions of intangible assets through testing of post year end transactions.</p> <p>For all development expenditure incurred, we considered the reasonableness of management's assessment of whether future economic benefits attributable to the capitalised software development costs will flow to the company, based on future business strategy and forecasts.</p> <p>Key observations: Based on the work performed, we consider development costs to have been appropriately capitalised.</p>

<p>Revenue recognition</p> <p>Note 5 (accounting policy: pages 58)</p>	<p>The Company has recognised interest income of £865,000 (2020: £nil) under the effective interest rate ("EIR") method.</p> <p>The loans and advances to customers of £110,525,000 (2020: £nil) contain prepaid fees that are integral to the EIR as well as accrued interest income, both are spread over the behavioural life of the loans and advances using EIR method by releasing fees over the behavioural life.</p> <p>The Company's interest income on loans is recognised on EIR basis in accordance with IFRS 9. The calculation of EIR is complex and relies heavily on the quality of data in the EIR models. Significant management judgement is required to determine the expected cash flows for the Company's loans and advances within these models, which give rise to fraud risk in revenue recognition. The EIR adjustment is materially sensitive to key assumptions used by management and for that reason we consider this to be a key audit matter.</p>	<p>We addressed the key audit matter by performing the following procedures:</p> <ul style="list-style-type: none"> • We assessed whether the revenue recognition policies adopted by the Company are in accordance with requirements of the accounting framework. This included an assessment of the types of fees and costs being spread within the effective interest rate models versus the requirements of the applicable financial reporting standard. • Checked the completeness and accuracy of data and key model inputs feeding into the EIR adjustment model by agreeing inputs on a sample basis to source documents, such as loan contracts and policy. We assessed whether the model performed the EIR calculation in line with the Company's policy, by assessing the code underpinning the model calculations through reconciliation to underlying records. • Performed a full recalculation of the contractual interest recognised during the financial year on loans advanced to ensure accuracy of interest recognised. • We critically analysed management's assessment showing the proximation of contractual and expected lives per product. Additionally, we performed sensitivity analysis on the lives of loans applied. • Assessed the reasonableness of the loan behavioural life assumptions used by management by considering recent historical experience of loan behavioural lives based on customer behaviour, product type, market factors, performance and external data where applicable. • Through inspection of contractual terms, we checked that the fees and costs included or excluded from the EIR estimates (including early redemption charges), which involved assessing the types of fees being spread, are in line with IFRS 9. <p>Key observations: Based on the procedures performed, we did not identify any indicators that the assumptions included in the EIR model were unreasonable in consideration of the Company's portfolio, limited historical behaviour and current economic and market conditions.</p>
---	---	---

<p>Loan loss provisioning</p> <p>Note 19 and 25 (accounting policy: pages 51-56)</p>	<p>Provision for impairment losses on loans and advances to customers is £85,000, (2020: £nil).</p> <p>Commensurate with the activities of the Company, the total loan loss provision is a balance subject to management judgement and estimation.</p> <p>Under IFRSs, the Company is required to assess the recoverability of all facilities, not just those specifically identified as impaired. Therefore, the Company needs to assess the Expected Credit Loss (ECL) provision for the loan book as a whole, taking into account macro-economic factors (including assessment of Probability of Default (PDs), Loss Given Default (LGDs) and Exposure at Default (EADs)) along with the staging, to ensure that credit impaired loans are presented and valued accurately.</p> <p>These are subject to significant management judgement and estimation, which also include:</p> <ul style="list-style-type: none"> • Allocation of assets to stage 1, 2, or 3 using criteria in accordance with the requirements of the applicable accounting standard; • Accounting interpretations and modelling assumptions used to build the models that calculate the ECL; 	<p>We addressed the key audit matter by performing the following procedures:</p> <ul style="list-style-type: none"> • Assessed the completeness and accuracy of the underlying data feeding into the Company's ECL model by agreeing it on a sample basis to the underlying documentation such as credit score reports and collateral valuation reports. • Checked arithmetical calculations of the ECL model • Assessed whether the model which performs the impairment calculation in line with the Company's policy. • On a sample basis, performed our own assessment of the valuation, engaging the expertise of our valuations team. • For the Stage 2 loan, gained an understanding of the default trigger, management strategy and the basis for the collateral valuation and assessed the staging of loans based on management's definition of significant increase in credit risk, to check the loans have been allocated to the correct stage. • We considered the reasonableness of the Company's key assumptions, including the adjustments to implied PDs and Delphi scores floor, haircuts applied to the collateral values, and Exposure at Default and further discussed these with the management by comparing to independent third-party industry data. We also performed sensitivity analysis, to identify those inputs to which the provisioning is most sensitive. • Compared the Company's total impairment provision to those of comparable organisations in order to benchmark for reasonability of overall ECL. • Considered the reasonability of economic scenarios used, including weighting and probability changes by comparing to independent industry trends. <p>Key observations: Based on the procedures performed, we did not identify any indicators that the provision for loans and advances is unreasonably estimated in consideration of the key assumptions and judgements made.</p>
---	---	--

	<ul style="list-style-type: none"> • Completeness and accuracy of data used to calculate the ECL; • Inputs and assumptions used to estimate the impact of multiple economic scenarios. <p>Loan loss provisioning was determined to be a significant audit risk and key audit matter because it is a complex area which requires significant judgement.</p>	
--	--	--

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	2021	2020
Materiality	£198,000	£110,000
Basis for determining materiality	0.75% of Net Assets	0.5% of Net Assets
Rationale for the benchmark applied	Net assets is the focus of stakeholders as the company develops its banking operations.	Net assets is the focus of stakeholders as the company develops its banking operations.
Performance materiality	£129,000	£82,500
Basis for determining performance materiality	65% of materiality and this level was selected on the basis of our risk assessment in light of number of financial statement areas involving estimates and judgement	75% of materiality and this level was selected on the basis of our risk assessment and expected total value of known and likely misstatements in consideration of the Company in its mobilisation period.

	and expected total value of known and likely misstatements given this being the Company's first year of trading operations.	
--	---	--

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £4,000 (2020: £2,200). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report and Accounts other than the financial statements and our auditor's report 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. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other Companies Act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic report and Directors' report	<p>In our opinion, based on the work undertaken in the course of the audit:</p> <ul style="list-style-type: none"> • the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and • the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements. <p>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 Directors' report.</p>
Matters on which we are required to	We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

<p>report by exception</p>	<ul style="list-style-type: none"> • 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 and the part of the Directors' remuneration report to be audited 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.
----------------------------	---

Opinion on other matter prescribed by the Capital Requirements (Country-by-Country Reporting) Regulations 2013

In our opinion the information given in note 28 for the financial year ended 31 December 2021 has been properly prepared, in all material respects, in accordance with the Capital Requirements (Country-by-Country Reporting) Regulations 2013.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities, 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 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.

Auditor's responsibilities for the audit of the financial statements

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

Extent to which the audit was capable of detecting irregularities, including fraud

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.

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

We focused on laws and regulations that could give rise to a material misstatement in the company financial statements. We gained an understanding of the legal and regulatory framework applicable to the Company and the industry in which it operates and considered the risk of acts by the Company which would be contrary to applicable laws and regulations, including fraud. These included but were not limited to compliance with the Companies Act 2006, Prudential Regulation Authority ("PRA") and Financial Conduct Authority ("FCA") regulations, pension legislation and tax legislation.

Our tests included:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management, internal audit and the audit committee about compliance with relevant laws and regulations;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and correspondence with the Financial Conduct Authority and the Prudential Regulation Authority for indication of any non-compliance; and
- considering the effectiveness of the control environment in monitoring compliance with laws and regulations.

Identifying and responding to risks of material misstatement due to fraud

We assessed the susceptibility of the financial statements to material misstatement, including fraud and considered the fraud risk areas to be in relation to accounting estimates such as the EIR and loan loss provisioning (see Key Audit Matters section above) and management override of controls.

Our tests included:

- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments;
- assessing whether the judgements made in making accounting estimates were indicative of a potential bias such as EIR and loan provisioning as set out in the Key Audit Matters section; and
- evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit. The engagement partner has assessed that the engagement team collectively had the appropriate competence and capabilities to identify or recognise non-compliance with respective laws and regulations.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that 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, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations

Oxbury///

is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

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

Use of our report

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

DocuSigned by:

Ariel Grosberg

6314B688DC384B1...

Ariel Grosberg (Senior Statutory Auditor)
For and on behalf of BDO LLP, statutory auditor
London, UK
21 June 2022

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

2021 Financial Statements

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2021

	Notes	Year ended 31st Dec 2021 £000s	Year ended 31st Dec 2020 £000s
Interest receivable & similar income	5	865	0
Interest payable & similar expenditure	5	(542)	(0)
Net Interest Income		323	0
Other (Expenditure)/ Income	5	(10)	24
Total Net Income		313	24
Staff Costs	6	(4,035)	(2,361)
Other Operating Expense	9	(2,783)	(1,886)
Depreciation & Amortisation	13, 14	(898)	(116)
Operating loss before impairment provisions		(7,403)	(4,339)
Impairment provisions on loans and advances	18, 19	(85)	-
Loss on Operations		(7,488)	(4,339)
Interest expense	10	(14)	(6)
Interest income	10	39	4
Loss from ordinary activities before tax		(7,463)	(4,341)
Taxation	11	-	285
Loss from ordinary activities after tax		(7,463)	(4,056)
Total comprehensive loss for the year		(7,463)	(4,056)

There were no recognised gains or losses for 2021 or 2020, other than those included in the statement of profit or loss and other comprehensive income. The results for the current and preceding year relate entirely to continuing operations.

The notes which form part of these financial statements can be located from page 40 to page 82.

Statement of Financial Position

As at 31 December 2021

	Notes	31st Dec 2021 £000s	31st Dec 2020 £000s
Assets			
Cash and cash equivalents			
Loans and Advances to Bank of England	24	44,016	-
Loans and Advances to Credit Institutions	24	6,542	19,215
Investment in debt securities	4	-	50
Loans and Advances to Customers	25	110,525	0
Tangible Fixed Assets	13	486	60
Intangible Assets	14	3,768	3,046
Other Assets	16	460	292
Total Assets		165,797	22,663
Liabilities			
Customer Deposits	26	138,217	0
Other Liabilities and Accruals	17	1,182	763
Total Liabilities		139,399	763
Equity			
Share Capital	20	514	448
Share Premium	21	40,424	28,541
Accumulated Losses	22	(14,557)	(7,094)
Share Based Payment Reserves	23	17	5
Total Equity		26,398	21,900
Total Liabilities & Equity		165,797	22,663

The notes which form part of these financial statements can be located from page 40 to page 82.

The financial statements have been approved and authorised for issue by the Board and are signed on its behalf by:



James Farrar, Chief Executive Officer and Company Director

21 June 2022

Statement of Cash Flows

For the year ended 31 December 2021

	31st Dec 2021	31st Dec 2020
	£000s	£000s
Cash flows from operating activities		
Loss for the period after taxation	(7,463)	(4,056)
Adjustments:		
Depreciation & Amortisation	898	116
Increase in impairment provisions on loans and advances	85	-
Increase in share-based payment reserve	12	4
	<u>(6,468)</u>	<u>(3,936)</u>
Net changes in operating assets and liabilities		
Net increase in other assets	(53)	(204)
Net increase in other liabilities	1,073	25
Net increase in customer deposits	138,217	0
Net increase in loans and advances to customers	(111,744)	(0)
	<u>21,025</u>	<u>(4,115)</u>
Net cash flows generated /(used in) operating activities		
Investing activities		
Purchase of tangible assets	(64)	(79)
Disposal/(Purchase) of gilts	50	(50)
Increase in intangible assets and trademarks	(1,524)	(1,821)
	<u>(1,538)</u>	<u>(1,950)</u>
Net cash flows used in investing activities		
Financing activities		
Issue of share capital (net of related costs)	11,949	24,484
Payments on lease	(93)	-
	<u>11,856</u>	<u>24,484</u>
Net cash flows from financing activities		
	<u>31,343</u>	<u>18,419</u>
Net increase in cash and cash equivalents in the year		
Cash and cash equivalents at start of the year	19,215	796
	<u>50,558</u>	<u>19,215</u>
Cash and cash equivalents at end of the year		



Statement of Cash Flows

For the year ended 31 December 2021 continued

As at 31st December 2021 (and 31st December 2020) the cash and cash equivalents balance comprise bank balances only.

Interest received was £823k (2020 £4k) and interest paid was £260k (2020 £-).

Statement of changes in equity

For the year ended 31 December 2021

GBP £000s	Called Up Share Capital	Share Premium	Accumulated Losses	Share Based Payments	TOTAL
Notes	20	21	22	23	
As at 31st December 2019	274	4,229	(3,038)	3	1,468
Issue of Share Capital	174	24,312	-	-	24,486
Loss for the year	-	-	(4,056)	-	(4,056)
Employee based share awards	-	-	-	2	2
As at 31st December 2020	448	28,541	(7,094)	5	21,900
Issue of Share Capital	66	11,883	-	-	11,949
Loss for the year	-	-	(7,463)	-	(7,463)
Employee based share awards	-	-	-	12	12
As at 31st December 2021	514	40,424	(14,557)	17	26,398

Notes forming part of the financial statements For the year ended 31st December 2021

1. Corporate Information

Oxbury Bank Plc is a company incorporated as a public limited company in England (registered company number 11383418) under The Companies Act 2006 and domiciled in the United Kingdom.

The registered office address is located at One City Place, Queens Street, Chester, CH1 3BQ. The nature of the Company's operations and its principal activities are set out in the Directors' Report.

2. Accounting Policies and basis of preparation

The principal accounting policies are summarised below. They have been applied consistently throughout the year and to the preceding reporting period.

The financial statements have been prepared in accordance with UK adopted international accounting standards and the Companies Act 2006.

The financial statements have been prepared based on a historical cost basis, and are presented in Pounds Sterling (£), with values rounded to the nearest thousand, unless otherwise indicated. A "0" identifies a value which is below a rounded thousand, while "-" represents absolute zero.

New standards which are effective during the period of the financial statements have been adopted, with no material impact on the results in the year, and no change in the accounting policies. These include Interest Rate Benchmark Reform (zero impact) and IFRS16 – Covid-19 related rent concessions (zero impact).

There are several standards, amendments and interpretations which have been issued and are effective for the subsequent accounting periods. The most significant are:

- IFRS 3 – Business Combinations - reference to conceptual framework and definition of a business
- IAS 16 – Property, plant and equipment – proceeds before intended use.
- IAS 37 – onerous contracts – cost of fulfilling a contract.

No material impact is expected on Oxbury subject to the adoption of these standards.

3. Critical accounting estimates and judgements

The preparation of financial statements in compliance with IFRSs requires the Company to use certain estimates and assumptions, which are consistently reviewed for appropriateness based on historical experience and forecast expectations. As a result, future experience may differ from the estimates and assumptions used. It also requires the Company's management to exercise judgement in applying accounting policies.

Management regards the following as being the items which have the largest material impact on the financial statements as presented:

- **Going Concern (Note 4.1)**

The assessment of the use of the going concern approach included judgements on future trading performance of the business, the impact of the pandemic and future potential amendments to regulatory policy which could impact capital availability.

- **Share Based Payments (Notes 4.9 and 22)**

Estimates and judgements on the methodology of the assessment of fair value of the options granted, and both the options pricing model used and the relevant inputs into that model. These include the risk-free rate, period of time until exercise and expected share price volatility.

- **Tax (Note 11)**

The company is not in a position to recognise a deferred tax asset.

- **Effective Interest Rate (EIR) (Note 4.16)**

The company calculates the EIR by assuming that all loan facilities will go to full contractual term. The sensitivity of this assumption is measured by reducing the expected term of the facilities by 3 months, which would increase the carrying value of the loans at year-end by less than £1k.

- **Expected Credit Loss (ECL) (Note 19)**

The calculation of the expected credit loss is forward looking, and requires various estimates to be made, including the probability of default of individual customers and the loss at the point of default.

A reduction of the value of the collateral of 10% from the valuations taken would increase the ECL by £3k. An increase in the probability of default by 10% would increase the ECL by £6k.

- **Dilapidations Provision (Note 26)**

A dilapidations provision of £12k has been included within lease liabilities, based on estimated relevant liability at the end of the lease.

4. Summary of significant accounting policies

4.1 Going Concern

Oxbury is required to hold a sufficient quantum of regulatory capital to meet its capital requirements. In assessing the use of the going concern approach, the Directors have assessed the ability of the Bank to continue to meet those requirements for a period of at least 12 months from the date on which the financial statements are approved.

Based on these assessments and having regard to resources available to the Bank, there is expected to be a need for further capital injections within the next 12 months, which are not currently committed to the Bank. The additional capital will allow Oxbury to continue to meet its regulatory requirements, and therefore continue to realise its assets and discharge its liabilities. The Directors however note that due to the capital not being accessible at this time, there is a material uncertainty that may cast significant doubt on the Bank's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

Notwithstanding their views, the Directors have taken the necessary steps to ensure their concerns are mitigated, sufficiently so, to enable them to prepare the financial statements on a going concern basis as explained further below. This conclusion takes into consideration the available regulatory capital, expectations of continued growth and the range of mitigating actions available. It is also recognised that the business is loss making through the start of 2022, with monthly profitability forecast within the next year.

4.2 Cash and Cash Equivalents

Cash and cash equivalents comprise liquid assets which carry an insignificant risk of change of values, are marketable and with original maturity of less than 90 days.

4.3 Intangible Assets

The Bank has built a cloud based technological system for the management of future activities as the business matures through the defined steps in its business plan. This is the business' core banking platform and is a key element to the successful achievement of the business plan, and critical in the generation of a profitable revenue base. The Bank will continue to develop its systems to enhance customer experience together with operational efficiency and resilience.

Consultancy, salaries and other costs directly attributable to the acquisition and development of this software are capitalised where they meet the criteria for capitalisation. In addition to an assessment of the cost being directly related to the asset, the specific criteria under IAS 38 to allow capitalisation are as follows:

- Probable future economic benefit.
- Intention to complete the asset.
- Adequate available resources to complete.
- Ability to use the asset.
- Technical feasibility to complete the asset.
- Able to measure the expenditures reliably.

Intangible assets are stated at cost less depreciation and impairment losses.

One full year of amortisation (£801k) has been recognised at the date of these financial statements as the software was deemed to be materially complete and available for operational use at the end of December 2020. (2020 £52k)

The cost is based on evidenced expenditure of developing the asset. Amortisation is recognised to write off the cost or valuation of assets less their residual values over their expected useful lives, using the straight-line method, on the following basis:

- Operating System Software – 5 Years

Intangible assets are regularly reviewed for evidence of impairment, defined as where the carrying value of that asset is lower than its recoverable value, the higher of the value of the asset in use and the fair value less cost to sell. Where the value of the asset is deemed to be impaired, the carrying value is immediately reduced to the recoverable value.

4.4 Tangible Assets

4.4.1 Property, Plant and Equipment

Fixtures, Fittings and Office Equipment and Computer and IT Equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

The cost is based on evidenced cost of purchasing the asset. Depreciation is recognised to write off the cost or valuation of assets less their residual values over their expected useful lives, using the straight-line method, on the following bases:

- Fixtures, Fittings and Office Equipment – 2 Years
- Computer and IT Equipment – 2 Years

4.4.2 Right of use assets

The value of the "right of use" asset at the balance sheet date is based on the discounted value of the unpaid payments under the lease agreements, lease payments made on or before commencement less incentives received, and any initial direct costs incurred by the lessee. Consideration is also taken of an estimate of costs related to dilapidation.

This asset is subsequently amortised based on the period of those payments.

Tangible assets are regularly reviewed for evidence of impairment, defined as where the carrying value of that asset is lower than its recoverable value, the higher of the value of the asset in use and the fair value less cost to sell. Where the value of the asset is deemed to be impaired, the carrying value is immediately reduced to the recoverable value.

4.5 Foreign currency translation

The financial statements are presented in Pounds Sterling (£), which is the functional currency of the company. Transactions in foreign currencies are initially recorded in the functional currency at the spot rate of exchange at the date of the transaction.

All non-monetary items that are measured at historical cost in a foreign currency are translated using the spot exchange rates as at the date of recognition. The company did not have any monetary items denominated in foreign currency at the end of the period.

4.6 Pensions

The Company offers a defined contribution pension scheme for its employees. Any contributions made by the Company are charged to operating expenses as incurred.

4.7 Charitable Donations

Charitable donations are accounted for as an expense when paid and included as part of the operating expenses in the statement of profit or loss and other comprehensive income. In 2021 there were no donations to charity.

4.8 Share Capital

Shares are classified as equity when there is no contractual obligation to transfer cash or other financial assets. Incremental costs, if any, directly attributable to the issue of equity instruments are shown in equity as a deduction from proceeds, net of tax.

4.9 Share-Based Awards

The Company operates an equity-settled share remuneration plan for certain employees, of which none are cash settled. It also grants share-based payments for services and goods received from specific suppliers.

The Company accounts for these schemes based on the requirements of IFRS2, under which the fair value of the options at granting is determined through the use of an options modelling approach, as no active market is available for the instruments. Assumptions and market comparatives, where available, are used to input into the model, together with the options exercise price and current market values.

Where required, a charge, equivalent to the value of the option as determined in the model, based on a pro rata of the expected period to exercise of the option, is realised in the statement of profit or loss and other comprehensive income each month, with a corresponding increase in equity. Details are contained in note 23 to the accounts.

4.10 Segmental Reporting

All of the Company's operations are within the United Kingdom, and as such, no geographical analysis is presented.

4.11 Taxation

Income tax is based on the taxable profits of Oxbury, including reliefs which are available. Taxable profits differ from the financial statements due to items which are excluded for tax purposes or because of the deductibility occurring in differing periods.

Where applicable, the Company's liability to tax takes into consideration the tax rates enacted or substantively enacted for the period. Where R&D tax credits are claimed, they are recognised as a credit to taxation in the statement of profit or loss and other comprehensive income.

A deferred tax asset has not been recognised for the current financial year as the recoverability is dependent on future taxable profits to offset against. The likelihood of those future taxable profits is not considered to be sufficiently certain to recognise the asset.

4.12 Financial Institution – Risk Management

The only financial risk which the Directors believe the Company is materially exposed to at the reporting date is credit risk of the cash held at banks, and the counterparty failing to meet its obligations. Oxbury mitigates this risk through the use of banking partners, either with a sufficient credit rating or where a credit rating is not available, sufficient due diligence, to inform that the deposited funds are not at risk. Oxbury was given access to a Reserve Account at the Bank of England in January 2021, in which excess funds are deposited as a risk mitigating activity.

Institution	Balance GBP £'000	Credit rating Long Term	Credit rating Short term	Source Date
Santander UK plc	165	A-1	P-1	Moody's Oct 2021
James Brearley	100	N/A	N/A	N/A
ClearBank Limited	6,277	N/A	N/A	N/A
Bank of England	44,016	N/A	N/A	N/A

Oxbury manages capital to maintain an appropriate capital structure for its operations, taking into consideration both cost and availability. In the period the management of capital included the total share capital of the Company and cash resources. The management of capital is through the review of the financial performance to expectations and cash resources held by the business.

During 2021, the financial objectives were unchanged from 2020, supporting the development of the long-term strategy of the Company.

4.13 Financial Assets

Based on the nature of the stock of financial assets at the reporting date, Oxbury initially recognises at fair value less, if applicable, transaction costs. Subsequent measurement is based on amortised cost, as dictated by the business model test of holding assets to maturity.

4.13.1 Debt securities

During the year, Oxbury held UK Gilts for the purpose of addressing the liquidity requirements of an authorised institution. The instruments were held to maturity in June 2021. (2020 - included in the financial statements at amortised cost).

4.14 Financial Liabilities

All financial liabilities are initially classified and subsequently measured at amortised cost.

4.15 Financial instruments

(i) Recognition

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

(ii) Classification and measurement

(a) 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 (FVTPL).

To classify financial assets the Company performs two assessments to evaluate the business model in which financial assets are managed and their cashflow characteristics. The business model assessment is typically performed first, as the financial assets managed on a fair value basis are classified as FVTPL and are not subject to cashflow characteristics test.

Business model assessment:

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 is performed at a portfolio level as this best reflects the way business is managed and how information is provided to Management. The assessment is based on Management's expectations. If cashflows are realised in a manner that is different from the original expectation, the classification of the remaining assets in that portfolio is not changed but such information is used when assessing new financial assets going forward.

Cash flow characteristics test:

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'. For the purposes of the SPPI test, principal is defined as the fair value of the financial asset at initial recognition. Interest is defined as consideration for the time value of money and credit risk associated with the principal amount outstanding and for other basic lending rights and costs (e.g. liquidity risk and administrative costs), as well as a reasonable profit margin. The SPPI test is performed at an instrument level based on the contractual terms of the instrument at initial recognition.

Based on the two assessments, financial assets are classified as follows:

Amortised cost: A financial asset is classified as measured at amortised cost if it is held within a business model whose objective is to hold the assets to collect contractual cashflows; and its contractual terms give rise on specified dates to cash flows that are SPPI.

FVOCI: A financial asset is classified as FVOCI if it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and its contractual terms give rise on specified dates to cash flows that are SPPI.

4.15 Financial instruments continued

FVTPL: Financial assets that are managed on a fair value basis, or not classified as measured at amortised cost or FVOCI as per above, are classified as FVTPL. This includes all derivative financial assets.

On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be classified as measured at amortised cost or FVOCI as FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Subsequent measurement of financial asset categories held by the Company is as follows:

Financial assets at FVTPL: subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in the Statement of profit or loss and other comprehensive income.

Financial assets at amortised cost: subsequently measured at amortised cost using the effective interest rate method. Amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment losses are recognised in the Statement of profit or loss and other comprehensive income. Any gain or loss on derecognition is also recognised in the Statement of profit or loss and other comprehensive income.

Financial assets measured at FVOCI: subsequently measured at fair value, with interest, impairment and foreign exchange gains and losses recognised in profit or loss, with all other gains/losses recognised in other comprehensive income. Upon derecognition amounts in other comprehensive income are reclassified to profit or loss.

Reclassification:

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Company changes its business model for managing financial assets.

(iii) Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

4.15 Financial instruments continued

Financial Liabilities

The Company classifies its financial liabilities as either measured at amortised cost or FVTPL.

Financial liabilities measured subsequently at amortised cost

Financial liabilities that are: not (i) contingent consideration of an acquirer in a business combination; (ii) held-for-trading; or (iii) designated as at FVTPL; are measured subsequently at amortised cost using the effective interest method. Financial liabilities recognised as measured at amortised cost are initially recognised at fair value minus incremental direct transaction costs.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is: (i) contingent consideration of an acquirer in a business combination; (ii) held for trading or (iii) it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of resale it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on changes in fair value recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other (Expenditure)/Income' line item in profit or loss.

However, for financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of liability is recognised in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability. The Company as of year-end has no financial liabilities categorised as FVTPL that this applies to.

(iv) Derecognition

Derecognition is the point at which the company ceases to recognise a financial asset or financial liability on its Balance Sheet.

4.15 Financial instruments continued

(a) Financial assets

The Company derecognises a financial asset (or a part of a financial asset) when:

- the contractual rights to the cash flows from the financial asset have expired;
- the Company transfers the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred; or
- the Company transfers the financial asset in a transaction in which the Company neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the asset. If the Company retains control of the asset it continues to recognise the transferred asset only to the extent of its continuing involvement and derecognises the remainder.

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 statement of profit or loss and other comprehensive income.

(b) Financial liabilities

The Company derecognises a financial liability (or a part of a financial liability) when its contractual obligations are extinguished (i.e. discharged, cancelled, or expired).

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

4.15 Financial instruments continued

(v) Modifications of financial assets

The Company sometimes renegotiates or otherwise modifies the contractual cash flow of a financial asset. When this happens, the Company assesses whether or not the new terms are substantially different to the original terms. The Company does this by considering, among others, the following factors:

- if the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to repay;
- whether any substantial new terms are introduced that substantially affects the risk profile of the loan;
- significant extension of the loan term when the borrower is not in financial difficulty;
- significant change in the interest rate; and
- insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the loan.

After assessing the cash flows of the modified asset, the Company will determine if it meets the derecognition criteria outlined above or if the financial asset is not derecognised; in that case, the Company recalculates the gross carrying amount of the financial asset based on the revised cash flows of the financial asset and recognises any associated gain or loss in the Statement of profit or loss and other comprehensive income.

(vi) Effective interest rate

The interest income and expense are recognised in profit or loss using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or the amortised cost of the financial liability.

When calculating the effective interest rate for financial instruments other than purchased or originated credit-impaired assets, the Company estimates future cash flows considering all contractual terms of the financial instrument, but not expected credit losses.

The calculation of the effective interest rate includes transaction costs and fees paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

(vii) Fair value of financial instruments

Fair value is defined as 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 the Company has access at that date.

4.15 Financial instruments continued

(viii) Impairment of Financial Assets

The impairment charge in the statement of profit or loss and other comprehensive income includes the change in expected credit losses. Expected credit losses (ECL) are recognised for loans and advances to customers and banks, other financial assets held at amortised cost and loan commitments.

Expected credit losses are calculated as an unbiased and probability weighted estimate using an appropriate probability of default adjusted to take into account a range of possible outcomes. The outcomes are measured in a manner that reflects the time value of money and uses reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions. The information considers the value of any collateral held, other mitigants of loss and the impact of discounting using the effective interest rate.

At initial recognition, allowance is made for expected credit losses resulting from default events that are possible within the next 12 months. A provision is made in the case of loan commitments resulting from loss events that are possible within the next 12 months. The combination of these are 12-month expected credit losses. In the event of a significant increase in credit risk (SICR) since origination allowance (or provision) is made for expected credit losses resulting from all possible default events over the expected lifetime of the financial instrument (lifetime expected credit losses).

Measurement of Expected credit losses (ECL's) is based on the 'stage' of the financial asset, based on changes in credit risk occurring since the assets initial recognition as explained below:

Stage 1: when a financial asset is first recognised, it is assigned to Stage 1. If there is no significant increase in credit risk from initial recognition the financial asset remains in Stage 1. Stage 1 also includes financial assets where the credit risk has improved and the financial asset has been reclassified back from Stage 2. For financial assets in Stage 1, a 12-month expected credit loss is recognised. The expected credit loss is calculated by multiplying the probability of default (PD) by the outstanding amount that will be expected to be the exposure at default (EAD), the loss ratio in case of default (LGD) and a discounting factor.

Stage 2: when a financial asset shows a significant increase in credit risk from initial recognition it is moved to Stage 2. Stage 2 also includes financial assets where the credit risk has improved and the financial asset has been reclassified back from Stage 3. A similar formula as in Stage 1 is used but a lifetime ECL is recognised for Stage 2 financial assets.

Stage 3: when there is objective evidence of impairment and the financial asset is considered to be in default, or otherwise credit impaired, it is moved to Stage 3. For financial assets in Stage 3, a lifetime ECL is recognised and is calculated by multiplying the outstanding amount at reporting date (EAD) by the probability of default (PD) and the Loss Given Default (LGD).

4.15 Financial instruments continued

Purchased or originated credit-impaired (POCI): POCI assets are financial assets that are credit-impaired on initial recognition. On initial recognition they are recorded at fair value. ECLs are only recognised or released to the extent that there is a subsequent change in the ECLs. Their ECL is measured on a lifetime basis. The Company had no POCI assets as at 31 December 2021.

For loan commitments, where the loan commitment relates to the undrawn component of a facility, it is assigned to the same stage as the drawn component of the facility. For the loans underwritten but not yet originated, the loan commitment is assigned to Stage 1.

Write-offs

Loans are written off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the Company determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Write offs constitute a derecognition event as detailed in (iii) above. Financial assets that are written off can still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due. Amounts subsequently recovered on assets previously written off are recognised within expected credit losses on loans and advances to customers in the statement of profit or loss and other comprehensive income.

Receivables can be written-off if they:

- have been abandoned through negotiation with the customer in particular as part of an insolvency plan;
- are prescribed; or
- have been the subject of an unfavourable court ruling (negative result of legal proceedings or litigation).

Presentation of loss allowances in the statement of financial position

Loss allowances are presented in the Balance Sheet as follows:

Loans and advances to customers and investment securities: as a deduction from the gross carrying amount of the financial assets; and

loan commitments: generally, as a provision; and where a financial instrument includes both a drawn and an undrawn component, and the Company cannot identify the ECL on the undrawn loan commitment component separately from those on the drawn component: the Company presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision.

4.15 Financial instruments continued

Loans and Advances to customers

Loans and advances to customers are financial assets of the Company that comprise the following products:

- Loan receivables from end customers referred to as Term loans.
- Loan receivables from end customers referred to as Revolving credit facilities.

Loan receivables are accounted for as per IFRS9 and as such they are initially recorded at fair value and subsequently measured at amortised cost using the effective interest rate method.

The effective interest rate is the internal rate of return to maturity or, for variable rate loans, to the nearest rate adjustment date. The discounted amount of amortisation on any difference between the initial loan amount and the amount payable at maturity is calculated using the effective interest rate.

In addition to the contractual component of the loan receivable, the amortised cost of loan receivables may include arrangement fees paid by customers, and commissions paid for referral of business. These items, which are all factors in the return of the loan, are either deducted from or added to the amount of the receivable. They are recognised in the Statement of profit or loss and other comprehensive income as a pro-rated portion discounted at the effective interest rate for the loan receivables to which they apply.

(i) Identifying credit risk

Credit risk is defined as the risk of default on a financial asset that may arise from a borrower failing to make required payments.

When determining whether the risk of default on loans and advances to customers has increased significantly since initial recognition, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort as discussed above.

An assessment of whether credit risk has increased significantly since initial recognition considers the change in the risk of default occurring over the remaining expected life of the financial instrument. The assessment is unbiased, probability-weighted and uses forward-looking information consistent with that used in the measurement of expected credit losses. In determining whether there has been a significant increase in credit risk, the Company uses quantitative tests based on relative and absolute probability of default (PD) movements together with qualitative indicators such as watchlists and other indicators of historical delinquency, credit weakness or financial difficulty. However, unless identified at an earlier stage, the credit risk of financial assets is deemed to have increased significantly when more than 30 days past due. Where the credit risk subsequently improves such that it no longer represents a significant increase in credit risk since initial recognition, the asset is transferred back to Stage 1.

4.15 Financial instruments continued

(ii) Calculation of expected credit losses ('ECL's)

ECLs are the discounted product of the probability of default (PD), exposure at default (EAD) and loss given default (LGD), detailed below. ECLs are determined by projecting the PD, EAD and LGD for each future month for each exposure. The three components are multiplied together and adjusted to reflect forward looking information. This calculates an ECL for each future month, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

Probability of default ('PD') is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio.

Exposure at default ('EAD') is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.

EAD is designed to address increases in utilisation of committed limits and unpaid interest and fees that the Company would ordinarily expect to observe to the point of default, or through to the point of realisation of the collateral.

Loss given default ('LGD') is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the Company would expect to receive, including from the realisation of any collateral. It is expressed as a percentage of the EAD.

Significant increase in credit risk

The Company applies a series of quantitative, qualitative and backstop criteria to determine if an account has demonstrated a

significant increase in credit risk and should therefore be moved to Stage 2:

Quantitative criteria: this considers the increase in an account's remaining lifetime PD at the reporting date compared to the expected PD when the account was originated.

Qualitative criteria: this includes the observation of specific events such as forbearance, watchlist information and expert review.

Backstop criteria: IFRS 9 includes a rebuttable presumption that 30 days past due is an indicator of a significant increase in credit risk. The Company considers 30 days past due to be an appropriate backstop measure and does not rebut this presumption.

4.15 Financial instruments continued

(iii) Forward-looking information

IFRS 9 introduces into the credit risk-related expected loss (ECL) calculation the notion of forward looking. Through this notion, new requirements in terms of monitoring and measuring credit risk are introduced with the use of forward-looking data, in particular of macroeconomic type.

The incorporation of forward-looking data is not intended to determine a prudential margin on the amount of provisions. It mainly concerns taking account of the fact that past observations do not necessarily reflect future expectations and consequently adjustments are necessary to the amount of the provision determined on the basis of parameters calibrated exclusively on a historic basis. Such adjustments of the amount of the provision can be made either upwards or downwards.

(iv) Definition of default

The Company considers a financial asset to be in default when, with respect to loan receivables, as soon as:

- one or more instalments have remained unpaid for at least three months; (or first unpaid instalment on a forbore exposure); or
- the deterioration in the counterparty's financial circumstances translates into a risk of non-collection. In particular in the event of over-indebtedness/insolvency procedures, receivership, bankruptcy, compulsory liquidation, personal bankruptcy or liquidation of assets; or
- there are litigation proceedings between the establishment and its counterparty.

(v) Critical accounting estimates and judgements

The recognition and measurement of ECL involves the use of judgements and estimates. Macroeconomic indicators such as GDP and employment historically have not impacted Agricultural output, and therefore the impact on a scenario-based methodology would be of limited impact, which has been indicated by the sensitivity analysis of the major factors impacting the calculation below.

4.15 Financial instruments continued

Sensitivity analysis:

Changes in the probability of default and loss given default assumptions could be driven by actual default performance, seasoning of the portfolio or changes in the collateral values, which would affect the allowance for credit losses.

The Company measures the allowance for credit loss at 12-month expected credit losses. If it is determined the credit risk of a receivable has increased significantly since origination, the Company increases the measurement of credit loss to an amount equal to the lifetime expected credit loss.

The sensitivity to the key elements of the calculations has been performed by a 10% movement in the probability of default and a 10% movement in the written down value of security. The year-end expected credit loss value would have increased by approximately 11% (£10K) if solely based on the deterioration of the major factors and would have reduced by approximately 9% (£7k) if solely based on their improvement.

4.15 Financial instruments continued

Loans and Advances to Customers

	Loans and advances to customers		
	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000
Balance as at 1 January 2021		-	-
Net increase in loans and advances to customers	110,581	29	-
Gross loans and advances to customers	110,581	29	-
Less: allowance for losses on loans and advances	(80)	(5)	-
Net loans and advances to customers as at 31 December 2021	110,501	24	-
	2021 £'000	2020 £'000	
Gross Loans and advances to customers	110,610	-	
Less: allowance for losses on loans and advances	(85)	-	
Net loans and advances to customers as at 31 st December 2021	110,525	-	
of which :			
Due within one year	2,232	-	
Due after one year	108,293	-	
	110,525	-	
Further analysis of loans and advances is provided in Note 19			
	2021 £'000	2020 £'000	
Fair value of collateral held (Full)	250,833	-	

Collateral in excess of the loan amount is not used to repay other loans.

4.16 Interest receivable & similar income

Interest income and similar income for interest bearing financial instruments is recognised using the effective interest rate method (EIR). The EIR methodology calculates the amortised cost of a financial asset and allocated the interest over the period to which it relates.

The Company takes into consideration the assessment of expected cashflows with reference to the contractual terms of the instruments, without taking into consideration the expected future credit loss. The recognition of income includes those amounts which are related to the instrument which are considered to constitute the overall return.

Where the individual instrument is assessed as being in default, income is recognised by applying the effective interest rate (EIR) to the amortised cost, which is net of any expected credit losses (ECL).

4.17 Interest payable & similar expenditure

Fees, commissions and interest are recognised in the statement of profit or loss and other comprehensive income when the service has been rendered, except where those fees are an adjustment to the yield on a related asset.

Interest, fees, commission and transaction costs payable on customer savings are expensed to the statement of profit or loss and other comprehensive income using the Effective Interest Rate method (EIR) method and are included in interest expense.

5. Interest receivable and similar income, Interest payable and similar expenditures and Other Income

Interest and similar income/expense

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

These are disclosed separately on the face of the statement of profit or loss and other comprehensive income for both interest income and interest expense to provide comparable information.

	Year ended 31st Dec 2021	Year ended 31st Dec 2020
	£000s	£000s
Interest receivable & similar income		
Interest income from loans and advances to customers	865	0
	<hr/>	<hr/>
	865	0

5. Interest receivable and similar income, Interest payable and similar expenditures and Other Income continued

Interest expense & similar expenditure

Interest expense on customer deposits	542	0
Other interest expenditure	(0)	(0)
	<hr/>	<hr/>
	542	0

Oxbury generated net fee loss after credit notes of (£10k) in 2021 (2020: fee income of £24k). (2020: No income was generated in respect of borrowings.)

6. Staff Costs

The total number of employees as at December 2021 was 86. (2020: 63)

	2021		2020	
	Total as at 31st Dec	Average during the year	Total as at 31st Dec	Average during the year
Management	11	11	11	10
Operational	14	12	12	8
Administrative	61	54	40	31
Total	86	77	63	49

The aggregate remuneration comprised (including directors):

GBP (000s)	Year to 31st Dec 2021	Year to 31st Dec 2020
Salaries and bonuses including share-based payment provision	3,408	1,947
Social security contributions	341	236
Pension contributions	286	178
Staff costs per statement of profit or loss and other comprehensive income	4,035	2,361
Capitalised Salaries – not included in the above		
Salaries, wages and bonuses	788	767
Social security contributions	95	85
Total Remuneration in the year	4,918	3,213

7. Key Management Remuneration

GBP (000s)	Year to 31st Dec 2021	Year to 31st Dec 2020
Fees, wages and bonuses	1,586	1,312
Share based payment provision	6	0
Social security contributions	205	164
Pension contributions	73	69
Total Remuneration	1,870	1,545

Key management are defined as members of the Bank's Executive Committee plus executive and non-executive directors.

8. Total Directors Remuneration

GBP (000s)	Year to 31st Dec 2021	Year to 31st Dec 2020
Fees, wages and bonuses	742	625
Share based payment provision	6	0
Social security contributions	94	81
Pension contributions	37	36
Total Remuneration	879	742

Highest Paid Director Remuneration

GBP (000s)	Year to 31st Dec 2021	Year to 31st Dec 2020
Fees, wages and bonuses	257	187
Social security contributions	34	25
Pension contributions	18	18
Total Remuneration	309	230

No director's remuneration has been capitalised (2020: Zero).

9. Other Operating expense

GBP (000s)	Year to 31st Dec 2021	Year to 31st Dec 2020
Other operating costs	1,683	1,386
Foreign exchange loss/(profit)	4	6
Legal and Professional fees	934	462
External audit fees	162	32
Total	2,783	1,886

Of the £162k total external audit fees disclosed above, £8k related to the 2020 audit and £154k relates to the audit of these financial statements. (2020: £32k)

Other audit fees £- (2020 £-)

10. Finance expense and income

GBP (000s)	Year to 31st Dec 2021	Year to 31st Dec 2020
Finance Expense:		
Finance element of lease agreements	(14)	(6)
Finance Income:		
Interest received on bank deposits	39	4

11. Taxation

The Company has not recognised a deferred tax asset in respect of tax losses carried forward due to insufficient evidence of their recoverability.

GBP (000s)	Year to 31st Dec 2021	Year to 31st Dec 2020
Loss on ordinary activities after taxation	(7,463)	(4,056)
Standard rate of Corporation tax	19%	19%
Expected Tax Credit (pre refund)	(1,418)	(771)
Effects of:		
Depreciation and amortisation	152	17
Disallowable expenses	9	0
Income not taxable for tax purposes	-	(54)
Fixed asset timing differences	(129)	(15)
Other timing differences	-	(1)
	(1,386)	(824)
Deferred Tax not recognised	1,386	824
		0
Adjustment in respect of prior year following Research and Development tax claim	-	(285)
Tax (credit) for the period	-	(285)
Deferred Tax not recognised:		
Cumulative to date:		
Deferred tax not recognised brought forward	1,397	581
Deferred tax not recognised in the year	1,832	824
Effect of change in tax rate on opening balances	441	46
Total deferred tax not recognised	3,670	1,451

Tax losses are expected in the initial years of the Company's development as the build phase progresses along with initial trading expectations as the income generating assets are acquired. These tax losses are available for carry forward against future taxable profits. The Directors have concluded that it is not appropriate to recognise a deferred tax asset at the reporting date due to insufficient evidence of their recoverability.

If an asset had been recognised it would have an estimated value of £3,670k (2020: £1,451k) which is calculated based on the £14,680k (2020: £7,355k) of cumulative trading losses at the deferred tax rate of 25%, adjusted where there is a variation in treatment from the Statement of Profit or Loss and Other Comprehensive Income.

Subsequently the corporation tax rate remains at 19% at the balance sheet date and is set at 19% for the financial year beginning 1 April 2022. The rate is due to increase to 25% from 1 April 2023.

The Company did not receive a Research and Development tax credit during 2021 (2020: £285k).

12. Net Debt Reconciliation

£000s	31-Dec-20	Cash Flows	Non-cash Movements	31-Dec-21
Cash and cash equivalents				
Cash at banks and similar	19,215	31,307	36	50,558
Debt Securities				
Debt Securities	50	(50)	-	-

13. Tangible Fixed Assets

GBP (000s)	Fixtures, Fittings & Office Equipment	Computer & IT Equipment	Right of use assets	Total
Cost				
Brought forward at 1 January 2021	18	73	68	159
Additions in 2021	10	44	458	512
	28	117	526	671
Cost of disposals in 2021	-	-	(10)	(10)
Cost at 31st December 2021	28	117	516	661
Accumulated Depreciation				
Brought forward at 1 January 2021	(16)	(41)	(42)	(99)
Depreciation charge for 2021	(4)	(34)	(48)	(86)
	(20)	(75)	(90)	(185)
Depreciation on disposals	-	-	10	10
Depreciation at 31 December 2021	(20)	(75)	(80)	(175)
Net book value at 31 December 2021	8	42	436	486
Net book value at 31 December 2020	2	32	26	60

The right of use assets relates to the office's facilities contracted by Oxbury, commencing January 2019 and 1st September 2021. The total of cash outflows in the period in relation to the right of use asset equalled £93k (2020 £19k.)

13. Tangible Fixed Assets continued

GBP (000s)	Fixtures, Fittings & Office Equipment	Computer & IT Equipment	Right of use assets	Total
Cost				
Brought forward at 1 January 2020	17	34	39	90
Additions in 2020	1	39	39	79
	18	73	78	169
Disposals in 2020	-	-	(10)	(10)
Cost at 31st December 2020	18	73	68	159
Accumulated Depreciation				
Brought forward at 1 January 2020	(7)	(14)	(24)	(45)
Depreciation charge for 2020	(9)	(27)	(28)	(64)
	(16)	(41)	(52)	(109)
Depreciation on disposals in 2020	-	-	10	10
Depreciation at 31 December 2020	(16)	(41)	(42)	(99)
Net book value at 31 December 2020	2	32	26	60
Net book value at 31 December 2019	10	20	15	45

14. Intangible Fixed Assets

The intangible asset relates specifically to the cost of the development of the operating system which will provide the customer interaction which drives revenues.

GBP (000s)	Operating System Software	Trademarks	Total
Cost			
Brought forward at 1st January 2021	3,092	6	3,098
Additions in 2021	1,523	-	1,523
	4,615	6	4,621
Disposals in 2021	-	-	-
Cost at 31st December 2021	4,615	6	4,621
Accumulated Depreciation			
Brought forward at 1st January 2021	(52)	-	(52)
Depreciation charge for 2021	(801)	-	(801)
	(853)	-	(853)
Disposals in 2021	-	-	-
Depreciation at 31st December 2021	(853)	-	(853)
Net book value at 31st December 2021	3,762	6	3,768
Net book value at 31st December 2020	3,040	6	3,046

14. Intangible Fixed Assets continued

GBP (000s)	Operating System Software	Trademarks	Total
Cost			
Brought forward at 1st January 2020	1,277	-	1,277
Additions in 2020	1,815	6	1,821
	3,092	6	3,098
Disposals in 2020	-	-	-
Cost at 31st December 2020	3,092	6	3,098
Accumulated Depreciation			
Brought forward at 1st January 2020	-	-	-
Depreciation charge for 2020	(52)	-	(52)
	(52)	-	(52)
Disposals in 2020	-	-	-
Depreciation at 31st December 2020	(52)	-	(52)
Net book value at 31st December 2020	3,040	6	3,046
Net book value at 31st December 2019	1,277	-	1,277

15. Related party transactions

Director and Key management emoluments are separately disclosed within Notes 7 and 8.

Transactions with Directors and key management

The table below discloses outstanding balance and transactions with key personnel, comprised of Directors and members of the executive committee, and their close family members.

	Number of individuals 2021	Total value 2021	Number of individuals 2020	Total value 2020
Savings				
Balances outstanding at 31-Dec	11	£196k	-	-
Interest expense for Oxbury	11	£1k	-	-

No loans or advances were made to key management during the period (2020 – Nil).

Material transactions with entities for which key management personnel of Oxbury were key management of those entities.

- Dunthorp Farms Limited – Oxbury held deposits of £66k at the year end and incurred less than £1k of interest expense (2020: Nil and Nil). The entity also received a loan from Oxbury, holding a balance of £588k at the end of the year, and having realised £7k of interest income. (2020: Nil and Nil)
- CR CM and HJ Percy trading as Cottingham Farms – Oxbury held deposits of £150k incurred less than £1k of interest. (2020: Nil and Nil)
- HL Hutchinson Ltd – Oxbury held deposits of £4,014k at the end of the year, and incurred £20k of interest expense (2020: Nil and Nil). No income was recognised in the period (2020: £12k).
- Frontier Agriculture Limited – Oxbury recognised £65k of interest income in the year from Frontier in relation to balances held by customers (2020: £12k). Frontier provided a guarantee against £2,568k of the loans and advances to customers as at Dec-21 (2020: Nil).

Under IAS 24 individual related parties include those which provide key management personnel services to Oxbury, including having the authority and responsibility for planning, directing, and controlling the activities of the business. Entities are determined as related parties where a member of the key management personnel of Oxbury is also a member of key management of that third party entity, and a material transaction was in place during the period.

16. Other assets

GBP (000s)	2021	2020
Prepayments	353	292
Other Assets	86	-
Trade Receivables	21	-
Total	460	292

Of which; falling due after more than one year

GBP (000s)	2021	2020
Trade Receivables	-	-
Accrued Income Receivable	-	0
Prepayments	(0)	8
Other Assets	81	-
Total	81	8

17. Other Liabilities and accruals

GBP (000s)	2021	2020
Trade Creditors	102	128
Taxes and Social Security	158	121
Lease Liabilities	465	19
Accruals and Other Liabilities	457	495
Total	1,182	763

Of which; falling due after more than one year

GBP (000s)	2021	2020
Lease Liabilities	324	-
Total	324	-

Details of lease liabilities are shown in note 27.

18. Capital Management

Oxbury manages the bank's capital position to achieve the maintenance of sufficient capital in terms of both quantum and quality to meet its regulatory requirements. The requirements are assessed through the Internal Capital Adequacy Assessment Process (ICAAP), which provides a review of the planned capital requirements over a five-year period. Through the review, Oxbury assesses the primarily risks to which it is exposed, and the resultant capital requirements. Oxbury applies the standard approach to capital calculations for credit risk, and the basic indicator approach for operational risk.

At the end of the financial year, Oxbury held Common Equity Tier 1 capital, comprised of relevant share capital and retained earnings.

The comparison of the available and required capital positions are reviewed on a monthly basis.

19. Financial Risk Management

The Company's operations expose it to credit risk, liquidity risk, interest rate risk and business risk; it is not exposed to any significant foreign exchange risk. Responsibility for the control of overall risk lies with the board of directors, operating within a management framework. The interest rate and liquidity risk faced by the Company managed by the asset and liability committee. The credit risk is carefully monitored by the Company's credit committee and credit functions in practice, day to day, under oversight of management. Business risk is managed through regular reporting and oversight.

Credit risk

Credit risk management

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due and is managed through the application of strict underwriting criteria, determined by the Company's credit committee and credit functions. Significant credit exposures are measured and reported on a regular basis. Impairment provisions are provided for losses that are expected to be incurred at the Balance sheet date.

For loans and advances, credit risk arises both from amounts lent and commitments to extend credit to a customer, principally loan commitments.

In measuring the credit risk of loans and advances, the Company reflects three components:

- (i) the 'probability of default' of an obligor defaulting (credit event) on some obligation
- (ii) current exposures to the counterparty and their likely future development, from which the Company derives the 'exposure at default'; and
- (iii) the likely recovery ratio on the defaulted obligations (the 'loss given default').

Credit risk in relation to cash and cash equivalents is discussed in note 4.12.

19. Financial Risk Management continued

Credit risk mitigation

Credit principles and policy sets out credit principles and policy according to which credit risk is managed, which in turn is the basis for credit policy. Principles and policy are reviewed regularly, and any changes are subject to a review and approval process. Credit policy includes lending guidelines, which define the responsibilities of lending officers and provide a disciplined and focused benchmark for credit decisions.

Concentration risk: Credit risk management is monitored through defined risk appetite.

Counterparty limits: Credit risk is subject to individual credit assessments, which consider the strengths and weaknesses of individual transactions and the balance of risk and reward. The Company's exposure to individual counterparties, groups of counterparties or customer risk segments is controlled through a tiered hierarchy of delegated sanctioning authorities.

Credit concentration - Loans and advances to customers

The Company lends to customers geographically located in the United Kingdom. Collateral held as security against loans and advances to customers is primarily in the form of Legal mortgage followed by Agricultural charges, Debentures and Guarantees.

Loans and advances to customers - gross carrying value

At 31 December 2021		Stage 1	Stage 2	Stage 3	Total
	PD Range	£'000	£'000	£'000	£'000
Grade 1	0.00 - 0.36%	55,320	-	-	55,320
Grade 2	0.37 - 0.85%	25,576	-	-	25,576
Grade 3	0.86 - 1.61%	29,614	-	-	29,614
Grade 4	1.62 - 3.45%	975	-	-	975
Grade 5	3.45 - 6.25%	-	-	-	-
Grade 6	6.26 - 100%	141	25	-	166
		111,626	25	-	111,651

All loans and advances are less than 30 days past due including an exposure in Stage 2. The stage 2 exposure shows an increased probability of default.

19. Financial Risk Management continued

Loan commitments

At 31 December 2021		Stage 1	Stage 2	Stage 3	Total
	PD Range	£'000	£'000	£'000	£'000
Grade 1	0.00 - 0.36%	7,425	-	-	7,425
Grade 2	0.37 - 0.85%	2,710	-	-	2,710
Grade 3	0.86 - 1.61%	1,687	-	-	1,687
Grade 4	1.62 - 3.45%	200	-	-	200
Grade 5	3.45 - 6.25%	-	-	-	-
Grade 6	6.26 - 100%	40	-	-	40
		12,062	-	-	12,062

Loans and advances to customers – Expected credit loss

At 31 December 2021		Stage 1	Stage 2	Stage 3	Total
	PD Range	£'000	£'000	£'000	£'000
Grade 1	0.00 - 0.36%	17	-	-	17
Grade 2	0.37 - 0.85%	12	-	-	12
Grade 3	0.86 - 1.61%	25	-	-	25
Grade 4	1.62 - 3.45%	4	-	-	4
Grade 5	3.45 - 6.25%	-	-	-	-
Grade 6	6.26 - 100%	2	5	-	7
		60	5	-	65

Loan commitments – Expected credit loss

At 31 December 2021		Stage 1	Stage 2	Stage 3	Total
	PD Range	£'000	£'000	£'000	£'000
Grade 1	0.00 - 0.36%	7	-	-	7
Grade 2	0.37 - 0.85%	3	-	-	3
Grade 3	0.86 - 1.61%	5	-	-	5
Grade 4	1.62 - 3.45%	3	-	-	3
Grade 5	3.45 - 6.25%	-	-	-	-
Grade 6	6.26 - 100%	2	-	-	2
		20	-	-	20

19. Financial Risk Management continued

Analysis of movement in the allowance for impairment losses by stage

<u>In respect of drawn balances</u>	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
At 31 December 2020	-	-	-	-
Charge for the year due to Origination	60	5	-	65
At 31 December 2021	60	5	-	65

In respect of undrawn balances and loan commitments.

	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
At 31 December 2020	-	-	-	-
Charge for the year	20	-	-	20
At 31 December 2021	20	0	-	20

Reposessed collateral

Collateral held against Loans and advances to customers principally comprises agricultural land and buildings. The Company does not take physical possession of any collateral but uses agents to realise the collateral's value as soon as practicable, usually at auction, to settle indebtedness. Any surplus funds are then returned to the borrower or are otherwise dealt with in accordance with appropriate insolvency regulations. During the year the Company did not repossess any. The carrying value of any reposessed collateral is considered an approximation of fair value.

19.1 Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its obligations as they fall due. To manage this risk the Company ensures the maturity of deposit liabilities and HQLA deposits held at the Bank of England are sufficient to cover Lending assets in line with the Companies liquidity appetite.

Liquidity risks are managed by the Finance department of the Company, in consultation with the Asset and Liability committee (ALCO). Weekly reviews of funding positions are undertaken to anticipate any shortfalls.

19. Financial Risk Management continued

19.2 Interest rate risk

Interest rate risk is the risk of financial loss as a result of adverse movements in interest rates and arises largely because of timing differences between the repricing of financial assets and liabilities. Interest rate risk is managed by the Finance department, in consultation with the Asset and Liability committee (ALCO). However, the Company is exposed to interest rate fluctuations due to factors outside the Company, and as a result a sensitivity analysis has been prepared to illustrate the impact of a change in the rates.

Interest rate risk - sensitivity analysis

The sensitivity analysis is based on the Company's Loans and advances to customers and amounts due to deposit liabilities and takes account of movement in the average rate. A 25 basis point increase or decrease to the rate is used to assess the possible change in interest income.

Net interest income would decrease by £69k with an increase of 25 basis points and would increase by £69k with a decrease of 25 basis points to the rate.

19.3 Business risk

Business risk is the risk that the Company's earnings are adversely impacted by a suboptimal business strategy or the suboptimal implementation of the strategy. In assessing business risk consideration is given to internal and external factors such as products, funding, resource capability and economic, political and regulatory factors. Through regular reports and oversight; business risk is managed by corrective actions to plans and reductions in exposures where necessary.

19. Financial Risk Management continued

19.4. Fair values of financial assets and liabilities

The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation state. Fair values of loans and advances to customers are estimated by discounting anticipated cash flows (including interest at contractual rates) at market rates for similar loans prevailing at the balance sheet date.

In order to show how fair values have been derived, financial instruments are based on a hierarchy of levels.

Level 1 – valuation is based on unadjusted quoted prices from an active market for identical assets or liabilities.

Level 2 – valuation is based on directly and indirectly observable market data, including that from similar assets or liabilities in inactive markets, and derived from other quoted markets.

Level 3 – where the valuation is based on one or more unobservable inputs that is significant to the valuation as a whole.

Cash and cash equivalents and loans and advances to customers are measured at amortised cost.

The unobservable nature of the loans and advances to customers and the deposits held require the values to be classified as Level 3 in the hierarchy, based on the present value of future principal and interest cashflow, discounted at the reporting date using the relevant interest rate and adjusted for material movements in expected credit losses. Oxbury's other financial assets are classified as Level 3, and approximated to the carrying amount based on both the expectation of minimal credit losses and being short-term in nature.

Financial liabilities are classified and subsequently measured at amortised cost and classified as Level 3. The fair value approximation is based on a discounting of future expected cashflows using the underlying interest rate, which materially aligns to the carrying value based on amortised cost.

Debt securities held in 2020 (2021: Nil) are categorised as Level 1 based on a direct observable quoted price.

The aggregated fair value of Loans and advances to customers is approximately £110,610k. The carrying value of all other financial assets and liabilities is considered an approximation of fair value. The fair value of collateral held as security against Loans and advances to customers is £250,833k.

20. Share Capital

At the reporting date, the shares issued comprised:

Share Class (Issued at £0.01 nominal)	Number of Shares at 31st Dec 2021	Nominal Value at 31st Dec 2021	Number of Shares at 31st Dec 2020	Nominal Value at 31st Dec 2020
		GBP (000s)		GBP (000s)
A Ordinary Shares	45,868,846	459	39,534,987	395
B Ordinary Shares	2,500,000	25	2,500,000	25
C Ordinary Shares	3,006,008	30	2,783,786	28
Total	51,374,854	514	44,818,773	448

A Ordinary and B ordinary shares have full voting and economic rights, C shares do not have voting rights but do have economic rights, where vested. Unvested C shares do not have voting or economic rights. All shares are fully paid. During the year ended 31 December 2021, 6,333,859 A Ordinary £0.01 shares were issued for £63,339; which resulted in share premium of £11,883k and 222,222 C Ordinary £0.01 shares were issued for £2,222 (2020: 17,451,653 A Ordinary £0.01 shares were issued for £174,516; which resulted in share premium of £24,312k).

21. Share Premium

	31st Dec 2021 GBP (000s)	31st Dec 2020 GBP (000s)
Share Premium balance brought forward	28,541	4,229
Additions during the year	11,883	24,312
As at 31 December 2021	40,424	28,541

22. Accumulated Losses

	31st Dec 2021 GBP (000s)	31st Dec 2020 GBP (000s)
Accumulated Loss brought forward	(7,094)	(3,038)
Loss for the year ended 31 December	(7,463)	(4,056)
As at 31 December 2021	(14,557)	(7,094)

23. Share Based Payments

The Company operates a share option scheme for specific employees, all of which are determined to be exclusively equity-settled. Share options are also utilised in the remuneration of specific suppliers.

The value of the awards granted to employees is determined using the Black-Scholes valuation model at grant date, in the absence of an active market for the shares. The value of awards granted to suppliers is also evaluated using the Black-Scholes model, due to there not being a readily ascertainable value of the goods and services received. The vesting requirements rely on completion of a period of employment for employees, and for suppliers is determined against specific company achievements. The maximum term of options granted is 15 years.

The calculations within the model require the use of subjective assumptions, including the expected volatility of the share price, expected life of the award and any dividend yield. All these factors can impact the fair value estimate.

Oxbury operates two separate schemes for employees and one for suppliers, the main assumptions for each is as per the table below.

Year of grant:	Employees: 2020	Employees: 2021	Suppliers: 2018
Risk Free Rate	1.00%	0.44%	1.00%
Expected volatility	100%	50%	100%
Dividend Yield	Nil	Nil	Nil
Expected Life of option	0.1 Years	7.5 Years	2.5 years

No share options were exercised in the year to 31.12.2020 or 31.12.2021 by employees.

One Supplier, Naqoda Limited, exercised their right to purchase 222,222 C share options in the year ended 31 December 2021, at the face value of £0.01 per share. (2020: 111,111 share options at £0.01)

No share options expired in the year end 31 December 2021 or 2020.

The model assumes that there is constant predictable volatility in the share price, which has been estimated in terms of 2020 share options based on both the relative early stage of the Company and the immaterial impact assessed via sensitivity analysis, and the 2021 shares based on the comparable deviation for a selection of comparable quoted banks over the expected term of the option.

The amount recognised is expensed in the relevant period for those shares related to employees, or capitalised where relevant for those related to suppliers.

23. Share Based Payments continued

	31st Dec 2021 GBP (000s)	31st Dec 2020 GBP (000s)
Share Based Payment Reserve brought forward	5	3
Additions during the year	12	2
As at 31 December 2021	17	5

	Number of Share Options	Weighted Average Exercise price	Original Contractual Life (where available) - years
Outstanding at 1 January 2021	434,023	£0.26	14.9
Granted during the year	-	-	-
Forfeited during the year	-	-	-
Exercised during the year	222,222	£0.01	-
Expired during the year	-	-	-
Outstanding at 31 December 2021	211,801	£0.53	14.9
<i>Of which: tranche 1</i>	<i>111,111</i>	<i>£0.01</i>	<i>-</i>
<i>Of which: tranche 2</i>	<i>100,690</i>	<i>£1.10</i>	<i>14.9</i>
Exercisable at 31 December 2021	-	-	-

24. Cash and Cash Equivalents

	31st Dec 2021 GBP (000s)	31st Dec 2020 GBP (000s)
Balances held with the Bank of England	44,016	-
Balances held with other banks	6,442	19,164
Other balances	100	51
As at 31 December 2021	50,558	19,215

No allowance for ECL was assessed during the year, no offsets or netting arrangements were in place and Oxbury did not have any off-balance sheet exposures in respect of the above. The maximum credit risk exposure to cash and cash equivalent balances was £50,558k (2020; £19,215k)

25. Loans and Advances to Customers

The total of customer loans as at 31 December 2021 was £110,610k of which £2,232k was due within one year. (2020 - less than £1k – all due within 1 year). The maximum exposure to credit risk from loans and advances to customers including loan commitments is £126,298k. This includes revolving credit products at 100% of facility limits which is higher compared to IFRS9 which measures loan commitments at the expected utilisation for the next 12 months. The increase in loan commitments is £3,711k of limits which are not expected to be utilised.

	31st Dec 2021 GBP (000s)	31st Dec 2020 GBP (000s)
Loans and Advances to Customers - maturity bucketing		
Amounts due:		
- within one year	2,232	0
- over one year but less than five years	19,093	-
- over five years	89,285	-
Gross Loans and Advances	110,610	0
Allowance for ECL	(85)	-
As at 31 December 2021	110,525	0

26. Customer Deposits

All customer deposits at 31 December 2021 were £138,217k (2020 - less than £1k and due within one year)

	31st Dec 2021 GBP (000s)	31st Dec 2020 GBP (000s)
Customer deposits	138,217	0
Amounts due:		
- no later than one month	2,049	-
- over one month and less than 3 months	14,825	-
- over 3 months and less than one year	106,345	-
- over one year and less than five years	14,998	-
- over five years		
Total Notice and Term deposits	138,217	0
Easy Access Accounts	0	0
Total deposits as at 31 December 2021	138,217	0

27. Lease Liabilities

	31st Dec 2021	31st Dec 2020
	GBP (000s)	GBP (000s)
	Land and Buildings	Land and Buildings
As at 1 January 2021	19	8
Additions	483	40
Disposals	(17)	
Interest expense	14	5
Lease Payments	(34)	(34)
As at 31 December 2021	465	19
Of which due within one year	131	19
Due between one year and five years	324	-

Included in the above is a dilapidations provision of £12k, which is based on estimated relevant liability at the end of the lease. Interest on the above amount is expected to total £112k over the length of the lease.

All lease liabilities relate to office space the Company's registered office. The Company took over the lease of office space at One City Place Chester on 1st September 2021 and changed its registered office to that address on 19th October 2021. The lease of office space at the Company's former registered office expired on 7th January 2022.

The contractual undiscounted lease liabilities at the end of the year equated to £564k, of which £141k was due within one year, and the remainder due within the subsequent four years.

28. Country-by-Country Reporting

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

	31st Dec 2021 GBP (000s)	31st Dec 2020 GBP (000s)
Turnover*	323	0
Loss before tax	(7,463)	(4,341)
Corporation tax paid/(refunded)	-	(285)
Average number of employees (FTE)	73	63

*Turnover is defined as total interest income less interest expense

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

29. Post Balance Sheet Events

Issue of additional Share Capital (January 2022)

On 26th January 2022 the Company secured investment of £6,885k in the form of a capital raise through the issue of 3,358,412 A shares of £0.01 nominal value. This equated to £34k share capital plus £6,851k share premium.

Acquisition of Subsidiary (January 2022)

On 28th January 2022 Oxbury purchased 100% of the share capital of Naqoda Limited (subsequently changed to Oxbury Earth Limited) to provide for full ownership of the core platform for the company, with the relevant intellectual property owned by the acquired business.

The total consideration for the business consisted of primarily of cash together with share options in the acquirer, with a total value of £2.55m (the cash element being £2.45m).

As part of the transaction, Oxbury Bank acquired deemed net assets of £1.0m, primarily comprised of cash of £1.1m. The value of goodwill within the transaction is £1.5m, relating to intangible assets which do not qualify for specific recognition. No tax deduction is expected to be available due to the qualifying intellectual property exemption.

The acquisition was fully finalised before the date of these financial statements.

Issue of additional Share Capital (May/June 2022)

During May and June 2022, the Company completed the first tranches of the latest capital raising, securing investment of £11,079k in the form of a capital raise through the issue of 5,275,652 A shares of £0.01 nominal value. This equated to £53k share capital plus £11,026k share premium.



Macro-Economic Environment

Oxbury are aware of the conflict in the Ukraine, which will potentially have an impact on the business. As at the completion of these statements, Oxbury is unable to determine the likely impact, if any, that this would have on the performance of the business with reasonable certainty.

(This page intentionally left blank to identify the end of the report)