(B) Consolidated Financial Information

Consolidated statement of comprehensive income

For the years ended 31 December 2020, 2021 & 2022

	Note	2020	2021	2022
		£'000	£'000	£'000
Continuing operations				
Interest income				
• interest income calculated using Effective Interest Rate (EIR)	5	6,936	2,706	17,108
• other interest and similar income	5	6	2	63
Interest expense	5	(5,180)	(1,410)	(10,398)
Net interest income		**1,762**	**1,298**	**6,773**
Net Gain on financial assets mandatorily held at fair value through comprehensive income		2,064	888	1,009
Gains on Money Market Funds	5	335	3	3,584
Fees and commission income	6	10,955	11,825	15,797
Net foreign exchange gain	7	18,777	39,135	82,756
Revenue, net of interest expense		**33,893**	**53,149**	**109,919**
Other operating income/(loss)	8	374	347	(484)
Total income, net of interest expense	4	**34,267**	**53,496**	**109,435**
Operating expenses				
• Recurring	9	(36,505)	(44,134)	(60,270)
• Non-recurring	9	-	-	(5,332)
Impairment (loss)/reversal on financial asset at amortised cost		(167)	150	(342)
(Loss)/ Profit before taxation		**(2,405)**	**9,512**	**43,491**
Tax charge	10	(387)	(1,899)	(10,456)
(Loss)/ Profit for the year from continuing operations		**(2,792)**	**7,613**	**33,035**
Other comprehensive income for the year:				
Items that may be reclassified subsequently to profit or loss:				
Foreign exchange gains/ (losses) on translation of foreign operations	30	(29)	(153)	119
Items that will not be reclassified subsequently to profit or loss:				
Movement in investment revaluation reserve for equity instruments at fair value through other comprehensive income	29	17	12	88
Income tax relating to items	29	(4)	(2)	(17)
Other comprehensive income / (loss) for the year net of tax		**(15)**	**(143)**	**190**
Total comprehensive income for the year		**(2,807)**	**7,470**	**33,225**
Total Profit or (Loss) attributable to:				
• Owners of the parent	31	(2,614)	7,143	30,696
• Non-controlling interests	31	(178)	470	2,339
Total		**(2,792)**	**7,613**	**33,035**
Total comprehensive income attributable to:				
• Owners of the parent	31	(2,628)	7,010	30,873
• Non-controlling interests	31	(179)	460	2,352
Total		**(2,807)**	**7,470**	**33,225**
Earnings per share for the profit attributable to owners of the parent (expressed in £ per share):				
From Continuing operations:				
• Basic and Diluted	27	(0.04)	0.11	0.45

Consolidated statement of financial position

as at 31 December

	Note	2020	2021	2022
		£'000	£'000	£'000
Assets				
Cash and balances at central banks	11	677,864	676,492	607,358
Money market funds	12	52,738	336,737	209,486
Loans and advances on demand to banks	13	74,565	106,880	90,209
Other loans and advances to banks	13	151,852	74,430	93,164
Loans and advances to customers	13	-	-	4,748
Derivative financial assets	14	2,305	1,641	6,590
Unsettled transactions	18	18,273	10,767	12,960
Accrued income	17	893	1,344	856
Investment in debt securities	15	162,369	73,248	414,061
Investment in equity securities	16	154	382	488
Other assets	18	4,403	8,203	19,537
Property, plant and equipment	19	2,514	2,057	1,579
Right of use assets	20	1,065	761	1,134
Intangible assets	21	22,733	22,663	22,624
Total assets		**1,171,728**	**1,315,605**	**1,484,794**
Liabilities				
Customer accounts	23	1,072,794	1,192,725	1,307,698
Derivative financial liabilities	14	13,511	7,669	4,565
Unsettled transactions	24	2,094	18,338	25,782
Other liabilities	24	4,116	7,233	11,518
Provisions	25	137	32	79
Lease liabilities	20	1,051	819	1,281
Deferred tax liability	22	824	402	316
Accruals	24	6,040	8,659	19,364
Total liabilities		1,100,567	1,235,877	1,370,603
Equity				
Called up share capital	26	67,510	68,010	68,010
Retained earnings	28	1,138	8,870	40,299
Investment revaluation reserve	29	21	30	97
Other Reserves		(2,170)	(2,270)	(1,870)
Foreign currency translation reserve	30	1	(142)	(31)
Equity attributable to owners of the parent		66,500	74,498	106,505
Non-controlling interests	31	4,661	5,230	7,686
Shareholders' funds		71,161	79,728	114,191
Total equity and liabilities		1,171,728	1,315,605	1,484,794

Consolidated statement of changes in equity

For the year ended 31 December 2020, 2021 and 2022

	Attributable To Equity Holders of The Company							
	Share Capital	**Retained Earnings**	**Other Reserves**	**Investment revaluation reserve**	**Foreign currency translation reserve**	**Total**	**Non-Controlling Interest (NCI)**	**Total Shareholders' Funds**
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 January 2020	**67,510**	**3,929**	**(2,570)**	**8**	**28**	**68,905**	**4,482**	**73,387**
Loss for the year (note 28)	-	(2,614)	-	-	-	(2,614)	(178)	(2,792)
Movement in investment revaluation reserve for equity instruments at fair value through other comprehensive income (note 29)	-	-	-	16	-	16	1	17
Income tax relating to items that will not be reclassified subsequently to profit or loss (note 29)	-	-	-	(3)	-	(3)	-	(3)
Foreign exchange gains / (losses) on translation of foreign operations (note 30)	-	-	-	-	(27)	(27)	(2)	(29)
Other comprehensive income/ (loss)	**-**	**-**	**-**	**13**	**(27)**	**(14)**	**(1)**	**(15)**
Total comprehensive income/ (loss)		**(2,614)**	**-**	**13**	**(27)**	**(2,628)**	**(179)**	**(2,807)**
Transactions with owners in their capacity as owners:								
Share based payment reserve (note 32)	-	505	-	-	-	505	-	505
Other movements in retained earnings	-	(682)	400	-	-	(282)	358	77
Total	**-**	**(177)**	400	-	**-**	**(223)**	**358**	**581**
At 31 December 2020	**67,510**	**1,138**	**(2,170)**	**21**	**1**	**66,500**	**4,661**	**71,161**

	Share Capital	Retained Earnings	Other Reserves	Investment revaluation reserve	Foreign currency translation reserve	Total	Non-Controlling Interest (NCI)	Total Shareholders' Funds
		Attributable To Equity Holders of The Company						
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 January 2021	**67,510**	**1,138**	**(2,170)**	**21**	**1**	**66,500**	**4,661**	**71,761**
Profit for the year (note 28)	-	7,143		-	-	7,143	470	7,613
Other comprehensive income								
Movement in investment revaluation reserve for equity instruments at fair value through other comprehensive income (note 29)	-	-	-	11	-	11	1	12
Income tax relating to items that will not be reclassified subsequently to profit or loss (note 29)	-	-	-	(2)	-	(2)	-	(2)
Foreign exchange gains / (losses) on translation of foreign operations (note 30)	-	-	-	-	(143)	(143)	(10)	(153)
Other comprehensive income/ (loss)	**-**	**-**	-	9	(143)	(134)	(9)	(143)
Total comprehensive income/ (loss)	**-**	**7,143**	-	**9**	**(143)**	**7,009**	**461**	**7,470**
Transactions with owners in their capacity as owners:								
Share issuance (note 26)	500	-		-	-	500	-	500
Share based payment reserve (note 32)	-	460	-	-	-	460	-	460
Other movements in reserves	-	-	(500)	-	-	(500)	-	(500)
Other movements in retained earnings	-	129	400	-	-	529	108	637
Total	**500**	**589**	**(100)**	**-**	**-**	**989**	**108**	**1,097**
At 31 December 2021	**68,010**	**8,870**	**(2,270)**	**30**	**(142)**	**74,498**	**5,230**	**79,728**
At 1 January 2022	**68,010**	8,870	**(2,270)**	**30**	**(142)**	**74,498**	**5,230**	**79,728**
Profit for the year (note 28)	-	30,696	-	-	-	30,696	2,339	33,035
Other comprehensive income								
Movement in investment revaluation reserve for equity instruments at fair value through other comprehensive income (note 29)	-	-	-	84	-	84	4	88
Income tax relating to items that will not be reclassified subsequently to profit or loss (note 29)	-	-	-	(17)	-	(17)	-	(17)
Foreign exchange gains / (losses) on translation of foreign operations (note 30)	-	-	-	-	111	110	8	119
Other comprehensive income/ (loss)	**-**	**-**	**-**	**67**	**111**	**178**	**12**	**190**
Total comprehensive income/ (loss)	**-**	**30,696**	**-**	**67**	**111**	**30,874**	**2,351**	**33,225**
Transactions with owners in their capacity as owners:								
Share based payment reserve (note 32)	-	388	-	-	-	388	-	388
Other movements in retained earnings	-	345	400	-	-	745	105	850
Total	**-**	**733**	**400**	**-**	**-**	**1,133**	**105**	**1,237**
At 31 December 2022	**68,010**	**40,299**	**(1,870)**	**97**	**(31)**	**106,505**	**7,686**	**114,191**

Consolidated Statement of Cash Flows

For the years ended 31 December

	Note	2020	2021	2022
		£'000	£'000	£'000
Net Cash Inflow/ Outflow from Operating Activities (Note 34)		10,537	320,234	(248,846)
Income tax paid		(218)	(2,111)	(9,583)
Payments for interest on lease liabilities		(7)	(20)	(19)
Net Cash generated from/ (used in) Operating Activities		**10,312**	**318,103**	**(258,448)**
Cash Flow from Investing Activities				
Sale / (Purchase) of investments		1,980	(216)	1
Purchase of property, plant and equipment	19	(706)	(470)	(346)
Purchase of intangible assets	21	(6,540)	(4,044)	(4,561)
Net Cash Used in Investing Activities		**(5,266)**	**(4,730)**	**(4,906)**
Cash Flow from Financing Activities				
Capital injection from issue of shares	26	-	500	-
Repayment of principal portion of the lease liabilities	20	(304)	(232)	(233)
Increase / (decrease) in overdrawn accounts		(70)	-	-
Net Cash (used in)/ generated from Financing Activities		**(374)**	**268**	**(233)**
Net Increase / (decrease) in Cash and Cash Equivalents		**4,672**	**313,641**	**(263,587)**
Cash and cash equivalents at the beginning of the year		**802,418**	**805,167**	**1,120,109**
Cash and balances at central banks	11	579,088	677,864	676,492
Money market funds	12	60,599	52,738	336,737
Loans and advances on demand to banks	13	162,731	74,565	106,880
Exchange (losses)/ gains on cash and cash equivalents		**(1,924)**	**1,301**	**50,531**
Cash and cash equivalents at the end of the year		**805,166**	**1,120,109**	**907,053**
Cash and balances at central banks	11	677,864	676,492	607,358
Money market funds		52,738	336,737	209,486
Loans and advances on demand to banks	13	74,564	106,880	90,209

Notes to the Consolidated Financial Information

1. **General Information**

CAB Payments Holdings Limited is a private company limited by shares and is incorporated and domiciled in UK. The address of its registered office is Quadrant House, The Quadrant, Sutton, Surrey, SM2 5AS. With effect from 6 March 2023, the name of the Company was changed from CABIM Limited to CAB Payments Holdings Limited.

The Company and its subsidiaries (excluding those set out in Note 2 below) (the "Group") provide regulated banking services that connect emerging and frontier markets to the rest of the world, using FX and payments technology.

2. **Basis of preparation**

The Consolidated Historical Financial Information ("HFI") comprises the audited consolidated statements of comprehensive income, financial position, changes in equity, cash flows and notes of the Group for the years ended 31 December 2022, 31 December 2021 and 31 December 2020 (the "**Consolidated Historical Financial Information**").

The Consolidated Historical Financial Information has been prepared specifically for the purposes of this Prospectus and does not constitute statutory accounts within the meaning of section 434(3) of the Companies Act 2006.

The Consolidated Historical Financial Information for periods ended 31 December 2020, 31 December 2021 and 31 December 2022 have been prepared in accordance with the requirements of the UK Prospectus Regulation, the Listing Rules and in accordance with this basis of preparation.

The Consolidated Historical Financial Information has been prepared on a going concern basis. In assessing going concern, the Directors take into account all factors likely to affect the future performance and financial position, including the Group's cash flows, solvency and liquidity positions and all the risks and uncertainties relating to business activities.

In making this assessment, the key factors considered by the Directors were:

- Uncertainty inherent in future financial forecasts, projections of working capital requirements and short-term working capital management requirements; and
- The impact of the competitive environment within which the Group's business operate.

Having considered all the factors above impacting the Group's business, including downside sensitivities, the Directors are satisfied that the Group has adequate resources to continue its operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis of accounting in preparing its Consolidated Historical Financial Information.

The results for the period of ownership of the investments listed below have not been included in the consolidated historical financial information because these entities and investments will not be part of the Group at the date of the initial public offering. Therefore in accordance with accounting conventions commonly used for the preparation of Consolidated historical financial information for inclusion in investment circulars as described in the Annexure to SIR 2000 (Investment Reporting Standard applicable to public reporting engagements on Consolidated Historical Financial Information) issued by the Financial Reporting Council they have been carved out from the consolidated historical financial information because the Directors believe it provides more meaningful financial information to investors on the consolidated historical financial performance of the on-going Group. The exclusion of these investments has been recorded as an equity reserve. The specific investments excluded are listed below:

(a) Crown Agents Investment Management Limited (referred to as 'CAIM') was controlled by the Group until 31 March 2023. The company reported a gain on disposal of £55,179 on completion of the disposal of CAIM. The Consolidated Historical Financial Information excludes the results of CAIM for all periods prior to its sale.

(b) JCF Nominees Limited (referred to as 'JCF') was controlled by the Group until 31 March 2023. The Consolidated Historical Financial Information excludes the results of JCF for all periods prior to its sale.

With the exception of the requirements of IFRS 10 Consolidated Financial Statements in relation to the non-consolidation of CAIM and JCF, as referred to above, the accounting policies adopted are those to be applied in the next statutory financial statements for the year ending 31 December 2023 (being prepared in accordance with UK-adopted IFRS). The accounting policies in Note 3 have been applied consistently throughout all periods presented.

The Consolidated Historical Financial Information is presented in British Pound Sterling ("GBP"), all values are rounded to the nearest thousand (GBP£'000), except when otherwise indicated.

3. **Significant accounting policies, judgements, and estimation uncertainty**

Basis of consolidation

The Consolidated Historical Financial Information includes the financial information of the Company and all of its subsidiaries, as listed in Note 33, over which the Company has control except for CAIM and JCF as described in note 2 above. Control is achieved when the Company:

- has the power over the investee;
- is exposed, or has rights, to variable return from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

A subsidiary is an entity controlled directly or indirectly by the Company. The Company controls a subsidiary when it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the investee.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Where necessary, adjustments are made to the consolidated historical financial information of subsidiaries to bring the accounting policies used into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the Group are eliminated on consolidation, with the exception of foreign currency gains and losses on intragroup monetary items denominated in a foreign currency of at least one of the parties.

Non-Controlling Interest ("NCI") in subsidiaries are identified separately from the Group's equity therein. Interests of non-controlling shareholders represent ownership interests entitling their holders to a proportionate share of net assets upon liquidation are initially measured at the non-controlling interest proportionate share of the acquiree's identifiable net assets. Subsequent to acquisition, the carrying amount of NCI is the amount of those interests at initial recognition plus the NCI's share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interest even if it results in the non-controlling interest having a deficit balance. Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amount of the Group's interests and the non-controlling interest are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interest are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

The Group has established an employee benefit trust ('EBT') and the Company is the sponsoring entity. Notwithstanding the legal duties of the trustees, the Company considers that it has 'de facto' control of the entity. No gain or loss is recognised in profit or loss or other comprehensive income on the purchase, sale or cancellation of the Company's own equity held by the EBT.

Basis of measurement

The Consolidated Historical Financial Information has been prepared on a going concern basis using the historical cost convention except for certain financial instruments that are measured at fair value.

New standards and interpretations

Amendments to IAS 1	Classification of Liabilities as Current or Non-current
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
IFRS 17	Insurance contracts

The adoption of the above standards have been applied for the Consolidated Historical Financial Information however did not have a material impact on the Group. There are no other new or revised standards or interpretations that are effective for the first time for the financial year beginning 1 January 2023 that would be expected to have a material impact on the Group.

Going concern

The Directors have considered the financial position of the Company and the Group, including the net current asset position, regulatory capital requirements and estimated future cash flows and have concluded that the Group will be able to meet its obligations for at least a period of 12 months from the date of this document. Furthermore, the Directors are of the view that:

(a) there are no material uncertainties relating to events or conditions that cast significant doubt on the Company and the Group’s ability to continue as a going concern;

(b) there are no significant judgements made by management in determining whether or not the adoption of the going concern is appropriate and

(c) there are no material uncertainties to disclose in respect of going concern.

Interest income and expense

Interest income and expense for all interest-bearing financial instruments, including funds interest accruals on related foreign exchange contracts, are recognised within Interest Income and Interest Expense in the statement of Consolidated Comprehensive Income. The interest income on assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, is recognised using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating the interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability.

Other interest income and similar income and other interest expense reflect received in relation to collateral balances and interest paid respectively.

Recognition of fees and commissions income

Fees and commissions income which are not an integral part of the effective interest rate are recognised as income as the Group fulfils its performance obligations. Fee and commission income include the following key streams:

- Account management and payment services: The Group's performance obligation in relation to account management services is to provide management or maintenance services to its current account holders. The revenue for these services is recognised over the period of time on a monthly basis and Crown Agents Bank Ltd ("CAB") provides the service.

  Payment services relate to payment services offered by the Group to its customers by executing payment transactions. Revenue from providing services is recognised at a point in time when the services are rendered i.e., when the payments are executed.

- Pension payment fees: Pension payment fees are charged to pension companies for making payments to pension beneficiaries on their behalf. The Group acts as a principal in rendering these services to its customers. Revenue from providing services is recognised at a point in time when the services are rendered i.e., when the payments are executed.

- Trade finance income:

  - Financial guarantee income: Financial guarantee income includes fixed fees earned by the Group for issuing financial guarantee contracts. The performance obligation of the Group is to provide financial assurance to the recipient of the guarantee in case of payment default. Revenue from providing financial guarantee services will be recognised over the period of time across the contract term. The fees for providing financial guarantee services is charged and collected upfront.

  - Income from letters of credit: The Group also receives certain fees in respect of its finance business against issue of letters of credit where the performance obligations are typically fulfilled towards the end of the customer contract. Such income is recognised as part of interest income. Where it is unlikely that the letter of credit will be exercised, letter of credit fees are recognised in fee and commission income over the life of the facility, rather than as an adjustment to the effective interest rate for loans expected to be drawn.

- Electronic platform fees: Platform fees include the services provided by the Group using its electronic platform to facilitate bulk payments to its customers. Revenue from providing platform fees services is recognised at a point in time when the services are rendered i.e., when the payments are executed.

- Risk assessment fees: Risk assessment fees include income from enhanced due diligence services provided by the Group under fixed price contracts. Revenue from providing services is recognised over the period of time in the accounting period on the basis of the actual service provided. As the fixed contracts are time-based contracts, revenue is determined based on the time elapsed relative to the total time as per the contract period. The invoicing for the risk assessment services is done on the completion of services or on a quarterly basis in accordance with the contractual terms. No significant element of financing is deemed present as the services provided allow a credit term of 30 days.
- Introductory fees are fees earned by CAB for introducing a new client to a third party to facilitate cash payment transactions. Revenue is recognised at a point in time when the services are rendered.

Net foreign exchange gains/ losses

These profits/ losses arise on foreign exchange settlements involving the transfer of customer funds to specified recipients. Under the Group's foreign exchange and payment services, customers agree to terms and conditions for all transactions at the time of signing a contract with the Group. Until the settlement of the contract, the Group measures these transactions at fair value with changes in fair value being recognised as profit or loss.

This net income also includes the profits and losses on remeasurement of forward foreign exchange derivatives carried at fair value through comprehensive income ("FVTCI"). See Note 7 for more details.

Foreign currency

(i) Functional and presentation currency

The Group's HFI is presented in pound sterling and rounded to thousands.

The Group's subsidiaries' functional currency is British pound sterling, except for the US subsidiaries CAB Tech HoldCo USA LLC, Segovia Technology Company (US) and Segovia International Holdings LLC (collectively referred to as Segovia), which is the US dollar.

(ii) Transactions and balances

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

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

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of comprehensive income except for foreign exchange gains and losses in relation to FVOCI instruments which are recognised in other comprehensive income.

(iii) Group companies

For the purpose of presenting the HFI, the assets and liabilities of the Group's foreign operations are translated to the Group's presentation currency at exchange rates prevailing on the respective balance sheet date. Income and expense items are translated at the average exchange rates for the year, unless these do not approximate to the foreign exchange rates ruling at the dates of the transactions, in which case the exchange rates at the date of transactions are used.

Foreign exchange differences arising on the translation of a foreign operation are recognised in other comprehensive income and accumulated in the Foreign Currency Translation Reserve ("FCTR").

Taxation

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Current and deferred tax are recognised in the consolidated statement of comprehensive income, except when they relate to items recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Current or deferred tax assets or liabilities are not discounted.

Current tax

The tax currently payable is based on taxable profit for the year, and amounts unpaid from previous years. Taxable profit differs from net profit as reported in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

A provision is recognised for those matters for which the tax determination is uncertain but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable.

If a company within the Group incurs losses within the period, that company may surrender trading losses and other amounts eligible for relief from corporation tax to another Group company (the claimant company) for the claimant company to set off against its own profits for corporation tax purposes as permitted by the HMRC.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the consolidated historical financial information and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, a deferred tax liability is not recognised if the temporary difference arises from the initial recognition of goodwill.

Current tax and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. If current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Intangible assets (excluding goodwill)

Intangible assets (except for goodwill) are stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated, using the straight-line method, to allocate the depreciable amount of the assets to their residual values over their estimated useful lives, as follows:

- Core accounting software – 10 years
- Other software – 5 years (or over the life of the licence if less)
- Brand/name – 50 years (acquired)

Costs associated with maintaining computer software are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use;
- management intends to complete the software and use or sell it;
- there is an ability to use or sell the software;
- it can be demonstrated how the software will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software are available; and
- the expenditure attributable to the software during its development can be reliably measured.

Other development expenditure that does not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Long term software-as-a-service type contracts that do not meet the definition of an asset (rental of software) are expensed to profit and loss over the period of the contract in line with the benefits received.

Property, plant and equipment and depreciation

Property, plant and equipment are stated in the consolidated statement of financial position at historic cost less accumulated depreciation. Cost includes the original purchase price of the asset and the costs attributable to bring the asset to its working condition for its intended use. Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Depreciation commences when an asset becomes available for use. The depreciation rate for each class is as follows. Depreciation is calculated to write down assets to their residual value in equal instalments over their estimated useful lives, which are:

Leasehold improvements	Life of lease
Computer equipment	5 years
Mobile phones	3 years
Fixtures and fittings	5 years
Artwork	20 years

Impairment of non-financial assets

At each statement of financial position date non-financial assets not carried at fair value are assessed to determine whether there is an indication that the asset may be impaired such as, decline in operational performance, changes in the outlook of future profitability among other potential indicators. If there is such an indication the recoverable amount of the asset is compared to the carrying amount of the asset.

Individual assets are grouped for impairment assessment purposes at the lowest level at which there are identifiable cash inflows that are largely independent of the cash flows of other groups of assets. This should be at a level not higher than an operating segment.

The recoverable amount of the asset is the higher of the fair value less costs to sell and value in use. Value in use is defined as the present value of the future cash flows before interest and tax obtainable as a result of the asset's continued use. These cash flows are discounted using a pre-tax discount rate that represents the current market risk-free rate and the risks inherent in the asset. In determining fair value less costs to sell, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. If the recoverable amount of the asset is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in the consolidated statement of comprehensive income unless the asset has been revalued then the amount is recognised in other comprehensive income to the extent of any previously recognised revaluation. An impairment loss recognised for goodwill is not reversed in a subsequent period.

If an impairment loss is subsequently reversed, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised in prior periods. A reversal of an impairment loss is recognised in the consolidated statement of comprehensive income.

Goodwill is allocated on acquisition to the cash generating unit expected to benefit from the synergies of the combination. Goodwill is included in the carrying value of cash generating units for impairment testing.

Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits held at call with commercial or central banks and exposures to money market funds (transacted via open ended investment companies). Cash equivalents are short-term highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather for investment or other purposes.

Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the Group's interest in the net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of any non-controlling interest in the acquiree.

Goodwill is tested for impairment at the end of each accounting period.

On disposal of a cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Goodwill is accounted for at cost less accumulated impairment losses.

Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTCI are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTCI are recognised immediately in the consolidated statement of comprehensive income.

Financials assets

All regular way purchases or sales of financial assets are recognised and derecognised using trade date accounting. The trade date is the date of the commitment to buy or sell the financial asset.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

Financial assets that meet the following conditions are measured subsequently at amortised cost:

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

Financial assets that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Despite the foregoing, the Group and the Company may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if equity instruments are held as a strategic investment and not held with the intention to realise a profit.

- By default, all other financial assets are measured subsequently at fair value through comprehensive income (FTCI).

The Group's financial assets measured at amortised cost comprise primarily of loans and advances, investment in debt securities, and other assets such as unsettled balances, staff loans and balances with mobile network providers.

The Group's financial assets measured at FVTCI comprise primarily of money market funds and derivative financial instruments.

Financial assets at FVTCI are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the 'other interest and similar income' line item (Note 5). Fair value is determined in the manner described in Note 43.

The Group's financial assets designated at fair value through other comprehensive income ("FVTOCI") comprise primarily of its investments in equity instruments, which are not held for trading, (see Note 16). The equity instruments are held as a strategic investment and not held with the intention to realise a profit.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the Investment revaluation reserve. The cumulative gain or loss is not reclassified to profit or loss on disposal of the equity investments, instead, it is transferred to retained earnings.

Dividends on these investments in equity instruments are recognised in profit or loss unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the 'other interest and similar income' line item (Note 5) in the Consolidated Statement of Comprehensive Income.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost. Interest income is recognised in the Consolidated Statement of Comprehensive Income in the " interest income" line item (Note 5).

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities

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

Classification of financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTCI.

Financial liabilities at fair value through profit and loss.

The Group's financial liabilities at FVTCI comprise primarily of foreign exchange forwards recognised as derivative financial liabilities (see below for policy on derivative financial instruments).

Financial liabilities at FVTCI are measured at fair value, with any gains or losses arising on changes in fair value recognised in profit or loss.

Financial liabilities at amortised cost

The Group's financial liabilities at amortised cost comprise primarily of customer accounts, other liabilities such as unsettled transactions, funds received in advance, and accruals.

Financial liabilities at amortised cost are measured subsequently at amortised cost using the effective interest method.

Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Derivative financial instruments

The Group's derivatives policy only permits dealing in forward foreign exchange contracts to hedge or provide services to customers.

Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value at the reporting date.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability.

Hedge accounting is not applied.

Offsetting

Financial assets and liabilities are offset and the net amounts presented in the Consolidated Historical Financial Information only when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Equity

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Repurchase of the Company's own equity instruments is recognised and deducted directly from 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.

Financial guarantee contracts and letter of credit confirmations/ bill acceptances – provisions

Financial guarantee contracts

A financial guarantee contract requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Letters of credit confirmations/ bill acceptances

Letters of credit confirmation/acceptance is a letter from an issuing bank guaranteeing that a buyer's payment to a seller will be received on time and for the correct amount. The Group confirms/ accepts the letters of credit issued by an issuing bank and charges fixed fees which are received either in advance or at a later date.

Financial guarantee contracts and letter of credit confirmations/ bill acceptances issued by the Group, with the fee received upfront, are initially measured at their fair values which are generally equal to the fee received. Financial guarantee contracts and letter of credit confirmations/ bill acceptances issued by the Group, with the fee received at termination date, are recognised initially at zero, as the term has not yet started. The receivable increases over the life of the contract as service is performed with the corresponding recognition of income in the statement of profit or loss.

All financial guarantee contracts issued by the Group are subsequently measured at the higher of:

- the amount of the loss allowance; and
- the amount initially recognised less, where appropriate, cumulative amount of income recognised in accordance with the Group's revenue recognition policies.

Financial guarantee contracts are presented as provisions on the Consolidated Statement of Financial Position and the remeasurement is presented in other income. The Group has not designated any financial guarantee contracts and letter of credit confirmations/ bill acceptances as at FVTCI.

Impairment of financial assets

The Group recognises loss allowances for Expected Credit Losses ("ECL") on the following financial instruments that are not measured at FVTCI and are not equity instruments measured at FVTOCI:

- Cash and balances at central banks
- Loans and advances
- Investment in debt securities
- Other assets including balances with mobile network operators
- Accrued income
- Financial guarantees (guarantee and letters of credit confirmations/ bill acceptances)
- Unsettled transactions

Equity investments are not subject to impairment.

ECLs are required to be measured through a loss allowance at an amount equal to:

- 12-month ECL (referred to as Stage 1); or
- lifetime ECL (referred to as Stage 2 and Stage 3).

The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

For these financial assets, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Significant increase in credit risk

The Group monitors all financial assets and financial guarantee contracts that are subject to the impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk the Group will measure the loss allowance based on lifetime rather than 12-month ECL.

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a

significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

- the financial instrument has a low risk of default;
- the debtor has a strong capacity to meet its contractual cash flow obligations in the near term; and
- adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group considers a financial asset to have low credit risk when the asset a credit rating of 'investment grade' in accordance with the globally understood definition, and a high credit risk when the asset has a credit rating of 'sub-investment grade'. Throughout the lifetime of the account, the Group monitors the behaviour of the asset based on its financial position and assesses whether the asset has any amounts past due. The Group assigns a "performing" status when the counterparty has a strong financial position and there is no past due amounts, and a "non-performing" status when there is a degradation in the financial position and subsequent arrears.

For financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a financial guarantee contract, the Group considers the changes in the risk that the specified debtor will default on the contract.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet the earlier of either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full.

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of expected credit losses ("ECL")

ECLs are a probability-weighted estimate of the present value of credit losses. These are measured as the present value of the difference between the cash flows due to the Group under the contract and the cash flows that the Group expects to receive arising from the weighting of multiple future economic scenarios, discounted at the asset's

Effective Interest Rate ("EIR").

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount of guaranteed debt that has been drawn down as at the reporting date, together with any additional guaranteed amounts expected to be drawn down by the borrower in the future by default date determined based on historical trend, the Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

For a financial guarantee contract, as the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed, the expected loss allowance is the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date.

The Group measures ECL on an individual basis, or on a collective basis for portfolios of loans that share similar economic risk characteristics. The measurement of the loss allowance is based on the present value of the asset's expected cash flows using the asset's original EIR, regardless of whether it is measured on an individual basis or a collective basis.

Presentation of ECL

Loss allowances for ECL are presented in the Consolidated Statement of Financial Position as follows:

- for financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- financial guarantee contracts: as a provision.

The Group recognises an increase or decrease in impairment in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Employee benefits

The Group provides a range of benefits to employees, including annual bonus arrangements, paid holiday arrangements, medical insurance and defined contribution pension plans. The Group also provides to Executive Directors and certain other key employees or senior management:

- a Long-Term Incentive Plan.
- the rights to invest in restricted shares and/or restricted share units of Group companies.

Short-term benefits

Short-term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

Pension Contributions

All pension contributions are accounted for as defined contributions and paid over on a monthly basis. No liability for pension entitlement accrues to the Group.

Long Term Incentive Plan and Restricted Shares/ Restricted Share Units Plan

The Group provides share-based payment arrangements to certain employees.

Equity-settled arrangements are measured at fair value of the equity instruments at the grant date. The fair value is expensed on a straight-line basis over the vesting period. The amount recognised as an expense is adjusted to reflect the actual number of shares that will vest. A corresponding increase is recognised in retained earnings over the period in which the service is fulfilled (the vesting period).

There are no market performance conditions but only service conditions. Service conditions are taken into account when determining the grant date and for fair value of awards, and the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Any other conditions attached to an award, but without an associated service requirement, are non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award. Share awards vest when service conditions are met.

Where equity-settled arrangements are modified before the vesting date, and are of benefit to the employee, the incremental fair value is recognised over the period from the date of modification to date of vesting. If modified after vesting, it is recognised immediately. Where a modification is not beneficial to the employee there is no change to the charge for the share-based payment. Settlement and cancellations are treated as an acceleration of vesting and the unvested amount is recognised immediately in the Consolidated Statements of Comprehensive Income.

The Group has no cash-settled arrangements.

Details regarding the determination of the fair value of equity-settled share-based transactions are set out in Note 32.

Provisions and contingent liabilities

Provisions are recognised in respect of present obligations arising from past events where it is probable that outflows of resources will be required to settle the obligations and they can be reliably estimated. Contingent liabilities are possible obligations whose existence depends on the outcome of uncertain future events or those present obligations where the outflows of resources are uncertain or cannot be measured reliably. Contingent liabilities are not recognised in the Consolidated Historical Financial Information but are disclosed unless they are remote.

Share capital and earnings per share

On issue of ordinary shares, any consideration received net of any directly attributable transaction costs is included in equity.

Basic and diluted earnings per share

Basic and diluted earnings per share is calculated on the Group's profit or loss after taxation attributable to the parent entity and on the basis of weighted average of issued and fully paid ordinary shares at the end of the year.

Diluted Earnings per share

Diluted earnings per share is calculated on the Group's profit or loss after taxation attributable to the parent entity and on the basis of weighted average of issued and fully paid ordinary shares at the end of the year and the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

Dividend

Dividends paid on the Group's ordinary shares are recognised as a reduction in equity in the period in which they are paid.

Leases (Group as lessee)

The Group assesses whether a contract is, or contains, a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as small items of fixtures and equipment with a value of less than £10,000). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

The incremental borrowing rate depends on the term, currency and start date of the lease and is determined based on a series of inputs including: the risk-free rate based on government bond rates; a country-specific risk adjustment; a credit risk adjustment based on bond yields; and an entity-specific adjustment when the risk profile of the entity that enters into the lease is different to that of the Group.

Lease payments included in the measurement of the Group's lease liabilities are fixed lease payments less any lease incentives receivable.

The lease liabilities are presented as a separate line in the Consolidated Statement of Financial Position.

The lease liabilities are subsequently measured by increasing the carrying amount to reflect interest on the lease liabilities (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The right-of-use assets comprise the initial measurement of the corresponding lease liabilities, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs and estimations of any dilapidation obligations. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the right-of-use asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the Consolidated Statement of Financial Position.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'impairment of non-financial assets' policy.

Critical judgements and estimates

In applying the Group's accounting policies, which are described in note 1, the directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the Group's accounting policies

There are no critical judgements, apart from those involving estimations (which are presented separately below), that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Research and development tax rebate

The Group recognises the research and development tax rebate (which is a tax claim) as an accrued income in the statement of financial position, when it is highly probable that the claim will result in a future economic benefit and can be reliably measured. The amount of the research and development tax rebate recognised in the financial statement is based on the management's best estimate of the probable amount that will be received (note 17).

Impairment losses on financial assets

The measurement of impairment losses across all categories of financial assets in scope requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Company determines impairment losses on financial assets based on estimates which entail elements of uncertainty. Estimation uncertainty is relevant in respect of the following measures:

- Probability of default – please see note 37

- Loss given default – please see note 37

- Forward looking information – please see note 37

- Exposure at default – please see note 37

4. **Segment Reporting**

The Group is UK based providing Foreign Exchange Transaction (FX) and payments services to OECD organisations, by selling over 100 currencies over the year, through buying currencies from Liquidity Providers in those regions.

Operating segments to be determined by the Group's internal reporting to the Chief Operating Decision Maker (CODM). The CODM has been determined to be the Group's Executive Committee. The information regularly reported to the Executive Committee for the purposes of resource allocation and the assessment of performance is based wholly on the overall activities of the Group. Based on the Group's business model, the Group has determined that it has only one reportable segment.

The CODM assesses the profitability of the segment based on Adjusted EBITDA

All revenue from external customers is generated through the UK and on that basis is wholly attributable to the UK and all non-current assets, other than financial instruments and deferred tax assets, are located in the UK.

The Group derives its income from the provision of the following services.

	2020 £'000	**2021 £'000**	**2022 £'000**
Continuing operations Revenue by Product Type:			
FX Revenue	14,904	29,241	63,425
Payments Revenue	12,993	20,368	33,661
Banking Services	6,370	3,887	12,349
Total income net of interest expenses	34,267	53,496	109,435
Other comprehensive income for the year:			
Foreign exchange gains/ (losses) on translation of foreign operations	(29)	(153)	119
Movement in investment revaluation reserve for equity instruments at fair value through other comprehensive income	17	12	88
Sub total	**34,255**	**53,355**	**109,642**
Less Clearing costs	(1,198)	(1,576)	(2,597)
Less Other costs of sales	(39)	(78)	(139)
Net revenue net of interest expenses	**33,018**	**51,701**	**106,906**

FX total income: The Group's FX revenue is derived from the difference between the exchange rate the Group makes available to its customers and the rate that it receives from one or more liquidity providers from whom it sources the relevant currency. Revenue categorized as FX is from customers with a need to exchange a bulk amount from one currency for another without onward payment to another party.

Payments total income: The Group's Payments revenue include cross currency payments, same currency payments (corresponding activity income, and account management fees), pension payments and platform revenue. Cross currency payments comprise margin derived from bid-ask spreads on foreign currency conversion and fees paid by customers to transfer money from one country to another to third parties. Same currency relates to payment services provided for payments transacted without an exchange of foreign exchange, largely relating to major market currency clearing, and includes fees for account management activities and payments execution. Pension payments fees relate to amounts earned on processing of pension scheme foreign exchange payments. Platform revenue relates to recurring fixed fees rather than fees earned on transaction volumes.

Banking Services: The Group also generates income from trade finance, liquidity services (including trade finance and letters of credit), and risk management consulting fees. As a licensed bank, the Group takes customer funds earmarked for other needs as customer deposits, and makes short-term investment in the money market to generate net interest income.

Profitability

The Group measures profitability for the reporting segment on an Adjusted EBITDA. Adjusted EBITDA is used as a key profit measure because it shows the results of normal, core operations exclusive of income or charges that are not considered to represent the underlying operational performance. Adjusted EBITDA is useful as a measure of comparative operating performance between both previous periods, and other companies as it is removes the effect of depreciation and amortisation, and non-recurring operating expenses, as well as items relating to capital structure.

	2020 £'000	2021 £'000	2022 £'000
(Loss)/Profit before tax	**(2,405)**	**9,512**	**43,491**
Adjusted for:			
Amortisation	3,030	4,275	4,600
Depreciation	1,006	1,146	1,138
Non - recurring operating expense	-	-	5,332
Adjusted EBITDA	**1,631**	**14,933**	**54,561**

Adjusted EBITDA – Earnings before Interest (but including net interest income – see note 5), Tax, Depreciation and Amortisation and non-recurring operating expense

5. Net Interest Income

	2020 £'000	2021 £'000	2022 £'000
Interest on cash and balances at central banks	1,148	680	8,216
Interest on loans and advances	3,515	1,394	3,723
Interest on investment in debt securities	2,273	632	5,168
Total interest income calculated using Effective Interest Rate (EIR)	**6,936**	**2,706**	**17,107**
Other interest income and similar income	6	1	63
Total other interest and similar income	**6**	**1**	**63**
Interest on financial liabilities at amortised cost	5,160	1,389	10,329
Interest expense on lease liabilities	7	20	19
Other interest expense	14	1	51
Total interest expenses	**5,180**	**1,410**	**10,398**
Total net interest income	**1,762**	**1,298**	**6,773**

6. Fees and commissions Income

Fees and commissions Income:	2020 £'000	2021 £'000	2022 £'000
Account management and payments	6,500	8,781	12,151
Pension payment fees	1,085	1,156	1,395
Trade finance	1,012	768	645
Electronic platform fees	1,368	537	785
Risk assessment services	990	583	-
Introductory fees	-	-	821
Total fees and commission income	**10,955**	**11,825**	**15,797**

At 31 December 2022, the Group held on its Consolidated Statement of Financial Position £610k (2021: £612k, 2020: £554k) of accrued income in respect of services provided to customers and £171k (2021: £128k, 2020: £138k) of deferred income in respect of amounts received from customers for services to be provided after the year end.

7. Net foreign exchange gain

	2020 £'000	2021 £'000	2022 £'000
Profit on settlement of foreign exchange contracts, fair value gains on derivatives, and remeasurement of non-sterling balances	14,791	28,738	63,080
Foreign exchange gains on payment transaction revenue	3,986	10,397	19,676
As at 31 December	**18,777**	**39,135**	**82,756**

Foreign exchange derivative financial instruments are mandatorily held at FVTCI.

8. Other operating income/(loss)

	2020 £'000	2021 £'000	2022 £'000
Other operating income / (loss)	375	347	(484)

Other operating income / (loss) balance consists of an estimate of the R&D claim submitted to HMRC from 2020 and 2021. It relates to tax credits received under the UK Research and Development Expenditure Credit ("RDEC") scheme and is recognised in the Consolidated Statement of Comprehensive Income in the same period in which the revenue/ expense is incurred.

In 2022, the Group re-estimated the calculation of the R&D claim which resulted in the reversal of the other income in the Statement of Profit or Loss.

9. Operating expenses

	2020 £'000	2021 £'000	2022 £'000
Staff costs and directors' emoluments (before non-recurring operating expenses)			
Salaries and bonuses	16,032	20,662	30,050
Share based payments	511	722	837
Social security costs	1,863	2,614	3,484
Pension costs	898	1,070	1,445
Sub Total	19,304	25,068	35,816
Clearing Costs	1,198	1,576	2,597
Fees payable to the auditors			
Audit	445	333	827
Audit related services	-	-	-
Non-audit services	-	-	11
Depreciation and amortisation:			
Amortisation of intangible assets	3,030	4,275	4,600
Depreciation of property, plant, and equipment	702	842	816
Depreciation charge for right-of-use assets	304	304	322
Total depreciation and amortisation	**4,036**	**5,421**	**5,738**
Low-value lease expenses	53	23	25
Other costs of sales	39	78	138
Other operating expenses*	11,430	11,635	15,118
Total recurring operating expenses	**36,505**	**44,134**	**60,270**
Non-recurring operating expenses	-	-	5,332
Total operating expense	**36,505**	**44,134**	**65,602**

* Other operating expenses includes bank charges, software license, and other software services.

Non-recurring operating expenses disaggregate as follows.	**2020**	**2021**	**2022**
Professional costs re review of strategic options	-	-	1,868
Non performance related staff bonuses	-	-	3,464
Total	-	-	**5,332**

The monthly average number of full-time equivalent staff employed within the Group, including executive directors, was 234 in the year ended 31 December 2022 (2021: 216, 2020: 202).

10. **Income Tax Expense**

A. Analysis of tax charge for the year

i. Income tax expense

	2020 £'000	2021 £'000	2022 £'000
Current tax			
Corporation tax based on the taxable profit and other comprehensive income for the year	44	2,105	10,577
Prior year adjustment	(23)	223	(20)
Total current tax	**21**	**2,328**	**10,557**
Deferred tax			
Prior year	13	(357)	59
Impact of tax rate changes	53	25	9
Origination and reversal of temporary differences	304	(95)	(152)
Deferred tax credit in statement of comprehensive income	**370**	**(427)**	**(84)**
Total tax charge in consolidated statement of comprehensive income	**391**	**1,901**	**10,473**

The total tax charge to profit or loss and other comprehensive income for the financial year is analysed as follows:

	2020 £'000	2021 £'000	2022 £'000
Total tax charge for the year	391	1,901	10,471
Effective tax	16%	20%	24%

ii. Amounts recognised directly in other comprehensive income

	2020 £'000	2021 £'000	2022 £'000
Aggregate deferred tax arising in the reporting period and not recognised in net profit or loss and recognised in other comprehensive income:	5	2	17

B. Factors Affecting Income Tax Expense for the Year

The tax assessed for the year ended 31 December 2022 is higher (2021: higher, 2020: lower) than the standard rate of Corporation Tax in the UK.

	2020 £'000	2021 £'000	2022 £'000
(Loss)/ profit before taxation	(2,405)	9,512	43,491
Standard rate corporation tax of 19.00% on profit before taxation (2021: 19.00%, 2020: 17.00%)	(454)	1,810	8,263
Effect of:			
- expenses not deductible for tax	254	495	360
- temporary differences regarding capital items	-	(308)	67
- losses not available for group relief	500	-	79
- impact of overseas tax rates	48	(11)	(40)
- tax rate changes	53	-	9
Permanent difference due to banking surcharge levy	-	-	1,696
Prior year adjustments/ other	(10)	(85)	39
Total income expense for the year	**391**	**1,901**	**10,473**

For 31 December 2020: In the Spring Budget 2021, the Government announced that from 1 April 2023 the corporation tax rate will increase to 25%. Since the proposal to increase the rate to 25% had not been substantively enacted at the balance sheet date, its effects are not included in the Consolidated Historical Financial Information.

For 31 December 2021: In the 2021 Spring Budget, the Government announced that from 1 April 2023 the corporation tax rate will increase from 19% to 25%. The figures above incorporate the increased tax rate in respect of timing differences expected to reverse after that date.

For 31 December 2022: The Finance Act 2021 enacted that from 1 April 2023 the main corporation tax rate will increase to 25%. In addition, there is a permanent difference due to banking surcharge levy of 3% in relation to taxable profits of banks in excess of £100 million from 1 April 2023. The effects of this increase are reflected in the Consolidated Historical Financial Information. The figures above incorporate the increased tax rate in respect of timing differences expected to reverse after that date.

11. Cash and Balances at Central Banks

	2020 £'000	2021 £'000	2022 £'000
Cash and balances at central banks	677,864	676,492	607,358
Less: Impairment loss allowance	-	-	-
Total	**677,864**	**676,492**	**607,358**
Component of cash and balances at central banks included in statement of cashflows under:			
Cash and cash equivalents balances	677,864	676,492	607,358

Reconciliation to Cash Flow Statement

The above figures reconcile to the amount of cash and cash equivalents shown in the Cash Flow Statement as follows:

	2020 £'000	2021 £'000	2022 £'000
Balance as above	677,864	676,492	607,358
Loans and advances on demand to banks (note 13)	74,565	106,880	90,209
Money market funds (note 12)	52,738	336,737	209,486
Balances as per Cash Flow Statement	**805,167**	**1,120,109**	**907,053**

There are no restricted amounts within cash and balances at Central Banks.

These are measured at amortised cost as they meet the solely payment of principal and interest (SPPI) criterion and are held to collect the contractual cashflows.

The carrying amount of these assets is approximately equal to their fair value. Cash and cash equivalents at the end of the reporting period as shown in the Consolidated Statement of Cash Flows can be reconciled to the related items in the consolidated reporting position as shown above.

Refer to note 37 on Credit risk for further details on impairment loss allowance.

12. Money market funds

	2020 £'000	2021 £'000	2022 £'000
Open Ended Investment Companies			
Goldman Sachs USD Treasury Liquid Reserves Fund	32,962	336,737	209,486
Black Rock ICS USD Liquidity Fund	8,790	-	-
JP Morgan USD Liquidity LVNAV Fund	10,986	-	-
Total	**52,738**	**336,737**	**209,486**
Component of Money Market Funds included in statement of cashflows under:			
Cash and cash equivalent balances	**52,738**	**336,737**	**209,486**

Money market funds are measured at FVTCI as they do not satisfy SPPI criterion. The funds are all rated AAA based on a basket of credit ratings agencies, all approved by the Financial Conduct Authority.

Refer to note 43 on fair value measurements for further details.

13. Loans and advances

Loans and advances are measured at amortised cost as they meet the SPPI criterion and are held to collect the contractual cashflows:

	2020 £'000	2021 £'000	2022 £'000
Loans and advances			
Loans and advances on demand to banks	74,569	106,885	90,255
Other loans and advances to banks	151,857	74,449	93,215
Loans and advances to customers	-	-	4,498
Loans and advances	**226,426**	**181,334**	**188,418**
Less: Impairment loss allowance			
Loans and advances on demand to banks	(5)	(5)	(46)
Other loans and advances to banks	(5)	(19)	(51)
Loans and advances to customers	-	-	(200)
Total	**(10)**	**(24)**	**(297)**
Net Loans and advances on demand to banks	74,564	106,880	90,209
Net Other loans and advances to banks	151,852	74,430	93,164
Net Loans and advances to customers	-	-	4,748
Net Loans and advances	**226,416**	**181,310**	**188,121**
Component of loans and advances included in statement of cash flows under:			
Loans and advances on demand to banks	**74,564**	**106,880**	**90,209**

There are no(2021: £nil, 2020: £nil) amounts included in Loans and advances outstanding as at 31 December 2022 that are overdue.

The Group's Loans and advances to banks include £1,827k for the year ended 31 December 2022 of encumbered assets (2021: £5,354k, 2020: £12,341k) in relation to derivative contracts with other financial institutions.

Refer to note 37 on Credit risk for further details on impairment loss allowance.

14. Derivative financial instruments

At 31 December the derivative assets and liabilities are set out below, these are held to manage foreign currency exposure and are not designated in hedge accounting relationships for risk management purposes:

Foreign Exchange Forwards:	Principal £'000	Assets £'000	Liabilities £'000
2022	714,810	6,590	(4,565)
2021	755,154	1,641	(7,669)
2020	764,508	2,303	(13,511)

The forward foreign exchange contracts have been transacted to economically hedge assets and liabilities in foreign currencies. The net unrealised gain (2021 – loss, 2020 - loss) at the statement of financial position date is £2,024 (2021: £6,044k, 2020 - £11,169k). These derivative financial instruments and the underlying transactions they hedge will mature during 2023 (2021 - 2022, 2020-2021).

The Group has entered into arrangements that do not meet the criteria for offsetting but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy or the termination of a contract.

The following table presents the recognised financial instruments that are offset, or subject to enforceable master netting arrangements and other similar agreements but were not offset, as at 2022, 2021 and 2020. The column 'net amount' shows the impact on the Group's balance sheet if all set-off rights were exercised.

2022 **£'000**	**Gross amounts**	**Gross amounts set off in the balance sheet**	**Net amounts presented in the balance sheet**	**Amounts subjected on master netting arrangements***	**Net amount**
Financial assets					
Derivative assets	6,590	-	6,590	3,523	3,067
Financial liabilities					
Derivative liabilities	4,565	-	4,565	4,219	346

2021 **£'000**	**Gross amounts**	**Gross amounts set off in the balance sheet**	**Net amounts presented in the balance sheet**	**Amounts subjected on master netting arrangements***	**Net amount**
Financial assets					
Derivative assets	1,641	-	1,641	1,141	500
Financial liabilities					
Derivative liabilities	7,669	-	7,669	5,118	2,551

2020 **£'000**	**Gross amounts**	**Gross amounts set off in the balance sheet**	**Net amounts presented in the balance sheet**	**Amounts subjected on master netting arrangements***	**Net amount**
Financial assets					
Derivative assets	2,303	-	2,303	-	2,303
Financial liabilities					
Derivative liabilities	13,511	-	13,511	13,220	291

*Agreements with derivative counterparties are based on an ISDA Master Agreement and other similar master netting arrangement with other counterparties. Under the terms of these arrangements, only where certain credit events occur (such as termination of the contract or default of the other party), will the net position owing / receivable to a single counterparty in the same currency be taken as owing and all the relevant arrangements terminated. As the Group does not presently have a legally enforceable right of set-off, these amounts have not been offset in the balance sheet, but have been presented separately in the table above.

The fair value of a derivative contract represents 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 (an exit price).

15. Investment in debt securities

The Group's investment in debt securities consist of fixed rate bonds issued (or guaranteed) by central and private banks. These are measured at amortised cost as they meet the SPPI criterion and are held to collect the contractual cashflows.

	2020 **£'000**	**2021** **£'000**	**2022** **£'000**
Investment in debt securities at amortised cost	162,370	73,249	414,074
Less: Impairment loss allowance	(1)	(1)	(13)
Total	**162,369**	**73,248**	**414,061**

Refer to Note 37 on Credit risk for further details on impairment loss allowance.

16. **Investment in Equity Instruments**

Investment securities designated FVTOCI	**2020 £'000**	**2021 £'000**	**2022 £'000**
Shares in The Society for Worldwide Interbank Financial Telecommunication ("SWIFT SCRL")	137	154	381
Additions	-	216	21
Fair value gain/(loss)	17	12	86
At 31 December	**154**	**382**	**488**

With the exception of the following, the Group's policy is not to invest in equities. However, in order to undertake its business, the Group utilises the Swift payment system, the conditions of which oblige participants to invest in the shares of Swift, in proportion to participants' financial contributions to Swift. Due to the nature of the investment, this equity security has been designated at FVTCI. No dividend income was recognised from these shares as at December 2022 (2021: nil, 2020: nil). There was no sale of these equity shares.

Apart from investments in subsidiary undertakings (see Note 33) the Group held no other investments.

Refer to Note 43 on fair value measurements for further details.

17. **Accrued Income**

	2020 £'000	**2021 £'000**	**2022 £'000**
Financial assets:			
Accrued income (others)	613	614	429
Less: Impairment loss allowance	(4)	(1)	(5)
Total	**609**	**613**	**424**
Non-financial assets:			
Research and development tax rebate	284	731	432
Total	**893**	**1,344**	**856**

Accrued income relates to balances which are owed to the Group for services rendered or products provided that have not yet been invoiced. This balance arises from several components including management fee, pension accruals, and other revenues. The balance is also related to a research and development tax rebate which is a tax claim that the Group is due to receive from the HMRC for the qualifying research and development activities undertaken from the Group.

Lifetime ECL has been recognised for accrued income. There has not been any significant change in the gross amounts of accrued income that has affected the estimation of the loss allowance. Further details of expected credit losses on contract asset (accrued income) are disclosed note 37.

18. Other assets & unsettled transactions

	2020 £'000	2021 £'000	2022 £'000
Financial assets:			
Staff loans	29	535	544
Balances with mobile network operators*	1,973	2,856	3,650
Late receipts	-	321	3,111
Other assets	144	(133)	794
Less: impairment loss	(109)	(52)	(62)
Total	**2,037**	**3,527**	**8,037**
Non-financial assets:			
Transactions debited in error**	59	1,645	8,322
Corporation tax refund	79	38	-
VAT refund	222	682	914
Prepayments	2,006	2,311	2,264
Total	**2,366**	**4,676**	**11,500**
Total other assets	**4,403**	**8,203**	**19,537**

* Balances with mobile network operators ("MNOs") are due to the Group in respect of mobile money transfer. The Group charges fees for services it provides to aid transfer of funds by its clients to beneficiaries via mobile money using MNOs.

**These balances represent amounts that are debited in advance or error and which will be reversed in the following year.

The financial assets are at amortised cost.

	2020 £'000	2021 £'000	2022 £'000
Unsettled transactions***	18,273	10,767	12,960

*** Unsettled transactions result from foreign exchange transactions that are delayed due to time differences, public holidays in other countries (where the counterparties are located) or similar operational reasons. The arising balances are short-term in nature (typically less than four days) and were settled early the following year.

19. Property, plant and equipment

	Leasehold improvements £'000	Computer Equipment* £'000	Fixtures & Fittings** £'000	Total £'000
Cost				
At 1 January 2020	122	1,308	2,097	3,527
Additions	-	655	51	706
FX Movement	-	-	-	-
Disposals	-	(106)	-	(106)
At 31 December 2020	**122**	**1,857**	**2,148**	**4,127**
Accumulated depreciation				
At 1 January 2020	24	592	400	1,016
Charge for the year	22	296	384	702
FX Movement	-	1	-	1
Disposals	-	(106)	-	(106)
At 31 December 2020	**46**	**783**	**784**	**1,613**
Net book value				
At 31 December 2020	**76**	**1,074**	**1,364**	**2,514**

	Leasehold improvements £'000	Computer Equipment* £'000	Fixtures & Fittings** £'000	Total £'000
Cost				
At 1 January 2021	122	1,857	2,148	4,127
Additions	-	268	41	309
Reclassification (Note 21)	-	161	-	161
Disposals	-	(3)	(5)	(8)
At 31 December 2021	**122**	**2,283**	**2,184**	**4,589**
Accumulated depreciation				
At 1 January 2021	46	783	784	1,613
Charge for the year	22	430	390	842
Reclassification	-	81	-	81
Disposals	-	(2)	(2)	(4)
At 31 December 2021	**68**	**1,292**	**1,172**	**2,532**
Net book value				
At 31 December 2021	**54**	**991**	**1,012**	**2,057**

	Leasehold improvements £'000	Computer Equipment* £'000	Fixtures & Fittings** £'000	Total £'000
Cost				
At 1 January 2022	122	2,283	2,184	4,589
Additions	-	322	24	346
Foreign exchange movement	-	3	-	3
Disposals	-	(96)	(4)	(100)
At 31 December 2022	**122**	**2,512**	**2,204**	**4,838**
Accumulated depreciation				
At 1 January 2022	68	1,292	1,172	2,532
Charge for the year	22	390	404	816
Foreign exchange movement	-	(5)	-	(5)
Disposals	-	(81)	(3)	(84)
At 31 December 2022	**90**	**1,596**	**1,573**	**3,259**
Net book value				
At 31 December 2022	**32**	**916**	**631**	**1,579**

* Includes mobile phones

** Includes artwork

20. Leases (Group as a lessee)

The Group has recognized a right of use ("ROU") asset and a lease liability for its property leases which is for an average lease term of five-year and 10-month period. The leases have been accounted for as a portfolio (as they have similar characteristics) and a single discount rate has been used to calculate the lease liabilities. The discount used is the incremental borrowing rate of 2.14% - 8.99%.

The Group makes fixed payments on a quarterly basis, in advance, to the lessor for the use of the properties, there are no variable payments. A property lease has a lease incentive, with the lease incentive receivable being deducted from the future lease payments.

The services provided by the lessor, such as cleaning, security, maintenance, and utilities as part of the contract, are non-lease components which are not included in the ROU asset and have been expensed in 'Operating expenses' line item in note 9. These amounts to £238k for the year ended 31 December 2022 (2021: £236k, 2020: £259k)

The Group's leases of low value fixtures and equipment are expensed in 'Operating expenses' line item in note 9 on a straight-line basis (see accounting policy in note 3 for leases). These amounted to £53k for the year ended 31 December 2022 (2021: £23k, 2020: £25k).

There were no Short-term leases.

The lease terms cover only the non-cancellable lease term. There are no purchase, extension, or termination options and residual guarantees in the lease. There are also no restrictions or covenants imposed by the lease.

There were no leases entered into which had not commenced as at any year-end.

Right of use assets

All the Group's right-of-use assets are non-current assets. A reconciliation of the Group's right-of-use assets as at 31 December 2020, 31 December 2021 and 31 December 2022 is shown below:

Property lease	2020 £'000	2021 £'000	2022 £'000
Cost			
At 1 January	1,370	1,370	1,370
Additions	-	-	695
At 31 December	**1,370**	**1,370**	**2,065**
Accumulated depreciation			
At 1 January	-	305	609
Charge for the year	305	304	322
At 31 December	**305**	**609**	**931**
Net book value			
At 31 December	**1,065**	**761**	**1,134**

Lease liabilities

A reconciliation of the Group's remaining operating lease payments as at 31 December 2020, 31 December 2021 and 31 December 2022 are shown below:

Leasehold Property	2020£ '000	2021 £'000	2022 £'000
Lease liability as at 1 January	1,355	1,051	819
Additions during the year	-	-	694
Less: Payments during the year	(311)	(252)	(251)
Add: interest on lease liabilities	7	20	19
At 31 December	**1,051**	**819**	**1,281**

There were no variable lease payments expenses as at 31 December 2022 (2021: nil, 2020: nil).

The Group's lease liabilities as at 31 December 2020, 31 December 2021 and 31 December 2022 is split into current and non-current portions as follows:

	2020 £'000	2021 £'000	2022 £'000
Non-current	800	484	611
Current	251	335	670
Lease liability	**1,051**	**819**	**1,281**

Lease liabilities are effectively secured as the rights to the leased assets recognised in the Consolidated Historical Financial Information revert to the lessor in the event of default.

The maturity analysis of lease liabilities is disclosed in note 38.

The following are the amounts recognised in the Consolidated Statement of Comprehensive Income

	2020 £'000	2021 £'000	2022 £'000
Depreciation expense of right-of-use assets	304	304	322
Interest expense on lease liabilities	7	20	19
Expense relating to leases of low-value assets (included in Operating expenses)	53	23	25
Total amount recognised in comprehensive income	**364**	**347**	**366**

There is only one class of right of use assets which is the property lease.

The Group had total cash outflows for leases of £443k as at 31 December 2022 (2021: £251k, 2020: £311k). The Group also had non-cash additions to right-of-use assets and lease liabilities of nil (2021: nil, 2020: nil).

21. Intangible assets

	Goodwill £'000	Core Accounting Software £'000	Other Software £'000	Brand/ Other £'000	Total
Cost					**£'000**
At 1 January 2020	7,106	4,639	11,197	1,357	24,299
Additions	141	137	6,252	10	6,540
Exchange differences	-	(1)	145	-	144
Disposals	-	-	(285)	-	(285)
At 31 December 2020	**7,247**	**4,775**	**17,309**	**1,367**	**30,698**
Accumulated amortisation and impairment					
At 1 January 2020	616	2,096	2,489	15	5,224
Charged in the year	7	594	2,395	34	3,030
Impairment losses for the year	-	-	-	-	-
Exchange differences	-	-	-	-	-
Reclassification*	-	-	-	-	-
Disposals	-	-	(281)	-	(281)
At 31 December 2020	**623**	**2,690**	**4,603**	**49**	**7,965**
Net book value					
At 31 December 2020	**6,624**	**2,085**	**12,706**	**1,318**	**22,733**
Cost					**£'000**
At 1 January 2021	7,247	4,775	17,309	1,367	30,698
Additions	-	419	3,742	44	4,205
Exchange differences	-	(26)	106	-	80
Reclassification*	-	-	(161)	-	(161)
Disposals	-	-	-	-	-
At 31 December 2021	**7,247**	**5,168**	**20,996**	**1,411**	**34,822**
Accumulated amortisation and impairment					
At 1 January 2021	623	2,689	4,603	49	7,965
Charged in the year	-	598	3,641	36	4,275
Impairment losses for the year	-	-	-	-	-
Exchange differences	-	-	-	-	-
Reclassification*	-	-	(82)	-	(81)
Disposals	-	-	-	-	-
At 31 December 2021	**623**	**3,287**	**8,162**	**86**	**12,159**
Net book value					
At 31 December 2021	**6,623**	**1,881**	**12,834**	**1,325**	**22,663**
Cost					**£'000**
At 1 January 2022	7,247	5,168	20,996	1,411	34,822
Additions	-	133	4,412	16	4,561
Exchange differences	-	-	-	-	-
Reclassification*	-	-	-	-	-
Disposals	-	-	(87)	-	(87)
At 31 December 2022	**7,247**	**5,301**	**25,321**	**1,427**	**39,296**
Accumulated amortisation and impairment					
At 1 January 2022	623	3,288	8,163	85	12,159
Charged in the year	-	717	3,846	37	4,600
Impairment losses for the year	-	-	-	-	-
Exchange differences	-	-	(30)	-	(31)
Reclassification*	-	-	-	-	-
Disposals	-	-	(57)	-	(57)
At 31 December 2022	**623**	**4,005**	**11,922**	**122**	**16,672**
Net book value					
At 31 December 2022	**6,624**	**1,296**	**13,399**	**1,305**	**22,624**

* This is a reclassification of prior year Intangible Assets to Property, plant and equipment. The amortisation adjustment relates to the prior year amortisation.

Software costs that do not result in an intangible asset (the right to receive access to the supplier's application software in the future is a service contract) of the Group are expensed. Software costs expensed as at 31 December 2022 was £1,293k (2021: £942k, 2020: £782k). These costs are expensed to profit and loss over the period of the contract in line with the benefits received. There are no judgments made in this respect.

Internally generated assets include payment-related software that is created and utilised in the Group's operation. All intangible assets (except Goodwill) have finite lives, see note 3 for accounting policies on the amortisation method and useful lives.

The Group holds other software such as payments, compliance, and banking software.

Goodwill

The goodwill relates to the following acquisitions:

(i) by the Company, on 31 March 2016, of the entire share capital of both Crown Agents Bank Limited.

(ii) by the Group, on 1 July 2019, of the entire share capital of Segovia Technology Company (US), a US based fintech Company.

Cash Generating Units: Goodwill relating to the Group's acquisitions of both Crown Agents Bank Limited and Segovia Technology Company (US) is allocated to Crown Agents Bank Limited which is the cash generating unit to benefit from it. The goodwill is tested for impairment at the CGU level.

Impairment reviews were performed on the carrying values of all intangible assets as follows:

(i) Goodwill: reviewed against a value in use calculation of CAB, the cash generating unit.

(ii) Other Intangible Assets: reviewed against valuations of the Group companies concerned, for CAB comparisons were made against value in use calculations.

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired. There were no impairment losses on goodwill.

Crown Agents Bank Limited

The recoverable amount of this cash-generating unit is determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by the board of directors covering a three-year period. The key assumptions used by the Group in setting the financial budgets for the initial three-year period were as follows:

	2020	2021	2022
Discount rate	12%	12%	17%
Terminal value growth rate	0%	0%	0%
Budgeted Adjusted EBITDA growth rate (average of next three years)	126%	35%	55%

Discount rate

The Group uses a pre-tax discount rate based on a weighted average cost of capital.

Forecast EBITDA growth rates

Forecast EBITDA growth rates are based on past experience adjusted for new products, customer growth (including new customer take-on) and inflationary (pricing) considerations.

Sensitivity analysis

The Group has conducted an analysis of the sensitivity of the impairment test to changes in the key assumptions used to determine the recoverable amount for each of the group of CGUs to which goodwill is allocated. The Group believe that any reasonably possible change in the key assumptions on which the recoverable amount of Crown Agents Bank Limited is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the related CGUs.

22. **Deferred Tax**

A. ***Deferred Tax Liability***

The deferred tax liability recognised in the Consolidated Historical Financial Information is as follows:

	2020 £'000	2021 £'000	2022 £'000
Deferred tax Liability to be recovered after more than 12 months	824	402	316

	Property, plant and equipment	Intangible Assets	Investment in equity	Expected credit loss provision	Total
At 1 January 2020	420	29	2	-	451
Credit/ (charge) for the year	67	303	3	-	373
At 31 December 2020	**487**	**332**	**5**	**-**	**824**
At 1 January 2021	487	332	5	-	824
Credit/ (charge) for the year	(251)	(173)	3	-	(422)
At 31 December 2021	**236**	**159**	**8**	**-**	**402**
At 1 January 2022	236	159	8	-	402
Credit/ (charge) for the year	(231)	85	16	44	(86)
At 31 December 2022	5	**243**	**24**	**44**	**316**

The deferred tax liability can be further analysed as follows:

	2020 £'000	2021 £'000	2022 £'000
Liability reversing at 19%	824	40	-
Liability reversing at 25.5%	-	362	*252*
Liability reversing at 27.25%	-	-	*5*
Liability reversing at 28%	-	-	*59*
At 31 December 2022 at 19%	**824**	**402**	**316**

B. ***Deferred tax recognised in the year***

	2020 £'000	2021 £'000	2022 £'000
Accelerated tax depreciation on property, plant and equipment	(67)	(251)	230
Intangible assets	(303)	(173)	(86)
Expected Credit Losses provision	-	-	(44)
Total income tax expense to profit or loss	**(370)**	**(424)**	**100**
Charged to other comprehensive income:			
Deferred tax expense on investment on equity securities	(3)	2	(16)
Total deferred income tax expense in other comprehensive income	**(3)**	**2**	(16)
Total deferred income tax expense for the year	**(373)**	**(422)**	**84**

C. ***Unrecognised deferred tax assets and deferred tax liabilities***

There Group had no unrecognised deferred tax assets and deferred tax liabilities.

23. Customer accounts

	2020 £'000	2021 £'000	2022 £'000
Repayable on demand	424,463	664,749	659,310
Other customers' accounts with agreed maturity dates or periods of notice by residual maturity repayable:			
3 months or less	548,544	465,680	479,641
1 year or less but over 3 months	99,196	62,296	169,491
2 years or less but over 1 year	591	-	-
Total	**1,072,794**	**1,192,725**	**1,308,442**

The total deposits from customers were from corporate customers. Customer accounts are accounts that customers hold with the Group. The Group is transaction led and does not borrow to finance lending. A substantial proportion of customer accounts are current accounts that, although repayable on demand, have historically formed a stable deposit base.

24. Unsettled transactions, accruals and other liabilities

	2020 £'000	2021 £'000	2022 £'000
Financial liabilities			
Trade creditors	301	368	554
Funds received in advance	2,212	4,265	4,988
Other creditors	1,329	1,352	11
Non -financial liabilities			
Funds received in error	422	195	3,500
HM Revenue & Customs	344	1,045	2,413
Deferred Income*	8	8	52
Total other liabilities	4,616	7,233	11,518
Accruals	**6,040**	**8,659**	**19,364**
Total other liabilities and accruals	**11,656**	**15,892**	**30,882**

* Deferred income relates to payments that are received from customers before the services are provided to customers.

	2020 £'000	2021 £'000	2022 £'000
Unsettled transactions	2,094	18,338	25,782

Unsettled transactions result from foreign exchange transactions that are delayed due to time differences, public holidays in other countries (where the counterparties are located) or similar operational reasons. The arising balances are short-term in nature (typically less than four days) and were settled shortly after the balance sheet date.

25. Provisions

	2020 £'000	2021 £'000	2022 £'000
Re Expected Credit Loss provisions:			
Financial Guarantee liability	50	31	-
Liability for letter of credit confirmations / bill acceptances	87	1	7
Liquidity as a service (LaaS) - Undrawn commitments	-	-	72
Total	**137**	**32**	**79**

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument. The Group provides financial guarantees to multiple counterparties. The maximum exposure as at 31 December 2022 is £592k (2021: £2,194k, 2020: £2,225k) and issued guarantees cover the time until maturity of the underlying bank loan. The Group received premiums of £85k for the year ended 31 December 2022. (2021: £73K, 2020: £21k).

Letter of credit confirmations/ bill acceptances

Letter of credit confirmation/acceptance is a letter from an issuing bank guaranteeing that a buyer's payment to a seller will be received on time and for the correct amount. The Group confirmed the letters of credit issued by an issuing bank and charged fixed fees which are received either in advance or at a later date. The Group provides these acceptances to multiple counterparties. The maximum exposure is £50,065k as at 31 December 2022 (2021: £54,480k, 2020: £69,900k) and the given guarantee covers the time until maturity of underlying bank loan. the Group received a premium of £572k for the year ended 31 December 2022. (2021: £683K, 2020: £991k).

The uncertainties relating to the amount or timing of any outflow are those inherent within the products concerned, notably that the relevant counterparty will not carry out its obligations. Cash collateral of £56,773k as at 31 December 2022 (2021: £51,632k, 2020: £42,500k) was held by the Group in respect of the assets underlying financial guarantees and letters of credit noted above. These are not restricted cash and are available for use by the Group.

Liquidity as a service (LaaS) – undrawn commitments

Liquidity as a service is a credit facility offered by the Group to its customers which allows customers to draw down on the facility on satisfaction of the terms of this facility. The Group charges facility fees for consideration of providing this facility. The Group provides this facility to multiple counterparties. Please refer to note 31 for the maximum exposure of liquidity as a service (LaaS). The Group received facility fees of £52k. (2021: £nil, 2020: £nil).

26. Called up share capital

	2020 £'000	2021 £'000	2022 £'000
Authorised, allotted, issued, and fully paid (£1 Ordinary Shares- Class A)			
As at 1 January	67,500	67,500	68,000
New capital	-	500	-
As at 31 December	67,500	68,000	68,000
Authorised, allotted, issued, and fully paid (£1 Ordinary Shares - Class B)	10	10	10
Total share capital – as at 1 January	**67,510**	**67,510**	**68,010**
Total share capital – as at 31 December	**67,510**	**68,010**	**68,010**

There are no restrictions on the distribution of dividends and the repayment of capital.

The Class B shares do not carry the right to receive dividends. Class B shares are not transferrable without the prior consent of the board or on the occurrence of an Exit Event or an Interim Liquidity Event. For voting rights, the Class B shares shall confer on the holders of those shares the right to cast 4%, in aggregate, of all votes capable of being cast on any resolutions. On a winding-up of the Group, the rights of the A shares shall rank behind the rights of the B shares.

27. Earnings per share ("EPS")

Basic EPS is calculated on the Company's profit after taxation referencing the weighted average number of issued and fully paid ordinary shares at the end of the year.

The calculation of the basic earnings per share is based on the following data:

	2020 £'000	2021 £'000	2022 £'000
Earnings attributable to owners of the Group:	(2,628)	7,010	30,857
Earnings for the purposes of basic and diluted earnings per share being profit attributable to owners of the Group	(2,614)	7,143	30,681
Class A shares	67,500	67,750	68,000
Class B shares	10	10	10
Weighted average number of ordinary shares in issue for basic and diluted EPS.	67,510	67,760	68,010
The denominator for the purposes of calculating both basic and diluted earnings per share has been adjusted to reflect the capitalisation issue in 2021.			
Total shares			
Basic earnings per shares	(0.04)	0.11	0.45
Total basic earnings per share attributable to owners of the Company	(0.04)	0.11	0.45
Class A shares:			
Basic and diluted earnings per shares	(0.04)	0.11	0.45
Total basic and diluted earnings per share attributable to owners of the Company	(0.04)	0.11	0.45

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorisation of the Consolidated Historical Financial Information.

28. Retained earnings

	£'000
Balance at 1 January 2020	3,929
Loss for the year	(2,614)
Credit to equity for equity-settled share-based payments	505
Other movements in retained earnings*	(682)
Balance at 31 December 2020	**1,138**
Balance at 1 January 2021	1,138
Profit for the year	7,143
Credit to equity for equity-settled share-based payments	460
Other movements in retained earnings*	129
Balance at 31 December 2021	**8,870**
Balance at 1 January 2022	8,470
Profit for the year	30,696
Credit to equity for equity-settled share-based payments	388
Other movements in retained earnings*	345
Balance at 31 December 2022	**40,299**

*Other movements relate to share-based payments and adjustments due to change in NCI percentages.

29. Investment revaluation reserve

	£'000
Balance at 1 January 2020	8
Fair value gain on investments in equity instruments designated as at FVTOCI	16
Income tax relating to fair value gain on investments in equity instruments designated as at FVTOCI	(3)
Balance at 31 December 2020	21
Balance at 1 January 2021	21
Fair value gain on investments in equity instruments designated as at FVTOCI	12
Income tax relating to fair value gain on investments in equity instruments designated as at FVTOCI	(2)
Balance at 31 December 2021	31
Balance at 1 January 2022	31
Fair value gain on investments in equity instruments designated as at FVTOCI	83
Income tax relating to fair value gain on investments in equity instruments designated as at FVTOCI	(17)
Balance at 31 December 2022	97

The investment revaluation reserve represents the cumulative gains and losses arising on the revaluation of investments in equity instruments designated as at FVTOCI, net of cumulative gain/loss transferred to retained earnings upon disposal.

30. Foreign currency translation reserve

	£'000
Balance at 1 January 2020	28
Exchange losses arising on translating the foreign operations	(27)
Balance at 31 December 2020	1
Balance at 1 January 2021	1
Exchange losses arising on translating the foreign operations	(142)
Balance at 31 December 2021	(141)
Balance at 1 January 2022	(141)
Exchange gains arising on translating the foreign operations	110
Balance at 31 December 2022	(31)

Exchange differences relating to the translation of the results and net assets of the Group's foreign operation from its functional currency to the Group's presentation currency (i.e. £) are recognised directly in OCI and accumulated in the foreign currency translation reserve. Exchange differences previously accumulated in the foreign currency translation reserve (in respect of translating the net assets of foreign operations) are reclassified to profit or loss on the disposal of the foreign operation.

31. Non-controlling interest ("NCI")

The Group consists of a parent Company, CAB Payments Holdings Limited, incorporated in the UK and a number of subsidiaries held directly and indirectly by Group, which operate and are incorporated around the world. Note 33 below lists details of the interests in subsidiaries.

Material non-controlling interests

Summarised financial information in respect of the Group's subsidiary (CAB Tech Holdco Limited ("CTH"), which owns the entire share capital of CAB Tech Holdco USA LLC, a US based holding Company (which itself owns Segovia) that has material non-controlling interests is set out below. The summarised financial information is shown below.

	2020 £'000	2021 £'000	2022 £'000
Assets	80,415	91,664	105,008
Liabilities	75,558	86,135	96,958
Equity attributable to owners of the Company	66,100	74,099	106,102
Non-controlling interests	4,661	5,229	7,687
Net Interest Income	286	153	804
(Loss)/ Profit attributable to owners of the Company	(2,614)	7,143	30,696
(Loss)/ Profit attributable to the non-controlling interests	(178)	470	2,339
(Loss)/ Profit for the year	**(2,792)**	**7,613**	**33,035**
Other comprehensive income attributable to owners of the Company	(14)	(142)	176
Other comprehensive income attributable to the non-controlling interests	(1)	(10)	13
Other comprehensive income for the year	**(15)**	**(152)**	**189**
Total comprehensive (loss) / income attributable to owners of the Company	(2,628)	7,010	30,873
Total comprehensive (loss) / income attributable to the non-controlling interests	(179)	460	2,352
Total comprehensive (loss) / income for the year	**(2,807)**	**7,470**	**33,225**
Dividends paid to non-controlling interests	-	-	-
Net cash inflow/ (outflow) from operating activities	708	22,170	(18,283)
Net cash outflow from investing activities	(361)	(330)	(347)
Net cash (outflow) / inflow from financing activities	(21)	19	(17)
Net cash inflow/ (outflow)	326	21,859	(18,647)

32. Share based payment scheme

Share based payments are recognised directly in retained earnings Note 28. Movements during the year were as follows:

	2020 £'000	2021 £'000	2022 £'000
Share based payments expenses recognised in profit or loss	505	717	837
Expense arising from equity-settled share-based payment transactions	505	717	837

Share Based Scheme 1 – Group

Description and Vesting requirements

In 2017 an equity settled share-based payment scheme was put in place to incentivise senior management. Legal ownership over the shares lies with the Employee Benefit Trust ("EBT"). Employees receive equitable interest only for which they pay nominal value.

There are no market performance conditions, only service conditions. The employee would need to remain in employment for 4 years for the shares to vest. Where there are bad leavers, the share award is cancelled. However, for good leavers and compulsory leavers, the Company has the right but not the obligation to purchase their shares.

During the period, directors / key managers employed by Crown Agents Bank Limited, purchased the equitable interest in the Company's £1 Ordinary Shares (Class B), at a cost of £1.00 per share, as follows:

Group (number of people)	**2020**	**2021**	**2022**
Directors (1 in 2021)	-	500	-
Key managers (6 in 2021)	-	1,300	-
Total	**-**	**1,800**	**-**

The fair value of the underlying shares relating to the equitable interests granted was based on a report by external consultants. In determining the fair value, the Monte Carlo valuation model was used to value the shares at grant date. The valuation is a Level 2 valuation. The resulting value is expensed to the profit and loss in line with the vesting of the interests concerned.

The equitable interest in the shares vests at various times as follows:

Vesting Month	Year Of Issue/ Tranche Number					
	2018/1	2018/2	2021/1	2021/2	2021/3	2021/4
March 2018	40%	-	-	-	-	-
March 2019	20%	-	-	-	-	-
March 2020	20%	40%	-	-	-	-
March 2021	20%	20%	-	-	-	-
December 2021	-	-	40%	-	-	-
March 2022	-	20%	-	40%	-	-
December 2022	-	-	20%	-	-	-
March 2023	-	20%	-	20%	40%	-
October 2023	-	-	-	-	-	40%
December 2023	-	-	20%	-	-	-
March 2024	-	-	-	20%	20%	-
October 2024	-	-	-	-	-	20%
December 2024	-	-	20%	-	-	-
March 2025	-	-	-	-	20%	-
April 2025	-	-	-	20%	-	-
October 2025	-	-	-	-	-	20%
March 2026	-	-	-	-	20%	-
October 2026	-	-	-	-	-	20%
	100%	100%	100%	100%	100%	100%
Equitable interest in shares issued	8,500	1,750	600	500	300	400

The cumulative equitable interest in shares cancelled totalled 2,050 (2021: 2,050, 2020: 2,050).

The interest in Nil (2021 – 20, 2020: 230) shares was forfeited during the period. The movement in the equitable interest in the number of shares is as follows:

Share Based Scheme 1 – Group

Share based payments scheme 1	Consolidated Number
Outstanding at 1 January 2020	**8,450**
Granted during the year	-
Exercised during the year	-
Cancelled during the year (2018 issues)	-
Forfeited during the year	(230)
Outstanding at 31 December 2020	**8,220**
Vested and exercisable at 31 December 2020	**-**
Outstanding at 1 January 2021	**8,220**
Granted during the year	1,800
Exercised during the year	-
Cancelled during the year (2018 issues)	(20)
Forfeited during the year	-
Outstanding at 31 December 2021	**10,000**
Vested and exercisable at 31 December 2021	**-**
Outstanding at 1 January 2022	10,000
Granted during the year	-
Exercised during the year	-
Cancelled during the year	-
Forfeited during the year	-
Outstanding at 31 December 2022	**10,000**
Vested and exercisable at 31 December 2022	**-**

Inputs to the models

The fair value at grant date is independently determined using the Monte Carlo which considers, the term of the award, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield, the risk-free interest rate for the term of the award and the correlations and volatilities of peer group companies. The expected price volatility is based on the historic volatility (based on the remaining life of the awards), adjusted for any expected changes to future volatility due to publicly available information.

The awards outstanding at 31 December 2022 had a weighted average remaining contractual life of 5 years. In 2022, there were no additional shares granted. The aggregate of the estimated fair values of the awards granted on those dates is £Nil. In 2021, awards were granted, the aggregate of the estimated fair values of the awards granted on those dates is £605 per share.

The following table lists the inputs to the models used for the share awards granted in this scheme:

	Key Inputs
Dividend yield (%)	n/a
Expected volatility (%)	30-40
Risk–free interest rate (%)	1.2%
Expected life of share awards	2.7
Share price at grant date (£)	142
Model used	Monte Carlo

<u>Share Based Scheme 2 - Group</u>

Description and Vesting requirements

Following the purchase of the Segovia Group in 2019, incentives in the shares of CAB Tech Holdco Limited were allocated to key individuals employed within Segovia. The incentives were provided as Restricted Share Awards or Restricted Share Unit Awards (both in relation to the Class B £1 Ordinary Shares) at the individual's discretion. Subsequently, additional Restricted Share Units were awarded to key individuals. This scheme is an equity settled share based payment and the same valuation measurement and methodology as described above for scheme 1 applies.

There are no market performance conditions, only service conditions. The shares vest as shown below over the course of 30 months. Where there are bad leavers, the share award will be cancelled. However, for good leavers and compulsory leavers, the Company has the right but not the obligation to purchase their shares. The scheme includes a non-vesting condition which is the Change in Control ("CIC") vesting component that requires the change of control to be concluded before the 7th anniversary of the grant.

The shares are exercised at nominal value, each share awards converts into one ordinary share of the Company on exercise.

Restricted Share Awards

During the year, no directors (2021 – 0, 2020 - 1) and no key managers (2021 – 0, 2020 - 0) within the Group were awarded any restricted shares. No (2021 – 37,630, 2020 - 271,205) restricted shares were removed from the scheme during the year. Restricted shares removed were reallocated to CAB Payments Holdings Limited.

The restricted shares vest at various times, depending on the continued employment of the employee concerned, as follows:

Vesting Month	**Year of Issue**	
	2019	**2020**
March 2020	40%	-
March 2021	40%	-
September 2021	20%	40%
March 2022	-	-
September 2022	-	40%
December 2022	-	-
March 2023	-	20%
	100%	100%
Shares issued	700,752	157,808

Restricted Share Unit Awards

During the years, no directors (2021 – 0, 2020 - 3) and no key managers (2021 – 0, 2020 - 0) within the Group were awarded any Restricted Share Units (Class B £1 ordinary shares) in CAB Tech Holdco Limited. No (2021 – 0, 2020 – 0) shares in relation to the Restricted Share Units were issued during the years. No (2021 – 104,911, 2020 –145,558) Restricted Share Units were cancelled during the years.

The restricted share units vest at various times, depending on the continued employment of the employee concerned, as follows:

Vesting Month	**Year of Allocation/ Tranche Number**		
	2019	**2020/1**	**2020/2**
March 2020	40%	40%	-
March 2021	40%	40%	-
September 2021	20%	20%	40%
March 2021	-	-	20%
March 2022	-	-	20%
	100%	100%	100%
Share Units issued	1,371,336	197,606	27,445

When issued, the fair value of the Restricted Shares and Restricted Share Units was £1.19. The fair value was based on a market valuation of CAB Tech Holdco Limited following a report provided by external consultants.

Share based payments scheme 2	**RU-Number***	**RSU-Number**
Outstanding at 1 January 2020	700,752	1,371,336
Granted during the year	157,808	225,051
Exercised during the year	0	0
Cancelled during the year	0	0
Forfeited during the year	0	(53,517)
Outstanding at 31 December 2020	858,560	1,542,870
Vested and exercisable at 31 December 2020	280,301	-
Outstanding at 1 January 2021	**858,560**	**1,542,870**
Granted during the year	-	-
Exercised during the year	-	-
Cancelled during the year	-	-
Forfeited during the year	-	(158,428)
Outstanding at 31 December 2021	**858,560**	**1,384,442**
Vested and exercisable at 31 December 2021	763,876	**-**
Outstanding at 1 January 2022	858,560	1,384,442
Granted during the year	-	-
Exercised during the year	-	-
Cancelled during the year	-	-
Forfeited during the year	-	-
Outstanding at 31 December 2022	**858,560**	**1,384,442**
Vested and exercisable at 31 December 2022	826,999	**-**

Inputs to the models

Description of the model is as shown above under scheme 1.

The awards outstanding at 31 December 2022 had a weighted average remaining contractual life of 5 years. In 2022, no shares (2021: 0, 2020:0) were granted.

The Group's net tax liability is nil for taxes payable on employee share based payment obligations; the tax obligation is borne by the employees.

Note: in 2020, 271,705 restricted shares were reallocated to the Group being the unvested portion of a departing employees' holding

33. **Related undertakings**

Principal subsidiaries

The Group's principal subsidiaries as at 31 December 2022 are set out below. Unless otherwise stated, their share capital consists solely of ordinary shares that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group. The country of incorporation or registration is also their principal place of business. There are no significant restrictions on the ability of the Group to access or use assets and settle liabilities if its subsidiaries.

Direct/Indirect Subsidiaries	**Principal activity/ Business**	**Country of Incorporation and Principal Place of Business**
CAB Tech Holdco Limited	Holding Company	UK
Crown Agents Bank Limited	Bank	UK
CAB Europe BV	Payments	Netherlands
CAB Tech HoldCo USA LLC	Holding Company	US
Segovia Technology Company (US)	Fintech	US
Segovia International Holdings LLC	Holding Company	US
Segovia Technology International Ltd	Holding Company	Cayman Islands
Segovia Technology Bangladesh Ltd*	Fintech	Bangladesh
Segovia Technology Cameroon Co Ltd*	Fintech	Cameroon
Segovia Technology Congo SARL	Fintech	Congo
Segovia Technology Cote d'Ivoire SARL	Fintech	Ivory Coast
Segovia Technology (Kenya) Co	Fintech	Kenya
Segovia Technology Liberia Corp	Fintech	Liberia
Segovia Technology 454 Ltd*	Fintech	Malawi
Segovia Niger SARL*	Fintech	Niger
Segovia Technology Nigeria Ltd	Fintech	Nigeria
Segovia Technology Pakistan (PVT) Ltd*	Fintech	Pakistan
Segovia Technology Rwanda Corp Ltd	Fintech	Rwanda
Segovia Technology Senegal Corp SUARL	Fintech	Senegal
Segovia Technology (Tanzania) Co	Fintech	Tanzania
Segovia Technology (Uganda) Co Ltd	Fintech	Uganda

*dormant

All Segovia entities are held indirectly through CAB Tech Holdco Limited, which owns the entire share capital of CAB Tech Holdco USA LLC, a US based holding Company which owns Segovia.

All UK subsidiaries are incorporated in the UK with registered offices at Quadrant House, The Quadrant, Sutton, Surrey SM2 5AS.

All Group companies are 100% Group owned with the exception of:

1. CAB Tech Holdco Limited – 93.03% reducing over time to a minimum of 90.67% depending on the exercise of share awards and the vesting of shares.
2. Segovia Technology Mozambique Corp SA – 1% owned by directors of Group companies due to local regulatory requirement.
3. Segovia Technology Pakistan (PVT) Ltd – 66% owned by senior management.

34. **Notes to the Consolidated Statement of Cash Flows**

Reconciliation of profit / (loss) before taxation to net cash inflow from operating activities

	2020 £'000	2021 £'000	2022 £'000
(Loss)/ Profit before taxation:	**(2,405)**	**9,512**	**43,491**
Adjusted for non-cash items:			
Effect of currency exchange rate changes	(6,505)	(9,638)	50,489
Effect of other mark to market revaluations	4	(4)	(15)
Amortisation	3,030	4,194	4,600
Depreciation			
- Right of use assets	305	304	322
- Property, plant and equipment	702	922	816
Share based payment charge	505	722	837
Loss on disposal of property, plant and equipment	(1)	4	6
Interest accrued on lease liabilities	7	20	19
Impairment provision	167	(150)	342
Changes in working capital:			
Net decrease/ (increase) in advances to banks	59,624	76,390	(10,245)
Net (increase) in advances to customers	2,145	-	(4,748)
Net (increase) / decrease in investment in debt securities	(11,653)	86,929	(332,055)
Net (increase) / decrease in other assets	(749)	(3,801)	(11,333)
Net (increase) / decrease in unsettled transactions	(8,420)	7,506	(2,193)
Net (increase) / decrease in accrued income	(319)	(451)	488
Net increase in accruals	2,212	2,619	10,705
Net (decrease)/ increase in advances by customers	(26,933)	126,043	(11,191)
Net (decrease)/ increase in other liabilities	(1,179)	19,113	10,819
Net cash inflow from operating activities	**10,537**	**320,234**	**(248,846)**

Non-cash transactions

Non-cash transactions from investing activities for the Group during 2022 include acquisition of right of use asset amounting to £695k (2021: nil, 2020: nil). There are no non-cash transactions from investing activities for the Group during the period.

Changes in liabilities arising from financing activities

The Group's changes in lease liabilities are in note 20. There are no other changes in liabilities from financing activities.

There are no changes in liabilities arising from financing activities for the Company.

35. **Related party transactions**

Holding Company

The immediate parent undertaking is Merlin Midco Limited. The address of its registered office is 13 Castle Street, St Helier, Jersey, Channel Islands, JE4 5UT.

The ultimate parent undertaking and controlling party is Helios Investors III LP, acting through its general partner Helios Investors Genpar III LP. Helios Investors Genpar III LP is registered in the Cayman Islands with its registered office at PO Box 309GT, Ugland House, South Church Street, Grand Cayman, Cayman Islands KY1-1104.

No Company is required to consolidate these financial statements.

The related party transactions, are as follows (were all at arm's length and were transacted at market value):

As at 31 December 2022 the Group had four (2021: three, 2020: four) intercompany balances with companies outside the Group as follows:

- £64k (2021: £12.5k, 2020: £13k), to Helios Investors Genpar III LP. The amount relates to the outstanding balance of a director's fees payable by a Group company, CAB. No interest accrues on the outstanding amount. Helios Investors Genpar III LP had control or significant influence over the Company.

£2,251k (2021: £nil, 2020: £500k) to Merlin Midco Limited. The balance relates to a contractual loan on which interest accrues at a commercial rate. Merlin Midco Limited had control or significant influence over the Company.

- As at 31 December 2022 a Group company reimbursed part of the salary £37k (2021: £27k, 2020; £27k) of an employee of Givedirectly Inc, an entity of which Michael Faye, a director of CAB, CAB Tech Holdco Limited and Segovia Technology Company (US), is a director. The Group company also reimbursed expenses totalling £31k during the year ended 31 December 2022 (2021: £79k, 2020: £137k) incurred by the employee concerned. Both recharges related to Michael Faye's role as a director of Segovia Technology Company (US).
- As at 31 December 2022, 777,328 (2021: 771,605, 2020: 771,605) £1 Class A Ordinary Shares of the Company were owned by a company controlled by a director of the Company. The registration of no further shares (2021: 5,723, 2020: none) was completed post year end.
- As at 31 December 2022, £2,130k (2021: £2,194k, 2020: £2,409k) is payable to Crown Agents Investment Management Limited.
- A Group Company provided banking services to connected parties, all of which were at arm's length, and with income earned as follows:

2020	**FX/ Payments £'000**	**Correspondent Banking £'000**	**Total £'000**
Givedirectly Inc*	321	-	321
Helios Investors Genpar III LP**	2	-	2
Helios Investment Partners LLP	1	-	1
Tap Tap Send UK Ltd*	2,318	277	2,595
As at 31 December	**2,642**	**277**	**2,919**

2021	**FX/ Payments £'000**	**Correspondent Banking £'000**	**Total £'000**
Givedirectly Inc*	523	3	526
Helios Investors Genpar III LP**	8	-	8
Tap Tap Send UK Ltd*	1,347	78	1,425
As at 31 December	**1,878**	**81**	**1,959**

2022	**FX/ Payments £'000**	**Correspondent Banking £'000**	**Total £'000**
Givedirectly Inc*	1,315	16	1,331
Helios Investors Genpar III LP**	2	-	2
Tap Tap Send UK Ltd*	2,820	101	2,921
As at 31 December	**4,137**	**117**	**4,254**

* companies of which Michael Faye, a director of the Bank, CAB Tech Holdco Limited and Segovia Technology Company (US), is a director.

** a Company which had control or significant influence over the Company.

Note: the income on FX transactions is determined by margins on the underlying currencies traded

Interest in the shares of a subsidiary of the Company, CAB Tech Holdco Limited (all of which were granted in 2021) were owned by directors of certain Group Companies as follows:

	CAB Tech Holdco Limited – Number Of £1 Ordinary Shares			
As at 31 December 2022	**A2 Shares**	**A2 Share Options**	**Restricted Shares (B Shares)**	**Restricted Share Units (B Shares)**
Director 1	662,325	-	157,808	-
- Related parties	202,681	-	-	-
Director 2	43,989	22,929	4,871	544,910

The amounts remained unchanged over the period.

Remuneration of key management

The remuneration of the directors, who are the key management of the Group, is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures.

	2020 £'000	**2021 £'000**	**2022 £'000**
Short-term employee benefits	2,734	2,832	5,446
Post-employment benefits	58	147	187
Other long-term benefits	-	-	-
Termination benefits	200	-	-
Share-based payments	-	540	837
Total remuneration	**2,992**	**3,519**	**6,470**

The Group had a number of loans to Directors and key management as summarised as shown below.

Staff loan

Across the Group there were loans outstanding at the year-end as follows:

	2020		**2021**		**2022**	
	No.	**£'000**	**No.**	**£'000**	**No.**	**£'000**
Directors						
As at 1 Jan	3	22	3	22	3	159
Loans repaid	-	-	(1)	(5)	-	-
New loans	-	-	1	142	-	-
As at 31 Dec	3	22	3	159	3	159
Key Management						
As at 1 Jan	5	11	5	11	8	252
Loans repaid	-	-	-	-	-	-
New loans	-	-	3	241	-	-
As at 31 Dec	5	11	8	252	8	252

36. Contingent liabilities, commitments and guarantees

Contingent Liabilities

The Group does not have any contingent liabilities in the reporting period (2021: nil, 2020: nil) other than those disclosed in Note 25.

Commitments

Capital commitments

The Group does not have any capital commitments in the reporting period (2021: nil, 2020: nil).

Other Commitments

In 2020, CAB entered into a five year contract to assist with the ongoing automation of manual processes. The following payments are due under the contract:

Payment Due	2020 £'000	2021 £'000	2022 £'000
Not later than one year	500	1,800	**2,210**
Later than one year and not later than five years	8,120	6,353	**4,143**
	8,620	8,153	**6,353**

The total of the amounts due under the contract are expensed to P&L over the life of the contract in line with the benefits received.

Further commitments are discussed in Note 26.

37. Credit risk

Credit risk is the risk that a customer or counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group's main income generating activity is lending to banks, and investment in debt securities therefore credit risk is a principal risk. Credit risk mainly arises from loans and advances to banks (including liquidity as a service and discounted letters of credit), investments in debt securities, investments in money market fixed, other assets , mobile network operator balances, unsettled transactions, other finance products, and accrued income. The Group considers the following elements of credit risk exposure, including counterparty-specific risk, geographical risk, and sector risk for risk management purposes.

Credit risk management

The Group monitors credit risk per class of financial instrument. The Group recognises a loss allowance for expected credit losses on investments in financial assets that are measured at amortised cost such as loans and advances to banks, investment in debt securities, other assets and accrued income, as well as undrawn commitments.

Exposure to Credit Risk by Instrument

The table below outlines the classes identified, as well as the financial statement line item and the note that provides an analysis of the items included in the financial statement line for each class of financial instrument.

Instrument	Description	Note
Cash and balances at central banks.	These are balances with the Bank of England, which has AA-credit rating. Balances are available on demand and are located in the UK.	11
Investment in Debt Securities	Fixed rate bonds (US Treasury bills) are US Treasury bills issued by the US government which offer a fixed rate of interest for a set period of time. Fixed rate bonds (other) are other fixed rate bonds issued by companies or G20 governments which offer a fixed rate of interest for a set period of time. A flat facility fee is charged for the provision of services. CAB will lend money to customers solely for the purpose of assisting the customer with its specific liquidity requirements that arise from settlement timelines in its standard payment flows. The rate charged for the amount lent is the greater of i. a fixed rate (e.g. 9%) or ii. US Federal rate plus a spread (e.g. US Fed rate plus 1%).	15
Loans and Advances to Banks and Customers	Nostros are bank accounts that CAB holds with other commercial banks. Credit Support Annex (CSA) loans represent collateral required from customers by a credit support annex (a legal document) for initial and variation margin as part of derivative transactions. They are under a collateralised-to-market (CTM) regime. A CTM model would require the out-of-the-money party to post collateral with an amount equal to the cumulative mark to market value, either with the exchange or with the counterparty. Both initial and variable margin payments are refundable upon settlement of the derivative and is therefore accounted for as collateral. Discounted letters of credit are advanced letter of credit payments that CAB pay to counterparties before the completion of the sales and shipping process. The amount that CAB paid out is discounted by a discounted fee (interest rate) and, as such, is lower than the principal expected to be received. They are essentially factoring	13

Instrument	Description	Note
	transactions. Trade finance loans are short-term working capital loans allowing buyers and sellers to finance their trade commitments on a transactional basis. CAB receives interest payments in return. Liquidity as a service (LaaS) is a type of overdraft facility where CAB agreed to provide customers with a facility for a set period with specific terms and conditions as set out in the LaaS agreements. This is a new product launched in 2022.	
Other assets exposures	Unsettled transactions are unsettled balances resulting from foreign exchange transactions that are delayed due to time differences, public holidays in other countries (where the counterparties are located) or similar operational reasons. The balances are short-term (typically less than four days). Balances with mobile network operators are the payments from mobile network operators (MNOs) that are due to CAB in respect of mobile money accounts. In certain countries in Africa, mobile money accounts are widely used, this service allows users to deposit money into an account stored on their mobile phones and to then send balances using a PIN-secured SMS text message to other users. One of the services that CAB provide is the transfer of funds by clients to beneficiaries via mobile. Typically, a client will deposit funds in CAB's controlled bank account. These funds are then transferred to an account held with a MNO. Clients submit a request for a payment to be made on the Payment Gateway. On receipt of the request, funds are remitted from the account held with the MNOs to the beneficiary with CAB's fee deducted simultaneously. MNOs therefore provide CAB with the equivalent of a bank account.	12
Accrued income	Accrued income is money which is owed to CAB for services rendered or products provided that have not yet been paid. This balance arises from several components such as management fee, pension accruals, and other revenues.	17

The maximum credit exposures distributed across each instrument are summarised in the table below.

	2020	2021	2022
	£'000	£'000	£'000
Cash and balances at central banks	677,864	676,492	607,358
Loans and Advances	226,426	181,335	188,418
Investment in debt securities	162,370	73,249	414,074
Other Asset Exposures	20,419	14,347	21,059
Accrued income	613	614	429
Total On-Balance Sheet Exposure	**1,087,692**	**946,037**	**1,231,338**
Total Off-Balance Sheet Exposure	**58,980**	**61,500**	**46,721**

*The total off-balance sheet exposure consists of the following: financial guarantee contracts, which are contracts that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument, letter of credit confirmation / acceptance, which is a letter from an issuing bank guaranteeing that a buyer's payment to a seller will be received on time and for the correct amount and liquidity as a service, which is a credit facility offered by the Group to its customers which allows customers to draw down on the facility on satisfaction of the terms of this facility.

	2020	2021	2022
	£'000	£'000	£'000
Financial guarantee contracts	2,180	6,000	4,000
Trade Finance - letter of credit confirmation / acceptance			
Acceptance	6,000	27,000	15,000
Confirmations	50,800	28,500	23,000
Liquidity as a service	-	-	4,721
Total Off-Balance Sheet Exposure*	**58,980**	**61,500**	**46,721**

The carrying amounts of financial assets best represents their maximum exposure to credit risk. The amounts include both balance sheet and undrawn exposures.

Significant increase in credit risk ("SICR")

The Group uses different criteria to determine whether credit risk has increased significantly per portfolio of assets.

The criteria used are both quantitative changes in PDs as well as qualitative. The table below summarises the range above which an increase in lifetime PD is determined to be significant, as well as some indicative qualitative indicators assessed. The Group uses an internal rating system that goes from Rating 0 to 7 with Rating 8 representing default. Below is a table that represents the through-the-cycle PD range per rating and the exposure-weighted distribution for 2022. Furthermore, ratings 0 to 3 represent investment grade ratings whilst 4 to 7 represent sub-investment grade ratings.

Rating type	Rating	TTC PD Range
Investment Grade	Rating 0	0%, 0.01%
	Rating 1	0.01%, 0.02%
	Rating 2	0.03%, 0.05%
	Rating 3	0.06%, 0.08%
Sub- Investment Grade	Rating 4	0.081%, 0.10%
	Rating 5	0.11%, 0.5%
	Rating 6	0.51%, 1.5%
	Rating 7	1.51%, 25%
	Rating 8 (Default)	100%

Irrespective of the outcome of the above rating assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group has monitoring procedures in place to make sure that the criteria used to identify significant increases in credit risk are effective, meaning that significant increase in credit risk is identified as an instrument triggers one of the SICR criteria or under the discretion of management. The Group performs periodic back-testing of its ratings to consider whether the drivers of credit risk that led to default were accurately reflected in the rating in a timely manner.

Incorporation of forward-looking information

The Group uses forward-looking information that is available without undue cost or effort in its assessment of significant increase of credit risk as well as in its measurement of ECL. A key aspect of the ECL methodology is that the distribution of future losses can estimated through forecasting the evolution over time of the credit cycle index (CCI) systematic factor. The estimated future path of this factor is derived directly via a statistical model which calibrates to multiple macroeconomic scenarios (base, upsides, and downsides). Specifically, the probability-weighted mean of the ECL distribution measures the expected credit loss. The Group employs experts who use external and internal information to generate a 'base case' scenario of future forecast of relevant economic variables along with a representative range of other possible forecast scenarios. The external information used includes economic data and forecasts published by governmental bodies and monetary authorities.

The Group applies probabilities to the forecast scenarios identified. The base case scenario is the single most-likely outcome and consists of information used by the Group for strategic planning and budgeting. The Group has identified and documented key drivers of credit risk and credit losses for each class of financial instrument and, using a statistical analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses. The Group has not made changes in the estimation techniques or significant assumptions made during the reporting period.

The table below summarises forecast GDP Growth indicators included in the economic scenarios used at 31 December 2022 for the years 2023 to 2027, for the UK and the key regions in which the Group operates and therefore have a material impact in ECLs.

	2023	2024	2025	2026	2027
United Kingdom GDP growth					
Base scenario	(0.9%)	1.5%	2.7%	2.2%	1.7%
Upside scenario	3.0%	3.8%	3.9%	2.6%	1.5%
Mild upside scenario	1.4%	3.0%	3.5%	2.5%	1.6%
Stagnation scenario	(3.5%)	0.7%	2.5%	2.2%	1.8%
Downside scenario	(4.6%)	0.2%	2.3%	2.1%	1.8%
Severe downside scenario	(6.5%)	(0.6%)	2.0%	2.1%	1.9%
Americas GDP growth					
Base scenario	0.0%	1.3%	2.3%	2.4%	2.2%
Upside scenario	2.7%	3.2%	3.7%	2.8%	2.1%
Mild upside scenario	1.6%	2.5%	3.2%	2.7%	2.1%

	2023	2024	2025	2026	2027
Stagnation scenario	(1.4%)	0.5%	1.8%	2.2%	2.2%
Downside scenario	(2.1%)	0.1%	1.5%	2.1%	2.3%
Severe downside scenario	(3.2%)	(0.7%)	1.0%	2.0%	2.3%
Eurozone GDP growth					
Base scenario	(0.1%)	2.1%	2.3%	1.9%	1.6%
Upside scenario	3.1%	4.7%	3.6%	2.1%	1.4%
Mild upside scenario	1.8%	3.8%	3.2%	2.0%	1.5%
Stagnation scenario	(2.1%)	1.1%	1.9%	1.9%	1.6%
Downside scenario	(3.1%)	0.6%	1.6%	1.9%	1.7%
Severe downside scenario	(4.6%)	(0.4%)	1.2%	1.8%	1.7%
Asia-Pacific GDP growth					
Base scenario	3.3%	4.2%	4.9%	4.6%	4.2%
Upside scenario	6.4%	6.3%	6.3%	5.0%	4.0%
Mild upside scenario	5.1%	5.5%	5.8%	4.8%	4.1%
Stagnation scenario	1.2%	3.3%	4.1%	4.3%	4.2%
Downside scenario	0.3%	2.9%	3.7%	4.2%	4.3%
Severe downside scenario	(1.3%)	2.0%	3.0%	4.0%	4.3%
Sub-Saharan Africa GDP growth					
Base scenario	2.8%	3.2%	3.3%	3.4%	3.3%
Upside scenario	8.1%	6.7%	5.6%	3.8%	2.8%
Mild upside scenario	6.0%	5.4%	4.8%	3.6%	3.0%
Stagnation scenario	(0.3%)	1.8%	2.2%	3.2%	3.6%
Downside scenario	(1.8%)	0.9%	1.6%	3.1%	3.7%
Severe downside scenario	(4.2%)	(0.5%)	0.6%	2.9%	4.0%
Middle East North Africa GDP growth					
Base scenario	2.1%	2.9%	2.8%	2.5%	2.4%
Upside scenario	7.5%	6.7%	5.2%	2.9%	2.0%
Mild upside scenario	5.4%	5.3%	4.4%	2.8%	2.2%
Stagnation scenario	(1.0%)	1.2%	1.7%	2.4%	2.7%
Downside scenario	(2.5%)	0.3%	1.1%	2.3%	2.8%
Severe downside scenario	(5.0%)	(1.3%)	(0.0%)	2.1%	3.0%

Predicted relationships between the key indicators and default and loss rates on various portfolios of financial assets have been developed based on analysing historical data over the past 18 years.

The Group has performed a sensitivity analysis on how ECL on the portfolio would change if the key assumptions used to calculate ECL change by macroeconomic scenario. The table below outlines the total ECL across the portfolio as at 31 December 2022, by looking at the changes in PD and ECL at each of the macroeconomic scenarios. The changes are applied in isolation for illustrative purposes and are applied to each probability weighted scenario used to develop the estimate of expected credit losses. There will be interdependencies between the various economic inputs and the exposure to sensitivity will vary across the economic scenarios.

As at 2022	Average 12m PD	ECL (£'000)
Base	0.8%	440
Upside	0.7%	409
Mild Upside	0.8%	421
Stagnation	0.9%	465
Downside	0.9%	478
Severe	1%	501

Measurement of expected credit losses (ECL)

ECL is applicable to financial assets classified at amortised cost and FVTOCI. The measurement of ECL reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, time value of money and 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 Group applies the general model for measuring expected credit losses (ECL) which uses a three-stage approach in recognising the expected loss allowance to its financial assets measured at amortised cost. The Group considers the model and the assumptions used in calculating these ECLs as key sources of estimation uncertainty.

The key inputs used for measuring ECL are:

- Probability of default ("PD");
- Loss given default ("LGD"); and
- Exposure at default ("EAD")

The ECL Model allocates accounts to three Stages and calculates the impairment as:

- 12 months Expected Loss for accounts in Stage 1; and
- Lifetime Expected Loss (LEL) for accounts in Stage 2 and Stage 3

The Group measures ECL considering the risk of default over the maximum contractual period (including extension options) over which the entity is exposed to credit risk and not a longer period, even if contact extension or renewal is common business practice.

The measurement of ECL is based on probability weighted average credit loss. As a result, the measurement of the loss allowance should be the same regardless of whether it is measured on an individual basis or a collective basis (although measurement on a collective basis is more practical for large portfolios of items). The Group has measured its ECL at a counterparty-level which is then aggregated to a product and segment level.

Probability of Default

PD is an estimate of the likelihood of default over a given time horizon. It is estimated as at a point in time. PDs are determined using the one-factor Merton-Vasicek model and transforms TTC PDs to a 1-month Forward-in-Time (FiT) PD for each period of a loan’s contractual life by decomposing the portfolio into systematic and idiosyncratic risk factors. The systematic factor captures risks relevant to the entire portfolio and is assumed to be correlated to the overall macroeconomy. The idiosyncratic factor captures counterparty-specific characteristics. These statistical models are based on market data (where available), as well as internal data comprising both quantitative and qualitative factors. PDs are estimated considering the contractual maturities of exposures and estimated prepayment rates. The estimation is based on current conditions, adjusted to take into account estimates of future conditions that will impact PD.

The Group estimates the remaining lifetime Probability of Default (PD) of exposures and how these are expected to change over time. The Group uses the Moody’s RiskCalc tool to assign a risk rating to each counterparty which represents the probability of default. The factors considered in this process include macro-economic data including GDP per region – UK, Americas, Eurozone, Asia, Sub-Saharan Africa (SSA), and Middle East & North Africa (MENA). The Group generates a ‘base case’ scenario of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. The Group then uses these forecasts, which are probability-weighted, to adjust its estimates of PDs.

Loss Given Default

The LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from any collateral. The LGD model for portfolio incorporates information on consider time of recovery, recovery rates and seniority of claims. The calculation is on a discounted cash flow basis, where the cash flows are discounted by the original effective interest rate (EIR) of the loan. The Group’s credit portfolio is made up entirely of soft assets.

Exposure at Default

The EAD is an estimate of the exposure at default. It is based on the outstanding amount of the account combined with any default penalty and recovery fees associated with recovering a defaulted account. The EAD model incorporates the balance, interest, fees, and arrears depending on the type of product the account is. This includes interest-only, deposit, and overdraft facilities.

Groupings based on shared risks characteristics

When ECL are measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics, such as: instrument type, credit risk grade, and regional split.

The groupings are reviewed on a regular basis to ensure that each group is comprised of homogenous exposures.

Impairment of financial assets

The Group’s impairment loss on financial assets, undrawn commitments and financial guarantees that are subject to the expected credit loss model are as shown below:

	2020 £’000	2021 £’000	**2022** **£’000**
Impairment recognised in profit or loss:			
Increase in ECL provision for cash and balances at central banks		-	-
Increase in ECL provision for investment in debt securities		-	(12)
Increase in ECL provision for loans and advances	(94)	(14)	(273)
(Increase) / decrease in ECL provision for other asset exposures	(43)	53	(6)
(Increase) / decrease in ECL provision for accrued income	(1)	5	(4)
Total impairment recognised in profit or loss for financial assets	(139)	**44**	**(295)**
(Increase) / decrease in other ECL provisions	(28)	106	(47)
Total impairment (loss)/ recovery recognised in profit or loss	(167)	**150**	**(342)**

Credit quality

An analysis of the Group’s credit rating, maturity and credit risk concentrations per class of financial asset is provided in the following tables. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts.

A. Portfolio Grading

The table below displays a breakdown of the portfolio in terms of credit quality. Instruments with strong credit characteristics are categorised as “investment grade” (risk grades 0 to 3), while those with higher credit risk are categorised as “sub-investment grade” (risk grades 4 to 7).

Exposure by grade

Exposure by grade	2020 £’000	2021 £’000	**2022** **£’000**
Cash and balances at central banks	**677,864**	**676,492**	**607,358**
Investment Grade	677,864	676,492	607,358
Loans and advances	**226,426**	**181,335**	**188,418**
Investment Grade	184,617	121,634	116,998
Sub-Investment Grade	41,809	59,701	71,420
Investment in debt securities	**162,370**	**73,249**	**414,074**
Investment Grade	162,370	73,249	414,074
Other asset exposures	20,419	**14,347**	**21,059**
Investment Grade	4	3	6,247
Sub-Investment Grade	20,415	14,344	14,812
Accrued income	**613**	**614**	**429**
Investment Grade	47	27	-
Sub-Investment Grade	566	587	429
Total On-Balance Sheet Exposure	**1,087,692**	**946,037**	**1,231,338**
Total Off-Balance Sheet Exposure	**58,980**	**61,500**	**46,721**

B. Breakdown by Country/Region

The table below describes the gross carrying amount by location for each asset class.

Exposure by Region

	2020 £'000	2021 £'000	**2022 £'000**
Cash and balances at central banks	**677,864**	**676,492**	**607,358**
UK	677,864	676,492	607,358
Loans and advances	**226,426**	**181,335**	**188,418**
Africa	37,439	50,048	56,293
China	52,956	308	26,421
Europe	30,020	21,710	18,852
Far East	431	5,679	928
Japan	3,086	20,275	5,694
Middle East	18,733	23,752	25,229
Other	15,149	7,653	3,543
UK	30,270	18,028	22,780
US	38,341	33,882	28,678
Investment in debt securities	**162,370**	**73,249**	**414,074**
Africa	-	12,823	25,273
Europe	33,530	29,548	139,300
Far East	-	7,507	49,162
Middle East	3,694	-	-
Other	13,643	-	18,023
UK	15,068	7,299	20,473
US	96,435	16,071	161,844
Other asset exposures	**20,419**	**14,347**	**21,059**
Africa	5,124	2,621	6,086
Europe	-	-	
Other	2,875	644	7,022
UK	12,421	10,861	7,865
US	-	221	45
Accrued income	**613**	**614**	**429**
Africa	165	91	29
Middle East	-	-	25
Other	82	152	62
UK	269	344	313
US	97	27	-
Total On-Balance Sheet Exposure	**1,087,692**	**946,037**	**1,231,338**
Off Balance Sheet Exposure			
Total Off Balance Sheet Exposure	**58,980**	**61,500**	**46,721**

C. Breakdown By Maturity

The table below describes the gross carrying amount per maturity for each asset class.

Exposure By Maturity

	2020 £'000	2021 £'000	**2022 £'000**
Cash and balances at central banks	**677,864**	**676,492**	**607,358**
Less than 3 months	677,864	676,492	607,358
Loans and advances	**226,426**	**181,335**	**188,418**
Less than 3 months	120,245	129,833	109,950
More than 3 months	106,181	51,502	78,468
Investment in debt securities	**162,370**	**73,249**	**414,074**
More than 3 months	162,370	73,249	414,074
Other asset exposures	**20,419**	**14,347**	**21,059**
Less than 3 months	20,305	13,965	18,164
More than 3 months	114	382	2,895
Accrued income	**613**	**614**	**429**
Less than 3 months	285	285	279
More than 3 months	328	329	290
Total On-Balance Sheet Exposure	**1,087,692**	**946,037**	**1,231,338**
Off Balance Sheet Exposure			
Total Off Balance Sheet Exposure	**58,980**	**61,500**	**46,721**

An analysis of the Group's credit risk exposure per class of financial asset, internal rating and "stage" without taking into account the effects of any collateral or other credit enhancements is provided in the following tables. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts.

Loss Allowance

The table below represents the ECL per Stage by asset class.

Year	2020			2021		2022	
ECL	£'000			£'000		£'000	
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 1	Stage 2
Cash and balances at central banks	-	-	-	-	-	-	-
Loans and advances	**10**	**-**	**-**	**24**	**-**	**297**	**-**
Investment Grade	3	-	-	-	-	-	-
Sub-Investment Grade	7	-	-	24	-	297	-
Investment in debt securities	**1**	**-**	**-**	**1**	**-**	**13**	**-**
Investment Grade	1			1		13	
Other asset exposures	**89**	**-**	**20**	**55**	**1**	**61**	**1**
Sub-Investment Grade	89	-	20	55	1	61	1
Accrued income	**6**	**-**	**-**	**1**	**-**	**5**	**-**
Sub-Investment Grade	6	-	-	1	-	5	-
Off Balance Sheet Accounts	**138**	**-**	**-**	**32**	**-**	**79**	**-**
Investment Grade	138	-	-	32	-	79	-
Grand Total	**244**	**-**	**20**	**113**	**1**	**455**	**1**

The tables below describes gross carrying amount, loss allowance, and carrying amount after loss allowance per class of assets.

On Balance sheet exposure	2020 £'000	2021 £'000	**2022 £'000**
Cash and balances at central banks			
Gross carrying amount:	677,864	676,492	607,358
Loss allowance	-	-	-
Carrying amount after loss allowance	**677,864**	**676,492**	**607,358**
Loans and advances			
Gross carrying amount:	226,426	181,335	188,418
Loss allowance	(10)	(24)	(297)
Carrying amount after loss allowance	**226,416**	**181,311**	**188,121**
Investment in debt securities			
Gross carrying amount:	162,370	73,249	414,074
Loss allowance	(1)	(1)	(13)
Carrying amount after loss allowance	**162,369**	**73,248**	**414,061**
Other asset exposures			
Gross carrying amount:	20,419	14,347	21,059
Loss allowance	(109)	(52)	(62)
Carrying amount after loss allowance	**20,310**	**14,295**	**20,997**
Accrued income			
Gross carrying amount:	613	614	429
Loss allowance	(4)	(1)	(5)
Carrying amount after loss allowance	**609**	**613**	**424**
Total carrying amount after loss allowance	**1,087,568**	**945,959**	**1,230,961**

Off Balance Sheet exposure	2020 £'000	2021 £'000	**2022 £'000**
Financial guarantee contracts			
Gross Carrying Amount	2,180	6,000	**4,000**
Loss Allowance	(50)	(31)	**(1)**
Carrying Amount After Loss Allowance	2,130	5,969	**3,999**

Off Balance Sheet exposure	2020 £'000	2021 £'000	**2022 £'000**
Letter of credit confirmation / acceptance			
Gross Carrying Amount	56,800	55,500	**28,000**
Loss Allowance	(88)	(1)	**(6)**
Carrying Amount After Loss Allowance	56,712	55,499	**27,994**
Liquidity as a service			
Gross Carrying Amount	-	-	**4,721**
Loss Allowance	-	-	**(72)**
Carrying Amount After Loss Allowance	-	-	**4,649**
Total Gross Carrying Amount	58,980	61,500	**36,721**
Total Loss Allowance	(138)	(32)	**(79)**
Total Carrying Amount After Loss Allowance	58,842	61,468	**36,642**

Movement in loss allowances across the stages

The tables below analyse the movement of the loss allowance during the year per class of assets.

	2020			2021			2022		
	£'000			£'000			£'000		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Loss allowance at beginning of period	93			244	-	20	113	1	-
Loans expired / closed from previous period	(78)			(125)	-	(20)	(91)	(1)	-
New loans Issued	217			36	-	-	432	1	-
Expected credit loss before changes in loss allowance	232			**155**	**-**	**-**	**454**	**1**	**-**
Change in loss allowance	(20)	20		-	-	-	(1)	-	-
Transfer to Stage 1				-	-	-	-	-	-
Transfer to Stage 2	(20)			-	-	-	(1)	-	-
Transfer to Stage 3				-	-	-	-	-	-
Transfers in		20		-	-	-	-	1	-
Adjustments in expected credit loss	12			(42)	1	-	2	-	-
Loss allowance at end of period	224	20		**113**	**1**	**-**	**454**	**2**	**-**
Total loss allowance at end of period	244			**114**			**456**		

38. Liquidity risk

Information on the policy for liquidity risk is in the Strategic Report.

The liquidity (undiscounted) cashflow profile of the Group's financial assets and financial liabilities (including interest receivable/ payable on maturity) is as follows:

Liabilities 2022

More than	**0 months**	**3 months**	**1 year**	**2 years**	**5 years**	**Total**	**Carrying amount**
Less than	**3 months**	**1 year**	**2 years**	**5 years**			
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Customer accounts	1,134,194	171,357	-	-	-	1,305,551	1,305,551
Derivative financial instruments	4,520	23	-	-	-	4,543	4,543
Unsettled transactions	25,782	-	-	-	-	25,782	25,782
Other liabilities**	5,553	-	-	-	-	5,553	5,553
Provisions	79	-	-	-	-	79	79
Lease liabilities	108	359	346	468	-	1,281	1,281
Accruals	19,364	-	-	-	-	19,364	19,364
	1,190,600	**171,739**	**346**	**468**	**-**	**1,362,153**	**1,362,153**

Assets 2022

More than	**0 months**	**3 months**	**1 year**	**2 years**	**5 years**	**Total**	**Carrying amount**
Less than	**3 months**	**1 year**	**2 years**	**5 years**			
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cash and balances at central banks	607,358	-	-	-	-	607,358	607,358
Money market funds	209,486	-	-	-	-	209,486	209,486
Loans and advances on demand to banks	90,209	-	-	-	-	90,209	90,209
Other loans and advances to banks	83,526	12,252	-	-	-	95,778	95,778
Loans and advances to customers	2,134	-	-	-	-	2,134	2,134
Derivative financial assets	6,551	16	-	-	-	6,567	6,567
Unsettled transactions	12,960	-	-	-	-	12,960	12,960
Accrued income (others)	856	-	-	-	-	856	856
Investment in debt securities	101,323	243,385	66,844	10,125	-	421,677	414,061
Investment in equity securities	-	-	-	-	488	488	488
Other assets*					8,037	8,037	8,037
	1,114,403	255,653	66,844	10,125	7,855	1,455,550	1,447,934

Liabilities 2021

More than	0 months	3 months	1 year	2 years	5 years	Total	Carrying amount
Less than	3 months	1 year	2 years	5 years			
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Customer accounts	1,128,266	62,461	-	-	-	1,190,727	1,190,727
Derivative financial instruments	7,519	150	-	-	-	7,669	7,669
Unsettled transactions	18,338	--	-	-	-	18,338	18,338
Other liabilities**	5,985					5,985	5,985
Provisions	32	-	-	-	-	32	32
Lease liabilities	80	242	326	171	-	819	819
Accruals	8,659					8,659	8,659
	1,168,879	62,853	326	171	-	1,232,229	1,232,229

Assets 2021

More than	0 months	3 months	1 year	2 years	5 years	Total	Carrying amount
Less than	3 months	1 year	2 years	5 years			
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cash and balances at central banks	676,492	-	-		-	676,492	676,492
Money market funds	336,737	-	-	-	-	336,737	336,737
Loans and advances on demand to banks	106,880	-	-	-	-	106,880	106,880
Other loans and advances to banks	55,109	19,321	-	-	-	74,430	74,430
Derivative financial assets	1,628	13				1,641	1,641
Unsettled transactions	10,767	-	-	-	-	10,767	10,767
Accrued income (others)	1,344					1,344	1,344
Investment in debt securities	30,385	42,952	-	-	-	73,337	73,248
Investment in equity securities	-	-	-	-	382	382	382
Other assets*					3,528	3,528	3,528
	1,219,342	62,286	-	-	3,910	1,285,538	1,285,449

Liabilities 2020

More than	0 months	3 months	1 year	2 years	5 years	Total	Carrying amount
Less than	3 months	1 year	2 years	5 years			
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Customer accounts	970,045	99,626	601	-	-	1,070,272	1,070,272
Derivative financial instruments	12,457	1,054				13,511	13,511
Unsettled transactions	2,094	-	-	-	-	2,094	2,094
Other liabilities**	4,666					4,666	4,666
Provisions	137	-	-	-	-	137	137
Lease liabilities	78	155	321	497	-	1,051	1,051
Accruals	6,040					6,040	6,040
	995,517	100,835	922	497	-	1,097,771	1,097,771

Assets 2020

More than	0 months	3 months	1 year	2 years	5 years	Total	Carrying amount
Less than	3 months	1 year	2 years	5 years			
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cash and balances at central banks	677,864	-	-	-	-	677,864	677,864
Money market funds	52,737	-	-	-	-	52,737	52,737
Loans and advances on demand to banks	74,564	-	-	-	-	74,564	74,564
Other loans and advances to banks	83,283	68,569	-	-	-	151,852	151,852
Derivative financial assets	2,274	291	-	-	-	2,305	2,305
Unsettled transactions	18,273	-	-	-	-	18,273	18,273
Accrued income (others)	893					893	893
Investment in debt securities	41,069	121,300	-	-	-	162,369	162,369
Investment in equity securities	-	-	-	-	154	154	154
Other assets*					2,037	2,037	2,037
	950,957	189,900	-	-	2,191	1,143,048	1,143,048

Note: since the interest-bearing financial instruments detailed above include interest due on maturity, they do not equate to the statement of financial position exposure.

39. Currency Risk

The Group does not have any structural exposure. The table below shows the Group's transactional currency exposures in its book, i.e. those non-structural exposures that give rise to the net currency gains and losses recognised in the statements of profit or loss and other comprehensive income. Such exposures comprise the monetary assets and monetary liabilities of the Group that are not denominated in sterling.

At 31 December 2022, 31 December 2021 and 1 January 2021, these exposures were as follows:

	Net foreign currency monetary (liabilities) / assets in £'000					
2022 Currency	**US Dollar**	**Euro**	**KES**	**UGX**	**Other**	**Total**
(Liabilities) / assets	(358,956)	(52,908)	419	390	(1,304)	(412,359)
Net forward purchases / (sales)	360,651	52,007	119	-	5,137	417,914
	1,695	(902)	538	390	3,833	5,555
Change in assets / (liabilities) due to a change in currency value by						
+10% or +1000bps	169	(90)	54	39	383	555
-10% or -1000bps	(169)	90	(54)	(39)	(383)	(555)
2021 Currency	**US Dollar**	**Euro**	**KES**	**UGX**	**Other**	**Total**
(Liabilities) / assets	(457,220)	(25,020)	667	582	27,250	(453,741)
Net forward purchases / (sales)	454,842	24,264	(1)	(2)	(25,282)	453,821
	(2,378)	(756)	666	580	1,968	80
Change in assets / (liabilities) due to a change in currency value by						
+10% or +1000bps	(238)	(76)	67	58	197	8
-10% or -1000bps	238	76	(67)	(58)	(197)	(8)
1 January 2021 Currency	**US Dollar**	**Euro**	**YEN**	**AUD**	**Other**	**Total**
(Liabilities)/assets	(477,084)	(23,956)	(4,656)	(6,768)	1,696	(510,768)
Net forward purchases / (sales)	475,035	21,871	4,593	6,759	2,027	510,285
	(2,049)	(2,085)	(63)	(9)	3,723	(483)
Change in assets / (liabilities) due to a change in currency value by						
+10% or +1000bps	(205)	(209)	(6)	(1)	372	(48)
-10% or -1000bps	205	209	6	1	(372)	48

An analysis of the total statement of financial position, split between British pound sterling and other currencies, is as follows:

	2020 £'000	2021 £'000	2022 £'000
Assets			
Denominated in sterling	707,304	735,903	727,660
Denominated in other currencies	464,424	579,702	757,134
	1,171,728	1,315,605	1,484,794
Liabilities and Equity			
Denominated in sterling	194,371	281,881	317,550
Denominated in other currencies	977,357	1,033,724	1,167,244
	1,171,728	1,315,605	1,484,794

A 10% appreciation in the value of British pound sterling against all other currencies would decrease the Group's profit or loss value by £668k as at 31 December 2022 (2021: £39K, 2020: +£116K).

40. Interest rate risk

Interest rate sensitivity

Part of the Group's return on financial instruments is obtained from controlled mismatching of the dates on which the instruments mature or, if earlier, the dates on which interest receivable on financial assets and interest payable on financial liabilities are next reset to market rates. The table below summarises these re-pricing mismatches on the Group's book as at 31 December 2022. Items are allocated to time bands by reference to the earlier of the next contractual interest rate re-pricing date and the maturity date. All the financial assets / financial liabilities are based on fixed interest. The repricing table therefore is prepared on the basis that maturity date equals repricing date. It should be noted that the Group manages its interest rate risk on a behavioural basis where a portion of customer deposits are treated as being rate insensitive.

Interest Rate Repricing

	Consolidated £'000					
	Not more than three months	More than three months but not more than six months	More than six months but not more than one year	More than one year but not more than five years	Non-interest bearing	Total
2022						
Assets						
Cash and balances at central banks	607,358	-	-	-	-	607,358
Money market funds	209,486	-	-	-	-	209,486
Loans and advances on demand to banks	90,209	-	-	-	-	90,209
Other loans and advances to banks	83,526	12,252	-	-	-	95,778
Loans and advances to customers	2,134	-	-	-	-	2,134
Derivative financial assets	6,551	16	-	-	-	6,567
Unsettled transactions	12,960	-	-	-	-	12,960
Accrued income	-	-	-	-	856	856
Investment in debt securities	98,675	64,460	175,103	75,823	-	414,061
Investments in equity securities	-	-	-	-	488	488
Other assets*					7,367	7,367
Total assets	1,110,899	76,728	175,103	75,823	8,711	1,447,264

Interest Rate Repricing

	Consolidated £'000					
	Not more than three months	More than three months but not more than six months	More than six months but not more than one year	More than one year but not more than five years	Non-interest bearing	Total
2022						
Liabilities						
Customer accounts	1,134,309	128,369	42,873	-	-	1,305,551
Derivative financial liabilities	4,520	23	-	-	-	4,543
Unsettled transactions	25,782	-	-	-	-	25,782
Other liabilities**	-	-	-	-	5,551	5,551
Provisions	-	-	-	-	79	79
Accruals	-	-	-	-	19,364	19,364
Shareholders' funds					114,191	114,191
Total liabilities	1,164,611	128,392	42,873	-	139,185	1,475,061
Interest rate sensitivity gap	(53,712)	(51,664)	132,230	75,823	(130,076)	
Cumulative gap	(53,712)	(105,376)	26,854	102,677	(27,399)	

Interest Rate Repricing

	Consolidated - £'000					
	Not more than three months	More than three months but not more than six months	More than six months but not more than one year	More than one year but not more than five years	Non-interest bearing	Total
2021						
Assets						
Cash and balances at central banks	676,492	-	-	-	-	676,492
Money market funds	336,737	-	-	-	-	336,737
Loans and advances on demand to banks	106,880	-	-	-	-	106,880
Other loans and advances to banks	55,109	19,321	-	-	-	74,430
Derivative financial assets	1,628	13				1,641
Unsettled transactions	10,767					10,767
Accrued income					1,344	1,344
Investment in debt securities	30,263	42,985	-	-	-	73,248
Investment in equity securities	-	-	-	-	382	382
Other assets*					2,037	2,037
Total assets	1,217,876	62,319	-	-	3,763	1,283,958

Interest rate repricing

	Consolidated £'000					
	Not more than three months	More than three months but not more than six months	More than six months but not more than one year	More than one year but not more than five years	Non-interest bearing	Total
2021						
Liabilities						
Customer accounts	1,128,431	48,331	13,965	-	-	1,190,727
Derivative financial liabilities						
Unsettled transactions	18,338	-	-	-	-	18,338
Other liabilities**					5,985	5,985
Provisions					32	32
Accruals					8,659	8,659
Shareholders' funds					79,728	79,728
Total liabilities	1,146,769	48,331	13,965	-	94,404	1,303,469
Interest rate sensitivity gap	71,107	13,988	(13,965)	-	(90,242)	
Cumulative gap	71,107	85,095	71,130	71,130	(19,112)	

Interest Rate Repricing

	Consolidated - £'000					
	Not more than three months	More than three months but not more than six months	More than six months but not more than one year	More than one year but not more than five years	Non-interest bearing	Total
2020						
Assets						
Cash and balances at central banks	677,864	-	-	-	-	677,864
Money market funds	52,737	-	-	-	-	52,737
Loans and advances on demand to banks	74,564	-	-	-	-	74,564
Other loans and advances to banks	83,283	49,807	18,762	-	-	151,852
Derivative financial assets	2,274	29	-	-	-	2,303
Unsettled transactions	18,273	-	-	-	-	18,273
Accrued income					893	893
Investment in debt securities	41,069	53,187	68,113	-	-	162,369
Investment in equity securities	-	-	-	-	154	154
Other assets*					2,037	2,037
Total assets	950,064	103,025	86,875	-	3,084	1,143,048

Interest rate repricing

	Consolidated £'000					
	Not more than three months	More than three months but not more than six months	More than six months but not more than one year	More than one year but not more than five years	Non-interest bearing	Total
2020						
Liabilities						
Customer accounts	970,045	66,785	32,851	591	-	1,070,272
Derivative financial liabilities	12,457	1,054				13,511
Unsettled transactions	2,094					2,094
Other liabilities**					4,563	4,563
Provisions					137	137
Accruals					6,040	6,040
Shareholders' funds					71,161	71,161
Total liabilities	**984,596**	**67,839**	**32,851**	**591**	**81,901**	**1,167,778**
Interest rate sensitivity gap	(34,532)	35,186	54,024	(591)	(78,417)	
Cumulative gap	(34,532)	654	54,678	54,087	(24,330)	

Following a parallel shift in interest rates, the Group's net asset value and profit would change as follows:

Parallel Shift	**2022 £'000**	2021 £'000	1 January 2021 £'000
+ 200bp	(58)	27	(287)
- 200bp	45	(28)	299

41. Capital management

Capital risk is the risk that the Group has insufficient capital resources to meet the minimum regulatory requirements in all jurisdictions where regulated activities are undertaken, to support its credit rating and to support its growth and strategic options.

Capital risk management

As with liquidity and market risks the Assets & Liabilities Committee (ALCO) is responsible for ensuring the effective management of capital risk throughout the Group. Specific levels of authority and responsibility in relation to capital risk management have been assigned to the appropriate committees.

Externally imposed capital requirements

Aside from the Company, entities within the Group are subject to regulatory requirements (on an entity and / or a consolidated basis) imposed by the PRA and / or the FCA. Such regulations include the requirement, at all times, to carry sufficient regulatory capital to meet the underlying capital requirements.

Capital risk is measured and monitored using limits set in relation to capital (Common Equity Tier 1 (CET1); Tier 1; and Total Capital) and leverage, all of which are calculated in accordance with relevant regulatory requirements.

The Group's regulatory capital consists solely of Common Equity Tier 1 (CET 1) capital which includes ordinary share capital, retained earnings, reserves (excluding NCI) and deductions for goodwill, intangible assets and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes.

	Consolidated		
	2020 £'000	2021 £'000	**2022** **£'000**
Tier 1 capital-CET1			
Ordinary share capital	67,510	68,010	68,010
Retained earnings	1,138	8,870	40,299
Other reserves	(2,170)	(2,270)	(1,870)
Investment valuation reserve	21	30	97
Translation reserve	1	(142)	(31)
Deductions:			
Intangible assets	(22,733)	(22,663)	(22,624)
Deferred tax other than temporary differences	-	-	-
Other regulatory adjustments under Basel III	(2,429)	-	(2,534)
Total Tier 1 capital-CET1	41,338	51,835	81,347
Additional Tier 1 (AT1) Capital	-	-	-
Capital instruments	-	-	-
Regulatory adjustments	-	-	-
Total AT1 Capital			
Total Tier 1 Capital	**41,338**	**51,835**	**81,347**
Risk Weighted Assets			
Credit risk	121,256	108,453	137,352
Market risk	9,858	8,759	8,144
Operational risk	62,502	79,513	126,216
Total RWAs	**193,616**	**196,725**	**271,712**
Key Capital Ratios			
CET1	21.4%	26.3%	29.9%
Tier 1	21.4%	26.3%	29.9%
Total Capital	21.4%	26.3%	29.9%
Leverage ratio	4.0%	4.1%	6.3%

The Group's capital plans are developed with the objective of maintaining capital that is adequate in quantity and quality to support the Group's risk profile, regulatory and business needs. As a result, the Group holds a diversified capital base that provides strong loss absorbing capacity and optimised returns. Capital forecasts are continually monitored against relevant internal target capital ratios to ensure they remain appropriate and consider risks to the plan including possible future regulatory changes.

The Group and its individually regulated operations have complied with all externally imposed capital requirements and internal and external stress testing requirements.

In order to do so, the regulated trading subsidiaries calculate those capital requirements on a daily basis and, using a traffic light warning system based on an internal buffer, reports to the Assets & Liabilities Committee, or, should the need arise, the Board.

The Group manages its capital on a consolidated basis with no consideration of companies outside the Group.

The Group manages capital risk on an ongoing basis through other means such as:

- Stress testing: internal Group-wide stress testing is undertaken to quantify and understand the impact of sensitivities on the capital plan and capital ratios arising from stressed macroeconomic conditions. Reverse stress testing is also performed to identify the extent of stress that could be survived before limits are breached. In addition to internal stress testing, the Group also undertakes stress tests required by regulatory authorities.
- Risk mitigation: as part of the stress testing process, actions are identified that should be taken to mitigate the risks that could arise in the event of material adverse changes in the current economic and business environment.

- Senior management awareness and transparency: Capital management information is readily available at all times to support the Group's executive management's strategic and day-to-day business decision making, as may be required..

During 2022, the Group's strategy was unchanged from 2021 and 2020.

Full details of the capital adequacy requirements for each of the Group's regulated entities are provided in its Pillar 3 disclosures which can be found on the website of Crown Agents Bank Limited (www.crownagentsbank.com). These disclosures are not audited.

Capital management in relation to the Company

The Company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Company's overall strategy remains unchanged from 2021. The Company is not subject to any externally imposed capital requirements.

The capital structure of the Company consists of equity (called-up share capital, retained earnings and shareholder's funds as disclosed in notes 27 and 29).

42. Classification of financial instruments

The carrying values of the financial assets and financial liabilities are summarised by category below:

	2020 £'000	2021 £'000	2022 £'000
Financial Assets			
Measured at fair value through statement of comprehensive income			
Money market funds	52,738	336,737	209,486
Derivative financial instruments - foreign exchange related contracts	2,305	1,641	6,590
Measured at amortised cost			
Cash and balances at central banks	677,864	676,492	607,358
Loans and advances	226,417	181,310	188,121
Investment in debt securities	162,369	73,248	414,061
Unsettled transactions and other assets	22,676	18,570	32,097
Accrued income (others)	893	1,344	856
Measured at fair value through other comprehensive income			
Investment in equity securities	154	382	488
Financial liabilities			
Measured at fair value through statement of comprehensive income			
Derivative financial instruments - foreign exchange related contracts	13,511	7,669	4,565
Measured at amortised cost			
Customer accounts	1,072,794	1,192,725	1,307,698
Lease Liability	1,051	819	1,281
Other liabilities (excluding accruals)	5,337	7,231	11,518
Accruals	6,040	8,659	19,364

43. Fair value measurement

Fair value methodology:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Where available fair values are determined at prices quoted in active markets. In some instances, such price information is not available for all instruments and the Group applies valuation techniques to measure such instruments. These valuation techniques make maximum use of market observable data but in some cases, management estimate unobservable market inputs within the valuation model. There is no standard model and different assumptions would generate different results. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments that are measured at fair value into the three levels of fair value hierarchy explained further below, based on the lowest level input that is significant to the entire measurement of the instrument.

Fair value hierarchy:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities

Inputs to level 1 fair value are quoted prices (unadjusted) in active markets for identical assets. An active market is one in which transactions for the asset occurs with sufficient frequency and volume to provide pricing information on an on-going basis.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivative financial instruments) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value such an instrument are observable, the instrument is included in level 2.

Fair values of derivative financial instruments (foreign exchange contracts), money market funds, Investment in equity securities and Investment in debt securities are included in level 2.

Investment in equity securities

Money market funds and exchange traded funds are valued at fair value based on the price a willing buyer would pay for the asset. Any gain or loss is taken through the profit and loss account. The money market funds include contractual terms such that they are traded at par until the total market value of the underlying instruments deviates from that par value by a certain amount (typically 20bps). The funds have each traded at par at all times since the initial investment by the Group.

The fair value of the Group's Investment in debt securities is determined by using discounted cash flow models that use market interest rates as at the end of the period.

Level 3 – Unobservable inputs for the asset or liability

Inputs to level 3 fair values are based on unobservable inputs for the assets at the last measurement date. If all significant inputs required to fair value an instrument are observable then the instrument is included in level 2, if not it is included in level 3. The Group did not have any such instruments.

There were no transfers between fair value hierarchy level during period. There we no changes in valuation techniques used during the period.

Financial assets & liabilities categorised at Level 2 Fair value hierarchy

Financial Assets at Fair Value:	**Valuation techniques**	**Inputs (including any significant unobservable inputs)**
Derivative financial assets	The Mark-to-Market calculation for FX Forwards is performed within CBS based on market inputs pulled from Reuters at the end of each trading day. CBS applies a straight-line interpolation calculation to derive the requisite forward points for each currency based on the maturity date of the transaction – these points are added to the spot rate to derive a revaluation rate.	Reuters quoted spot rates and forward points
Money market funds	Valuation based on quoted market prices	Quoted market prices but not for identical assets
Investment in equity securities	Equity investment held in illiquid security. In order to undertake its business, the Group utilises the Swift payment system, the conditions of which oblige participants to invest in the shares of Swift, in proportion to participants' financial contributions to Swift. The fair value is calculated annually based on price received from Swift and is approved annually at AGM	The fair value is calculated annually based on price received from Swift and is approved annually at AGM.
Derivative financial liabilities	The MTM calculation for FX Forwards is performed within CBS based on market inputs pulled from Reuters at the end of	Reuters quoted spot rates and forward points

Financial Assets at Fair Value:	Valuation techniques	Inputs (including any significant unobservable inputs)
	each trading day. CBS applies a straight-line interpolation calculation to derive the requisite forward points for each currency based on the maturity date of the transaction – these points are added to the spot rate to derive a revaluation rate.	

Financial assets and financial liabilities at fair value through comprehensive income

Forward foreign exchange contracts have been transacted to economically hedge assets and liabilities in foreign currencies with movements recognised at fair value through profit or loss.

Any gain or loss is taken through the consolidated statement of comprehensive income.

Amounts recognised in the consolidated statement of comprehensive income

The gains, losses, and changes in fair values of financial assets at FVTCI recorded in the consolidated statement of comprehensive income is as follows:

	2020 £'000	2021 £'000	2022 £'000
Revaluation of money market funds:	-	(121)	-
Fair value gain or loss on forward foreign exchange contracts*	14,791	28,738	63,080

* the (loss) / gain on the FX contracts typically offsets the gain / loss of a similar magnitude following the revaluation of non £ denominated assets / liabilities on the statement of financial position throughout the year.

Fair values of financial assets that are measured at amortised cost

Apart from the fixed rate bonds, the carrying amounts of financial assets and liabilities measured at amortised cost are approximately the same as their fair values due to their short-term nature. The fair value of the fixed rate bonds is provided below.

Impairment and risk exposure

Information about the impairment of financial assets, their credit quality and the Group's exposure to credit risk can be found in the accounting policy note for financial instruments and Note 37.

Financial liabilities measured at amortised cost

The carrying amounts of financial liabilities at amortised cost are approximately the same as their fair values due to their short-term nature.

The valuation levels of the financial assets and financial liabilities accounted for at fair value are as follows:

Asset /liability type - 2020	Level 1 £'000	Level 2 £'000	Level 3 £'000
Financial Assets at Fair Value			
- Derivative financial assets	-	2,303	-
- Money market funds	-	52,738	-
- Investment in equity securities	-	154	-
Financial Liabilities at Fair Value			
- Derivative financial liabilities	-	13,511	-

Asset / Liability Type - 2021	Level 1 £'000	Level 2 £'000	Level 3 £'000
Financial Assets at Fair Value			
- Derivative financial assets	-	1,641	-
- Money market funds	-	336,737	-
- Investment in equity securities	-	382	-
Financial Liabilities at Fair Value			
- Derivative financial liabilities	-	7,669	-

Asset / Liability type - 2022	Level 1 £'000	Level 2 £'000	Level 3 £'000
Financial Assets at Fair Value			
- Derivative financial assets	-	6,589	-
- Money market funds	-	209,486	-
- Investment in equity securities	-	488	-
Financial Liabilities at Fair Value			
- Derivative financial liabilities	-	4,565	-

These are all recurring fair value measurements.

Fair value and carrying amount of Investment in debt securities

	£'000					
	2020		2021		2022	
	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value
Fixed rate bonds	161,568	161,849	72,906	72,848	411,528	407,525
-US Treasury Bills (excluding accrued interest)	90,519	99,677	7,642	7,528	66,207	65,636
- Other fixed rate bonds (excluding accrued interest)	71,049	62,172	65,265	65,320	345,321	341,889
- Accrued interest	801	801	342	342	2,533	2,533
At 31 December	**162,369**	**162,650**	**73,249**	**73,190**	**414,061**	**410,058**

These are all recurring fair value measurements.

Note: The fair values of the fixed rate bond are based on market quoted prices. They are classified as level 1 fair values in the fair value hierarchy due to the liquid nature of the bond holdings, having observable and transparent secondary market pricing.

44. Events after the reporting date

The transaction to dispose of CAIM and JCF was completed on 31 March 2023, of which details have been included at Note l. CAB Payments Holdings Limited, the Company, declared dividends to its shareholders amounting to £5,587k on 26 April 2023 and £5,713k on 1 June 2023. (31 December 2022: nil, 31 December 2021: nil and 31 December 2020: nil). There are no other non-adjusting events after the reporting period.