7 September 2022

City of London Group plc
("COLG" or the "Company" or the "Group")

Final results

The Company announces its audited final results for the year ended 31 March 2022.

Business highlights

- **Recognise Bank fully licensed in September 2021**
  Recognise Bank achieved its objective of becoming a fully authorised bank in September 2021, allowing it to accept savings deposits.
- **£100 million lending target met**
  Recognise Bank hit its target of lending £100m to British businesses by the year end, just over six months after achieving full authorisation. This came from a pipeline of £1bn in lending proposals, evidence of the pent-up demand from SMEs.
- **Personal savings products generated £95m in deposits at 31 March 2022**
  Recognise Bank's saving products, which were first launched two days after receiving full authorisation in September 2021, proved popular with savers, including the market leading 5-year Fixed Rate account and 95 Day Notice account.
- **Award winning technology and innovation**
  Recognise Bank's digitally enabled relationship banking model won the top honour in the Fintech Finance Awards 2021, 'Wow! We can build a bank!', in partnership with Mambu, Recognise Bank's cloud banking provider. It was also named 'Best SME Bank 2021' in the SME News Finance Awards.
- **Successful cash raises support Recognise Bank growth**
  The Company raised £12.6m before expenses during the year from shareholders, including two of its major shareholders. Since the year end, these two shareholders have continued their support by investing a further £6.5m cash in the Company. The net proceeds, together with funds generated from the sale of non-core businesses and internally, have been invested in Recognise Bank to support its growth and investment in technology.

Financial highlights

£13.3m loss: Loss before tax after crediting profit of £0.3m from discontinued operations (2021: loss before tax £12.6m after absorbing costs of £2.5m from discontinued operations)

£101.1m: Loan book at 31 March 2022 (2021: £18.0m)

£95.0m: Deposits with Recognise Bank at 31 March 2022 (2021: £2k)

Philip Jenks, Chair of COLG, commented:

"This has been a defining year for the Company and its principal subsidiary, Recognise Bank. Our vison for creating a new kind of digital bank for the UK's 5.5 million small businesses has been realised with Recognise Bank achieving fully authorised status in September 2021. Recognise Bank built on this success during the rest of the year, and, by 31 March 2022, it had successfully loaned £100m to UK SME businesses and had attracted £95m in personal savings deposits.

"These considerable achievements are in line with the Group's strategy that was set when Recognise Bank began its journey towards a banking licence over four years ago. However, the banking sector has changed significantly since then, and Recognise Bank has taken steps to accelerate its digital capability with the creation of an Innovation Hub, which will build on the Bank's existing technology infrastructure to develop new and improved products and services to meet the needs of growing UK businesses, now and in the future.

"We have benefited from the continuing support of two of our cornerstone investors who subscribed £11.35m in September 2021 and invested a further £6.5m in cash in May 2022 following the exercise of warrants they had received in September 2021.

"The SME business sector that Recognise Bank supports is facing significant challenges in the current economic climate, which is why growing businesses need skilled, supportive lenders more than ever. With Recognise Bank's detailed understanding of SMEs and their financial needs, together with its expanding digital capability and no legacy book, the Bank is well-placed, under the leadership of recently appointed CEO, Jean Murphy, to pursue a strategy of growth and innovation to create new and innovative lending propositions for the SME sector."

LEI: 2138003UW63TMQ5ZFD85

For further information, please contact:

Enquiries

City of London Group Plc	+44 (0)20 3988 6504
David Jenkins (Group Finance Director)	
Georgina Behrens (Group Counsel)	
Georgina.Behrens@recognisebank.co.uk	
Shore Capital (Nominated Adviser and Broker)	+44 (0)20 7408 4090
Tom Griffiths	
Guy Wiehahn	
Iain Sexton	

For media enquiries, please contact:

Paul Beadle, Head of Communications,	+44 (0)7801 105001
Recognise Bank	
Paul.Beadle@recognisebank.co.uk	

This announcement has been approved on behalf of the board by Philip Jenks, Chair on 6 September 2022.

Copies of this announcement are available on the Company's website www.cityoflondongroup.com

Notes to Editors:
City of London Group Plc is quoted on AIM (TIDM: CIN) and is the parent company of Recognise Bank which focuses on serving the UK SME market. Recognise Bank is continuing its development as a digital bank through its recently created Innovation Hub which will develop new and improved products and services to meet the needs of growing UK businesses.

www.cityoflondongroup.com

Chair's statement

This has been a defining year for the City of London Group.

Over the last 12 months, our vision for creating a new kind of bank for the UK's 5.5 million small businesses has been realised with Recognise Bank achieving fully authorised status in September 2021.

Achieving full authorisation was pivotal for Recognise Bank which then built on this success during the rest of the year. Within a little more than six months, the Bank had successfully loaned £100m to UK SME businesses. Furthermore, having launched its first range of personal savings accounts within two days of becoming fully authorised, Recognise Bank had attracted £95m in personal savings deposits by the end of March.

These considerable achievements are in line with the Group's strategy that was set when Recognise Bank began its journey towards a banking licence over four years ago. However, the banking sector has changed significantly since then, and this year we signalled our intention to accelerate Recognise Bank's digital capability with the creation of an Innovation Hub, which will build on the Bank's existing technology infrastructure to develop new and existing products and services and create new revenue streams.

Capital and resources within Recognise Bank have been reallocated to support the creation of the Innovation Hub. As we move forward, I am confident we continue to have the right level of expertise and experience across all areas to ensure Recognise Bank will grow and thrive.

It is also pleasing to report that simplification of Group businesses in line with our strategy progressed during the year, with the divestment of non-core businesses being completed on the sale of Milton Homes in March. With all new lending now being delivered through Recognise Bank, the run-off of the loan and lease portfolios of our pre-existing lending businesses continued during the year. Funds generated from the sale of Milton Homes and the run-off of existing loan portfolios have been reinvested in the Bank to provide capital to support business development and technology investment.

Two of our cornerstone investors, Parasol V27 Limited and Max Barney Investments Limited, demonstrated their commitment and support when they subscribed, in aggregate, £11.35m in September 2021 and invested a further £6.5m in cash in May 2022 following exercise of the warrants they received in September 2021.

Governance
As Group activities have focused increasingly on Recognise Bank, the Board has sought to simplify the Group's governance arrangements. The operation of the boards of the Company and Recognise Bank has been streamlined as your directors are either non-executive directors or observers on the board of Recognise Bank. I am Chair of both companies.

At the executive level, the responsibilities of the Chief Financial Officer, Chief Risk Officer, Chief People Officer and Chief Technology Officer of Recognise Bank already extend across the Group. The Board resolved not to appoint a new Chief Executive Officer, following Michael Goldstein's resignation in March 2022. Instead, Jean Murphy, the recently appointed Chief Executive Officer of Recognise Bank, is extending her managerial responsibilities to the Company and David Jenkins, Chief Financial Officer, is providing additional managerial input as required.

AGM matters
The Board is seeking authority at the AGM to disapply pre-emption rights and allow it to issue up to 11,943,064 new shares, equivalent to approximately 10% of the capital of the Company in issue.

The Board does not recommend payment of a dividend.

Management changes

Michael Goldstein
Michael Goldstein stepped down from his role as Chief Executive Officer of the Company in March. Michael was instrumental in creating the environment in which the strategy to create a new SME bank for the UK could flourish, of course resulting in Recognise Bank.

On behalf of the Board, I want to thank Michael for his leadership and his commitment to realising the Recognise Bank vision he helped to create. We all wish him well for the future.

Jason Oakley
Jason Oakley, one of the co-founders of Recognise Bank, stepped down from his role as Chief Executive Officer of Recognise Bank in March 2022. Jason's drive helped to create Recognise Bank and ultimately enable it to achieve fully authorised status. On behalf of the Board, I would like to thank Jason for all his hard work and dedication over the last five years and wish him well for the future.

Jean Murphy
I am delighted to announce that Jean Murphy was appointed as the new Chief Executive Officer for Recognise Bank on 4 August 2022. Jean brings to the role experience of banking and capital markets, both of which are important to the Bank's future investment. Recognise Bank will also benefit from her entrepreneurial approach as she has previously built successful businesses.

Bryce Glover, who acted as Interim CEO prior to her appointment, continues as the Deputy CEO of Recognise Bank.

Environmental and sustainability matters
The Group is committed to ensuring its business promotes and supports positive environmental and sustainability goals. In our Climate change section in the Annual Report, we summarise work already done on developing our lending risk assessment processes and on further work that is in progress.

We are conscious of our own responsibilities in this area and are in the process of setting internal targets to reduce energy consumption across the Group.

Outlook
While I remain confident of a positive future and continued growth for the Group, it is important to acknowledge we are in a period where many factors are making the future economic outlook, both in the UK and abroad, complex and difficult to predict.

The war in Ukraine has impacted the global economy, which in turn creates pressures here at home, such as rising energy costs, raw material and transport costs, alongside price increases for consumers who are facing their own financial challenges. Rising inflation and interest rates create a scenario not witnessed in the UK for many years.

The SME business sector that Recognise Bank supports remains strong and sentiment remains positive. The sector has initially recovered well from the COVID-19 pandemic, as companies take the opportunity to embrace different business practices or enter new markets. But challenges remain, both in terms of day-to-day operations and future investment plans. Lenders supporting this sector must be balanced in acknowledging the risks as well as the potential in the companies they support, and the funding deals they agree.

Recognise Bank's experienced management and workforce mean it will be able to navigate these challenges and continue lending. Moreover, with its detailed understanding of SMEs and their financial needs, together with its expanding digital capability and no legacy book, the Bank is well-placed to create new and innovative lending solutions for ambitious and successful companies.

I would like to put on record my appreciation of the hard work of all the team and constant support from our major shareholders and the commitment of my colleagues.

Philip Jenks
Chair
6 September 2022

Strategic report

The Company's banking subsidiary, Recognise Bank, traded as a bank throughout the year ended 31 March 2022. After receiving a full UK banking licence in September 2021, Recognise Bank was able to accept savings deposits, and expanded its activities significantly in the second half of the year. With all new lending being made through Recognise Bank, the Group's other lending companies continued to run-off their existing portfolios, with the Property & Funding Solutions Ltd ("PFS") run-off being completed by the year end. The divestment of the Group's two non-core businesses was completed during the year. Acorn to Oaks Financial Services Limited was sold on 1 April 2021 and the sale of Milton Homes Limited was completed on 10 March 2022 after regulatory approval for the change in control had been received. Under the Milton Homes sale agreement, all profits earned after 31 March 2021 were retained by Milton Homes for the benefit of the purchaser.

A review of each business is included below.

Financial summary

The consolidated results before tax of the businesses in the Group are shown below:

	2022 £'000	**2021 £'000 (note (a))**
Banking activities	(12,444)	(7,812)
Loan, lease and professions financing		
Asset based finance, commercial and professional loans	341	(297)
Property bridging finance	308	109
Other	(14)	(7)
Holding company	(1,836)	(2,112)
Loss before tax from continuing operations	(13,645)	(10,119)
Profit/(loss) before tax from discontinued operations (b)	360	(2,528)
	(13,285)	(12,647)

(a) Prior year figures have been reclassified within the Financial summary: the results previously reported are unchanged (note 1).
(b) Includes reduction of £320,000 in impairment loss on disposal (2021: impairment loss of £6,657,000 on remeasurement of assets on transfer to disposal groups).

On a consolidated basis the key performance indicators for the Group are:

	2022 £'000	**2021 £'000**
Loan book at year end	101,054	17,996
Deposits with Recognise Bank at year end	94,994	2

The results for the year reflect the transition of the Group in line with its core strategy. The Group's commercial activities are now undertaken through Recognise Bank, which was able to expand its activities significantly in the second half of the year after receiving a full UK banking licence in September 2021. Recognise Bank lent £100m of commercial loans in the period to 31 March 2022.

Recognise Bank's loss of £12,444,000 reflects the costs incurred in developing the business over the year and is in line with the Board's expectations.

As a consequence of setting up the Innovation Hub, Recognise Bank has reallocated resources within the business over the medium term and realigned some of its activities, with a resulting reduction in headcount. As the Bank continues to pursue its business plan, we will see overall headcount increase.

The run-off of the existing loan and lease portfolios of PFS and CAML/PFL continued smoothly during the year, with both businesses reporting profits. The run-off of the PFS portfolio was completed in March 2022 with the final loan being novated to Recognise Bank. The results of CAML/PFL reflect the release of existing provisions carried under IFRS 9.

The holding company's results include AIM listing and other head office costs.

The 2021 Group results included an impairment loss of £6,543,000 on the remeasurement of assets when Milton Homes was reclassified as a business held for sale with an estimated fair value, net of disposal costs, of £8,450,000. The net amount realised on completion of the sale in March 2022 was £8,770,000 and, accordingly, the results for this year include a credit of £320,000.

Current activities

Recognise Bank is continuing to develop its business in line with its business plan and is monitoring closely the effect of both the war in Ukraine and UK economic pressures on its SME customers. The additional capital invested in Recognise Bank by COLG this year will support development, including that of the Innovation Hub, and growing the lending book.

Since the year-end, Recognise Bank has launched its Business Savings range of accounts, which has proved to be popular with SMEs. Interest rates offered to both business and personal savers remain attractive as these have been increased following increases in the Bank of England base rate. The Bank had deposits of £100m at 30 June 2022, in large part due to these two factors.

Following its establishment in March, the Innovation Hub is in the process of developing its first new products and processes for delivery and implementation in the second half of the year. To support the Innovation Hub, recruitment of expertise is in progress and new supplier relationships are being put in place.

Review of the businesses

Recognise Bank Limited (“Recognise Bank”) – Bank focused on UK SME market

(a) Business review

It was a major achievement for Recognise Bank to become a fully authorised UK bank in September 2021 within ten months of receiving Approval with Restrictions (AwR). It shows the strength and determination of Recognise Bank’s management team to deliver on its strategy within the timescales it had set, against the backdrop of a challenging economic environment.

Little more than six months after full authorisation, Recognise Bank achieved the milestone of making £100m of commercial loans and receiving £95m in savings deposits.

This was proof that Recognise Bank’s digitally enabled relationship banking model is needed by a sector still recovering from the impact of the coronavirus pandemic. While many mainstream banks continued to underserve the SME market, either focusing only on big-ticket loans for larger businesses or forcing their smaller customers to apply for funding via faceless call centres or algorithm-driven online forms, Recognise Bank built relationships with over 60 commercial finance brokers, generating over £1 billion in lending requests over the period.

These relationships give Recognise Bank an insight into the shifting needs of commercial borrowers, driving product innovation and expanding the lending proposition beyond the initial line-up of commercial property loans, working capital loans and bridging loans. In November 2021, Recognise Bank launched an innovative Professional Buy-to-Let (PBTL) loan designed for experienced property owners and investors.

This new product was created to support the growing number of professional landlords who need a lender that understands the complex nature of property investment, as well as having the flexibility to support the acquisition and re-finance of portfolios containing different property types. As regulation in the buy-to-let sector increases, with far-reaching changes to the Government’s Energy Performance Certification (EPC) regime, and tax benefits are reduced, we believe the market will become ever more professional as it becomes far less appealing to smaller landlords. Property investors will need the support of experienced lenders who not only appreciate their funding needs, but also the fast-changing private rental sector, for both residential and commercial properties.

These factors are ushering in a quiet revolution in property and property finance, and the successful lenders will be those that offer their customers added-value services, as well as cost-effective lending. Anticipating this, and demonstrating its insight and innovation, Recognise Bank partnered with property-tech pioneer Rent Chief to provide buy-to-let borrowers and PBTL customers with a number of digital tools.

Available on the Recognise Bank website, these tools help property investors research the locations and types of property they are considering acquiring, providing real-time access to property prices and rental incomes, as well as forecasting rental yields and return on investment

However, Recognise Bank is not just a lender. After receiving full approval from the Prudential Regulation Authority (PRA) and the removal of deposit restrictions in September 2021, Recognise Bank unveiled a range of personal savings accounts two days later. A number of Recognise Bank’s new products topped the best buy tables in an extremely competitive savings market.

The 95 Day Notice Account proved particularly popular with savers searching for a decent return on their money without having to lock their cash away for months or years. When the Bank of England finally increased the Base Rate in December 2021 after years of low interest rates, Recognise Bank passed the rise on in full to its variable rate savers.

This helped the Bank build a strong presence with savers, the media and commentators in a busy savings marketplace which is often notable for new entrants offering headline grabbing rates for a short period of time.

By the end of the financial year, Recognise Bank had attracted £95m in personal savings deposits. Recognise Bank's focus on savings products continued with the introduction of a range of Business Savings products in early April 2022. At a time when many big banks were paying their business savings customers as little as 0.01% AER, Recognise Bank offered SMEs better value, competitive rates and straightforward management of their business savings accounts.

Recognise Bank's lending success is a testament to its technology infrastructure, combining the very best of cutting edge fintech partners like Mambu and nCino. This enables Recognise Bank to be flexible, developing new services and quickly responding to the changing needs of SME customers.

Building on this capability, Recognise Bank announced in March the creation of what has been initially dubbed the "Innovation Hub" or the "Hub" – a new environment designed to accelerate the Bank's digital capability and drive innovation. The Hub will help develop new and improved products and services for new and existing customers, as well as helping to deliver cost efficiencies. Importantly, the Hub will operate as a technology "greenhouse" to research and develop brand new revenue streams for Recognise Bank.

Overseen by Recognise Bank's Chief Technology Officer (CTO), the Hub will be home to Recognise Bank's own technologists, as well as having strategic partnerships with accelerators and start-ups and with leading tech consultancies and development firms. Recruitment is well underway, bringing new talent and creative thinking to the Bank.

The last 12 months also saw the handing over of the baton of a driving force in the Recognise Bank journey so far. After nearly five years at the helm, co-founder Jason Oakley stepped down as CEO in March 2022, having successfully led Recognise Bank to full authorisation status. His fellow co-founder and former Deputy CEO, Bryce Glover, acted as Interim CEO until Jean Murphy was appointed as the new CEO on 4 August 2022.

(b) Financial review

£'000	**2022**	**2021**
Total operating income	1,240	44
Loss before tax	(12,444)	(7,812)

The loss, which is in line with the Board's expectations, reflects the expansion in Recognise Bank's level of activities over the year. The executive team continues to monitor costs and the timing of expenditure carefully, as it has done throughout this journey.

A further £22.95m was invested by COLG in Recognise Bank during the year to facilitate Recognise Bank's development by increasing its capital base to support lending activities. Having met the technical conditions set by the PRA to exit mobilisation in June 2021, full authorisation as a bank was granted in September 2021 after capital adequacy conditions had been met. As explained in the business review, Recognise Bank took advantage of the opportunities this afforded to the business and, by 31 March 2022, it had made £100m of commercial loans and customer deposits had reached £95m.

Recognise Bank is continuing to work to develop its business in line with its strategy and business plan, having a regional presence in the North West, Yorkshire, the Midlands and the South. It does not have the potential problems associated with a legacy loan book and hence can concentrate on meeting the needs of its SME customers and building a quality loan portfolio.

Other lending businesses – in run-off

(a) Business review

Prior to the decision by the Board in March 2020 to place all new lending through Recognise Bank, PFS provided short-term property bridging and development finance to commercial customers. CAML was a business to business provider of debt finance to UK SMEs, providing asset backed finance and commercial loans to SMEs and, through PFL, loans to professional practice firms.

Both businesses began the run-off of their existing loan portfolios at the start of the pandemic in March 2020 which has continued in line with expectations from that date. The run-off of the PFS loan portfolio was completed during the year while the weighted average period to maturity of the CAML and PFL portfolios was eighteen months at the year-end. A review of the financial performance of each business in the year is given below.

(b) Financial reviews

Credit Asset Management Limited ("CAML") and Professions Funding Limited ("PFL")

£'000	2022	2021
Total operating income	282	745
Profit/ (loss) before tax	341	(297)

CAML and PFL made a profit before tax of £341k (2021: loss of £297k). Total operating income has reduced significantly as the run-off of the loan and lease portfolios continues.

Although the effects of COVID-19 and repeated lockdown restrictions on the UK economy were more prolonged and severe than initially expected, the resilience of the CAML and PFL loan and lease portfolios is such that it was possible to release provisions of £454k during the year while retaining provisions that allow for possible increases in future defaults due to pressures on SMEs arising from the war in Ukraine, as well as from the COVID-19 pandemic.

CAML and PFL maintained scheduled repayments on block funding facilities during the year. The size of the portfolio (the current net investment in the loans/leases provided to customers) decreased from £6.1m to £2.3m over the year.

Property & Funding Solutions Ltd ("PFS")

£'000	2022	2021
Total operating income	316	700
Profit before tax	308	109

PFS, which had a loan book of £5.74m at 31 March 2021, completed the run-off of its portfolio during the year. It is no longer trading and will be dissolved in due course.

COLG

During the year, COLG invested a further £22.95m in Recognise Bank to support its ongoing development. Some 50% of the funds came from shareholders in the September 2021 fundraising while the balance was generated from the sale of Milton Homes and the CAML and PFL loan portfolios as they matured.

The fundraising in September 2021 raised £12.6m before expenses with 20.93m shares being issued. Shareholders subscribing for the new shares also received warrants on the basis of one warrant for every two shares subscribed for: warrant holders are entitled to subscribe for ordinary shares at 69p each within three years from their date of issue.

The Group has divested itself of its two non-core businesses following the sales of Acorn to Oaks Financial Services Limited and Milton Homes Limited. The former was sold on 1 April 2021 while the sale of the latter, announced on 3 September 2021, was completed on 10 March 2022 after the FCA had approved the change in control. Under the sale agreement for Milton Homes Limited, profits arising after 31 March 2021 were retained in Milton Homes for the benefit of the purchaser. The Company received cash of £9.0m in September 2021 on repayment of the Milton Homes Deep Discount Bonds and £0.25m on completion for the shares.

Following the Group's move to new offices in June 2022 and the expiry of the lease of the Company's office at The Royal Exchange, COLG will no longer provide shared property services to group companies as the new lease is held by Recognise Bank.

Consolidated income statement

for the year ended 31 March 2022

	Notes	2022 £'000	2021 £'000 (note (a))
Interest income		2,897	1,900
Interest expense		(1,088)	(614)
Net interest income	5	1,809	1,286
Fee and commission income		52	179
Fee and commission expense		(23)	(12)
Net fees and commission		29	167
Total operating income		1,838	1,453
Operating expenses			
Staff costs		(9,658)	(7,674)
Other operating expenses	6	(5,482)	(3,329)
Finance expense		(19)	(36)
Depreciation and amortisation		(629)	(395)
Net impairment gain/ (loss) on financial assets		305	(138)
Loss from continuing operations		(13,645)	(10,119)
Profit/(loss) for the year from discontinued operations	8	360	(2,760)
Tax charge for the year	9	-	-
Loss after tax		(13,285)	(12,879)
Other comprehensive income		1	-
Total comprehensive loss for the financial year, attributable to equity shareholders		(13,284)	(12,879)
Basic and diluted earnings per share attributable to owners of the parent	2		
Continuing operations		(14.84)p	(16.84)p
Discontinued operations		0.40p	(4.59)p
Total		(14.44)p	(21.43)p

(a) Prior year figures have been reclassified within the consolidated income statement: the results previously reported are unchanged (see note 1)
(b) The loss in each year is wholly attributable to the owners of the parent.

Consolidated statement of comprehensive income
for the year ended 31 March 2022

	2022 £'000	2021 £'000
Loss for the year from continuing operations	(13,645)	(10,119)
Profit/(loss) for the year from discontinued operations	360	(2,760)
Total loss for the year	(13,285)	(12,879)
Other comprehensive expense from continuing operations		
Item that will not be reclassified to profit or loss		
Income from legal case investments	1	–
Other comprehensive expense from continuing operations	1	–
Total other comprehensive income	1	-
Total comprehensive expense from continuing operations	(13,644)	(10,119)
Total comprehensive income/expense from discontinued operations	360	(2,760)
Total comprehensive expense	(13,284)	(12,879)
Total comprehensive expense attributable to:		
Owners of the parent	(13,284)	(12,879)
	(13,284)	(12,879)

Consolidated statement of changes in equity

	Equity Instrument £'000	Accumulated losses £'000	Capital reserve £'000	Share premium £'000	Share capital £'000	Total equity £'000
At 31 March 2020	1,293	(31,474)	-	50,799	4,448	25,066
Loss for the year – continuing operations	-	(10,119)	-	-	-	(10,119)
Loss for the year – discontinued operations	-	(2,760)	-	-	-	(2,760)
Total comprehensive expense	-	(12,879)	-	-	-	(12,879)
Contributions by and distributions to owners:						
Share-based payments	-	182	-	-	-	182
Transfer on cancellation of Deferred shares	-	-	3,648	-	(3,648)	-
Issue of shares to Employee Benefit Trust	-	(1)	-	1	-	-
Issue of shares on conversion of 6% Convertible Unsecured Loan Notes 2021	-	-	-	2,022	28	2,050
Acquisition of non-controlling interest in Recognise Bank Limited on exercise of put option by minority shareholders	-	(4,480)	-	4,368	112	-
Issue of shares following cash raise	-	-	-	25,585	675	26,260
Transfer to current liabilities	(1,293)	-	-	-	-	(1,293)
Total contributions by and distributions to owners	(1,293)	(4,299)	3,648	31,976	(2,833)	27,199
At 31 March 2021	-	(48,652)	3,648	82,775	1,615	39,386
Loss for the year –continuing operations	-	(13,645)	-	-	-	(13,645)
Profit for the year - discontinued operations	-	360	-	-	-	360
Income from legal case investments	-	1	-	-	-	1
Total comprehensive expense	-	(13,284)	-	-	-	(13,284)
Contributions by and distributions to owners:						
Share-based payments	-	259	-	-	-	259
Issue of shares to Employee Benefit Trust	-	(3,787)	-	3,684	103	-
Issue of shares under Subscription Agreements	-	-	-	10,082	378	10,460
Issue of shares under Open Offer	-	-	-	1,170	40	1,210
Issue of shares on exercise of warrants	-	-	-	-	-	-
Total contributions by and distributions to owners	-	(3,528)	-	14,936	521	11,929
At 31 March 2022	-	(65,464)	3,648	97,711	2,136	38,031

Consolidated balance sheet
as at 31 March 2022

	Notes	2022 £'000s	2021 £'000s (note (a))
Assets			
Cash and cash equivalents		37,522	14,493
Debt securities		-	6,500
Loans and leases receivables	10	101,054	17,996
Property, plant and equipment		120	150
Intangible assets		980	1,028
Right-of-use assets		189	369
Other assets		1,012	927
		140,877	41,463
Assets in disposal groups classified as held for sale	8	-	66,294
Total assets		140,877	107,757
Liabilities			
Borrowings		2,952	6,998
Deposits from customers	11	94,994	2
Lease liabilities		130	398
Other liabilities		4,770	4,243
		102,846	11,641
Liabilities directly associated with assets in disposal group classified as held for sale	8	-	56,730
Total liabilities		102,846	68,371
Equity			
Share capital	12	2,136	1,615
Share premium		97,711	82,775
Capital reserve	12	3,648	3,648
Accumulated losses		(65,464)	(48,652)
Total equity		38,031	39,386
Total equity and liabilities		140,877	107,757

(a) Prior year figures have been reclassified within the consolidated balance sheet: the carrying amounts previously reported are unchanged, as is the equity (see note 1).

Consolidated statement of cash flows
for the year ended 31 March 2022

	2022 £'000	2021 £'000
Cash flows from operating activities		
Loss before tax (see note (a))	(13,285)	(12,647)
Adjustments for:		
Depreciation and amortisation	629	399
Share-based payments	259	182
(Decrease)/increase in allowance for expected credit losses	(305)	138
Impairment of goodwill	-	117
Change in value of business unit held for disposal/ on reclassification as disposal groups	(360)	6,657
Investment properties and equity release plan financial assets:		
Increases in the fair values of these assets	-	(6,712)
Realised gains on the disposal of these assets	-	(1,082)
Equity transfer income	-	(1,212)
Interest payable on lease liabilities	19	-
Interest payable	-	4,514
Changes in operating assets and liabilities:		
Increase in trade and other receivables	(76)	(692)
Increase in trade and other payables	1,543	1,419
Leases and loans advanced	(98,096)	(7,921)
Leases and loans repaid	15,343	9,760
Change in Deposits received	94,992	-
Change in Debt securities	6,500	(6,500)
Cash generated from/ (used in) operations	7,163	(13,580)
Corporation tax	-	-
Cash flows from operating activities – discontinued operations	3,289	-
Net cash generated from/ (used in) operating activities	10,452	(13,580)
Cash flow from investing activities		
Proceeds from the sale of Investment properties and equity release plan financial assets	-	8,271
Net cash received on disposal of discontinued operations less cash held in each at the disposal date:		
Milton Homes Limited	5,620	-
Acorn to Oaks Financial Services Limited	(523)	-
Costs of disposal of discontinued operations	(565)	-
Purchase of rights to CAML 8% Preference shares accrued dividends	(966)	-
Purchase of CAML 8% Preference Shares	(34)	(1,250)
Proceeds from sale of fixed asset	1	-
Investment in intangible assets	(156)	(536)
Purchase of property, plant and equipment	(53)	(127)
Net cash generated from investing activities	3,324	6,358
Cash flow from financing activities		
Gross proceeds from issues of ordinary shares	12,560	26,986
Costs of share issues (see note (b))	(889)	(726)
Loans drawn down	-	294
Repayment of loans	(2,729)	(10,488)
Payment of lease liabilities and rent deposits	(459)	(357)
Interest paid	-	(443)
Net cash generated from financing activities	8,483	15,266

	2022 £'000	2021 £'000
Net increase in cash and cash equivalents	22,259	8,044
Cash and cash equivalents brought forward	14,493	7,219
Cash included as Assets in disposal groups classified as held for sale	-	(770)
Cash held in discontinued operations at beginning of year	770	-
Net cash and cash equivalents	37,522	14,493

Operating, investing and financing activities are categorised as follows:		
Net cash generated from/ (used in) operating activities		
Continuing operations	7,163	(12,556)
Discontinued operations	3,289	(1,024)
	10,452	(13,580)
Net cash generated from investing activities		
Continuing operations	(1,208)	(1,910)
Discontinued operations	4,532	8,268
	3,324	6,358
Net cash generated from financing activities		
Continuing operations	8,483	21,442
Discontinued operations	-	(6,176)
	8,483	15,266

(a) Interest received during the year ended 31 March 2022 was £5,095,000 and interest paid was £518,000.

(b) In the prior year, share issue costs of £726,000 which were paid separately from the proceeds of share issuance were netted off the gross proceeds of the share issues in the consolidated statement of cash flows. The consolidated cash flow statement has been restated to show these costs separately: the restatement has not changed the disclosure of the net cash generated from financing activities in the cash flow statement. There was no impact on the losses and net assets of the Group.

Notes

1 Basis of preparation

Preliminary announcement
The financial information contained in this preliminary announcement does not constitute full accounts as defined in section 434 of the Companies Act 2006 and has been extracted from the statutory accounts for the year ended 31 March 2022. The auditors have issued an unqualified report on these statutory accounts. The statutory accounts for the year ended 31 March 2021 have been filed with the Registrar of Companies and the statutory accounts for the year ended 31 March 2022 will be filed with the Registrar of Companies in due course.

This announcement has been prepared using recognition and measurement principles of International Financial Accounting Standards (IFRS) in conformity with the requirements of the Companies Act 2006. This announcement does not contain sufficient information to comply with IFRS.

Going concern
The financial statements of the Company and the Group have been prepared on a going concern basis.

The directors consider the going concern basis to be appropriate for both the Company and the Group following their assessment of the Group's financial position and its ability to meet its obligations as and when they fall due for a period of at least 12 months from the date of signing the statutory accounts for the year ended 31 March 2022. The Annual Report will include further information on the Group's going concern assessment and a Group viability statement.

In making their going concern assessment the directors have considered the following:
- the capital structure and liquidity of the Company and the Group over the period of 12 months from the signing of these accounts;
- the principal and emerging risks facing the Company and the Group and its systems of risk management and internal control;
- uncertainties in the UK economic outlook and actions the Group could take to mitigate the impact on Recognise Bank and other Group companies;
- the raising of capital by the Company to support the growth of Recognise Bank in serving the SME market: and
- stress scenarios which included not raising further capital and incurring greater losses from loan defaults during the period of 12 months from the signing of the accounts.

The directors have also considered mitigating actions that could be taken by the Group and the Board if there were a delay in raising additional capital to support the growth of its main operating subsidiary, Recognise Bank, or if the amount raised was less than forecast.

In addition to the stress scenarios referred to above, Recognise Bank has carried out a reverse stress test as part of the ICAAP. This proved to be satisfactory.

Following the assessment of the Group's financial position and its ability to meet its obligations as and when they fall due, the directors are satisfied that the Company and Group have and will maintain sufficient financial resources to enable them to continue operating for the foreseeable future and therefore continue to adopt the going concern basis in preparing the annual report and accounts.

Presentation of prior year figures
The presentation and classification in the current financial statements has been changed to reflect disclosures that are appropriate for banking institutions.

Accordingly, comparative information in respect of the preceding period has been reclassified in a manner that provides relevant, comparable and understandable information. This reclassification does not impact the results and carrying amounts for the previous year.

This reclassification affects mainly the primary statements, segmental reporting and disclosures related to financial instruments. A reconciliation between the original and reclassified prior year figures is set out in note 16.

Accounting policies
The same accounting policies were used in the preparation of the statutory accounts for the year ended 31 March 2021 with the exception of the following new standards and interpretations which were adopted for the first time in the financial statements for the year ended 31 March 2022:

- Interest Rate Benchmark Reform – Phase 2 introduces amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 and is mandatorily effective for periods beginning on or after 1 April 2021
- IFRS 16 Leases: Covid-19-Related Rent Concessions beyond 30 June 2021

There was no impact on the Group following the adoption of the above.

2 Earnings per share

Basic and diluted earnings per share is calculated by dividing the loss attributable to equity holders of the Group by the weighted average number of ordinary shares in issue during the year less those held in treasury and in the Employee Benefit Trust. 5,174,643 ordinary shares of £0.02 were held by the Employee Benefit Trust at 31 March 2022 (2021: 21,849).

	2022	2021
Loss attributable to equity holders (£'000)		
Continuing operations	(13,645)	(10,119)
Discontinued operations	360	(2,760)
Total	(13,285)	(12,879)
Weighted average number of ordinary shares in issue ('000)	91,945	60,090
Basic and diluted earnings per share		
Continuing operations	(14.84)p	(16.84)p
Discontinued operations	0.40p	(4.59)p
	(14.44)p	(21.43)p

The basic and diluted earnings per share are the same as, given the loss for the year, the outstanding share options would reduce the loss per share.

3 Dividends

The directors do not recommend payment of a final dividend (2021: nil).

4 Segmental reporting

A reportable segment is identified based on the nature and size of its business and risk specific to its operations. It is reported in a manner consistent with the internal reporting provided to the chief operating decision-maker and the prior year presentation has been aligned accordingly. The chief operating decision-maker, which is responsible for allocating resources and assessing performance of the operating segments, has been identified as the full Board of the Company.

As a result of aligning the presentation of figures, income and costs within the pre-tax profit and loss of each business segment in the prior year have been reclassified: the results previously reported for each business segment are unchanged.

The change in the presentation of the consolidated net assets as at 31 March 2021 has not resulted in any change in the consolidated net assets previously reported for the Group.
The Group is managed through its operating businesses. The main operating business is now Recognise Bank as CAML/PFL and PFS continued in run-off throughout the year.

A description of the activities of each business is given in the Strategic report. The COLG segment includes the Group's central functions.

Pre-tax profit and loss

For the year ended 31 March 2022

	Net operating income £'000	Intragroup interest income/ (expense) (a) £'000	Intragroup income/ (expense) (b) £'000	Other Operating Income/ (expense) £'000	Pre-tax profit/ (loss) £'000
COLG					
Intragroup	-	73	716	-	789
Profit from discontinued operations (c)	-	-	40	320	360
Other	-	-	-	(2,625)	(2,625)
	-	73	756	(2,305)	(1,476)
Subsidiaries					
Recognise Bank	1,240	109	(655)	(13,138)	(12,444)
CAML/PFL	282	(73)	(43)	175	341
PFS	316	(109)	(18)	119	308
Other	-	-	-	(14)	(14)
	1,838	-	40	(15,163)	(13,285)
Continuing operations	1,838	-	-	(15,483)	(13,645)
Discontinued operations (c)	-	-	40	320	320
	1,838	-	40	(15,163)	(13,285)

(a) Intragroup interest income/(expense) represents interest payments on intragroup borrowings and working capital loans.
(b) Intragroup income/(expense) represents fees for management services and recharges for shared accommodation from COLG.
(c) Arises from the sale of Milton Homes.

Pre-tax profit and loss

For the year ended 31 March 2021

	Net operating income £'000	Intragroup interest income/ (expense) £'000	Intragroup income/ (expense) £'000	Other operating income/ (expense) £'000	Pre-tax profit/ (loss) (a) £'000
COLG					
Intragroup	-	1,190	661	-	1,851
Change in value of business units on reclassification as disposal groups	-	-	-	(6,657)	(6,657)
Other	(36)	-	-	(3,046)	(3,082)
	(36)	1,190	661	(9,703)	(7,888)
Subsidiaries					
Continuing operations					
Recognise Bank	44	109	(438)	(7,527)	(7,812)
CAML/PFL	745	(66)	(102)	(874)	(297)
PFS	700	(328)	(26)	(237)	109
Other	-	-	-	(7)	(7)
Discontinued operations					
Milton Homes	9,005	(905)	(97)	(4,760)	3,243
Acorn to Oaks Financial Services	885	-	2	(882)	5
	11,343	-	-	(23,990)	(12,647)
Continuing	1,453	905	95	(12,572)	(10,119)
Discontinued	9,890	(905)	(95)	(11,418)	(2,528)
	11,343	-	-	(23,990)	(12,647)

(a) The composition of segment information for 2021 has been changed to make it comparable with March 2022. The overall results for each segment remain unchanged.

Consolidated Net Assets
As at 31 March 2022

	Loans and advances to customers £'000	Less allowances for ECLs £'000	Other assets £'000	Segment total assets £'000	Customer deposits £'000	Other liabilities £'000	Segment total liabilities £'000
COLG							
Other	-	-	1,277	1,277	-	(1,440)	(1,440)
	-	-	1,277	1,277	-	(1,440)	(1,440)
Subsidiaries							
Recognise Bank	99,093	(153)	37,883	136,823	(94,994)	(3,189)	(98,183)
CAML/PFL	3,224	(1,110)	662	2,776	-	(3,223)	(3,223)
PFS	-	-	-	-	-	-	-
Other	-	-	1	1	-	-	-
	102,317	(1,263)	39,823	140,877	(94,994)	(7,852)	(102,846)

Consolidated Net Assets
As at 31 March 2021 (reclassified)

	Loans and advances to customers £'000	Less allowances for ECLs £'000	Other assets £'000	Segment total assets £'000	Customer deposits £'000	Other liabilities £'000	Segment total liabilities £'000
COLG							
Other	-	-	2,053	2,053	-	(2,456)	(2,456)
Assets held for sale	-	-	9,564	9,564	-	-	
	-	-	11,617	11,617	-	(2,456)	(2,456)
Subsidiaries							
Recognise Bank	6,496	(5)	19,013	25,504	(2)	(2,170)	(2,172)
CAML/PFL	8,227	(2,382)	2,377	8,222	-	(6,079)	(6,079)
PFS	5,660	-	24	5,684	-	(934)	(934)
Other	-	-	-	-	-	-	-
	20,383	(2,387)	33,031	51,027	(2)	(11,639)	(11,641)

5 Net interest income

	2022 £'000	2021 £'000
Cash and cash equivalents	24	-
Debt Securities	254	21
Loans and leases receivables	2,619	1,879
Interest income	2,897	1,900
Deposits from customers	545	-
Wholesale funding	285	586
Debt securities amortisation	258	28
Interest expense	1,088	614
Net interest income	1,809	1,286

6 Other operating expenses

	2022 £'000	2021 £'000
Legal and professional costs	1,624	1,439
Irrecoverable VAT	604	390
Property costs	335	455
IT infrastructure and support costs	1,074	470
Outsourced costs	909	29
Other miscellaneous costs	936	638
Reduction in deferred consideration	-	(92)
	5,482	3,329

7 Related party transactions and directors' remuneration

The related parties of the Company are its subsidiaries, together with the directors of the Company.

The directors of the Company, who are related parties of the Company, received aggregate emoluments for the year of £1,347,787 (2021: £823,554) of which £1,029,704 (2021: £794,776) was borne by the Company and £318,083 (2021: £28,778) by a subsidiary. The emoluments of the highest paid director were £918,614 (2021: £627,542). In addition, aggregate social security costs were £169,646 (2021: £101,433) of which £130,241 (2021: £98,067) was borne by the Company and £39,406 (2021: £3,366) by a subsidiary. There are no other persons having the authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly. Accordingly, the aggregate amounts payable to directors equate to the aggregate compensation to key management personnel. The emoluments include salary, pension, compensation for loss of office, payment in lieu of notice and shares.

The Company has agreements with its largest shareholders which regulate arrangements with each, including the following:

- Parasol V27 Limited: The shareholder is entitled to nominate two non-executive directors to the board of the Company while it holds 25% or more of the voting shares of the Company and one non-executive director to the board of the Company and one non-executive director to the board of Recognise Bank Limited while it holds 10% or more of the voting shares. The present nominated directors of the Company are N Bossano-Llamas and R Parasol who is also the nominated director at Recognise Bank Limited.
- Max Barney Investments Limited: Max Barney Investments Limited: The shareholder was historically entitled to nominate a director to the board of the Company while it held not less than 10% of the voting shares of the Company and any 8% Redeemable Preference Shares issued by Credit Asset Management Limited. Although it has sold all its 8% Redeemable Preference Shares since the year end (note 17), an agreement giving the shareholder the right to nominate a director while it holds not less than 10% of the voting shares of the Company is expected to be put in place shortly. The nominated director was Paul Milner.
- DV4 Limited: The shareholder is entitled to nominate an observer to the board of the Company while it holds not less than 10% of the voting shares of the Company.

Acorn to Oaks Financial Services Limited
On 1 April 2021, the Company sold its wholly-owned subsidiary, Acorn to Oaks Financial Services Limited, which operates as a financial services intermediary, for a net consideration of £1,114,000 (note 8). The disposal was a related party transaction as one of the purchasers, Jason Oakley, was a director of Recognise Bank until 31 March 2022.

Milton Homes Limited
On 3 September 2021, the Company entered into an agreement to sell the entire issued share capital of Milton Homes Limited and its subsidiaries to Max Barney Investments Limited (note 8). The sale, which is classified as a substantial transaction under AIM Rule 12, was conditional on receiving regulatory approval from the FCA. Consent to the change in control of Milton Homes Limited was given by the FCA on 25 February 2022 and the sale was completed on 10 March 2022.

As part of the arrangements, the Deep Discount Bonds held by the Company were redeemed in full by Milton Homes for £9,046,002, with £7,846,002 being paid from the proceeds of new bonds issued by Milton Homes on 3 September 2021 to HPB Pension Trust, an entity associated with Max Barney Investments Limited. A further amount of £250,000 was paid on completion of the sale of the issued share capital.

The disposal constitutes a related party transaction under AIM Rule 13 as Max Barney Investments Limited holds in excess of 10% of the total voting rights of the Company.

Capital raise
As set out in note 12, two of the Company's major shareholders, Parasol V27 Limited and Max Barney Investments Limited (together the "Subscribers"), subscribed, in aggregate, £11,350,000 for 18,916,667 new ordinary shares at a subscription price of 60p per new ordinary share on 14 September 2021. The Subscribers also received warrants to subscribe for 9,458,333 shares at an exercise price of 69p per new ordinary share over the next three years. Subsequent to the year end, the Subscribers exercised the warrants issued to them (see note 17).

Credit Asset Management Limited 8% Preference Shares ("Preference Shares")
On 16 September 2021, the Company acquired the following from HPB Pension Trust, an entity associated with Max Barney Investments Limited:

(a) Right to receive accrued but unpaid dividends on the Preference Shares owned by HPB Pension Trust for £965,466, being the amount of such dividends as at 15 September 2021; and
(b) 23,912 Preference Shares for £34,534, being the nominal value plus the amount of accrued but unpaid dividends of the Preference Shares at that date.

Employee Benefit Trust ("EBT")
The amount due to the Company from the EBT as at 31 March 2022 was £3,156,000 (2021: £17,000). Details of the transactions with the EBT are disclosed in note 12.

The Company's related party transactions included:

	Charged by Company in year £'000	Loan due by Company at year end £'000	Amounts due to Company at year end £'000	Provision for amounts due to Company at year end £'000
Year ended 31 March 2022				
Credit Asset Management Limited	116	(4,000)	1,809	(640)
Property & Funding Solutions Ltd	18	-	-	-
Recognise Bank Limited	655	-	248	-
Year ended 31 March 2021				
Credit Asset Management Limited	169	-	773	(640)
Milton Homes Limited	1,000	-	29	-
Property & Funding Solutions Ltd	244	-	-	-
Recognise Bank Limited	438	-	674	-

The amounts reported above include the Company's income from:

- recharge of shared accommodation costs and management fees to each subsidiary company in both years
- preference dividends from Credit Asset Management Limited in both years
- ordinary dividend from Property & Funding Solutions Ltd in the prior year
- loan interest charged to Property & Funding Solutions Ltd in the prior year
- interest on the Milton Homes Limited Deep Discount Bonds in the prior year

The table provides an analysis by company of amounts charged by the Company and the year-end amounts owed to the Company in both years. While these amounts were disclosed in total within the previous year's accounts in notes 5 and 21 respectively, separate disclosure of the provision for amounts due to Company was not made in accordance with IAS 24. Additional analysis of the related party transactions for the previous year has been provided to make the disclosure consistent with the current year presentation.

The loan from Credit Asset Management Limited is interest free and is repayable on request after 30 June 2022.

8 Discontinued operations and disposal groups

There were no Assets classified as held for sale at 31 March 2022.

Milton Homes Limited ("Milton Homes") and Acorn to Oaks Financial Services Limited ("Acorn to Oaks") were reclassified as disposal groups as at 31 March 2021. As shown in the table below, the assets of each business, including the goodwill arising on consolidation, and the liabilities directly related to those assets were reclassified and included within current assets and liabilities at 31 March 2021 at their estimated realisable value:

	Group
	2021 **£'000**
Assets in disposal groups classified as held for sale/ assets held for sale	
Acorn to Oaks	1,737
Milton Homes	64,557
	66,294
Liabilities directly associated with assets in disposal groups classified as held for sale	
Acorn to Oaks	623
Milton Homes	56,107
	56,730
Fair value of disposal groups/ assets held for sale	
Acorn to Oaks	1,114
Milton Homes	8,450
	9,564

Acorn to Oaks was sold on 1 April 2021 to Jason Oakley and his wife, Claire Oakley, who controlled the majority of the shares in Acorn to Oaks when it was purchased by the Company in January 2019. The disposal was deemed to be a related party transaction under Rule 13 of the AIM Rules as Jason Oakley was deemed to be a related party of the Company as he was then a director of Recognise Bank, a wholly-owned subsidiary. The fair value of Acorn to Oaks as at 31 March 2021 was assessed by reference to the net consideration of £1,114,000 realised on its sale, which was satisfied by:

	£'000
Cancellation of Rollover Loan Notes 2021 (a)	1,293
Cash payment by the Company	(140)
Costs of disposal	(39)
	1,114

(a) The Rollover Loan Notes 2021 were held by the buyers, having been issued to them at the time of the purchase of Acorn to Oaks in January 2019.

The sale of Milton Homes to Max Barney Investments Limited, a related party of the Company, was agreed on 3 September 2021, subject to regulatory approval for the change in control from the FCA. The FCA approved the change in control on 25 February 2022 and the sale was completed on 10 March 2022 when the agreed consideration of £250,000 for the ordinary shares was received.

As part of the arrangements for the sale of Milton Homes, Milton Homes paid the Company £1,200,000 in respect of the Deep Discount Bonds held by the Company on 2 September 2021 and a further £7,846,002 on 3 September 2021 to redeem the Deep Discount Bonds in full. The latter payment was made from the proceeds of an issue of new bonds issued to HPB Pension Trust, an entity associated with Max Barney Investments Limited.

The fair value of Milton Homes, after taking account of estimated disposal costs, was estimated at £8,450,000 as at 31 March 2021. The net amount realised was £8,770,000 as shown below:

	£'000
September 2021	
Cash paid by Milton Homes in respect of Deep Discount Bonds	1,200
Redemption of Deep Discount Bonds by Milton Homes from proceeds of new issue of bonds	7,846
March 2022	
Cash received for ordinary shares at completion	250
Costs of disposal	(526)
	8,770

A charge of £6,657,000 arising on the remeasurement of the carrying amounts of assets transferred to disposal groups was recognised in the consolidated income statement for the year to 31 March 2021. A credit of £320,000 has been included in the results from discontinued operations for the year following the sale of Milton Homes.

Under the terms of the sale agreement, profits of Milton Homes arising after 31 March 2021 were retained in Milton Homes for the benefit of the purchaser.

The results of discontinued operations in both the current and prior year are shown in the table below. The prior year figures include Acorn to Oaks and Milton Homes which were reclassified as disposal groups as at 31 March 2021. As Acorn to Oaks was sold on 1 April 2021, the current year figures relate only to Milton Homes: they have been extracted from management accounts for the period up to disposal.

	2022 £'000	**2021 £'000**
Revenue (see (a) below)	6,935	9,890
Cost of sales	–	(330)
Gross profit	6,935	9,560
Administrative expenses	(956)	(1,579)
Other income	-	11
Profit from operations	5,979	7,992
Finance expense	(3,852)	(3,863)
Profit before tax	2,127	4,129
Tax expense	(309)	(232)
Profit after tax from operations	1,818	3,897
Profit retained in disposal group for benefit of purchaser (see (b) below)	(1,818)	-
	-	3,897
Surplus/ (deficit) on remeasurement of assets in disposal groups	360	(6,657)
Profit/ (loss) from discontinued operations	360	(2,760)

(a) Revenue		
Milton Homes (i)	6,935	9,005
Acorn to Oaks (ii)	–	885
Total revenue	6,935	9,890

(i) Milton Homes		
Profit on disposal of investment properties	1,072	767
Gain on revaluation of investment properties	2,148	3,953
Profit on the disposal of equity release plan financial assets	313	315
Gain on revaluation of equity release plan financial assets	2,239	2,759
Equity transfer income arising under equity release plan financial assets	1,163	1,211
	6,935	9,005
(ii) Acorn to Oaks		
Commission	–	601
Fees	–	284
	–	885

(b) Under agreed Heads of Terms, a lock-box arrangement was in place for Milton Homes from 1 April 2021 until the sale was completed on 10 March 2022. This restricted the payments (both amount and type) which Milton Homes could make without the prior agreement of the ultimate purchaser. In addition, it was agreed all profits from 1 April 2021 should be retained in Milton Homes for the benefit of the purchaser. The net cash generated from 1 April 2021 was retained by Milton Homes.

At the date of legal completion of the disposal on 10 March 2022, Milton Homes had total assets of £68,563,000 and total liabilities of £61,712,000 to give total net assets of £6,851,000. This net asset figure includes £2,476,000 of cash after paying consideration of £1,200,000 in respect of the Deep Discount Bonds during the period.

The figures for total assets and total liabilities above have been taken from the Milton Homes management accounts at the disposal date and do not reflect the adjustments made in the Group accounts when Milton Homes was reclassified as a disposal group as at 31 March 2021. The only underlying movement in Milton Homes net assets between 31 March 2021 and the disposal date of 10 March 2022 was the profit generated of £1,818,000.

As at the disposal date of 10 March 2022, the difference between the proceeds and the carrying value of the assets and liabilities on that date was £1,458,000, being the difference between the £1,818,000 profit arising in Milton Homes in the period and the £360,000 profit recognised.

The table below shows:
(a) the estimated fair values of the net assets and liabilities of Acorn to Oaks and Milton Homes as at 31 March 2021 as included in the Group accounts, together with the net profit after tax for the period to the respective dates of disposal; and
(b) the effect of the disposals on the financial position of the Group by reference to the estimated fair values of the net assets of Acorn to Oaks and Milton Homes as at the respective dates of disposal:

	As at 31 March 2021 £'000	**As at disposal dates £'000**
Goodwill	747	747
Property, plant & equipment	6	6
Investment properties	35,123	32,011
Financial assets – equity release plans	29,026	29,243
Trade and other receivables	622	616
Cash at bank	770	2,859
Trade and other payables	(782)	(788)
Other creditors	(83)	(70)
Borrowings	(54,824)	(51,892)
Deferred tax liability	(1,041)	(1,350)
Net assets and liabilities	9,564	11,382
Deep Discount Bonds (eliminated in the Group accounts)		
Carrying value at 31 March 2021	8,956	
Difference between amount paid on redemption and carrying value at 31 March 2021	90	
Paid on redemption	(9,046)	
Profit after tax for period to disposal of discontinued operations	1,818	
Net assets and liabilities at the respective disposal dates	11,382	11,382

Consideration on sale of discontinued operations	**£'000**	**£'000**
Acorn to Oaks (as detailed on page 86)		1,114
Milton Homes (as detailed on page 86)		8,770
Net consideration		9,884
Being:		
Total consideration	10,449	
Costs of disposals	(565)	
		9,884

Net cash inflows on sale of discontinued operations	**£'000**	**£'000**
Cash received, excluding £1,200,000 paid from cash held in Milton Homes		7,956
Costs of disposal	(565)	
Cash and cash equivalents held in discontinued operations at disposal	(2,859)	
		(3,424)
		4,532

9 Tax expense

	2022 £'000	**2021 £'000**
UK corporation tax	-	-
Current year charge	-	-
	-	-

Factors affecting the tax expense for the year

The tax expense for the year differs from the theoretical amount that would arise using the standard rate of corporation tax in the UK, which is 19% (2021: 19%). The differences are explained below.

Tax reconciliation	**2022 £'000**	**2021 £'000**
Loss before tax	(13,285)	(12,647)
At standard rate of corporation tax in the UK:	(2,524)	(2,403)
Effects of		
Items not deductible for tax purposes	59	1,572
Other tax adjustments	(141)	(543)
Movement on unrecognised deferred tax asset	2,606	1,606
Movement on deferred tax liability in discontinued operations	-	(232)
	-	-

10 Loans and leases receivable

	Stage 1 £'000	**Stage 2 £'000**	**Stage 3 £'000**	**Total £'000**
Gross loans and leases at 1 April 2021	17,502	606	2,275	20,383
Originations	98,096	-	-	98,096
Repayments	(14,353)	(408)	(103)	(14,864)
Write-offs	-	-	(1,298)	(1,298)
Transfer to Stage 1	196	(196)	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	(77)	-	77	-
Gross loans and leases at 31 March 2022	101,364	2	951	102,317
Allowances for ECLs at 1 April 2021	375	53	1,959	2,387
Total movement in loss allowance during the year	(65)	(51)	(1,008)	(1,124)
Allowances for ECLs at 31 March 2022	310	2	951	1,263
Net loans and leases at 31 March 2022	101,054	-	-	101,054
Net loans and leases at 31 March 2021	17,127	553	316	17,996

During the year ended 31 March 2021, the gross carrying amount of the Group's lease and loan portfolios, including arrears, decreased from £22,510,000 to £20,383,000. The loan portfolios of Recognise Bank and PFS increased by £6,476,000 to £12,156,000 at 31 March 2021, while the CAML/PFL lease and loan portfolio decreased by £8,416,000 to £8,227,000, including arrears. The net carrying amount of the Group's lease and loan portfolios, as offset by credit impairment of £2,387,000, was £17,996,000.

Impairment

	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
As at 31 March 2020	818	21	1,756	2,595
Movement in provision for impairment				
Transfer to Stage 2	(39)	39	-	-
Transfer to Stage 3	(36)	(7)	43	-
Specific provisions	-	-	203	203
New financial assets originated	4	-	-	4
Other movements	(372)	-	-	(372)
Write-offs	-	-	(43)	(43)
Total movement in loss allowance	(443)	32	203	(208)
As at 31 March 2021	375	53	1,959	2,387
Movement in provision for impairment				
Transfer to Stage 2	3	(3)	-	-
Transfer to Stage 3	-	-	-	-
Specific provisions	-	-	38	38
New financial assets originated	149	0	0	149
Other movements	(217)	(48)	(35)	(300)
Write-offs	-	-	(1,011)	(1,011)
Total movement in loss allowance	(65)	(51)	(1,008)	(1,124)
As at 31 March 2022	310	2	951	1,263

The provision for impairment of loans and finance leases has been assessed in accordance with IFRS 9.

The overall reduction of £1,124,000 in the loss allowance over the year to 31 March 2022 reflects the changes in the Group's lease and loan portfolios. The reduction in Stage 3 provisions over the year solely relates to the write off of balances in the CAML/PFL portfolio. The increase in the Recognise Bank loan portfolio has resulted in an additional of Stage 1 impairment charge of £149,000.

11 Deposits from customers

	2022 £'000	2021 £'000
Notice accounts	37,380	1
Term Deposits	57,614	1
	94,994	2

12 Called-up share capital

Allotted, called up and fully paid	2022 Number	2021 Number	2022 £'000	2021 £'000
Ordinary shares of £0.02	106,813,313	80,727,119	2,136	1,615
			2,136	1,615

The Company did not hold any ordinary shares in treasury at 31 March 2022 (2021: nil). 5,174,643 ordinary shares of £0.02 were held by the Employee Benefit Trust ("EBT") at 31 March 2022 (2021: 21,849). The Company issued 5,152,794 ordinary shares at 73.5p each on 6 September 2021 to the trustees of the EBT, with the amount of the subscription price being left outstanding on a loan account with the EBT, and the premium of £3,684,248 arising on the issue of the shares being credited to Share premium.

The purpose of issuing these shares was to meet future share awards to Group employees. With the exception of these shares, the Company did not transfer any shares into or out of the EBT during the year (2021: nil). The fair value of shares held by the EBT at 31 March 2022 amounted to £3,156,000 (2021: £17,000). Subsequent to the year end 360,824 shares were transferred from the EBT to a former employee.

Following shareholder approval at a general meeting on 8 September 2021, the Company issued 18,916,667 ordinary shares at 60p each for cash of £11,350,000 on 14 September 2021 to two of its major shareholders. The Subscription Agreements with these shareholders also provided for the issue of warrants (see below). The premium of £10,075,255 arising on the issue of the shares was credited to Share premium.

The shares and subscription warrants under the Subscription Agreements were issued on the same terms as those in the Open Offer which was sent to shareholders on 13 September 2021. Following the closure of the Open Offer on 28 September 2021, 2,016,388 ordinary shares and 1,008,180 warrants were issued in October 2021.

Further to the Subscription Agreements and the Open Offer, the Company issued subscription warrants which permit holders of the warrants to subscribe for ordinary shares in the Company at a price of 69p per share in cash during the exercise period of 3 years from the date of issue. One subscription warrant was issued for every two shares subscribed for under the Subscription Agreements and the Open Offer. The effective issue dates were 14 September 2021 for the 9,458,333 Subscription Agreement warrants and 21 October 2021 for the 1,008,180 Open Offer warrants.

On 8 December 2021 and 17 January 2022 respectively, the Company issued 24 and 321 ordinary shares at 69p each for cash following the exercise of warrants by shareholders. The premium of £231 arising on the issue of the shares was credited to Share Premium.

Costs of £889,000 (2021: £726,000) were incurred in relation to the issue of shares in the year. The costs have been offset against the Company's Share premium.

Shares in issue	**Deferred Number**	**Ordinary of £0.02 Number**	**Deferred £'000**	**Ordinary £'000**
As at 31 March 2020	3,648,415,419	39,960,551	3,648	800
Issued for cash on 16 April 2020	–	500	–	–
Cancelled on 30 April 2020 and transferred to Capital reserve	(3,648,415,419)	–	(3,648)	–
Issued on 7 August 2020 on conversion of 6% Unsecured Loan Stock 2021	–	1,433,565	–	28
Issued on 4 September 2020 following exercise of put option by minority shareholders in Recognise Bank Limited	–	5,600,000	–	112
Issued for cash on 9 October 2020	–	33,355,688	–	667
Issued for cash on 27 October 2020	–	376,815	–	8
As at 31 March 2021	–	80,727,119	–	1,615
Issued for cash on 6 September 2021	–	5,152,794	–	103
Issued for cash on 14 September 2021	–	18,916,667	–	378
Issued for cash on 5 October 2021	–	2,016,388	–	40
Issued for cash on 8 December 2021 on exercise of warrants	–	24	–	–
Issued for cash on 17 January 2022 on exercise of warrants	–	321	–	–
As at 31 March 2022	–	106,813,313	–	2,136

Share warrants

The following table summarises information on warrants which were outstanding at 31 March 2022: the warrants enable holders to subscribe for ordinary shares of the Company at 69p each over the 3 year period from the date of issue (see above). There were no warrants in issue at 31 March 2021.

	Number	£'000
As at 31 March 2021	-	-
Subscription Agreements warrants issued on 14 September 2021	9,458,333	–
Open Offer warrants Issued on 21 October 2021	1,008,180	–
Open Offer warrants exercised	(345)	–
As at 31 March 2022	10,466,168	–

Subsequent to the year end, the 9,458,333 Subscription Agreements warrants in issue have been exercised (see note 17).

Capital reserve

The capital reserve arose on 30 April 2020 following the buy back and cancellation of the Deferred shares. On cancellation of the Deferred shares, the share capital was reduced by £3,648,415 and this amount was transferred from share capital to a capital reserve, which is not distributable to shareholders.

13 Financial instruments

The Group's financial instruments to which the impairment requirements in IFRS 9 are applied are listed in the tables below.

The prior year figures exclude those financial instruments that were reclassified as Assets within disposal groups held for sale or as liabilities directly related to Assets within disposal groups held for sale as at 31 March 2021.

	2022			2021		
Group	**Current assets £000**	**Non-current assets £000**	**Total £000**	**Current assets £000**	**Non-current assets £000**	**Total £000**
Financial assets Measured at amortised cost						
Cash and cash equivalents	37,522	-	37,522	14,493	-	14,493
Loans and advances to customers	10,054	91,000	101,054	9,859	8,137	17,996
Other debtors	341	-	341	381	-	381
Measured at fair value through other comprehensive income						
Debt securities	-	-	-	6,500	-	6,500
Total	47,917	91,000	138,917	31,233	8,137	39,370
Financial liabilities Measured at amortised cost						
Borrowings	2,622	330	2,952	2,729	2,976	5,705
Deposits from customers	62,671	32,323	94,994	2	-	2
Lease liabilities	94	36	130	289	109	398
Other liabilities	4,118	-	4,118	4,019	-	4,019
Total	69,505	32,689	102,194	7,039	3,085	10,124

At 31 March 2022 and 31 March 2021, the carrying amounts of debt securities, cash at bank and short-term borrowings reflected in the financial statements are reasonable estimates of fair value in view of the nature of these instruments or the relatively short period of time between the origination of the instruments and their expected realisation. The fair value of advances and other balances with related parties which are short term or repayable on demand are equivalent to their carrying amount.

The fair value of other non-current financial instruments for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments. The carrying amount of the Group's non-current advances to related parties fairly approximates the estimated fair value of these assets based on discounted cash flows. The fair value of the Group's non-current fixed interest rate advances, customer deposits and borrowings at the end of the reporting periods is not significantly different from the carrying amounts. The current market interest rates utilised for discounting purposes, which were almost equivalent to the respective instruments' contractual interest rates, are deemed observable but other significant inputs are not observable and accordingly these fair value estimates have been categorised as Level 3 within the fair value measurement hierarchy required by IFRS 7, 'Financial Instruments: Disclosures'.

14 Financial risk management

The financial risks faced by the Company include market risk (including price risk, foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Board reviews and agrees policies for managing each of these risks. Neither the Company nor the Group uses derivative financial instruments for trading purposes.

Credit risk

Credit risk is the risk of the financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The scale of risk to the Group is set out in the table below:

Credit risk exposures (all Stage 1, unless otherwise stated)	**2022 £'000**	**2021 £'000**
On-balance sheet:		
Cash and balances at central banks	37,522	14,493
Debt securities	-	6,500
Gross Loans and leases receivable (net of ECLs)		
Stage 1	101,054	17,127
Stage 2	-	553
Stage 3	-	316
Other assets	1,012	927
Off-balance sheet:		
Loan commitments and other credit related liabilities	19,700	6,159
As at 31 March	159,288	46,075

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer loan, lease or receivable. Each new customer is analysed individually for creditworthiness before payment is made. The conduct of customer accounts is reviewed regularly.

Exposure to credit risk is managed in part by obtaining collateral security and corporate and personal guarantees, as management considers necessary. Property bridging loans are secured over the property for which the loan is advanced and personal guarantees are also obtained.

The Group establishes an allowance for impairment in accordance with IFRS 9.

The table below shows the loan exposures of the Group in respect of secured loans:

	2022	
	Loan Balance	**Collateral**
Group	**£'000**	**£'000**
Loans and advances under IFRS 9		
Stage 1	97,738	200,577
Stage 2	-	-
Stage 3	-	-
As at 31 March	97,738	200,577

The table below represents an analysis of the loan to value of the loan exposures secured by property:

	2022	
	Loan Balance	**Collateral**
Group	**£'000**	**£'000**
Less than 60%	53,260	132,652
Stage 1	53,260	132,652
Stage 2	-	-
Stage 3	-	-
60%-80%	44,478	67,925
Stage 1	44,478	67,925
Stage 2	-	-
Stage 3	-	-
80%-100%	-	-
Stage 1	-	-
Stage 2	-	-
Stage 3	-	-
As at 31 March	97,738	200,577

In addition to secured loans, there were unsecured loans of £3,316,000 at 31 March 2022.

The table below shows the concentration of the portfolio and the value of collateral held by loan product and location:

	2022	
Group	Loan Balance £'000	Collateral £'000
Concentration by Product		
Bridging	9,757	23,361
Commercial	64,038	135,522
Professional buy-to-let	24,713	41,694
Working capital	940	-
Professional practice	756	-
Hire purchase	190	-
Finance leases	660	-
As at 31 March 2022	101,054	200,577
Concentration by Location		
East Midlands	3,838	10,855
East of England	6,020	16,790
London	20,290	43,325
North East	3,298	5,325
North West	21,340	38,378
South East	35,746	72,890
South West	662	1,190
Wales	1,476	3,303
West Midlands	215	395
Yorkshire & Humberside	4,853	8,126
Unsecured loans	3,316	-
As at 31 March 2022	101,054	200,577

Foreign exchange risk

The foreign exchange risk for the Group is immaterial as the financial instruments held by the Group are largely denominated in sterling.

Liquidity risk

Liquidity risk is the risk that the Group, although solvent, either does not have sufficient financial resources to enable it to meet its obligations as they fall due or can only secure such resources at excessive cost. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group has sufficient cash to meet its current requirements. At 31 March 2022 and 31 March 2021, the Group did not have a bank overdraft facility.

The total gross contractual undiscounted cash flows for financial liabilities, including interest payments are:

Year ended 31 March 2022	On demand £'000	Less than 3 months £'000	3 to 12 months £'000	1 to 5 years £'000	> 5 years £'000	Total £'000
Group						
Interest-bearing borrowings	-	296	2,409	236	109	3,050
Other liabilities	-	4,118	–	–	-	4,118
Customer deposits	107	4,721	58,741	34,824	-	98,393
Lease liabilities	-	44	56	35	-	135
	107	9,179	61,206	35,095	109	105,696

Year ended 31 March 2021	On demand £'000	Less than 3 months £'000	3 to 12 months £'000	1 to 5 years £'000	> 5 years £'000	Total £'000
Group						
Interest-bearing borrowings	–	754	2,310	3,068	–	6,132
Other liabilities	–	4,019	–	–	–	4,019
Customer deposits	–	2	–	–	–	2
Lease liabilities	–	77	225	110	–	412
	–	4,852	2,535	3,178	–	10,565

Interest rate risk

The Bank has interest-bearing assets and liabilities at fixed interest rates. The Group may make loans on either a fixed or variable (floating) interest rate basis. Changes in the interest on variable (floating) loans will arise from changes in the underlying Bank of England base rate or market rate. The Group mitigates interest rate risk through the Recognise Bank Asset and Liability Committee which is responsible for identifying, managing and controlling all balance sheet risks in accordance with Recognise Bank's chosen business strategy. With this exception, the Group and Company had no floating rate borrowings at either 31 March 2022 or 31 March 2021.

In line with regulatory reporting requirements, as set by the EBA, the Bank considers a parallel 200 basis points (bps) movement to be appropriate for evaluating sensitivity to interest rate risk. As at 31 March 2022 the Group estimates that a +/- 200 bps movement in interest rates would have impacted the economic value of equity by +£26k/-£20k respectively (2021: +£184k/-£178k).

Valuation of financial instruments

The Group measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions. In Recognise Bank this applies to Gilts and Treasury Bills which are held at fair value which is determined on a monthly basis by recalculating the nominal value of each holding against the close-of-business market price for each relevant instrument.

The Group measures fair value using the following fair value hierarchy that reflects the significance of the inputs used in making measurements:

Level 1: inputs are quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date
Level 2: inputs are inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
Level 3: inputs are unobservable inputs for the asset or liability

No Level 1 or Level 2 assets were held at 31 March 2022 (2021: Level 1 Debt securities £6,500,500).

Level 3 valuation

In March 2021, assets within the Milton Home and Acorn to Oaks disposal groups became Level 3 assets on their reclassification as disposal groups. Investment properties and financial assets – equity release plans held by Milton Homes were already Level 3 assets. There were no transfers of assets between categories during the previous year. An asset is transferred when, due to changes in circumstances, it falls into another category within the fair value hierarchy.

The following tables present the Group's assets that are measured at fair value:

Level 3 valuation	2022 £'000	2021 £'000
Acorn to Oaks disposal group	-	1,114
Milton Homes disposal group	-	8,450
	-	9,564

The movement on level 3 assets is as follows:

	2022 £'000	2021 £'000
Balance at 1 April	9,564	68,952
Movements prior to reclassification		
Additions	–	–
Equity transfer	-	1,212
Revaluations	-	6,712
Disposals	(9,564)	(7,188)
	-	69,688
Transfer to Milton Homes disposal group	-	(69,688)
Additions – disposal groups	-	9,564
Balance at 31 March	-	9,564

Capital Management

The Group maintains an actively managed capital base to cover risks inherent in the business. The primary objectives of capital management are to ensure that the Group complies with both external and internal capital requirements and maintains healthy capital ratios in order to support its business and maximise shareholder value.

The Group has prepared detailed budgets which include an assessment of its future capital requirements and is developing plans to meet these by accessing new funding as required.

The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions, risk characteristics of its activities and regulatory requirements. The adequacy of the Group's capital is monitored using, amongst other measures, the rules and ratios established by the PRA.

During the past year, the Group complied in full with all its externally imposed capital requirements. The table below shows the Group's CET1 capital ratios as at 31 March 2022 and 31 March 2021.

	Group	
	2022	2021
Capital Ratios (unaudited)	£'000	£'000
CET 1 Capital Instruments	38,031	39,386
Deductions - Intangible assets/ Other deductions	(980)	(4,590)
CET 1 Capital after Deductions	37,051	34,796
Own Funds	37,051	34,796
CET1 Capital Ratio	41.47%	78.86%
Total Capital Ratio	41.47%	78.86%

15 Risk statement

The Board has overall responsibility for ensuring the Group operates in a safe and sound manner and for establishing an organisational structure to discharge this duty.

The Company's Audit and Risk Committee is responsible for the oversight of both Group risk management and the Group's internal control environment. The Group's business activities are now primarily conducted through Recognise Bank and the Audit and Risk Committee relies increasingly on the oversight of committees established by the Recognise Bank board.

The Board reviews and assesses the principal and emerging risks in the Group annually. In addition to matters reported by the Company's Audit and Risk Committee, the Chief Risk Officer of Recognise Bank (CRO) provides input to the Board.

As a fully authorised UK bank, Recognise Bank has developed a strong risk management function to address the operational and other risks it faces. The Board endorses the risk management strategy of Recognise Bank which is set out below and, to the extent it is applicable, has adopted it for the Company and other group companies.

Risk culture
Recognise Bank understands the need for an open and clear risk management approach and the risk culture in Recognise Bank is designed to facilitate:

- strong risk awareness across the organisation;
- reward structure that aligns with risk appetite and reinforces the risk management culture;
- risk-aware decision-making in line with strategic goals;
- clarity in roles and responsibilities within the three lines of defence; and
- risks being identified, quantified, managed and reported in a timely fashion.

All employees are provided with training during their induction and have ongoing refresher training.

Risk appetite
The Risk Appetite Statement, which is approved by the Recognise Bank board, is reviewed regularly.

Risk Appetite Statements include qualitative and quantitative measures of risk, and the position against risk appetites is reported monthly to the Recognise Bank Board.

The Risk Appetite Statement cover the risks included in the Principal Risks identified in the table below.

Enterprise risk management
All business areas maintain risk and control self-assessments ("RCSAs") within an enterprise risk management system, which records the risks and controls. RCSAs are subject to approval by members of the Recognise Bank Executive Committee ("Executives") and are subject to re-certification and approval at regular intervals, which are set depending on the risk.

Material risks based on these RCSAs are reported to the Executive Risk Committee ("ERC") monthly, and to the Board Risk Committee ("BRC") on an exceptions basis (ie those risks which are outside risk appetite).

Emerging risks
All colleagues, particularly Executives, are tasked with identifying emerging risks and ensuring these are adequately captured in the enterprise risk management system.

Recognise Bank maintains a risk radar, which includes emerging risks identified from regulatory publications and industry publications.

Scenario testing
Recognise Bank runs an annual programme of adverse scenarios, such as a cyber attack, to test the adequacy of controls and incident management plans. The results are reported to the ERC and are summarised for the BRC.

Risk strategy
Recognise Bank operates an annual reassessment of the risk management framework, in which it considers the risk management capability that it aims to have in place to support the business in the next 12 to 18 months, and sets out any actions required to improve and develop the risk management framework.

The Risk strategy is subject to approval by the BRC, and progress against the actions in the Risk strategy is provided to each ERC and BRC meeting.

Three lines of defence
Recognise Bank operates three lines of defence.

The first line of defence accepts, manages, and declines risks; owns the risks, and implements controls and/or other methods to mitigate the risk, as required; and operates within the Recognise Bank board approved risk appetite statements and supporting limits.

The second line of defence (Risk team) supports the Recognise Bank board in establishing and maintaining the risk management framework; provides independent challenge to the business; provides assurance through a risk and compliance monitoring and testing plan; provides independent reporting to the Board against risk appetite; and reports to the Board Risk Committee.

The third line of defence (internal audit) reviews the internal control environment, including culture and governance, and reports to the Audit Committee.

Risk function
The Risk function, led by the CRO, is responsible for oversight of risks in the Group and this is achieved by:
- providing support and advice to the first line of defence;
- establishing the risk framework;
- monitoring the performance of the business against those risks; and
- reviewing action plans where risk appetite is, or is at risk of, being exceeded.

All colleagues
All colleagues in Recognise Bank have a responsibility for risk identification and management. This includes the identification and assessment of risks, working openly and cooperatively with the second and third lines of defence, and addressing recommendations or findings on a timely basis.

Each business area is responsible for maintaining clear processes, and managers are responsible for ensuring that their staff have the appropriate skills and/ or experience and training for their roles.

The Risk management section of the Annual Report includes a table that sets out further information on principal risks and uncertainties together with key mitigants and controls that apply for each.

16 Reclassification of prior year figures

The tables below provide a reconciliation between the consolidated income statement and consolidated balance sheet as originally presented in the financial statements for the year ended 31 March 2021 and the prior year figures in the financial statements for the current year, following reclassifications occasioned by a change in the presentation of the financial statements. As explained in note 1, the change in the presentation and classification of the financial statements reflects the change in the Group's business activities.

Consolidated income statement

The revised presentation of the consolidated income statement has not resulted in any changes in the results for the year ending 31 March 2021. The representation of the prior year consolidated income statement is as follows:

		Re-presented figures - 2021							
Consolidated income statement	**2021 Annual Report £'000**	**Net interest income £'000**	**Net fees and commission £'000**	**Staff costs £'000**	**Operating expenses £'000**	**Finance expense £'000**	**Depreciation £'000**	**Net impairment loss on financial assets £'000**	**Discontinued operations £'000**
Revenue	1,976	1,900	76						
Cost of sales	(13)		(12)		(1)				
Administrative expenses	(11,396)			(7,674)	(3,327)		(395)		
Other income	103		103						
Provision for bad and doubtful debts	(138)							(138)	
Finance expense	(651)	(614)			(1)	(36)			
Loss after tax from discontinued operations	(2,760)								(2,760)
Loss for the year	(12,879)	1,286	167	(7,674)	(3,329)	(36)	(395)	(138)	(2,760)

Consolidated balance sheet

The revised presentation of the consolidated balance sheet as at 31 March 2021 has not changed either the description or amounts of the following items within the consolidated balance sheet:

2021 Annual Report	£'000
Intangible assets	1,028
Property, plant and equipment	150
Right-of-use assets	369
Debt securities	6,500
Cash and cash equivalents	14,493
Assets in disposal groups classified as held for sale	66,294
Liabilities directly associated with assets in disposal groups classified as held for sale	(56,730)

The following items have been reclassified as shown in the table below:

		Re-presented figures - 2021					
Extracts from Consolidated balance sheet	**2021 Annual Report £'000**	**Loans and advances to customers £'000**	**Other assets £'000**	**Borrowings £'000**	**Deposits from customers £'000**	**Lease liabilities £'000**	**Other liabilities £'000**
Non-current assets							
Loans	7,149	7,149	-	-	-	-	-
Finance leases	988	988	-	-	-	-	-
Current assets							
Loans	7,496	7,496	-	-	-	-	-
Finance leases	398	398	-	-	-	-	-
Trade and other receivables	3,071	2,144	927	-	-	-	-
Total assets (A)	19,102	18,175	927	-	-	-	-
Current liabilities							
Borrowings	(4,022)	-	-	(4,022)	-	-	-
Trade and other payables	(4,424)	(179)	-	-	(2)	-	(4,243)
Lease liabilities	(289)	-	-	-	-	(289)	-
Non-current liabilities							
Borrowings	(2,976)	-	-	(2,976)	-	-	-
Lease liabilities	(109)	-	-	-	-	(109)	-
Total liabilities (B)	(11,820)	(179)	-	(6,998)	(2)	(398)	(4,243)
As reclassified (A-B)	7,282	17,996	927	(6,998)	(2)	(398)	(4,243)

17 Post balance sheet events

Exercise of Subscription Agreements warrants

On 16 May 2022, the two holders of the Subscription Agreements warrants, Parasol V27 Limited and Max Barney Investments Limited, exercised their warrants to subscribe a gross amount of £6,526,250 in cash for 9,458,333 ordinary shares of 2p each which were issued at 69p each. The net proceeds of £6.45m have been invested in Recognise Bank to support its continuing growth and investment in technology.

8% Redeemable Preference Shares in Credit Asset Management Limited ("CAML")

On 16 May 2022, the Company acquired £2,069,914 8% Redeemable Preference Shares in Credit Asset Management Limited ("Preference Shares") held by HPB Pension Trust, an entity associated with Max Barney Investments Limited. The consideration of £2,179,704, which comprised the nominal value plus the amount of accrued but unpaid dividends on the Preference Shares, was satisfied by the issue of 3,158,992 new ordinary shares of 2 pence at 69p each. All the Preference Shares in issue were then held by the Company.

On 26 July 2022, the Company subscribed £3m for ordinary shares which were issued at par by CAML. On 27 July 2022, CAML redeemed the £3m Preference Shares in issue from the proceeds of this issue of ordinary shares. Following the redemption, CAML had only ordinary shares in issue, all of which were held by the Company.

Annual General Meeting

The 2022 annual general meeting will be held at 12.30 pm on 6 October 2022 at the office of the Company at 2nd Floor, Augustine House, 6A Austin Friars, London EC2N 2HA. The notice of meeting will be included in the Annual Report which will be posted to shareholders on 12 September 2022.