City of London Group plc

Interim Results for the six months ended 30 September 2022

Contents

TIDM: CIN

22 December 2022

City of London Group plc

("COLG", "the Company" or "the Holding Company" and, together with its subsidiaries, "the Group")

Results for the six-month period ended 30 September 2022

The Company announces its unaudited interim results for the six-month period ended 30 September 2022, along with an update on business developments.

Financial results

- Loss before tax £7.2m (2021/22 first half loss before tax £5.8m)
- Loan book at 30 September 2022 £112.1m (31 March 2022 £101.1m; 30 September 2021 £24.1m)
- Deposits at 30 September 2022 £127.9m (31 March 2022 £95.0m; 30 September 2021 £8.7m)

Business developments

- **Reorganisation of the Group structure and investment of £25m in new shares of Recognise Bank**
  As announced separately today, a circular will be sent to the Company's shareholders explaining that the Directors have concluded that it is in the best interests of the Company and shareholders as a whole to streamline the Group's corporate structure by seeking shareholders' approval for cancellation of the admission of the Company's shares to trading on AIM and implementing a members' voluntary liquidation of the Company. This has no material impact on Recognise Bank Limited whatsoever. The Circular also includes details of a conditional agreement between Parasol V27 Limited ("PV27"), the Company's largest shareholder, and Recognise Bank Limited under which £25m, in aggregate, would be subscribed by PV27 for new shares in Recognise Bank Limited to meet capital requirements, for general working capital purposes, and to support growth in the loan book and the development of new products and innovation.
- **Appointment of Jean Murphy as Recognise Bank CEO in August 2022**
  Jean Murphy was announced as the new Chief Executive Officer of Recognise Bank ("Bank") in August 2022. Bringing over 25 years of financial services sector and capital markets experience, Jean will lead Recognise Bank as it develops its digital capability, grows its balance sheet and launches new products and services.
- **Launch of Business Savings**
  The Bank launched its first Business Savings Account, an Easy Access product, in April 2022. This was quickly followed by a One Year Fixed Rate Business Savings Account and a 95 Day Notice Business Savings Account. By early December 2022, thousands of SMEs had opened accounts with business savings attracting over £110m in deposits, with total savings deposits fast approaching £200m.
- **Bank continues vital lending to SMEs**
  Recognise Bank continues to support British businesses by providing over £112m in lending to SMEs across a wide range of sectors, including industrial, retail and residential rental property. Having achieved its target of lending £100m to British business by 31 March 2022, from a pipeline of over £1bn in applications, just six months after receiving its full banking licence, the pace of lending was moderated deliberately as the Bank focused resources on building its technology capabilities and launching new savings products. This also enabled the Bank to review its lending product mix and risk appetite against the backdrop of a challenging economy, as it prepares for the next phase of the Bank's development and its return to full lending capacity.

Philip Jenks, Chair of City of London Group plc, commented:

"After a milestone year that saw Recognise Bank achieve fully licensed status, the last six months have continued to be busy.

"We continue to build our strategy for the next phase of Recognise Bank's development, focusing in particular on the digital journey to help improve our processes and delivery of product to customers. The SME sector is still woefully under-supported by the established banks, so the opportunity for fresh ideas and innovation is huge.

"We look forward to the proposals which have been separately announced today being implemented, including, the investment by PV27 of £25m in new shares in Recognise Bank. This latest investment of £25m will be used to fund working capital, the further development of innovations and improvements to existing services, at the same time supporting the growth of our commercial lending book. This new investment demonstrates the confidence of our major shareholder in the Bank's strategy and potential, and our vision for business banking in the UK.

"While we do not underestimate the ongoing challenges that SMEs and their customers face from the current economic conditions, the Board believes Recognise Bank is in a good position to capitalise on the opportunities we foresee. The loan book is strong because of prudent credit management, we are well capitalised, and with our innovation team we are already looking to develop the financial solutions SMEs will need in the future."

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LEI: 2138003UW63TMQ5ZFD85

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 Innovation Team which will develop new and improved products and services to meet the needs of growing UK businesses.

www.cityoflondongroup.com

Chair’s statement

I am pleased to present this statement which covers the period from 1 April 2022. After a milestone year that saw Recognise Bank achieve fully licensed status, the last six months have continued to be busy, laying the foundations for the Bank’s future growth and success.

Small businesses continue to be marginalised and ignored by the mainstream banks and their reluctance to support SME borrowers is only likely to increase in the current economic climate. It is here that Recognise Bank’s digitally enabled relationship banking model will be able to support customers with lending solutions that many other larger competitors will not be able to provide because of their tick box approach to business borrowers, rather than our combination of expert relationships and world-class technology.

We have provided more than £112m of commercial lending so far, from a pipeline of over £1bn in applications, which shows the demand among smaller businesses. We have supported a wide range of SMEs with varied borrowing needs, from an owner-occupier business looking to secure its own premises, through to building a presence in the buy-to-let residential property sector. Crucially, thanks to our robust governance, the experience of our management team and expert knowledge of the marketplace, Recognise Bank has built a good quality loan book that continues to perform well during the current challenging economic and financial climate.

As we head into 2023, we anticipate there will still be strong demand from UK SMEs allowing Recognise Bank to help experienced business owners as they invest and expand. It is all part of our mission to provide businesses with the level of support and delivery they rightly expect in a digitally led world. By combining the best of technology with genuine relationship banking, Recognise Bank has an opportunity to deliver new and innovative financial services, while addressing the needs of SMEs that are not met elsewhere.

A great example of our ambition in SME banking is Business Savings Accounts, which only launched in April 2022, but have already attracted over £117m in deposits from thousands of companies looking for a simpler way to manage their savings and, crucially, get a better return on their savings. Business customers are too often taken for granted by banks: we are determined to change this.

The engine room for these new and improved solutions will be our innovation team, which is building on the Bank’s existing cloud-based technology capability to deliver seamless integrated experiences for customers, broker partners and colleagues.

I look forward to the proposals which have been separately announced today being implemented, including, the investment by PV27 of £25m in new shares in Recognise Bank. This latest investment will be used to fund working capital, the further development of these innovations and improvements to existing services, at the same time supporting the growth of our commercial lending book. This new investment takes the total raised to support the Bank to over £96m, and demonstrates the confidence of our major shareholder in the Bank’s strategy and potential and our vision for business banking in the UK.

The New Year will bring a simplification of the Bank’s structure, with Recognise Bank becoming a standalone private company, enabling a single focus on the Bank and its mission. It is another milestone for Recognise Bank, the start of the next chapter in a story of delivering on each target we have set, from full authorisation through to stretching lending and savings targets, each one helping to build a successful, innovative and digital SME bank.

Outlook

While we do not underestimate the ongoing challenges that SMEs and their customers face from the current economic conditions, the Board believes Recognise Bank is in a good position to weather the storm clouds and capitalise on the opportunities we foresee. The loan book is strong because of prudent credit management, we are well capitalised, and with our innovation team we are already looking to develop the financial solutions SMEs will need in the future.

Philip Jenks
Chair

Recognise Bank CEO's statement

Business review

I am delighted to be writing my first statement after becoming CEO of Recognise Bank in August 2022. Having worked in the financial services sector for many years, I saw this as an exciting opportunity to lead a new UK SME bank, building on its achievements to date and creating the foundations for the next chapter in its evolution.

We continue to implement and refine our strategy, with a strong focus on the digital journey to help improve our processes and delivery of products and services to customers. The SME sector is still woefully under-supported by the established banks, so the opportunity for fresh ideas and innovation is huge. At the same time, we are well placed to provide lending support to proven business owners and entrepreneurs who see opportunities for growth and investment and are well placed to navigate the current economic headwinds. Importantly, the Bank's costs remain tightly controlled and building sustainable revenue and reaching profitable trading remains our absolute priority.

For all banks, capital is vital to underpin growth and particularly so for new banks given the inevitable time it takes to reach profitability and capital creation. I am delighted, therefore, that we can also confirm new investment of £25m into the Bank from the Company's largest shareholder, reinforcing its support for Recognise Bank and belief in our strategy to create a digital bank for SMEs. This brings total investment in Recognise Bank to over £96m so far.

To see the potential in the SME sector, you only have to look at Recognise Bank's achievements over the six months to 30 September 2022. April 2022 saw the launch of our first Business Savings Accounts, which were designed to meet the needs of small businesses: easy to open, straightforward to manage online, and offering competitive rates where so many of our competitors fail to do so. Recognise Bank has introduced Easy Access, One Year Fixed and 95 Day Notice Accounts that give businesses a real choice and decent rates. The products have attracted thousands of new business savers, and by early December 2022 we had reached over £117m in savings, helping and supporting UK businesses.

Launching Business Savings was another step in our mission to become a full-service bank for SMEs, as we expanded our business proposition beyond lending and personal savings. The insight gained from working with an even wider range of small businesses will be invaluable as we grow and develop new services.

The Bank's innovation team is already hard at work scoping out future products and service improvements, headed up by Sahil Thapa, who joined in the last half year as Chief Technology Officer from Deutsche Bank.

All this activity has taken place against a challenging economic environment. We are still dealing with the financial fall-out of the COVID pandemic, but that has been exacerbated by the impact of the war in Ukraine. Energy prices soared, inflation pushed up costs for consumers and businesses, which in turn led to interest rates rising quickly from their record lows a year ago.

However, this also shows the vital need for a bank like Recognise Bank – a smart, innovative institution that continues to support UK SMEs as they grow and thrive. Whatever happens over the coming months and years, Recognise Bank is well placed with a great proposition, a strong loan book, a skilled executive team, and a determination to support British businesses.

Financial review

A summary of the financial performance of the Group is set out in the table below:

£'000	6 months to 30/09/22	6 months to 30/09/21	Year to 31/03/22
Banking activities (note a)	(6,595)	(5,426)	(11,795)
Holding company (note b)	(565)	(743)	(1,850)
Loss from continuing activities	(7,160)	(6,169)	(13,645)
Profit from discontinued activities	-	379	360
Loss before tax	(7,160)	(5,790)	(13,285)

(a) Includes all loan, lease and professions financing activities.
(b) Includes Other

The key performance indicators for the Group are:

£'000	30/09/22	30/09/21	31/03/22
Loan book at period end	112,056	24,076	101,054
Deposits at period end	127,863	8,739	94,994

The results for the six months are in line with the Board's expectations.

The loan portfolio increased by £11m to £112.1m over the period. The increase of £12m in the Recognise Bank portfolio was offset by a reduction of £1m in the Credit Asset Management Limited/ Professions Funding Limited ("CAML/PFL") portfolio as its run-off continues. The IFRS 9 provision for impairment for the Recognise Bank loan portfolio increased by £166k over the period to £309k, which is attributable to a forecast reduction in GDP affecting the macro-economic environment and to the increase in the loan portfolio.

Deposits increased from £95m to £128m over the period, reflecting the successful launch of business saving products which contributed £46m of deposits at 30 September 2022. The increase in deposits is reflected in the increased interest expense of £0.8m over the period. Since the period end, the level of deposits has continued to increase with deposits at end November 2022 being £186m, including £106m of business savings.

The process of running-off the CAML/ PFL loan and lease portfolios continued over the period and has continued to go smoothly. The size of the CAML/ PFL portfolios decreased by approximately 44% from £2.3m to £1.3m over the 6-month period. Since August 2022, CAML has been a direct subsidiary of Recognise Bank, following its transfer from the Company in an internal reorganisation.

COLG

The process of simplifying the Group's structure and administration continued during the period.

In May 2022, COLG acquired the preference shares in CAML that it did not already own for £2.2m by way of a share exchange agreement, issuing 3,158,992 new ordinary shares at a price of 69p each as consideration. The acquisition facilitated an internal group restructuring whereby, following redemption of the £3m CAML preference shares in issue, in August 2022 COLG transferred all its interests in CAML to Recognise Bank for a consideration of £1.7m which was satisfied by the issue of shares in Recognise Bank. The transfer, which was made to align ownership with management reporting lines, included the assignment of an inter-group balance and the novation of a loan, as well as the transfer of shares. As set out above, CAML is now a wholly-owned subsidiary of Recognise Bank.

Following the Group's move to new offices in June 2022 on the expiry of its lease, COLG is no longer providing shared property services to group companies as the new lease is held by Recognise Bank. It now acts solely as a holding company to its one direct subsidiary, Recognise Bank Limited.

The two holders of the Subscription Agreements warrants exercised their warrants on 16 May 2022, subscribing approximately £6.5m in cash for 9,458,333 new ordinary shares of 2p each, which were issued at 69p per share. The net proceeds of £6.45m were invested in Recognise Bank to support its continuing growth and investment in technology. Further details of the exercise of warrants and the issue of new ordinary shares are set out in note 13 below.

Further progress which has been made in simplifying the Group since the period end is set out in the post balance sheet events note (note 17).

Risks

The principal and emerging risks of the Group are reviewed and assessed annually by the Board which, through the Company's Audit and Risk Committee, places reliance on the oversight provided by committees established by the Recognise Bank board that contribute to various aspects of risk management. The principal risks described in the Strategic Report in the 2022 Annual Report, which is available at https://www.cityoflondongroup.com/wp-content/uploads/2022/09/220906-City-of-London-2022-Annual-Report-Web.pdf, are still appropriate.

The 2022 Annual Report also included information on financial risk management in note 5 of the financial statements. This also remains relevant.

Jean Murphy
Recognise Bank CEO

This half-yearly report may contain certain statements about the future outlook for COLG and its subsidiaries. Although the Directors believe their expectations are based on reasonable assumptions, any statements about the future outlook may be influenced by factors that could cause actual outcomes to be materially different. Such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward looking statements.

This half-yearly report has been drawn up and presented with the purpose of complying with English law. Any liability arising out of or in connection with the half-yearly report for the six months to 30 September 2022 will be determined in accordance with English law. The half-yearly results for 2022 and 2021 have neither been audited nor reviewed pursuant to guidance issued by the Auditing Practices Board.

22 December 2022

Unaudited interim results

Condensed consolidated income statement

	Notes	6 months to 30/09/22 £'000 (unaudited)	6 months to 30/09/21 £'000 (unaudited) (note (a))	Year to 31/03/22 £'000 (audited)
Interest income		3,554	846	2,897
Interest expense		(946)	(168)	(1,088)
Net interest income	2	2,608	678	1,809
Fee and commission income		102	61	52
Fee and commission expense		(1)	-	(23)
Net fees and commission		101	61	29
Total operating Income		2,709	739	1,838
Operating expenses				
Staff costs		(5,711)	(4,442)	(9,658)
Other operating expenses	4	(3,612)	(2,151)	(5,482)
Finance expense		(17)	(12)	(19)
Depreciation and amortisation		(373)	(296)	(629)
Net impairment gain/ (loss) on financial assets		(156)	(7)	305
Loss from continuing operations		(7,160)	(6,169)	(13,645)
Profit for the period from discontinued operations	11	-	379	360
Tax charge for the period	5	-	-	-
Loss for the period after tax		(7,160)	(5,790)	(13,285)
Other comprehensive income		-	-	1
Total comprehensive loss for the period attributable to equity shareholders		(7,160)	(5,790)	(13,284)
Basic and diluted earnings per share attributable to owners of the parent	7			
Continuing operations		(6.43)p	(7.57)p	(14.84)p
Discontinued operations		-	0.47p	0.40p
Total		(6.43)p	(7.10)p	(14.44)p

(a) Prior year figures have been reclassified within the consolidated income statement: the results previously reported are unchanged (see note 16).

(b) The loss in each period is wholly attributable to the owners of the parent.

Unaudited interim results

Condensed consolidated statement of comprehensive income

	6 months to 30/09/22 £'000 (unaudited)	**6 months to 30/09/21 £'000 (unaudited)**	**Year to 31/03/22 £'000 (audited)**
Loss from continuing operations	(7,160)	(6,169)	(13,645)
Profit from discontinued operations	-	379	360
Total loss	(7,160)	(5,790)	(13,285)
Other comprehensive income			
Item that will not be reclassified to profit or loss			
Income from legal case investments	–	1	1
Other comprehensive income from continuing operations	–	1	1
Total other comprehensive income	–	1	1
Total comprehensive expense from continuing operations	(7,160)	(6,168)	(13,644)
Total comprehensive income from discontinued operations	-	379	360
Total comprehensive expense	(7,160)	(5,789)	(13,284)

Unaudited interim results

Condensed consolidated balance sheet

	Notes	30/09/22 £'000 (unaudited)	31/03/22 £'000 (audited)	30/09/21 £'000 (unaudited) (note (a))
Assets				
Cash and cash equivalents		56,728	37,522	24,705
Debt securities		-	-	11,499
Loans and leases receivables	8, 9	112,056	101,054	24,076
Property, plant and equipment		275	120	145
Intangible assets	10	993	980	959
Right-of-use assets		491	189	338
Other assets		842	1,012	894
		171,385	140,877	62,616
Assets in disposal groups classified as held for sale	11	-	-	62,848
Total assets		171,385	140,877	125,464
Liabilities				
Borrowings		236	2,952	3,702
Deposits from customers	12	127,863	94,994	8,739
Lease liabilities		495	130	295
Other liabilities		2,882	4,770	5,936
		131,476	102,846	18,672
Liabilities directly associated with assets in disposal group classified as held for sale	11	-	-	62,598
Total liabilities		131,476	102,846	81,270
Equity				
Share capital	13	2,388	2,136	2,096
Share premium		106,165	97,711	96,534
Capital reserve		3,648	3,648	3,648
Accumulated losses		(72,292)	(65,464)	(58,084)
Total equity		39,909	38,031	44,194
Total equity and liabilities		171,385	140,877	125,464

(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 16).

Unaudited interim results

Condensed consolidated statement of changes in equity

Attributable to owners of the parent company	Accumulated losses £'000	Capital reserve £'000	Share premium £'000	Share capital £'000	Total Equity £'000
At 31 March 2022 (audited)	(65,464)	3,648	97,711	2,136	38,031
Loss for the period - continuing operations	(7,160)	–	–	–	(7,160)
Other comprehensive income					
Income from legal case investments	–	–	–	–	–
Total comprehensive expense	(7,160)	–	–	–	(7,160)
Contributions by and distributions to owners					
Share-based payments	112	–	–	–	112
Transfer of shares from Employee Benefit Trust	220	–	–	–	220
Issue of shares on exercise of Subscription Agreement warrants	–	–	6,337	189	6,526
Issue of shares on acquisition of CAML Preference shares	–	–	2,117	63	2,180
Total contributions by and distributions to owners	332	–	8,454	252	9,038
At 30 September 2022 (unaudited)	(72,292)	3,648	106,165	2,388	39,909

Unaudited interim results

Condensed consolidated statement of changes in equity (continued)

	Accumulated losses £'000	Capital reserve £'000	Share premium £'000	Share capital £'000	Total equity £'000
At 31 March 2021 (audited)	(48,652)	3,648	82,775	1,615	39,386
Loss for the period - continuing operations	(6,169)	–	–	–	(6,169)
Profit for the period - discontinued operations	379	–	–	–	379
Other comprehensive income					
Income from legal case investments	1	–	–	–	1
Total comprehensive expense	(5,789)	–	–	–	(5,789)
Contributions by and distributions to owners					
Share-based payments	144	–	–	–	144
Issue of shares to Employee Benefit Trust	(3,787)	–	3,684	103	–
Issue of shares under Subscription Agreements	–	–	10,075	378	10,453
Total contributions by and distributions to owners	(3,643)	-	13,759	481	10,597
At 30 September 2021 (unaudited)	(58,084)	3,648	96,534	2,096	44,194
Loss for the period –continuing operations	(7,476)	-	-	-	(7,476)
Loss for the period –discontinued operations	(19)	-	-	-	(19)
Total comprehensive expense	(7,495)	-	-	-	(7,4935)
Contributions by and distributions to owners:					
Share-based payments	115	-	-	-	115
Issue of shares under Subscription Agreements	-	-	7	-	7
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	115	-	1,177	40	1,332
At 31 March 2022	(65,464)	3,648	97,711	2,136	38,031

Unaudited interim results

Condensed consolidated statement of cash flows

	6 months to 30/09/22 £'000 (unaudited)	6 months to 30/09/21 £'000 (unaudited) (note (a))	Year to 31/03/22 £'000 (audited)
Cash flows from operating activities			
Loss before taxation	(7,160)	(5,790)	(13,285)
Adjustments for:			
Depreciation and amortisation	373	296	629
Share-based payments	112	144	259
Increase/ (decrease) in allowance for expected credit losses	156	7	(305)
Change in value of business unit held for disposal	-	(379)	(360)
Interest payable on lease liabilities	17	12	19
Changes in operating assets and liabilities:			
Decrease/(increase) in trade and other receivables	170	394	(76)
(Decrease)/increase in trade and other payables	(1,548)	2,781	1,543
Leases and loans advanced	(19,730)	(11,066)	(98,096)
Leases and loans repaid	8,562	4,547	15,343
Change in Deposits received	32,868	8,736	94,992
Change in Debt securities	-	(4,999)	6,500
Cash generated from/ (used in) operations	13,820	(5,317)	7,163
Corporation tax paid	–	–	–
Cash flows from operating activities – discontinued operations	-	1,200	3,289
Net cash generated from/ (used in) operating activities	13,820	(4,117)	10,452
Cash flow from investing activities			
Net cash received on disposal of discontinued operations less cash held in each at the disposal date:			
Milton Homes Limited	–	7,459	5,620
Acorn to Oaks Financial Services Limited	–	(523)	(523)
Costs of disposal of discontinued operations	–	(546)	(565)
Purchase of rights to CAML 8% Preference shares accrued dividends	–	(966)	(966)
Purchase of CAML 8% Preference Shares	–	(34)	(34)
Proceeds from sale of fixed asset	–	1	1
Investment in intangible assets	(137)	(18)	(156)
Purchase of property, plant and equipment	(199)	(34)	(53)
Net cash (used in)/ generated from investing	(336)	5,339	3,324

(a) The presentation of the consolidated cash flow for the six months to 30 September 2021 has been aligned with that used in the Annual Report for the year to 31 March 2022.

Unaudited interim results

Condensed consolidated statement of cash flows (continued)

	6 months to 30/09/22 £'000 (unaudited)	6 months to 30/09/21 £'000 (unaudited) (note(a))	Year to 31/03/22 £'000 (audited)
Cash flow from financing activities			
Gross proceeds from issues of ordinary shares	6,526	11,349	12,560
Costs of share issues	-	(896)	(889)
Repayment of loans	(646)	(1,979)	(2,729)
Payments of lease liabilities and rent deposits	(158)	(254)	(459)
Net cash generated from financing activities	5,722	8,220	8,483
Net increase in cash and cash equivalents	19,206	9,442	22,259
Cash and cash equivalents brought forward	37,522	14,493	14,493
Cash held in discontinued operations at beginning of period	-	770	770
Net cash and cash equivalents	56,728	24,705	37,522

Operating, investing and financing activities are categorised as follows:			
Net cash generated from/ (used in) operating activities			
Continuing operations	13,820	(5,317)	7,163
Discontinued operations	-	1,200	3,289
	13,820	(4,117)	10,452
Net cash (used in)/ generated from investing activities			
Continuing operations	(336)	(1,051)	(1,208)
Discontinued operations	-	6,390	4,532
	(336)	5,339	3,324
Net cash generated from financing activities			
Continuing operations	5,722	8,220	8,483
Discontinued operations	–	–	–
	5,722	8,220	8,483

Interest received and paid are as follows:			
Interest received	3,307	942	5,095
Interest paid	606	136	518

Unaudited interim results

Changes in liabilities arising from financing activities

	Total £'000
At 31 March 2021	62,220
Cash flows	(2,257)
Non-cash flow	
Cancellation of Rollover Loan Notes 2021 on sale of Acorn to Oaks Financial Services Limited	(1,293)
Lease liabilities	139
Interest accrued in period on lease liabilities	12
At 30 September 2021	58,821
Cash flows	(946)
Non-cash flow	
Borrowings included in liabilities directly associated with assets in disposal group held for sale	(54,824)
Lease liabilities	24
Interest accrued in period on lease liabilities	7
At 31 March 2022	3,082
Cash flows	(3,038)
Non-cash flow	
Lease liabilities	669
Interest accrued in period on lease liabilities	18
At 30 September 2022	731

Notes to condensed financial statements

1 Basis of preparation

1.1 These unaudited interim financial results do not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006 and have been neither audited nor reviewed pursuant to guidance issued by the Auditing Practices Board. Statutory accounts for the year ended 31 March 2022 were approved by the Directors on 6 September 2022 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified and did not contain any statement within the meaning of section 498 of the Companies Act 2006.

Presentation of figures for the six months ended 30 September 2021

The presentation and classification of the figures included in the condensed consolidated financial statements for the six months ended 30 September 2021 have been aligned with the presentation and classification of figures in the audited accounts for the year ended 31 March 2022.

The reclassification, which does not impact the results and carrying amounts for the period, affects mainly the primary statements. A reconciliation between the original and reclassified figures for the six months ended 30 September 2022 is set out in note 16.

Going concern

The condensed consolidated financial statements have been prepared on a going concern basis which the Directors consider to be appropriate following their assessment of the Group's financial position and its ability to meet its obligations as and when they fall due. The Directors have reviewed in detail the monthly cash flow forecasts for the period to 31 December 2023 and challenged the assumptions in the forecast, including those relating to the raising of additional capital to support the growth of banking activities. The note on post balance sheet events (note 17 below) summarises the proposals which have been announced separately today: the proposed members' voluntary liquidation of the Holding Company is not anticipated to have a material adverse impact on the operations of Recognise Bank Limited.

1.2 Accounting policies

These condensed consolidated financial statements have been prepared in accordance with IAS 34, "Interim Financial Reporting". The condensed consolidated financial statements do not include all the information required for full annual financial statements and should be read in conjunction with the Group's annual financial statements for the year ended 31 March 2022, which were prepared in accordance with IFRS in conformity with the requirements of the Companies Act 2006. As required by the Disclosure and Transparency Rules of the Financial Conduct Authority, the unaudited interim condensed consolidated financial statements for the six months ended 30 September 2022 have been prepared applying the accounting policies and presentation that were applied in the preparation of the Company's published audited consolidated financial statements for the year ended 31 March 2022.

1.3 Adoption of new standards and interpretations

The adoption of new standards and amendments to standards remains as set out in note 2.2 of the Annual Report 2022. The amendments to accounting standards which are effective for the first time in the current financial period have not had any impact on the financial statements as either they are not relevant to the Group's activities or are consistent with the Group's current accounting policies.

1.4 Consistency

This interim report, including the financial information contained therein is the responsibility of, and was approved by, the Company's Directors on 22 December 2022. The AIM Rules for Companies require that accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing annual accounts except where any changes, and the reason for them, are disclosed.

There have been no changes to the Group's accounting policies in the period to 30 September 2022.

Notes to condensed financial statements

Continued

2 Net interest income

	6 months to 30/09/22 £'000 (unaudited)	6 months to 30/09/21 £'000 (unaudited)	Year to 31/03/22 £'000 (audited)
Cash and cash equivalents	182	–	24
Debt securities	–	1	254
Loans and leases receivables	3,372	845	2,619
Interest income	3,554	846	2,897
Deposits from customers	894	2	545
Wholesale funding	52	166	285
Debt securities amortisation	–	-	258
Interest expense	946	168	1,088
Net interest income	2,608	678	1,809

All revenue arises in the United Kingdom. The revenue attributable to discontinued operations during the year to 31 March 2022 is shown in note 11.

3 Segmental reporting

During the year ended 31 March 2022, the Group divested itself of its non-core activities (see note 11). The Group's main activities are now undertaken through the Company's sole direct subsidiary, Recognise Bank Limited, which has operated as a fully-licensed bank focusing on the UK SME market since September 2021 when it was granted a full licence. In August 2022, the Company transferred ownership of its only other direct subsidiary, Credit Asset Management Limited, which is currently running off its loan and lease portfolio, to Recognise Bank Limited. The Company now acts primarily as the holding company of Recognise Bank Limited.

Recognise Bank manages all the Group's lending activities and, as the processes for underwriting, managing lending activities and assessing risks and rewards as well as the distribution channels are similar for all products, it is appropriate to report these as one class of business. It is considered that the chief operating decision maker, which has been identified as the full Board of the Company, uses only one segment to control resources and assess performance, when it is considering the strategic direction of the Group.

Notes to condensed financial statements

Continued

4 Other operating expenses

	6 months to 30/09/22 £'000 (unaudited)	6 months to 30/09/21 £'000 (unaudited)	Year to 31/03/22 £'000 (audited)
Legal and professional costs	1,068	713	1,624
Irrecoverable VAT	435	210	604
Property costs	238	133	335
IT infrastructure and support costs	798	454	1,074
Outsourced costs	553	292	909
Other miscellaneous costs	520	349	936
	3,612	2,151	5,482

5 Taxation

The provision for the six month period to 30 September 2022 of nil is based on the best estimate of the effective rate for the full year, as the charge for taxation is for a period of less than one year.

6 Dividends

The Directors have not declared an interim dividend for the year ending 31 March 2023 (Interim 2022: nil). The Directors did not recommend payment of a final dividend for the year ended 31 March 2022.

7 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 period less those held in treasury and in the Employee Benefit Trust.

	30/09/22 (unaudited)	30/09/21 (unaudited)	31/03/22 (audited)
(Loss)/ profit attributable to equity holders (£'000)			
Continuing operations	(7,160)	(6,169)	(13,645)
Discontinued operations	-	379	360
	(7,160)	(5,790)	(13,285)
Weighted average number of ordinary shares of 2p in issue ('000)	111,291	81,534	91,945
Basic and diluted earnings per ordinary share of 2p			
Continuing operations	(6.43)p	(7.57)p	(14.84)p
Discontinued operations	-	0.47p	0.40p
	(6.43)p	(7.10)p	(14.44)p

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

Notes to condensed financial statements

Continued

8 Financial risk management

Note 5.2 of the annual financial statements to 31 March 2022 includes the Company's objectives, policies and processes for financial risk management, and provides information on capital management as well as its exposure to credit risk, liquidity risk, interest rate risk, and price risk.

The 2022 Annual Report identified the main risk factor relating to the cash flow forecast in the Strategic Report at that time.

A summary of financial instruments to which the impairment requirements in IFRS 9 are applied are listed in the tables below, with the exception of those financial instruments held within Milton Homes at 30 September 2021, prior to completion of its disposal on 10 March 2022 (see note 11).

Financial Instruments	30/09/22 £'000 (unaudited)	31/03/22 £'000 (audited)	30/09/21 £'000 (unaudited)
Financial assets			
Measured at amortised cost			
Cash and cash equivalents	56,728	37,522	24,705
Loans and advances to customers	112,056	101,054	24,076
Other debtors	250	341	264
Measured at fair value through other comprehensive income			
Debt securities	–	–	11,499
	169,034	138,917	60,544
Financial Liabilities			
Measured at amortised cost			
Borrowings	236	2,952	3,702
Deposits from customers of Recognise Bank	127,863	94,994	8,739
Lease liabilities	495	130	295
Other liabilities	2,534	4,118	5,506
	131,128	102,194	18,242

Credit risk

The Credit Risk exposures, which are all Stage 1, unless otherwise stated, are set out in the table below:

	30/09/22 £'000 (unaudited)	31/03/22 £'000 (audited)	30/09/21 £'000 (unaudited)
On-balance sheet			
Cash and balances at central banks	56,728	37,522	24,705
Debt securities	–	–	11,499
Gross loans and leases receivable (net of ECLs)			
Stage 1	112,056	101,054	23,507
Stage 2	–	–	313
Stage 3	–	–	256
Other assets	250	1,012	423
Off-balance sheet			
Loan commitments and other credit related liabilities	8,194	19,700	44,326
As at 31 March	177,228	159,288	105,029

8 Financial risk management (continued)

Price risk

Due to the nature of these instruments and their short maturity profiles, management is of the opinion that the carrying amounts of debt securities, cash and cash equivalents and short-term borrowings in the financial statements are reasonable estimates of their fair value. The fair value of advances which are short term or repayable on demand is 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 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'.

On their reclassification as disposal groups as at 31 March 2021, both Milton Homes and Acorn to Oaks were included in the accounts for the year ended 31 March 2021 at the estimated net realisable value of each business, with the valuation of each being categorised as a level 3 valuation.

The following table shows the movement over the year to 31 March 2022 on Level 1, Level 2 and Level 3 assets that were measured at fair value. There were no transfers of assets between categories during the period. An asset is transferred when, due to changes in circumstances, it falls into another category within the fair value hierarchy.

No Level 1 or Level 2 assets were held at 30 September 2022.

	Level 1 assets £'000	Level 2 assets £'000	Level 3 assets £'000
Balance at 1 April 2021	6,500	–	9,564
Debt securities – increase	4,999	–	–
Acorn to Oaks disposal group – disposal	–	–	(1,114)
Milton Homes Deep Discount Bonds – repayment	–	–	(9,046)
Milton Homes – movement in net realisable value	–	–	846
Balance at 30 September 2021	11,499	–	250
Debt securities – decrease	(11,499)	–	–
Milton Homes – on completion	–	–	(250)
Balance at 31 March 2022	–	–	–

Notes to condensed financial statements

Continued

9 Loans and leases receivables

The provisions for impairment of the Group's current lease and loan portfolio as at 30 September 2022 were assessed on the same basis as set out in note 3(b) of the 2022 Annual Report.

For the Recognise Bank credit portfolio, the IFRS 9 model developed with a third party managed service provider was used, and the internally-developed IFRS 9 model was used for the CAML/PFL lease and loan portfolio, which is in the latter part of its run-off phase.

The gross carrying amount of the Group's lease and loan portfolios, including arrears, increased by £10,979,000 from £102,317,000 to £113,296,000 over the six-month period. While the loan portfolio of Recognise Bank increased by £12,225,000 to £111,320,000 at 30 September 2022, there was a reduction of £1,246,000 in the CAML/PFL lease and loan portfolio to £1,976,000, including arrears, as the run-off of that portfolio, which began in March 2020, continued.

Notes to condensed financial statements

Continued

9 Loans and leases receivables (continued)

The table below shows an analysis of the movement in the gross loans and leases under IFRS 9:

	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	11,180	–	–	11,180
Repayments	(4,667)	(204)	(103)	(5,074)
Write-offs	–	–	(403)	(303)
Transfer to Stage 1	18	(18)	–	–
Transfer to Stage 2	–	–	–	–
Transfer to Stage 3	(72)	–	72	–
Gross loans and leases at 30 September 2021	23,961	384	1,841	26,186
Originations	86,916	–	–	86,916
Repayments	(9,586)	(204)	–	(9,790)
Write-offs	–	–	(895)	(995)
Transfer to Stage 1	178	(178)	–	–
Transfer to Stage 2	–	–	–	–
Transfer to Stage 3	(5)	–	5	–
Gross loans and leases at 31 March 2022	101,364	2	951	102,317
Originations	19,730	–	–	19,730
Repayments	(8,384)	–	(303)	(8,687)
Write-offs	–	–	(64)	(64)
Transfer to Stage 1	–	–	–	–
Transfer to Stage 2	–	–	–	–
Transfer to Stage 3	(62)	(2)	64	–
Gross loans and leases at 30 September 2022	112,648	-	648	113,296

Allowances for ECLs at 1 April 2021	375	53	1,959	2,387
Total movement in loss allowance during the period	79	18	(374)	(277)
Allowances for ECLs at 30 September 2021	454	71	1,585	2,110
Total movement in loss allowance during the period	(144)	(69)	(634)	(847)
Allowances for ECLs at 31 March 2022	310	2	951	1,263
Total movement in loss allowance during the period	282	(2)	(303)	(23)
Allowances for ECLs at 30 September 2022	592	–	648	1,240

Net loans and leases at 30 September 2022	112,056	–	–	112,056
Net loans and leases at 31 March 2022	101,054	–	–	101,054
Net loans and leases at 30 September 2021	23,507	313	256	24,076

Notes to condensed financial statements

Continued

9 Loans and leases receivables (continued)

Impairment

The table below shows an analysis of movements in the provision for impairments under IFRS 9:

	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
As at 1 April 2021	375	53	1,959	2,387
Movement in provision for impairment				
Transfer to Stage 2	–	–	–	–
Transfer to Stage 3	(1)	–	1	–
Specific provisions	–	–	34	34
New financial assets originated	7	–	–	7
Other movements	73	18	(106)	(15)
Write-offs	–	–	(303)	(303)
Total movement in loss allowance	79	18	(374)	(277)
As at 30 September 2021	454	71	1,585	2,110
Movement in provision for impairment				
Transfer to Stage 2	3	(3)	–	–
Transfer to Stage 3	1	–	(1)	–
Specific provisions	–	–	4	4
New financial assets originated	142	–	–	142
Other movements	(290)	(66)	71	(285)
Write-offs	–	–	(708)	(708)
Total movement in loss allowance	(144)	(69)	(634)	(847)
As at 31 March 2022	310	2	951	1,263
Movement in provision for impairment				
Transfer to Stage 2	–	–	–	–
Transfer to Stage 3	–	(2)	2	–
Specific provisions	–	–	(297)	(297)
New financial assets originated	156	–	–	156
Other movements	126	–	(6)	120
Write-offs	–	–	(2)	(2)
Total movement in loss allowance	282	(2)	(303)	(23)
As at 30 September 2022	592	–	648	1,240

The provision for impairment of loans and finance leases as at 30 September 2022 has been assessed on the same basis as set out in note 3(b) of the 2022 Annual Report.

Notes to condensed financial statements

Continued

9 Loans and leases receivables (continued)

The overall reduction of £23,000 in the loss allowance over the period to 30 September 2022 reflects the changes in the Group's lease and loan portfolios. The reduction in Stage 3 provisions over the year relates solely to the CAML/PFL portfolio. The increase in the Recognise Bank loan portfolio has resulted in an additional Stage 1 impairment charge of £156,000.

The provisions for impairment on loans and finance leases classified as Stage 3, which are assessed individually by management, include provisions made for arrears on these agreements.

10 Intangible Assets

Software licence & development	**£'000**
Cost	
At 31 March 2021	1,081
Additions	18
At 30 September 2021	1,099
Additions	138
At 31 March 2022	1,237
Additions	137
At 30 September 2022	1,374
Accumulated amortisation and impairment	
At 31 March 2021	53
Charge	87
At 30 September 2021	140
Charge	117
At 31 March 2022	257
Charge	124
At 30 September 2022	381
Carrying amount	
At 30 September 2022 (unaudited)	993
At 31 March 2022 (audited)	980
At 30 September 2021 (unaudited)	959

Notes to condensed financial statements

Continued

11 Discontinued operations

Following reclassification of the Group's non-core activities as disposal groups as at 31 March 2021, the assets and related liabilities of the two non-core businesses, Acorn to Oaks Financial Services Limited and Milton Homes Limited, were remeasured at their fair value at that date. These fair values, assessed as the estimated realisable value net of disposal costs, were carried as current assets and current liabilities within the financial statements for the year ended 31 March 2021.

The first non-core business, Acorn to Oaks Financial Services Limited, was sold on 1 April 2021 at its estimated net realisable value, net of disposal costs.

The sale of the second, Milton Homes Limited, was agreed on 3 September 2021, subject to regulatory approval for the change in control. The FCA approved the change in control on 25 February 2022 and the sale was completed on 10 March 2022.

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 to an entity connected with the purchaser. The conditional sale agreements provided for a further £250,000 to be received from the purchaser on completion, when ownership of the equity would be transferred.

As at 30 September 2021, the fair value of Milton Homes was thus £250,000, which comprised assets of £62,848,000 and associated liabilities of £62,598,000.

A reassessment of the charge recognised in the prior year following remeasurement of the carrying amounts of the Milton Homes assets transferred to disposal groups was made as at 30 September 2021. This led to a credit of £339,000 being included in the results from discontinued operations in that six- month period. The credit for the full year was £320,000. The balance of the profit in both periods relates to intra-group costs recharged to 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 for the year ended 31 March 2022, which relate only to Milton Homes, are shown below.

	6 months to 30/09/21 £'000 (unaudited)	**Year to 31/03/22 £'000 (audited)**
Revenue	4,527	6,935
Cost of sales	–	-
Gross profit	4,527	6,935
Administrative expenses	(535)	(956)
Profit from operations	3,992	5,979
Finance expense	(2,281)	(3,852)
Profit before tax	1,711	2,127
Tax expense	(122)	(309)
	1,589	1,818
Profit retained in disposal group for benefit of purchaser	(1,589)	(1,818)
Surplus on remeasurement of assets in disposal groups	379	360
Profit from discontinued operations	379	360

Notes to condensed financial statements

Continued

12 Deposits from customers

	30/09/22 £'000 (unaudited)	31/03/22 £'000 (audited)	30/09/21 £'000 (unaudited)
Easy access accounts	38,791	–	–
Notice accounts	30,755	37,380	1,851
Term deposits	58,317	57,614	6,888
	127,863	94,994	8,739

13 Movements in equity

Allotted, called up and fully paid	30/09/22 (unaudited) Number	31/03/22 (audited) Number	30/09/22 (unaudited) £'000	31/03/22 (audited) £'000
Ordinary shares of £0.02	119,430,638	106,813,313	2,388	2,136
			2,388	2,136

The Company did not hold any ordinary shares in treasury at 30 September 2022 (2022: nil). 4,813,819 ordinary shares of £0.02 were held by the Employee Benefit Trust ("EBT") at 30 September 2022 (2022: 5,174,643). During the period, 360,824 shares were transferred from the EBT to a former employee (2022: nil). The fair value of shares held by the EBT at 30 September 2022 amounted to £1,925,528 (2022: £3,156,000). The issue price of the shares held by the EBT is deducted from equity.

On 16 May 2022, the Company issued 9,458,333 new ordinary shares for £6.6m in cash when the two holders of the Subscription Agreements warrants, Parasol V27 Limited and Max Barney Investments Limited, exercised their warrants at 69p per share. The premium of £6,337,083 was credited to Share premium. The net proceeds of £6.45m were invested in Recognise Bank to support its continuing growth and investment in technology.

On 16 May 2022, the Company issued 3,158,992 new ordinary shares at 69p as consideration for the acquisition of £2,069,914 8% Redeemable Preference Shares in Credit Asset Management Limited ("Preference Shares") (see note 15). The premium of £2,116,525 was credited to Share premium.

Ordinary shares of 2p each in issue	Number	£'000
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
As at 30 September 2021	104,796,580	2,096
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
Issued for cash on 16 May 2022 on exercise of warrants	9,458,333	189
Issued as consideration for CAML Preference shares on 16 May 2022	3,158,992	63
As at 30 September 2022	119,430,638	2,388

Notes to condensed financial statements

Continued

13 Movements in equity (continued)

Share warrants in issue	Number	£'000
As at 30 September 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	–
Subscription Agreements warrants exercised on 16 May 2022	(9,458,333)	–
As at 30 September 2022	1,007,835	–

The holders of the warrants in issue at 30 September 2022 are entitled to subscribe for new ordinary shares of the Company at 69p each up to 21 October 2024.

14 Commitments

As at 30 September 2022, Recognise Bank Limited was contractually committed to make future loan advances of £8,194,000 (2022: £19,700,000) to customers.

The Company is contractually committed to issue up to 1,007,835 new ordinary shares should holders of the 1,007,835 Open Offer warrants referred to in note 13 exercise their right to subscribe for shares at 69p in cash per share on or before 21 October 2024, the third anniversary of the date of issue.

Under the terms of a Settlement Agreement dated 24 May 2022 with a former employee of Recognise Bank Limited, the Company is contractually committed to issue an option for him to acquire shares worth £350,000 at the date of issue of the option, which is exercisable in whole or in part on payment of £1 within a three year period from its date of issue.

15 Related party transactions

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 new ordinary shares of 2p each which were issued at 69p each. The net proceeds of £6.45m were invested in Recognise Bank to support its continuing growth and investment in technology.

8% Redeemable Preference Shares in Credit Asset Management Limited

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 which were issued at 69p each.

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.

Notes to condensed financial statements

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16 Reclassification of figures for the six months ended 30 September 2021

The tables below provide a reconciliation between the consolidated income statement and consolidated balance sheet as originally presented in the condensed consolidated financial statements for the six months ended 30 September 2021 and the prior year figures for the same six month period in the condensed consolidated financial statements for the current period, following reclassifications occasioned by a change in the presentation of the financial statements for the year ended 31 March 2022. The change in the presentation and classification of the financial statements was made to reflect the change in the Group's business activities.

Consolidated income statement

The revised presentation of the consolidated income statement did not result in any changes in the results for the six months ended 30 September 2021. The representation of the prior period consolidated income statement is as follows:

		Re-presented figures – six months to 30/09/21							
Consolidated income statement	**2021 Interim 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	894	860	34	–	–	–	–	–	–
Cost of sales	(14)	(14)	–	–	–	–	–	–	–
Administrative expenses	(6,896)	–	–	(4,442)	(2,151)	–	(296)	(7)	–
Other income	27	–	27	–	–	–	–	–	–
Finance expense	(180)	(168)	–	–	–	(12)	–	–	–
Profit from discontinued operations	379	–	–	–	–	–	–	–	379
Loss for the period	(5,790)	678	61	(4,442)	(2,151)	(12)	(296)	(7)	379

Consolidated balance sheet

The revised presentation of the consolidated balance sheet as at 30 September 2021 has not changed either the description or amounts of the following items within the consolidated balance sheet:

	£'000
Intangible assets	959
Property, plant and equipment	145
Right-of-use assets	338
Debt securities	11,499
Cash and cash equivalents	24,705
Assets in disposal groups classified as held for sale	62,848
Liabilities directly associated with assets in disposal groups classified as held for sale	(62,598)

Notes to condensed financial statements

Continued

16 Reclassification of figures for the six months ended 30 September 2021 (continued)

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

		Re-presented figures - 30/09/21					
Extracts from Consolidated balance sheet	**2021 Interim 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	`16,651	`16,651	-	-	-	-	-
Finance leases	568	568	-	-	-	-	-
Current assets							
Loans	4,951	4,951	-	-	-	-	-
Finance leases	373	373	-	-	-	-	-
Trade and other receivables	2,677	1,783	894	-	-	-	-
Total assets (A)	25,220	24,326	894	-	-	-	-
Current liabilities							
Borrowings	(3,228)	-	-	(3,228)	-	-	-
Other creditors	(8,037)	(250)	-	-	(1,851)	-	(5,936)
Lease liabilities	(241)	-	-	-	-	(241)	-
Non-current liabilities							
Borrowings	(474)	-	-	(474)	-	-	-
Other creditors	(6,888)	-	-	-	(6,888)	-	-
Lease liabilities	(54)	-	-	-	-	(54)	-
Total liabilities (B)	(18,922)	(250)	-	(3,702)	(8,739)	(295)	(5,936)
As reclassified (A-B)	6,298	24,076	894	(3,702)	(8,739)	(295)	(5,936)

17 Post balance sheet events

As announced separately today, the Company is issuing a Circular to Shareholders, which includes definitions of the defined terms used below. The Directors have concluded that it is in the best interests of the Company and its Shareholders as a whole to:

(i) cancel the admission of the ordinary shares to trading on AIM; and

(ii) place the Company into voluntary liquidation, pursuant to which it is expected that the Joint Liquidators will conduct a distribution *in specie* of all the Company's shares in the capital of Recognise Bank Limited to Shareholders on the Distribution Date, in proportion which is as close as practicable to such Shareholders' *pro rata* interests in the capital of the Company at the Record Date.

A general meeting of the Company is to be held on 25 January 2023 at which Shareholders will be asked to approve the Proposals.

The Circular sets out the rationale for cancelling the admission of the ordinary shares to trading on AIM and placing the Company into a members' voluntary liquidation ('MVL'). The Circular also includes details on an agreement under which £25m in aggregate will be subscribed by Parasol V27 Limited for new shares in Recognise Bank Limited (the 'Equity Subscription'). The conditions in the Equity Subscription to be satisfied include implementation of the Proposals, including completion of the distribution *in specie*.

Notes to condensed financial statements

Continued

17 Post balance sheet events (continued)

While the Company has historically acted as a holding company for a number of operating subsidiaries, Recognise Bank Limited is now its only operating subsidiary. The Directors have concluded it is no longer beneficial for the Company to continue in existence and that it would be preferable for Recognise Bank Limited to have a simpler corporate structure without the Company remaining as a holding entity whose shares are admitted to trading on AIM.

The Company is solvent and the MVL is part of a solvent re-organisation of the group structure, which is intended to streamline the holding structure, with the Company's Shareholders becoming direct shareholders in Recognise Bank Limited. The Company does not anticipate that the MVL will have a material adverse impact on the operations of Recognise Bank Limited.

By order of the Board

Philip Jenks
Chair
22 December 2022