Oxbury

# Oxbury Bank Plc

# Annual Report & Accounts

## YEAR ENDED 31ST DECEMBER 2020

Registration Number: 11383418

# Corporate Information

## Company Directors

**R Huw Morgan**
Chair and Independent Non-Executive Director

**James C D Farrar**
Chief Executive Officer

**Nicholas R Evans**
Managing Director

**K Mark Aitchison**
Investor Non-Executive Director

**Timothy Fitzpatrick**
Senior Independent Non-Executive Director

**David A Hutchinson**
Investor Non-Executive Director

**Simon Featherstone**
Independent Non-Executive Director

**C Richard Percy** (appointed 1st April 2020)
Independent Non-Executive Director

**Company Secretary:**
David Hanson

**Registered Office:**
The Steam Mill
Steam Mill Street
Chester CH3 5AN

**Auditors:**
BDO
55 Baker Street
London W1U 7EU





# Contents

# Strategic Report

The directors present their strategic report for Oxbury Bank Plc (Oxbury) for the year ended 31st December 2020.

## Chairman's Statement

We continue to live in challenging times, but times that bring opportunities in addition to well trailed risks. For Oxbury we stand on the brink of a great opportunity to provide a much-needed alternative source of finance to support the UK agricultural industry, the importance of which has been amply reinforced through the COVID-19 pandemic.

I, and the whole Board, have been hugely impressed by the culture and cohesion of effort by everyone in the business which has enabled us to be in a position to launch to the market on 29th January 2021.

In April I was delighted to welcome Richard Percy to the Board. As a former Chair of NFU Mutual and a farmer himself Richard brings significant experience of both financial services and the agricultural community we aim to serve. The appointment also means that half of the Board are independent non-executive directors and three quarters of the Board are non-executive directors.

Through our successful Series C capital raise completed in December 2020 we have been pleased to receive the confidence of existing shareholders to invest further whilst also welcoming new shareholders to widen our shareholder base. We are also pleased that all our investors continue to have links into the agricultural market we seek to serve.

The Board remains conscious of Oxbury's obligations regarding climate risk and continues to both support the Bank being carbon neutral but also to develop funding solutions and savings products which enable our customers to meet their own objectives towards meeting the challenges of climate change.

As we look forward to 2021, we will continue to face significant headwinds as the ongoing economic impacts of COVID continue to unfold and we come to terms with our new trading relationship with the EU. Oxbury will benefit, relatively, in facing into these headwinds from not having an existing lending portfolio to manage. The headwinds will also drive continued changes in the structure of the UK agricultural sector which Oxbury is well placed to support.

**Huw Morgan**
*Chair of the Board of Directors*
3 June 2021

## Chief Executive's Statement

This has been a year of significant achievement for Oxbury enabling us to move out of mobilisation and fully launch the Bank. We are the UK's only independent specialist Bank dedicated to lending to farmers and the rural economy. For all savers they can rest assured that every pound saved with us is only used to support the UK rural economy.

Of course, all of this could not have been achieved without the dedication, professionalism, and enthusiasm of everyone in Oxbury, and I am grateful to them all. I am especially proud that we have achieved this against the backdrop of COVID-19 with many colleagues working from home for extended periods. I continue to be encouraged by the quality of staff we have been able to attract to the business through the year as we readied for launch on 29th January 2021.

An important part of preparing the bank for launch has been a significant outreach programme with prospective customers and business introducer partners. Their support, and feedback, has been critical in our journey and I look forward to translating these into long term mutually beneficial relationships.

The engagement we have had continues to reinforce that the UK agricultural sector wants the attention and service that only a specialist bank can deliver.

At a time of great change for the sector as we enter new trade arrangements with the EU and the coming adjustments on the basis of subsidy support for the sector this focus and dedication is very timely. We also look forward to serving the rural and wider deposit market with innovative and competitively priced products. Oxbury continues to be the only UK bank that is carbon neutral from formation offsetting both its own and its employees personal carbon footprint.

The cloud-native bank platform leverages automation to drive a sustainable competitive cost advantage and higher service levels that will support our future growth whilst also being transferable to other geographies or sectors when the time is right. Our infrastructure has been built to fuel data value creation and support our customers in their ambitions. We have also developed our own IOS app for savings as part of our focus on customers and service. Oxbury has a full stack banking infrastructure to build its business on.

I would also like to thank the shareholders for their continued support, insight and belief in Oxbury who, almost without exception, are also very much part of agriculture in the UK.

We move into 2021 confident in our ability to make a positive contribution to the market supporting UK agriculture and the wider rural community.

**James Farrar**
*Chief Executive Officer*
3 June 2021

/// The engagement we have had continues to reinforce that the UK agricultural sector wants the attention and service that only a specialist bank can deliver."

# Risk Management

## Principal Activities and review of the year

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

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

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

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

In the year, the Company increased the annual loss to £4.0m (2019: £2.3m) representing continued investment to support the Bank's ability to exit mobilisation and commence trading. The carrying value of the technology solution, an intangible asset, increased to £3.1m (2019: £1.3m). Having concluded successful capital raises in January, November and December 2020 the business had cash assets of £19.2m (2019: £0.8m) at the year end.

## Board, Executive and Company Values

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

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

- **Integrity** – we aim to be transparent in everything we do and have open, honest, and respectful engagement with all our stakeholders.
- **Customer Focused** – we will design products and services that are focused on meeting customer needs.
- **Risk** – we will continue to create a culture where everyone in the business takes responsibility for managing risk.
- **Competitive** – we aim to be competitive in the markets in which we will operate providing genuine choice for customers.

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

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

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

## Risk Management Framework

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

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

### Conduct, Legal and Compliance Risk

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

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

### Credit Risk

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

### Environmental and Climate Risk

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

### Financial Risk

The risk that the Bank does not have sufficient financial resources to meet its commitments when they fall due, or can secure them only at excessive cost, or that the Bank does not have sufficiently stable and diverse sources of funding, or that the funding structure is insufficient caused by the adverse movements in external markets and or ineffective internal controls.

The Bank also faces financial risk to revenue compared to budget and medium-term plans arising through sub-optimal implementation of the Bank's strategy as approved by the Board.

### Operational Risk

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

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

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

## Risk Appetite Statement

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

## Risk Operating Model

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

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

### First Line

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

### Second Line

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

### Third Line

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

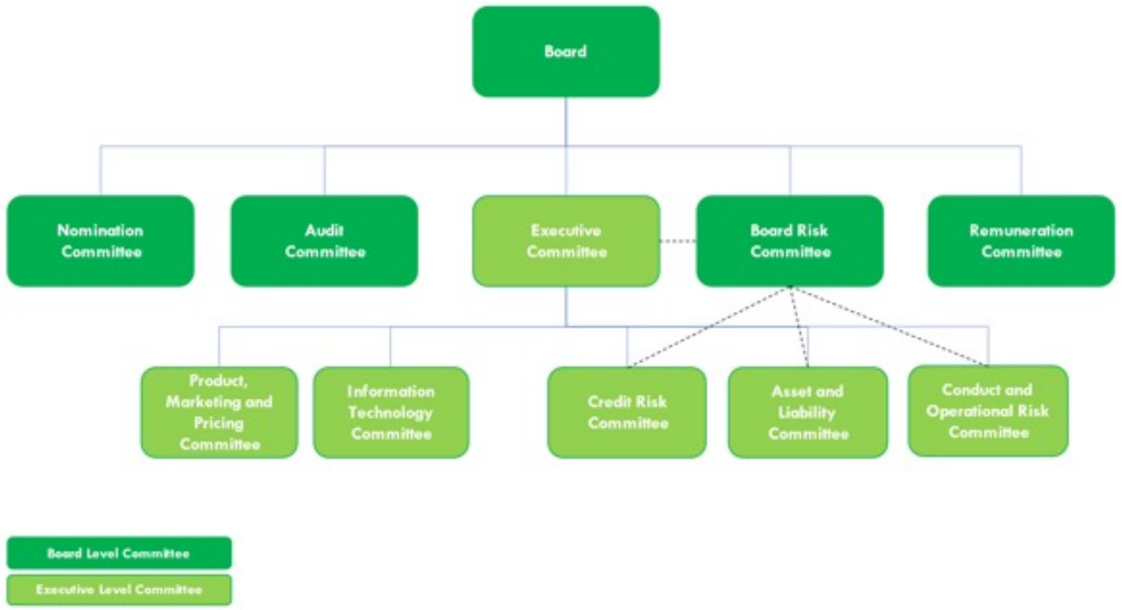
## Principal Risks and Uncertainties

| Description | Mitigation | Risk Category |
|---|---|---|
| **Capital** – the risk that Oxbury is unable to raise additional capital to support ongoing growth of the business to profitability. | Continued development of the customer proposition by experienced management team to demonstrate path to profitability. | Financial |
| **Agriculture Industry transformation** – risk that transformation driven by EU exit and change in subsidy regime increases failure rates and bad debt. | Design of products to support farmers to make the transition successfully and underwriting processes designed to provide individual assessment. | Financial Credit |
| **Financial Crime** – the risk that as Oxbury becomes operational criminals look to use Oxbury to facilitate financial crime. | Oxbury has put in place a suite of tools at both onboarding and transaction monitoring stages to protect its customers from suffering the effects of financial crime. | Operational Conduct |
| **Liquidity** – the risk that Oxbury is unable to attract or retain sufficient deposit funds to support itself to meet its obligations. | To meet our liquidity requirements, we maintain a buffer of unencumbered High Quality Liquid Assets ('HQLA'). Our deposit products are designed to support the Bank's funding requirements and our treasury management processes monitor the position daily. | Financial |
| **UK Economy** – the impacts of COVID-19 and the UK's new trading environment result in negative or sustained low interest rates. | Oxbury has designed products to be competitive and sustainable whilst managing its cost base tightly. | Financial |
| **Change Management** – the risk that Oxbury is unable to maintain service to customers resulting from a failure to manage change. | Oxbury has in place robust change management protocols to manage changes to its systems or processes. | Operational |

# Corporate Governance

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

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




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

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

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

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

The Board also provides oversight of the Executive Committee.

## Meeting Attendance

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

| | Board | Audit Committee | Risk Committee* | Nomination Committee | Remuneration Committee |
|---|---|---|---|---|---|
| **Huw Morgan** | 11/12 | 6/6 | 13/13 | 1/1 | 2/2 |
| **Tim Fitzpatrick** | 12/12 | 6/6 | 12/13 | 1/1 | 2/2 |
| **Simon Featherstone** | 10/12 | 6/6 | 13/13 | 1/1 | 2/2 |
| **Richard Percy**** | 9/9 | 2/2 | 9/9 | - | - |
| **David Hutchinson** | 9/12 | - | - | - | - |
| **Mark Aitchison** | 10/12 | - | - | - | - |
| **James Farrar** | 12/12 | - | - | - | - |
| **Nicholas Evans** | 12/12 | - | - | - | - |

*Includes meetings solely for approval of credits. **Joined the Board on 1st April 2020

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

# Audit Committee Report

## Internal Audit

The Board's Audit Committee met 6 times in 2020. The committee chair is Tim Fitzpatrick, an independent non-executive. The committee consists of a minimum of 3 members, all independent non-executive directors of the Bank. Details of committee membership and attendance is shown on page 11. The Audit Committee meetings are also regularly attended by the Chief Executive Officer, Managing Director, Head of Programme Management, Chief Risk Officer and Chief Financial Officer.

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

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

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

The Audit Committee approves the annual audit plan, including the proposed audit scope as the Bank develops, the methods of approach to be used and allocation of resources. A key focus of the internal audit plan for 2020 was activities in support of mobilisation assurance.

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

During the period the Committee received progress reports on the execution of the FY2020 Internal Audit Plan, notably in support of activities in relation to the mobilisation of the Bank and how the plan would be completed due to access restrictions resulting from COVID-19. This was largely addressed by the increased use of technology and reviews being completed remotely.

This has been a year of consolidation for the committee's operation as we have completed mobilisation and building the Bank and moved to live operation.

Review findings, any control enhancements and recommendations made by the Internal Audit function were discussed with and addressed by the executive. The Committee also considered the remit of Internal Audit, its budget and resources and the nature and extent of any outsourcing to specialist providers.

The committee is pleased to continue the outsource arrangement with PricewaterhouseCoopers for the provision of our Internal Audit function which is due to continue through to June 2022.

## External Audit

BDO were reappointed as the Company's external auditor at the 2020 Annual General Meeting. They have been the Company's external auditor since inception in 2018. The engagement has been consistently led since BDO's first appointment on 6 July 2018.

The Committee places great importance on the quality, effectiveness and independence of the external audit process. The Committee approved and has monitored BDO's execution of the external audit plan. It also discussed all significant matters identified in BDO's 2020 final Audit report including the key accounting judgements taken by management and management's responses to any audit findings.

An important responsibility of the Committee is to review and agree the most significant management accounting estimates and judgements which impact the financial statements. After receiving reports on the significant estimates and areas of judgement and after discussion with BDO, the Committee agreed that the judgements made were appropriate and correctly reflected and presented in the Annual Report. The Company's Accounting Policies and significant judgements can be found in the notes to the financial statements on page 30 onwards.

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

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

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

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

**Tim Fitzpatrick**
*Chair of the Audit Committee*

## Risk Committee Report

The Board's Risk Committee met 13 times in 2020. The committee chair is Simon Featherstone, an independent non-executive. The committee consists of a minimum of 3 members, all independent non-executive directors of the Bank. Details of committee membership and attendance is shown on page 11. The Risk Committee meetings are also regularly attended by the Chief Executive Officer, Managing Director, and Chief Risk Officer.

The committee has through the year supported the Board by providing more in-depth oversight of the management of existing and emerging risks faced by Oxbury as set out in the Risk Management Section on pages 6 to 8 above. This has been delivered through structured reviews of the following areas:

- The Risk Management Framework;
- The Risk Appetite Statement;
- Policy approvals within authority delegated by the Board including those related to financial crime, credit risk, stress testing, financial risk, cybercrime, business continuity and data protection;
- Detailed review of the Risk Register recommending amendments to the Board reflecting the changing internal and external risk environment;
- Specific discussion of the impacts of the forthcoming transition in the agricultural sector, the potential trading relationship with the EU, cyber security, and COVID-19 among others on the risk profile of the business;
- Pre-launch credit applications within the delegated authority of the committee or requiring approval of the Board;
- Agreement of the Annual Risk and Compliance Plan with a focus in 2020 on preparation for the exit from mobilisation.

Review findings and recommendations made by the Risk and Compliance function were discussed as well as the timeliness that control enhancements were addressed by the executive.

Consistent with the Audit Committee, members spent time with management and the wider business to review the functionality being delivered to support the launch of the Bank with a specific focus on how these addressed known and expected risks.

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

As we move into next year the focus of the committee will continue to be on the existing and emerging risks of the business combined with a focus on performance of the business against the risk appetite set by the Board following launch.

**Simon Featherstone**
*Chair of the Board Risk Committee*

# Economic Outlook

Without doubt 2020 has been a challenging year with significant economic disruption resulting from the COVID-19 pandemic affecting the UK economy. The agricultural sector into which Oxbury will lend has been more resilient than most sectors although not wholly immune from these impacts.

As we move into 2021 the economic impacts are likely to be more keenly felt with rising unemployment combined with low wage growth constraining consumer confidence. Traditionally this has resulted in increased grocery spend and reduced hospitality spend. For the agricultural sector in the UK this has been evident in 2020 and the food supply chain has adapted to accommodate this change which is expected to continue into the first part 2021 with the roll out of the vaccine supporting a gradual loosening of lockdown restrictions expected to support a release of pent up demand for hospitality spend later in 2021.

The end of the transition period following the UK's exit from the EU was a major milestone for the UK and together with the Agriculture Act 2020 signalled a major change in the approach to subsidy support for UK farming with a move towards an environmental benefit approach. Whilst this transition will take place over several years and the aggregate level of subsidy available to UK farmers is guaranteed for the life of the current Parliament the new trading conditions with the EU provide some relative stability and opportunity for the sector.

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

# Section 172 Statement

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

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

The Board addressed these responsibilities throughout the year as follows:

## Investors

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

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

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

## Employees

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

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

## Suppliers

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

## Customers

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

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

## Regulators

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

## Environment

The Directors are aware of the impact of the business on the wider environment and has considered this in developing a long-term sustainable business model. This impact has been considered in the development of products which the Board has overseen. In addition, the Bank seeks to minimise through its operational practices its carbon footprint and has offset the remaining calculated carbon impact of the business and its employees since its incorporation. Oxbury is a fully carbon offset bank since formation.

> /// The Bank seeks to minimise through its operational practices its carbon footprint and has offset the remaining calculated carbon impact of the business and its employees since its incorporation."

Oxbury /// Forest Saver


Oxbury///

# Directors' Report

The Directors present their annual report on the affairs of the Company, together with the financial statements and auditor's report, for the year ended 31st December 2020.

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

The Directors confirm that they are satisfied that Oxbury has adequate resources to trade for the foreseeable future, without requirement to liquidate or cease trading, and there is no material uncertainty over the Company's operation. The Company has therefore adopted a going concern basis for accounting. In reaching this assessment, consideration has been given to the quantum of available resources, and the impact of scenarios which would impact the business operations.

The financial statements for Oxbury have been prepared on a going concern basis.

In the assessment of this approach, the Directors have considered the financial position of the business, together with the expectation of the impact of future trading and have a reasonable expectation that the company will be able to continue to operate and meet its obligations as they fall due for a period of at least 12 months from the date of the financial statements. In this context, consideration has been given to a range of factors including the Individual Capital Guidance as set by the Prudential Regulatory Authority as part of the authorisation process which Oxbury successfully passed through, subsequent amendments to that guidance in relation to the interrelation of the minimum capital requirements of Oxbury, the PRA's guidance on capital buffers, together with ongoing company capital raising activity and capital usage within this first period of trading.

The Directors are however cognisant of a market-wide Regulatory consultation in relation to the treatment of intangible software assets, and the potential impact it could have on the existing available capital within the company. Although the final outcome of the consultation is awaited, the Directors have considered the potential impact on the Company's capital position from a range of perspectives and mitigating actions, including previous and ongoing capital raising activity, and consider the company will be able to fully meet its obligations in this period, including meeting the minimum capital requirement.

Raising additional capital is consistent with the anticipated requirements of the business model at this stage of the company's development. Consideration has been taken of the quantum of the potential requirement, the execution of previous capital raises and the related support from investors, in addition to the business model expectation of subsequent capital raises prior to the reference point of 12 months.

In conclusion, the Directors believe there is no reason to believe that the business will not be able to continue as a going concern, and therefore this approach is adopted for the presentation of the financial statements.

The Directors recommend that no dividend payments be made.

The Directors confirm that no political contributions were made during the year.

The primary financial risk to the business is assessed to be in relation to cash holdings held with credit institutions, which is mitigated through engagement with credit institutions with sufficient credit ratings to mitigate this risk with the majority of funds held at the Bank of England.

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

Significant post balance sheet events are disclosed in note 27 of the notes to the financial statements as follows:

- The Company became fully authorised without restriction to trade as a financial institution on 29th January 2021 and began to trade as a specialist bank servicing the UK agricultural industry and savers across the UK;
- In April 2021 the Company secured investment of £5.865m through the issue of 3,170,270 A shares of £0.01 nominal value.

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

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

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

**James Farrar**
*Chief Executive Officer and Company Director*
3 June 2021

# Directors' Responsibilities

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

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

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable, relevant and reliable;
- State whether they have been prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006;
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

Signed on behalf of the Board by:

**James Farrar**
*Chief Executive Officer and Company Director*
3 June 2021

# Independent Auditors Report to the members of Oxbury Bank Plc

## Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Oxbury Bank Plc (the 'Company') for the year ended 31 December 2020 which comprise the Statement of Profit or Loss and Other Comprehensive Income, the Statement of Financial Position, the Statement of Cash Flows, Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006.

## Basis for opinion

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

## Independence

Following the recommendation of the audit committee, we were re-appointed by the Board at the Annual General Meeting on 25 June 2020 to audit the financial statements for the year ended 31 December 2020. The period of total uninterrupted engagement including retenders and reappointments is 3 years, covering the years ended 31 December 2018 to 31 December 2020. We remain independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services prohibited by that standard were not provided to the Company.

## Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included:

- Obtaining management's assessment of their Going Concern Board paper and challenging management's assumptions and judgements made with regards to their forecast;
- Reviewing the capital requirements and ensuring they are within the regulatory limits; and
- Enquiring with management and assessing the implications of COVID-19 on the business and checking whether it is appropriately considered in the forecasts.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

## Overview

| | | 2020 |
|---|---|---|
| **Key audit matter** | Capitalisation of intangible assets | ✓ |
| **Materiality** | £110,000 based on 0.5% of Net Assets | |

## An overview of the scope of our audit

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

## Key audit matters

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

| Key audit matter | | How the scope of our audit addressed the key audit matter |
|---|---|---|
| ***Capitalisation of intangible assets***<br><br>Management's associated accounting policies are detailed on note 4.2 with further detail provided in note 15. | The company has invested in its core banking platform.<br><br>Consultancy, salaries and other costs incurred in acquiring and developing this software are capitalised.<br><br>Capitalisation of intangible assets requires judgement in determining whether the costs meet the requirements for capitalisation in accordance with the applicable accounting standards.<br><br>Therefore this was considered to be an area of audit focus. | We responded to this risk by performing the following procedures:<br>• We obtained a breakdown of the software expenses capitalised and reviewed the company's methodology and accounting policy for capitalisation of these costs. We have assessed whether these were in line with the capitalisation requirement of the international accounting standards.<br>• We have tested on a sample basis the software development expenses capitalised. For contractor costs, we have agreed a sample of costs to invoices. For staff costs we have performed audit procedures to confirm the existence and accuracy of the payroll costs and traced back to payroll reports. We have also considered the relevance of the job descriptions of staff who worked on developing the core banking platform. |
| | | **Key observations:**<br>Based on the work performed, software costs are capitalized in accordance with the company's accounting policies. |

## Our application of materiality

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

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

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

| | 2020 |
|---|---|
| **Materiality** | £110,000 |
| **Basis for determining materiality** | 0.5% of Net Assets |
| **Rationale for the benchmark applied** | The focus of stakeholders as the company develops its banking operations. |
| **Performance materiality** | £82,500 |
| **Basis for determining performance materiality** | 75% of materiality |

## Reporting threshold

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

## Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report and Accounts other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

## Other Companies Act 2006 reporting

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

| | |
|---|---|
| **Strategic report and Directors' report** | In our opinion, based on the work undertaken in the course of the audit:<br>• the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and<br>• the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.<br>In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report. |
| **Matters on which we are required to report by exception** | We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:<br>• adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or<br>• the financial statements are not in agreement with the accounting records and returns; or<br>• certain disclosures of Directors' remuneration specified by law are not made; or<br>• we have not received all the information and explanations we require for our audit. |

## Responsibilities of Directors

As explained more fully in the Directors' responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

## Auditor's responsibilities for the audit of the financial statements

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

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

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

Our tests included, but were not limited to:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management and internal audit;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and correspondence with the FCA and the PRA;
- in addressing the risk of fraud through management override of controls, testing the appropriateness of a sample of journal entries and other adjustments;
- assessing whether the judgements made in making accounting estimates were indicative of a potential bias;
- evaluating the business rationale of any significant transactions that were unusual or outside the normal course of business; and
- obtaining an understanding of the control environment in monitoring compliance with laws and regulations.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

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

## Use of our report

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

DocuSigned by:
Ariel Grosberg
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Ariel Grosberg (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London, UK
04 June 2021
3 June 2021

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

Oxbury///

# 2020 Financial Statements

## Statement of Profit or Loss and Other Comprehensive Income

### For the 12-month period to 31 December 2020

| | Notes | 31st Dec 2020 £000s | 31st Dec 2019 £000s |
|---|---|---|---|
| Interest receivable & similar income | 13 | 0 | - |
| Interest payable & similar expenditure | 5 | (0) | - |
| Other Income | 5 | 24 | - |
| **Total Income / (Expense)** | | **24** | - |
| Staff Costs | 6 | (2,361) | (1,317) |
| Other Operating Expense | 9 | (1,886) | (935) |
| Depreciation & Amortisation | 14, 15 | (116) | (44) |
| **Loss on Operations** | | **(4,339)** | **(2,296)** |
| Finance expense | 10 | (6) | (2) |
| Finance income | 10 | 4 | 1 |
| **Loss from ordinary activities before tax** | | **(4,341)** | **(2,297)** |
| Taxation | 11 | 285 | - |
| **Loss from ordinary activities after tax** | | **(4,056)** | **(2,297)** |
| **Comprehensive Loss for the year** | | **(4,056)** | **(2,297)** |

There were no recognised gains or losses for 2020 or 2019, other than those included in the statement of profit or loss and other comprehensive income. The results for the current and preceding years relate entirely to continuing operations. The notes which form part of these financial statements can be located from page 30 onwards.

## Statement of Financial Position

### As at 31 December 2020

| | Notes | 31st Dec 2020 £000s | 31st Dec 2019 £000s |
|---|---|---|---|
| **Assets** | | | |
| Cash and cash equivalents | 12 | 51 | 796 |
| Loans and Advances to Banks | 23 | 19,164 | - |
| Debt securities | 4 | 50 | - |
| Loans and Advances to Customers | 24 | 0 | - |
| Accrued Income & Prepayments | 17 | 292 | 27 |
| Tangible Fixed Assets | 14 | 60 | 45 |
| Intangible Assets | 15 | 3,046 | 1,277 |
| Other Assets | | - | - |
| **Total Assets** | | **22,663** | **2,145** |
| **Liabilities** | | | |
| Customer Deposits | 25 | 0 | - |
| Trade Payables | 18 | 128 | 150 |
| Other Liabilities and Accruals | 18 | 635 | 527 |
| Deferred Income | | - | - |
| **Total Liabilities** | | **763** | **677** |
| **Equity** | | | |
| Share Capital | 19 | 448 | 274 |
| Share Premium | 20 | 28,541 | 4,229 |
| Retained Reserves | 21 | (7,094) | (3,038) |
| Share Based Payment Reserves | 22 | 5 | 3 |
| **Total Equity** | | **21,900** | **1,468** |
| **Total Liabilities & Equity** | | **22,663** | **2,145** |

The notes which form part of these financial statements can be located from page 30 onwards.
The financial statements have been approved and authorised for issue by the Board and are signed on its behalf by:

**James Farrar**
Chief Executive Officer and Company Director
3 June 2021

# Statement of Cash Flows

## For the year ended 31 December 2020

| | 31st Dec 2020 £000s | 31st Dec 2019 £000s |
|---|---|---|
| **Cash flows from operating activities** | | |
| Loss for the period after taxation | (4,056) | (2,297) |
| **Adjustments:** | | |
| Depreciation & Amortisation | 116 | 44 |
| **Net changes in operating assets and liabilities** | | |
| Net (increase)/decrease in other assets | (204) | (138) |
| Net increase/(decrease) in other liabilities | 25 | 487 |
| Net increase/(decrease) in customer deposits | 0 | - |
| Net (increase)/decrease in customer borrowings | (0) | - |
| **Net cash flows used in operating activities** | **(4,119)** | **(1,904)** |
| **Investing activities** | | |
| Purchase of tangible assets | (79) | (37) |
| Purchase of gilts | (50) | - |
| Capitalisation of intangible asset and trademarks | (1,821) | (1,080) |
| **Net cash flows used in investing activities** | **(1,950)** | **(1,117)** |
| **Financing activities** | | |
| Issue of share capital | 24,488 | 13 |
| **Net cash flows from financing activities** | **24,488** | **13** |
| **Net cash flow for the period** | **18,419** | **(3,008)** |
| Cash and cash equivalents at start of the period | 796 | 3,804 |
| **Cash and cash equivalents at end of the period** | **19,215** | **796** |

As at 31st December 2020 (and 31st December 2019) the cash and cash equivalents balance comprise bank balances only.

# Statement of changes in equity

## For the year ended 31 December 2020

| GBP £000s | Called Up Share Capital | Share Premium | Retained Earnings | Share Based Payments | Total |
|---|---|---|---|---|---|
| **Notes** | **19** | **20** | **21** | **22** | |
| **As at 1st January 2019** | **264** | **4,229** | **(741)** | - | **3,752** |
| Issue of Share Capital | 10 | - | - | - | **10** |
| Loss for the year | - | - | (2,297) | - | **(2,297)** |
| Employee based share awards | - | - | - | 3 | **3** |
| **As at 31st December 2019** | **274** | **4,229** | **(3,038)** | **3** | **1,468** |
| Issue of Share Capital | 174 | 24,312 | - | - | **24,486** |
| Loss for the year | - | - | (4,056) | - | **(4,056)** |
| Employee based share awards | - | - | - | 2 | **2** |
| **As at 31st December 2020** | **448** | **28,541** | **(7,094)** | **5** | **21,900** |

# Notes forming part of the financial statements

## For the year ended 31st December 2020

### 1. Corporate Information

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

The registered office address is located at The Steam Mill, Steam Mill Street, Chester, CH3 5AN. The nature of the Company's operations and its principal activities are set out in the Directors' Report.

### 2. Accounting Policies and basis of preparation

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

The financial statements have been prepared. in accordance with international accounting standards in conformity with the requirements of the companies Act 2006.

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

New standards which are effective during the period of the financial statements have been adopted, with no material impact on the results in the year, and no change in the accounting policies.

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

- IAS 1 – Presentation of Financial Standards – amendment to definition of materiality.
- IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors – amendment to definition of materiality.

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

### 3. Critical accounting estimates and judgements

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

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

- **Going Concern (Note 4.1)**
  The assessment of the use of the going concern approach included judgements on future trading performance of the business, the impact of the pandemic and future potential amendments to regulatory policy which could impact capital availability.
- **Share Based Payments (Notes 4.8 and 22)**
  Estimates and judgements on the methodology of the assessment of fair value of the options granted, and both the options pricing model and the relevant inputs into that model. These include the risk-free rate, period of time until exercise and expected share price volatility.
- **Tax (Note 11)**
  The company is not in a position to recognise a deferred tax asset.

### 4. Summary of significant accounting policies

#### 4.1 Going Concern

The financial statements for Oxbury have been prepared on a going concern basis.

In the assessment of this approach, the Directors have considered the financial position of the business, together with the expectation of the impact of future trading and have a reasonable expectation that the company will be able to continue to operate and meet its obligations as they fall due for a period of at least 12 months from the date of the financial statements.

In this context, consideration has been given to a range of factors including the Individual Capital Guidance as set by the Prudential Regulatory Authority as part of the authorisation process, subsequent amendments to that guidance, the PRA's guidance on capital buffers and ongoing company capital raising activity and capital usage within this first period of trading.

Consideration was also taken of the ongoing Covid-19 pandemic, as well as the potential impact of a delay in commencement of lending activity.

#### 4.2 Intangible Assets

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

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

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

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

One month of amortisation has been recognised at the date of these financial statements as the software was deemed to be materially complete and available for operational use at the end of December 2020. (2019 £0)

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

Operating System Software – 5 Years

#### 4.3 Tangible Assets

#### 4.3.1 Property, Plant and Equipment

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

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

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

#### 4.3.2 Right of use assets

The discounted value of the minimum level of future payments under lease agreements is recognised at commencement as a "right of use" asset on the balance sheet, and subsequently amortised based on the period of those payments.

#### 4.4 Foreign currency translation

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

Non–monetary items that are measured at historical cost in a foreign currency are translated using the spot exchange rates as at the date of recognition.

#### 4.5 Pensions

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

#### 4.6 Charitable Donations

Charitable donations are accounted for as an expense when paid and included as part of the operating expenses in the Statement of Profit or Loss and Other Comprehensive Income. In 2020 there was no donations to charity.

#### 4.7 Share Capital

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

### 4.8 Share-Based Awards

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

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

Where required, a charge, equivalent to the value of the option as determined in the model, based on a pro rata of the expected period to exercise of the option, is realised in the income statement each month, with a corresponding increase in equity.

Details are contained in note 22 to the accounts.

### 4.9 Segmental Reporting

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

### 4.10 Taxation

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

Where applicable, the Company's liability to tax takes into consideration the tax rates enacted or substantively enacted for the period.

Where R&D tax credits are claimed, they are recognised as a credit to taxation in the Income Statement.

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

### 4.11 Financial Institution – Risk Management

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

| Institution | Balance GBP £'000 | Credit rating Long Term | Credit rating Short term | Source | Date |
|---|---|---|---|---|---|
| Santander UK plc | 19,097 | A-1 | P-1 | Moody's | Oct 2020 |
| ClearBank plc | 67 | N/A | N/A | | N/A |

As at the reporting date, Oxbury's financial liabilities do not extend in excess of one year.

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

During 2020, the financial objectives were unchanged from 2019, supporting the development of the long-term strategy of the Company.

### 4.12 Financial Assets

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

### 4.12.1 Debt securities

During the year, Oxbury held UK Gilts for the purpose of addressing the liquidity requirements of an authorised institution. The instruments were to be held to maturity, and therefore are included in the financial statements at amortised cost.

### 4.13 Financial Liabilities

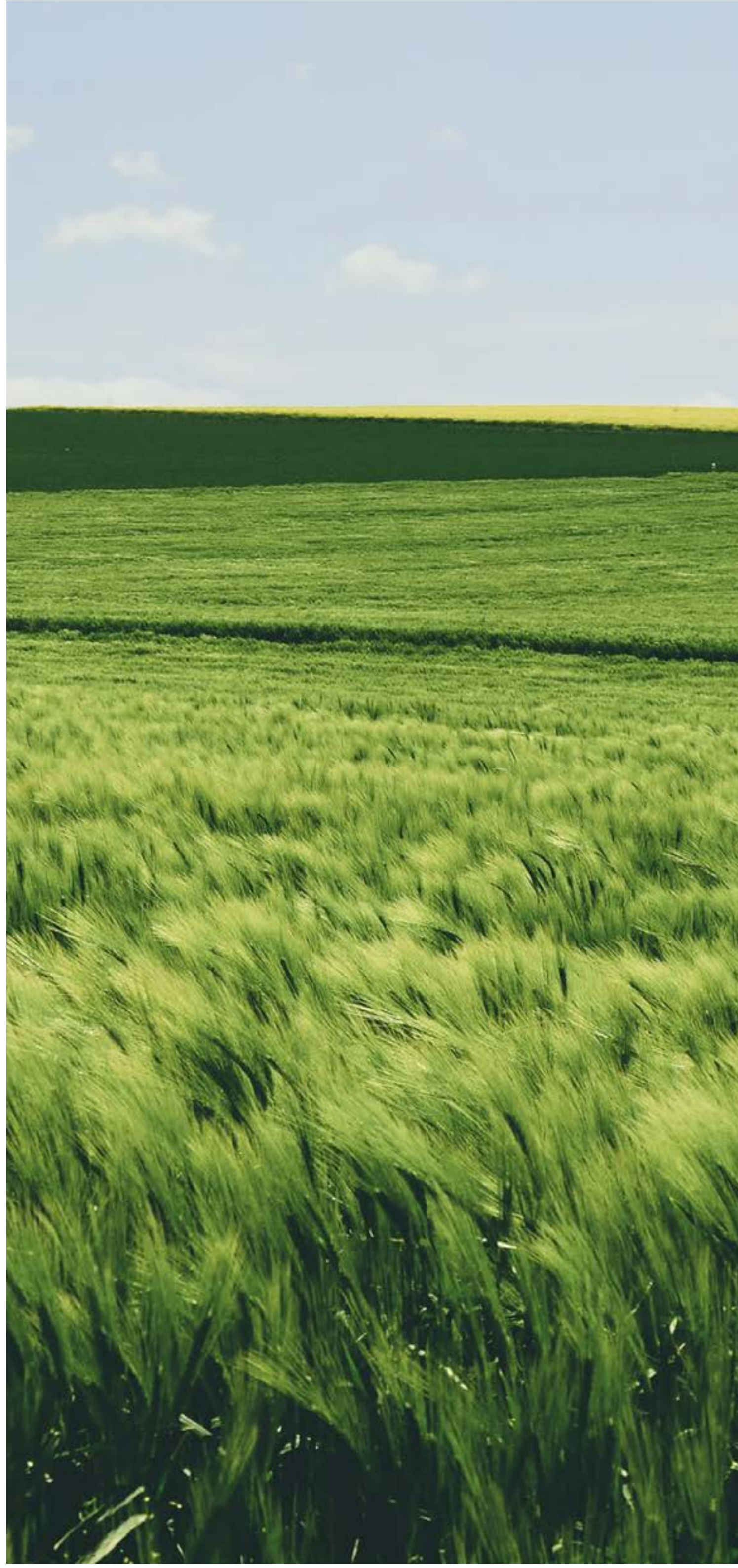
All financial liabilities are initially classified and subsequently measured at amortised cost.

## 5. Revenue

Fees and commission are recognised in the profit and loss statement when the service has been rendered, except where those fees are an adjustment to the yield on a related asset.

Fees and commission and transaction costs payable on borrowings are expensed to the profit and loss statement over the life of the borrowing raised using the Effective Interest Rate method (EIR) method and are included in interest expense.

Oxbury generated fee income of £24k in 2020 (2019: Nil). No income was generated in respect of borrowings.



## 6. Staff Costs

**The total number of employees as at December 2020 was 63. (2019: 30)**

| GBP (000s) | Total as at 31st Dec 2020 | Average 2020 | Total as at 31st Dec 2019 | Average 2019 |
|---|---|---|---|---|
| Management | 11 | 10 | 9 | 9 |
| Operational | 12 | 8 | 4 | 1 |
| Administrative | 40 | 31 | 17 | 10 |
| **Total** | **63** | **49** | **30** | **20** |

**The aggregate remuneration comprised (including directors):**

| GBP (000s) | 12-month period to 31st Dec 2020 | 12-month period to 31st Dec 2019 |
|---|---|---|
| Salaries, wages and bonuses | 1,947 | 1,111 |
| Social security contributions | 236 | 112 |
| Pension contributions | 178 | 94 |
| **Staff costs per Statement of Profit or Loss** | **2,361** | **1,317** |
| **Capitalised Salaries – not included in the above** | | |
| Salaries, wages and bonuses | 767 | 557 |
| Social security contributions | 85 | 62 |
| **Total Remuneration in the year** | **3,213** | **1,936** |

## 7. Key Management Remuneration

| GBP (000s) | 12-month period to 31st Dec 2020 | 12-month period to 31st Dec 2019 |
|---|---|---|
| Fees, wages and bonuses | 1,312 | 1,173 |
| Social security contributions | 164 | 114 |
| Pension contributions | 69 | 71 |
| **Total Remuneration** | **1,545** | **1,358** |

The values reported above do not take into consideration any capitalisation directly related to system development.
Key management remuneration capitalised 2020 £126k (2019 £128k)

## 8. Total Directors Remuneration

| GBP (000s) | 12-month period to 31st Dec 2020 | 12-month period to 31st Dec 2019 |
|---|---|---|
| Fees, wages and bonuses | 625 | 551 |
| Social security contributions | 81 | 62 |
| Pension contributions | 36 | 36 |
| **Total Remuneration** | **742** | **649** |

## Highest Paid Director Remuneration

| GBP (000s) | 12-month period to 31st Dec 2020 | 12-month period to 31st Dec 2019 |
|---|---|---|
| Fees, wages and bonuses | 187 | 212 |
| Social security contributions | 25 | 28 |
| Pension contributions | 18 | 18 |
| **Total Remuneration** | **230** | **258** |

No director's remuneration has been capitalised (2019 £0).

## 9. Other Operating expense

| GBP (000s) | 12 month period to 31st Dec 2020 | 12 month period to 31st Dec 2019 |
|---|---|---|
| Other operating costs | 1,386 | 670 |
| Foreign exchange loss/(profit) | 6 | 0 |
| Legal and Professional fees | 462 | 234 |
| External audit fees | 32 | 31 |
| **Total** | **1,886** | **935** |

## 10. Finance expense and income

| GBP (000s) | 12 month period to 31st Dec 2020 | 12 month period to 31st Dec 2019 |
|---|---|---|
| Finance Expense: | | |
| Finance element of lease agreements | (6) | (2) |
| Finance Income: | | |
| Interest received on bank deposits | 4 | 1 |

## 11. Taxation

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

| GBP (000s) | 12 month period to 31st Dec 2020 | 12 month period to 31st Dec 2019 |
|---|---|---|
| Loss on ordinary activities after taxation | (4,056) | (2,297) |
| Standard rate of Corporation tax | 19% | 19% |
| **Expected Tax Credit (pre refund)** | **(771)** | **(436)** |
| Effects of: | | |
| Depreciation | 17 | 4 |
| Disallowable expenses | 0 | 2 |
| Income not taxable for tax purposes | (54) | - |
| Fixed asset timing differences | (15) | 0 |
| Other timing differences | (1) | (11) |
| | (824) | (441) |
| Deferred Tax not recognised | 824 | 441 |
| | 0 | 0 |
| Adjustment in respect of prior year following Research and Development tax claim | (285) | - |
| **Tax charge/(credit) for the period** | **(285)** | **0** |

**Deferred Tax not recognised:**

| GBP (000s) | 12 month period to 31st Dec 2020 | 12 month period to 31st Dec 2019 |
|---|---|---|
| **Cumulative to date:** | | |
| Deferred tax not recognised brought forward | 581 | 140 |
| Deferred tax not recognised in the year | 824 | 441 |
| Effect of change in tax rate on opening balances | 46 | - |
| **Total deferred tax not recognised** | **1,451** | **581** |

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

If an asset had been recognised it would have an estimated value of £1,451K (2019: £581k) which is calculated based on the £7,355k (2019: £3,038k) of cumulative trading losses at the current corporation tax rate of 19%, adjusted where there is a variation in treatment from the Income Statement.

Subsequently the corporation tax rate remains at 19% at the balance sheet date and is set at 19% for the financial year beginning 1 April 2021. The rate is due to increase to 25% from 1 April 2023.

The Company received a Research and Development tax credit of £285k during 2020 (2019: Nil) related to the cost of developing the cloud-based operating system software, taking into consideration expenditure in both 2018 and 2019.

## 12. Cash and cash equivalents

| GBP (000s) | 31st Dec 2020 | 31st Dec 2019 |
|---|---|---|
| Cash at Bank and in hand | 51 | 796 |
| **Total** | **51** | **796** |

## 13. Recognition of interest income

**Interest and similar income/expense**

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

These are disclosed separately on the face of the income statement for both interest income and interest expense to provide symmetrical and comparable information.

| GBP (000s) | 31st Dec 2020 | 31st Dec 2019 |
|---|---|---|
| Interest receivable and similar income | 0 | – |
| Interest expense and similar expenditure | (0) | – |
| | **0** | **–** |

## 14. Tangible Fixed Assets

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

## 14. Tangible Fixed Assets continued

| GBP (000s) | Fixtures, Fittings & Office Equipment | Computer & IT Equipment | Right of use assets | Total |
|---|---|---|---|---|
| **Cost** | | | | |
| Brought forward at 1 January 2019 | 3 | 11 | - | **14** |
| Additions in 2019 | 14 | 23 | 39 | **76** |
| **Cost at 31st December 2019** | 17 | 34 | 39 | **90** |
| **Accumulated Depreciation** | | | | |
| Brought forward at 1 January 2019 | - | (1) | - | **(1)** |
| Depreciation charge for 2019 | (7) | (13) | (24) | **(44)** |
| **Depreciation at 31 December 2019** | (7) | (14) | (24) | **(45)** |
| **Net book value at 31 December 2019** | **10** | **20** | **15** | **45** |
| **Net book value at 31 December 2018** | **3** | **10** | **-** | **13** |

The right of use assets relates to the office's facilities contracted by Oxbury, commencing 11th January 2019. The total of cash outflows in the period in relation to the right of use asset equalled £37k.

## 15. Intangible Fixed Assets

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

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

## 15. Intangible Fixed Assets continued

| GBP (000s) | Operating System Software | Trademarks | Total |
|---|---|---|---|
| **Cost** | | | |
| Brought forward | - | - | - |
| Additions in 2018 | 197 | - | 197 |
| **Cost as at 31st December 2018** | 197 | - | 197 |
| Additions in 2019 | 1,080 | - | 1,080 |
| **Cost at 31st December 2019** | 1,277 | - | 1,277 |
| **Accumulated Depreciation** | | | |
| Brought forward | - | - | - |
| Depreciation charge in 2018 | - | - | - |
| **Depreciation as at 31st December 2018** | - | - | - |
| Depreciation charge in 2019 | - | - | - |
| **Depreciation at 31st December 2019** | - | - | - |
| **Net book value at 31st December 2019** | **1,277** | - | **1,277** |
| **Net book value at 31st December 2018** | **197** | - | **197** |

## 16. Related party transactions

**Controlling parties**
In the opinion of the Directors, there is no overall controlling party.

**Key Management emoluments**
Key management emoluments are separately disclosed within Note 7.

**Transactions with related parties**
Total transactions during the year with related parties:

| GBP (000s) Related Party and service provided | Relationship | Total value of transactions year ended 31st Dec 2020 | Total value of transactions year ended 31st Dec 2019 |
|---|---|---|---|
| **Harbour Hill Associates Limited** – Provision of Key Management Consultancy to Oxbury | A member of Oxbury's Key Management Personnel is a director of Harbour Hill Associated Limited | - | 20 |
| **FTFF Limited** – Provision of Key Management Consultancy to Oxbury | A director of Oxbury is a director and shareholder of FTFF Limited | - | 46 |
| **Simon Featherstone Consulting Ltd** – Provision of Key Management Consultancy to Oxbury | A director of Oxbury is a director and shareholder of Simon Featherstone Consulting Limited | - | 24 |
| **Hutchinson Limited** – Sale by Oxbury of IT Consultancy | A director of Oxbury is a director of Hutchinson Limited and the Company held 19.29% of the issued share capital of Oxbury at 31.12.2020 | 12 | - |
| **Frontier Agriculture Limited** – Sale by Oxbury of IT Consultancy | A director of Oxbury is a director of Frontier Agriculture Limited and the Company held 19.29% of the issued share capital of Oxbury at 31.12.2020 | 12 | - |

Of which was outstanding at the end of the year:

| GBP (000s) Related Party | Included in | Outstanding at 31st Dec 2020 | Outstanding at 31st Dec 2019 |
|---|---|---|---|
| Simon Featherstone Consulting Ltd | Other Operating Expenses – Key Management Personnel | - | 5 |

Under IAS 24 related parties include those which provide key management personnel services to Oxbury, including having the authority and responsibility for planning, directing, and controlling the activities of the business.

## 17. Accrued Income and Prepayments

| GBP (000s) | 2020 | 2019 |
|---|---|---|
| Accrued Income Receivable | 0 | 0 |
| Prepayments | 292 | **27** |
| **Total** | **292** | **27** |

Of which; accrued income and prepayments falling due after more than one year

| GBP (000s) | 2020 | 2019 |
|---|---|---|
| Accrued Income Receivable | 0 | 0 |
| Prepayments | 8 | 7 |
| **Total** | **8** | **7** |

## 18. Other liabilities

| GBP (000s) | 2020 | 2019 |
|---|---|---|
| Trade Creditors | 128 | 150 |
| Taxes and Social Security | 121 | 72 |
| Lease Liabilities | 19 | 7 |
| Accruals and other liabilities | 495 | 448 |
| **Total** | **763** | **677** |

All amounts above are payable within one year.

## 19. Share Capital

| Share Class (Issued at £0.01 nominal) | Number of Shares at 31st Dec 2020 | Nominal Value at 31st Dec 2020 GBP (000s) | Number of Shares at 31st Dec 2019 | Nominal Value at 31st Dec 2019 GBP (000s) |
|---|---|---|---|---|
| A Ordinary Shares | 39,534,987 | 395 | 14,583,334 | 146 |
| B Ordinary Shares | 2,500,000 | 25 | 10,000,000 | 100 |
| C Ordinary Shares | 2,783,786 | 28 | 2,783,786 | 28 |
| **Total** | **44,818,773** | **448** | **27,367,120** | **274** |

A Ordinary and B ordinary shares have full voting and economic rights, C shares do not have voting rights but do have economic rights, where vested. Unvested C shares do not have voting or economic rights. All shares are fully paid. During the year ended 31 December 2020, 17,451,653 A Ordinary shares were issued for £174,516 (2019: 1,283,786 A Ordinary shares were issued for £12,838).
During the year ended 31 December 2020, 7,500,000 B Ordinary shares were converted to A Ordinary shares, at no cost (2019: none).

## 20. Share Premium

| | 31st Dec 2020 GBP (000s) | 31st Dec 2019 GBP (000s) |
|---|---|---|
| Share Premium balance brought forward | 4,229 | 4,229 |
| Additions during the year | 24,312 | - |
| **As at 31 December 2020** | **28,541** | **4,229** |

## 21. Retained Earnings

| | 31st Dec 2020 GBP (000s) | 31st Dec 2019 GBP (000s) |
|---|---|---|
| Retained Earnings brought forward | (3,038) | (741) |
| Loss for the year ended 31 December | (4,056) | (2,297) |
| **As at 31 December 2020** | **(7,094)** | **(3,038)** |

## 22. Share Based Payments

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

The value of the awards granted to employees is determined using the Black-Scholes valuation model at grant date, in the absence of an active market for the shares. The value of awards granted to suppliers is also evaluated using the Black-Scholes model, due to there not being a readily ascertainable value of the goods and services received. The calculations within the model require the use of subjective assumptions, including the expected volatility of the share price, expected life of the award and any dividend yield. All these factors can impact the fair value estimate.

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

| Year of grant: | Employees: 2019 | Employees: 2020 | Suppliers: 2018 |
|---|---|---|---|
| Risk Free Rate | 1.00% | 0.44% | 1.00% |
| Expected volatility | 100% | 50% | 100% |
| Dividend Yield | Nil | Nil | Nil |
| Expected Life of option | 0.1 Years | 7.5 Years | 2.5 years |

No share options were exercised in the year to 31.12.2019 or 31.12.2020 by employees or suppliers.

The model assumes that there is constant predictable volatility in the share price, which has been estimated in terms of 2019 share options based on both the relative early stage of the Company and the immaterial impact assessed via sensitivity analysis, and the 2020 shares based on the comparable deviation for a selection of comparable quoted banks over the expected term of the option.

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

| | 31st Dec 2020 GBP (000s) | 31st Dec 2019 GBP (000s) |
|---|---|---|
| Share Based Payment Reserve brought forward | 3 | - |
| Additions during the year | 2 | 3 |
| **As at 31 December 2020** | **5** | **3** |

## 22. Share Based Payments continued

| | Number of Share Options | Weighted Average Exercise price | Contractual Life – years |
|---|---|---|---|
| Outstanding at 1 January 2020 | 333,333 | £0.01 | indefinite |
| Granted during the year | 100,690 | £1.10 | 14.9 |
| Forfeited during the year | - | - | - |
| Exercised during the year | - | - | - |
| Expired during the year | - | - | - |
| **Outstanding at 31 December 2020** | **434,023** | **£0.26** | **14.9** |
| **Exercisable at 31 December 2020** | **-** | **-** | **-** |

## 23. Loans and Advances to Banks

| GBP (000s) | 31st Dec 2020 | 31st Dec 2019 |
|---|---|---|
| Balances held with other banks | 19,164 | - |
| Balances held with custodian | - | - |
| **As at 31 December 2020** | **19,164** | **-** |

## 24. Loans and Advances to Customerss

All customer loans at 31 December 2020 were less than £1k and due within one year. (2019 £0)

| GBP (000s) | 31st Dec 2020 | 31st Dec 2019 |
|---|---|---|
| **Loans and Advances to Customers – maturity bucketing** | | |
| **Amounts due:** | | |
| – within one year | 0 | - |
| – over one year but less than five years | - | - |
| – over five years | - | - |
| Gross Loans and Advances | 0 | - |
| Allowance for ECL | - | - |
| **As at 31 December 2020** | **0** | **-** |

## 25. Customer Deposits

All customer deposits at 31 December 2020 were less than £1k and due within one year. (2019 £0)

| GBP (000s) | 31st Dec 2020 | 31st Dec 2019 |
|---|---|---|
| Customer deposits | 0 | - |
| Amounts due: | | |
| – within one year | 0 | - |
| – over one year but less than five years | - | - |
| Total Notice and Term deposits | 0 | - |
| Easy Access Accounts | 0 | - |
| **Total deposits as at 31 December 2020** | **0** | **-** |

## 26. Lease Liabilities

| GBP (000s) | 31st Dec 2020 | 31st Dec 2019 |
|---|---|---|
| Lease Liabilities | 19 | 7 |

All lease liabilities relate to office space of the Company's registered office.

## 27. Post Balance Sheet Events

**Authorisation as a credit institution (January 2021)**

The Company became fully authorised without restriction to trade as a financial institution on 29th January 2021 and began to trade as a specialist bank servicing the UK agricultural industry and savers across the UK.

**Issue of additional Share Capital (April 2021)**

In April 2021 the Company secured investment of £5.865m through the issue of 3,170,270 A shares of £0.01 nominal value. This equated to £32k share capital plus £5,833k share premium.

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