Oxbury Bank Plc

Annual Report and Accounts

Year ended 31st December 2023

Registration Number: 11383418

Corporate Information

Company Directors:

R Huw Morgan
(Chair and Independent Non-Executive Director)

James C D Farrar
(Chief Executive Officer)

Nicholas R Evans
(Managing Director)

K Mark Aitchison
(Investor Non-Executive Director)

Timothy Fitzpatrick
(Senior Independent Non-Executive Director)

David A Hutchinson
(Investor Non-Executive Director)

Simon Featherstone
(Independent Non-Executive Director)

Charles Richard Percy
(Independent Non-Executive Director)

Company Registration Number:
11383418

Company Secretary:
David Hanson

Registered Office:
One City Place, Queens Road, Chester, CH1 3BQ

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Strategic Report

The directors present their strategic report for Oxbury Bank Plc (Oxbury) for the year ended 31st December 2023.

Chairman's Statement

I am pleased to report that 2023 has been a successful year for Oxbury. We have launched new products to market supporting significant growth in customer numbers on both sides of our balance sheet resulting in increased balances held and most importantly producing a full year profit in our third full year of trading. A major milestone for our business. More detail is set out in the Chief Executive's Statement.

This very positive outcome has been delivered against a backdrop of difficult events. The continued conflict in Ukraine, the escalation of violence in the Middle East, the global effects of El Nino and the persistency of cost of living challenges in the UK to name a few. The combined impact has been an extension of pressures on consumer demand, supply chains, economic growth, and investment sentiment. Around the world, as well as in the UK, central banks have been increasing interest rates to combat inflation. It looks as if those may now have peaked although rates are likely to remain high for some time before reducing to historical norm levels rather than the near zero rates seen following the financial crisis in 2008.

The potential for significant political change in the UK and globally during 2024 combined with continuing impacts of El Nino make the importance of food security obvious. Oxbury remains well positioned to play a further meaningful role in providing support to our customers through these uncertain times and helping those that see new opportunities.

During 2023 we have continued to expand our team with a combination of agricultural knowledge and banking expertise. Combining these with our open culture and technology capability has enabled us to support the agricultural sector and wider rural economy serving customers through secure and efficient technology to support customer self-service and with experienced and professional human faces when required. This business model continues to set a new standard in supporting the sector delivering sustainable growth that will be difficult for more traditional banks to compete with.

Our historic and future growth is underpinned by a strong governance ethos embedded by the senior management team through the Risk Management Framework approved by the Board with oversight, challenge and counsel provided by the Chairs of the Audit and Risk Committees. The strength of this governance base was recognised through an independent review of the Board's effectiveness carried out during 2023. The review also noted the range of complementary and relevant skills of the Board and senior management team. Whilst recognising the firm governance foundations in place, inevitably, the review also identified areas where the Board could improve as we move into the next phases of the Bank's development. The Board has started implementing those recommendations.

As we have grown the team, we have sought to continue to create a diverse workforce with different skills and experiences reflecting both our savings and borrowing customers. During the year we have increased the number of colleagues from 119 to 169. The Board and I, were very pleased with the results of our second Staff Survey which were extremely positive with results significantly ahead of technology and financial services sector norms. We do not take these results lightly and will continue to work with the senior leadership team to maintain the high levels of colleague engagement.

The weather patterns in the UK and around the world constantly remind us of the risk to all economic sectors, including agriculture and financial services, of climate change. We have made further progress in weaving the management of climate and nature related risks into our business operation supported by a full day's training for every colleague in the business. We continue to work closely with customers and other stakeholders to develop products and services that support our customers to deliver against the transition to carbon zero. We set out in our climate disclosures the actions and targets we have set for supporting that transition.

The Board and I remain conscious that all customers have a choice of where they bank and therefore, I would like to express my thanks to our customers for placing their trust in us with their savings and supporting their businesses. We would not be able to deliver the services that have produced a rolling 12 month average Net Promoter Score of +73 in 2023 without the dedication and professionalism of our colleagues for which I am truly thankful. We have welcomed many new shareholders as well as receiving ongoing support from existing shareholders through 2023 without whom the growth in our business would not be possible – thank you.

Finally, I would like to thank my fellow Board directors for their constructive counsel and exemplary oversight.

The Board, and I, look forward to 2024 with confidence as we seek to serve the agricultural and wider rural community in the UK, and develop our international and SaaS opportunities.

Huw Morgan,
Chair of the Board of Directors
26th April 2024

Chief Executive's Statement

Oxbury has continued to focus on customers and their needs and building a team that is respected and trusted in our core borrowing market that spans agriculture, the food supply chain and the rural economy. The uniqueness of our approach, attitude and ability to get things done continues to deliver strong results for Oxbury. This approach and customer focus naturally extends to our savings customers and is evidenced in our results.

We achieved our first monthly profit back in December 2022 in our second year of being a live bank and we are all pleased that our third year is our first full year of profit, with the Group achieving £2.6m from ordinary activities before tax.

We have fully launched our Asset Finance offering that was successfully built on our core banking platform Oxbury Earth alongside the other banking products maintaining our pure focus on system efficiency and managing products effectively on our proprietary infrastructure.

2023 was a milestone for our savings book as we passed the £1bn mark, through a mixture of supporting our existing customers with increased savings rates, as the base rate changed, and new customers joining us. We also successfully launched Easy Access savings for both farms and retail customers.

We have seen real momentum in customer demand in our core lending activity as our business model of informed knowledgeable relationship management supported by efficient systems delivers a service proposition that is very much in demand. During the year we have more than doubled the number of borrowing customers to close to 3,000 and increased the proportion of facilities with lower limits with the book now standing at over £600m compared to £349m at the 2022 year end. The total value of facilities in place was £687m with 98% being variable rate, linked to base rate movements. Our book is 93% secured primarily on UK land assets with an overall LTV below 50%.

Whilst the sluggishness in the wider economy combined with the negative impacts of global events has been unhelpful to UK business, our sector and the underlying credit quality of our portfolio remains strong with minimal levels of default and arrears as set out in more detail in Section 4.14 below. Whilst there have been some headwinds in the dairy and arable sectors following the fall back in commodity prices after the peaks of 2022, they have remained resilient. Meanwhile the egg and pork sectors have shown signs of recovery following a couple of challenging years.

Overall, the agricultural sector continues to display lower default risk than almost every other sector of the economy.

Land values have continued to demonstrate robust characteristics driven by the potential of carbon and biodiversity markets in addition to traditional drivers with land fundamentally clearly being a finite resource.

Continuing events in Ukraine and the Middle East combined with weather and supply chain impacts on food supplies to UK supermarkets has reinforced the focus on food security from government through the supply chain to the consumer. In addition to the, albeit reduced, impact on commodity input and output prices the agricultural sector is also at the forefront of activity to manage climate change through changing production methods and opportunity for supporting carbon and biodiversity markets in the UK. During 2023 we have worked closely with a number of supply chains to develop financing options that support farmers to make the necessary changes to meet the challenges of transition whilst supporting food production and security.

During 2023 we have also been laying the groundwork for developing SaaS opportunities in 2024 and whilst we remain focused on delivering increased support for our specialist sector in the UK, the SaaS opportunities will provide an international footprint.

We have been able to deliver the results and returns set out in this report due to the support of new and existing shareholders who have provided over £24m of new capital through 2023. This is alongside the continued drawdown of Tier 2 capital through British Business Investments. In addition, we have completed a £100m ENABLE Guarantee transaction with British Business Bank further supporting our ability to continue to support the sector.

Oxbury's growth and success is anchored on the commitment of our colleagues and shareholders with the support and engagement from our customers. I would therefore like to thank our customers, shareholders, and my colleagues for their support of, and involvement in, Oxbury.

Company Key Performance Indicators:

Loan Book Measures:	**2023**	**2022**
Total Facilities available to customers (£m)	£687m	£392m
Loans and Advances to customers (£m)	£606m	£349m
ECL allowance / loans and advances to customers (%)	0.10%	0.05%
Customer Lending to Deposit Ratio – December (%)	57%	79%
Capital and Liquidity Measures (Unaudited):		
Total Capital Ratio – December	19%	19%
Leverage Ratio – December	10%	12%
Liquidity Coverage Ratio – December	614%	2,819%
Customer Measures (Unaudited):		
Lending Customers	2,981	1,340
Savings Customers	26,969	11,220

James Farrar
Chief Executive Officer
26th April 2024

Principal Activities and review of the year

Oxbury is a specialist bank uniquely focused on agriculture and the rural economy in the UK. We provide specialist funding to farmers to support their cash flow management via our Oxbury Farm Credit and Oxbury Flexi Credit Accounts, Asset Finance to support customers finance mid-term investment items such as farm equipment and term lending products to enable longer term investment in farm infrastructure. We also provide a range of deposit products to individuals, businesses and farms that want to support farms and the wider rural community.

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

Oxbury has continued to develop its proposition in 2023 through structured engagement with a wide range of stakeholders. This engagement has reinforced that there is market demand for a finance provider focused on Agriculture at a time when the industry faces into changes to subsidy arrangements following the UK's exit from the EU, the war in Ukraine violence in the Middle East, and the ongoing effects of climate change.

In the year, the Company made a profit before taxation of £3.0m (2022: £5.4m loss) (Group: 2023: £2.6m profit before tax v 2022: £5.6m loss). This was driven through growth in lending assets, increasing net interest income further, offset by the increase in the cost base to support that growth. This result also includes the recognition of a deferred tax asset supported by continued profitability.

The carrying value of the technology solution in the Company, an intangible asset, increased to £5.4m (2022: £4.3m).

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.

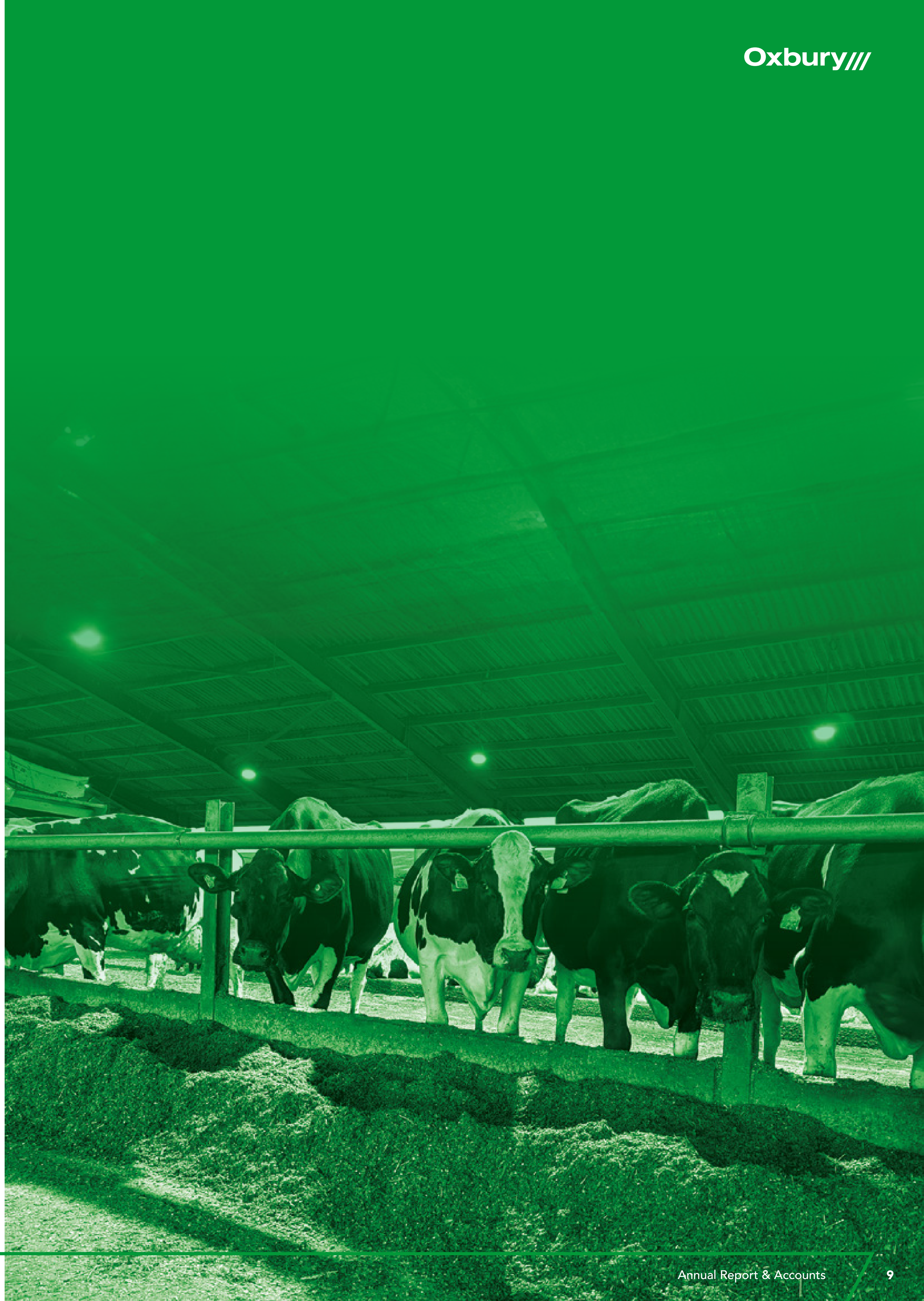
The Board have set out key values against which the business will operate, and these are as follows:

- /// **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 operate providing genuine choice for customers.
- /// **Partnership** – we actively work to receive the respect of colleagues, customers, partners, regulators, shareholders and suppliers.
- /// **Sustainability** - we consider our environmental footprint in our day-to-day operations and actively pursue a carbon neutral status. Our ethos is to support sustainability and the transition to a net zero economy.

Environmental, Social and Governance

The Bank recognises that its activities have positive and negative, intended, or unintended consequences over the short, medium, and long term. Oxbury takes an approach of "responsible impact" which means that Oxbury will consciously consider and manage the Bank's activities to amplify positive and minimise negative outcomes across four pillars: planet, people, principle, and partnerships. We also acknowledge that long-term sustainability requires that our decisions should balance the needs of the present generation without compromising the ability of future generations to meet their own needs. Our responsible impact contributes to the Sustainable Development Goals (SDGs). We have identified internationally agreed related targets where Oxbury's activities may influence the global effort to achieve the goals.

Oxbury believes that integrating the four pillars of responsible impact into our corporate strategy, risk management approach, business processes and financial planning strengthens the resilience of the Bank, its customers and suppliers. We follow a stakeholder inclusive approach to consider the legitimate interests of all parties affected by our activities. Where appropriate, we are identifying metrics and targets to measure the impact of our actions related to this policy.



Risk Management

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

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

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

Risk Management Framework

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

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

Conduct, Legal and Compliance Risk

Conduct Risk is defined as the risk of customer detriment or harm due to inappropriate culture, improper business conduct and/or poor customer treatment. Legal and Compliance Risk is the risk to the financial and reputation soundness of the Bank arising from non-compliance with any legislation or regulation or regulatory expectation.

Credit Risk

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

Environmental and Climate Risk

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

Financial Risk

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

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

Operational Risk

The risk of loss caused by human error, ineffective or inadequately designed internal processes, system failure, improper conduct, fraud, and external events. The risk of system failure during day-to-day operations or at a time of system development leading to an inability to continue the day-to-day operations of the Bank to a satisfactory standard.

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

Risk Appetite Statement

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

Risk Operating Model

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

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

First Line

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

Second Line

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

Third Line

The third line of defence comprises the internal audit function which reports directly to the Chair of the Board Audit Committee. Oxbury utilises an outsourced internal audit structure. In August 2022 PricewaterhouseCoopers were re-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

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

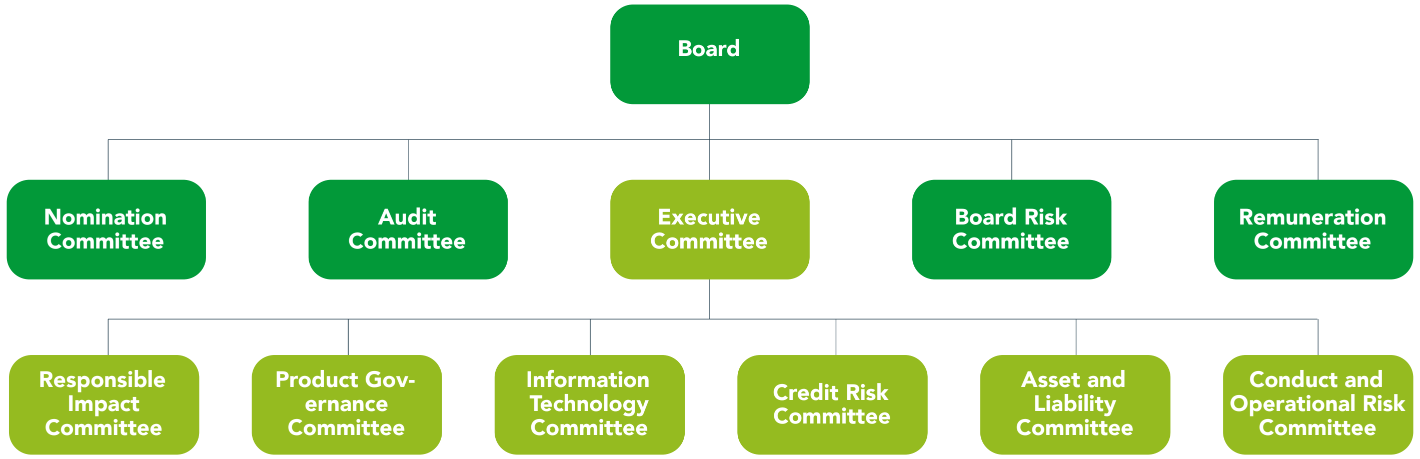
Description	Mitigation	Risk Category
Capital – the risk that Oxbury is unable to raise additional capital to support ongoing growth of the business.	Continued business control by the experienced management team to ensure capital requirements are met and continued capital raising.	**Financial**
Financial Crime – the risk that criminals look to use Oxbury to facilitate financial crime.	Oxbury has put in place a suite of tools at both onboarding and transaction monitoring stages of our operational processes to protect its customers from suffering the effects of financial crime. Internal controls are also in place to protect against internal fraud.	**Operational Conduct**
Liquidity – the risk that Oxbury is unable to attract or retain sufficient deposit funds to support itself to meet its obligations.	Our deposit products are designed to support the Bank's funding requirements and our treasury management processes monitor the position daily. To meet our liquidity requirements, we maintain a buffer of unencumbered High Quality Liquid Assets ('HQLA').	**Financial**
UK Economy – The performance of the UK economy faces a number of headwinds which may negatively impact farm performance and credit quality. These include, but are not limited to, the continued impacts of the war in Ukraine / Middle East and their impact on global commodity markets, elevated interest rates, labour shortages, and agricultural subsidy substitution.	Oxbury has designed products to be competitive, risk aware and sustainable. The company maintains rigorous cost control and underwriting processes designed to provide individual assessment of risk. Individual credit assessments include scenario stresses that confirm customers have capability to withstand shocks, as well as at the portfolio level.	**Financial Credit**
Credit Risk – the risk that customers are unable to make repayments on their loans from Oxbury.	Oxbury undertakes detailed credit assessment of each application and for larger transactions undertakes scenario analysis to ensure repayments are affordable even in stressed scenarios.	**Credit Financial**
Change Management – the risk that Oxbury is unable to maintain service to customers resulting from a failure to successfully manage change.	Oxbury has in place robust change management protocols to manage changes to its systems or processes to support delivery of operational resilience.	**Operational**

Description	Mitigation	Risk Category
Climate Risk – the risk that Oxbury and our customers are unable to adequately assess the impacts of physical or transition climate risks.	Oxbury integrates potential climate risks as part of its full management of credit risk from ICAAP through to credit approval processes as well as portfolio management against a range of Network for Greening the Financial System (NGFS) scenarios and works with customers and other stakeholders to manage the potential impacts through its product and service offerings.	**Environmental and Climate Credit Financial**
Poor Customer Outcomes / Harm – The risk that Oxbury provides, or continues to provide, an incorrect product or does not provide sufficient information on how a product works leading to customer harm	Oxbury reviews all products regularly and new products are subject to a robust governance process before launch. Staff receive training on products and attest to sales suitability in credit approvals. Customer feedback / complaints are subject to root cause analysis and subsequent process amendment as required.	**Customer Conduct**
Cyber Risk – The risk that the Bank's IT infrastructure is not secure to external vulnerabilities and could be compromised.	Oxbury's technology is developed using a security by design approach, following principles of least privilege and ensuring that all network traffic is secured by the use of firewalls. The platform is regularly scanned using automated vulnerability detection tools and subject to manual penetration testing twice annually. Our end-user estate is protected using advanced detect and respond technologies and our employees undertake regular cybersecurity training and assessment exercises. These defences are supported by an external Security Operations Centre, providing 24x7 monitoring.	**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.



KEY: Board Level Committee Executive Level Committee

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, the operational resilience of the Bank, 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	Board Risk Committee	Nomination Committee	Remuneration Committee
Huw Morgan	10/10	7/7	6/6	2/2	4/4
Tim Fitzpatrick	10/10	7/7	6/6	2/2	4/4
Simon Featherstone	10/10	7/7	6/6	2/2	4/4
Charles Richard Percy	10/10	-	-	-	-
David Hutchinson	8/10	-	-	-	-
Mark Aitchison	7/10	-	-	-	-
James Farrar	10/10	-	-	-	-
Nicholas Evans	10/10	-	-	-	-

*Excludes meetings solely for approval of lending proposals.

In line with the best practice guidance held in the Financial Reporting Council Corporate Governance Code, Oxbury undertook an external Board Effectiveness Review for the year ended 2023, as noted in the Nomination Committee Report.

Audit Committee Report

The Board's Audit Committee met 7 times in 2023. The committee chair is Tim Fitzpatrick, an independent non-executive director. 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 16. 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.

Internal Audit

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

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

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

The Chair of the Audit Committee met separately and on a regular basis with PwC to review the current audit programme performance, discuss emerging business risks and future audit activity including the transition of the PwC relationship lead.

The Audit Committee approves the annual internal audit plan, including the proposed audit scope as the Bank develops, the methods of approach to be used and allocation of resources. The key focus areas of the internal audit plan for 2023 included review work of the Bank's security taking process, the Risk Control Self-Assessment process, Liquidity Reporting, Data Protection, Treasury Operations, Sales and Distribution, Complaints, and Cloud Security and Resilience.

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

The Audit Committee undertook the following critical activities during the year:

- approved the ongoing roles and responsibilities of the internal audit function and confirmed their independence which included approving the Audit Charter.
- assessment of the overall quality and effectiveness of the outsource function.
- ensured the "Audit Universe" has been fully considered and assessed against first and second lines of defence.
- approved the annual audit plan together with any ongoing changes during the year.
- reviewed progress on completion of the annual audit plan activities including other assurance activities provided.
- reviewed internal audit reports produced to assess the quality and effectiveness of the company's internal systems and controls.
- reviewed the quality and timeliness of management's response to internal audit findings and subsequent actions to address.

The principal areas of focus of the Committee and PwC into 2024 will include the Credit Risk Management Framework, Acquisition and Underwriting, Model Governance, Liquidity Management and the embedding of Consumer Duty.

The Committee also considered the ongoing remit of internal audit, its budget and resources.

External Audit

BDO were reappointed as the Company's external auditor at the 2023 Annual General Meeting. They have been the Company's external auditor since inception in 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 2022 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 38 onwards.

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

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

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

Finally, I would like to thank our colleagues in both PwC, BDO and the Oxbury Finance team for the diligence and huge commitment provided in the current year.

Tim Fitzpatrick
Chair of the Audit Committee

Risk Committee Report

The Board's Risk Committee met 6 times in 2023 in addition to standalone credit approval meetings in line with the committee's mandate. The Committee Chair is Simon Featherstone, an independent non-executive director. 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 15 The Risk Committee meetings are also regularly attended by the Chief Risk Officer, Chief Executive Officer, Managing Director and Chief Financial Officer.

The committee has through the year supported the Board by providing more in-depth oversight of the management of existing and emerging risks faced by Oxbury as set out in the Risk Management Section on pages 11 to 13 above. This has been delivered through structured reviews of the following areas:

- The Risk Management Framework;
- The Risk Appetite Statement;
- Policy approvals within authority delegated by the Board including those related to financial crime, credit risk, cybercrime, business continuity and data protection;
- Detailed review of the Risk Register recommending amendments to the Board reflecting the changing internal and external risk environment;
- Review and recommendation to Board of the bank's readiness to implement the Consumer Duty;
- Review and recommendation to Board of the Bank's self-assessment against the regulatory requirements of Operational Resilience;
- Specific discussion of the impacts on the agricultural sector of climate risk, the potential impact of the UK's new global trading relationships, global conflicts, commodity price movements and consumer demand. These have been reviewed through regular review of credit portfolio quality as well as detailed reports on specific sectors and through approval of individual credits within the committee's mandate;
- Review of the Bank's financial crime risks;
- Development of scenarios for the Bank's Internal Capital Liquidity Adequacy Assessment Process [ICAAP], including specific agricultural sector stress scenarios, and RRP processes and subsequent recommendation of the results of these processes to the Board;
- Approval of credit applications within the delegated authority of the committee or making recommendations for credit applications requiring approval of the Board;
- Agreement of the Annual Risk and Compliance Plan and oversight of the review findings. Areas subject to review during 2023 have included in-depth end to end reviews of our savings products, the management of conflicts of interest, adherence to our obligations under the Senior Managers and Certification Regime and our management information security. In addition, the second line team have undertaken regular close and continuous oversight of Anti Money Laundering procedures, the management of complaints, financial promotions, user access, fraud procedures, processes supporting vulnerable customers and the management of colleague training. The committee also monitored the timely closure of actions resulting from these reviews by management.

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

As we move into 2024 the focus of the committee will continue to be on the existing and emerging risks of the business combined with focus on the performance outcomes of the business against the risk appetite set by the Board as the business continues to grow.

Simon Featherstone
Chair of the Board Risk Committee

Nomination Committee Report

The Board's Nomination Committee met twice during 2023. The committee chair is Huw Morgan, an independent non-executive director and Board Chair. 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 15. The Nomination Committee meetings are also regularly attended by the Chief Executive Officer, Managing Director, Chief Risk Officer, and the Head of Human Resources.

The committee has supported the Board in providing more in-depth review of the current and future composition of the Board and Executive team as well as reviewing the completeness of skills and competencies of the Board and Executive team to ensure they continue to meet the requirements of the Board.

The committee fully considered the implications of the independent review of Board effectiveness commissioned by the Board during the year. The report highlighted the appropriate emphasis on governance, risk and compliance with open and transparent relationships between an accomplished Executive team and experienced Board members. The key actions that the Board are in the process of implementing to enable it to build on this strong base to meet future demands are as follows:

1. A process to support the Board to progressively step back from the detail as the company develops, thereby facilitating more focus on strategic development and oversight of delivery.
2. Maintaining the skills, diversity and composition of the Board to meet the future needs of the business and successfully manage succession.
3. Progressively develop and enhance with the Executive team the culture of the business as it grows in scale.

Although we are not required to report against the Gender Pay Gap given the size of the company, we acknowledge the best practice contained within the regulations. Accordingly, the committee notes the rich diversity of thought and experience on the Board and in the executive team whilst recognising the lack of more traditional diversity. The committee will continue to review the position and take steps to ensure appropriate diversity principles are maintained and a strong culture progressively developed.

Huw Morgan
Chair of the Nomination Committee

Remuneration Committee Report

The Board's Remuneration Committee met twice during 2023. The committee chair is Tim Fitzpatrick, an independent non-executive and Senior Independent Director. 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 15. The Remuneration Committee meetings are also regularly attended by the Chief Executive Officer, Managing Director, Chief Risk Officer, and the Head of Human Resources.

The committee has supported the Board by approving the Remuneration Policy and overseeing its implementation in the business. The committee has overseen a number of external benchmark exercises through the year to ensure that, whilst recognising the developing nature of the Company, the reward for all colleagues in Oxbury is commensurate to their contribution and market conditions to maintain a motivated and committed team. This activity has taken place against the backdrop of a tight market for skills and the cost of living challenge which impacts our colleagues as it does wider society.

The committee recognises the diversity position set out in the Nomination Committee report. The committee has reviewed detailed information regarding the gender pay gap and is satisfied that within grades and for similar roles there is no significant gender pay gap evident within Oxbury.

Tim Fitzpatrick
Chair of the Remuneration Committee

Economic Outlook

The UK economy has proven more resilient in 2023 than most predictions with energy and food price inflation reducing as markets readjusted to impacts of the ongoing war in Ukraine and consumer spending, although remaining subdued, has been stronger than expected. The full effects of increased interest rates have not yet been fully felt in the mortgage market although have driven significant increases in rental costs which has continued to put pressure on wage growth.

Agricultural commodity prices have fallen back in 2023 to more historical norms as a result of market stabilisation factoring in continued conflict in Ukraine and reduced, although still active, speculation in the market. As we move into 2024, we expect continued volatility due to market drivers such as Ukraine, Middle East, speculation and global weather patterns, however we expect lower volatility than previous years.

The same drivers are at play in the energy markets, which have fallen back from the peaks experienced in 2022 but remain at elevated levels with UK Government support for consumers being withdrawn.

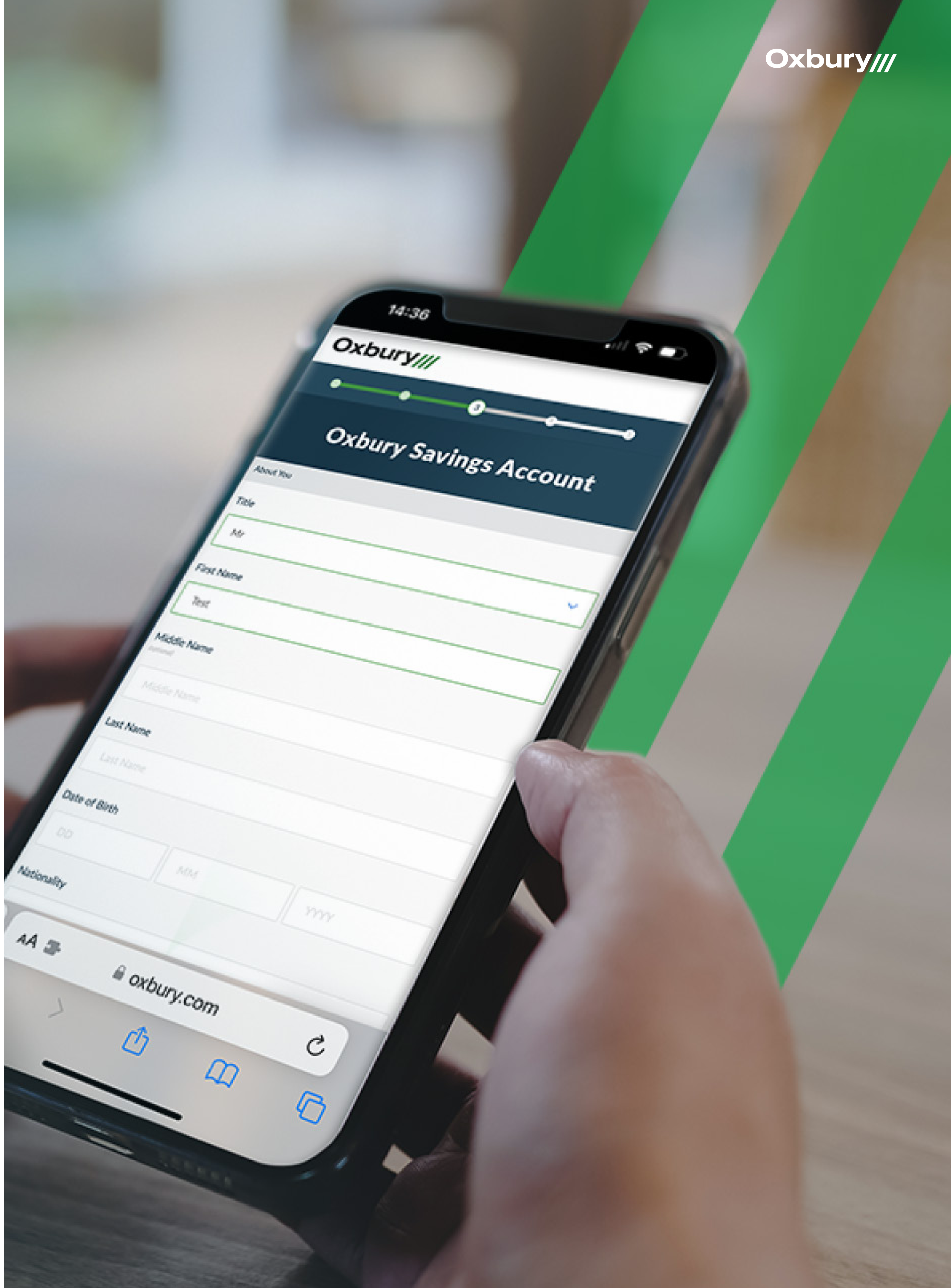
Although there has been better than expected growth, the UK economy has remained sluggish with the number of insolvencies increasing, particularly amongst smaller businesses. This trend is expected to continue into 2024. The detailed Office for National Statistics data continues to show that whilst the increase in the number of insolvencies is also evident in the agriculture sector it remains one of the lowest impact sectors and this trend is expected to continue into 2024.

The consensus market outlook for the UK in 2024 is of continued low, but improving, growth with continued reductions in inflation followed by lower interest rates towards the end of the year. Consumer spending is likely to remain subdued as increased wages relative to inflation are offset by increased mortgage costs for those still to come off earlier low fixed rate deals and reduced government support for energy bills.

This more stable economic outlook combined with more stable commodity markets will make it easier for the agricultural sector to plan as volatility reduces although mismatches between input and output prices may persist leaving challenges for some. We expect to see continued variability within agricultural sector performance with continued improvement in the egg and pork sectors with a normalisation in dairy and arable markets. In 2023 we have seen continued increases in the value of farmland although the pace of growth has slowed, and a continuation of that trend is expected in 2024.

The potential headwind to the more positive outlook remains politically uncertain globally with elections due to be held in the United States of America, the European Union, Russia, India and expected in the UK. The outcomes of these elections, and others across the globe, have the potential to create new volatility in the global economy if more protectionist agendas prevail.

Overall, therefore the economic outlook looks set to support improved capability to plan for the long term whilst providing less volatility in the immediate future presenting opportunities for some and challenges for others. Oxbury will continue to support customers and prospective customers through both.



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. In the year, this included review of the launch of the Easy Access savings product and the preparatory work on delivering our SaaS proposition.

The Board has taken specific consideration of the capital and liquidity position of the Bank together with the operational resilience of the Bank and oversight of the project to deliver compliance with the new Consumer Duty requirements. In exercising this oversight, the Board and its committees continue to review policies and procedures against which Oxbury will operate. The Board has also assessed and 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 bringing a mix of agricultural knowledge as well as technology and banking expertise.

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. In doing so, the Board reviewed the outcome of employee surveys and oversaw closure of actions to address feedback including the addition of a range of new employee benefits more aligned to market norms and commitment to increased learning opportunities for colleagues.

Suppliers

The Board recognises the importance of suppliers in the development and ongoing success of the Bank. The selection, performance and remuneration of critical suppliers continue to be reviewed by the Board.

The business reviews suppliers in the context of their fit with the Bank's strategy and overall third-party risks including operational resilience, through policies which were reviewed and further refined through the period.

Customers

The Board oversaw the detailed activity undertaken to prepare the Bank for the obligations of the new Consumer Duty regulations which demand the delivery of good customer outcomes. The Board has reflected this requirement within the Risk Appetite Statement. 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 general public as well as the rural community are central to the success of the Bank and is designed to deliver good customer outcomes.

The Board continued to review the development of the product range, the development of the customer experience and feedback. The results of the review included the launch of the Easy Access savings product in the period.

The Board also recognises the need to protect customers and the Bank from financial crime and cyber risk and the Board and its committees continue to review the steps taken to maintain appropriate controls.

Regulators

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

Oxbury contributed to information requests through the period to provide relevant context in response to regulatory engagements.

Environment and Society

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

Oxbury's strategy is to actively minimise our carbon footprint and offset any footprint we are unable to eradicate in our standard operations such that Oxbury is a net carbon neutral company, a position we have held since Company formation in May 2018. We will also support our customers to meet their carbon objectives, where possible.

Oxbury is committed to disclosure of our climate impact and separately publishes its Natural Capital Report.

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 2023.

The principal activities of the business are to deliver a technology led solution to provide innovative products to meet the needs of the agricultural community and savers across Great Britain. These developments have continued in 2023 with a continuation of a number of food chain finance initiatives. The financial results and position of the business as disclosed in these financial statements are considered satisfactory.

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

These assessments having regard to resources available to the Bank confirm appropriate capital is in place to support the current profitable position of the Bank. However, the growth which is planned in lending assets can be expected to require further capital injections within the next 12 months, which are not currently committed. This additional capital will allow Oxbury to continue to meet its regulatory obligations based on those growth projections, and therefore continue to realise its assets and discharge its liabilities. The Directors however note that due to the capital not being accessible at this time, management actions would need to be taken to ensure that regulatory capital requirements are not breached. The assessment considers the expected future performance of the business, and the sensitivity of movements to those expectations. The conclusion of going concern is based on the continuation of sufficient available capital above the regulatory requirements under a scenario where new capital did not become available to Oxbury during the period. The structure, terms and conditions of the lending assets, together with control of additional lending facilities being activated, provided sufficient mitigation to control the capital requirement.

The Directors have taken the necessary steps to ensure these concerns are sufficiently mitigated, to enable them to prepare the financial statements on a going concern basis as explained further below. This conclusion takes into consideration the available regulatory capital, expectations of continued growth and the range of mitigating actions available.

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

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

Oxbury does not operate to a specific code or standard in relation to the payment of its creditors. The Company agrees the terms of payment with each supplier at the time of engagement and subsequently abides by those terms. The value of outstanding creditors at the end of the period represents 21 days of the total expenditure for the duration of the period.

Emissions and Energy Consumption (UK)

The emissions and energy consumption reporting in respect of Oxbury has been conducted in accordance with methodology set out in the Greenhouse Gas ("GHG") Protocol Corporate Standard, and using the Department for Environment, Food and Rural Affairs' ("DEFRA") emissions factors to calculate emissions.

Calculation of Oxbury's SECR energy consumption and GHG emissions was completed by an independent third party, e4Environment. The table below presents our global Scope 1 and Scope 2 emissions for the financial period 1st January 2023 to 31st December 2023.

Exclusively UK based	Year ended 31st Dec 2023	Year ended 31st Dec 2022
Total energy consumption used to calculate carbon emissions (kWh)	66,467	60,182
Emissions from purchased electricity in buildings (location-based) [tCO2e] (Scope 2)	13.764	11.64
Carbon intensity ratio - carbon emissions per full-time employee (location-based) [kgCO2e/ full-time employee]	93.63	115.161

It should be noted that direct and indirect Scope 1 and 2 emissions contribute a very small proportion of Oxbury's overall impact as indirect emissions through its lending activities to the farming sector are anticipated to represent the vast majority of the Bank's emissions. The Bank is in the process of collecting data and developing processes to improve its existing understanding and ability to estimate Scope 3 emissions related to its lending book.

Oxbury in partnership with Forest Carbon has offset not only the Bank's direct emissions since incorporation, but also 10 tCO2e per employee annually based on the average individual footprint in the UK. Since 2019, more than 26,500 trees have been planted and 15 hectares of ecosystems restored at four sites in Northumberland which will capture 6,235 tCO2e. In 2023, Oxbury purchased 1,825.7 tCO2e offset units at £25 each to mitigate the impact of 1,790 tCO2e including the total employee footprints. In total 2022 and 2023, more than 3,500 tCO2e offset units were purchased to mitigate the impact of 3,002 tCO2e. The additional units are used to offset any emissions from suppliers not included in the carbon footprint.

The directors during the year ended 31st December 2023 were as follows:

Independent Non-Executive Directors	**R H Morgan** *Chairman* **S Featherstone** **T Fitzpatrick** **C R Percy**
Executive Directors	**J C D Farrar** *Chief Executive Officer* **N R Evans** *Managing Director*
Investor Non-Executive Directors	**K M Aitchison** **D Hutchinson**

Significant post balance sheet events are disclosed in note 30 of the notes to the financial statements as follows:

- Issuance of additional Share Capital – In the period up to the date of signature of the financial statements, additional investment of £9,214k in the form of capital was raised through the issue of 3,822,998 A shares in £0.01 nominal value. This equated to £38k share capital and £9,176k share premium.
- Incorporation of a entity in the state of Delaware, USA, named Oxbury Earth LLC, without activity having commenced.
- In March 2024, the Company agreed an upsize in the ENABLE facility, from £100m to £200m.

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

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

Likely future developments for the business include the continuing review of the product set available to address requirements from customers of both the lending and savings perspectives, together with the potential for international and SaaS opportunities.

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

James Farrar
Chief Executive Officer
26th April 2024

Directors' Responsibilities

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

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

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

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

Signed on behalf of the Board by:

James Farrar
Chief Executive Officer
26th April 2024

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 Group's and of the Parent Company's affairs as at 31st December 2023 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with UK adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Oxbury Bank Plc (the 'Parent Company') and its subsidiary (the 'Group') for the year ended 31st December 2023 which comprise the Group and Company Statement of Profit or Loss and Other Comprehensive Income, Group and Company Statement of Financial Position, Group and Company Statement of Cash Flows, Group and Company Statement of Changes in Equity and notes to the financial statements, including a summary of material accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards as applied in accordance with the provisions 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 at the Annual General Meeting on 27th June 2023 to audit the financial statements for the year ended 31st December 2023 and subsequent financial periods. The period of total uninterrupted engagement including retenders and reappointments is 6 years, covering the years ended 31st December 2018 to 31st December 2023. We remain independent of the Group and the Parent 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 Group or the Parent Company.

Conclusions related 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 Group and the Parent Company's ability to continue to adopt the going concern basis of accounting included:

- obtaining the Directors' assessment of the going concern assumption applied in the financial statements and evaluating the appropriateness of Directors' method of assessing going concern in light of the current macroeconomic environment, inflationary pressures, the cost of living crisis, and increasing interest rates as well as our understanding of the Group's strategy, forecasts, Internal Capital Adequacy Assessment Process (ICAAP) and Internal Liquidity Adequacy Assessment Process (ILAAP) submissions and Prudential Regulation Authority (PRA) minimum capital requirements;
- challenging the Directors' assumptions and judgements (for example, budgeted revenues and costs) applied within the forecast for consistency with our understanding of the business, observations of historic trends, and other corroborative information;
- reviewing the Directors' forecasted position against capital requirements to evaluate the reasonability of the Directors' assessment of minimum capital injections required and the point at which they would be required;
- testing the sensitivity of certain assumptions applied in the forecast through independent sensitivity analysis;
- confirming the arithmetical accuracy of the forecast;
- considering the historical accuracy of forecast through comparison of actual results with prior years forecasts;
- assessing whether additional funds are required to execute the base assumptions in the Group's business plan, sensitising those assumptions in consideration of subsequent events, and reviewing fundraisings executed to date to supporting documentation; and
- reviewing correspondence with regulators and the impact of the Directors' plans and sensitivities on the Group's liquidity requirements for the next twelve months and its overall current capital requirements.

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 Group and the Parent 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

Coverage	94.39% (2022: 94.35%) of Group profit before tax 100% (2022: 100%) of Group revenue 100% (2022: 100%) of Group total assets		
Key audit matters		2023	2022
	Measurement of intangible assets	✓	✓
	Revenue recognition	✓	✓
	Expected credit loss (ECL)	✓	✓
	Acquisition of a subsidiary, Oxbury Earth Limited	✗	✓
	In the prior year, acquisition of a subsidiary, Oxbury Earth Limited, was considered a key audit matter. This acquisition was a material, non-routine transaction for the Group in the prior year, with complex accounting considerations and significant estimates and judgements and is no longer considered to be a key audit matter.		
Materiality	Group financial statements as a whole £535k (2022: £404,000) based on 1% of a three-year average of net assets (2021: 0.75% of net assets).		

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group'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. The Group is made up of the Parent Company and its wholly owned subsidiary, Oxbury Earth Limited. The Parent Company was determined to be the only significant component and was subject to a full scope audit by the Group audit team. In respect of the non-significant component, the Group audit team carried out specific procedures on balances that were identified as material to the Group.

Climate change

Our work on the assessment of potential impacts of climate-related risks on the Group's operations and financial statements included:

- enquiries and challenge of management to understand the actions they have taken to identify climate-related risks and their potential impacts on the financial statements and adequately disclose climate-related risks within the annual report;
- our own qualitative risk assessment taking into consideration the sector in which the Group operates and how climate change affects this particular sector;
- involvement of climate-related experts in evaluating managements risk assessment; and
- review of the minutes of Board and Audit Committee meetings and other papers related to climate change and performed a risk assessment as to how the impact of the Group's commitment as set out in the Risk Management section of the Annual Report may affect the financial statements and our audit.

We challenged the extent to which climate-related considerations, including the expected cash flows from the initiatives and commitments have been reflected, where appropriate, in the Directors' going concern assessment.

We also assessed the consistency of managements disclosures included in the Annual Report with the financial statements and with our knowledge obtained from the audit.

Based on our risk assessment procedures, we did not identify there to be any Key Audit Matters materially impacted by climate-related risks.

Key audit matters

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

Key audit matter		How the scope of our audit addressed the key audit matter
Measurement of intangible assets Note 14 (accounting policy: Note 4.3)	The Group has invested in its core banking platform. Consultancy, salaries and other costs incurred in acquiring and developing this software are capitalised. Capitalisation of intangible assets requires judgement in determining whether the costs meet the requirements for capitalisation in accordance with the applicable accounting standards, which is considered a fraud risk. Determination of the stage at which the intangible becomes ready for use and subsequent amortisation period also requires judgement. Management are required to assess annually whether capitalised assets are impaired. There is a risk that the impairment assessment is incomplete due to the judgement involved in assessing existence of indicators of impairment. For these reasons we considered this to be a key audit matter.	We tested a sample of third-party software development expenses capitalised by inspecting related invoices for nature of expenses incurred. For the sample tested, we assessed whether the costs capitalised met the capitalisation requirements of the accounting framework as well as assessed whether the additions became ready for use at the point in time determined by management by considering the point at which the intangible was available for use. For staff costs, we performed audit procedures to confirm the existence and accuracy of payroll costs for the relevant employees through agreeing to payroll records, payment to bank statements and to signed employment contracts. For the sample tested, we assessed whether the costs capitalised met the capitalisation requirements of the accounting framework as well as confirming that the additions became ready for use. For all development expenditure capitalised, we considered the reasonableness of management's assessment of whether future economic benefits attributable to the capitalised software development costs will flow to the company, based on future business strategy and forecasts. We considered management's basis for the change in estimate of useful life, and confirmed that the revised estimate was appropriate considering the plans of the Group and through comparing to comparable entities. We confirmed that the remaining useful life is in line with the requirements of the applicable financial reporting standard. We reperformed the amortisation expense calculation for the current year and compared to that recorded. We have independently assessed whether there are any indicators of impairment of the intangible assets, giving consideration to the indicators per the relevant financial reporting standard and their applicability to the assets, in order to consider the reasonability of management's judgement.
		Key observations: Based on the work performed, we consider the intangible assets to have been appropriately measured.

Key audit matter		How the scope of our audit addressed the key audit matter
Revenue recognition Note 5 (accounting policy: Note 4.15)	The Parent Company's interest income on loan book is recognised using an effective interest rate ("EIR") method in accordance with the requirements of the applicable accounting standards. We identified that fraud risk is present at the Group, particularly around the following: • input of loan details into the system (such as principal amount, interest rate and tenure), which impact the interest income calculations; and • the recognition of the appropriate fee and commission included in the EIR calculation due to their significance in value. Fraud risk in revenue recognition was therefore considered to be a significant risk area and a key audit matter.	We assessed whether the revenue recognition policies adopted by the Group were in accordance with the requirements of the accounting framework. This included an assessment of the types of fees and commissions being spread within the effective interest rate models in comparison with the requirements of the applicable financial reporting standards. We performed an end-to-end process walkthrough to identify the key applications and process controls. We tested the design, implementation and operating effectiveness of key controls relating to the completeness, existence and accuracy of revenue recognition. We tested the completeness and accuracy of data and key model inputs by agreeing samples back to the loan management system and source documents to check for accuracy of key loan terms, such as the term of loan, the interest rate, and the loan amount impacting the interest income calculations. With the assistance of our IT specialists, we used Data Analytic Tests (DATs) to perform a proof in total of the automated interest income recognised in the period in line with the EIR methodology. Variances between the proof in total as performed using DATs tests and the system were further investigated by the audit team by testing a sample of reconciling items to supporting documentation and through discussion with management.
		Key observations: Based on the work performed, we consider the revenue recognition to have been appropriately measured.

Key audit matter		How the scope of our audit addressed the key audit matter
Expected Credit Loss (ECL) Note 19 and 25 (accounting policy: Note 4.14)	Commensurate with the activities of the Parent Company, the total loan loss provision is a balance subject to management judgement and estimation deemed to present a fraud risk. Under applicable accounting standards, the Group is required to assess the recoverability of all facilities, not just those specifically identified as impaired. Therefore, the Group needs to assess the Expected Credit Loss (ECL) provision for the loan book as a whole, taking into account macro-economic factors (including assessment of Probability of Default (PDs), Loss Given Default (LGDs) and Exposure at Default (EADs)) along with the staging, to ensure that credit impaired loans are presented and valued accurately. These are subject to significant management judgement and estimation, which also include: • Accounting interpretations and modelling assumptions used to build the models that calculate the ECL; • Allocation of assets to stage 1, 2, or 3 using criteria in accordance with the requirements of the applicable accounting standard; • Completeness and accuracy of data used to calculate the ECL; and • Inputs and assumptions compared the Group's total impairment provision to those of comparable organisations in order to benchmark for reasonability of overall ECL. • used to estimate the impact of multiple economic scenarios. Loan loss provisioning was determined to be a significant audit risk and key audit matter because it is a complex area which requires significant judgement.	We addressed the key audit matter by performing the following procedures: • Assessed the completeness and accuracy of the loan data feeding into the Group's ECL model by agreeing it, on a sample basis, to underlying documentation. • Reperformed arithmetical calculations of the ECL model. • Assessed whether the model which performs the impairment calculation is in line with the Group's policy. • Assessed the implementation of the Group's SICR assessment by conducting file reviews for a sample of customers determined on a risk basis to test for correct allocation of assets to stages 1,2 or 3. • For Stage 2 and 3 loans, we gained an understanding of the default trigger, management strategy and the basis for the collateral valuation and assessed the staging of loans based on management's definition of significant increase in credit risk (SICR), to check the loans have been allocated to the correct stage. • Considered the reasonableness of the Group's key assumptions, including the adjustments to implied PDs and Delphi scores floor, haircuts applied to the collateral values, LGD and EAD by discussing these with management and comparing to independent third-party industry data. We also performed sensitivity analysis, to identify those inputs to which the provisioning is most sensitive. • On a sample basis, we performed our own assessment of the valuation of collateral, with the assistance of our internal valuations' experts. • Engaged our credit valuation experts to assess management's key assumptions regarding expected credit loss provisioning, as well as compliance with accounting standards.
		Key observations: Based on the procedures performed, we did not identify any indicators that the provision for loans and advances is unreasonably estimated in consideration of the key assumptions and judgements made.

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:

	Group financial statements		Parent company financial statements	
	2023 £k	2022 £k	2023 £k	2022 £k
Materiality	535	404	529	302
Basis for determining materiality	1% of a three-year average of net assets	0.75% of net assets	99% of Group materiality	75% of Group materiality
Rationale for the benchmark applied	Net assets are the focus of stakeholders as the Group develops its banking operations.		Materiality was set at a percentage of Group materiality after taking into consideration component aggregation risk.	
Performance materiality	401	262	396	197
Basis for determining performance materiality	75% of materiality	65% of materiality	75% of materiality	65% of materiality
Rationale for the percentage applied for performance materiality	Various criteria are considered in order to determine the performance materiality threshold, such as past significant misstatements, management's historic response to proposed adjustments, the complexity of the audit, and the brought forward adjustments from prior periods.			

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £26k (2022: £8k). 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 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: • the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and • the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements. In the light of the knowledge and understanding of the Group and Parent 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: • adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or • the Parent Company financial statements are not in agreement with the accounting records and returns; or • certain disclosures of Directors' remuneration specified by law are not made; or • we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement, 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 Group's and the Parent 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 Group or the Parent 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:

Non-compliance with laws and regulations

Based on:

- our understanding of the Group and the industry in which it operates;
- discussion with management, those charged with governance and the Audit Committee; and
- obtaining an understanding of the Group's policies and procedures regarding compliance with laws and regulations,

we considered the significant laws and regulations to be the applicable accounting framework, Companies Act 2006, Prudential Regulation Authority ("PRA") and Financial Conduct Authority ("FCA") regulations, pension regulations and UK tax legislation.

The Group is also subject to laws and regulations where the consequence of non-compliance could have a material effect on the amount or disclosures in the financial statements, for example through the imposition of fines or litigations. We identified such laws and regulations to be those relating to environmental health, health and safety, employment taxes, the Bribery Act 2010 and equal opportunities legislation.

Our procedures in respect of the above included:

- review of minutes of meetings of those charged with governance, internal audit reports and correspondence with the PRA and the FCA for indication of any instances of non-compliance with laws and regulations;
- review of correspondence with regulatory and tax authorities for any instances of non-compliance with laws and regulations;
- review of financial statement disclosures and agreeing to supporting documentation;
- involvement of tax specialists in the audit;
- review of legal expenditure accounts to understand the nature of expenditure incurred;
- enquiring of management, internal audit and the Audit Committee about compliance with relevant laws and regulations; and
- considering the effectiveness of the control environment in monitoring compliance with laws and regulations.

Fraud

We assessed the susceptibility of the financial statements to material misstatement, including fraud. Our risk assessment procedures included:

- enquiry with management, those charged with governance and the Audit Committee regarding any known or suspected instances of fraud;
- obtaining an understanding of the Group's policies and procedures relating to:
  - detecting and responding to the risks of fraud; and
  - internal controls established to mitigate risks related to fraud.
- review of minutes of meetings of those charged with governance for any known or suspected instances of fraud;
- discussion amongst the engagement team as to how and where fraud might occur in the financial statements; and
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud.

Based on our risk assessment, we considered the areas most susceptible to fraud to be management override of controls, measurement of intangible assets, revenue recognition, and expected credit losses.

Our procedures in respect of the above included:

- in addressing the risk of fraud through management override of controls, testing the appropriateness of a sample of journal entries and other adjustments against attributes to check that they were correctly approved, posted to correct general ledger accounts, related to the correct period, and that there was a valid purpose for the entry. Supporting documentation was obtained in each circumstance and was inspected;
- evaluating the business rationale of any significant transactions that were unusual or outside the normal course of business; and
- in response to the risk of fraud in the measurement of intangible assets, revenue recognition, and expected credit losses, the procedures performed in the key audit matter section above.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members who were all deemed to have appropriate competence and capabilities 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 Parent 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 Parent 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Stefan Beyers (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor, London, UK
26th April 2024

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

2023 Financial Statements

Statement of Profit or Loss and Other Comprehensive Income

Year ended 31st December 2023

		Group		Company	
	Notes	Year ended 31st Dec 2023 £000s	Year ended 31st Dec 2022 £000s	Year ended 31st Dec 2023 £000s	Year ended 31st Dec 2022 £000s
Interest receivable & similar income on loans and advances to customers	5	34,375	9,222	34,375	9,222
Interest income – deposits placed with financial institutions	5	14,255	1,254	14,255	1,254
Total interest income		**48,630**	**10,476**	**48,630**	**10,476**
Interest payable & similar expenditure	5	(29,258)	(4,798)	(29,258)	(4,798)
Net Interest Income		**19,372**	**5,678**	**19,372**	**5,678**
Other (Expenditure) / Income	5	22	(29)	22	(35)
Total Net Income		**19,394**	**5,649**	**19,394**	**5,643**
Staff Costs	6	(7,875)	(5,562)	(7,844)	(5,514)
Depreciation & Amortisation	13, 14	(1,562)	(1,601)	(1,319)	(1,298)
Other Operating Expense	9	(5,635)	(3,823)	(5,471)	(3,875)
Operating Profit / (Loss) before expected credit loss provisions		**4,322**	**(5,337)**	**4,760**	**(5,044)**
Expected credit loss on loans and advances	19	(464)	(95)	(464)	(95)
Profit / (Loss) on Operations		**3,858**	**(5,432)**	**4,296**	**(5,139)**
Finance costs	10	(1,249)	(215)	(1,249)	(215)
Profit / (Loss) from ordinary activities before tax		**2,609**	**(5,647)**	**3,047**	**(5,354)**
Taxation – Research & Development Credit	11	341	727	341	727
Taxation – Deferred Tax	11	(1,074)	4,283	(1,074)	4,283
Taxation – Income Tax	11	-	(6)	-	-
Profit / (Loss) from ordinary activities after tax		**1,876**	**(643)**	**2,314**	**(344)**
Total comprehensive Profit / (Loss) for the year		**1,876**	**(643)**	**2,314**	**(344)**

There were no recognised gains or losses for 2023 or 2022, other than those included in the statement of profit or loss and other comprehensive income. The results for the current and preceding year relate entirely to continuing operations. The notes which form part of these financial statements can be located from page 44 to page 87.

Statement of Financial Position

As at 31st December 2023

(Company: Oxbury Bank Plc; Registered Number: 11383418)

		Group		Company	
Assets	**Notes**	**31st Dec 2023 £000s**	**31st Dec 2022 £000s**	**31st Dec 2023 £000s**	**31st Dec 2022 £000s**
Cash and cash equivalents:					
Cash at Bank of England	24	530,991	130,522	530,991	130,522
Cash at Credit Institutions	24	12,990	15,517	12,674	15,122
Loans and Advances to Customers	25	605,711	349,532	605,711	349,532
Corporation Tax Receivable	11	-	727	-	727
Other Assets	16	2,053	925	2,487	1,025
Property, Plant & Equipment	13	972	430	971	429
Intangible Assets	14	6,382	5,460	5,416	4,252
Investment in Subsidiary	4	-	-	2,466	2,466
Net Deferred Tax Asset	11, 29	3,209	4,283	3,209	4,283
Total Assets		**1,162,308**	**507,396**	**1,163,925**	**508,358**
Liabilities					
Customer Deposits	26	1,059,947	441,206	1,060,658	441,918
Other Liabilities and Accruals	17	7,251	4,666	7,409	4,617
Subordinated Debt	4, 12	15,191	7,665	15,191	7,665
Total Liabilities		**1,082,389**	**453,537**	**1,083,258**	**454,200**
Equity					
Share Capital	20	762	650	762	650
Share Premium	21	92,226	68,302	92,226	68,302
Accumulated Losses	22	(13,335)	(15,200)	(12,587)	(14,901)
Share Based Payment Reserves	23	266	107	266	107
Total Equity		**79,919**	**53,859**	**80,667**	**54,158**
Total Liabilities & Equity		**1,162,308**	**507,396**	**1,163,925**	**508,358**

The notes which form part of these financial statements can be located from page 44 to page 87.

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
26th April 2024

Statement of Cash Flows

For the year ended 31st December 2023

		Group		Company	
Assets	**Notes**	**31st Dec 2023 £000s**	**31st Dec 2022 £000s**	**31st Dec 2023 £000s**	**31st Dec 2022 £000s**
Cash flows from operating activities					
Profit / (Loss) for the period after taxation*		1,876	(643)	2,314	(344)
Reduction / (Increase) in Net Deferred Tax Asset*	11	1,074	(4283)	1,074	(4,283)
Income Tax*		-	6	-	-
Research & Development Tax Credit	11	(341)	(727)	(341)	(727)
Profit / (Loss) for the period before taxation		**2,609**	**(5,647)**	**3,047**	**(5,354)**
Adjustments for non-cash items:					
Depreciation & Amortisation	13, 14	1,562	1,601	1,319	1,298
Expected credit loss provision*		402	95	402	95
Share-based payment expense	23	159	90	159	90
New increase in Bank of England Interest Accrual*		1,158	208	1,158	208
Subordinated loan interest expense*		1,177	165	1,177	165
Lease interest expense*		43	37	43	37
Net Interest Income*		(19,372)	(5,678)	(19,372)	(5,678)
		(12,263)	**(9,129)**	**(12,068)**	**(9,138)**
Net changes in operating assets and liabilities					
Net (decrease)/increase in other assets*		(1,139)	280	(1,462)	(565)
Net increase in other liabilities*		2,132	3,312	2,340	3,498
Net increase in customer deposits*		613,852	300,745	613,852	301,457
Increase in loans and advances to customers*		(255,123)	(238,353)	(255,123)	(238,353)
Interest Received - Bank of England*		13,097	1,046	13,097	1,046
Interest Received - Lending accounts*		32,917	8,509	32,917	8,509
Interest Paid - Deposit accounts*		(24,370)	(2,554)	(24,370)	(2,554)
R&D Tax Credits - payments received		1,068	-	1,068	-
Cash flows generated from/(used in) operating activities		**370,173**	**63,856**	**370,252**	**63,900**

Statement of Cash Flows

continued

		Group		Company	
Assets	**Notes**	**31st Dec 2023 £000s**	**31st Dec 2022 £000s**	**31st Dec 2023 £000s**	**31st Dec 2022 £000s**
Investing activities					
Purchase of tangible assets*	13	(188)	(74)	(188)	(72)
Investment in Subsidiary		-	-	-	(2,466)
Acquisition of Subsidiary (net of cash acquired)		-	(2,022)	-	-
Addition in intangible assets and trademarks*		(2,281)	(1,641)	(2,281)	(1,638)
Net cash flows used in investing activities		**(2,469)**	**(3,737)**	**(2,469)**	**(4,176)**
Financing activities					
Issue of share capital*		24,262	28,167	24,262	28,167
Costs directly related to issue of share capital		(226)	(153)	(226)	(153)
Increase in Subordinated Debt	12	7,500	7,500	7,500	7,500
Interest paid on Subordinated Debt		(1,151)	-	(1,151)	-
Interest paid on lease payments		(43)	(37)	(43)	(37)
Payments in relation to leases		(104)	(115)	(104)	(115)
Net cash flows from financing activities		**30,238**	**35,362**	**30,238**	**35,362**
Net increase in cash and cash equivalents in the year		**397,942**	**95,481**	**398,021**	**95,086**
Cash and cash equivalents at the start of the year		**146,039**	**50,558**	**145,644**	**50,558**
Cash and cash equivalents at the end of the year		**543,981**	**146,039**	**543,665**	**145,644**

For items marked with an asterisk * in the table, a detailed review of the restatement is included in note 31.

Group Statement of Change in Equity

Year ended 31st December 2023

GBP £000s	Called Up Share Capital	Share Premium	Accumulated Losses	Share Based Payments	TOTAL
Notes	20	21	22	23	
As at 31st December 2021	514	40,424	(14,557)	17	26,398
Issue of Share Capital (net of costs)	136	27,878	-	-	28,014
Loss for the year	-	-	(643)	-	(643)
Employee based share awards	-	-	-	90	90
As at 31st December 2022	**650**	**68,302**	**(15,200)**	**107**	**53,859**
Issue of Share Capital (net of costs)	112	23,924	-	-	24,036
Prior Year Consolidation Adjustment	-	-	(11)	-	(11)
Profit for the year	-	-	1,876	-	1,876
Employee based share awards	-	-	-	159	159
As at 31st December 2023	**762**	**92,226**	**(13,335)**	**266**	**79,919**

Company Statement of Change in Equity

Year ended 31st December 2023

GBP £000s	Called Up Share Capital	Share Premium	Accumulated Losses	Share Based Payments	TOTAL
Notes	20	21	22	23	
As at 31st December 2021	514	40,424	(14,557)	17	26,398
Issue of Share Capital (net of costs)	136	27,878	-	-	28,014
Loss for the year	-	-	(344)	-	(344)
Employee based share awards	-	-	-	90	90
As at 31st December 2022	**650**	**68,302**	**(14,901)**	**107**	**54,158**
Issue of Share Capital (net of costs)	112	23,924	-	-	24,036
Profit for the year	-	-	2,314	-	2,314
Employee based share awards	-	-	-	159	159
As at 31st December 2023	**762**	**92,226**	**(12,587)**	**266**	**80,667**

Notes forming part of the financial statements

For the year ended 31st December 2023

1. Corporate Information

The financial statements comprise Oxbury Bank Plc ("the Bank"; "Company"; which is a company incorporated as a public limited company in England under registered company number 11383418), under The Companies Act 2006 and domiciled in the United Kingdom.

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

2. Accounting Policies and basis of preparation

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

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

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

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

There are several standards, amendments and interpretations which have been issued and are effective for the subsequent accounting periods. The following are effective post January 2023:

- IFRS 3 – Business Combinations - reference to conceptual framework and definition of a business.
- IAS 16 – Property, plant and equipment – proceeds before intended use.
- IAS 37 – onerous contracts – cost of fulfilling a contract.
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)
- Definition of Accounting Estimates (Amendments to IAS 8)
- Deferred Tax Related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)
- IFRS 16 Leases (Amendments – Liability in a Sale and Leaseback)
- IAS 1 Presentation of Financial Statements (Amendment – Classification of Liabilities as Current or Non-Current)
- IAS 1 Presentation of Financial Statements (Amendment – Non-current liabilities with Covenants)

An assessment of these standards is ongoing, with no expected material impact on Oxbury subject to the adoption of these standards.

3. Critical accounting estimates and judgements

The preparation of financial statements in compliance with IFRS's 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 business is as a going concern, taking into consideration the trading position of the business, the principal risks which could impact on that assumption, and the mitigation to those risks. This is considered an accounting estimate and the application of expert judgement.

/// Share Based Payments (Notes 4.9 and 23)

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

/// Effective Interest Rate (EIR) (Note 4.16)

The company calculates the EIR by a key judgement that all loan facilities will go to full contractual term. The sensitivity of this assumption is measured by reducing the expected term of the facilities by 3 months, which would increase the carrying value of the loans at year-end by less than £15k.

/// Expected Credit Loss (ECL) (Notes 4.15 & 19)

The calculation of the expected credit loss is forward looking, and requires various estimates and judgements to be made, including the probability of default of individual customers and the loss at the point of default. A reduction of the value of the collateral of 10% from the valuations taken would increase the ECL by £31k (2022: £18k). A deterioration in the credit scores by 1 decile reflecting the probability of default would increase the ECL by £356k (2022: £110k).

/// Intangible Asset (Note 4.3 & 14)

The intangible asset is held at the cost incurred, including an allocation of the costs incurred in the internal development of the asset. Expert judgement of the expenditure incurred is used to identify the proportion of costs which can be capitalised under IAS 38 and the useful life of the asset, being those which enhance the asset to provide additional economic benefit to the company.

/// Deferred Tax Asset (Note 4.11)

Oxbury recognised a deferred tax asset in 2022, and continue to hold an asset at the end of 2023, taking into consideration the previous performance of the business and the expectation of future profits against which the losses can be set, based on the sufficient level of expectation that the profits will be available, involving both accounting estimates and expert judgement.

/// Purchase of Naqoda Ltd (renamed Oxbury Earth Ltd) (Note 4.17)

An assessment has been made that the transaction is to be accounted for as an asset purchase, as opposed to a business combination. An assessment was made of the required inputs, process and outputs in the purchase entity being sufficient to meet the required definition of a business under IFRS 3. Oxbury has taken into consideration the requirements of the relevant accounting standards, and made judgements of the assets purchased, and value of the consideration paid for the company.

4. Summary of material accounting policies

4.1 Going Concern

Oxbury is required to adopt the going concern basis for accounting in the preparation of financial statements unless the Directors believe that at the date of approval of the financial statements, they intend to liquidate and cease trading or have no realistic alternative.

In assessing the use of the Going Concern principle in presenting the information within the annual report and accounts, the Directors have assessed whether there are any material uncertainties relating to events or conditions where the probability of occurring is not remote, that may cast significant doubt on the use of the basis.

In making this assessment, consideration has been taken of future forecasts for the company, trading activity since the end of the reporting period, and the principal risks and uncertainties faced by the business, for a period of at least 12 months from the date on which the financial statements are approved. Consideration has also been taken of the mitigating actions available.

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

Based on these assessments and having regard to resources available to the Bank, the growth which is planned in lending assets can be expected to require further capital injections within the next 12 months, which are not currently committed. This additional capital will allow Oxbury to continue to meet its regulatory obligations based on those growth projections, and therefore continue to realise its assets and discharge its liabilities. The Directors however note that due to the capital not being accessible at this time, management actions would need to be taken to ensure that regulatory capital requirements are not breached. The assessment considers the expected future performance of the business, and the sensitivity of movements to those expectations. The conclusion of going concern is based on the continuation of sufficient available capital above the regulatory requirements under a scenario where new capital did not become available to Oxbury during the period. The structure, terms and conditions of the lending assets, together with control of additional lending facilities being activated, provides sufficient mitigation to control the capital requirement.

The Directors have taken the necessary steps to ensure these concerns are sufficiently mitigated, including concluding that there is no material uncertainty on those factors considered, to enable them to prepare the financial statements on a going concern basis. This conclusion takes into consideration the available regulatory capital and capital raising since the balance sheet date, expectations of continued growth and the range of mitigating actions available.

4.2 Cash and Cash Equivalents

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

4.3 Intangible Assets

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

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

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

Subsequent to the acquisition of Naqoda Ltd (Renamed Oxbury Earth Ltd) in January 2022, an assessment of the transaction identified the purchase of an intangible asset, which is presented on consolidation, and therefore within the Group presentation.

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

In the year, amortisation charges in the Company of £1,118k (2022: £1,154k) have been recognised at the date of these financial statements. 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
  - Core Banking Platform – 7 Years
  - Asset Finance – 5 years

The estimated life of the Core Banking Platform was assessed in the year, the result of which was to increase the expected total life to 7 years from when first available for use, from 5 years. The assessment took into consideration the usage and development of the current platform, technology and business planning assumptions in regard to its use. The financial impact on the performance in the year is for a lower level of amortisation than would have impacted the performance of the business. The impact of the change takes into consideration the net book value brought forward, and is prospective from 1st January 2023, as opposed to retrospective.

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

The primary intangible asset held by Oxbury is in relation to the core banking system, which provides the technological solution against which business operations are underpinned. The assessment of impairment is based on value in use, through the sum of discounted future cashflows for the business. The assessment includes the use of business forecasts, which are subject to variation, including the gross and net incomes and cost base for the business. A range of discount factors are used to demonstrate that the assessment that there is no impairment is not sensitive to the discount factor used, including a reverse calculation to identify the discount factor required to equate to the carrying value. This was significantly in excess of 100%, and therefore mitigates potential sensitivity of the forecasts, and as a result, no impairment was identified.

4.4 Tangible Assets

4.4.1 Property, Plant and Equipment

Fixtures, Fittings and Office Equipment and Computer and IT Equipment are stated at cost less accumulated depreciation and any recognised impairment loss. The cost is based on evidenced cost of purchasing the asset. Depreciation is recognised to write off the cost or valuation of assets less their residual values over their expected useful lives, using the straight-line method, on the following bases:

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

4.4.2 Right of use assets

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

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

4.5 Foreign currency translation

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

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

4.6 Pensions

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

4.7 Charitable Donations

Charitable donations are accounted for as an expense when paid and included as part of the operating expenses in the statement of profit or loss and other comprehensive income. In 2023, £3k was donated to Charity (2022: Nil).

4.8 Share Capital

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

4.9 Share-Based Awards

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

The Company accounts for these schemes based on the requirements of IFRS 2, 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.

The fair value of options granted to employees is determined indirectly through reference to the fair value of the equity instrument granted using an options pricing model. Where options are granted to suppliers, the fair value is to the comparative value of that service, or where not directly ascertainable, the options pricing model is used.

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

Details are contained in note 23 to the accounts.

4.10 Segmental Reporting

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

4.11 Taxation

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

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

Where R&D tax credits are claimed, they are assessed under IAS 12, and are recognised as a credit to taxation in the statement of profit or loss and other comprehensive income.

Deferred Tax

A deferred tax asset has been recognised for the current financial year, based on the expectation of sufficient future taxable profits to offset against in the foreseeable future. The likelihood of those future taxable profits has been considered to be of sufficient certainty to recognise the full available asset.

In arriving at this conclusion, the Board took into consideration the performance of the business through 2023, and the continued growth in profitability. The full value was recognised based on a combination of the going concern approach and the forecast utilisation of the deferred tax asset within two years from the reporting date.

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.

4.13 Financial Liabilities

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

During 2023, Oxbury issued £7.5 million of 10-year subordinated notes with a coupon of 11.5%, on which Oxbury can repay 5-years after issuance, or within that period subject to conditions including the cessation of qualifying as regulatory capital or their tax treatment.

These liabilities are held at amortised cost, and are not convertible. At the end of 2023, £15.0m was outstanding (2022: £7.5m), all being due in a period greater than five years from the accounting date.

4.14 Financial instruments

(i) Recognition

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

(ii) Classification and measurement

(a) Financial assets

There are three principal classification categories for financial assets; measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL).

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

Business model assessment:

The 'business model assessment' determines whether the Company's objective is to generate cash flows from collecting contractual cash flows, or by both collecting contractual cash flows and selling financial assets. The assessment is performed at a portfolio level as this best reflects the way business is managed and how information is provided to Management. The assessment is based on Management's expectations. If cashflows are realised in a manner that is different from the original expectation, the classification of the remaining assets in that portfolio is not changed but such information is used when assessing new financial assets going forward.

Cash flow characteristics test:

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

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

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

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

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

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

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

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

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

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

Reclassification:

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

(iii) Financial liabilities and equity

Classification as debt or equity

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

Equity instruments

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

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

Financial Liabilities

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

Financial liabilities measured subsequently at amortised cost

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

Financial liabilities at FVTPL

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

A financial liability is classified as held for trading if:

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

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

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

(iv) Derecognition

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

(a) Financial assets

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

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

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

(b) Financial liabilities

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

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

(v) Modifications of financial assets

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

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

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

No modifications of financial assets were made in financial year (2022: none)

(vi) Effective interest rate

The interest income and expense are recognised in profit or loss using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the gross carrying amount of the financial asset; or the amortised cost of the financial liability.

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

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

(vii) Fair value of financial instruments

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which the Company has access at that date.

(viii) Impairment of Financial Assets

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

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

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

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

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

Stage 2: When a financial asset shows a SICR from initial recognition it is moved to Stage 2. Stage 2 also includes financial assets where the credit risk has improved and the financial asset has been reclassified back from Stage 3. A similar formula as in Stage 1 is used but a lifetime ECL is recognised for Stage 2 financial assets. Financial assets may also be considered in Stage 2 , based on review including evidence such as deterioration in credit score following late or missing repayments, and irrespective of when the backstop overdue period is met.

Stage 3: When there is objective evidence of impairment and the financial asset is considered to be in default, or otherwise credit impaired, it is moved to Stage 3. Objective evidence of credit impairment would be overdue for 90 days or maybe due to persistent missed payments, significant credit deterioration and assessment by the credit committee. For financial assets in Stage 3, a lifetime ECL is recognised and is calculated by multiplying the outstanding amount at reporting date (EAD) by the probability of default (PD) and the Loss Given Default (LGD).

Purchased or originated credit-impaired (POCI): POCI assets are financial assets that are credit-impaired on initial recognition. On initial recognition they are recorded at fair value. ECLs are only recognised or released to the extent that there a subsequent change in the ECLs. Their ECL is measured on a lifetime basis. The Company had no POCI assets as at 31st December 2023.

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

Write-offs

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

Receivables can be written-off if they:

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

Presentation of loss allowances in the statement of financial position

Loss allowances are presented in the Balance Sheet as follows:

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

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

Loans and Advances to customers

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

- Loan receivables from end customers referred to as Term loans.
- Loan receivables from end customers referred to as Revolving credit facilities.
- Loan receivables from end customers referred to as Asset Finance (Hire Purchase)

Loan receivables are accounted for as per IFRS 9 and as such they are initially recorded at fair value and subsequently measured at amortised cost using the effective interest rate method.

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

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

(i) Identifying credit risk

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

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

An assessment of whether credit risk has increased significantly since initial recognition considers the change in the risk of default occurring over the remaining expected life of the financial instrument. The assessment is unbiased, probability-weighted and uses forward-looking information consistent with that used in the measurement of expected credit losses. In determining whether there has been a significant increase in credit risk, the Company uses quantitative tests based on relative and absolute probability of default (PD) movements together with qualitative indicators such as watch-lists and other indicators of historical delinquency, credit weakness or financial difficulty. However, unless identified at an earlier stage, the credit risk of financial assets is deemed to have increased significantly when more than 30 days past due. Where the credit risk subsequently improves such that it no longer represents a significant increase in credit risk since initial recognition, the asset is transferred back to Stage 1. The transfer back to stage 1 following cure is 12 months for Stage 2 and 24 months for Stage 3 exposures.

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

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

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

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

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

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

Significant increase in credit risk

The Company applies a series of quantitative, qualitative and backstop criteria to determine if an account has demonstrated a significant increase in credit risk and should therefore be moved to Stage 2:

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

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

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

(iii) Forward-looking information

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

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

(iv) Definition of default

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

- one or more instalments have remained unpaid for at least three months or 90 days (or first unpaid instalment on a forborne exposure); or
- the deterioration in the counterparty's financial circumstances translates into a risk of noncollection. In particular in the event of over-indebtedness/insolvency procedures, receivership, bankruptcy, compulsory liquidation, personal bankruptcy or liquidation of assets; or
- there are direct litigation proceedings with the counterparty.

(v) Critical accounting estimates and judgements

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

Sensitivity analysis:

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

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

The sensitivity to the key elements of the calculations has been performed by a credit score deterioration of 1 decile which corresponds to an increase in the probability of default. A 10% movement in the written down value of security has also been applied. The year-end expected credit loss value would have increased by approximately £406k (2022: £138K) if solely based on the deterioration of the major factors and would have been reduced by approximately £153k (2022: £43k) if solely based on their improvement. Overall, the effect on the ECL coverage increases to 0.15% from 0.09% when factors deteriorate and decreases to 0.07% from 0.09% when factors improve.

Loans and advances to customers			
Group & Company	**Stage 1**	**Stage 2**	**Stage 3**
	£'000	**£'000**	**£'000**
Balance as at 1 January 2023	346,425	2,602	505
Increase in loans and advances to customers	250,907	5,701	116
Gross loans and advances to customers	597,332	8,303	621
Less: allowance for losses on loans and advances	(507)	(31)	(7)
Net loans and advances to customers as at 31st December 2023	**596,825**	**8,272**	**614**
	2023 £'000	**2022 £'000**	
Gross Loans and advances to customers	606,256	349,676	
Less: allowance for losses on loans and advances	(545)	(144)	
Net loans and advances to customers as at 31st December	**605,711**	**349,532**	
of which :			
Due within one year	42,471	27,042	
Due after one year	563,240	322,490	
	605,711	**349,532**	
Further analysis of loans and advances is provided in Note 19 and 25			
	2023 £'000	**2022 £'000**	
Fair value of collateral held (Full)	1,473,303	790,368	

Where required, collateral would be realised up to the maximum exposure of the obligor.

4.15 Interest receivable & similar income

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

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

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

4.16 Interest payable & similar expenditure

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

4.17 Purchase of Naqoda Ltd

In January 2022, Oxbury Bank Plc purchased 100% of share capital of Naqoda Ltd (renamed Oxbury Earth Ltd), for £2,466k in cash consideration. The accounting treatment of the purchase of the Naqoda Ltd legal entity, either an asset purchase or a business combination, does not impact the legal form of the transaction itself. The treatment was determined through an assessment of the requirements for a business combination having been met under IFRS 3, being whether the acquired set of assets and activities comprises the required elements of a business under the standard, for accounting purposes.

The definition is assessed based on the three elements required of a business, being inputs (a resource which can create outputs when a process is applied), a process (such as a sufficiently skilled and experienced organised workforce, which when applied to inputs, can create outputs) and outputs (economic benefit resulting from the application of process to inputs).

As a result of the structure of Naqoda Ltd post-acquisition, the assessment concluded that sufficient substantive process is not available to the entity so as to meet the definition of a business combination under IFRS 3, resulting in the requirement to account for the transaction as an acquisition of an asset.

The value of identifiable assets purchased in the transaction was valued at £1,189k, and the valuation of the liabilities equalled £230k. The difference is deemed to be the primary asset, valued at £1,507k. The nature of the primary asset is deemed to be intangible, based on the underlying rationale for the purchase being the software which combined with Company intangible assets, forms the entirety of the core banking platform. The additional intangible asset is recognised based on meeting the requirements for recognition as per IAS 38 and included in the Group position.

These items are presented in the financial statements within the totals shown, and each identified separately within the relevant note.

4.18 Climate Risk – Impact on accounting estimates

As disclosed in the Strategic Report, the impact of climate change has been considered by Oxbury in relation to the presentation of these financial statements through the assessment of both physical and transition risks.

Climate change could impact the values of items included in the financial statements presented, however as those risks are typically longer term in nature and have a high level of uncertainty, the assessment is that there is no material impact on the accounting treatments for the period, and no sensitivity analysis has been performed.

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

Interest and similar income/expense

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

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

Group & Company	Year ended 31st Dec 2023 £'000	Year ended 31st Dec 2022 £'000
Interest receivable & similar income		
Interest income from loans and advances to customers	34,375	9,222
Interest from placement of funds with counter parties	14,255	1,254
	48,630	**10,476**
Interest payable & similar expenditure		
Interest expense on customer deposits	29,256	4,796
Other interest expenditure	2	2
	29,258	**4,798**

Other Expenditure/Income

The Company and Group generated net income of £22k (2022: Company and Group generated net fee income of £0k).

6. Staff Costs

The total number of employees in the Group as at December 2023 is 169, and in the Company 168. (2022 – Group: 119; Company: 118).

	Group			
	Total as at 31st Dec 2023	Average during 2023	Total as at 31st Dec 2022	Average during 2022
Management	11	11	11	11
Other	158	136	108	95
Total	**169**	**147**	**119**	**106**
	Company			
	Total as at 31st Dec 2023	Average during 2023	Total as at 31st Dec 2022	Average during 2022
Management	11	11	11	11
Other	157	135	107	94
Total	**168**	**146**	**118**	**105**

The aggregate remuneration comprised (including directors):

	Group		Company	
	Year to 31st Dec 2023	Year to 31st Dec 2022	Year to 31st Dec 2023	Year to 31st Dec 2022
Salaries and bonuses including share-based payment provision	6,478	4,598	6,451	4,555
Social security contributions	726	546	723	542
Pension contributions	671	418	670	417
Staff costs per statement of profit or loss and other comprehensive income	**7,875**	**5,562**	**7,844**	**5,514**
Capitalised Salaries – not included in the above				
Salaries, wages and bonuses	1,617	988	1,617	988
Social security contributions	169	114	169	114
Total Remuneration in the year	**9,661**	**6,664**	**9,630**	**6,616**

7. Key Management Remuneration

Group & Company		
GBP (000s)	Year ended 31st Dec 2023 £'000	Year ended 31st Dec 2022 £'000
Fees, wages, benefits and bonuses	1,701	1,466
Share based payment provision	31	11
Social security contributions	220	199
Pension contributions	104	87
Total Remuneration	**2,056**	**1,763**

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

8. Total Directors Remuneration

Group & Company		
GBP (000s)	Year ended 31st Dec 2023	Year ended 31st Dec 2022
Fees, wages, benefits and bonuses	877	784
Share based payment provision	6	6
Social security contributions	113	106
Pension contributions	59	52
Total Remuneration	**1,055**	**948**
Highest Paid Director Remuneration Group & Company		
GBP (000s)	Year ended 31st Dec 2023	Year ended 31st Dec 2022
Fees, wages, benefits and bonuses	298	262
Social security contributions	40	37
Pension contributions	29	26
Total Remuneration	**367**	**325**

Director's remuneration has not been capitalised (2022: Zero).

9. Other Operating expense & Finance Expense

GBP (000s)	Group		Company	
	Year to 31st Dec 2023	Year to 31st Dec 2022	Year to 31st Dec 2023	Year to 31st Dec 2022
Other operating costs	4,134	2,467	3,970	2,519
Foreign exchange loss	3	4	3	4
Legal and Professional fees	831	917	831	917
External audit fees	667	435	667	435
Total Other Operating Expense	**5,635**	**3,823**	**5,471**	**3,875**

Group and Company

Of the £667k total external audit fees disclosed above, £71k related to the 2022 audit and £596k relates to the audit of these financial statements. (2022: £435k total; of which £368k relates to 2022 and £67k to 2021).

Other audit fees £Nil (2022: £Nil).

10. Finance costs

Group & Company		
GBP (000s)	Year to 31st Dec 2023	Year to 31st Dec 2022
Finance Expense:		
Finance of Subordinated Debt	1,206	179
Finance element of lease agreements 43 36	43	36
Sub-Total 1,249 215	**1,249**	**215**

11. Taxation

The total tax charge / (credit) for the year can be reconciled to the profit / (loss) in the profit and loss account as follows:

GBP (000s)	Group		Company	
	Year to 31st Dec 2023	Year to 31st Dec 2022	Year to 31st Dec 2023	Year to 31st Dec 2022
Profit / (Loss) on ordinary activities before taxation	2,609	(5,675)	3,047	(5,353)
Standard rate of corporation tax	23.52%	19%	23.52%	19%
Expected Tax Charge / (Credit) (pre refund)	**614**	**(1,078)**	**717**	**(1,017)**
Effects of:				
Disallowable expenses	45	20	45	20
Fixed asset difference	(0)	(4)	(0)	(4)
Movement in deferred tax asset not recognised	58	(2,255)	58	(2,255)
Short term timing differences	(28)	-	(54)	-
Adjustment: prior year(s) in respect of R&D claim	(341)	(727)	(341)	(727)
Adjustment: prior year in respect of deferred tax	263	-	263	-
Impact of tax rate change	45	(1,027)	45	(1,027)
Taxation impact on consolidation	77	61	-	-
Tax charge for subsidiary	-	6	-	-
Tax charge / (credit) for the period	**733**	**(5,004)**	**733**	**(5,010)**
Deferred Tax Asset on losses brought forward:	4,666	-	4,666	-
Movement in the year	(875)	3,547	(875)	3,547
Prior period adjustment	(88)	-	(88)	-
Impact of rate change	-	1,119	-	1,119
Total deferred tax asset recognised at year end	**3,703**	**4,666**	**3,703**	**4,666**
Deferred tax liability on tangible and intangible assets brought forward:	(383)	-	(383)	-
Prior year adjustment	(175)	-	(175)	-
Movement in the year	64	(291)	64	(291)
Impact of rate change	-	(92)	-	(92)
Total deferred tax liability recognised at year end	**(494)**	**(383)**	**(494)**	**(383)**

Tax losses were anticipated in the initial years of the Company's development as the Bank build completed, along with initial trading expectations as the income generating assets are acquired. These tax losses were available for carry forward against future taxable profits, being represented by the £4,666k deferred tax asset in the prior year. The value of the asset declined through 2023, as profits were achieved, and therefore the losses were available to set off against tax liabilities.

The Directors concluded that it was appropriate to recognise a deferred tax asset due to expected profitability, which has since been partially realised due to the profitable trading position. Based on the forecasted trading position, the Board expects the realisation of the asset within the foreseeable future.

Deferred tax liabilities represent taxes which are owed but are not due to be paid until a future date and refer to tangible and intangible assets held by Oxbury at the balance sheet date. The liability value increased in the year, primarily due to the change in the accounting estimate of the useful life of the relevant asset (note 4.5).

In relation to a claim made under the government Research and Development tax relief scheme focussing on innovation in technology, the Company received a Research and Development tax credit of £341k (2022: £727k).

The company has an unrecognised deferred tax asset of £57k calculated at 25% (gross £229k) in respect of share options unvested at the year-end (2022: Zero) due to the uncertainty of the timing as to when it will reverse in the future.

12. Subordinated Loan

	Group		Company	
GBP (000s)	**Year to 31st Dec 2023**	**Year to 31st Dec 2022**	**Year to 31st Dec 2023**	**Year to 31st Dec 2022**
Brought forward – 31st Dec 2022	7,665	-	7,665	-
Issued during 2023 – Cash Inflow	7,500	7,500	7,500	7,500
Carried forward – 31st Dec 2023	**15,165**	**7,500**	**15,165**	**7,500**
Change in accrued interest	26	165	26	165
Subordinated Loan	**15,191**	**7,665**	**15,191**	**7,665**

All notes are due after 5 years. The accrued interest is due within 1 year.

Subordinated liabilities by maturity – Group and Company.

GBP (000s)	Less than 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Total
Subordinated loan	430	1,300	6,905	22,284	**30,919**

Cashflows are shown on an undiscounted basis.

13. Property, Plant & Equipment

Group				
GBP (000s)	**Fixtures, Fittings & Office Equipment**	**Computer & IT Equipment**	**Right of use assets**	**Total**
Cost				
Brought forward at 1st January 2023	48	171	483	**702**
Additions in 2023	94	94	576	**764**
	142	265	1,059	**1,466**
Disposal in 2023	-	-	(20)	**(20)**
Cost as at 31st December 2023	142	265	1,039	**1,446**
Accumulated Depreciation				
Brought forward at 1st January 2023	(27)	(121)	(124)	**(272)**
Prior Year Adjustment	-	-	-	**-**
Depreciation charge for 2023	(27)	(59)	(123)	**(209)**
	(54)	(180)	(247)	**(481)**
Depreciation on disposals	-	-	7	**7**
Depreciation at 31st December 2023	(54)	(180)	(240)	**(474)**
Net book value at 31st December 2023	**88**	**85**	**799**	**972**
Net book value at 31st December 2022	**21**	**50**	**359**	**430**

The right of use assets relates to the office facilities contracted by Oxbury, commencing 1st September 2021 and 1st December 2022 (vacated November 2023) and 19th September 2023 and 17th November 2023. The total of cash outflows in the period in relation to the right of use asset totalled £168k (2022 £133k.)

Group				
GBP (000s)	**Fixtures, Fittings & Office Equipment**	**Computer & IT Equipment**	**Right of use assets**	**Total**
Cost				
Brought forward at 1st January 2022	28	117	516	**661**
Prior Year Adjustment	-	-	21	**21**
Additions in 2022	20	54	19	**93**
	48	171	556	**775**
Disposal in 2022	-	-	(73)	**(73)**
Cost as at 31st December 2022	48	171	483	**702**
Accumulated Depreciation				
Brought forward at 1st January 2022	(20)	(75)	(80)	**(175)**
Prior Year Adjustment	-	-	(21)	**(21)**
Depreciation charge for 2022	(7)	(46)	(92)	**(145)**
	(27)	(121)	(193)	**(341)**
Depreciation on disposals in 2022	-	-	69	**69**
Depreciation at 31st December 2022	(27)	(121)	(124)	**(272)**
Net book value at 31st December 2022	**21**	**50**	**359**	**430**
Net book value at 31st December 2022	**8**	**42**	**436**	**486**

2022: The right of use assets relates to the office facilities contracted by Oxbury, commencing January 2019 (vacated January 2022) and 1st September 2021 and 1st December 2022. The total of cash outflows in the period in relation to the right of use asset totalled £133k (2021: £93k.)

Company				
GBP (000s)	**Fixtures, Fittings & Office Equipment**	**Computer & IT Equipment**	**Right of use assets**	**Total**
Cost				
Brought forward at 1st January 2023	48	169	483	700
Additions in 2023	94	94	576	**764**
	142	263	1,039	**1,464**
Disposal in 2022	-	-	(20)	**(20)**
Cost as at 31st December 2023	142	263	1,039	**1,444**
Accumulated Depreciation				
Brought forward at 1 January 2023	(27)	(120)	(124)	**(271)**
Prior Year Adjustment	-	-	-	**-**
Depreciation charge for 2022	(27	(59)	(123)	**(209)**
	(54)	(179)	(247)	**(480)**
Depreciation on disposals in 2022	-	-	7	**7**
Depreciation at 31st December 2023	(54)	(179)	(240)	**(473)**
Net book value at 31st December 2023	**88**	**84**	**799**	**971**
Net book value at 31st December 2022	**21**	**49**	**359**	**429**

The right of use assets relates to the office facilities contracted by Oxbury, commencing 1st September 2021 and 1st December 2022 (vacated November 2023) and 19th September 2023 and 17th November 2023. The total of cash outflows in the period in relation to the right of use asset totalled £168k (2022 £133k.)

Company				
GBP (000s)	**Fixtures, Fittings & Office Equipment**	**Computer & IT Equipment**	**Right of use assets**	**Total**
Cost				
Brought forward at 1st January 2022	28	117	516	**661**
Prior Year Adjustment	-	-	21	**21**
Additions in 2022	20	52	19	**191**
	48	169	556	**773**
Disposals in 2022	-	-	(73)	**(73)**
Cost at 31st December 2022	48	169	483	**700**
Accumulated Depreciation				
Brought forward at 1st January 2022	(20)	(75)	(80)	**(175)**
Prior Year Adjustment	-	-	(21)	**(21)**
Depreciation charge for 2022	(7)	(45)	(92)	**(144)**
	(27)	(120)	(193)	**(340)**
Depreciation on disposals in 2022	-	-	69	**69**
Depreciation at 31st December 2022	(27)	(120)	(124)	**(271)**
Net book value at 31st December 2022	**21**	**49**	**359**	**429**
Net book value at 31st December 2021	**8**	**42**	**436**	**486**

2022. The right of use assets relates to the office facilities contracted by Oxbury, commencing January 2019 (vacated January 2022) and 1st September 2021 and 1st December 2022. The total of cash outflows in the period in relation to the right of use asset totalled £133k (2021: £93k.)

14. Intangible Assets

Group

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

GBP (000s)	**Operating System Software**	**Trademarks**	**Total**
Cost			
Brought forward at 1st January 2023	7,763	6	**7,769**
Additions in 2023	2,281	-	**2,281**
Cost at 31st December 2023	**10,044**	**6**	**10,050**
Accumulated Amortisation			
Brought forward at 1st January 2023	(2,309)	-	**(2,309)**
Amortisation charge for 2023	(1,359)	-	**(1,359)**
Amortisation charge for 2023	(3,668)	-	**(3,668)**
Net book value at 31st December 2023	**6,376**	**6**	**6,382**
Net book value at 31st December 2022	**5,454**	**6**	**5,460**

Group			
GBP (000s)	**Operating System Software**	**Trademarks**	**Total**
Cost			
Brought forward at 1st January 2022	4,615	6	**4,621**
Additions in 2022	3,148	-	**3,148**
Cost at 31st December 2022	7,763	6	**7,769**
Accumulated Amortisation			
Brought forward at 1st January 2022	(853)	-	**(853)**
Amortisation charge for 2022	(1,456)	-	**(1,456)**
Amortisation at 31st December 2022	(2,309)		**(2,309)**
Net book value at 31st December 2022	**5,454**	**6**	**5,460**
Net book value at 31st December 2021	**3,762**	**6**	**3,768**

Company

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

GBP (000s)	Operating System Software	Trademarks	Total
Cost			
Brought forward at 1st January 2023	6,253	6	**6,259**
Additions in 2023	2,281	-	**2,281**
Disposals in 2023	-	-	**-**
Cost at 31st December 2023	**8,534**	**6**	**8,540**
Accumulated Amortisation			
Brought forward at 1st January 2023	(2,007)	-	**(2,007)**
Amortisation charge for 2023	(1,117)	-	**(1,117)**
Amortisation at 31st December 2023	(3,124)	-	**(3,124)**
Net book value at 31st December 2023	**5,410**	**6**	**5,416**
Net book value at 31st December 2022	**4,246**	**6**	**4,252**

Company

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

GBP (000s)	Operating System Software	Trademarks	Total
Cost			
Brought forward at 1st January 2022	4,615	6	**4,621**
Additions in 2022	1,638	-	**1,638**
Cost at 31st December 2022	6,253	6	**6,259**
Accumulated Amortisation			
Brought forward at 1st January 2022	(853)	-	**(853)**
Amortisation charge for 2022	(1,154)	-	**(1,154)**
Amortisation at 31st December 2022	**(2,007)**	**-**	(2,007)
Net book value at 31st December 2022	**4,246**	**6**	4,252
Net book value at 31st December 2021	**3,762**	**6**	3,768

15. Related party transactions

Group & Company

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

Transactions with Directors and key management

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

	Number of individuals 2023	Total value 2023	Number of individuals 2022	Total value 2022
Savings				
Balances outstanding at 31st December 2023	13	£1,151k	10	£610k
Interest expense for Oxbury	13	£45k	10	£3k

No loans or advances were made to key management during the period (2022 – Nil).

Material transactions with entities for which key management personnel of Oxbury were key management of those entities, and had the potential to impact financial and operating policies in Oxbury.

- Dunthrop Farms Limited – Oxbury held zero deposits at the year-end and incurred less than £1k of interest expense (2022: Deposits £35k and Interest expense less than £1k). The entity also received a loan from Oxbury, holding a balance of £552k at the end of the year, and having realised £39k of interest income. (2022: Loan £567k and £21k interest income).
- CR CM and HJ Percy trading as Cottingham Farms – Oxbury held no deposits at the end of the year and incurred zero interest (2022: Zero deposits and Interest expense less than £1k). The entity held a lending balance with Oxbury of less than £1k at the end of the year, and having realised less than £1k of interest income. (2022: £42k of lending and less than £1k of interest).
- HL Hutchinson Ltd – Oxbury held deposits of £6,381k at the end of the year, and incurred £286k of interest expense (2022: Deposits £6,095k and Interest expense £79k). No income was recognised in the period (2022: £0k).
- Frontier Agriculture Limited – Oxbury recognised £406k of interest income in the year from Frontier in relation to balances held by customers (2022: £214k). Frontier provided a guarantee against £26,703k of the loans and advances to customers as at Dec-23 (2022: £24,141k).

Material transactions with wholly owned entities.

- Oxbury Earth Ltd – a wholly owned company – Oxbury Bank held deposits of £711k (Dec- 22: £711k) at the year end and incurred no interest expense. There was an Inter-company loan balance of £408k owed by Oxbury Earth to Oxbury Bank, comprising of costs paid on behalf of the subsidiary by Oxbury Bank (Dec 2022 £74k). Oxbury Bank Plc incurred a cost of £72k (including VAT) for the year from Oxbury Earth Ltd in relation to a service contract (2022 £66k).

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

16. Other Assets

	Group		Company	
GBP (000s)	Year to 31st Dec 2023	Year to 31st Dec 2022	Year to 31st Dec 2023	Year to 31st Dec 2022
Prepayments	706	480	706	480
Accrued Income and Deferred Payments	911	84	911	139
Other Assets	418	322	444	293
Trade Receivables	18	39	18	39
Inter-Company Loan	-	-	408	74
Total	**2,053**	**925**	**2,487**	**1,025**

Of which; falling due after more than one year.

	Group		Company	
GBP (000s)	Year to 31st Dec 2023	Year to 31st Dec 2022	Year to 31st Dec 2023	Year to 31st Dec 2022
Prepayments	117	62	117	62
Accrued Income and Deferred Payments	-	0	-	-
Other Assets	104	81	104	81
Trade Receivables	-	-	-	-
Inter-Company Loan	-	-	-	-
Total	**221**	**143**	**221**	**143**

17. Other Liabilities and accruals

	Group		Company	
GBP (000s)	Year to 31st Dec 2023	Year to 31st Dec 2022	Year to 31st Dec 2023	Year to 31st Dec 2022
Trade Creditors	385	159	365	159
Taxes and Social Security	289	366	288	223
Lease Liabilities	818	379	818	379
Accruals and Deferred Income and Other Liabilities	5,759	3,762	5,938	3,856
Total	**7,251**	**4,666**	**7,409**	**4,617**

Of which; falling due after more than one year:

	Group		Company	
GBP (000s)	Year to 31st Dec 2023	Year to 31st Dec 2022	Year to 31st Dec 2023	Year to 31st Dec 2022
Lease Liabilities	632	291	632	291
Total	**632**	**291**	**632**	**291**

Details of lease liabilities are shown in note 27.

18. Capital Management

Group & Company

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

At the end of the financial year, Oxbury held Common Equity Tier 1 regulatory capital, comprising share capital, share premium and retained earnings, together with required regulatory adjustments. The total capital ratio at the end of 2023 was 19% (2022: 19%)

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.

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

19. Financial Risk Management

Group & Company

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

Credit risk

Credit risk management

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

The risk to financial institutions which the Directors believe the Company is materially exposed to at the reporting date is credit risk of the cash held at banks, and the counterparty failing to meet its obligations. Oxbury mitigates this risk through the use of banking partners, either with a sufficient credit rating or where a credit rating is not available, sufficient due diligence, to inform that the deposited funds are not at risk. Oxbury has a Reserve Account at 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	148	A-1	P-1	Moody's	Jul-23
James Brearley	102	N/A	N/A	N/A	N/A
ClearBank Limited	12,425	N/A	N/A	N/A	N/A
Bank of England	530,991	Aa3	N/A	Moody's	Oct-23

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

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

(i) the 'probability of default' of an obligor defaulting (credit event) on some obligation

(ii) current exposures to the counterparty and their likely future development, from which the Company derives the 'exposure at default'; and

(iii) the likely recovery ratio on the defaulted obligations (the 'loss given default').

Credit risk mitigation

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

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

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

Credit concentration - Loans and advances to customers

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

Loans and advances to customers - gross carrying value

At 31st December 2023	PD Range	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
Grade 1	0.00 - 0.36%	334,976	2,700	-	337,676
Grade 2	0.37 – 0.85%	89,951	-	-	89,951
Grade 3	0.86 – 1.61%	123,104	1,095	-	124,199
Grade 4	1.62 – 3.45%	30,626	18	-	30,644
Grade 5	3.45 – 6.25%	14,523	3,960	-	18,483
Grade 6	6.26 -100%	4,152	530	621	5,303
		597,332	**8,303**	**621**	**606,256**

All loans and advances in Stage 1 are less than 30 days past due. Stage 2 loans are between 30 and 90 days overdue or deemed to have significantly increased for credit risk in line with accounting policies in note 4.14. Exposures included in Stage 3 are in excess of 90 days overdue, or deemed to have defaulted. No credit losses have been realised at the reporting date.

Loan commitments

At 31st December 2023	PD Range	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
Grade 1	0.00 - 0.36%	32,940	-	-	32,940
Grade 2	0.37 – 0.85%	8,848	-	-	8,848
Grade 3	0.86 – 1.61%	12,495	22	-	12,517
Grade 4	1.62 – 3.45%	3,505	2	-	3,507
Grade 5	3.45 – 6.25%	882	-	-	882
Grade 6	6.26 -100%	932	-	-	932
		59,602	**24**	**-**	**59,626**

Loans and advances to customers – Expected credit loss

In respect to drawn facilities

At 31st December 2023	PD Range	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
Grade 1	0.00 - 0.36%	116	4	-	120
Grade 2	0.37 – 0.85%	50	-	-	50
Grade 3	0.86 – 1.61%	134	3	-	137
Grade 4	1.62 – 3.45%	94	-	-	94
Grade 5	3.45 – 6.25%	55	18	-	74
Grade 6	6.26 -100%	58	5	7	70
		507	**31**	**7**	**545**

In respect to undrawn facilities

At 31st December 2023	PD Range	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
Grade 1	0.00 - 0.36%	18	-	-	18
Grade 2	0.37 – 0.85%	12	-	-	12
Grade 3	0.86 – 1.61%	26	-	-	26
Grade 4	1.62 – 3.45%	19	-	-	19
Grade 5	3.45 – 6.25%	9	-	-	9
Grade 6	6.26 -100%	14	-	-	14
		98	**-**	**-**	**98**

Analysis of movement in the Gross carrying amounts for loans and advances by stage

In respect of drawn balances	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
At 31st December 2022	346,543	2,623	510	349,676
Increase due to origination	303,859	-	62	303,921
Decrease due to changes in credit risk	(47,204)	(137)	-	(47,341)
Transfer from Stage1 to Stage 2	(5,817)	5,817	-	-
Transfer from Stage 1 to Stage 3	(49)	-	49	-
Transfer from Stage 2 to Stage 3	-	-	-	-
Transfer from Stage 3 to Stage 2	-	-	-	-
Transfer from Stage 3 to Stage 1	-	-	-	-
Transfer from Stage 2 to Stage 1	-	-	-	-
At 31st December 2023	**597,332**	**8,303**	**621**	**606,256**

In respect of undrawn balances and loan commitments	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
At 31st December 2022	30,813	-	-	30,813
Drawdown on opening	(17,951)	-	-	(17,951)
Increase due to origination	46,740	24	-	46,764
At 31st December 2023	**59,602**	**24**	**-**	**59,626**

Analysis of movement in the allowance for impairment losses by stage

In respect of drawn balances	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
At 31t December 2022	125	13	5	143
Increase due to origination	434	-	-	434
Decrease due to changes in credit risk	(51)	(9)	-	(60)
Transfer from Stage1 to Stage 2	(1)	27	-	26
Transfer from Stage1 to Stage 3	-	-	2	2
Transfer from Stage 2 to Stage 3	-	-	-	-
Transfer from Stage 3 to Stage 2	-	-	-	-
Transfer from Stage 3 to Stage 1	-	-	-	-
Transfer from Stage 2 to Stage 1	-	-	-	-
At 31st December 2023	**507**	**31**	**7**	**545**

In respect of undrawn balances and loan commitments	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
At 31st December 2022	36	-	-	36
Increase due to origination	62	-	-	62
At 31st December 2023	**98**	**-**	**-**	**98**

Loans and advances to customers - gross carrying value

At 31st December 2022	PD Range	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
Grade 1	0.00 - 0.36%	176,155	30	-	176,185
Grade 2	0.37 – 0.85%	66,082	-	-	66,082
Grade 3	0.86 – 1.61%	97,714	2,593	-	100,307
Grade 4	1.62 – 3.45%	4,396	-	-	4,396
Grade 5	3.45 – 6.25%	2,018			2,018
Grade 6	6.26 -100%	178	-	510	688
		346,543	**2,623**	**510**	**349,676**

All loans and advances in stages 1 are less than 30 days past due. Stage 2 loans are between 30 and 90 days overdue. Stage 3 loans are deemed to have defaulted. No credit losses had been realised at the reporting date. For credit impaired in Stage 3 the value of collateral against each exposure is as follows:

Loan To Value (credit impaired)

LTV ratio	31t Dec 2023 £'000	31st Dec 2022 £'000
10% - 20%	583	510
20% - 30%	-	-
30% - 40%	-	-
40% - 50%	-	-
60% - 70%	-	-
Unsecured	38	-
	621	**510**

Loan commitments

At 31st December 2022	PD Range	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
Grade 1	0.00 - 0.36%	19,166	-	-	19,166
Grade 2	0.37 – 0.85%	3,758	-	-	3,758
Grade 3	0.86 – 1.61%	6,610	-	-	6,610
Grade 4	1.62 – 3.45%	477	-	-	477
Grade 5	3.45 – 6.25%	749	-	-	749
Grade 6	6.26 -100%	53	-	-	53
		30,813	**-**	**-**	**30,813**

Drawn facilities

At 31st December 2022	PD Range	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
Grade 1	0.00 - 0.36%	31	-	-	31
Grade 2	0.37 – 0.85%	23	-	-	23
Grade 3	0.86 – 1.61%	55	13	-	68
Grade 4	1.62 – 3.45%	10	-	-	10
Grade 5	3.45 – 6.25%	3	-	-	3
Grade 6	6.26 -100%	3	-	5	8
		125	**13**	**5**	**143**

Loan commitments – Expected credit loss

At 31st December 2022	PD Range	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
Grade 1	0.00 - 0.36%	11	-	-	11
Grade 2	0.37 – 0.85%	6	-	-	5
Grade 3	0.86 – 1.61%	11	-	-	11
Grade 4	1.62 – 3.45%	3	-	-	3
Grade 5	3.45 – 6.25%	4	-	-	4
Grade 6	6.26 -100%	1	-	-	1
		36	**-**	**-**	**36**

Analysis of movement in the Gross carrying amounts for loans and advances by stage

In respect of drawn balances	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
At 31st December 2021	110,586	24	-	110,610
Increase due to origination	249,576	-	-	249,576
Decrease due to changes in credit risk	(10,510)	-	-	(10,510)
Transfer from Stage1 to Stage 2	(2,623)	2,623	-	-
Transfer from Stage1 to Stage 3	(510)	-	510	-
Transfer from Stage 2 to Stage 3	-	-	-	-
Transfer from Stage 3 to Stage 2	-	-	-	-
Transfer from Stage 3 to Stage 1	-	-	-	-
Transfer from Stage 2 to Stage 1	24	(24)	-	-
At 31st December 2022	**346,543**	**2,623**	**510**	**349,676**

In respect of undrawn balances and loan commitments	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
At 31st December 2021	12,062	-	-	12,062
Increase due to origination	18,751	-	-	18,751
At 31st December 2022	**30,813**	**-**	**-**	**30,813**

Analysis of movement in the allowance for impairment losses by stage

In respect of drawn balances	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
At 31st December 2021	60	5	-	65
Increase due to origination	115	-	-	115
Decrease due to changes in credit risk	(37)	-	-	(37)
Transfer from Stage1 to Stage 2	(13)	13	-	-
Transfer from Stage1 to Stage 3	(5)	-	5	-
Transfer from Stage 2 to Stage 3	-	-	-	-
Transfer from Stage 3 to Stage 2	-	-	-	-
Transfer from Stage 3 to Stage 1	-	-	-	-
Transfer from Stage 2 to Stage 1	5	(5)	-	-
At 31st December 2022	**125**	**13**	**5**	**143**

In respect of undrawn balances and loan commitments	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
At 31st December 2021	20	-	-	20
Increase due to origination	16	-	-	16
At 31st December 2022	**36**	**-**	**-**	**36**

Repossessed collateral

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

19.1 Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its obligations as they fall due. To manage this risk the Company ensures the maturity of deposit liabilities and HQLA deposits held at the Bank of England are sufficient to cover Lending assets in line with the Companies liquidity appetite. Liquidity risks are managed by the Finance department of the Company, in consultation with the Asset and Liability committee (ALCO). Weekly reviews of funding positions are undertaken to anticipate any shortfalls.

The tables within this note analyse the gross undiscounted contractual cashflows from assets and liabilities. The "Net liquidity gap" is reported excluding behavioural adjustments. The figures assume that inflows related to debt, and outflows related to deposits, occur on the contractual due dates. Moreover, balances from Easy access and Notice deposits with a maturity less than 3 months deposits are reported according to the earliest date that Oxbury could be required to transfer the balance to the customer. This does not include the impact of management actions or evaluation of customer behavioural characteristics which the business reviews regularly in line with its regulatory obligations, risk appetite and in accordance with interactions with the Prudential Regulation Authority.

Liquidity risk

Group (Gross)						
As at December 2023	**Note**	**0-3 months £'000**	**4-12 months £'000**	**1-5 years £'000**	**5 years + £'000**	**Total £'000**
Assets						
Cash and cash equivalents (note 24)	A	543,981	-	-	-	543,981
Loans and advances to customers (note 25)	B	20,360	64,808	267,799	791,070	1,144,037
Other assets (note 16)	C	325	-	-	-	325
Total assets inflows		564,666	64,808	267,799	791,070	1,688,343
Liabilities						
Financial liabilities (note 12)	D	430	1,300	6,905	22,284	30,919
Deposits (note 26)	E	672,560	353,076	50,453	-	1,076,089
Other liabilities (note 17 & note 27)	C	792	47	380	252	1,471
Total Liability outflows		**673,782**	**354,423**	**57,738**	**22,536**	**1,108,479**
Net liquidity gap		**(109,116)**	**(289,615)**	**210,061**	**768,534**	**579,864**

Company (Gross)						
As at December 2023	**Note**	**0-3 months £'000**	**4-12 months £'000**	**1-5 years £'000**	**5 years + £'000**	**Total £'000**
Assets						
Cash and cash equivalents (note 24)	A	543,981	-	-	-	543,981
Loans and advances to customers (note 25)	B	20,360	64,808	267,799	791,070	1,144,037
Other assets (note 16)	C	325	-	-	-	325
Total assets inflows		564,666	64,808	267,799	791,070	1,688,343
Liabilities						
Financial liabilities (note 12)	D	430	1,300	6,905	22,284	30,919
Deposits (note 26)	E	672,560	353,076	50,453	-	1,076,089
Other liabilities (note 17 & note 27)	C	792	47	380	252	1,471
Total Liability outflows		**673,782**	**354,423**	**57,738**	**22,536**	**1,108,479**
Net liquidity gap		**(109,116)**	**(289,615)**	**210,061**	**768,534**	**579,864**

Note	Cash flows from assets and liabilities are allocated to the appropriate time bands are as follows:
A	Based on availablilty of 'cash and cash equivalents' classified by contractual maturity date
B	Customer paments are assumed to occur on the latest contractual date and no behaviour adjustments are made for customer early settlements.
C	Classified based on the earliest contractual due date
D	Classifed according to the remaining period to maturity relates to Tier 2 subordinated loan based on the latest possible contractual due date

19.2 Interest rate risk

Interest rate risk is the risk of financial loss as a result of adverse movements in interest rates and arises largely because of timing differences between the repricing of financial assets and liabilities. Interest rate risk is managed by the Finance department, in consultation with the Asset and Liability committee (ALCO).

The Company is exposed to interest rate fluctuations due to factors outside the Company, and as a result a sensitivity analysis has been prepared to illustrate the impact of a change in the rates.

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

- Net interest income would decrease by £512k (2022: increase by £386k) with an increase of 25-basis points (2022: 25-basis points).
- Net interest income would increase by £512k (2022: decrease by £386k) with a decrease of 25-basis points (2022: 25-basis points) to the rate.

19.3 Business risk

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

19.4. Fair values of financial assets and liabilities

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

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

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

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

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

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

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

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

The aggregated fair value of Loans and advances to customers is approximately £606,256k (2022: £349,676k). The carrying value of all other financial assets and liabilities is considered an approximation of fair value. The fair value of collateral held as security against Loans and advances to customers is £1,473,303k (2022: £790,368k). The majority of collateral held are legal mortgages secured against land and buildings. Other forms of collateral are also held in the form of debentures, agricultural charges, personal and corporate guarantees. There have been no significant changes in the quality of collateral held during 2023. There are no financial instruments where the entity has not recognised a loss allowance because of the collateral.

20. Share Capital

Group & Company				
Share Class (Issued at £0.01 nominal)	**Number of Shares at 31st Dec 2023**	**Nominal Value at 31st Dec 2023 GBP (000s)**	**Number of Shares at 31st Dec 2022**	**Nominal Value at 31st Dec 2022 GBP (000s)**
A Ordinary Shares	70,533,458	705.3	59,384,363	593.8
B Ordinary Shares	2,500,000	25.0	2,500,000	25.0
C Ordinary Shares	3,117,119	31.2	3,117,119	31.2
Total	**76,150,577**	**761.5**	**65,001,482**	**650.0**

A Ordinary and B ordinary shares have full voting and economic rights, C shares have no voting rights but do have economic rights, when vested. Unvested C shares do not have any voting or economic rights. All shares are fully paid.

During the year ended 31st December 2023, 11,149,095 A Ordinary shares of £0.01 nominal value were issued for a total value of £24,035k, resulting in share capital of £111k and share premium of £23,924k, net of directly related costs. (2022 issued 13,610,755 A ordinary shares; which resulted in share premium £27,878k net of costs).

At the end of December 2023, the Company had authorisation for the issuance of 96,000,000 shares, consisting of 88,500,000 A shares, 2,500,000 B shares and 5,000,000 C shares.

21. Share Premium

Group & Company		
	31st Dec 2023 GBP (000s)	**31st Dec 2022 GBP (000s)**
Share Premium balance brought forward	68,302	40,424
Additions during the year	24,122	28,080
Costs directly attributable to capital raises	(198)	(202)
As at the end of the period	**92,226**	**68,302**

22. Accumulated Losses

	Group		**Company**	
GBP (000s)	**Year to 31st Dec 2023**	**Year to 31st Dec 2022**	**Year to 31st Dec 2023**	**Year to 31st Dec 2022**
Accumulated Loss brought forward	(15,200)	(14,557)	(14,901)	(14,557)
Prior year consolidation adjustment	(11)	-	-	-
Profit for the year ended 31st December	1,876	(643)	2,314	(344)
As at the end of the period	**(13,335)**	**(15,200)**	**(12,587)**	**(14,901)**

23. Share Based Payments

Group & Company

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 impact is consistent across the Group and Company.

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 employee options include a vesting requirement based on a completion of a period of employment for employees and are exercisable based on a specific company achievement at an indeterminable point in the future. The maximum term of options granted is 15 years.

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, with vesting based on a period of time.

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

	2020; Employees	2022; Employees	2022 & 2023; Employees
Tranche	2	3	4
Risk Free Rate	1.00%	0.32%	0.41%
Expected Volatility	100.00%	55.24%	44.74%
Dividend Yield	Nil	Nil	Nil
Expected Life of Options (Years)	0.1	3.0	7.5

No share options were exercised by employees in the calendar year to December 2023 by employees (Dec-22: zero).

Options over 11,383 ordinary C shares expired during 2023. (2022: None).

The model assumes that there is constant predictable volatility in the share price, which has been estimated 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 2023 GBP (000s)	31st Dec 2022 GBP (000s)
Share Based Payment Reserve brought forward	107	17
Additions during the year	159	90
As at 31st December 2023	266	107

	Number of Share Options	Weighted Average Exercise Price - GBP	Original Contractual Life (where available) - years	Weighted Average Remaining Contractual Life (where available) - years
Outstanding 31st December 2022	**931,757**	**£1.95**	**7.5**	**6.8**
Granted during the year	148,363	£2.05	7.5	6.6
Forfeited during the year	11,383	£2.05	7.5	N/A
Exercised during the year	-	-	-	-
Expired during the year	-	-	-	-
Outstanding 31st December 2023	**1,068,737**	**£1.96**	**7.5**	**5.9**
of which Tranche 2	100,690	£1.10	7.5	4.4
of which Tranche 3	135,000	£2.05	7.5	5.6
of which Tranche 4	843,047	£2.05	7.5	6.2
Exercisable at 31st December 2023	**-**	**-**	**-**	**-**

24. Cash and Cash Equivalents

	Group		Company	
GBP (000s)	31st Dec 2023 GBP (000s)	31st Dec 2022 GBP (000s)	31st Dec 2023 GBP (000s)	31st Dec 2022 GBP (000s)
Balances held with the Bank of England	530,991	130,522	530,991	130,522
Balances held with other banks	12,889	15,417	12,573	15,022
Other balances	101	100	101	100
As at 31st December 2023	**543,981**	**146,039**	**543,665**	**145,644**

No allowance for ECL was assessed during the year, no offsets or netting arrangements were in place and Oxbury did not have any off-balance sheet exposures in respect of the above. The Group's credit risk exposure to cash and cash equivalent balances was £543,981k (2022: £146,039k).

The Company's credit risk exposure to cash and cash equivalent balances was £543,665k (2022: £146,644k).

25. Loans and Advances to Customers

Group & Company

The total of customer loans as at 31st December 2023 was £606,256k of which £43,017k was due within one year, excluding the impact of the ECL (2022; £349,676k of which £27,186k was due within one year, excluding the impact of the ECL). The maximum exposure to credit risk from loans and advances to customers including loan commitments is £689,404k (2022; £393,264k). This includes revolving credit products at 100% of facility limits which is higher compared to IFRS 9, which measures loan commitments at the expected utilisation for the next 12 months. The increase in loan commitments is measured as the difference between the contractual facility limit and the expected utilisation under IFRS 9. The increase is £23,53333k (2022; £12,775k) of limits which are not expected to be utilised.

Loans and Advances to Customers - maturity bucketing

	31st Dec 2023 GBP (000s)	Restatd 31st Dec 2022 GBP (000s)
Amounts due:		
- within one year	43,017	27,186
- over one year but less than five years	114,889	63,148
- over five years	448,350	259,342
Gross Loans and Advances	606,256	349,676
Allowance for ECL	(545)	(144)
As at the end of the period	**605,711**	**349,532**

	Restatd 31st Dec 2022 GBP (000s)	31st Dec 2022 GBP (000s)	Variance GBP (000s)
Amounts due:			
- within one year	27,186	12,001	15,185
- over one year but less than five years	63,148	46,505	16,643
- over five years	259,342	291,170	(31,828)
Gross Loans and Advances	349,676	349,676	-
Allowance for ECL	(144)	(144)	-
As at the end of the period	**349,532**	**349,532**	**-**

Total revolving credit facilities within Loans and Advances are £94,846K in 2023 (2022: £61,943k). The maturity bucketing in 2022 assumed that the revolving credit products balances would remain stable over time. To remain stable, the assumption is that contractual repayments and additional drawdowns are approximately the same. The restated analysis for 2022 assumes that the contractual repayment terms for revolving credit facilities mature in line with contractual capital repayment requirements and no additional drawdowns. The comparison has been restated on the same basis with no other impact on the financial statements. A column showing the reallocation between maturity buckets is shown in the table.

Within Loans and Advances are Finance Leases. All Finance Leases are Hire Purchase (HP) contracts which are a composite Supply of Goods with a Financing arrangement.

	31st Dec 2023 GBP (000s)	31st Dec 2022 GBP (000s)
Finance Lease disclosure – maturity bucketing		
- within one year	11,346	51
- between one and two years	9,055	48
- between two and three years	6,774	45
- between three and four years	4,185	-
- between four and five years	2,021	12
- over five years	905	-
Total Finance Lease payments receivable	**34,286**	**156**
Guaranteed residual value	-	-
Unearned finance income	(5,793)	(19)
Allowance for credit losses	(101)	(1)
Deferred origination costs	(572)	-
Net investment in finance leases	**27,821**	**136**

26. Customer Deposits

The value of all customer deposits in the Company as at 31 December 2023 totalled £1,060,658k (2022; £441,918k).

	Group		Company	
	31st Dec 2023 GBP (000s)	31st Dec 2022 GBP (000s)	31st Dec 2023 GBP (000s)	31st Dec 2022 GBP (000s)
Customer Deposits	1,059,947	441,206	1,060,658	441,918
Amounts due:				
- no later than one month	32,648	22,890	33,359	23,602
- over one month and less than 3 months	253,533	111,998	253,533	111,998
- over 3 months and less than one year	347,783	285,940	347,783	285,940
- over one year and less than five years	49,697	20,378	49,697	20,378
- over five years	-	-	-	-
Total Notice and Term deposits	683,661	441,206	684,372	441,918
Easy Access Accounts	376,286	-	376,286	-
Total Deposits	**1,059,947**	**441,206**	**1,060,658**	**441,918**

Notice and Term deposit products are provided to both personal and business customers, with growth in the year reflecting the funding of the growth in the lending asset. At the end of the period Oxbury Earth Ltd had funds deposited with Oxbury Bank Plc of £711k (2022: £711k).

Customer deposit liabilities by maturity. (All cashflows are shown on an undiscounted basis).

	Group		Company	
	31st Dec 2023 GBP (000s)	31st Dec 2022 GBP (000s)	31st Dec 2023 GBP (000s)	31st Dec 2022 GBP (000s)
Customer Deposits	1,076,089	449,233	1,076,800	449,944
Amounts due:				
- no later than one month 3	38,883	23,302	39,594	24,013
- over one month and less than 3 months	257,391	114,037	257,391	114,037
- over 3 months and less than one year	353,076	291,145	353,076	291,145
- over one year and less than five years	50,453	20,749	50,453	20,749
- over five years	-	-	-	-
Total Notice and Term deposits	699,803	449,233	700,514	449,944
Easy Access Accounts	376,286	-	376,286	-
Total Deposits	**1,076,089**	**449,233**	**1,076,800**	**449,944**

27. Lease Liabilities

Group & Company

	31st Dec 2023 GBP (000s) Land and Buildings	31st Dec 2022 GBP (000s) Land and Buildings
As at 1st January	379	465
Additions	576	20
Disposals	(12)	-
Interest expense	44	36
Interest adjustment	(21)	10
Lease Payments	(148)	(152)
As at 31st December	**818**	**379**
Of which due within one year	186	88
Due between one year and five years	380	291
Due after five years 2	252	-

Included in the above is a dilapidations provision of £13k (2022: £13k), which is based on the estimated relevant liability at the end of the lease.

Interest on the above amount is expected to total £252k (2022: £112k) over the length of the leases.

- £244k of lease liabilities relate to office space for the Company's registered office (2022: £379k). The Company took over the lease of office space at One City Place, Chester on 1st September 2021 and changed its registered office to that address on 19th October 2021. This lease runs until November 2026.
- The Company took over the lease of an area of office space at The Steam Mill, Chester on 19th September 2023, with the lease running for a period of eight years and two months.
- In addition, the Company also took over the lease of a further area of office space at The Steam Mill, Chester on 17th November 2023 and in exchange relinquished the lease on the small office taken over on 17th November 2022. The new lease run for three years from November 2023.

The contractual undiscounted lease liabilities at the end of the year equated to £1,119k of which £220k was due within one year, and the remainder due within the subsequent three to seven years (2022; £443k, of which £113k was due within one year, and the remainder due within the subsequent three years).

28. Country-by-Country Reporting

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

	Group		Company	
	31st Dec 2023 GBP (000s)	31st Dec 2022 GBP (000s)	31st Dec 2023 GBP (000s)	31st Dec 2022 GBP (000s)
Turnover*	19,372	5,678	19,372	5,678
Profit / (Loss) before tax	2,609	(5,647)	3,047	(5,353)
Corporation tax payable / (refundable)	-	(727)	-	(727)
Average number of employees (FTE)	147	106	146	105

*Turnover is defined as total interest income less interest expense

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

29. Net Deferred Tax Asset

Calculation of net deferred tax asset closing balance:

	Group		Company	
GBP (000s)	Year to 31st Dec 2023	Year to 31st Dec 2022	Year to 31st Dec 2023	Year to 31st Dec 2022
Deferred tax asset on losses brought forward	4,283	-	4,283	-
Current year movement	(1,074)	3,256	(1,074)	3,256
Impact of rate change	-	1,027	-	1,027
Closing Balance	3,209	4,283	3,209	4,283

Further detail is included in Note 11.

30. Post Balance Sheet Events

Incorporation of business

In January 2024, a subsidiary of Oxbury Earth Ltd was incorporated in the state of Delaware, USA, named Oxbury Earth LLC. No trading activity was commenced prior to the sign off of these accounts.

Issue of additional Share Capital

In the period to the date of signature of these financial statements the Company secured investment of £9,214k in the form of a capital raise through the issue of 3,822,998 A ordinary shares of £0.01 nominal value. This equated to £38k share capital together with £9,176k share premium

Increase in size of ENABLE guarantee facility

In March 2024, the Company agreed an upsize in the ENABLE facility, from £100m to £200m.

31. Prior Year Adjustment

The 2022 audited statement of cash flows was incorrectly presented and contained allocation errors across the operating, financing, and investing activities, with an overall net zero impact on the movement in cash & cash equivalents.

In 2022, the cash flows generated from operating activities were understated by £34k, cash flows from investing activities were understated by £16k, and financing activities were overstated by £50k.

The misstatement in cash flows from financing activities have been corrected by reducing the proceeds from the issuance of share capital by £50k, leading to reduction in financing activities cash flows.

The changes in the investing cash flows have been corrected via an increase of £15k in the payment for tangible asset and an increase of £1k for payment made for intangible assets, together resulting in an increase in investing activities cash flows by £16k.

The operating cash flows have been corrected by a reduction of £6k (Group) and an increase of £1k (Company) in the loss before tax. There has also been a decrease in non-cash adjustments of £5,268k for Group and Company, and an increase of £5,296k (Group) and £5,302k (Company) in the working capital changes, primarily as a result of the presentational change. The overall net impact is an increase of £34k for Group and Company.

Details of the changes across the statement are shown in the table on Page 84.

31. Prior Year Adjustment (continued)

Cash Flows from Operating Activities	Note	2022		Adjustment		2022 (Restated)	
		2022 £'000 Group	2022 £'000 Company	2022 £'000 Group	2022 £'000 Company	2022 £'000 Group	2022 £'000 Company
Profit/(Loss) for the period after taxation	31a	(1,020)	(343)	377	(1)	(643)	(344)
Reduction/(Increase) in Net Deferred Tax Asset	31a	(3,906)	(4,283)	(377)	-	(4,283)	(4,283)
Income Tax	31a	-	-	6	-	6	-
Research & Development Tax Credit		(727)	(727)	-	-	(727)	(727)
Loss for the period before taxation:		**(5,653)**	**(5,353)**	**6**	**(1)**	**(5,647)**	**(5,354)**
Adjustments for non-cash items:							
Depreciation & Amortisation		1,601	1,298	-	-	1,601	1,298
Expected credit loss provisions on loans		95	95	(0)	(0)	95	95
Share-based payment reserve		90	90	-	-	90	90
Net Increase in Bank of England Interest Accural	31b	-	-	208	208	208	208
Subordinated loan interest expense	31b	-	-	165	165	165	165
Lease Interest Expense	31b	-	-	37	37	37	37
Net Interest Income	31b	-	-	(5,678)	(5,678)	(5,678)	(5,678)
Operating cash flows before changing in operating assets and liabilities		**(3,867)**	**(3,870)**	**(5,262)**	**(5,268)**	**(9,129)**	**(9,138)**
New change in operating assets and liabilities							
Net (decrease)/increase in other assets		280	(566)	-	2	280	(565)
Net increase in other liabilities	31c	3,486	3,667	(174)	(169)	3,312	3,498
Net increase in customer deposits	31c	302,989	303,701	(2,244)	(2,244)	300,745	301,457
Increase in loand and advances to customers	31c	(239,066)	(239,066)	713	713	(238,353)	(238,353)
Interest received - Bank of England	31c	-	-	1,046	1,046	1,046	1,046
Interest received - lending accounts	31c	-	-	8,509	8,509	8,509	8,509
Interest paid - deposit accounts	31c	-	-	(2,554)	(2,554)	(2,554)	(2,554)
R&D Tax Credits - payments received		-	-	-	-	-	-
Cash flows generated from/(used in) operating activities		**63,822**	**63,866**	**34**	**34**	**63,856**	**63,900**
Investing activities							
Purchase of tangible assets		(89)	(87)	15	15	(74)	(72)
Investment in Subsidiary		-	(2,466)	-	-	-	(2,466)
Acquisition of Subsidiary (net of cash acquired)		(2,022)	-	-	-	(2,022)	-
Addition in intangible assets and trademarks		(1,642)	(1,639)	1	1	(1,641)	(1,638)
Net cash flow used in investing		**(3,753)**	**(4,192)**	**16**	**16**	**(3,737)**	**(4,176)**
Financing Activities							
Issue of share capital		28,217	28,217	(50)	(50)	28,167	28,167
Costs directly related to issue of share capital		(153)	(153)	-	-	(153)	(153)
Increase in Subordinated Debt		7,500	7,500	-	-	7,500	7,500
Interest paid on Subordinated Debt		-	-	-	-	-	-
Interest on lease payments		(37)	(37)	-	-	(37)	(37)
Payments on lease		(115)	(115)	-	-	(115)	(115)
Net cash flow from financing activities		**35,412**	**35,412**	**(50)**	**(50)**	**35,362**	**35,362**
Net increase in cash and cash equivalents in the year		**95,481**	**95,086**	**-**	**-**	**95,481**	**95,086**
Cash and cash equivalents at start of the year		50,558	50,558	-	-	50,558	50,558
Cash and cash equivalents at end of the year		**146,039**	**145,644**	**-**	**-**	**146,039**	**145,644**

Reconciliation of Material differences

31a) Loss before tax was reduced by £6k (Group) due to tax charge now recognised. Other adjustments made to reduce loss after tax by £377k in alignment with amounts presented in the statement of comprehensive income is offset by a compensatory movement in deferred tax asset.

31b) The operating cash flows has been represented to provide an analysis of the impact of accruals and non-cash items. This includes the impact of changes in accrued interest from the Bank of England of £208k and the net interest income of £5,678k. The operating cash flows are also represented for the interest expense on subordinated loans of £165k and leases of £37k.

31c) The working capital changes result from the representation of the non-cash items above. This includes presentation of the interest received from the Bank of England of £1,046k and from lending customer of £8,509k, together with interest paid to deposit customers of £2,554k. The continued impact of the representation to detail the impact of accruals and cash basis shows a reduced increase in customer deposit value of £2,244k, and a reduction in the cash increase in customer loans of £713k. As noted above, and as per the Statement of Financial position, the opening and closing value of these items remains unchanged, with the adjustments noted above primarily as a result of the representation of the cash flow. The net increase in other liabilities has reduced by £174k (Group) and £169k (Company).

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