

Inter Bay Financial I Limited

Annual Report and Financial Statements
For the Year Ended 31 December 2020
Company Number: 05878146



Inter Bay Financial I Limited

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Inter Bay Financial I Limited

Company Information

DIRECTORS

Clive Kornitzer
Neil Richardson
Richard Wilson

COMPANY SECRETARY

Nickesha Graham-Burrell

REGISTERED OFFICE

Reliance House
Sun Pier
Chatham
ME4 4ET

REGISTERED NUMBER

05878146 (England and Wales)

AUDITOR

Deloitte LLP
Statutory Auditor
1 New Street Square
London
EC4A 3HQ
United Kingdom

Inter Bay Financial I Limited

Directors' Report

For the Year Ended 31 December 2020

The Directors present their Report and the audited Financial Statements of Inter Bay Financial I Limited (the Company) for the year ended 31 December 2020.

Incorporation and principal activity

The Company was incorporated on 17 July 2006. The principal activity of the Company is as a holding company.

Business review and results

Net interest expense for the year decreased by £46k to £280k (2019: £326k) driven by the lower cost of funding from OneSavings Bank plc (OSB). The loss after taxation for the year was £227k (2019: £264k), which decreased total equity shareholders' funds at 31 December 2020 to a net deficit of £17,802k (2019: £17,575k deficit).

Future developments

The Company will continue as a holding company.

Going concern

The Directors have assessed the Company as a going concern in the light of current economic conditions and all available information about future risks and uncertainties.

In assessing whether the going concern basis is appropriate, the Directors considered the information contained in the Financial Statements and the latest business plans for the Company.

The assessment also considered projections for OSB GROUP PLC and its subsidiaries (together, the Group), in which the Company and its subsidiaries are subsidiary undertakings. Projections for the Group have been prepared, covering future performance capital and liquidity for a period in excess of 12 months from the date of approval of these Financial Statements. These forecasts have been subject to sensitivity tests, including stress scenarios, which have been compared to the latest Brexit and COVID-19 pandemic economic scenarios provided by the Group's external economic advisors, as well as reverse stress tests.

Having reviewed these assessments, the Directors are satisfied that the Company has adequate resources to continue in operational existence for a period in excess of 12 months from the date of this report.

Directors and their interests

The Directors who served throughout the year and to the date of this Directors' Report were as follows:

Clive Kornitzer

Mark Parrett (resigned on 9 April 2021)

Neil Richardson (appointed on 12 May 2021)

Richard Wilson

No Director had any beneficial interest either in the share capital of the Company, or in any material contract or arrangement with the Company at any time during the year under review.

Third parties indemnities

Qualifying group third party indemnity provisions for the benefit of the Directors were in force during the year under review and remain in force as at the date of approval of the Directors' Report and Financial Statements.

Dividends

The Directors do not recommend a dividend for 2020 (2019: nil).

Inter Bay Financial I Limited

Directors' Report (continued)

For the Year Ended 31 December 2020

Events after the reporting date

There have been no significant events between 31 December 2020 and the date of approval of the Financial Statements which would require a change to the Financial Statements.

Auditor

The Auditor, Deloitte LLP, has expressed its willingness to continue in office. Pursuant to section 487 of the Companies Act 2006, the Auditor will be deemed to be reappointed and Deloitte LLP will therefore continue in office.

Each of the persons who is a Director at the date of approval of this Directors' Report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's Auditor is unaware; and
- the Director has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

The Company has applied the Small Companies exemption of the Companies Act 2006 from the requirement to prepare a strategic report.

This report was approved by the Board on 30 June 2021 and signed on its behalf by:



Nickesha Graham-Burrell
Company Secretary

Inter Bay Financial I Limited

Statement of Directors' Responsibilities in respect of the Directors' Report and the Financial Statements

For the Year Ended 31 December 2020

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have elected to prepare the Financial Statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including The Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102). 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 affairs of the Company and of the profit or loss of the Company for that period. In preparing these Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Financial Statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Approved by the Board and signed on its behalf by:



Nickesha Graham-Burrell

Company Secretary

30 June 2021

Independent Auditor's Report to the Members of Inter Bay Financial I Limited

Report on the audit of the Financial Statements

Opinion

In our opinion the Financial Statements of Inter Bay Financial I Limited (the Company):

- give a true and fair view of the state of the Company's affairs as at 31 December 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the Financial Statements which comprise:

- the Statement of Comprehensive Income;
- the Statement of Financial Position;
- the Statement of Changes in Equity; and
- the related notes 1 to 11.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

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 are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the Financial Statements in the UK, including the Financial Reporting Council's (the FRC's) Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the Financial Statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the Financial Statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least 12 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.

Other information

The other information comprises the information included in the Annual Report, other than the Financial Statements and our auditor's report thereon. The Directors are responsible for the other information contained within the Annual Report. 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.

Independent Auditor's Report to the Members of Inter Bay Financial I Limited (continued)

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.

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

Auditor's responsibilities for the audit of the Financial Statements

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

A further description of our responsibilities for the audit of the Financial Statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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

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

We considered the nature of the Company's industry and its control environment, and reviewed the Company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

Independent Auditor's Report to the Members of Inter Bay Financial I Limited (continued)

We obtained an understanding of the legal and regulatory framework that the Company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the Financial Statements, which include the UK Companies Act 2006 and Tax legislation; and
- do not have a direct effect on the Financial Statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team including relevant internal specialists such as tax specialists, regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the Financial Statements.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the Financial Statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and external legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of Board Meetings; reviewing internal audit reports and reviewing correspondence with HMRC.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Directors' Report for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements; and
- the Directors' Report has been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Directors' Report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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; or
- the Directors were not entitled to take advantage of the small companies' exemptions in preparing the Director's Report and from the requirement to prepare a Strategic Report.

We have nothing to report in respect of these matters.

Independent Auditor's Report to the Members of Inter Bay Financial I Limited (continued)

Use of our report

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



Giles Lang, FCA (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

London, United Kingdom

30 June 2021

Inter Bay Financial I Limited

Statement of Comprehensive Income

For the Year Ended 31 December 2020

	Note	2020 £'000	2019 £'000
Interest receivable and similar income	2	27	44
Interest payable and similar charges	3	(307)	(370)
Net interest expense		(280)	(326)
Loss before taxation		(280)	(326)
Tax on loss	6	53	62
Loss for the financial year		(227)	(264)

The above results are derived wholly from continuing operations.

There were no recognised gains or losses for 2020 or 2019 other than those included in the Statement of Comprehensive Income.

There was no other comprehensive income for 2020 (2019: nil).

The notes on pages 12 to 16 form part of these Financial Statements.

Inter Bay Financial I Limited

Statement of Financial Position

As at 31 December 2020

	Note	2020 £'000	2019 £'000
Fixed assets			
Investments	7	-	-
Current assets			
Debtors	8	1,777	1,759
Creditors: Amounts falling due within one year	9	(19,579)	(19,334)
Net current liabilities		(17,802)	(17,575)
Total assets less current liabilities		(17,802)	(17,575)
Net liabilities		(17,802)	(17,575)
Capital and reserves			
Called up share capital	10	-	-
Profit and loss account		(17,802)	(17,575)
Shareholders' funds		(17,802)	(17,575)

The notes on pages 12 to 16 form part of these Financial Statements.

The Financial Statements were approved by the Board of Directors on 30 June 2021 and were signed on its behalf by:



Richard Wilson
Director

Company registered number: 05878146

Inter Bay Financial I Limited

Statement of Changes in Equity

For the Year Ended 31 December 2020

	Called up share capital ¹ £'000	Profit and loss account £'000	Total shareholders' funds £'000
At 1 January 2019	-	(17,311)	(17,311)
Loss for the financial year	-	(264)	(264)
At 31 December 2019	-	(17,575)	(17,575)
Loss for the financial year	-	(227)	(227)
At 31 December 2020	-	(17,802)	(17,802)

¹ The Company's called up share capital of £0.01 is further disclosed in note 10.

Inter Bay Financial I Limited

Notes to the Financial Statements

For the Year Ended 31 December 2020

1. Accounting policies

a) Company information

Inter Bay Financial I Limited is a private company limited by shares registered in England and Wales. The address of the Company's registered office is disclosed on page 1.

b) Basis of preparation

These Financial Statements have been prepared in accordance with applicable UK accounting standards, including Financial Reporting Standard 102: The Financial Reporting Standard Applicable in the United Kingdom and Republic of Ireland (FRS 102), and with the Companies Act 2006. The Company elected to apply the recognition and measurement requirements of IFRS 9 as permitted by FRS 102 section 11. The Financial Statements have been prepared on the historical cost basis. The presentation currency of these Financial Statements is Pounds Sterling. These Financial Statements are the Company's separate financial statements. All amounts in the Financial Statements have been rounded to the nearest thousand (£'000).

The Company's accounting reference date is 31 December so that the year end is aligned with its ultimate parent company and fellow subsidiaries within the Group for the purposes of preparing consolidated financial statements for the Group.

OSB was the ultimate controlling party of the Company until 27 November 2020, when the Group inserted OSB GROUP PLC (OSBG) as the new listed holding company of the Group. The Company's ultimate parent undertaking, OSBG, includes the Company in its consolidated financial statements. The Company is an intermediate holding company and exempt from preparing group accounts within these Financial Statements and accordingly, these Financial Statements relate to the Company only. The consolidated financial statements of OSBG are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and are available to the public and may be obtained from OSBG's registered office: OSB House, Quayside, Chatham Maritime, Chatham, ME4 4QZ.

In these Financial Statements, the Company is considered to be a qualifying entity for the purposes of FRS 102 and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- The requirements within Section 3 Financial Statements.
- The requirements within Section 7 Statement of Cash Flows.
- The requirements within Section 11 Financial Instruments.
- The requirements within Section 12 Other Financial Instruments Issues.

As the Consolidated Financial Statements of OSBG include the disclosures equivalent to those required by FRS 102, the Company has also taken the exemptions available in respect of the following disclosures:

- The requirements within Section 33 Related Party Disclosures.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all years presented in these Financial Statements.

There were no significant judgements made by the Directors, in the application of these accounting policies that have a significant effect on the Financial Statements and there were no estimates with a significant risk of material adjustment in the current or subsequent year.

Inter Bay Financial I Limited

Notes to the Financial Statements (continued)

For the Year Ended 31 December 2020

1. Accounting policies (continued)

c) Going concern

The Directors have assessed the Company as a going concern in the light of current economic conditions and all available information about future risks and uncertainties.

In assessing whether the going concern basis is appropriate, the Directors considered the information contained in the Financial Statements and the latest business plans for the Company.

The assessment also considered projections for the Group, in which the Company and its subsidiaries are subsidiary undertakings. Projections for the Group have been prepared, covering future performance capital and liquidity for a period in excess of 12 months from the date of approval of these Financial Statements. These forecasts have been subject to sensitivity tests, including stress scenarios, which have been compared to the latest Brexit and COVID-19 pandemic economic scenarios provided by the Group's external economic advisors, as well as reverse stress tests.

Having reviewed these assessments, the Directors are satisfied that the Company has adequate resources to continue in operational existence for a period in excess of 12 months from the date of this report.

d) Interest income and expense

Interest income and interest expense represent interest on intercompany balances with Group undertakings. Interest is calculated in line with the Group transfer pricing policy and is accounted for on an accruals basis.

Interest receivable on loans to Group undertakings is recognised in profit and loss account calculated using the effective interest rate (EIR) method. The EIR is the rate which exactly discounts the expected future cash flows, over the expected life of the financial instrument, to the net carrying value of the financial asset.

All interest receivable and similar income are earned from the operations in United Kingdom.

e) Tax on loss

Tax is recognised in profit and loss account consistently with the recognition of items it relates to.

The current tax charge is the expected tax or credit on the taxable income or loss for the year and any adjustments in respect of previous years.

f) Investments

The Company performs an annual impairment assessment of its investment in subsidiary undertakings, assessing the cost of investment against the subsidiaries' net asset values at the reporting date for indication of impairment. Where there is indication of impairment, the Company estimates the subsidiaries value in use by estimating future profitability and the impact on the net assets of the subsidiary. The Company recognises an impairment directly in profit and loss account when the value in use is less than the cost of investment. Impairments are subsequently reversed if future annual impairment assessments show the value in use of the subsidiary has increased.

g) Basic financial instruments

The Company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities such as amounts owed by and to Group undertakings.

Inter Bay Financial I Limited

Notes to the Financial Statements (continued)

For the Year Ended 31 December 2020

1. Accounting policies (continued)

h) Amounts owed by and to Group undertakings

Amounts owed by and to Group undertakings are payable on demand and are recognised initially at fair value plus any directly attributable transaction costs. They are subsequently measured at amortised cost using the EIR method, less any expected credit losses (ECL). Amounts owed by Group undertakings are assessed for ECL based on an assessment of the probability of default (PD). Interest is receivable and payable in accordance with the policy on interest income and expense, see d) above.

2. Interest receivable and similar income

	2020 £'000	2019 £'000
On loans to Group undertakings	27	44

3. Interest payable and similar charges

	2020 £'000	2019 £'000
On loans from Group undertakings	307	370

4. Operating profit

The audit fee for the year of £7k (2019: 7k) payable to the Company's auditor for the audit of the Company's Financial Statements was borne and paid by its subsidiary InterBay Asset Finance Limited.

5. Information regarding Directors and employees

The Company has no employees. OSB, provides the Company with employee services.

The Directors were employed and remunerated as Directors or employees of the Group in respect of their services to the Group as a whole, and it is considered that there is no appropriate basis on which they can apportion part of their remuneration for their services to the Company.

6. Tax on loss

	2020 £'000	2019 £'000
Corporation tax benefit	(53)	(62)
	(53)	(62)

Inter Bay Financial I Limited

Notes to the Financial Statements (continued)

For the Year Ended 31 December 2020

6. Tax on loss (continued)

Factors affecting tax charge for the year

Tax is charged at the weighted average rate of corporation tax for the year of 19% (2019: 19%). The tax reconciliation is presented below:

	2020 £'000	2019 £'000
Loss on ordinary activities before tax	(280)	(326)
Loss multiplied by the weighted average rate of corporation taxation in the UK	(53)	(62)
	<u>(53)</u>	<u>(62)</u>

Factors that may affect future tax charges

In the March 2020 Budget, it was announced that the cuts in corporation tax rate to 18% and then to 17% previously enacted would not occur with the corporation tax rate held at 19%.

On 3 March 2021, the government announced that the corporation tax rate will increase from 19% to 25% from 1 April 2023. This rate change was not substantively enacted at the Statement of Financial Position date and so has not been reflected in these Financial Statements.

7. Investments

The Company's cost and net book value of investments in subsidiary undertakings as at 31 December 2020 was £4 (2019: £4). No impairment on cost of investment in subsidiaries was recognised during the year (2019: nil).

The Company had the following investments in subsidiary undertakings as at 31 December 2020:

Name	Class of shares	Holding	Principal activity	Aggregate of share capital and reserves £'000	Profit / (loss) £'000
5D Finance Limited	Ordinary	100%	Origination and servicing of mortgage loans	1,483	19
InterBay Asset Finance Limited	Ordinary	100%	Secured lending	(2,560)	(978)
				<u>(1,077)</u>	<u>(959)</u>

The registered office of the above subsidiaries is, Reliance House, Sun Pier, Chatham, ME4 4ET.

Inter Bay Financial I Limited

Notes to the Financial Statements (continued)

For the Year Ended 31 December 2020

8. Debtors

	2020 £'000	2019 £'000
Due within one year		
Amounts owed by Group undertakings	1,724	1,697
Corporation tax receivable	53	62
	1,777	1,759

The Company assesses amounts owed by Group undertakings for impairment.

9. Creditors: Amounts falling due within one year

	2020 £'000	2019 £'000
Amounts owed to Group undertakings	19,579	19,334
	19,579	19,334

10. Called up share capital

	2020 £	2019 £
Allotted, called-up and fully paid		
1 ordinary share of £0.01 each	0.01	0.01

11. Ultimate parent undertaking

The Company is a wholly-owned subsidiary of OneSavings Bank plc (OSB). OSB was the ultimate parent and controlling party of the Company until OSB became a wholly-owned subsidiary of OSB GROUP PLC (OSBG) on 27 November 2020.

OSBG is the ultimate parent and controlling party of the Company and is the parent company of the largest group preparing consolidated financial statements of which the Company is a member. Copies of OSBG's financial statements may be obtained from the Company Secretary at the registered office: OSB House, Quayside, Chatham Maritime, Chatham, ME4 4QZ.

OSB is the parent company of the smallest group preparing consolidated financial statements of which the Company is a member. Copies of OSB's financial statements may be obtained from the Company Secretary at the registered office: Reliance House, Sun Pier, Chatham, Kent, ME4 4ET.