Registered number: 09760209

REDWOOD FINANCIAL PARTNERS LIMITED

ANNUAL REPORT AND ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2022

COMPANY INFORMATION

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Registered number	09760209
Registered office	Harwood House 43 Harwood Road London England SW6 4QP
Independent auditor	Mazars LLP 30 Old Bailey London England EC4M 7AU

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Business model

Redwood Financial Partners Limited (the "Company" or "Parent Company") is a holding company with one subsidiary, Redwood Bank Limited (the "Bank"), and together are known collectively as the Group. The Company owns 100% of the ordinary shares in the Bank, in which all of the trading operations of the Group take place, and as a result, this Strategic Report focuses on the operations of the Bank.

The Bank was established in 2017 to support British Businesses, providing a real alternative for small and medium sized enterprises ("SME") looking to make sure that their properties and cash work harder for them. Through its core values and tireless focus on the customer, the Bank aims to build sustainable relationships with borrowers and depositors, emphasising the Bank's expertise in its chosen markets. Its mission is:

"To become the United Kingdom's ("UK") best, go to, specialist business bank, working tirelessly to provide our SME customers with simple, clear products and fast decisions that allow their businesses to grow."

To achieve this, the Bank offers British businesses simple, transparent loans and savings accounts backed up with tailored service, efficient systems and with the knowledge that their money is being invested back into British business and the communities of which the Bank is a part.

The Bank's core market of real estate lending remains of sufficient scale to deliver the Bank's growth aspirations, which will continue to follow a differentiation strategy built upon its core unique selling points:

- A flexible approach to loan terms because of a clear understanding of SME customer needs
- Expert and professional human underwriting
- Speed of loan commitment
- Bespoke customer pricing

Core purpose

The Bank's core purpose is to:

- build sustainable relationships with borrowers and depositors to attract and maintain the customers it seeks.
- provide products that will be attractive to the Bank's customers and develop a satisfied and well serviced depositor base.
- provide secured property loans to SMEs, through engagement of a highly experienced team.
- put the Bank's customers and colleagues at the heart of everything it does, and to help its local communities to grow.
- be the Bank synonymous with a culture that cares about staff and customers.
- achieve growth utilising chosen suppliers through the Bank's desired distribution channels.
- create jobs and contribute to the development of the local economies where the Bank's offices are based.
- develop the Bank in line with the Board's Statement of Risk Appetite.

Values and culture

The Bank maintains a strong people and customer culture that has been developed in the last five years, and has four core values which guide its behaviours, being:

- Integrity 'Treating people as you would like to be treated'
- Certainty 'Reassurance that finally, you're in the right place'
- Tirelessness 'A genuine passion for our customers' success'
- Simplicity 'It's about not hiding behind an asterisk'

Performance review

In a year of rising interest rates, high inflation and energy prices, the Group made a profit for the second consecutive year in its five-year history. It reported a profit before tax of £2.1m (2021: £2.0m), mainly driven by an increase in net interest income of £5.7m, partly offset by an increase in its impairment loss charge of £2.5m and an increase in administrative costs of £3.1m. Operating profit before impairment charge more than doubled to £4.6m (2021: £2.0m) driven by growth in the loan book and an improvement in net interest income. The Group delivered a net interest margin of 3.65% (2021: 3.00%) during the year. Administrative costs increased by 24% to £16.2m, reflecting investment in the Group's infrastructure, processes, controls and resources, as the Group enters the next phase of its development.

The Bank has increased its total lending book by £34m (2021: £46m) during the period, to £403m (2021: £370m), driven by new lending of £91m (2021: £87m). This is partly due to the launch of its first fixed rate mortgages to support its business customers through the current challenging economic conditions. Total deposits held by the Group increased by £9m (2021: £58m) during the year, to £447m (2021: £438m). It held £134m (2021: £155m) in liquid assets at the year end, comprising cash at bank, deposits at the Bank of England, and UK Gilts. Liquidity being held was sufficient for the Group's lending needs and exceeded amounts required to meet regulatory requirements.

The Group reviewed its lending portfolio extensively during 2022, including stressing the value of collateral and reassessing the probability of anticipated losses given the clear economic headwinds. The result was an increase in impairment loss provisions from £3.1m to £5.6m, representing 1.37% (2021: 0.84%) of total lending as at 31 December 2022.

It continued to invest in building and strengthening its teams, with the total staff headcount of the Bank growing to 122 (2021: 112), by year end.

During the year investment was made in building a scalable and resilient core IT infrastructure. The first phase of the project resulted in an upgrade of the core platform's hosting environment, leading to improvements in performance and enhanced resilience. The Group will continue to invest in its core banking platform and origination channels to ensure scalability and more efficient customer journeys.

The Group continued to measure its customer satisfaction and advocacy of the Bank's customers. During the year, 93% of customers were satisfied with the service they received and 94% said they would recommend the services of the Bank. It was the recipient of two Banking industry awards during the year and was a finalist for further three awards.

The Bank has operated under a hybrid staff working model since the end of the government directive on working from home and has actively monitored staff engagement and well-being throughout this period, by raising mental health awareness and offering health assessments to all employees. Once again, and for the fifth year running, the Bank took part in the Financial Services Culture Board ("FSCB", renamed from Banking Standards Board in spring 2021) employee survey. Employees across the Bank continue to describe the Bank as 'friendly', 'supportive' and 'flexible', closely followed by 'growing' and 'caring'. Areas for improvement were noted as a result of this survey, and the Bank has subsequently held a series of externally facilitated workshops to identify actions that would continue to enhance the Bank's culture.

The amount drawn under the Government's Term Funding Scheme with additional incentives for SMEs ("TFSME") scheme totalled £37.6m (2021: £37.6m) at the year end.

Key performance indicators

The Group's operating profit before its impairment charge more than doubled to £4.6m (2021: £2.0m). After the impairment charge, the Group made a profit before tax for the year ended 31 December 2022 of £2.1m (2021: £2.0m), its second consecutive profit since the Bank's launch in 2017, as loan balances and net interest margin increased. The average lending interest rate achieved during the year was 6.47% (2021: 5.30%), an increase due to rises in the Bank of England ("BoE") base rate. The average interest rate paid for the year on deposits was 1.62% (2021: 1.03%) mainly due to increases in deposit rates following rises in the BoE base rate during the year.

Common Equity Tier 1 ("CET1") capital, as at 31 December 2022, was £41.4m (2021: £39.4m) and this exceeded the regulatory minimum required.

The Bank's liquidity coverage ratio of 352% as at 31 December 2022 (2021: 970%) exceeded the regulatory minimum set by the Prudential Regulatory Authority ("PRA"). The Bank held a total value of unencumbered high-quality liquid assets of £86m (2021: £112m).

The lending book (gross) has increased by 9.5% to £411m (2021: £375m), and deposits have increased by 2.1% to £447m (2021: £438m).

Strategic plan

The Group is continually assessing its strategy to ensure it remains effective and capable of delivering value to all stakeholders. The Group expects the core of its lending to continue to be property backed mortgages to SMEs, including professional landlords who are commercial and residential property owners. Assessments of the risks to the strategy are carried out regularly, including in respect of net interest margin ("NIM"), impairment and external market influences such as base rate changes, the impact of rising inflation, and other cost of living pressures. The Group continues to assess its capital and liquidity plans to ensure adequacy and regulatory compliance. See key risks on pages 11 to 15 for further assessment of risks regarding capital and liquidity.

Directors' statement of compliance with duty to promote the success of the Group

The directors have acted in good faith and in a manner to promote the success of the Company and the Group for the benefit of their members as a whole. Consideration of the specific relationships is provided in the next section.

Stakeholder engagement

The Board of Directors consider that they have acted in good faith and in the way they consider that would be most likely to promote the success of the Group for the benefit of its shareholders as a whole and in doing so, have regard to a number of matters set out in Section 172(1) (a) to (f) of the Companies Act 2006. The Bank recognises that it has six key stakeholder groups as below:

- Shareholders
- Customers
- Employees
- Regulators
- Community
- Third Party Suppliers

Shareholders

The Group maintains close relations with its shareholders and has a stringent governance regime in order to protect its shareholders' investments. One of the Group's key strategic objectives is to deliver strong shareholder returns. Its strategic plan forecasts continued profitability over the next five years.

Customers

Good customer outcomes are central to the Group's culture and therefore essential to its success as a lender and deposit taker. The Group's products, processes and communications are developed and assessed with these positive customer outcomes in mind, with a strong awareness of regulation and the Group's values.

The Group's customer feedback framework and customer satisfaction programmes have, and will continue to, evolve and improve, with regular Management Information ("MI") on customer satisfaction, customer advocacy, and verbatim customer feedback from five distinct sets of customers at different stages of the customer journey / lifecycle:

- New deposit customers
- Existing deposit customers
- New lending customers
- Existing lending customers
- Brokers

"Treating Customers Fairly" and "Achieving Good Customer Outcomes" are incorporated into all staff personal objectives and reviews. Key Customer Outcome indicators are included in the regular Conduct Risk MI reported to the Executive Committee and Board Risk Committee. Customer outcomes are detailed within the Bank's approved conduct risk policy, managing feedback from dissatisfied customers, and vulnerable customer policies.

Consumer Duty

In July 2022, the Financial Conduct Authority ("FCA") released enhanced expectations through "FCA Policy Statement PS22/9: A New Consumer Duty", requiring firms to evidence and deliver good customer outcomes, representing a higher bar than previous requirements to treat customers fairly. In response to this, the Bank has assigned one of its independent non-executive directors as Consumer Duty Champion and has formed a working group which has identified, and is undertaking, actions to meet and embed the revised expectations into the business. The development of the Bank's practices to apply Consumer Duty will continue ahead of the 31 July 2023 implementation deadline.

The product development and governance procedures ensure that all products are assessed against customer outcomes, as part of the design, development, and approval process.

The Bank's customer feedback framework ensures that customer feedback is collected consistently and is carefully considered, ensuring that the Bank's Chief Executive Officer ("CEO") and Board have clear visibility of customer views.

Employees

The Group seeks to recruit and retain high calibre employees. Staff satisfaction, engagement, compensation, and welfare are critical elements in ensuring retention, and are ongoing areas of focus for the Group, along with ensuring diversity and inclusion.

The Group's aim is to build a business bank for Britain whose customers are at the heart of everything it does. To help achieve this, it needs to continue developing a shared understanding of how to behave, both with customers and colleagues.

Following on from the development of its core values, the Group identified a set of behaviours which clearly detail what is desired, along with what attitudes should be demonstrated by all employees to support the delivery of the Group's business plan. These behaviours translate values into tangible, observable and measurable elements that can be implemented, assessed, and improved and form a central part of its working culture and people management processes.

The behaviours underpin a values and behaviour-based approach to the recruitment and management of staff, which enables the Group to effectively recruit people who fit with the Group's culture, and who will therefore focus on good outcomes for customers. This approach is needed to:

- Continuously improve performance
- Enhance professional development
- Recruit and retain talented people
- Encourage a 'one team' work ethic

These behaviours, combined with individual and corporate performance against objectives, inform the variable components of the Bank's remuneration package, which includes a Long Term Incentive Plan ("LTIP") and annual cash based bonus detailed in Notes 2.14 and 8. In setting its Remuneration Policy, the Bank has given consideration to the principles and provisions relating to remuneration in the Financial Conduct Authority's Remuneration Code and the Remuneration Part of the Prudential Regulation Authority's Rulebook.

FSCB Survey

In June 2022, the Bank participated in the FSCB Employee Survey for the fifth year in succession, along with 22 other banks and other firms. An 84% staff response rate was received. The Bank was placed in the first quartile for 4 out of the 36 overall questions, and in the second quartile for 18 of the questions. Employees across the Bank continue to describe the Bank as 'friendly', 'supportive' and 'flexible', closely followed by 'growing' and 'caring', while 'busy' continued to remain in the top 10.

Workplace welfare, diversity and inclusion

The wellbeing of all the Group's colleagues is paramount, and in early 2020 the Group made the decision not to furlough any colleagues and to adopt flexible working arrangements, which have been enhanced throughout the last year and are available to all, regardless of seniority or role. The Bank operates a Culture Club which is run and chaired by colleagues representing all areas of the Bank, with feedback being provided to its Executive Committee and Board on a regular basis. In addition, a Diversity, Equity and Inclusion ("DE&I") group was established in 2022 to further support the active initiatives and policies already in place, and to ensure that we provide equal opportunities to all.

The Group is committed to providing a workplace culture characterised by inclusivity, building on a foundation of respect and appreciation of diversity. It aspires to achieve an appropriately gender balanced and diverse workforce, and is fully committed to having more females in senior positions. It saw a positive trajectory in the proportion of women in senior management roles, increasing from 20%

in 2019 to 34.5% at the end of December 2022. The Bank promotes the fact that it is a signatory to the Women in Finance Charter and has achieved its Charter target of having at least 30% female representation at "Senior Management Level", this being defined as members of the Board and Executive Committee and Heads of Departments. The Bank is committed to maintaining the Charter target of 30% and sees this as a minimum threshold.

The Bank will *continue* to address diversity within the senior leadership population and take a holistic approach to addressing diversity and inclusion throughout the organisation through:

- Creating a general culture of inclusion;
- Succession planning, with development programmes and coaching for all critical positions in order to ensure a continuity of leadership;
- Documenting behaviours that support the Group's values, which are assessed in equal measure with individual objectives;
- Implementing strategies for increasing inclusiveness through employee participation/resource groups;
- Flexible working arrangements that support all employees;
- A mentoring programme, emerging talent rotational programme, apprenticeship programme, and a return-to-work programme for those who have had a career gap of a minimum of five years;
- Introducing people policies and practices which address unconscious bias in the workplace, including in recruitment and selection processes; and
- Providing a sound and fair working environment where staff can grow and develop.

The Bank's directors and employee statistics as at end of December 2022 and December 2021:

	2022			2021		
	Male	Female	Total	Male	Female	Total
Directors of the Bank	6	1	7	6	1	7
Employees in Senior Leadership Team	13	9	22	13	5	18
Other employees	47	46	93	43	42	85
Total	66	56	122	62	48	110

Regulators

The Group maintains close and constructive relations with its regulators and responds to all their requests in a timely manner. The Group ensures that all metrics are maintained within the regulatory framework provided, and regularly submits reports to the regulators to that effect. Interaction with the regulators increased during the pandemic, and in responding to changing customer needs and the environment, the Group accelerated the strengthening of its second line of defence, its governance, its operational risk management and framework, its underwriting processes and MI, in order to address the resulting challenges.

Community

The Group continued to fulfil charity and community engagements at both a local and national level. Details are set out in the Environmental, Social and Governance ("ESG") report on pages 9 and 10.

Third Party Suppliers

The Group operates with a clear "outsourced service provider model". As a result, third party suppliers are identified as key stakeholders of the Group. Within this model, the Group has a robust and detailed supplier selection process. The Group has identified a small number of business-critical suppliers that are subject to formal annual regulatory SYSC 8 reviews, and to the holding of monthly or quarterly performance meetings, where a broad range of issues are reviewed. All reviews are overseen by an appropriate Group committee. The Group's outsourced model and cloud-based infrastructure allow all Group staff to work from home, as part of a hybrid working model that is now in operation post Covid-19 lockdowns. The Group complies with regulatory requirements and expectations relating to outsourcing and third party risk management in line with SS2/21 Outsourcing and Third Party Risk Management.

Environmental, social and governance

The Group's ESG agenda is key to the business, with quarterly reporting to the Bank's Board. During the year, a senior member of the Executive Committee was appointed to a new role of Director of Sustainability. The Board recognises the importance that culture plays in sustainability and performance, and the tone is set from the Board, ensuring that it delivers on its responsibilities to all stakeholders.

Climate and the environment

Climate change is one of the most significant challenges facing all of society and the Group is focusing on a proactive approach to its environmental responsibilities, including an aim to transition to net zero, but also in supporting customers, colleagues and the wider community. Whilst the Group does not operate traditional branches, and as such avoids the environmental impact of operating a large property network, it does recognise that its operations will still have an impact on the global climate crisis and the production of carbon emissions. As such the Group is focusing on how it can reduce its carbon footprint and has created a climate change team that is dedicated to reducing harmful carbon emissions and general waste that negatively impact the environment. In addition to this, the Group is also closely looking at potential environmental impacts on its loan collateral, including flood risk and Energy Performance Certificate ratings. The Group is developing plans, products, and actions to support its customers where work is required to upgrade properties to the required energy efficient standards.

The Group lends to British borrowers, where the funds advanced are secured on a UK property. Climate change risks arise through physical risk, which may impact the quality of the property as adequate security and/or transition risk as markets shift towards a low carbon economy. These risks may impact the ability of borrowers to meet their obligations under their loans. The Group has developed and enhanced its climate change plan to assess and address the risks it faces, through governance, risk management, and scenario analysis in respect of climate change. The Group will continue to build its climate change capabilities, recognising that further progress will be made across the financial services industry with regards to the sophistication of climate change risk modelling, and of the data available more generally, for assessing the potential financial impacts of this risk.

Social and community

During 2022, the Bank was proud to support its two main chosen charities; PoetsIN (a mental health support organisation) and the Queen's Green Canopy. Around £14k was donated during the year across several charities and community events. Some notable charitable efforts included colleagues planting 600 saplings in Redbourn, Hertfordshire and helping with the redevelopment of a local grassroots football club clubhouse. Similar activities will continue in 2023.

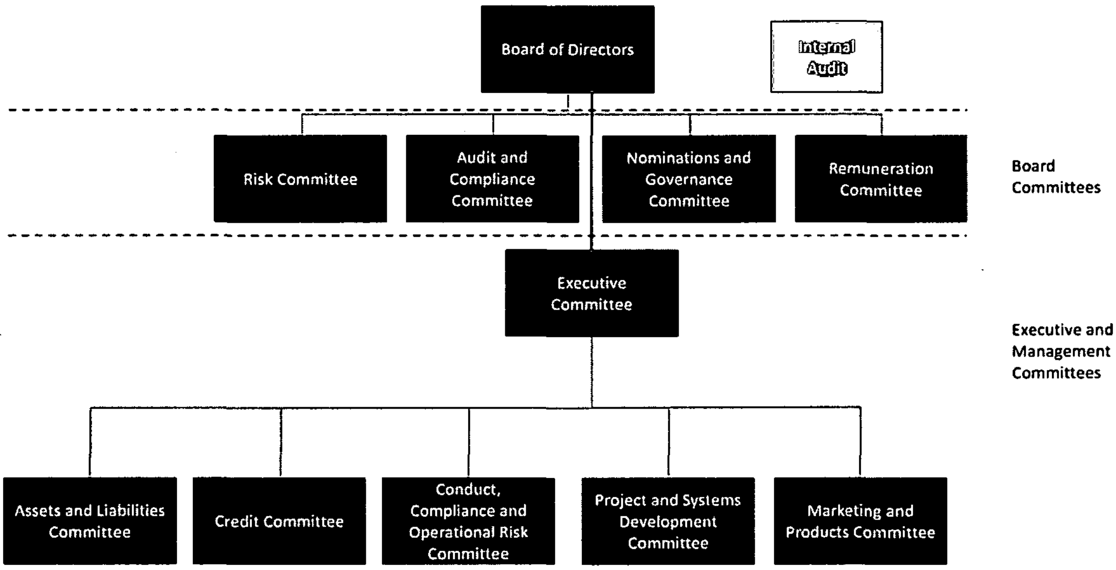
Governance

The Group is committed to achieving and delivering consistently high corporate standards which are part of a robust governance structure with clear and transparent individual lines of responsibility. This is supported by relevant committee oversight and individual statements of responsibilities which comply with the Senior Managers and Certification Regime.

The Non-Executive Director ("NED") composition changed entirely in the fourth quarter of 2021. The new NEDs have now had over a full year in position and have settled well into the rhythm of the Bank. The effectiveness of the Board and its Committees has been formally evaluated in 2022 by means of an external board effectiveness review ("BER"). The review concluded that the set-up of the Board is a strength of the organisation with NED capabilities on a par with those seen at much larger, longer established financial services businesses. The external BER highlighted suggested areas for continued focus, including, among other matters, Board composition, succession planning and training, which will be factored into ongoing Board discussions. The external BER noted that the new Board benefits from a professional and highly experienced group of NEDs, well supported by the Company Secretariat.

Key risks

The Bank, as the primary operating entity of the Group, is governed by a Board of Directors, a Board Risk Committee, a Board Audit and Compliance Committee ("A&CCo"), a Nominations and Governance Committee ("NomCo") and a Remuneration Committee ("RemCo"). Management committees comprise an Executive Committee ("ExCo"), an Assets and Liabilities Committee ("ALCo"), a Credit Committee ("CreditCo"), a Conduct, Compliance and Operational Risk Committee ("CCORCo"), a Projects and Systems Development Committee ("PSysCo"), and a Marketing and Products Committee ("MaPCo"), as set out in the diagram below:



In the structure above, the Board comprises executive and independent non-executive director members, with a majority of the Board directors being independent. Board Committees comprise non-executive members only but may be attended by executives and other senior management as deemed appropriate from time to time. Executive and Management Committees comprise executive members and senior management, although may be attended by other Bank staff as required.

Within this framework the Bank operates a typical banking "Three Lines of Defence" risk structure, as follows:

First Line of Defence ("FLOD")

The FLOD comprises the Bank's customer and client facing origination units (e.g., secured residential and commercial mortgage lending) plus associated support functions in Credit & Underwriting, Finance and Treasury, IT, Portfolio Management, Products and Marketing, Operations, and Human Resources. All members of such areas play a key role in the Bank's risk management processes and are required to understand and comply with the Bank's risk policies and procedures relevant to the activities they undertake.

The following specific responsibilities are allocated to the FLOD:

- Ownership of the risks faced by the Bank that arise from the activities that FLOD undertake;
- Undertaking of the preparation of proposals and risk assessments associated with the activities in which they engage (including risk ratings where appropriate);
- Primary responsibility for the day-to-day management of the Bank's exposure to risks arising from activities undertaken;
- Development and maintenance of an effective control environment, which will include preventative and detective controls to ensure that risks, including emerging and existing, remain within the Bank's Risk Appetite;
- Production of Management Information in a form and at a frequency commensurate with the underlying risks and activities undertaken; and
- Risk assessment processes.

Second Line of Defence ("SLOD")

The SLOD comprises the Bank's risk management functions. This comprises the Bank's Risk and Compliance teams, and General Counsel, alongside co-outsourced compliance monitoring provided by RSM LLP.

The SLOD is responsible for:

- Ownership and oversight of the Bank's Risk Management Framework ("RMF");
- Management level ownership and oversight of the Bank's Risk Appetite Framework ("RAF") and Statement ("RAS");
- Development, management and where appropriate, ownership of the Bank's risk and compliance policies and frameworks, and oversight of ongoing adherence to their provisions;
- Deployment of various tools and techniques that enable risk management oversight of the FLOD;
- Monitoring, oversight and reporting of the Bank's key risk exposures;
- Oversight and challenge of the FLOD control environment, including risk monitoring;
- Enterprise wide risk management;
- Emerging risk identification and awareness; and
- Provision of risk-related Management Information to the Board and other senior committees (defined as sub-committees of the Board and ExCo).

Third Line of Defence ("TLOD")

The TLOD comprises the Bank's Internal Audit function. To ensure effective coverage of the Bank's activities and risk universe, the Bank has elected to fully outsource its internal audit requirements. The Bank's TLOD is currently outsourced to Deloitte LLP.

The TLOD is responsible for providing independent assurance on the effectiveness of the design and implementation of the Bank's control environment for the management of risk, considering the Bank's exposures to risks, its strategy, and its risk appetite.

TLOD responsibilities are contained within an Internal Audit Charter, which is subject to the independent oversight of the Board Audit and Compliance Committee.

The Bank and Group identify six main risk categories:

Business and Strategy Risk: the Bank is exposed to business and strategic risks, such as a failure to meet its performance targets, capital adequacy, and to headwinds from the macro-economic and business environment.

From a capital adequacy perspective, there are risks which could threaten the Bank, including credit risk losses from loans, operational risk losses from service interruptions, error or fraud, and mismanagement of the business resulting in either inadequate margins or capital loss. The Bank aims to ensure that enough capital is held to remain solvent, should it suffer losses arising from a range of severe but plausible scenarios. It has prepared base case and sensitised forecasts, which consider both capital requirements and liquidity, for a period of five years from the date of reporting of these financial statements. The base case and sensitised forecasts do not assume any further capital injections from shareholders or external investments. The Bank and its directors do, however, anticipate that the Bank will require additional capital from investors to fulfil its potential and meet future business plans of increased growth, and achieve improved, sustainable profitability.

Credit and Concentration Risk: is the risk of loss from a business customer or wholesale counterparty either defaulting on their debt or failing to make timely repayments of a loan. It also covers the risk to the Bank from having concentrations of lending to a number of individuals or groups with similar risk characteristics, or heightened exposures in a geographic area, industry or product type.

The Bank aims to maintain its lending profile within its stated credit risk appetite and credit risk framework. It will continue to carefully monitor the performance of its lending portfolio, and will consider making adjustments as required in response to changes in the lending market and in the economy. At all times, it will ensure that it maintains an acceptable profile in terms of Loan to Value ("LTV") and Debt Service Coverage Ratio ("DSCR") for new lending.

Liquidity and Funding Risk: the Bank is funded primarily with deposits from specialist markets, such as small and medium-sized businesses, clubs, associations, and charities. Maintaining the confidence of those depositors is of paramount importance. The Bank has continued to observe a high retention rate on its fixed term bonds, which evidences the building of a trusted, long-term relationship with the Bank's existing deposit customers. To date the Bank has built a deposit base consisting of maturity profiles that allow it early sight of depositor withdrawals, or adverse depositor behaviour, and therefore allows management to manage this risk in advance of any risks crystallising.

Operational Risk: the Bank faces a range of operational risks arising from the processes it undertakes in order to facilitate its business aims. These are continuously managed within its risk governance framework, with actions undertaken to reduce and mitigate risk exposures as required. Key risks are identified in a Bank-wide Risk Register Report and graded according to a likelihood and impact methodology. The Bank holds adequate levels of regulatory capital to absorb losses arising from a range of severe but plausible scenarios that may arise from operational risks crystallising, and it reassesses the level of capital holdings required to offset potential operational risk losses as part of its internal capital adequacy assessment process ("ICAAP"). It continued to incur a low level of operational risk losses in the year, and effectively transitioned from staff working remotely to hybrid working throughout 2022 without experiencing any operational disruption or material change in operational risk losses.

Compliance and Regulatory Risk: reflects the risk arising to the Bank from it not meeting its regulatory and legal requirements, and also from creating poor customer outcomes or a negative perception of the Bank which could adversely affect the Bank's ability to achieve its strategic plan. The Bank maintains an open and transparent relationship with its regulators, alongside maintaining a robust horizon scanning process which allows the Bank to understand and adopt legal and regulatory requirements as they arise.

Conduct Risk: represents the risk that the Bank's behaviours, culture, or approach lead to poor outcomes for customers, fines, damaging the integrity of or trust in the Bank, or harm market integrity or fair competition. The Bank seeks to mitigate this risk by ensuring that appropriate focus is provided on the customer within all stages of its customer journey and operational processes. Good customer outcomes are central to the Bank's culture, with products, processes and communications developed, assessed, and tracked to ensure appropriate consideration is given to its customers. In addition, the Bank ensures that staff adhere to its corporate values through assessment of behaviours in performance evaluation.

UK economic headwinds

The UK economy faced significant headwinds throughout 2022, which are expected to continue and potentially worsen in 2023 owing to inflationary pressures emanating from various sources and the consequent pressure of further increases in the Bank of England base rate, at a time where Gross Domestic Product ("GDP") is on a downward trajectory. The Annual Consumer Price Index ("CPI") for the UK was 10.5% as at December 2022 and is forecast to remain at elevated levels during 2023, driven by increased energy, fuel and food prices alongside shortages in goods. Whilst some of the inflationary pressures have eased in the first quarter of 2023, there remains the potential for the UK to enter into a technical recession, which would bring the potential for "stagflation" to the UK economy.

The significant increase in the Bank of England base rate experienced throughout 2022 and during the first quarter of 2023 has increased the pressure on the market value of longer term assets and has negatively affected the investment portfolios of some of the largest systemic banks. This, coupled with the recent failures of several US banks has increased the volatility in the financial markets in early 2023 and affected general consumer and investor confidence.

The dual impact of a rising base rate and a higher than forecast CPI means customer affordability is likely to be constrained in the short to medium term. The Bank continues to perform detailed analyses of potential credit losses and holds impairment provisions in line with IAS 39, based upon its loan book performance to date. Regular Management Information is provided to both senior management and the Board Risk Committee on the credit performance of the Bank's portfolio, while as part of the Bank's underwriting processes, a detailed assessment is undertaken to understand the capacity of the borrower to service proposed debt, including under stressed repayment conditions.

The Group recognises the potential for further domestic disturbance impacting upon the economy, arising from the longer-term implications from the UK's withdrawal from the European Union ("EU"), the continued fall-out from the Covid-19 pandemic (see below), and the potential for domestic political disturbance to manifest in continued economic uncertainty.

The Group also recognises the acute challenges in the broader geo-political environment and, in particular, the long-term impact of the Russia/Ukraine war on the global economy and how this conflict has the potential to continue to exacerbate some of the headwinds mentioned above, with specific regard to the implications on energy costs and food shortages. While the Bank is a solely UK focused institution lending to UK customers only, the Bank will remain wary of the impact of any contagion of global events on the UK economy, and of the markets within which it operates.

Covid-19

While Covid-19 has now been classified as endemic in the UK, the extent of the financial impact in the banking sector from its aftermath, and the potential long term structural changes in economic demand driven by it, remain uncertain. During 2022, the Bank continued to monitor the impact of Covid-19, in particular for those customers who were most affected during the lockdown periods.

In addition, Covid-19 also increased the inherent conduct risk profile within the banking sector, with particular focus on "Treating Customers Fairly" and "Vulnerable Customer" regulation as a consequence of its wide-ranging impacts. The Bank continues to ensure that support is given to its customers in line with the Bank's values, principles and policies, and in line with PRA and FCA guidance.

Operational resilience

Operational resilience is high on the regulatory agenda and features as an area of strategic focus for the Group. The joint release by the PRA and FCA of SS1/21 Operational Resilience: Impact Tolerances for Important Business Services in 2021, required firms to identify their important business services and set tolerances for disruption by March 2022 and ensure that they can remain within those tolerances during severe but plausible scenarios thereafter. The Bank completed its self-assessment on Operational Resilience by the deadline set of the end of March 2022 and is cognisant of the transition period until March 2025 when full implementation is required.

This report was approved by the Board on 21 August 2023 and signed on its behalf.

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Jonathan David Rowland

Director

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022

The directors present their report and the financial statements for the year ended 31 December 2022.

Results and dividends

The Group profit for the year, before taxation, amounted to £2,144,966 (2021: £1,971,512).

The Company loss for the year, before taxation, amounted to £120,905 (2021: loss of £202,280).

The directors do not recommend the payment of a dividend for the year ended 31 December 2022 (2021: £nil).

Directors

The directors of the Company who served during the year were:

Eirvin Knox
Lee Robinson
Jonathan David Rowland (Chairman)

Political and charitable contributions

The Group made no political donations during the year.

The Group made charitable donations totalling £14k (2021: £2k) in the year.

Key risks

Information regarding key risks is contained within the Strategic Report on pages 11 to 15.

Future developments and prospects

The Group is profitable, despite the significant headwinds faced over the last few years. It will continue to build on the strong foundations that have been put in place.

It is committed to delivering simple and transparent financial products in a timely fashion to British businesses, and any new products launched will be designed to meet the financial needs of customers.

Through continued investment in its people, customers and infrastructure, the Group will continue to deliver excellent levels of customer service for businesses and their owners, as it enters the next phase of its growth.

Directors' Indemnities

The Board of Directors have in place a directors' and officers' liability insurance policy to indemnify the directors and officers of the Company against loss arising from any claim made against them jointly or severally for any failure of duty of care in their capacity as director or officer of the Company.

Going concern

The financial statements are prepared on a going concern basis, as the directors believe that the Group and Company have sufficient resources to continue its activities for a period of at least 12 months from the date of approval of the financial statements (the going concern period).

For the year ended 31 December 2022, the Group recognised a profit before tax of £2.1m. The Group's total assets as at 31 December 2022 were £540.5m. The Group has £134.0m of liquidity resources, of which £41.9m are encumbered. The liquidity resources comprise cash and cash equivalents, and other highly liquid assets, as at 31 December 2022. The Company is exploring options to raise additional funds to meet its future cash payment obligations, however its shareholders have undertaken to provide further cash funding, in time to meet the Company's obligations, in the event that no other viable alternative is identified.

The directors of the Group have prepared base case and sensitised forecasts, which consider both capital requirements and liquidity, for a period of at least 12 months from the date of approval of these financial statements. The base case and sensitised forecasts do not assume any further capital injections from shareholders. In preparing those forecasts, the directors have considered the current economic uncertainty, in particular the after-effects of the Covid-19 outbreak, rising interest rates and the inflationary environment.

The directors have considered severe but plausible downside scenarios, including stress tests aligned to the Group's Recovery Plan and the effects of management actions taken as a result. These stress scenarios are aligned to the Bank of England's prescribed stress tests. The Board has concluded that both capital and liquidity forecasts, after management actions, met minimum regulatory requirements over the going concern period.

Therefore, the directors have concluded that it is appropriate to prepare the accounts on a going concern basis.

Disclosure of information to the auditor

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the directors are aware, there is no relevant audit information of which the Group's auditor is unaware, and
- the directors have taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

Post year end events

There have been no significant or reportable events following the year end.

Auditor

The auditors, Mazars LLP, will be considered for reappointment in accordance with section 485 of the Companies Act 2006.

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

This report was approved by the Board on 21 August 2023 and signed on its behalf.

Jonathan David Rowland
Director
Harwood House
43 Harwood Road
London
England
SW6 4QP

DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2022

The directors are responsible for preparing the Strategic Report, the Directors' Report, and the Group and Parent Company 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 Group and Parent Company financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

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 Group and Parent Company and of the Group's profit or loss for that period. In preparing each of the Group and Parent Company 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;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the Group and Parent Company 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 Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent 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 Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF REDWOOD FINANCIAL PARTNERS LIMITED

Opinion

We have audited the financial statements of Redwood Financial Partners Limited (the 'Company') and its subsidiaries (the 'Group') for the year ended 31 December 2022 which comprise the consolidated statement of profit and loss and comprehensive income, company statement of profit and loss and comprehensive income, consolidated statement of financial position, company statement of financial position, consolidated statement of changes in equity, company statement of changes in equity, consolidated statement of cash flows, company statement of cash flows and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2022 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the Group and the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, 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 director's 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 Group's and the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

Other information

The other information comprises the information included in the Annual Report and Accounts other than the financial statements and our auditor's report thereon. 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.

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.

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 Group 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 Group Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

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 Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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 set out on page 19, 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF REDWOOD FINANCIAL PARTNERS LIMITED

In preparing the financial statements, the directors are responsible for assessing the Group's and 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 Group or 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 the financial statements.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

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.

Based on our understanding of the Group and the Company and their industry, we considered that non-compliance with the following laws and regulations might have a material effect on the financial statements: UK tax legislation and the Companies Act 2006.

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance, our procedures included, but were not limited to:

- Inquiring of management and, where appropriate, those charged with governance, as to whether the Group and the Company is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;
- Reviewing minutes of directors' meetings in the year;
- Inspecting correspondence, if any, with relevant licensing or regulatory authorities;
- Communicating identified laws and regulations to the engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- Considering the risk of acts by the Group and the Company which were contrary to applicable laws and regulations, including fraud.

We also considered those laws and regulations that have a direct effect on the preparation of the financial statements, such as tax legislation and the Companies Act 2006.

In addition, we evaluated the directors' and management's incentives and opportunities for fraudulent manipulation of the financial statements, including the risk of management override of controls, and determined that the principal risks related to posting manual journal entries to manipulate financial performance and management bias through judgements and assumptions in significant accounting estimates.

Our audit procedures in relation to fraud included but were not limited to:

- Making enquiries of the directors and management on whether they had knowledge of any actual, suspected or alleged fraud;

- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team the risks of fraud; and
- Addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

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

Use of the audit 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.

Martin Orme

Martin Orme (Senior Statutory Auditor) for and on behalf of Mazars LLP
Chartered Accountants and Statutory Auditor
30 Old Bailey
London
EC4M 7AU

22 August 2023

CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2022

		Group	
		2022	2021
	Note	£	£
Interest income	4	28,087,329	19,924,820
Interest expense	5	(7,219,223)	(4,789,284)
Net interest income		20,868,106	15,135,536
Administrative expenses	6	(16,226,163)	(13,125,151)
Operating profit before impairment losses and provisions		4,641,943	2,010,385
Impairment charge on loans and advances to customers	16	(2,496,977)	(38,873)
Profit before tax		2,144,966	1,971,512
Tax (charge)/credit	10	(438,031)	2,011,132
Profit for the year		1,706,935	3,982,644
Other comprehensive income			
Movements in available-for-sale investments		32,241	(69,078)
Other Comprehensive income/(loss) for the year, net of tax		32,241	(69,078)
Total comprehensive income		1,739,176	3,913,566
Profit for year attributable to:			
Owners of the parent		1,706,935	3,982,644
Non-controlling interests		-	-
Total comprehensive income attributable to:			
Owners of the parent		1,739,176	3,913,566
Non-controlling interests		-	-

COMPANY STATEMENT OF PROFIT AND LOSS AND COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022

		Company	
		2022	2021
	Note	£	£
Administrative expenses	6	(120,905)	(202,280)
Loss before tax		(120,905)	(202,280)
Tax credit	10	30,226	100,449
Loss for the year		(90,679)	(101,831)
Total comprehensive loss		(90,679)	(101,831)

There were no recognised gains and losses for 2022 or 2021, other than those included in the statement of profit and loss and comprehensive income. The results for the current and preceding years relate entirely to continuing operations.

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2022

		Group	
		2022	2021
	Note	£	£
Assets			
Tangible fixed assets	12	166,207	182,226
Intangible fixed assets	13	448,996	182,069
Loans and advances to customers	15	403,371,972	369,798,691
Deferred tax assets	10	1,573,101	2,011,132
Other assets and prepayments	18	853,781	652,247
Treasury bills and gilts	19	49,958,358	49,938,351
Cash and balances at central banks	21	84,120,802	105,537,095
Total assets		540,493,217	528,301,811
Liabilities			
Subordinated debt	22	9,000,000	9,000,000
Amounts due to banks	23	37,862,456	37,611,747
Customer deposits	24	447,173,300	438,038,613
Other liabilities and accruals	25	2,922,382	1,855,548
Total liabilities		496,958,138	486,505,908
Issued capital and reserves			
Called up share capital	26	378,164	378,164
Share premium reserve	27	48,333,403	48,333,403
Available-for-sale reserve	27	(21,961)	(54,202)
Retained earnings	27	(5,158,401)	(6,865,336)
Equity attributable to owners of parents		43,531,205	41,792,029
Non-controlling interests	36	3,874	3,874
Total equity and liabilities		540,493,217	528,301,811

The financial statements on pages 29 to 78 were approved and authorised for issue by the Board of Directors on 21 August 2023 and were signed on its behalf by:

....

Jonathan David Rowland

Director

COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022

		Company	
		2022	2021
	Note	£	£
Assets			
Investment in subsidiary	14	47,918,642	47,918,642
Deferred tax assets	10	130,675	100,449
Cash and balances at central banks	21	102,057	228,150
Total assets		48,151,374	48,247,241
Liabilities			
Other liabilities and accruals	25	23,612	28,800
Total liabilities		23,612	28,800
Issued capital and reserves			
Called up share capital	26	378,164	378,164
Share premium reserve	27	48,333,403	48,333,403
Retained earnings	27	(583,805)	(493,126)
Total equity and liabilities		48,151,374	48,247,241

The financial statements on pages 29 to 78 were approved and authorised for issue by the Board of Directors on 21 August 2023 and were signed on its behalf by:

....

Jonathan David Rowland
Director
Company registered number: 09760209

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022

	Share Capital	Share Premium	Available-for-sale-reserve	Retained earnings	Total equity attributable to shareholders of parent	Non-Controlling Interest	Total Equity
At 1 January 2021	251,760	38,159,811	14,876	(10,847,980)	27,578,467	3,874	27,582,341
Comprehensive income for the year							
Profit for the year	-	-	-	3,982,644	3,982,644	-	3,982,644
Available-for-sale financial assets - net change in fair value	-	-	(69,078)	-	(69,078)	-	(69,078)
Total comprehensive income for the year	-	-	(69,078)	3,982,644	3,913,566	-	3,913,566
Contribution by and distributions to owners							
Issue of share capital	126,404	10,173,592	-	-	10,299,996	-	10,299,996
Total contributions and distributions to owners	126,404	10,173,592	-	-	10,299,996	-	10,299,996
At 31 December 2021	378,164	48,333,403	(54,202)	(6,865,336)	41,792,029	3,874	41,795,903
At 1 January 2022	378,164	48,333,403	(54,202)	(6,865,336)	41,792,029	3,874	41,795,903
Comprehensive income for the year							
Profit for the year	-	-	-	1,706,935	1,706,935	-	1,706,935
Available-for-sale financial assets - net change in fair value	-	-	32,241	-	32,241	-	32,241
Total comprehensive income for the year	-	-	32,241	1,706,935	1,739,176	-	1,739,176
Contribution by and distributions to owners							
Issue of share capital	-	-	-	-	-	-	-
Total contributions and distributions to owners	-	-	-	-	-	-	-
At 31 December 2022	378,164	48,333,403	(21,961)	(5,158,401)	43,531,205	3,874	43,535,079

The accompanying notes form part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022

	Share Capital	Share Premium	Retained earnings	Total Equity
At 1 January 2021	251,760	38,159,811	(391,295)	38,020,276
Comprehensive income for the year				
Loss for the year	-	-	(101,831)	(101,831)
Total comprehensive loss for the year	-	-	(101,831)	(101,831)
Contribution by and distributions to owners				
Issue of share capital	126,404	10,173,592	-	10,299,996
Total contributions and distributions to owners	126,404	10,173,592	-	10,299,996
At 31 December 2021	378,164	48,333,403	(493,126)	48,218,441
At 1 January 2022	378,164	48,333,403	(493,126)	48,218,441
Comprehensive income for the year				
Loss for the year	-	-	(90,679)	(90,679)
Total comprehensive loss for the year	-	-	(90,679)	(90,679)
Contribution by and distributions to owners				
Issue of share capital	-	-	-	-
Total contributions and distributions to owners	-	-	-	-
At 31 December 2022	378,164	48,333,403	(583,805)	48,127,762

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	Group 2022 £	2021 £
Cash flows from operating activities			
Profit for the year		1,706,935	3,982,644
Adjustments for			
Amortisation of intangibles	13	133,808	85,194
Depreciation of tangible assets	12	104,682	98,689
Impairment charge on loans and advances to customers		2,496,977	38,873
Increase in customer deposits		9,134,687	58,428,886
Increase in other liabilities		1,066,834	781,150
Increase in other assets		(201,534)	(112,205)
Increase in interest payable on TFSME		250,709	9,994
Net increase in loans to customers		(36,070,258)	(45,957,889)
Finance cost for subordinated debt		585,000	583,397
Fair value change of treasury bills and gilts		32,241	(69,078)
Income tax	10	438,031	(2,011,132)
Cash (utilised)/generated from operations		(20,321,888)	15,858,523
Interest paid for subordinated debt		(585,000)	(583,397)
Net cash (used in)/from operating activities		(20,906,888)	15,275,126
Cash flows from investing activities			
Investment in subsidiary		-	-
Purchases of tangible fixed assets	12	(88,663)	(22,261)
Purchases of intangible assets	13	(400,735)	(87,059)
Acquisition of treasury bills and gilts	19	(9,165,232)	(19,884,208)
Proceeds on sale/maturity of treasury bills and gilts	19	9,145,225	199,669
Net cash used in investing activities		(509,405)	(19,793,859)
Cash flows from financing activities			
Issue of ordinary shares	26	-	10,299,997
Proceeds of TFSME	21	-	18,400,000
Net cash from financing activities		-	28,699,997
Net cash (decrease)/increase in cash and cash equivalents		(21,416,293)	24,181,263
Cash and cash equivalents at the beginning of year		105,537,095	81,355,832
Cash and cash equivalents at the end of the year		84,120,802	105,537,095

COMPANY STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	Company 2022 £	2021 £
Cash flows from operating activities			
Loss for the year		(90,679)	(101,831)
Adjustments for			
(Increase)/decrease in other liabilities		(5,188)	10,620
Income tax	10	(30,226)	(100,449)
Cash utilised from operations		(126,093)	(191,660)
Net cash used in operating activities		(126,093)	(191,660)
Cash flows from investing activities			
Investment in subsidiary		-	(9,900,000)
Net cash used in investing activities		-	(9,900,000)
Cash flows from financing activities			
Issue of ordinary shares	26	-	10,299,997
Net cash from financing activities		-	10,299,997
Net cash (decrease)/increase in cash and cash equivalents		(126,093)	208,337
Cash and cash equivalents at the beginning of year		228,150	19,813
Cash and cash equivalents at the end of the year		102,057	228,150

The accompanying notes form part of these financial statements.

1. General information

Redwood Financial Partners Limited is a limited company incorporated in the UK. The Company's registered office is at Harwood House, 43 Harwood Road, London, England SW6 4QP. These consolidated financial statements comprise the Company and its subsidiaries (collectively the 'Group' and individually 'Group companies'). The Group is primarily involved in providing lending and deposit products for small and medium enterprises.

2. Accounting policies

2.1 Basis of preparation of financial statements

These annual accounts have been prepared in accordance with the Companies Act 2006 and Financial Reporting Standard 102 applicable in the UK and Republic of Ireland ("FRS 102") in conjunction with IAS 39 'Financial Instruments: Recognition and Measurement' (via the option in FRS 102 para 11.2 (b)).

The presentation currency of these financial statements is sterling. All amounts in the annual accounts have been rounded to the nearest £.

The financial statements have been prepared under the historical cost basis unless otherwise specified in the accounting policies.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these annual accounts.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the annual accounts and estimates with a significant risk of material adjustment in the next year, are discussed in Note 3.

2.2 Going concern

The financial statements are prepared on a going concern basis, as the directors believe that the Group and Company have sufficient resources to continue its activities for a period of at least 12 months from the date of approval of the financial statements (the going concern period).

For the year ended 31 December 2022, the Group recognised a profit before tax of £2.1m. The Group's total assets as at 31 December 2022 were £540.5m. The Group has £134.0m of liquidity resources, of which £41.9m are encumbered. The liquidity resources comprise cash and cash equivalents, and other highly liquid assets, as at 31 December 2022. The Company is exploring options to raise additional funds to meet its future cash payment obligations, however its shareholders have undertaken to provide further cash funding, in time to meet the Company's obligations, in the event that no other viable alternative is identified.

The directors have prepared base case and sensitised forecasts, which consider both capital requirements and liquidity, for a period of at least 12 months from the date of approval of these financial statements. The base case and sensitised forecasts do not assume any further capital injections from shareholders. In preparing those forecasts, the directors have considered the current economic uncertainty, rising interest rate and inflationary environment.

The directors have considered severe but plausible downside scenarios, including stress tests aligned to the Group's ICAAP and the effects of management actions taken as a result. These stress scenarios are aligned to the Bank of England's prescribed stress tests. The Board concluded that both capital and liquidity forecasts remained within present regulatory requirements, including use of capital buffers, assessed before and after management actions, over the going concern period. Therefore, the directors have concluded that it is appropriate to prepare the accounts on a going concern basis.

2. Accounting policies (continued)

2.3 Interest income and interest expense

Interest income and expense are recognised in profit and loss using the effective interest rate method. The 'effective interest rate' is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or financial liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

The calculation of the effective interest rate includes those transaction costs and fees paid or received which are deemed to be 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.

Interest income and expense presented in comprehensive income include:

- interest on financial assets and financial liabilities measured at amortised cost calculated on an effective interest basis; and
- interest on available-for-sale investment securities calculated on an effective interest rate basis.

2.4 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at this time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss of each component of other comprehensive income are attributed to the owners of the

2. Accounting policies (continued)

Company and to the non-controlling interest in accordance with articles of association.

When necessary, adjustments are made to the financial statements of any of its subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

2.5 Intangible assets

An intangible asset is recognised when:

- it is probable that the expected future economic benefits that are attributable to the asset will flow to the Group; and
- the cost of the asset can be measured reliably.

Intangible assets are initially recognised at cost. After recognition, under the historical cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses. The Group does not capitalise internal costs, and cloud based computing costs are expensed.

Amortisation is provided to write down the intangible assets on a straight-line basis over their expected useful economic lives. It is provided at the following range:

- Computer software 3-5 years
- Website Development 3-5 years

2.6 Tangible fixed assets

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant, and equipment. Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss. Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

Depreciation is provided on all other items of property, plant, and equipment so as to write off their carrying value over their expected useful economic lives. It is provided at the following range:

- Office equipment 3-5 years
- Computer equipment 3 years
- Office fittings 6 years

2. Accounting policies (continued)

2.7 Financial instruments

Recognition

The Group initially recognises loans and advances, deposits, debt securities and subordinated debt on the date on which they are originated. A financial asset or financial liability is measured initially at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue.

Classification

Financial assets

The Group classifies its financial assets into one of the following categories:

Loans and advances to customers

'Loans and advances to customers' are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Group does not intend to sell immediately or in the near term.

Loans and advances are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest rate method (see Note 3).

Treasury bills and gilts

Treasury bill and gilts intended to be held on a continuing basis, other than those designated at fair value, are classified as available for sale, or held to maturity. They are recognised on the trade date the Group enters into contractual arrangements to purchase those instruments and are normally de-recognised when either the securities are sold or when the Group no longer has contractual right to the cashflows associated with the treasury bill or gilt.

'Available-for-sale financial assets' are initially measured at fair value plus direct and incremental transaction costs. They are subsequently remeasured at fair value, and changes therein are recognised in other comprehensive income until the assets are either sold or become impaired. When available-for-sale financial assets are sold, cumulative gains or losses previously recognised in other comprehensive income are recognised in the income statement.

'Held-to-maturity' investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group positively intends, and is able, to hold to maturity. Held-to-maturity investments are initially recorded at fair value plus any directly attributable transaction costs, and are subsequently measured at amortised cost, less any impairment losses. Interest is recognised at the effective interest rate to the maturity of the asset.

Other fair value changes, other than impairment losses, are recognised in 'Other Comprehensive Income' and presented in the available for sale reserve within equity. When the investment is sold, the gain or loss accumulated in equity is reclassified to profit and loss.

2. Accounting policies (continued)

Financial Liabilities

'Trade creditors' are initially measured at transaction price plus attributable transaction costs and are subsequently measured at amortised cost.

'Subordinated debt' is initially measured at transaction price plus attributable transaction costs, and is subsequently measured at amortised cost, using the effective interest rate method.

'Bank loans' comprise funding from the TFSME and are initially measured at transaction price plus attributable transaction costs, and are subsequently measured at amortised cost, using the effective interest rate method.

Measurement

Amortised cost measurement

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

Fair value measurement

Fair value is the amount for which an asset could be exchanged, a liability settled, or an equity instrument granted could be exchanged, between knowledgeable, willing parties, in an arm's length transaction.

When available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price - i.e., the fair value of the consideration given or received. If the Group determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument, but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

2. Accounting policies (continued)

Identification and measurement of impairment

At each reporting date, the Group assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. A financial asset or a group of financial assets is impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset(s) and that the loss event has an impact on the future cash flows of the asset that can be estimated reliably.

Objective evidence that financial assets are impaired includes:

- significant financial difficulty of the borrower or issuer;
- default or delinquency by a borrower;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- indications that a borrower or issuer will enter bankruptcy;
- the disappearance of an active market for a security; or
- observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the group.

The Group considers evidence of impairment for loans and advances at both a specific asset and a collective level. All loans and advances are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Impairment losses on assets measured at amortised cost are calculated as the difference between the carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate.

The Group also assesses its "held-to-maturity" and "available-for-sale-assets" annually for objective evidence of impairment. The Group's "held-to-maturity" and "available-for-sale-assets" are comprised of UK gilts. Objective evidence of impairment would include factors such as the UK Government failing to meet interest or debt payments or the disappearance of an active market for the securities. The Group tests its ability to liquidate gilts at least annually.

2.8 Foreign currency translation

Functional and presentational currency

The Group's functional and presentational currency is GBP. All amounts have been rounded to the nearest pound, unless otherwise indicated.

Transactions and balances

Foreign currency transactions, should they occur, are translated into the functional currency using the spot exchange rates at the dates of the transactions.

The Group does not currently have any foreign currency exposures.

2.9 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash. These are initially measured at fair value and subsequently recorded at amortised cost.

2. Accounting policies (continued)

2.10 Customer deposits

Deposits are initially measured at transaction value and are subsequently measured at amortised cost, including accrued interest, using the effective interest rate method.

2.11 Share capital and equity

In accordance with FRS 102.22, financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

- they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or liabilities with another party under conditions that are potentially unfavourable to the Company; and
- where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging of a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument classified takes the legal form of the Company's own shares, the amounts that are presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

2.12 Operating leases: the Group as lessee

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. The Group has no finance leases. All other leases are classified as operating leases.

Payments made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease, unless the payments to the lessor are structured to increase in line with expected general inflation in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in comprehensive income over the term of the lease as an integral part of the total lease expense.

2.13 Pensions

The Group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid the Group has no further payment obligations.

Amounts not paid are shown in accruals as a liability in the statement of financial position. The assets of the plan are held separately from the Group in independently administered funds.

Contributions to defined contribution pension schemes are charged to the statement of comprehensive income in the year to which they relate.

2.14 Long Term Staff Incentive Plan

The Group introduced a Long Term Incentive Plan for the Bank's key staff during 2022. The LTIP vests in December 2024 and will be settled in cash. The initial award is based on personal performance which is adjusted proportionately for increases or decreases in net asset value ("NAV") from grant to vesting. The cost of the Plan is recognised on a straight-line basis over the life of the plan, with adjustments made annually for increases or decreases in NAV. The vesting of the LTIPs will be at the discretion of

2. Accounting policies (continued)

the Remuneration Committee and the Board of the Bank, and will also take into consideration other criteria, including individual performance and capital adequacy.

2.15 Taxation

Tax comprises current tax and deferred tax. Tax is recognised in the statement of profit and loss except to the extent that it relates to items recognised directly in equity or other comprehensive income.

Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred tax

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the reporting date except for certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply on the reversal of the timing difference.

2.16 Non-controlling interests

For business combinations completed on or after 1 January 2010 the Group has the choice, on a transaction by transaction basis, to initially recognise any non-controlling interest in the acquiree which is a present ownership interest and entitles its holders to a proportionate share of the entity's net assets in the event of liquidation at either acquisition date fair value or, at the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. Other components of non-controlling interest such as outstanding share options are generally measured at fair value. The Group has not elected to take the option to use fair value in acquisitions completed to date.

From 1 January 2010, the total comprehensive income of non-wholly owned subsidiaries is attributed to owners of the parent and to the non-controlling interests in proportion to their relative ownership interests. Before this date, unfunded losses in such subsidiaries were attributed entirely to the Group. In accordance with the transitional requirements of IAS 27 (2008), the carrying value of non-controlling interests at the effective date of amendment has not been restated.

3. Accounting estimates and judgements

The preparation of financial statements in conformity with FRS 102 requires management, from time to time, to make judgements and estimates that affect the application of policies and reported amounts of assets, liabilities, income, and expenses.

These estimates are based on experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Effective interest rate

FRS 102 requires interest earned from loans and advances to be measured under the Effective Interest Rate Method ("EIRM"). Management must therefore use judgement to estimate the expected life of each instrument and hence the expected cash flows relating to it.

The key assumption applied by management in the EIR methodology is the behavioural life of the assets. For example, the expected life assumption can be subject to changes in internal and external factors and may result in adjustments to the carrying value of loans which must be recognised in the statement of profit and loss and comprehensive income.

Management has limited historical experience of the Group's customer behaviours due to the relative immaturity of the portfolios and therefore models expected behaviour based on market trends and experience. The actual behaviour of the portfolios is compared to the modelled behaviour on a quarterly basis and the modelled behaviours are adjusted if the modelled behaviour materially deviates from actual behaviour, with adjustments recognised in the statement of profit and loss and other comprehensive income.

A 10% decrease in expected life of loans result in an increase in income of £129k (2021: £81k) and an increase in expected life of 10% would result in a decrease in income of £105k (2021: £66k).

Impairment of financial assets

The Group's accounting policy for impairment of loans and advances to customers is set out in Note 2 and consists of:

- Individual assessments of impairment of all mortgage loans that are in arrears or where other objective evidence exists that all cash flows will not be received; and
- Collective assessments of impairment of mortgage loans that are not subject to individual impairment provisions, where there is objective evidence that credit losses have been incurred but not identified at the reporting date.

On an on-going basis the Group assesses whether there is objective evidence that a financial asset or group of financial assets is impaired. Objective evidence of impairment may include observable data indicating that there has been an adverse change in the payment status of borrowers, or economic conditions that correlate with defaults on assets in the portfolio. Assumptions based on historical loss experience for assets with similar credit risk characteristics and external data are used to assess impairment. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

3. Accounting estimates and judgements (continued)

Individual impairments

The recoverable amount is typically dependent on the sale of the collateral. The amount recoverable is determined with reference to:

- The property valuation;
- Any haircut arising from a forced sale discount and/or any deterioration in property value;
- The probability of repossession occurring;
- The time taken to realise the sale proceeds; and
- The property legal and marketing costs.

A sensitivity analysis was carried out on the following key estimates used to calculate the recoverable amount and therefore the impairment provision required for individual cases:

- If the property valuation haircut increased by 5% impairments would increase by £318k.
- If the time to realise the sale proceeds is increased by six months, impairments would increase by £168k.
- If the property marketing and legal costs increased by 1% of sale costs, impairments would increase by £61k.

Collective impairment

The Group has built a model to assess the level of collective impairment provision required. The model utilises a number of the key assumptions used similar to the individual assessment as well as a probability of default, which is also modelled.

A sensitivity analysis was carried out on the following key estimates used to calculate the recoverable amount and therefore the impairment provision required for individual cases:

- If the property valuation haircut increased by 5% impairments would increase by £303k.
- If the time to realise the sale proceeds is increased by six months, impairments would increase by £123k.
- If the property marketing and legal costs increased by 1% of sale costs, impairments would increase by £47k.

Details of provisions for impairment losses are shown in Note 16 and arrears and forbearance details associated with loans and advances to customers are set out in Note 17.

Deferred tax

It is considered appropriate to recognise a deferred tax asset of £1,442,426 as at 31 December 2022, as the Group has evidenced the ability to generate sufficient taxable profits in the future to utilise the carried forward tax losses.

Under FRS 102 a deferred tax asset is recognised for deductible temporary differences and unused tax losses carried forward, to the extent that it is probable that future taxable profits will be available.

The Group has performed an analysis of the recoverability of deferred tax assets. In doing so has considered the following:

3. Accounting estimates and judgements (continued)

- The availability of sufficient taxable temporary differences;
- The probability that the Group will have sufficient taxable profits in the foreseeable future, in the same period as the reversal of the deductible temporary difference or in the periods into which a tax loss can be carried back or forward; and
- The availability of tax planning opportunities that allow the recovery of deferred tax assets.

In the current circumstances, the Group's projections of future taxable profits may be affected by:

- Trading performance;
- Changes in forecast cash flows; and
- Changes in the Group's tax policy.

Some of these changes may reduce future taxable profits, whereas others may potentially increase them. When preparing projections of future taxable profits for the purposes of a deferred tax asset recognition test, the Group has reflected expectations at the reporting date and has used assumptions which are consistent with those used for the going concern assessment.

The Group has carried forward tax losses totalling £5,410,019 which the Group believes it can utilise against future taxable profits, within the next two years based on its current forecasts. The asset has been recognised at the rate enacted at the time at which the carried forward losses are expected to be utilised at 25%.

4. Interest receivable

The following is an analysis of the Group's consolidated revenue for the year from continuing operations:

	2022	2021
	£	£
Interest income	26,100,307	18,644,753
Fees receivable	1,893,953	1,284,584
Income/(loss) from treasury assets amortisation and interest	93,069	(4,517)
	28,087,329	19,924,820

Analysis of the Group's consolidated revenue by country

	2022	2021
	£	£
United Kingdom	28,087,329	19,924,820
	28,087,329	19,924,820

5. Interest payable

	2022	2021
	£	£
Consolidated Group Interest payable to customers		
35 Day notice accounts	2,080,036	1,324,012
95 Day notice accounts	2,945,625	2,057,094
1 Year bond	1,044,317	793,780
2 Year bond	18,038	-
Subordinated debt	585,000	583,397
TFSME	546,207	31,001
	7,219,223	4,789,284

6. Administrative costs

	Group 2022 £	Group 2021 £	Company 2022 £	Company 2021 £
Staff costs	11,260,742	8,330,744	101,504	51,500
IT costs	1,294,274	1,146,535	-	-
Legal & professional fees	1,509,348	1,821,748	-	120,600
Depreciation & amortisation	238,490	183,883	-	-
Other costs	1,923,309	1,642,241	19,401	30,180
	16,226,163	13,125,151	120,905	202,280

7. Auditor's remuneration

	2022 £	20221 £
Amounts receivable by the Company's auditor and its associates for the audit of the Company's annual financial statements	18,000	24,000
Amounts receivable by the Company's auditor and its associates for the audit of the Company's subsidiary (Redwood Bank Limited)	340,000	381,520
Amounts receivable by the Company's auditor and its associates for the other assurance services of the Company's subsidiary (Redwood Bank Limited)	-	25,000
	358,000	430,520

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

8. Staff costs

	Group 2022 £	Group 2021 £	Company 2022 £	Company 2021 £
Staff costs (including directors) comprise:				
Wages and salaries	8,334,160	6,527,083	101,504	51,500
National insurance	1,175,618	773,887	-	-
Defined contribution pension cost	663,058	513,511	-	-
Variable remuneration; cash bonus	748,984	516,263	-	-
LTIP	338,922	-	-	-
	11,260,742	8,330,744	101,504	51,500

Performance related annual cash-based bonus schemes for all staff of the Bank were introduced as variable remuneration in 2022, and calculated based on seniority and performance in the grant year. In 2022 the Bank recognised a cost and liability of £748,984 (2021: £516,263) in respect of the cash based bonuses.

The Group also introduced to the Bank's key staff a cash-based Long Term Incentive Plan with the objective of promoting staff retention and aligning staff and shareholder objectives of achieving sustainable growth. Those staff included are awarded a grant as a percentage of annual salary, calculated based on seniority and performance in the grant year. The grants vest in December 2024 and are to be cash-settled with proportional adjustments for changes in the net asset value of the Bank. In 2022 the Group recognised a cost and liability of £338,922 in respect of the cash-based Long Term Incentive Plan. See Note 2.14 for further details.

The average monthly number of employees of the Bank, including the executive directors and company secretary, during the year was as follows:

	2022 £	2021 £
Full time	109	89
Part time	11	9
Employees	120	98

9. Directors' remuneration

	2022	2021
	£	£
Directors' salaries	-	36,853
Directors' fees	101,504	79,936
Directors' defined contribution pension costs	-	3,598
Directors' private health insurance	-	125
	101,504	120,512

During the year retirement benefits were accruing to no directors (2021: one director) in respect of defined contribution pension schemes.

The highest paid director received total remuneration of £51,500 (2021: £51,500).

The value of the Company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £nil (2021: £nil).

10. Taxation

The Group recognised a tax charge through the statement of profit and loss in 2022 of £438,031 (2021: *tax credit* of £2,011,132).

The Company recognised a tax credit through the statement of profit and loss in 2022 of £30,226 (2020: £100,449).

At 31 December 2022 the Group has unused tax losses of £5,410,019 (2021: £8,533,155) available for offset against future taxable profits. The Group has recognised a deferred tax charge in respect of the utilisation of tax losses in the year. For the unused tax losses, the Group has evidence, that on an on-going basis, it has the ability to generate profits against which such losses can be offset in the future.

At 31 December 2022 the Company has unused tax losses of £471,192 (2020: £401,797) available for offset against future taxable profits. The Company has recognised a deferred tax credit for the losses as the Group has evidence, that on an on-going basis, it has ability to generate profits against which such losses can be used to offset in the future.

The reasons for the difference between the actual tax charge for the year and the standard rate of corporation tax in the UK applied to losses for the year are as follows:

	Group 2022 £	Group 2021 £	Company 2022 £	Company 2021 £
Analysis of tax charge/(credit) for the period				
Current tax				
UK corporation tax at 19% (2021: 19%)	-	-	-	-
Deferred tax				
Origination and reversal of timing differences	438,031	(2,011,132)	(30,226)	(100,449)
Adjustments in respect of prior periods	-	-	-	-
Effect of changes in tax rates	-	-	-	-
Total deferred tax charge/(credit)	438,031	(2,011,132)	(30,226)	(100,449)
Tax charge/(credit)	438,031	(2,011,132)	(30,226)	(100,449)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

10. Taxation (continued)

	Group 2022 £	Group 2021 £	Company 2022 £	Company 2021 £
Profit/(loss) for the year	2,144,966	1,971,512	(120,905)	(202,280)
Profit/(loss) before income taxes	2,144,966	1,971,512	(120,905)	(202,280)
Tax using company's domestic tax rate of 19% (2021: 19%)	407,543	374,587	(22,972)	(38,433)
Non-deductible expenses	1,614	55,132	-	22,914
Deferred tax not recognised in the period	-	-	-	-
Deferred tax recognised relating to prior periods	-	(2,034,988)	-	(60,822)
Fixed asset movements	(2,971)	1,425	-	-
Change resulting from change in enacted tax rate to 25%	31,845	(407,288)	(7,254)	(24,108)
Total charge/(credit) through profit or loss	438,031	(2,011,132)	(30,226)	(100,449)

Losses and other deductions	1,365,382	2,028,588	130,675	100,449
Timing differences	207,719	(17,456)	-	-
Total deferred tax assets	1,573,101	2,011,132	130,675	100,449

11. Risk management

This note sets out the risk management of the Group.

The main areas of risk that the business is exposed to are:

- credit risk;
- liquidity risk;
- interest rate risk;
- basis risk;
- operational risk; and
- capital adequacy risk.

Credit risk

Credit risk is the risk of suffering financial loss should borrowers or counterparties default on their contractual obligations to the Group. The Group currently only lends against fixed property at a maximum LTV of 75.0% (76.5% including fees). All loans are manually underwritten taking into consideration the specific circumstances of each borrower and the proposed security. Borrowers are required to have a minimum debt service cover ratio of 125% at approval. Credit risks are managed by the Bank's Credit Committee and overseen by the Bank's Board Risk Committee.

Credit exposure

The Group's maximum exposure to credit risk is the carrying value of its financial assets, without taking account of any underlying collateral, and contractual commitments, which represent agreements entered into but not advanced, as at 31 December 2022.

	2022	2021
	£	£
Assets		
Cash and balances at central banks	84,120,802	105,537,095
Loans and advances to customers	403,371,972	369,798,691
Treasury bills and gilts	49,958,358	49,938,351
Maximum exposure to credit risk	537,451,132	525,274,137

The table on the next page provides further information on collateral held in respect of the mortgage portfolio in impairment and arrears by payment due status. Capped collateral only recognises collateral to the value of each individual mortgage and does not recognise cross collateralisation.

The Group has impaired 8 loans (2021: 9), with a total exposure of £11,956,906 (2021: £6,913,006). The Group has further loans totalling £19,429,780 (2021: £11,469,228) which are in arrears but not impaired.

Loans in arrears where payment holidays and tailored support have been granted total £4,898,869 (2021: £2,765,350).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

11. Risk Management (continued)

	2022	2022	2021	2021
	Loan balance	Value of collateral	Loan balance	Value of collateral
	£	£	£	£
Impaired:				
Past due and impaired	11,956,906	15,352,881	3,391,897	4,760,000
Not past due and impaired	-	-	3,521,109	5,314,508
Total	11,956,906	15,352,881	6,913,006	10,074,508
Not impaired:				
Past due up to 3 months	18,087,233	32,517,233	8,072,572	13,870,221
Past due 3 to 6 months	287,851	417,592	3,225,394	6,264,437
Past due 6 to 12 months	1,054,696	1,958,841	171,262	325,109
Past due but not impaired	19,429,780	34,893,666	11,469,228	20,459,767

At 31 December 2022, the Group had an approved but not drawn credit pipeline of £42.3m (2021: £18.6m).

Credit risk management

The Group specialises in providing lending to small and medium enterprises. It lends to owner occupied businesses to invest in their own commercial premises, as well as to experienced commercial and residential property investors.

Loans are secured on properties solely located in the UK, and concentration risks are monitored and credit exposures spread across industry sector and geographic location.

Concentration of credit risk

The Group measures concentration risk by product type, geographic location, and loan size.

	2022	2021
	%	%
Lending by product type (%) (value)		
Commercial real estate lending	50	48
Residential real estate lending	50	52
Total	100	100

11. Risk Management (continued)

	2022	2021
	%	%
Lending by geographical location (value)		
North East	6	7
Warrington and North West	27	25
West Midlands	8	8
Greater London & South East	18	18
Yorkshire and Humberside	14	15
Northern Ireland	-	1
East Midlands	6	5
South West	5	5
Hertfordshire, Bedfordshire, Buckinghamshire, and East Anglia	7	7
Scotland	6	6
Wales	3	3
Total	100	100

	2022	2021
		Restated*
	%	%
Lending by loan size (value)		
0 - £250K	16	17
£251K - £500K	17	17
£501K - £1,000K	24	24
£1,001K - £2,000K	19	19
£2,001K - £3,000K	9	10
£3,001K - £4,000K	7	7
> £4,000K	8	6
Total	100	100

* The comparative note is restated to show lending by the value of loan size.

11. Risk Management (continued)

Credit risk security

All loan agreements with customers are secured by property.

The table below details credit exposures from mortgage loans and advances to customers by loan to value ratios using, where available, the most recent indexed valuations. LTV is calculated as the ratio of the gross amount of the loan to the value of the asset provided as collateral.

For unimpaired loans the collateral value is the valuation of the property at drawdown indexed to present value through the use of established residential and commercial property price market indices unadjusted for any costs related to taking possession of the asset, selling the asset, and any impairment allowance. However, collateral for impaired loans, which are not currently in administration or receivership, has been revalued by a registered valuer, with the relevant sales discount, costs of taking possession and selling the asset and valuation stress rates applied. Those impaired loans in administration or receivership have been attributed their current marketing value.

Loans with LTVs greater than 76.5%, the maximum LTV within policy for residential property, are mainly as a result of the indexation of loans using established residential and commercial property price market indices and reflect a recent trend of reduction in property prices.

	2022	2021
	£	£
Lending by LTV ratio (value)		
Less than 50%	68,712,614	52,454,371
50 - 75%	269,562,472	309,776,282
75 - 100%	69,413,493	12,510,084
More than 100%	3,118,106	324,902
Total loans and advances to customers (excluding provisions for losses and deferred fees)	410,806,685	375,065,639

11. Risk Management (continued)

Credit risk - Treasury

Credit risk exists in the form of counterparty risk with treasury related assets where the Group has acquired securities or placed cash deposits with other financial institutions. No assets are held for speculative purposes or are actively traded. Treasury bills and gilts are held as part of the Group's liquidity buffer.

The table below sets out the credit quality of the Group's on-balance sheet treasury assets:

	2022	2021
	£	£
Deposits by counterparty credit rating		
Deposits at central banks – Rated AA-*	79,313,175	102,203,771
Deposits at other banks – Rated A+*	4,807,627	3,333,324
UK gilts – Rated AA-*	49,958,358	49,938,351
Total	134,079,160	155,475,446

* Ratings based on Fitch long-term credit rating.

Treasury asset credit risk is managed through various policies and procedures. These include the placement of excess cash with highly rated financial institutions, (the credit risk of which is controlled through limits as set out in the counterparty placements policy), and gilts and treasury bills being held as part of the liquidity buffer, although these attract sovereign risk.

11. Risk Management (continued)

Liquidity risk

The Company is not exposed to liquidity risk.

Liquidity risk is the risk that the Group is unable to meet its current and future financial obligations as they fall due or is only able to do so at excessive cost. The Group's liquidity is managed on a daily basis by the Group's Treasury Team with periodic oversight by the Assets and Liabilities Committee. Further periodic oversight is provided by the Board Risk Committee.

The Group has developed comprehensive funding and liquidity policies to ensure that it maintains sufficient liquid assets to be able to meet all of its financial obligations and maintain depositor and market confidence.

Liquidity stress testing is conducted under a variety of scenarios, covering both normal and more severe market conditions.

The Group's European Banking Authority Liquidity Coverage Ratio ("LCR") at 31 December 2022 was 352% [unaudited] (2021: 970%), above the regulatory requirement of 100%, and the deposit to loans ratio was 109% [unaudited] (2021: 117%).

The table below analyses the Group's contractual cash flows of its financial assets and liabilities.

2022	Carrying amount	Less than 3 months	3 months to 1 year	Greater than 1 year but no more than 5 years	Greater than 5 years
	£	£	£	£	£
Assets					
Cash and balances at central banks	84,120,802	84,120,802	-	-	-
Treasury bills and gilts	49,958,358	15,785,760	5,041,377	29,131,221	-
Loans and advances to customers	410,806,685	-	2,602,063	4,375,906	403,828,716
Total Assets	544,885,845	99,906,562	7,643,440	33,507,127	403,828,716
Liabilities					
Customer deposits	447,173,300	192,212,659	250,067,970	4,892,671	-
Subordinated debt	9,000,000	-	-	-	9,000,000
Amounts due to banks	37,862,456	-	-	37,862,456	-
Total Liabilties	494,035,756	192,212,659	250,067,970	42,755,127	9,000,000

11. Risk Management (continued)

2021	Carrying amount	Less than 3 months	3 months to 1 year	Greater than 1 year but no more than 5 years	Greater than 5 years
	£	£	£	£	£
Assets					
Cash and balances at central banks	105,537,095	105,537,095	-	-	-
Treasury bills and gilts	49,938,351	-	5,017,644	44,920,707	-
Loans and advances to customers	375,065,639	3,081,989	6,732,990	48,785,723	316,464,937
Total Assets	530,541,085	108,619,084	11,750,634	93,706,430	316,464,937
Liabilities					
Customer deposits	438,038,613	174,755,735	262,025,874	-	1,257,004
Subordinated debt	9,000,000	-	-	-	9,000,000
Amounts due to banks	37,611,747	11,747	-	37,600,000	-
Total Liabilties	484,650,360	174,767,482	262,025,874	37,600,000	10,257,004

Interest rate risk

The Company is not exposed to interest rate risk.

Interest rate risk is the risk of loss arising from adverse movements in market interest rates. Interest rate risk arises from the mismatch in the repricing profile of the loans and savings products that the Group offers. This risk is managed within established risk limits, as well as the use of treasury bills and government gilts.

Basis risk

The Company is not exposed to basis risk.

Basis risk is the risk of loss arising from changes in the relationship between interest rates which have similar, but not identical characteristics (for example, SONIA and the Bank of England base rate). This is monitored closely and regularly reported to the Assets and Liabilities Committee. The risk is mitigated by managing the net mismatches between exposures with different rate characteristics within established risk limits.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

11. Risk Management (continued)

The Group's forecasts and plans take account of the risk of interest rate changes and are prepared and stressed in line with PRA guidance. The following table summarises the re-pricing periods for the Group's assets and liabilities. Items are allocated to time periods by reference to the earlier of the next contractual change in interest rates and the maturity date.

The interest rate sensitivity exposure of the Group at 31 December 2022 was:

2022	Within 3 months	More than 3 but less than 6 months	More than 6 months but less than a year	More than 1 year but less than 5 years	More than 5 years	Non interest bearing
	£	£	£	£	£	£
Assets						
Cash and balances at non-central banks	-	-	-	-	-	5,296,987
Cash and balances at central banks	79,313,175	-	-	-	-	-
Loans and advances to customers	393,886,788	2,144,587	-	13,138,548	-	1,535,441
Treasury bills and gilts	15,800,000	-	5,000,000	29,000,000	-	-
Other assets	-	-	-	-	-	1,227,660
Total assets	488,999,963	2,144,587	5,000,000	42,138,548	-	8,060,088
Liabilities						
Amounts due to banks	(37,600,000)	-	-	-	-	-
Subordinated debt	-	-	-	-	(9,000,000)	-
Other liabilities	-	-	-	-	-	(2,922,382)
Customer deposits	(192,118,399)	(199,000,470)	(49,613,696)	(4,961,756)	-	(1,745,679)
Total equity	-	-	-	-	-	(43,531,205)
Total liabilities	(229,718,399)	(199,000,470)	(49,613,696)	(4,961,756)	(9,000,000)	(48,199,266)
Net interest rate risk gap	259,281,564	(196,855,883)	(44,613,696)	37,176,792	(9,000,000)	(40,139,177)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

11. Risk Management (continued)

The interest rate sensitivity exposure of the Group at 31 December 2021 was:

2021	Within 3 months	More than 3 but less than 6 months	More than 6 months but less than a year	More than 1 year but less than 5 years	More than 5 years	Non interest bearing
	£	£	£	£	£	£
Assets						
Cash and balances at non-central banks	-	-	-	-	-	3,333,324
Cash and balances at central banks	102,203,771	-	-	-	-	-
Loans and advances to customers	365,502,617	10,352	100,109	8,511,827	-	(4,326,213)
Treasury bills and gilts	-	-	5,000,000	44,800,000	-	138,351
Other assets	-	-	-	-	-	2,927,225
Total assets	467,706,388	10,352	5,100,109	53,311,827	-	2,072,687
Liabilities						-
Amounts due to banks	(37,600,000)	-	-	-	-	(11,747)
Subordinated debt	-	-	-	-	(9,000,000)	-
Other liabilities	-	-	-	-	-	(1,855,549)
Customer deposits	(174,040,924)	(208,625,405)	(54,589,501)	-	-	(782,783)
Total equity	-	-	-	-	-	(41,695,454)
Total liabilities	(211,640,924)	(208,625,405)	(54,589,501)	-	(9,000,000)	(44,345,533)
Net interest rate risk gap	256,065,464	(208,615,053)	(49,489,392)	53,311,827	(9,000,000)	(42,272,846)

11. Risk Management (continued)

Interest rate sensitivity analysis

The Group considers a parallel 200 basis points ("bps") movement to be appropriate for scenario testing, given the current economic outlook and industry expectations.

The Group estimates that a +/- 200 bps movement in interest rates paid/received would have impacted the economic value of equity at 31 December 2022 as follows:

- +200 bps - £709k positive (2021: £143k positive)
- -200 bps - £815k negative (2021: £272k negative)

The calculation assumes that the change occurred at the balance sheet date and has been applied per the product terms and conditions and to the effective rate at that date.

London Interbank Offered Rate ("LIBOR")

Regulators and central banks have set the goal of improving the robustness of financial benchmarks, especially interest rate benchmarks. As a result of this initiative the LIBOR is no longer used. In the UK, the FCA announced that it will no longer compel panel banks to submit rates for the calculation of LIBOR after 2021.

As a result of LIBOR's discontinuation in 2022, the Working Group on Sterling Risk-Free Reference Rates proposed the Sterling Overnight Index Average ("SONIA") as the basis of a replacement for LIBOR. The Group does not have any exposure to LIBOR.

Operational risk

The Company is not exposed to operational risk.

Operational risk is the risk of loss arising from a failure of controls emanating from the Group's processes, personnel, technology or infrastructure, or from external factors other than credit, market, and liquidity risks, including those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risk arises from all of the Group's activities, be it from revenue generating areas, or its support and control functions.

The Group's objective is to ensure that it can fulfil its strategic intentions and financial goals, whilst managing the operational risks inherent in its business model. In doing so, it aims to balance the avoidance of financial losses and damage to the Group's reputation, with the requirement to adhere and comply with all applicable legal, regulatory, and financial statutory requirements.

The Bank's Board of Directors has delegated oversight responsibility for operational risk to its Risk Committee. The Conduct, Compliance and Operational Risk Committee is the management committee responsible for the development and management of controls to address operational risk.

Compliance with standards is supported by a programme of periodic reviews undertaken by Internal Audit.

The results of Internal Audit reviews are discussed in the Bank's Audit & Compliance Committee.

11. Risk Management (continued)

Capital risk management

The Company's subsidiary, the Bank, is subject to capital risk. The Bank's objective in managing its capital is to maintain appropriate levels of capital to support its business strategy and financial goals, and meet regulatory requirements.

The Bank's total capital requirements ("TCR") are comprised of a minimum of 75% CET1 and a maximum of 25% Tier 2 regulatory capital (any Tier 2 in excess of 25% of TCR is considered ineligible for regulatory capital purposes). The Bank's regulatory capital buffers are satisfied entirely by CET1 capital. The total capital ratio sits at 19.0% [unaudited] (2021: 21.4%) and the Bank's regulatory capital requirements for CET1 and total capital requirements are met.

The PRA and the Bank interact through the Capital Supervisory Review and Evaluation Process ("C-SREP") process to determine the capital requirements that the Bank should hold for its risk profile. The regulator sets the total capital requirement for each bank in excess of the minimum Pillar 1 resource requirement of 8%, taking into account the Bank's own regulatory Pillar 2A assessment. A key input to the TCR setting process is the Bank's ICAAP.

The Bank manages its capital under the revised Capital Requirements Regulation and Directive, as implemented by the UK ("CRR II"). The PRA monitors the Bank's capital position through the quarterly Common Reporting ("COREP") process. The PRA's approach to the measurement of capital adequacy is primarily based on monitoring the relationship of the available capital resources to the capital resources requirement.

The Bank's policy is to maintain a strong capital base to maintain investor and market confidence, and to sustain the future growth and development of the business, as well as to insulate itself from periods of stress.

The Bank has elected to use the standardised approach for credit risk. Under CRR II, the Bank must set aside 8% of total risk weighted assets to cover its 'Pillar 1' capital requirements. The Bank must also set aside additional 'Pillar 2' capital to provide for additional risks. This is calculated by multiplying the total risk exposures by the agreed TCR ratio. The TCR ratio is based on the various risks which the Bank faces and is agreed by the PRA. The Bank's capital base was in excess of the minimum required under the TCR throughout the year.

11. Risk Management (continued)

As at 31 December 2022, the Bank's capital base was made up of £51.3m of Tier 1 and Tier 2 capital (2021: £49.9m). The Bank had ineligible Tier 2 capital of £2.2m (2021: £3.7m). The Bank's regulatory capital consists of the following:

	2022	2021
	£	£
Regulatory capital		
Ordinary share capital and share premium	47,922,516	47,922,516
Retained earnings	(4,574,596)	(6,372,210)
Available for sale reserve	(21,961)	(54,202)
Deductions: intangible assets	(448,996)	(182,069)
Deferred tax arising from carried forward losses	(1,442,426)	(1,910,683)
Ineligible Tier 1 capital	(3,874)	(3,874)
Total Tier 1 capital	41,430,663	39,399,478
Collective loan loss provision	889,925	1,510,276
Subordinated debt	9,000,000	9,000,000
Total Tier 2 capital	9,889,925	10,510,276
Total regulatory capital	51,320,588	49,909,754

Capital reconciliation

	2022	2021
	£	£
Equity as per statement of financial position	43,325,959	41,496,104
Regulatory adjustments:		
Intangible assets	(448,996)	(182,069)
Collective loan loss provision	889,925	1,510,276
Subordinated debt	9,000,000	9,000,000
Deferred tax arising from carried forward losses	(1,442,426)	(1,910,683)
Ineligible Tier 1 capital	(3,874)	(3,874)
Total regulatory capital	51,320,588	49,909,754

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

12. Tangible fixed assets

Group

	Office equipment	Computer equipment	Other property, plant and equipment	Total
	£	£	£	£
Cost				
At 1 January 2021	26,079	153,674	422,324	602,077
Additions	-	22,261	-	22,261
At 31 December 2021	26,079	175,935	422,324	624,338
Additions	22,609	48,122	17,932	88,663
At 31 December 2022	48,688	224,057	440,256	713,001

	Office equipment	Computer equipment	Other property, plant and equipment	Total
	£	£	£	£
Accumulated depreciation and impairment				
At 1 January 2021	22,004	108,056	213,363	343,423
Charge for the year	1,886	25,646	71,157	98,689
At 31 December 2021	23,890	133,702	284,520	442,112
Charge for the year	3,265	30,208	71,209	104,682
At 31 December 2022	27,155	163,910	355,729	546,794
Net book value				
At 1 January 2021	4,075	45,618	208,961	258,654
At 31 December 2021	2,189	42,233	137,804	182,226
At 31 December 2022	21,533	60,147	84,527	166,207

13. Intangible fixed assets

Group

	Website development	Computer software	Total
	£	£	£
Cost			
At 1 January 2021	62,735	293,171	355,906
Additions	-	87,059	87,059
At 31 December 2021	62,735	380,230	442,965
Additions	78,787	321,948	400,735
At 31 December 2022	141,522	702,178	843,700

	Website development	Computer software	Total
	£	£	£
Accumulated amortisation and impairment			
At 1 January 2021	41,823	133,879	175,702
Charge for the year	12,547	72,647	85,194
At 31 December 2021	54,370	206,526	260,896
Charge for the year	15,969	117,839	133,808
At 31 December 2022	70,339	324,365	394,704
Net book value			
At 1 January 2021	20,912	159,292	180,204
At 31 December 2021	8,365	173,704	182,069
At 31 December 2022	71,183	377,813	448,996

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

14. Investments

	Investment in subsidiaries	Total
	£	£
Company		
At 1 January 2021	38,018,642	38,018,642
Additions	9,900,000	9,900,000
At 31 December 2021	47,918,642	47,918,642
At 31 December 2022	47,918,642	47,918,642
Net book value		
At 31 December 2021	47,918,642	47,918,642
At 31 December 2022	47,918,642	47,918,642

15. Loans and advances to customers

	Group 2022 £	Group 2021 £
Customer loans		
Secured loans including interest accruals	410,806,685	375,065,639
Deferred fee income	(1,798,863)	(2,128,075)
Less: provision for impairment losses on loans (see Note 16)	(5,635,850)	(3,138,873)
	403,371,972	369,798,691

Loans to customers are repayable from the reporting date as follows:

	Group 2022 £	Group 2021 £
Maturity analysis		
Less than one year	2,602,063	9,814,979
One to five years	4,375,906	48,785,723
More than five years	403,828,716	316,464,937
	410,806,685	375,065,639
Deferred fee income	(1,798,863)	(2,128,075)
Less: provision for impairment losses on loans (see Note 16)	(5,635,850)	(3,138,873)
	403,371,972	369,798,691

The above analysis is based on contractual maturity and may not reflect actual experience of repayments, since many mortgage loans may be repaid early.

16. Loan loss provisions

Collective loan provision:

	Group 2022 £	Group 2021 £
Balance at beginning of the year	1,510,276	2,251,174
Credit for the year	(620,351)	(740,898)
Closing balance at the end of the year	889,925	1,510,276

Individual loan provision:

	Group 2022 £	Group 2021 £
Balance at beginning of the year	1,628,597	848,826
Write backs in the year	(612,957)	(564,822)
Charge for the year	3,730,285	1,344,593
Closing balance at the end of the year	4,745,925	1,628,597

	Group 2022 £	Group 2021 £
Collective loan provision	889,925	1,510,276
Individual loan provision	4,745,925	1,628,597
Total loan loss provisions	5,635,850	3,138,873

	Group 2022 £	Group 2021 £
At 1 January	3,138,873	3,100,000
Loan impairment recognised during the year	2,496,977	38,873
At 31 December	5,635,850	3,138,873

17. Forbearance and COVID-19 related payment holidays

The tables below demonstrate the value of loans of the Group that experienced forbearance in 2022, including loans already in forbearance from 2021, and forbearance or payment holidays during 2021 because of the COVID-19 pandemic, in line with FCA guidance.

	2022	2021
	£	£
Payment holidays - value of loans		
1 - 3 months holiday	4,234,130	6,755,118
4 - 6 month holiday	664,739	14,818,332
Greater than 6 months	230,431	10,048,765
	5,129,300	31,622,215
No payment holidays	405,677,385	343,443,424
	410,806,685	375,065,639

18. Other assets and prepayments

	Group	Group
	2022	2021
	£	£
Prepayments and other assets	724,489	641,067
Accrued income	129,292	11,180
	853,781	652,247

19. Treasury bills and gilts

	Group 2022 £	Group 2021 £
Held to maturity financial assets at amortised cost	39,165,044	39,176,026
Held at fair value through other comprehensive income	10,793,314	10,762,325
	49,958,358	49,938,351

The Group has a distinct and separate pool of financial assets, consisting of gilts which are held to maturity as an economic hedge against the interest rate risk created by the fixed interest rate associated with the subordinated debt and 1 and 2-year bonds.

Available for sale financial assets ("AFS") held at fair value through other comprehensive income comprise treasury bills and gilts. AFS assets are fair valued at the end of the period and any difference between carrying value and fair value is recognised through the statement of other comprehensive income. Interest is recognised at the effective interest rate.

The Group has encumbered £41.9m (2021: £39.2m) of its gilts as collateral against the TFSME drawn (see Note 23).

20. Fair value

The fair value of financial assets and liabilities that are measured at fair value is based on quoted market prices. If the market is not active the Group establishes a fair value by using appropriate valuation techniques.

- Level 1: quoted prices in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within level 1 that are observable for the asset, either directly or indirectly
- Level 3: valuation techniques using observable or unobservable market data

The Group holds a portion of its UK treasury bills and gilts at fair value. The Group does not hold any financial liabilities at fair value.

The fair value of the Group's UK treasury bills and gilts is based on bid prices in active markets and is thus classified as Level 1 financial assets.

There have been no transfers between classifications in 2022 or 2021.

21. Cash and balances at central banks

	Group 2022 £	Group 2021 £	Company 2022 £	Company 2021 £
Cash at banks other than central banks	4,807,627	3,333,324	102,057	228,150
Cash at central banks	79,313,175	102,203,771	-	-
	84,120,802	105,537,095	102,057	228,150

22. Subordinated debt

Group

	2022 £	2021 £
Subordinated debt	9,000,000	9,000,000
	9,000,000	9,000,000

During 2020, the Group issued £9.0m of subordinated debt, drawn down in three tranches. The debt is repayable in 10 years from issue and currently bears a fixed interest rate of 6.5% p.a. – payable quarterly. Total interest paid during the year in relation to the debt was £585,000 (2021: £583,397). The debt is considered eligible as Tier 2 capital.

23. Amount due to banks

Group

	2022 £	2021 £
TFSME	37,862,456	37,611,747
	37,862,456	37,611,747

During 2021 the Group gained access to and drew down against the TFSME. The Group drew £18.4m down from the scheme in 2021, but £nil in 2022, collateralised by the Group's held to maturity gilts. The principal is repayable four years from drawdown. Total interest paid during the year in relation to the debt was £546,207 (2021: £31,001).

24. Customer deposits

	Group 2022 £	Group 2021 £
35 Day Notice Deposits	158,945,320	152,296,147
95 Day Notice Deposits	209,679,713	204,878,721
1 Year Bond	73,572,427	80,722,751
2 Year Bond	4,974,740	-
Instant Access	-	120,994
Other Deposits	1,100	20,000
	447,173,300	438,038,613

25. Other liabilities and accruals

	Group 2022 £	Group 2021 £	Company 2022 £	Company 2021 £
Trade creditors	76,124	112,724	-	-
Other creditors	705,804	447,080	-	-
Accruals	2,140,454	1,295,744	23,612	28,800
	2,922,382	1,855,548	23,612	28,800

26. Share capital

Issued and fully paid

	2022	2022	2021	2021
	Number	£	Number	£
Ordinary shares of £0.01				
As at 1 January	25,176,015	251,760	25,176,015	251,760
Shares issued	12,640,423	126,404	12,640,423	126,404
As at 31 December	37,816,438	378,164	37,816,438	378,164

The holders of the ordinary shares of the Company are entitled to receive notice of, attend, speak and vote at general meetings of the Company and shall be entitled to one vote per share held.

27. Reserves

	Group	Group	Company	Company
	2022	2021	2022	2021
	£	£	£	£
Called up share capital	378,164	378,164	378,164	378,164
Share premium	48,333,403	48,333,403	48,333,403	48,333,403
Available-for-sale reserve	(21,961)	(54,202)	-	-
Retained earnings	(5,158,401)	(6,865,336)	(583,805)	(493,126)
	43,531,205	41,792,029	48,127,762	48,218,441

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
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28. Analysis of changes in net debt

Group

	At 1 Jan 2022	Cash flows	Acquired	Non-cash changes	At 31 Dec 2022
	£	£	£	£	£
Cash and balances at central banks	105,537,095	(21,416,293)	-	-	84,120,802
Subordinated debt	(9,000,000)	-	-	-	(9,000,000)
At 31 December 2022	96,537,095	(21,416,293)	-	-	75,120,802

Company

	At 1 Jan 2022	Cash flows	Acquired	Non-cash changes	At 31 Dec 2022
	£	£	£	£	£
Cash and balances at central banks	228,150	(126,093)	-	-	102,057
Subordinated debt	-	-	-	-	-
At 31 December 2022	228,150	(126,093)	-	-	102,057

29. Country by country reporting

The Capital Requirements (Country by Country Reporting) Regulation 2013 places certain reporting obligations on financial institutions that are within the scope of Capital Requirements Directive ("CRD IV").

The objective of the country by country reporting requirements is to provide increased transparency regarding the source of the financial institution's income and the locations of its operations. The Company and all Group companies are UK registered entities.

Redwood Bank Limited, the subsidiary of Redwood Financial Partners Limited, is a deposit taker and lender and operates only in the United Kingdom.

	Group	Group	Company	Company
	2022	2021	2022	2021
	£	£	£	£
Gross Profit	20,868,106	15,135,536	-	-
Profit before tax	2,144,966	1,971,512	(120,905)	(202,280)
Average number of employees	123	101	3	3

Turnover is defined as total interest income less interest expense.

30. Undrawn commitments and contingent liabilities

The Group had undrawn commitments of £42.3m (2021: £25.9m) and no contingent liabilities at 31 December 2022 or 31 December 2021.

31. Pensions

The Group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The pension cost charge represents contributions payable by the Group to the fund and amounted to £663,058 (2021: £513,511). No contributions were payable to the fund at the reporting date.

32. Commitments under operating leases

The Group leases head offices for the Bank in Letchworth Garden City, as well as its regional office in Warrington, under operating leases. The Bank signed new leases in 2019 for the Letchworth offices, which run for periods of five years, ending in 2024. It also signed a new lease in 2022 for the Warrington office for a period of three years, ending in 2025.

At 31 December 2022 the Group had future minimum lease payments under non-cancellable operating leases as follows:

	2022	2021
	£	£
Not later than 1 year	193,604	116,216
Later than 1 year and not later than 5 years	200,691	187,811
	394,295	304,027

During the year £167,432 (2021: £141,318) was recognised as an expense in the statement of profit and loss in respect of operating leases.

33. Other financial commitments

The Group has commitments under contracts, with key suppliers, to purchase intangible assets relating to computer software to the value of £662k (2021: £84k).

The Group's lending pipeline commitments are disclosed in Note 11.

The Group's operating lease commitments are disclosed in Note 32.

34. Transactions with directors

The Company had no transactions with directors in the year.

The key management personnel of the Group comprised the Executive and Non-Executive directors of the Company and the Bank. The compensation of key management personnel is shown in Note 9.

As at 31 December 2022, the Group held deposits with an aggregate value of £nil (2021: £72,724), under normal terms for no (2021: nil) companies controlled by directors of the Group. The deposits earn interest at the standard rate for these types of accounts. Total interest paid in the year to 31 December 2022 amounts to £nil (2021: £nil).

As at 31 December 2022, the Group held deposits with an aggregate value of £nil (2021: £nil), under normal terms for no (2021: nil) companies/associations where directors of the Group have influence. The deposits earn interest at the standard rate for these types of accounts. Total interest accrued in the year to 31 December 2022 amounts to £nil (2021: £nil).

There were no loans outstanding to any director at 31 December 2022 (2021: nil).

35. Related party transactions

As at 31 December 2022, the Group held deposits with an aggregate value of £nil (2021: £72,724), under normal terms for no (2021: 3) companies under common control. The deposits earn interest at the standard rate for these types of accounts. Total interest paid to 31 December 2022 amounts to £457 (2021: £4,987).

The Group leases the Bank's Warrington office from Warrington Borough Council, a significant shareholder of the Company. The lease is at market rates on an arm's length basis. Rent paid on this property for the year was £57,059 (2021: £31,007).

The Group has issued subordinated debt to Warrington Borough Council and Thurrock Borough Council, both of which are shareholders in the Company. The total subordinated debt issued is £9.0m (2021: £9.0m) and interest paid totalled £585,000 (2021: £583,397).

Details of transactions with directors is disclosed in Note 34.

36. Non-controlling interests

	2022	2021
	£	£
Balance at beginning of the year	3,874	3,874
Balance at end of the year	3,874	3,874

37. Events after the reporting date

There have been no significant or reportable events following the year end.

38. Controlling party

The directors regard Redwood Financial Partners Limited as being controlled through an investment agreement, with significant parties being:

- Ruskin Capital Limited, a company registered in the Channel Islands, the registered office of which is The Old Stables, Rue A L'Or, St. Peter Port, Guernsey, Channel Islands GY1 1QG;
- Jonathan Rowland, in an individual capacity and through ownership of JR Spac 1 Ltd, a company registered in the Channel Islands the registered office of which is The Old Stables, Rue A L'Or, St. Peter Port, Guernsey, Channel Islands GY1 1QG; and
- Warrington Borough Council, the registered office of which is East Annexe, Town Hall, Sankey Street, Warrington, United Kingdom WA1 1UH.