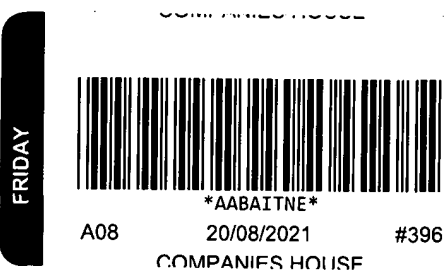


RETAIL MONEY MARKET LTD
ANNUAL REPORT AND FINANCIAL STATEMENTS
PERIOD-ENDED 31 DECEMBER 2020



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Company Information

Directors

Martyn Scrivens

(Chairman and Non-executive director)

David Arden

(Non-executive director)

Anne Grim

(Non-executive director)

Daniel Frumkin

(Non-executive director)

Rhydian Lewis

(Chief Executive Officer)

Peter Behrens

(Chief Commercial Officer)

Harry Russell

(Chief Financial Officer)

Registered Office

RateSetter is a trading name of Retail Money Market Ltd (Company No. 07075792), a company registered at:

6th Floor
55 Bishopsgate
London
EC2N 3AS

Independent Auditors

PricewaterhouseCoopers LLP
1 Embankment Place
London
WC2N 6RH

Strategic report

The directors present their Strategic report for Retail Money Market Ltd ("the Company") for the period ended 31 December 2020.

Key events during the period

Acquisition by Metro Bank PLC

The Company had long-standing plans to raise additional capital in 2020 to continue to grow the business and platform. Following the pandemic outbreak in March 2020, the timeline for these plans accelerated, including exploring the option of a strategic trade sale.

In June 2020, RateSetter entered a period of exclusivity with Metro Bank PLC ("Metro Bank") about the acquisition of RateSetter. Metro Bank had stated in early 2020 that it intended to grow in consumer finance, making the potential combination a natural fit. After a period of due diligence and negotiation, the transaction was announced on 3 August 2020, subject to shareholder and regulatory approval.

On 14 September 2020, the acquisition completed and a capital contribution of £18.7m was made by Metro Bank to enable RateSetter to meet its ongoing regulatory capital requirements. In addition, Metro Bank confirmed its intention to provide ongoing capital support, as required, for the foreseeable future. The transaction did not involve RateSetter's holding in Plenti Group Limited which was transferred to shareholders at the time of completion, via a bonus issue of C shares and a subsequent capital reduction.

Metro Bank plans to significantly grow RateSetter's unsecured consumer lending through the RateSetter platform, using the lending and credit management capability RateSetter has built over the last decade. From October 2020 all new unsecured consumer lending was funded by Metro Bank.

COVID-19

The outbreak of COVID-19 in the UK and the subsequent lockdowns resulted in significant turbulence across the financial system. Investors' appetite for credit risk reduced and a mass liquidation across asset classes ensued. RateSetter saw a sharp increase in requests for investor liquidity which reduced the Group's capacity to lend as the Group focussed on balancing the demands of the Group's borrowers with investors requesting to exit. A backlog of investment release requests persisted until December 2020.

Given the deterioration in economic outlook, the Group materially increased its Future Expected Credit Losses in April 2020, representing an increase of 43%. This increase included the impact of adding a macroeconomic overlay and this provisioning was in line with other mainstream lenders. The result was that, for the first time, the Interest Coverage Ratio reduced to below 100%, prompting the implementation of a Stabilisation Period (as defined in RateSetter's Investor Terms and Conditions) and a temporary interest reduction for all investors which was announced on 4 May 2020. During the temporary interest reduction investors received only 50% of their interest with the other 50% being diverted to the Provision Fund, for the protection of all investors.

In January 2021, the interest coverage ratio returned to above 100%, thanks to the interest diverted as a result of the temporary interest reduction, the performance of the consumer portfolio and sales of non-performing loans that were executed ahead of expectations. The directors therefore made the decision to end the stabilisation period and announced the return to full interest for investors.

Retail investors

In light of the uncertainty around returns and liquidity arising from the impact of the COVID-19 pandemic and the uncertain economic outlook, the RateSetter platform closed to new investors in April 2020. The platform has remained open throughout the period for existing investors, who continue to invest. All investments (existing and future) made by retail investors will continue to receive protection from the Provision Fund, limited to the value of the assets held by the Provision Fund at any point in time.

Capital contributions

During the period, Metro Bank made capital contributions to the Company totalling £33.9m (£18.7m at the time of acquisition and a further £15.2m in November 2020). In December 2020, the Company made a capital contribution of £28.1m to a subsidiary, RateSetter Trustee Services Limited ("RTS"), who immediately made subsequent capital contributions to its subsidiaries, RateSetter Motor Limited and Security Trustee Services Limited of £8.9m and £19.2m respectively. The purpose of the capital contributions was to facilitate the repayment of external and intercompany debts held by the Company's subsidiaries.

Sale of Property loan portfolio

In December 2020, in line with its strategy to focus on unsecured consumer lending, RateSetter sold the £120m property loan portfolio, held via the RateSetter platform, to Shawbrook Bank.

Financial performance and key performance indicators*Statement of comprehensive income*

- Loss Before Tax increased to £22.3m (Mar-20: £10.0m). The movement was primarily driven by Exceptional items of £8.9m which represent the net impairment expense following the impairment of the investment in RTS.
- Income of £11.6m (Mar-20: £29.6m) decreased driven by the reduction in loans originated during the period and the reduction in the size of loans under management.
- Administrative expenses reduced to £21.8m (Mar-20: £28.6m), driven by lower payroll costs resulting from the shortening of the financial year.

Statement of financial position

- At the reporting date, the Company had net assets of £5.5m (Mar-20: £5.8m).
- Cash balances at the reporting date totalled £9.5m (Mar-20: £5.8m).
- The investment in Plenti Group Limited, valued at £12.2m at 31 March 2020, was transferred out of the Company to the shareholders prior to the acquisition by Metro Bank.
- The Company received a capital contribution of £18.7m from Metro Bank in September 2020 following the acquisition, and a subsequent capital contribution of £15.2m in November 2020.

Financial resources requirement

- The Company continued to meet its FCA financial resources requirement throughout the period except for a short period between the announcement of the sale to Metro Bank in August 2020 and the subsequent completion in September 2020 when a capital contribution of £18.7m was made by Metro Bank to enable RateSetter to meet its ongoing regulatory capital requirements

Risk Management & Governance

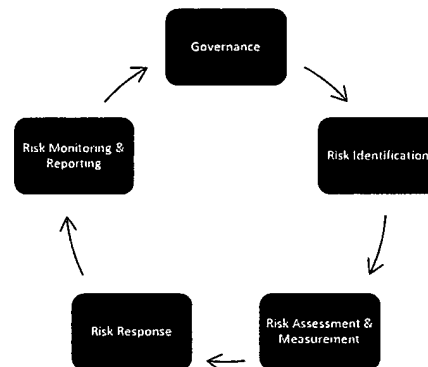
Risk management lies at the centre of our business and we recognise the importance of its effectiveness. The Company has developed a strong risk management framework.

Enterprise Risk Management (“ERM”) Framework

Our ERM Framework provides the overarching requirements and outlines the necessary governance for a risk management framework to identify, measure, manage, monitor and report risks effectively within the organisation in line with the defined risk appetite. The ERM Framework follows a cycle model with the components, as outlined below, designed to ensure the business view of risk is not static.

The following principles guide the Company’s overall approach to risk management:

- Risk management is structured around the defined Principal Risk categories.
- The Company manages risks within the risk appetite as set by the Board.
- The Company has established a robust Risk Appetite Framework, using an approved set of metrics to monitor risks against appetite, and reports to senior management at least monthly.



Risk Governance and Oversight

The Board Risk Committee, which has a non-executive director as chair, is the primary committee to oversee risk and provide assurance and recommendations to the Board in respect of the Company’s risks and risk management. Effective risk management is achieved through a three lines of defence model.

- The first line of defence is the individual business units and service functions that are responsible for identifying and managing risk within their business area.
- The second line of defence is the Risk and Compliance functions, who provide oversight of risks and controls, agree applicable company frameworks and policies, provide required tools and guidance, and independently challenge the first line of defence.
- The third line of defence is the Internal Audit function who provide independent assurance over the first and second lines of defence, reporting to the Audit Committee.

Enterprise Risk Appetite (“ERA”) Framework

The Board-approved ERA Framework defines the amount of risk that RateSetter is willing to accept in pursuit of its business objectives. It enables the RateSetter Board to define its strategic approach to ERM. It also provides stakeholders with guidance on levels within which the Company will operate. The risk appetite is expressed in the form of a series of assertions for each principal risk and risk appetite metrics, with a limit structure in place to monitor delivery against appetite.

Principal risks

The following section summarises the principal risks which are defined as the categories of risk that are the most significant for the business.

Principal Risk	Definition	Mitigation
Strategic Risk	The risk that the Company fails to achieve its strategic objectives through a combination of the five risks outlined below.	In addition to the mitigants detailed below, the Company has a well-established and effective governance framework, which includes Board and Management level committees, each with approved terms of reference to ensure appropriate oversight, discussion, challenge and decision making.
Financial Risk	The risk of not having sufficient financial resources to operate the business or meet regulatory requirements.	The Company actively monitors its current and forecast capital and liquidity levels, against its strategic and regulatory requirements. The Audit Committee is responsible for overseeing the financial reporting and internal financial controls of the Company, and for overseeing the internal and external audit processes.
	The risk of financial loss to the Company through asset or liability positions sensitive to changes in market prices.	Through the equity investment in Plenti Group Limited the Company is exposed to the fluctuation of the Australian Dollar against Pound Sterling and to changes in the fair value of the investment. The Company seeks to mitigate this risk by monitoring any movements and reviewing the potential risk on a regular basis. The Company allows investors to exit from their lending, subject to there being a replacement investor, but bears the interest rate risk associated with any change in the rates resulting from the replacement of an investor. The Company monitors this risk on a regular basis and charges exit fees to offset this risk.
Regulatory Risk	The risk of financial loss or regulatory sanctions resulting from a failure to comply with regulations and codes applicable to the Company.	The Company is open and proactive with its regulator, the FCA. The compliance function monitors the Company's regulatory compliance and assesses the impact of any changes in the regulatory environment. In addition, oversight is provided by both the Audit Committee and Board Risk Committee.

Credit Risk	The risk that an increase in credit losses results in poor investment outcomes for our investors, who ultimately bear the credit risk.	Management of credit risk associated with borrowers via the RateSetter platform is mitigated by; • a clearly defined Credit Risk Framework and Credit Risk Appetite; • specialist skills in credit underwriting and monitoring; and • the segregation of responsibilities for the origination and the credit assessment of loans.
Operational Risk	The risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems, or from external events including financial crime.	The Company maintains robust operational systems and controls, and has invested heavily in building up its capabilities. In particular, the Company has invested to make its IT infrastructure resilient and well-protected against cyber-crime. The Executive Operations Committee is responsible for overseeing and managing the operational performance and risk of the Company.
Conduct Risk	The risk of loss, regulatory sanctions, legal exposure or reputational damage resulting from poor customer outcomes generated by the Company's behaviour.	The Company mitigates conduct risk by observing and tracking activities which affect customers, monitoring customer complaints and implementing any mitigations or process improvements required. The Company also seeks to be as transparent as possible in all its activities. The Company's business model is explained on its website and RateSetter publishes a range of historical and current data to inform customers of the performance of the Company and the underlying loan portfolio.

This report was approved by the Board of directors and signed on behalf of the Board by:



Rhydian Lewis
CEO
26 July 2021

Directors' report

The Directors present their report and the audited financial statements of Retail Money Market Ltd, a private company limited by shares which is domiciled and incorporated in England and Wales, for the period-ended 31 December 2020

Principal activities

The principal activity of the Company throughout the period was peer-to-peer lending, acting as a financial intermediary to match investors and borrowers via the RateSetter platform. The Strategic report on pages 3-7 contains a review of the development and performance of the Company during the period.

Change of financial year-end

Following the acquisition of the Company, the financial year-end was changed to 31 December to align with Metro Bank and its other subsidiaries.

Dividend

The directors do not propose a dividend in respect of the period ended 31 December 2020 (Mar-20: £nil).

Directors

The directors of the Company who were in office during the period and up to the date of signing the financial statements were:

P Manduca (Chairman and NED) - *resigned 14 September 2020*

I Boyce (NED) - *resigned 14 September 2020*

S Bridges (NED) - *resigned 14 September 2020*

M Scrivens (Chairman, as of 14 September 2020, and NED)

A Lewis (CEO)

P Behrens (CCO)

H Russell (CFO)

D Frumkin (NED) - *appointed 14 September 2020*

D Arden (NED) - *appointed 14 September 2020*

A Grim (NED) - *appointed 14 September 2020*

Disclosure of information to the auditors

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that so far as that director is aware, there is no relevant audit information of which the Company's auditors are unaware and they have taken all the steps that ought to have been taken as a director to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Future developments

Since the period-end, the Company's primary activity has changed such that it now focuses on the origination and servicing of consumer loans on behalf of its parent company, Metro Bank. In the longer term, the activities of the business are expected to transfer to the parent company.

Significant events arising since year-end*Purchase of RateSetter loan portfolio by Metro Bank*

In February 2021, RateSetter announced that Metro Bank had entered into an agreement to purchase the remaining loans held via the RateSetter platform. The purchase completed in April 2021 and all investors received full repayment of their outstanding investment (including both capital and any accrued interest). Following the completion of the purchase, the retail investing side of the RateSetter platform closed.

Transfer of employees to Metro Bank

On 01 May 2021, the employment of the majority of the Company's employees was transferred to Metro Bank in accordance with the Transfer of Undertakings (Protection of Employment) regulations. A small number of employees did not transfer to Metro Bank but instead transferred to a third party in June 2021 as part of the sale of the Dealer Finance business (see below).

Sale of Dealer Finance business and associated loan portfolio

In June 2021, in line with its strategy to focus on unsecured consumer lending, the Company sold its Dealer Finance operation (i.e. secured motor lending to commercial motor dealerships) along with the associated loan portfolio of £18.5m.

Going concern

The financial statements are prepared on a going concern basis, as the directors are satisfied that the Company has the resources to continue in business for the foreseeable future. In making this assessment, the directors have considered future projections of operating performance, cashflow forecasts and the Company's ability to meet its regulatory capital requirements. In addition, the directors have reviewed the risks and uncertainties to which the business is exposed, including the continuing impact of COVID-19 on the UK economy. To support the going concern assumption, the Company has a letter of support from its parent company, Metro Bank, confirming the ongoing provision of financial support.

This report was approved by the Board of directors and signed on behalf of the Board by:



Rhydian Lewis
CEO
26 July 2021

Directors' responsibilities statement

The directors are responsible for preparing the Strategic report, the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 'Reduced Disclosure Framework'.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the comprehensive income of the Company for that period.

In preparing these financial statements the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

Independent Auditors' report

to the members of Retail Money Market Ltd

Report on the audit of the financial statements

Opinion

In our opinion, Retail Money Market Ltd's financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2020 and of its loss for the period from 1 April 2020 to 31 December 2020;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the statement of financial position as at 31 December 2020; the statement of comprehensive income for the period then ended; the statement of changes in equity for the period then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

We remained independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Company's ability to continue as a going concern.

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

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, 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 audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. 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 based on these responsibilities.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the period ended 31 December 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

Responsibilities for the financial statements and the audit***Responsibilities of the directors for the financial statements***

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

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

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

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

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of the rules of the Financial Conduct Authority (FCA), UK tax legislation and the Consumer Credit Act 1974, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting manual journal entries to manipulate financial performance and management bias in accounting estimates. Audit procedures performed by the engagement team included:

- Enquiries of the Audit Committee, management, compliance, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Evaluation of the design and implementation of controls designed to prevent and detect irregularities relevant to financial reporting;
- Incorporating unpredictability into the nature, timing and/or extent of our testing;
- Reviewing key correspondence with regulators, such as the FCA in relation to the Company's compliance with regulations;
- Challenging assumptions and judgements made by management in their estimation of the assessment of the expected credit loss, and
- Identifying and testing journal entries including those posted by infrequent or unexpected users, those posted to unusual account combinations and those posted late in the financial reporting process.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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

Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

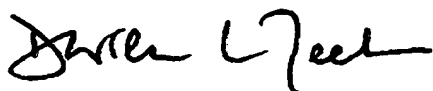
Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- 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
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



Darren Meek (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
26 July 2021

Financial statements

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Statement of comprehensive income

Period-ended 31 December 2020

	Note	Dec-20 £'000	Mar-20 £'000
Income	3	11,638	29,594
Cost of sales	4	(3,320)	(11,083)
Gross profit		8,318	18,511
Administrative expenses	4	(21,599)	(28,604)
Operating loss	7	(13,281)	(10,093)
Interest received & similar income	8	210	892
Finance income	9	3	32
Interest paid & similar costs	10	(178)	(801)
Exceptional items	25	(8,850)	-
Loss before taxation		(22,096)	(9,970)
Income tax credit	11	1	344
Loss for the period		(22,095)	(9,626)
Other comprehensive income		-	-
Total comprehensive loss for the period		(22,095)	(9,626)

All amounts relate to continuing activities.

The notes on pages 20 to 37 form part of these financial statements.

Statement of financial position

As at 31 December 2020

	Note	Dec-20 £'000	Mar-20 £'000
Intangible assets	13	118	114
Property, plant & equipment	14	2,881	3,824
Investments	16	-	12,158
Non-current assets		2,999	16,096
Finance lease	15	72	92
Trade & other receivables	18	4,158	5,948
Cash & cash equivalents	17	9,486	5,842
Current assets		13,716	11,882
Total assets		16,715	27,978
Trade & other payables	21	(5,326)	(10,957)
Provisions	22	(1,700)	(2,017)
Lease liabilities	23	(930)	(884)
Current liabilities		(7,956)	(13,858)
Provisions	22	(1,242)	(5,844)
Lease liabilities	23	(1,795)	(2,504)
Non-current liabilities		(2,963)	(8,348)
Total liabilities		(10,946)	(22,206)
Net assets		5,722	5,772
Share capital & share premium	24	655	15,065
Other reserves		75,712	41,867
Revaluation reserve		-	12,158
Accumulated losses		(70,645)	(63,318)
Total shareholder's funds		5,722	5,772

The financial statements were approved, authorised for issue by the Board and signed on its behalf by:



A Lewis (CEO)
26 July 2021



H Russell (CFO)
26 July 2021

Registered Number: 07075792.

The notes on pages 20 to 37 form part of these financial statements.

Statement of changes in equity

Period-ended 31 December 2020

	Share capital and premium £'000	Share option reserve £'000	Capital reserve £'000	Own shares reserve £'000	Revaluation reserve £'000	Accumulat- ed losses £'000	Total £'000
At 1 April 2019	15,049	541	43,301	(2,202)	13,337	(53,692)	16,334
Shares purchased by employee benefit trust	-	-	-	(53)	-	-	(53)
Capital raised	16	-	-	-	-	-	16
Share-based payment awards	-	280	-	-	-	-	280
Revaluation of investments	-	-	-	-	(1,179)	-	(1,179)
Total comprehensive loss for the year	-	-	-	-	-	(9,626)	(9,626)
At 31 March 2020	15,065	821	43,301	(2,255)	12,158	(63,318)	5,772
Shares purchased by employee benefit trust	-	-	-	(3)	-	-	(3)
Share options exercised	5	-	-	-	-	-	5
Revaluation of investments	-	-	-	-	1,512	-	1,512
Bonus issue of C shares	14,415	-	-	-	-	-	14,415
Utilisation of Share Premium (to fully pay- up C shares)	(14,415)	-	-	-	-	-	(14,415)
Capital reduction & non-cash distribution	(14,415)	-	-	745	-	-	(13,670)
Transfer Revaluation reserve following non-cash distribution	-	-	-	-	(13,670)	13,670	-
Capital contributions received	-	-	33,924	-	-	-	33,924
Share-based payment awards	-	277	-	-	-	-	277
Transfer Share-based payment reserve	-	(1,098)	-	-	-	1,098	-
Total comprehensive loss for the period	-	-	-	-	-	(22,095)	(22,095)
At 31 December 2020	655	-	77,225	(1,513)	-	(70,645)	5,772

The notes on pages 20 to 37 form part of these financial statements.

Summary of significant accounting policies

This section describes the significant accounting policies and critical accounting estimates that impact the financial statements of the Company. If an accounting policy or critical accounting estimate relates to a specific note, the details are contained within the relevant note.

1. Summary of significant accounting policies

Basis of preparation

The Company transitioned from IFRS to FRS 101 for all periods presented. There were no material amendments on the adoption of FRS 101. The financial statements were prepared in accordance with the Companies Act 2006, Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and any other applicable standards. The Company has taken advantage of the disclosure exemptions allowed under FRS 101. The parent company, Metro Bank, was notified of, and did not object to, the use of any disclosure exemptions.

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of IFRS 7 Financial Instruments: Disclosures,
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement,
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of: (i) paragraph 79(a)(iv) of IAS 1; (ii) paragraph 73(e) of IAS 16 Property, Plant and Equipment;
- the requirements of paragraphs 10(d), 10(f), 38(a-d), 40(a-d) and 134-136 of IAS 1 Presentation of Financial Statements;
- the requirement of paragraph 17 of IAS 24 in relation to remuneration of key management personnel;
- the requirements of IAS 24 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group;
- the requirements of IAS 7 Statement of Cash Flows; and
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

Change in financial year-end

Following the acquisition of the Company, the financial year-end was changed to 31 December to align with Metro Bank and its other subsidiaries.

Separate financial statements

The Company is taking advantage of the exemption, as per paragraph 4(a) of IFRS 10, to prepare consolidated financial statements therefore the Company has prepared separate financial statements.

Other information

The financial statements have been prepared on a going concern basis under the historical cost convention.

Going concern

The financial statements are prepared on a going concern basis, as the directors are satisfied that the Company has the resources to continue in business for the foreseeable future. In making this assessment, the directors have considered future projections of operating performance, cashflow forecasts and the Company's ability to meet its regulatory capital requirements. In addition, the directors have reviewed the risks and uncertainties to which the business is exposed, including the continuing impact of COVID-19 on the UK economy. To support the going concern assumption, the Company has a letter of support from its parent company, Metro Bank, confirming the ongoing provision of financial support.

Critical accounting estimates & judgements

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates and also requires management to exercise its judgement in the process of applying the Company's accounting policies. Changes in assumptions may have a significant impact on the financial statements in the financial year the assumptions change.

Management believe that the underlying assumptions are appropriate. The areas involving a higher degree of estimation uncertainty are:

- valuation of share-based payments, disclosed in Note 6;
- recognition of deferred tax asset, disclosed in Note 11;
- fair value of non-listed equity investment, disclosed in Note 16;
- measurement of provision for onerous contracts, disclosed in Note 22; and
- incremental cost of borrowing in relation to lease accounting, disclosed in Note 23.

Accounting for loans originated via the RateSetter platform

The Company does not recognise the loans originated via the RateSetter platform on its statement of financial position. The Company has determined this is the correct treatment after considering the following.

- The Company's role as credit intermediary (with the associated risks and rewards of lending belonging to the RateSetter investors).
- The Company's article 36H FCA regulatory permission.
- The direct contracts between the RateSetter investors and those borrowing money via the RateSetter platform.
- The direct nature of the payment flows between the RateSetter investors and those borrowing money via the RateSetter platform.
- The clear communications made regarding the nature of the product (via the website, investor communications and the Terms and Conditions).

Foreign currencies

The Company's functional and presentational currency is pounds sterling (£). The functional currency of the Company is also pound sterling on the basis that it is the pricing currency in which the transactions of the Company are conducted.

Transactions denominated in foreign currencies are translated into the functional currency at the rate of exchange at the date of the transaction. Foreign currency monetary assets and liabilities are translated at the rate of exchange ruling on the reporting date. Exchange differences arising on re-translation are recognised in the statement of comprehensive income.

Financial risk management

This section explains the principal financial risks faced by the Company and its policies and strategies for managing these risks.

2. Financial Risk Management

Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. The Company is exposed to credit risk from its loan receivables, operating activities (primarily from the Company's receivables from external counterparties) and financing activities (including cash equivalents held by financial institutions).

The Company's maximum exposure to credit risk by class of financial asset is as follows:

	Dec-20 £'000	Mar-20 £'000
Trade receivables	456	410
Accrued income	288	2,229
Other receivables	806	1,424
Intercompany receivables	1,627	1,453
Cash and cash equivalents	9,486	5,842
Current assets	12,663	11,358

All current assets have been analysed for impairment using the expected credit loss ("ECL") approach and none were deemed to require a material loss allowance.

Trade receivables, accrued income and other receivables are subject to the credit risk of borrower and/or counterparty default. The Company assesses and monitors the credit risk associated with borrowers and other counterparties and incorporates this information into its credit risk controls. Cash and cash equivalents are held with reputable institutions, which are credit assessed regularly.

Included within the Intercompany receivables balance of £1,627k is £1,200k owed by a subsidiary of the Company, RateSetter Motor Limited, which has been fully impaired following an impairment assessment.

Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its financial obligations as they fall due. The Company's approach to managing liquidity risk is to ensure it has sufficient financial resources to meet its liabilities as they fall due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's position.

The Company's liquidity position is monitored and reviewed on an ongoing basis by the directors. The Company's liquidity is not significantly impacted by any borrower default risk as the Company acts solely as an agent, facilitating and administering loans via the RateSetter platform.

The maturity analysis of the financial instruments held by the Company at 31 December 2020 and 31 March 2020 is shown in the table below. The amounts disclosed are the contractual undiscounted cash flows. These balances are repayable on demand at the value shown in the financial statements.

	Dec-20 £'000	Mar-20 £'000
Trade and other payables	5,326	10,957
Lease liabilities	1,122	1,122
Current liabilities	6,448	12,079
Lease liabilities (between 1 and 5 years)	1,987	2,826
Non-current liabilities	1,987	2,826

Market risk

Market risk is the risk that the fair value or cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk comprises three types of risk: price risk, interest rate risk and foreign exchange risk. Financial instruments affected by market risk include deposits and investments held at fair value. The Company's risk to market changes is monitored and reviewed on an ongoing basis by the directors.

Price risk

The Company's equity investments are susceptible to market price risk arising from the uncertainty of the future market value of the investments. The Company manages this risk through diversification and by placing limits on the value of individual and total equity investments. At the reporting date, the exposure to unlisted equity securities held at fair value was nil (Mar-20: £12,158k). A 10% decrease in fair value could have an impact of approximately £nil (Mar-20: £1,216k) on the income or equity attributable to the Company.

Interest rate risk

Fluctuations in interest rates can affect interest income and expense, through financial assets and liabilities with variable interest rates. The Company's exposure to interest rate risk of £9,486k is associated with its cash and cash equivalents. The Company does not use interest rate swaps to hedge fair value or cash flow interest rate risk. At the reporting date, a 0.5% change in the interest rate could have an impact of approximately £47k (Mar-20: £29k) on the income or equity attributable to the Company.

Foreign exchange risk

At 31 March 2020 the Company held an equity investment in Australian dollars valued at \$24.5m. This investment was exited during the period and at the reporting date the Company has no exposure to equity investments held in other currencies.

Income and costs

This section explains the accounting policies, and provides additional details, pertaining to the Company's financial performance during the period.

3. Income

Types of income

Income represents the contract value of the consideration receivable for the provision of financial intermediary services and is recognised exclusive of VAT and trade discounts. The primary components of income are accounted for as follows:

Loan origination fees

Loan origination fees are earned in respect of services performed to facilitate the formation of each loan agreement, being the process of matching a borrower to a lender via the RateSetter Platform. Income from loan origination fees is recognised at the point in time that each loan agreement is formed, being the point at which the Company's performance obligation is completed. Subject to the variable element of the consideration (as described below), loan origination fees are calculated as a percentage of the loan value requested by the borrower and in accordance with terms stipulated in the agreement between the borrower and lender. The fees are paid by the borrower upon the formation of the loan agreement and are not generally subject to any rebates or refunds.

Loan management fees

Loan management fees are earned in respect of on-going services provided in relation to the administration of each loan agreement throughout the life of the loan. The Company's performance obligation is satisfied over a period of time and income is recognised in the period over which the service is performed. Subject to the variable element of the consideration (as described below), loan management fees are calculated as a percentage of the loan balance outstanding and in accordance with terms stipulated in the agreement between the borrower and lender. Loan management fees are paid to the Company by the borrower as a component of their capital and interest repayments (and in accordance with the fixed repayment profile stipulated in the loan agreement).

Release fees

Release fees are charged to investors that choose to exit their investment, unless their investment is in the Access product for which Release fees do not apply. The Release fee for the Plus and Max products is set at 30 days' interest and 90 days' interest, respectively. Income from Release fees is recognised at the point in time that the investor exits their investment, being the point at which the Company's performance obligation is completed. The Release fees are paid by the investor at the point the investor exits their investment and are not generally subject to any rebates or refunds.

Other income

Other income represents any income earned by the Company that does not meet the definition of the three income types outlined above. Income generated from Other income streams is recognised at the point in time that the relevant performance obligation is completed.

Summary of Income by type

	Dec-20 £'000	Mar-20 £'000
Loan origination fees	2,081	18,745
Loan management fees	7,840	8,971
Release fees	1,265	793
Other income	452	1,085
Income	11,638	29,594

4. Cost of sales & administrative expenses

Cost of sales comprises credit & ID search costs, payment-processing costs and introducer commission costs, all of which are incurred whilst acting as a financial intermediary in the origination of peer-to-peer loan agreements. The commissions costs represent amounts paid to third party introducers, primarily aggregator websites, for introducing borrowers to the RateSetter platform. Commission is only payable upon the successful origination of a new loan.

Administrative expenses comprises office costs, employee salaries, marketing, legal and professional fees, and other costs.

All amounts are recognised on an accruals basis.

5. Employees and remuneration

The Company applies IAS 19 Employee benefits in its accounting for most of the components of employee costs.

	Dec-20 £'000	Mar-20 £'000
Wages and salaries	9,661	12,801
Social security costs	1,117	1,501
Other pension costs	924	1,182
Staff costs	11,702	15,484

	Dec-20 No.	Mar-20 No.
IT	64	56
Central Functions	43	49
Operational	126	135
Average number of employees	233	240

Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided and recognised as administrative expenses within the statement of comprehensive income. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payment is available.

6. Share based payments

Types of share-based payments

Employees may be entitled to receive remuneration in the form of share options to reward positive long-term business performance and to incentivise growth for the future.

The Company issues equity-settled share-based payments to employees in the form of:

- Share options (EMI);
- Growth shares; and
- Free shares (through an HMRC approved Share Incentive Plan).

Enterprise Management Incentives ("EMI") options

Historically, the Company has awarded share options to employees under the EMI options scheme. The options carry a vesting condition based upon the duration of employment service ranging from one to three years from the award date. The last award of options under this scheme was in May 2015. At the reporting date no employees held options (Mar-20: 17) to subscribe for A Ordinary shares in the Company. The weighted average remaining contractual life of the options is nil months (Mar-20: 45 months).

The following table shows the number of, weighted average exercise prices ("WAEP") of, and movements in EMI share options during the period.

	Dec-20 No.	Dec-20 WAEP	Mar-20 No.	Mar-20 WAEP
B/fwd	117,268	£7.93	117,311	£7.93
Lapsed during the period / year	(109,389)	£8.50	-	-
Exercised during the period / year	(7,879)	£0.64	(43)	£0.01
C/fwd	-	-	117,268	£7.93

Growth shares

Growth shares represent an award of non-voting B Ordinary shares in the Company where the ability to receive a capital return is conditional on the growth of the Company's value above a pre-defined threshold. Once the threshold is surpassed the B Ordinary shareholders are entitled to participate in any capital appreciation above the threshold. The Growth shares carry no vesting period but if an employee leaves the Company, the Company is entitled to purchase an employee's shares at market value. During the period no growth shares (Mar-20: 166,850) were awarded to employees and none (Mar-20: nil) were cancelled. Following the acquisition in September 2020 by Metro Bank, of all the shares in RateSetter were acquired, as such there are no growth shares held by employees at the reporting date (Mar-20: 619,177).

Share Incentive Plan

Free shares have been awarded to employees through an HMRC approved Share Incentive Plan ("SIP"). Free shares are forfeited if the employee leaves the Company's employment within three years of the award date. During the period all remaining SIP shares, that were held on behalf of the employees by an independent nominee, were purchased by Metro Bank as part of its acquisition of the Company. The total expense recognised for share-based payments during the period was £277k (Mar 20: £280k).

Employee benefit trust ("EBT") and Own Shares

The purpose of the Company's EBT is to acquire and hold shares in the Company on behalf of employees.

For accounting purposes, the assets of the EBT are treated as an extension of the Company and are aggregated with the results of the Company within the financial statements. As a result, the purchase of shares in the Company by the EBT is shown in the financial statements as an acquisition of the Company's own shares and shown as shares held in treasury in the Own shares reserve.

The Own shares reserve represents shares being held by the EBT on behalf of current employees. The value of the Own shares reserve represents the consideration paid by the EBT in respect of the shares held on behalf of the employees.

Significant accounting estimate – valuation of share-based payments

Estimating the fair value for share-based payment transactions requires the determination of the most appropriate valuation model, based on the terms and conditions of the award. This estimate also requires the determination of the most appropriate inputs to the valuation model including the expected life of the share option, volatility and the dividend yield, and making assumptions about them. The Company uses a Black-Scholes-Merton options pricing model when valuing the EMI share options.

Recognition of share-based payment costs

The costs associated with share-based payment are recognised as an employee benefit expense within administrative expenses, together with a corresponding increase in equity (Share option reserve), over the period in which the service and, where applicable, the performance conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at each reporting date, until the vesting date, reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The amount recognised in the statement of comprehensive income each year represents the movement in the cumulative expense recognised.

7. Operating loss

The operating loss is stated after charging:

	Dec-20 £'000	Mar-20 £'000
Depreciation of Property, plant & equipment	1,005	1,260
Loss on disposal of Property, plant & equipment	1	16
Staff costs	11,702	15,484
Impairment of investments	8,851	-
Amortisation of intangible assets	33	49
Low value lease costs	5	6
Auditors' remuneration (statutory audit fee only)	49	168

The auditor received £56k for the provision of non-audit services during the period (Mar 20: £20k).

8. Interest received & similar income

Interest received & similar income includes interest received from cash held on deposit and dividends received from investments. All amounts are recognised on an accruals basis.

	Dec-20 £'000	Mar-20 £'000
Interest on lending	26	20
Interest on bank deposits	-	60
Interest on intercompany lending	184	700
Dividends received	-	112
Interest received & similar income	210	892

9. Finance income

Finance income comprises income received from the Company's sub-leasing arrangement that has been classified as a finance lease under IFRS 16.

10. Interest paid & similar costs

Interest paid & similar costs comprises interest expense related to the lease liabilities recognised under IFRS 16.

11. Income tax credit*Current tax*

Current tax is recognised in the statement of comprehensive income and is provided at the amount expected to be paid (or recovered) by applying the relevant tax rates and laws, being those that are enacted or substantively enacted at the reporting date in the country where the Company operates and generates taxable income.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the balance sheet and the amounts attributed to such assets and liabilities for tax purposes. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent it is probable that future taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is determined using tax rates and legislation in force at the reporting date and is expected to apply when the deferred asset is realised, or the deferred tax liability is settled.

Income tax credit

	Dec-20 £'000	Mar-20 £'000
Current tax for the period / year	-	-
Adjustment in respect of previous years	(1)	(344)
Current tax	(1)	(344)
Origination and reversal of temporary differences	-	-
Deferred tax	-	-
Total tax credit	(1)	(344)

The tax credit for the period differs from the tax credit calculated at the standard rate of corporation tax in the UK of 19% (Mar-20: 19%) as explained below:

	Dec-20 £'000	Mar-20 £'000
Loss before tax	(22,096)	(9,970)
Tax credit at standard rate of corporation tax of 19% (2019: 19%)	(4,198)	(1,894)
<i>Effects of:</i>		
Expenses not deductible	2,314	185
Income not taxable	-	(72)
Losses on which deferred tax is not recognised	1,834	1,728
Share options	50	53
Adjustment in respect of change in accounting policy	-	-
Adjustment in respect of previous years	(1)	(344)
Tax credit	(1)	(344)

The standard UK corporation tax rate was 19% for the period (19% for the year-ended 31 March 2020). In 2020, the UK government announced that the rate would remain at 19% for the year ending 31 December 2022.

Significant accounting judgement - recognition of deferred tax asset

Significant management judgement is required to determine whether a deferred tax asset should be recognised, based upon the likely timing and level of future taxable profits, together with knowledge of future tax planning strategies. The directors have concluded that it is not appropriate to recognise a deferred tax asset at the reporting date. The Company has unrecognised temporary differences of £51.6m arising on gross tax losses, fixed asset and other short-term temporary differences. The net unrecognised deferred tax asset is £9.8m calculated at 19%. The carried forward tax losses are available to be carried forward indefinitely.

Assets

This section explains the accounting policies, and provides additional details, in relation to the Company's assets.

12. Financial assets

The Company applies IFRS 9 Financial instruments to the recognition, classification and measurement, impairment and derecognition of financial assets.

Recognition

Financial assets and liabilities are recognised in the Company's statement of financial position when the Company becomes a party to the terms of the contract.

Classification and measurement

Financial assets and liabilities are initially recognised at fair value and may subsequently be held at amortised cost, measured at Fair Value through Other Comprehensive Income (FVOCI) or measured at Fair Value through Profit or Loss (FVTPL).

Amortised cost

Assets that are held for the collection of contractual cashflows, where the cashflows represent solely repayments of principal and interest, are measured at amortised cost using the effective interest method, net of any impairment provision. Interest earned from such financial assets is recognised in the statement of comprehensive income as income on an accruals basis using the effective interest method. Any losses arising from impairment of the asset are recognised in the statement of comprehensive income within administrative expenses. The Company's financial assets measured at amortised cost comprises loan receivables.

FVOCI

The Company has elected to classify its equity investment in Plenti Group Limited (a private company incorporated in Australia) as FVOCI as it is neither held for trading nor contingent consideration recognised by an acquirer in a business combination. Movements in fair value are taken through other comprehensive income and will not be reclassified to the income statement at the time of derecognition, however a transfer is made on disposal between reserves within equity (i.e. between the Revaluation reserve and Retained earnings).

FVTPL

The Company's financial assets that do not meet the criteria to be measured at amortised cost or FVOCI are measured at FVTPL. This includes any equity instruments and fixed income securities held by the Company. Movements in fair value are recognised within administrative expenses in the statement of comprehensive income.

Impairment of financial assets

Under IFRS 9, for financial assets measured at amortised cost, the Company assesses the ECL.

Derecognition

Financial assets are derecognised when the contractual rights to the cashflows from the financial assets expire or the Company has either transferred the contractual right to receive the cashflows from that asset, or has assumed an obligation to pay those cashflows to one or more recipients.

13. Intangible assets

Intangible assets have been recognised at cost and are tested for impairment annually. Assets are deemed to have finite useful lives and are amortised over the useful economic life, which is deemed to be up to ten years for Intellectual Property and three years for Software Licences.

The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at the end of each reporting period. The amortisation expense on intangible assets with finite lives is recognised in the statement of comprehensive income within administrative expenses. Intangible assets are assessed for impairment on an annual basis with any impairment recognised in the statement of comprehensive income.

	Intellectual property £'000	Software licences £'000	Total £'000
Cost			
At 1 April 2019	19	185	204
Additions	-	102	102
At 31 March 2020	19	287	306
Additions	-	37	37
Disposals	(10)	-	(10)
Write-offs	-	(167)	(167)
At 31 December 2020	9	157	166
Accumulated amortisation			
At 1 April 2019	14	129	143
Charge for the year	3	46	49
At 31 March 2020	17	175	192
Charge for the period	1	32	33
Disposals	(10)	-	(10)
Write-offs	-	(167)	(167)
At 31 December 2020	8	40	48
Net book value			
At 31 December 2020	1	117	118
At 31 March 2020	2	112	114

Intellectual property comprises the costs associated with acquiring trademarks and patents. Software licences comprises the costs related to externally provided software.

Impairment of intangible assets

The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication of impairment exists the Company estimates the asset's recoverable amount, being the higher of fair value less costs of disposal, and its value in use. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Any impairment is recognised in the statement of comprehensive income. Any previously recognised impairment losses are reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised.

14. Property, plant & equipment

Property, plant and equipment is stated at cost less depreciation and any provision for impairment. The cost of an asset includes all expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. At each reporting date, property, plant and equipment is assessed for indications of impairment. Any impairment is recognised in the statement of comprehensive income in the year in which it occurs.

Depreciation is recognised within administrative expenses in the statement of comprehensive income and is provided at rates calculated to write off the cost of the assets, less their estimated residual value, over the useful economic life of the assets, as follows:

Fixtures and fittings	3 years
Office equipment	3 years
Property and leasehold improvements	The term of the lease
Motor Vehicles	30% reducing balance

Right of use ("RoU") assets

Upon the recognition of a lease liability (see Note 23 for further details) a corresponding RoU asset is recognised. This is adjusted for any initial direct costs incurred, lease incentive paid or received, and any restoration costs at the end of the lease. The RoU asset is depreciated on a straight-line basis over the life of the lease. All RoU assets are reviewed annually for indicators of impairment.

	Property and leasehold improvements £'000	Office equipment £'000	Fixtures and fittings £'000	Motor vehicles £'000	Right of use asset £'000	Total £'000
Cost						
At 1 April 2019	1,007	571	332	18	3,833	5,761
Additions	-	767	2	27	-	796
Disposals	-	(460)	(308)	(18)	-	(786)
At 31 March 2020	1,007	878	26	27	3,833	5,771
Additions	-	40	15	11	-	66
Disposals	-	-	-	(7)	-	(7)
Write-offs	(1,007)	(31)	-	-	-	(1,038)
At 31 December 2020	-	887	41	31	3,833	4,792
Accumulated depreciation						
At 1 April 2019	671	477	311	1	-	1,460
Charge for the year	201	190	12	10	847	1,260
Depreciation on disposal	-	(460)	(308)	(5)	-	(773)
At 31 March 2020	872	207	15	6	847	1,947
Charge for the period	135	221	8	6	635	1,005
Depreciation on disposal	-	-	-	(3)	-	(3)
Write-offs	(1,007)	(31)	-	-	-	(1,038)
At 31 December 2020	-	397	23	9	1,482	1,911
Net book value						
At 31 December 2020	-	490	18	22	2,351	2,881
At 31 March 2020	135	671	11	21	2,986	3,824

15. Finance leases

Upon the adoption of IFRS 16, a finance lease asset has been recognised in relation to future income from sub-leasing arrangements. The finance lease asset was initially measured as the present value of the future lease income discounted using the Company's incremental borrowing rate and is subsequently measured at amortised cost. This sub-lease had been previously treated as an operating lease under IAS 17.

16. Financial assets held at fair value*Fair value measurement*

The Company uses valuation techniques that are appropriate and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All financial assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy based on the lowest level input that is significant to the fair value measurement.

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation at the end of each reporting period.

Investments held at fair value are represented on the statement of financial position as follows:

	Level 3 £'000
Valuation at 1 April 2020	12,158
Revaluation recognised through OCI	1,512
Transfer of investment	(13,670)
Valuation at 31 December 2020	-

The revaluation of investments held at year-end is taken through other comprehensive income within the statement of comprehensive income.

The Level 3 investment represents the Company's investment in Plenti Group Limited. Prior to the acquisition by Metro Bank, the investment in Plenti Group Limited was transferred out of the Company to the shareholders via a bonus issue of C shares.

Significant accounting estimate – Fair value of non-listed equity investment

The fair value of the unlisted equity investment in Plenti Group Limited at 31 March 2020 was estimated by performing an analysis of comparable companies. This required the Company to compare the fair value of Plenti Group Limited to other similar businesses by reviewing trading multiples including size of loan book, value of loan originations and revenues. This approach requires management to make certain judgements including determining the most relevant trading multiples and the selection of suitably comparable companies.

Since the outbreak of COVID-19 a large degree of uncertainty has been introduced into the economic landscape and this in turn has increased the level of subjectivity with regard to company valuations. The directors are cognisant of the inherent risks when valuing an unlisted equity investment and have considered the appropriateness of the valuation method and ultimately the value assigned to the investment in Plenti Group Limited.

17. Cash & cash equivalents

Cash and cash equivalents comprises short-term deposits with banks and other financial institutions, with an initial maturity of three months or less. As at 31 December 2020, the Company did not hold any cash equivalents.

18. Trade & other receivables

Trade receivables are recognised at fair value on initial recognition which equates to the amount expected to be receivable on settlement of the asset. All amounts are assessed for impairment based on a consideration of whether the Company will be able to collect all amounts due according to the original terms of the receivable.

The impairment required on the Trade & other receivables was assessed and deemed to be immaterial.

	Dec-20	Mar-20
	£'000	£'000
Trade receivables	456	410
Prepayments	981	432
Accrued income	288	2,229
Amounts owed by Group undertakings	1,627	1,424
Other receivables	806	1,453
Current assets	4,158	5,948

19. Investments in subsidiaries

Subsidiary undertakings are all entities over which the Company has power, exposure or rights to variable returns, and the ability to affect those returns through its power over the undertaking.

Subsidiary undertakings are recorded using the acquisition method of accounting and their results are included from the date of acquisition or incorporation. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at fair value as at the acquisition date. Acquisition-related costs are expensed as incurred and included within administrative expenses. Investments in subsidiaries are carried at cost less impairment.

Goodwill is initially measured at cost being the aggregate of the consideration transferred in excess of the fair value of the net identifiable assets acquired and liabilities assumed. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Any impairment is recognised in the statement of comprehensive income.

Upon the disposal of a subsidiary the difference between the carrying value of net assets sold and the proceeds from disposal is recognised through the statement of comprehensive income.

All companies are registered at address:

- (A) 6th Floor, 55 Bishopsgate, London, EC2N 3AS; or
- (B) No.1, Osiers Business Centre, Leicester, LE19 1DX.

Company name	% equity interest	Registered address	Principal activity
Direct subsidiaries			
RateSetter Trustee Services Limited	100	A	Marketplace lending
RateSetter Asset Management Limited	100	A	Dormant
Indirect subsidiaries			
RateSetter Motor Limited	100	A	Holding company
Security Trustee Services Limited	100	A	Holding company
APNL Limited	100	A	Dormant
Vehicle Credit Limited	100	B	Motor Finance
Vehicle Stocking Limited	100	B	Motor Finance
Vehicle Stocking A Limited	100	B	Dormant

During the period, the movement in the carrying value of the Company's investments in its subsidiaries was as follows:

	Level 3
	£'000
Carrying value at 1 April 2020	-
Investments (via capital contributions) during the period	28,087
Impairment of investments	(28,087)
Carrying value at 31 December 2020	-

Liabilities

This section explains the accounting policies, and provides additional details, in relation to the Company's liabilities.

20. Financial liabilities

All financial liabilities are recognised initially at fair value net of directly attributable transaction costs. The Company classifies its financial liabilities, at initial recognition and for subsequent measurement, as financial liabilities at amortised cost.

Amortised cost

Financial liabilities recognised in the Company's statement of financial position as trade and other payables are classified as financial liabilities at amortised cost.

21. Trade & other payables

	Dec-20 £'000	Mar-20 £'000
Trade payables	249	797
Accruals	1,348	1,796
Tax and social security	250	288
Other payables	2,005	197
Amounts owed to Group undertakings	1,474	7,879
Current liabilities	5,326	10,957

22. Provisions

A provision is recognised if the Company has a present, legal or constructive, obligation resulting from a past event that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

	Current £'000	Non-current £'000
At 1 April 2020	2,017	5,844
Arising during the period	966	-
Released during the period	(832)	(3,309)
Utilised during the period	(451)	(1,293)
At 31 December 2020	1,700	1,242

Included within the above table, the Company holds a provision of £1,975k (Mar-20: £3,719k) for onerous contracts, being loans with a negative margin, of which £734k is estimated as due within one financial year.

Significant accounting estimate – Measurement of provisions for onerous contracts

The Company exercises judgement in measuring and recognising a provision for loan contracts with a negative margin between the borrower rate and the investor rate. Any negative margin is absorbed by the Company and can be either locked-in for the term or might only be temporary from either the borrower repaying or the investor exiting and being refinanced. For these loan contracts, a provision is recognised when it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. This is measured at the cost of fulfilling the contract on a loan by loan basis and applying a discount factor to recognise the probability of early repayments and defaults. A 1% change in the discount factor results in a £61k movement in the provision. Due to the inherent uncertainty in this evaluation process, actual losses may be different from the provision.

23. Lease liabilities

At the inception of a contract the Company assesses whether the contract contains a lease. At the commencement of a lease, the Company recognises a lease liability and a RoU asset (see note 14 for further details). The lease liability is initially measured as the present value of the future lease payments discounted using the Company's deemed incremental cost of borrowing.

Significant accounting estimate – Incremental cost of borrowing

The Company uses its deemed incremental cost of borrowing as the discount rate. Following initial recognition, the lease liability is measured using the effective interest method.

Measurement

The lease liability is subsequently re-measured when there is a change to an index or rate used, or when there is a change in expectation that the Company will exercise a purchase option, break clause or even extend the lease. When such an adjustment is made to the lease liability a corresponding adjustment is made to the RoU asset.

The Company has elected not to recognise a lease liability and RoU asset for any leases that have a term less than 12 months or are for an asset which is deemed to be of low value (less than £5k). For these leases, the lease payments are recognised as an expense in the statement of comprehensive income on a straight-line basis over the life of lease.

Summary of lease liabilities

	£'000
At 1 April 2020	3,388
Lease payments made	(841)
Interest on lease liabilities	178
At 31 December 2020	2,725

Other items

This section explains the accounting policies, and provides additional details, of the items not yet discussed in the previous sections.

24. Share Capital & share premium

The Company's objective when managing capital is to safeguard its ability to continue as a going concern, to provide optimal returns for shareholders, to maintain an efficient capital structure to reduce the cost of capital and to meet the minimum FCA regulatory capital requirements.

The Company has assessed the ability to meet its capital requirements as part of the Company's risk management procedures. The Company considers its capital to comprise its ordinary share capital, share premium and other capital reserves less its accumulated losses. No changes were made in the objectives, policies or processes for managing capital during the period.

	Dec-20 No.	Dec-20 £'000	Mar-20 No.	Mar-20 £'000
A Ordinary shares of £0.000001 each	6,055,507	-	6,047,585	-
B Ordinary shares of £0.000001 each	619,177	-	619,177	-
Authorised, allotted, called up and fully paid shares	6,674,684	-	6,666,762	-

At 31 December 2020, no shares of the Company (Mar-20: 639,629) were held by the EBT.

Issue of C shares

In August 2020, the Company allotted, paid up in full, and issued 5,414,212 C Ordinary shares to the A Ordinary shareholders in the proportion of one C Ordinary share for every A Ordinary share held. In September 2020, at the time of the acquisition by Metro Bank, the Company's share capital was reduced by £14,414k by cancelling and extinguishing all of the C shares with the amount so reduced being repaid to the holders of the C shares by way of a return of non-cash assets (including the beneficial ownership of the Company's shares in Plenti Group Limited).

25. Exceptional items

During the period the Company made a capital contribution of £28,087k to its subsidiary, RTS. The purpose of the capital contribution was to enable the Company's subsidiaries to repay external debt and intercompany liabilities. An assessment was performed of Company's investment in RTS and the full value of the investment was impaired. Following the capital contribution, the Company was able to release provisions totalling £19,236k as subsidiaries repaid intercompany loans previously fully impaired by the Company. The net impact was an £8,850k loss to the Company shown within Exceptional items in the statement of comprehensive income.

26. Related parties

Investment measured at fair value through OCI

At 31 March 2020, the Company owned 14% of Plenti Group Limited and one of the directors of the Company was also a director of Plenti Group Limited. During the period, the Company received fee income of £27k (Mar-20: £34k) from Plenti Group Limited. In the period, a gain of £1,512k (Mar-20: £1,179k loss) on the revaluation of the Company's investment in Plenti Group Limited was recognised through other comprehensive income.

Provision Fund

Until April 2021, RateSetter operated a contingency fund, known as the Provision Fund, which diversifies all investors' exposure across the entire RateSetter loan portfolio. The assets and liabilities of the Provision Fund were held within a subsidiary, RTS. During each month the Company made and received payments on behalf of RTS with respect to Provision Fund activities. As shown in Note 21, on a net basis, an amount of £1,474k (Mar-20: £1,424k debtor included within Note 18) was owed by the Company to RTS. This balance was settled immediately after the period-end.

27. Ultimate controlling entity

The ultimate controlling entity is Metro Bank (company number: 06419578), a company incorporated in England and Wales. The registered office of Metro Bank is One Southampton Row, London, WC1B 5HA. The Company's financial statements are included within the consolidated group accounts prepared by Metro Bank.

28. Subsequent events*Purchase of RateSetter loan portfolio by Metro Bank*

In February 2021, the Company announced that Metro Bank had entered into an agreement to purchase the remaining loans held via the RateSetter platform. The purchase completed in April 2021 and all investors received full repayment of their outstanding investment (including both capital and any accrued interest). Following the completion of the purchase, the retail investing side of the RateSetter platform closed.

Transfer of employees to Metro Bank

On 01 May 2021, the employment of the majority of the Company's employees was transferred to Metro Bank in accordance with the Transfer of Undertakings (Protection of Employment) regulations. A small number of employees did not transfer to Metro Bank but instead transferred to a third party as part of the sale of the Dealer Finance business (see below).

Sale of Dealer Finance business and associated loan portfolio

In June 2021, in line with its strategy to focus on unsecured consumer lending, the Company sold its Dealer Finance operation, (i.e. secured motor lending to commercial motor dealerships) along with the associated loan portfolio of £18.5m.