Company Registration No. 4146820

United National Bank Limited

Annual Report and Financial Statements

31 December 2023

Annual report and financial statements 2023

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Officers and professional advisers

Directors

Mr A Wathra (Chairman)
Mr B Firth
Mr M Husain
Mr S Z Ijaz
Mr N Khan
Mr N Ahmad
Mr A Mumtaz

Secretary

Mr T Varkey

Registered office

2 Brook Street
London
W1S 1BQ

Auditor

Mazars LLP
Chartered Accountants and Registered Auditor
30 Old Bailey
London
EC4M 7AU

United National Bank Limited

Strategic report

The Directors have the pleasure in presenting the Strategic report and the audited financial statements for the year ended 31 December 2023 for United National Bank Limited (the 'Company').

Overview

United National Bank Limited is a private company limited by shares registered in England under the Company number 4146820 and the registered office is at 2 Brook Street, London, W1S 1BQ. The Company is a banking institution, authorized by the Prudential Regulation Authority ('PRA'), and regulated by the Financial Conduct Authority ('FCA') and PRA.

The Company was formed in 2001 from the merger of the UK branches of two Pakistani banks, United Bank Limited and National Bank of Pakistan, which had been operating in the UK since the mid-1960s.

The principal activities of the Company are to provide Retail Banking, Wholesale Banking and Money Transmission services to UK-based individuals and corporate customers. The Directors are not aware, as at the date of this report, of any likely major changes to the Company's activities in the forthcoming year, and expect the Company to continue as a going concern for the foreseeable future (see note 1 to the financial statements).

Business results

Over the past few years, the Company has been transitioning its business away from emerging market debt securities towards a lower risk balance sheet focusing on secured lending on UK residential real estate (RRE). This change in focus has been successful as the Company have achieved another year of increased profitability, driven by strong growth of the RRE portfolio. During 2023, the Company grew its RRE book by £111m (2022: £154m). This, coupled with a higher general interest rate environment, had a significant positive impact on the Company's underlying profit, which increased from £5m in 2022 to almost £10m as reflected in the table below.

The additional lending was funded by growth in retail deposits, sourced partly through a deposit-aggregator partnership, in addition to the Company's own deposit raising channels. The strategic decision to partner with the deposit aggregator has had a positive impact on the Company's operations. It has provided the opportunity to offer its deposit products to a far wider audience whilst also reducing the administrative effort required in the account opening process. By diversifying our deposit-raising channels, we can continue to focus on achieving further growth of our loan book, confident that we can attract sufficient retail funding to meet our requirements.

The following financial measures referenced as 'adjusted' are non-GAAP measures and are not a substitute for financial information. The definitions of these non-GAAP financial measures may differ from similarly titled measures used by others. The Company uses non-GAAP financial measures to facilitate management's internal comparisons to the Company's historical operating results, to competitors' operating results, and to provide greater transparency to shareholders of supplemental information used by management in its financial and operational decision-making. The Company also uses non-GAAP financial measures which exclude certain charges and credits because it believes that such items are not indicative of its core operating results and trends, and do not provide meaningful comparisons with other reporting periods.

The table below shows a summary of profit/(loss) on ordinary activities before taxation for the past six years, along with details of the items, which have been adjusted in order to determine the underlying profitability of the Company.

All figures in GBP 000s	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**
Profit/(loss) on ordinary activities before tax	**(3,779)**	**(1,009)**	**(2,379)**	**3,226**	**5,296**	**6,911**
Adjusting items:						
Interest payable on preference shares	234	-	-	-	98	239
Revaluation gain on Brook Street premises	(787)	-	(52)	(1,208)	-	(157)
Profit on disposal of fixed assets	-	(209)	-	-	(372)	-
Enhancement of risk management framework	-	538	426	23	-	-
Onerous property lease termination costs	-	172	-	-	-	-
Realised losses on de-risking actions	2,487	-	-	-	-	-
Remeasurement of financial liability	-	-	-	-	-	2,650
Adjusted profit on ordinary activities before tax	**(1,845)**	**(508)**	**(2,005)**	**2,041**	**5,022**	**9,643**

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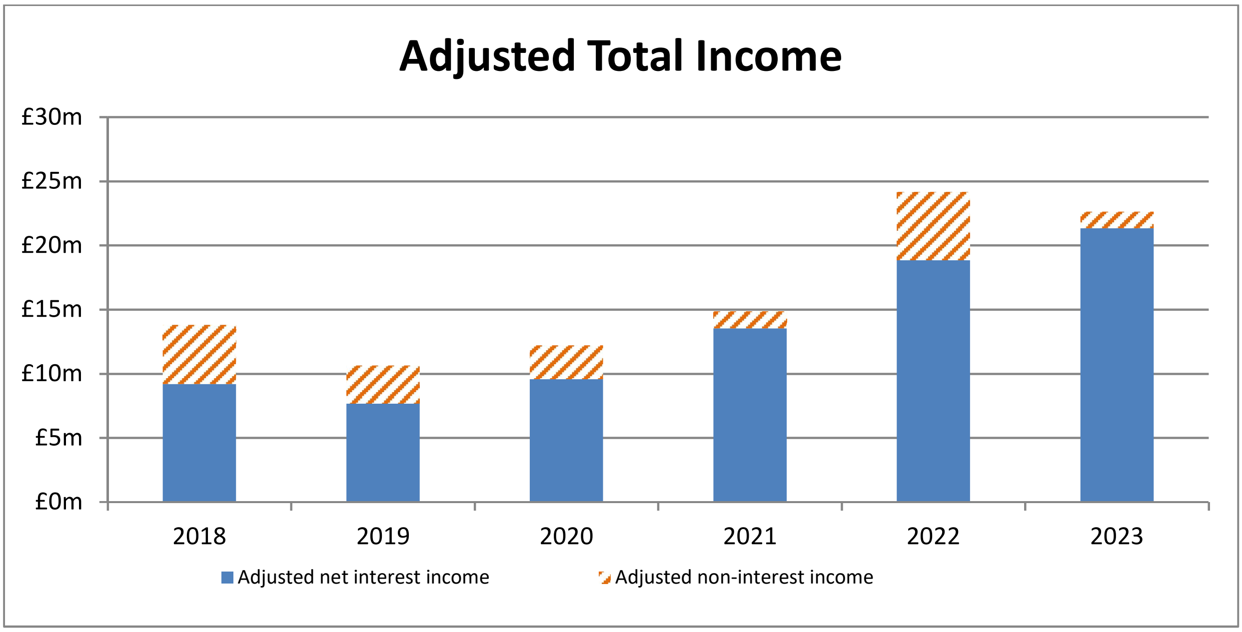
The adjusted profit for 2023 was just under £10m, an improvement of nearly £5m from the adjusted profit for the previous year. The primary cause of this movement was attributed to the growth in the RRE loan book and the significant increase in interest rates.

The graph below illustrates the movement in adjusted total income since 2018, showing the split between net interest income and non-interest income:



Adjusted non-interest income (as per the table below) has decreased by £4m during 2023 due primarily to reduced profits from intra-day investment assets trading and lower foreign currency trading. The significant adjusted non-interest income in 2022 was primarily driven by gains on interest rate swaps, which were non-recurring.

All figures in GBP 000s	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**
Non-Interest Income as per profit or loss	2,469	3,176	2,693	2,522	5,677	1,455
Adjusting items:						
Fees and Commissions receivable	438	-	-	-	-	-
Property disposal & revaluation gains	(787)	(209)	(52)	(1,208)	(372)	(157)
Realised losses on de-risking actions	2,487	-	-	-	-	-
Adjusted Non-Interest Income	**4,607**	**2,967**	**2,641**	**1,314**	**5,305**	**1,298**

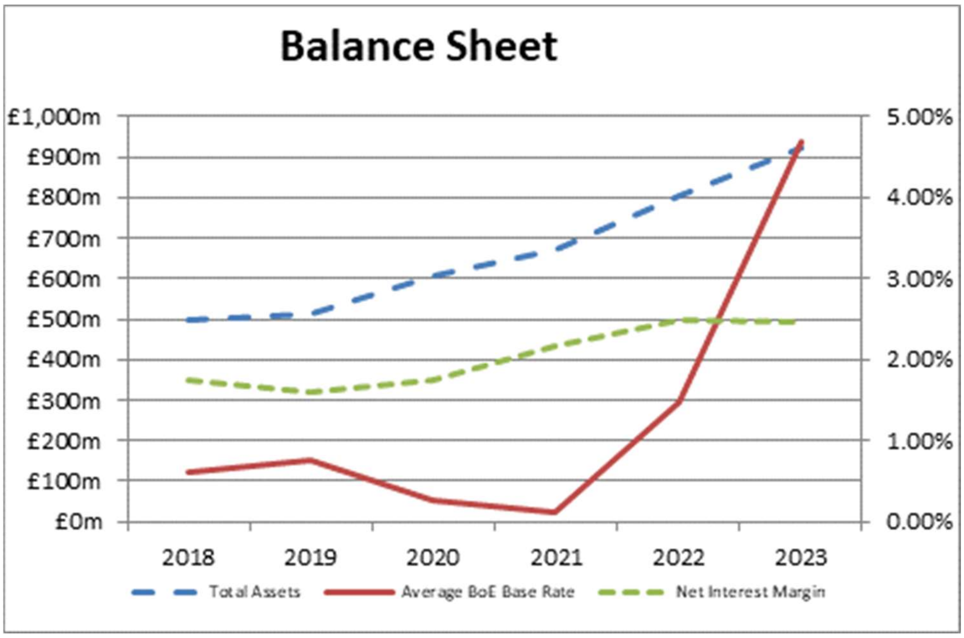
Strategic report

Adjusted net interest income (as per the table below), increased by £2.5m due to the growth in the RRE loan book coupled with significant increases in interest rates. However, due to the large proportion of total customer funding which is placed in term deposit products, the interest expenses were slower to increase in 2023. We have projected that this will have a small negative impact on the Company's interest margin during 2024, as the back-book of long-term deposits begins to reprice.

All figures in GBP 000s	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**
Net Interest Income as per profit or loss	9,400	7,662	9,572	13,534	18,748	21,076
Adjusting items:						
Fees and Commissions receivable	(438)	-	-	-	-	-
Preference dividend	234	-	-	-	98	239
Adjusted Net Interest Income	**9,196**	**7,662**	**9,572**	**13,534**	**18,846**	**21,315**

Adjusted total income (includes both adjusted non-interest and net interest income) has decreased by 7% during 2023 to £22.6m (2022: £24.2m).

The graph below illustrates the growth in the balance sheet since 2018 and the movement in the net interest margin (net interest income divided by total assets) compared with the average Bank of England (BOE) base rate over the same period:



The total balance sheet grew by 14% during 2023 to end the year at £920m.

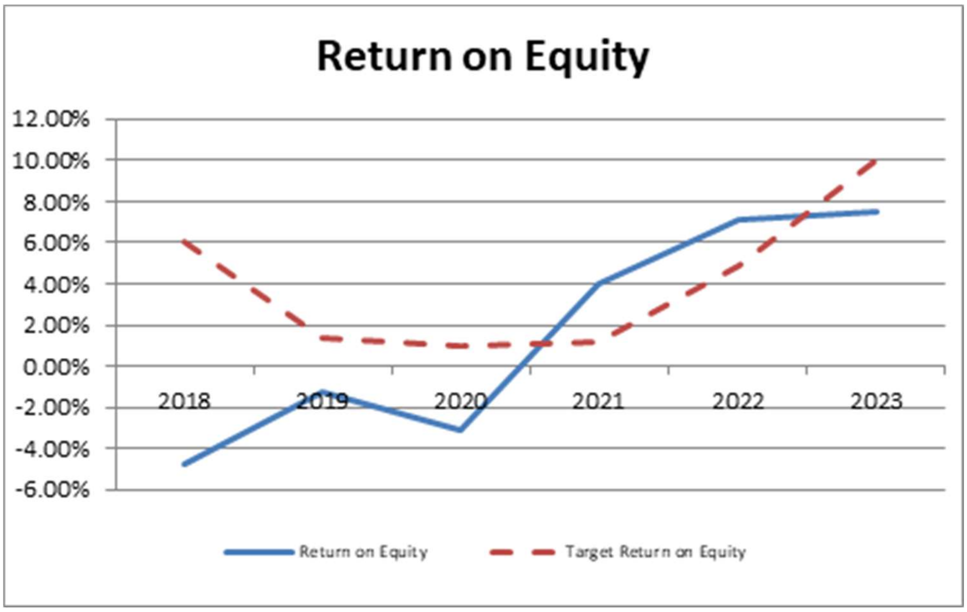
Net interest margin has decreased by 2 basis points from 2.49% in 2022 to 2.47% in 2023, primarily been driven by increase in cost of funds due to maturity of low cost term deposits that are being replaced by high cost deposits.

Key performance indicators

The Company uses three ratios in order to measure and to quantify the financial performance and progress against the strategic objective to become the leading UK-based financial solutions provider in the South Asian community:

1. Return on equity

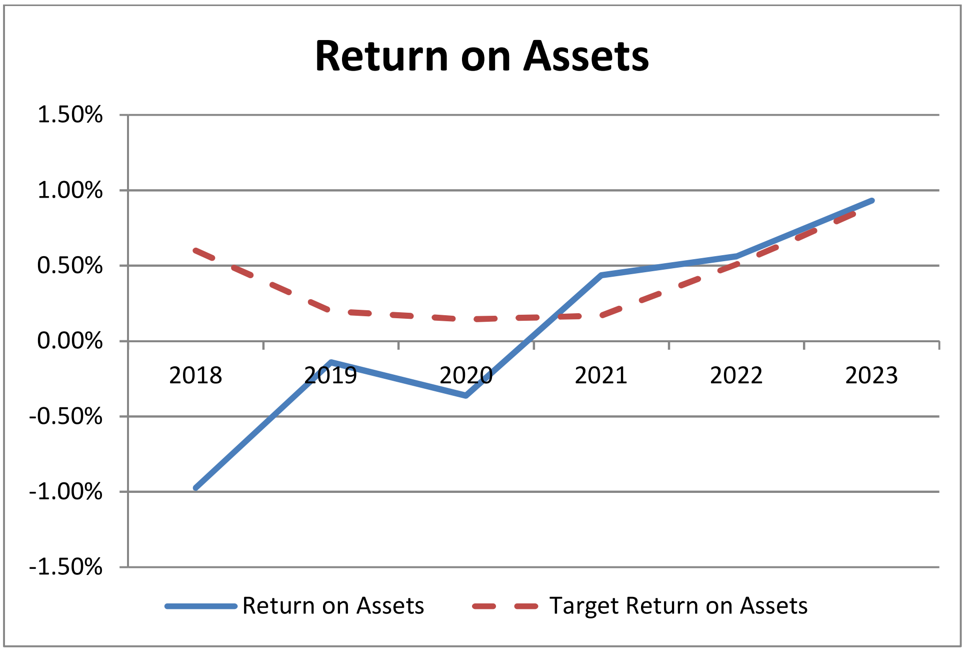
This is defined as the profit or loss on ordinary activities before taxation and preference dividend, divided by shareholders' funds. This measures the shareholders' return on their investment. This profit is before the adjustments highlighted above. The graph overleaf illustrates the return on equity since 2018:



In 2023, the return on equity ratio increased to 7.5% (2022: 7.1%). This increase is a result of the increase in general interest rate environment as well as the continued RRE loan book growth.

2. *Return on assets*

Return on assets is defined as profit/loss for the year divided by total assets. The disclosure of this ratio is also a requirement of the fourth Capital Requirements Directive ('CRD IV') which came into effect in 2014. The graph below shows the return on assets since 2018:

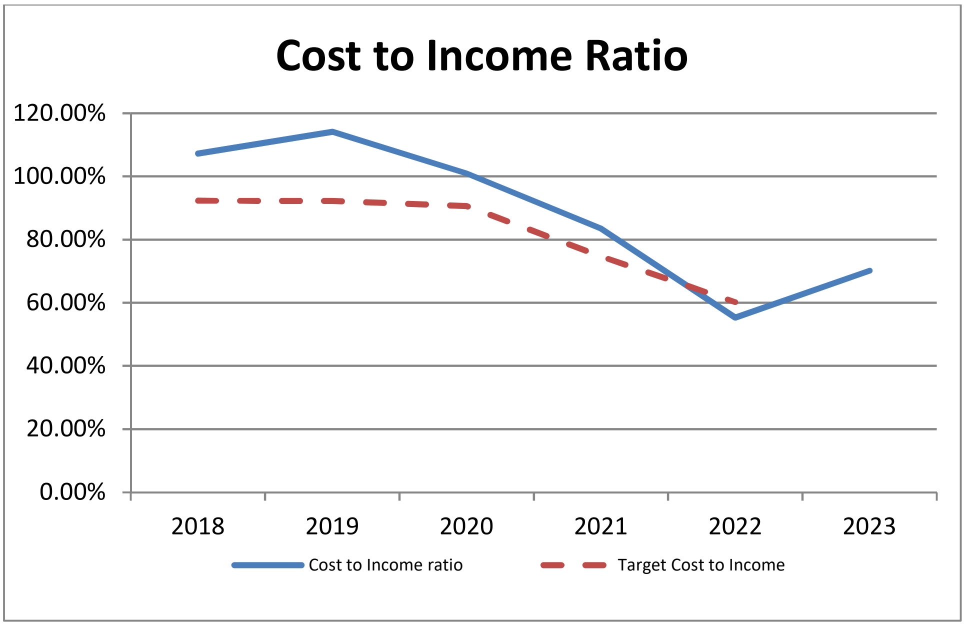


There was a positive return on assets for 2023 of 1.0% (2022: 0.6%).

Strategic report

3. Cost to income ratio

This is defined as operating expenses (excluding impairment charges and debt recoveries) divided by total operating income (net interest income plus non-interest income) before preference dividend. This ratio measures the operating efficiency of the Company; the lower the ratio, the less spent on operating expenses for every £1 earned in revenue. The graph below shows the cost to income ratio since 2018:



The cost to income ratio for 2023 is 70.1% (2022: 55.3%) and the main cause of this increase over the last year was lower overall income as the significant gains on interest rate swaps achieved in 2022 were non-recurring.

Business Review

Over the past few years, the Company has made significant efforts to de-risk its balance sheet and to narrow its focus towards a limited range of core activities. The core business is lending secured on UK residential real estate, funded by UK retail deposits. The Company continues to engage in a limited amount of wholesale banking activity, but this is considered legacy business, and is therefore not intended to be replaced on maturity.

Strategic report

Future developments

The Board of Directors set the Company's strategy. A three-year business plan is drawn up to project growth and resource requirements, and a detailed annual budget is prepared to set short-term targets and allow progress to be monitored on a monthly basis.

The Company's management team is charged with the responsibility of executing the plans to achieve the strategic goals. Monthly budget variances are calculated, explained, and submitted to the Board for review. This timely reporting allows corrective action to be taken as early as possible to ensure the Company's objectives are achieved.

Towards the end of every year, the management and Board set aside time to review and discuss the Company's future strategy. These discussions culminate in a Business Plan, which continues to focus on building a sustainable and resilient business for the future.

Going concern

The financial statements are prepared on a going concern basis and the Directors have a reasonable expectation that the Company has the resources to continue in business for the foreseeable future and at least 12 months from the approval or signing of the financial statements. In making this assessment, the Directors have considered a wide range of information including all principal risks noted in this strategic report relating to present and future conditions, including the current state of the balance sheet, future projections of profitability, cash flows and capital resources and the longer-term strategy of the business. The Company's capital and liquidity plans have been stress tested and have been reviewed by the Directors.

The impact of headwinds emanating from challenges facing the UK economy and Pakistan economy have been assessed and incorporated within the 2024-2026 financial and business plans. The Directors assessed the expected effect of management actions taken in response, against the most severe but plausible scenario used in the Board's assessment of the Internal Capital Adequacy Assessment Process (ICAAP) approved in February 2024. This scenario was guided by the 2022-2023 Annual Cyclical Scenario ('ACS' or 'Anchor Scenario') specified by the Bank of England for use in preparing ICAAP stress tests. Having regard for the severe financial outcomes from these scenarios and the reverse stress tests also conducted as well as the Internal Liquidity Adequacy Assessment Process (ILAAP), the Board concluded that both capital and liquidity forecasts remained within present regulatory requirements throughout the going concern period. More details on ICAAP and ILAAP are set out on page 13 and 14 of this document.

After making enquiries, the Directors believe that the Company has sufficient resources to continue in operation for the foreseeable future and for at least 12 months from the date of approval or signing the financial statements, and the Company has sufficient capital to enable it to continue to meet its regulatory capital requirements as set out by the PRA. The Board concluded that there is no material uncertainty on going concern therefore it remains appropriate to adopt the going concern basis in preparing the Company's financial statements.

Board engagement with our stakeholders

Section 172 of the Companies Act 2006 requires a Director of a Company to act in the way he or she considers, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole.

In doing this, section 172 requires a Director to have regard to, among other matters: the likely consequences of any decision in the long term; the interests of the company's employees; the need to foster the Company's business relationships with suppliers, customers and others; the impact of the Company's operations on the community and the environment; the desirability of the Company maintaining a reputation for high standards of business conduct; and the need to act fairly with members of the Company.

The Directors consider these factors set out above in discharging their duties under section 172. More details of how our Board engages with stakeholders are set out overleaf.

Customers
The Directors receive updates from senior management on the Company's interaction with customers. Additionally, the Board members from time-to-time attend charity dinner events to which key customers are also invited.

Employees
The Board receives updates from senior management on various metrics and feedback tools relating to employees. The Board uses this feedback to formulate improvement initiatives. Senior management is tasked to develop action plans for implementing these initiatives, which are continuously monitored. Further details on employee engagement can be found on page 17.

Shareholders
We continue to engage with our shareholders focusing our dialogue on:
- The factors driving current performance and expectation of future performance; and
- Credit risk appetite, liquidity and capital adequacy.

Suppliers
The Company undertakes due diligence procedures on direct suppliers, the objective of which is to identify and mitigate risk, including enquiring into suppliers' policies on Anti Money Laundering (AML), data protection and modern slavery prevention. The Company continuously reviews its outsourced service partners to ensure it is receiving value for money, that service level agreements are adhered to, and it also seeks to ensure suppliers are paid on time.

Environment
The Company seeks to drive positive environmental impact across its business activities. More details on the Company's environmental related initiatives are found within the Climate Change Risk section on page 16.

Community
We recognise the importance of contributing to our communities and the Company is engaged in various activities, which have a positive impact on the community we serve. Every year staff undertake various fund raising initiatives to support a variety of charitable causes.

The Pakistan community constitute a major portion of our customer base and accordingly the Company participates in various activities that serve this community, such as sponsorship of Pakistan High Commission events. In addition, the Company, through its money transmission products, facilitates Pakistani diaspora remittances to Pakistan.

Regulators
The Board recognises the importance of open and continuous dialogue with the Company's regulators. The Chairman, Chief Executive and other members of the Board have regular meetings with the PRA.

Principal risks and uncertainties

Financial and operational risks
The Company is exposed to a variety of financial and operational risks that arise in the course of its business. These risks include credit risk, market risk and operational risks such as conduct, consumer duty and financial crime. The Company has in place a risk management framework that is designed to limit the adverse effects of these risks on the financial performance of the Company but as a bank, it is not possible to eliminate all the risks. The risk management policies of the Company including the use of financial instruments are set out in note 26.

Credit risk
Credit Risk is the risk that a borrower or counterparty fails to pay the interest or capital due on a loan or other financial instrument in accordance with the agreed terms. Credit Risk manifests itself in the financial instruments and products that the Company offers and in which it invests and can arise in respect of both on and off-balance sheet exposures.

Risk Appetite
The Company operates within defined roles and responsibilities for risk management with oversight at Board and executive level and independent oversight provided by Internal Audit. The Company's approach to Credit Risk is set out in the Credit Risk Policy, which is approved by the Board annually.

Mitigation

Active monitoring and assessment of its credit risk portfolio is crucial to the Company's risk management discipline. This is achieved through the regular monitoring of key portfolio indicators and limits, stress test analysis and assurance activity with regular reports provided to all stakeholders across the Company.

Liquidity risk

As part of the risk management framework, efficient management of liquidity is essential to the Company in order to maintain the sustainability of the business. Treasury have created a framework to manage all liquidity risk exposures under both normal and stressed conditions. The framework is designed to maintain liquidity resources that are sufficient in amount, quality and funding tenor profile to remain within the liquidity risk appetite as expressed by the Board. The liquidity risk appetite is monitored against both internal and regulatory liquidity metrics.

Treasury has the primary responsibility for managing liquidity risk within the set risk appetite. Both Risk and Treasury contribute to the production of the ILAAP. The ILAAP process is an annual exercise to identify inherent liquidity risks within our balance sheet at a product, segment and currency level and ensure that the liquid asset portfolio maintained by the Company is adequate enough to cover any shortfall which might occur as a result of a 'firm specific' or 'market wide' (or a combination of both) stress scenario.

The Treasury and Market Risk functions are responsible for the management and governance of the liquidity risk mandate, as defined by the Board. The framework established by Treasury and Market Risk is designed to deliver the appropriate term and structure of funding, consistent with the liquidity risk appetite set by the Board. The framework incorporates a range of ongoing business management tools to monitor, limit and stress test the Company's balance sheet, contingent liabilities and the recovery plan. Monitoring of liquidity Early Warning Indicators (EWIs) and Key Risk Indicators (KRIs) reduce the likelihood that a liquidity stress event could lead to an inability to meet Company's obligations as they fall due. The Board approves the funding plan, internal stress tests, regulatory stress test results, recovery plan and liquidity risk appetite.

Management of maturity mismatch

Asset and liability maturity mismatch is monitored by the Asset and Liability Committee (ALCO) with an overlay of behavioral assumptions. The Company ensures that it has diversified funding sources in order to mitigate funding shortfall and rollover risk. The deposit and funding base is maintained within the Company's risk appetite. Deposit concentration from the top depositors is regularly monitored by ALCO to mitigate concentration risk. The Company's liquidity contingency plan is regularly updated as a part of ILAAP processes.

Management of Interest rate risk in the banking book (IRRBB)

Interest rate risk in the banking book (IRRBB) is driven by various activities, which include customer deposit taking and lending, investment and divestment in proprietary assets and funding. The Company from time to time employ interest rate swap (IRS) agreements to mitigate some of the IRRBB risks. In addition, ALCO regularly monitors liquidity gap limits as part of interest rate risk management.

However, the Company remains susceptible to interest rate and other non-traded market factors:

- due to the behavioural preferences of the depositors and loan holders; and
- movement in the yield curve can affect interest income margin and this is monitored by regular sensitivity analysis and stress tests.

Market price risk

The Company's available for sale (AFS) securities are exposed to market price volatility that may have an adverse impact on the balance sheet. Price action is monitored by both Front Office, the First Line of Defence (1LoD) and the Risk team, Second Line of Defence (2LoD). Front office observe price changes during business hours, and where any price is seen to have exhibited anomalous volatility, underlying causes are investigated. The front office then determine whether price movements are primarily down to market factors or idiosyncratic developments for any individual security. The front office also periodically update the mark-to-market position for their own reference. In the event that price changes trigger a movement beyond certain mandate thresholds, the Front Office will inform the Risk team about any developments.

The Risk team meanwhile, monitors price levels independently, marking the AFS portfolio to market and circulating amongst Company's management. In the event that Risk team deems that a certain price movement is significant, they may request further explanation from the front office.

In the event that front office determine that a material credit development has altered the price of any security within the bond portfolio, this issue will be raised initially to the Risk team, and subsequently within the relevant committee for the members to evaluate the severity of the credit developments, and to prescribe relevant remedial or monitoring actions.

Foreign exchange risk

Foreign exchange (FX) risk is defined as the risk of financial losses and liquidity concerns due to adverse movements of foreign exchange rates against the Company's net foreign exchange position. The Company has assets and liabilities denominated in foreign currencies. Exchange gains and losses are recognised in the income statement as they arise. The Company's policy is to measure and control foreign exchange risk exposure as part of the overall market risk limits on foreign exchange spot, forwards, and swaps, intra-day and overnight open position limits by currency, gross forward limit, total net short position limit, permissible currencies, and permissible foreign exchange products. Limits are monitored at all times and management monitors risks reported through daily dashboards.

The Company does not currently deal in FX derivative instruments for speculative purposes; however, it holds foreign currency swaps for funding purposes to strategically invest the additional capital denominated in foreign currency assets with relatively attractive yields.

Russia – Ukraine Conflict

The Russia-Ukraine conflict continues to be a risk factor to global markets due to Russia's pole position as a top exporter of major commodities such as oil, natural gas and wheat, and as a result, commodity prices are at higher levels thereby fueling global inflation. However, there has been a sustained effort by European countries to diversify away from sourcing Russian gas to mitigate this risk.

Emerging markets (EMs) face a variety of additional credit risks stemming from the Russia-Ukraine conflict, with further price pressures and diminished investor risk tolerance being among the most prominent. These risks to the emerging markets continue to impact on the Company's AFS portfolio, particularly the Pakistan sovereign bonds.

Pakistan macroeconomic conditions

As of 31 December 2023, the Company held £20.9m of Pakistan sovereign debt. This exposure has accumulated unrealised losses of £5.8m (2022:12.9m.) The reduction of unrealised losses of £7.1m during the year has boosted the Company's capital position. Pakistan bond performance was driven by the country's more positive economic and political outlook at the reporting date compared to the previous year. Another key factor was the improvement in Pakistan's external position, which was under severe stress in early 2023. The country's foreign exchange reserves hit a low of $3 billion in February 2023, raising fears of a default. China stepped in to provide emergency financing to Pakistan, averting a crisis. In June 2023, Pakistan secured a new $3 billion loan from the IMF, along with $3 billion in fresh deposits from Saudi Arabia and the UAE. These inflows boosted Pakistan's foreign exchange reserves to a five-and-a-half-month high of $8.3 billion by the end of 2023, according to data from the State Bank of Pakistan (SBP). However, risks remain, as there is still some uncertainty around the period after the February 2024 election. These risks have been abated as Pakistan has managed to appoint a new substantive Prime Minister, which has fostered a positive political outlook.

UK Macroeconomic Conditions

The UK economic prospects are expected to improve in 2024 and beyond as the economy is expected to benefit from falling inflation and lower interest rates in the second half of 2024 thereby boosting growth. In addition, there is expectation that the long period of economic stagnation should begin to fade away as falling inflation, potential interest rate and tax reductions create momentum for growth in 2024 and 2025. However, there is still a risk of recession as there were signs of economic stress in the fourth quarter reflected by a surprise 3.2% drop in retail sales in December 2023, which revealed a level of weakness in consumer spending.

Capital resources

United National Bank Limited is 55% owned by United Bank Limited and 45% owned by National Bank of Pakistan. Both parent banks are well-established and profitable banks in Pakistan, and both are committed to the future growth of the Company.

A breakdown of the capital resources of the Company at the balance sheet date is set out on the following page and in the Statement of Changes in Equity. Details of the Company’s capital management process are set out in the paragraphs below:

Capital risk is defined as the risk that the Company assesses its sub-optimal quantity or quality of capital or that capital can inefficiently be deployed across the business lines. This arises when the Company has insufficient capital resources to support its strategic objectives and plans, and to meet both regulatory and external stakeholder’s requirements and expectations. This could be a result of crystallization of any risks to which it is exposed. The Company's capital management approach is focused on maintaining sufficient capital resources across its regulated levels of the capital structure in order to limit such exposures while optimising value.

The Company maintains capital levels commensurate with a prudent level of solvency and to support this, the capital risk appetite is calibrated by taking into account both the internal view of the amount of capital the Company should hold as well recognising external regulatory requirements.

The Company measures both its capital requirements through applying the regulatory framework as outlined in Capital Requirements Directive IV (CRD IV, 27 June 2013), made up of the Capital Requirements Directive (2013/36/EU), implemented through national law (via policy and supervisory statements published by the PRA) and the Capital Requirements Regulation (CRR, 575/2013).

Further details of the Company's capital risk management can also found in the unaudited Pillar III disclosure document.

The minimum amount of total capital, under Pillar 1 of the regulatory framework, is set at 8% of total Risk Weighted Assets (‘RWAs’). At least 4.5% of RWAs are required to be covered by common equity Tier 1 (‘CET1’) capital and at least 6% of risk-weighted assets are required by Tier 1 capital. These minimum Pillar 1 requirements are supplemented by additional minimum requirements under Pillar 2A of the regulatory framework, the aggregate of which is referred to as the Company's Total Capital Requirement (‘TCR’), and a number of regulatory capital buffers described in the following paragraphs.

Additional minimum requirements under Pillar 2A are set by the PRA as firm-specific Individual Capital Requirement (‘ICR’) reflecting a point in time estimate, which may change over time, of the minimum amount of capital that is needed by the Company to cover risks that are not fully covered by Pillar 1, such as credit concentration and operational risk. The Company's Pillar 2A capital requirement was 3.98% of total RWAs as of 31 December 2023.

The Company is also required to hold a number of regulatory capital buffers, which are required to be met with CET1 capital. The Capital Conservation Buffer (‘CCoB’) is a standard buffer of 2.5% of risk-weighted assets designed to provide for losses in the event of stress.

In addition, there is the Countercyclical Capital Buffer (‘CCyB’) which is time varying and is designed to hold additional capital to remove or reduce the build-up of systemic risk in times of credit expansion, providing additional loss absorbing capacity and acting as an incentive for banks to constrain further credit growth. At the reporting date, the CCyB rate for UK exposures is currently set at 2.00%.

As part of the capital planning process, forecast capital positions are subject to a wide-ranging programme of stress testing to determine the adequacy of the Company's capital resources against the minimum requirements, including ICR. The PRA considers outputs from the Company's stress tests and also the annual Bank of England Concurrent Stress Testing parameters for non-participating banks, as well as the Company is other regulatory capital buffers and non-stress related elements. This is part of the process for informing the setting of a bank specific capital buffer for the Company, known as the PRA buffer.

The PRA requires this buffer to be confidential between the Company and the PRA. All buffers are required to be met with CET1 capital. Usage of PRA Buffer would trigger a dialogue between the Company and the PRA to agree what action is required.

The Company mitigates the Capital risk by having a Risk Management Framework (‘RMF’) that includes the setting of Capital Risk Appetite (‘CRA’). Close monitoring of capital ratios is undertaken to ensure the Company meets regulatory requirements and risk appetite levels and deploys its capital resources efficiently. Comprehensive stress testing analyses takes place to evidence capital adequacy. Reporting of actual base case and stress ratios is undertaken frequently, or at a minimum as part of ICAAP, Recovery, and Resolution Planning (‘RRP’) with oversight and challenge by ALCO and Board Risk and Compliance Committee (‘BRCC’).

The ICAAP is an assessment of the Company’s capital position, outlining both regulatory and internal capital resources and requirements resulting from Company’s business model, strategy, risk profile and management, performance and planning, risks to capital, and the implications of stress testing. Our assessment of capital adequacy is driven by an assessment of risks. These risks include credit, market, operational, pensions, structural foreign exchange, interest rate risk in the banking book and risk driven by credit concentration risk. Climate risk is also considered as part of the ICAAP, and the approach to this process is evolving.

RRP relates to PRA rules that require authorised firms to draw up recovery plans and resolution packs. Recovery plans are designed to outline credible actions that authorised firms could implement during periods of stress to restore the business to a stable and viable position in a timely manner. The Company currently provides the PRA with a recovery plan as when requested.

The purpose of a resolution pack is primarily to minimize the impact on depositors of a potential bank failure. It ensures that a firm maintains and is able to retrieve information that would, in the event of its insolvency, assist an insolvency practitioner to wind-down the business in an orderly way and minimize any disruption to depositors.

The table below, based on these audited financial statements, shows the breakdown of the Company’s capital resources:

	2023	2022
	£	£
Tier 1 capital		
Share capital	45,000,000	45,000,000
Retained earnings	38,378,978	30,223,261
Revaluation reserve	8,777,797	(610,050)
Deferred tax	(3,099,521)	-
Intangible assets	(157,144)	(254,630)
Pension asset	(340,600)	(759,850)
Total – Tier 1 capital	**88,559,510**	**73,598,731**
Tier 2 capital		
Collective provision	444,874	368,530
Total capital	**89,004,384**	**73,967,261**

The Company has not reported any breaches of its capital requirements during the year (2022: no reported breaches).

Further details of the Company’s capital requirements and capital risk management policy can be found in the unaudited Pillar III disclosures on the Company’s website, www.ubluk.com.

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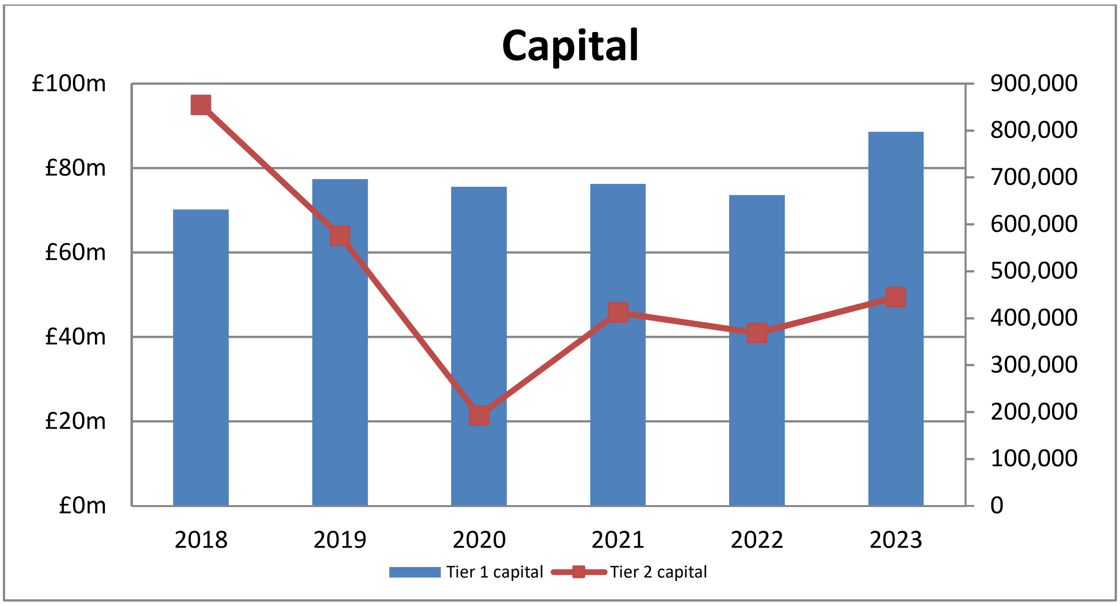
The graph below shows the movement in capital resources since 2018:



Tier 1 capital has increased by £15m (20%) over the year as a result of both the increase in profitability and the reduction in AFS unrealised losses. The Tier 2 capital, which derives from the collective provision, has remained at £0.4m.

Defined benefit pension scheme

The FRS 102 valuation of the pension scheme's assets and liabilities for the 2023 year-end has shown a surplus of £0.5m (2022: surplus of £1.2m). The reduction of the surplus was primarily caused by the reduction of bond yields towards the end of the year and this had the effect of increasing the value of the defined benefit obligations.

In accordance with the rules of the UNB Pension Scheme, the Company has an unconditional right to a refund of surplus assets assuming the full settlement of liabilities in the event of a plan wind-up. Based on these rights, the net surplus at the balance sheet date is recognised in full, and subject to a deduction of the 35% tax charge currently applicable to authorised surplus payments. Accordingly, the Company has recognised a net surplus of £0.3m (2022: £0.8m) after the 35% tax deduction.

Preference shares

The Company uses preference shares to return net income back to the parent bank resulting from the utilisation of tax losses and the recovery of written-off loans relating to tax losses and bad debts that were originally transferred upon merger (see note 21 for further details).

The preference share liability arises in the accounting year following the year when the tax losses are actually utilised. As a result, in 2023 the Company utilised tax losses of £2.4m (2022: £0.5m) which translates to a preference share interest payable to United Bank Limited of £239k (2022: £98k).

Liquidity resources

The Company maintains a minimum amount of unencumbered High Quality Liquid Assets (HQLAs) in accordance with the Individual Liquidity Guidance ('ILG') requirement it has received from the PRA. This stock of HQLAs is available to meet liquidity shortfalls arising during periods of market stress, idiosyncratic stress or a combination of the two. The Company holds exposures to UK and US Governments (Gilts and Treasury Bills) and Multilateral Development Banks as part of the HQLA portfolio. The Company has not reported any breaches of its liquidity requirements during the year.

The Company holds an investment portfolio of quoted, internationally rated, and predominantly fixed income bonds that are designated as available for sale to meet its own day-to-day liquidity requirements. The Company also has in place a number of repo facilities with top-tier counterparties that can be utilised to raise strategic or tactical funding when required.

Strategic report

Climate Change

The 'United Nations' refers to Climate Change as long-term shifts in temperatures and weather patterns. It is widely accepted that human activities have been the main driver of Climate Change, primarily due to the burning of fossil fuels that trap the sun's heat, raise temperatures and generate greenhouse gas emissions of carbon dioxide and methane.

The Company understands that its activities, directly or indirectly, are not immune to Climate Change and the effects on the environment. The Company also recognises the importance of integrating Climate Change-related risks into its business model and to quantifying the financial risks from Climate Change, in order to form its response to this global challenge. These risks are divided into two categories i.e. Physical and Transition risks:

- Physical risks refer to risks resulting from environmental events such as floods, wildfires, heatwaves and landslides, among many others.
- Transition risks are associated with policies, technologies, laws and similar actions designed to shift the economy toward lower fossil-fuel consumption.

Although the Company currently falls outside legal requirements to disclose its climate-related risks and opportunities (because it has less than 500 employees), in 2023 it continued to take a proportional approach, in keeping with its size, through various internal climate change and environmental initiatives and measures as set out below:

- Timed energy use of heating, air conditioning and lighting within the Head Office to reduce consumption when the office is not in use.
- Allowing its employees to work from home one day a week to reduce their use of their car and public transport systems.
- Incentivised commuting to work via modes of transport that produce less emissions, through either the Company's cycle to work scheme or salary sacrifice ULEV car scheme.
- Discontinued use of single use plastic cups throughout all sites and provided reusable glasses and cups for staff.
- Measurement of its overall carbon emissions from its Head Office building and those resulting from staff travel to and from work.

The Company remains committed to minimising the impact of its physical operations on the environment, as we recognise our need to contribute to transitioning to a low carbon economy.

Governance and Risk Management

The governance surrounding the management of climate change risk is via the Company's overall Risk management framework, which includes:

- An Environmental Risk Policy approved by the Board of Directors.
- Climate Change Risk Assessment, which sets out the Company's various exposures and their associated Physical and Transitional risks, together with the Controls in place to reduce financial harm to the Company, caused by the assets exposed to Climate Change risks.
- The Company's Real Estate portfolio is the largest asset lending class. In considering property based loans, the Company's lending policy, and within it the criteria for credit underwriting of property loans favours more energy efficient properties, and incorporates the UK's Physical and Transitional Climate Risks and their impacts, which are measured against the following data sets:

    1) Tenors.

    2) Property Location.

    3) Property Type.

    4) EPCs Energy Performance Certificate Ratings (A - E).

The Company's Chief Risk Officer has responsibility within the organisation for oversight of the management of Climate Change related risks and their mitigations, which are discussed at the Company's Risk Committees.

Metrics and targets

The Company continues to enhance its understanding of the metrics and targets required for Climate Change, which will feed into future disclosures. In 2023, the Company successfully completed a project to calculate its carbon footprint, which is periodically replicated.

It is the Company's objective to reach Net Zero Carbon emissions in the future.

Strategic report

Human resources

The Company encourages staff involvement by a process of communication and consultation. This takes the form of information through normal management channels, a staff newsletter and inter-department groups formed for a particular project.

Staff training is an important focus for the Company. E learning is used to both train and assess competence for compliance related subjects. Once a year, the Company usually arranges a staff weekend, which generally includes training on Company-specific policies and procedures, as well as team-building exercises. Specific skills like IT training or leadership are enhanced by attending third-party training courses. Staff who fulfil pivotal roles are encouraged to study for relevant examinations, and to keep up-to-date with latest developments on relevant topics.

The Company seeks to provide a competitive rewards and benefits package for all staff. This involves reviewing the benefit package on a regular basis, benchmarking it against the industry standards, and identifying cost effective solutions. As a result of changes made over the last few years, the Company is confident that it offers a competitive package of salary and benefits, which is in line with other financial institutions operating in the UK.

The Company operates a non-contractual discretionary bonus scheme. The size of the bonus pool is determined by the profit (before tax and preference dividend) achieved in excess of the annual budget. The pool is divided between staff based on a number of factors including the performance of the individual as assessed through the annual appraisal process.

The Company recognises the importance of having an identity that distinguishes it from its competitors. This identity is translated into values that govern the behaviour of all staff.

The Company's workforce is one asset that is not recognised on its balance sheet but contributes significantly to the value of the Company. The Board would like to thank the members of staff for their efforts and the contribution they have made to the Company during the year.

Approved by the Board of Directors
and signed by order of the Board

B Firth
Director
24 April 2024

Directors' report

The Directors have the pleasure in presenting the Annual Report and Financial Statements for the year ended 31 December 2023 for United National Bank Limited ("UNB", 'the Company'). A number of disclosures relevant to the matters below can be found in the Strategic Report.

a) A review of the Company's results;

b) Definition of the Company's key performance indicators and objectives;

c) A description of the Company's future developments;

d) Principal risks and uncertainties facing the Company including exposure to credit risk, price risk, liquidity risk and financial risk management objectives and policies; and

e) Details of the Company's capital, liquidity and human resources and requirements.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Strategic report, 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 elected to prepare the financial statements in accordance with applicable United Kingdom Accounting Standards, including Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' ('FRS 102') and Companies Act 2006**.** Under Company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgments and accounting estimates that are reasonable and prudent;
- Provide additional disclosures when compliance with specific requirements in FRS 102 is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; 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. The 2023 financial statements will be published on the Company's website. The Directors are responsible for the maintenance and integrity of the Company website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from other jurisdictions.

The Directors 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.

Organisation and governance

The Board of Directors ('Board') has a supervisory role in overseeing the business, strategic direction, organisational structure and risk management activities of the Company. In pursuing corporate objectives, the Board and management have committed to the highest level of governance and strive to foster a culture that values and rewards exemplary ethical standards, personal and corporate integrity and respect for others.

The Directors who served on the Board during the year, and up to the date of signing, are set out below together with those noted as appointed or resigned during the reporting period:

Mr. A Wathra	Chairman
Mr. B Firth	Chief Executive Officer (Executive Director)
Mr. R Wilton	Independent Non-Executive Director (Resigned in March 2023)
Mr. B Hasan	Independent Non-Executive Director (Resigned in September 2023)
Mr. M Husain	Independent Non-Executive Director
Mr. S Dada	Non-Executive Director (Resigned in May 2023)
Mr. S Z Ijaz	Non-Executive Director
Mr. J Stradling	Independent Non-Executive Director (Resigned in September 2023)
Mr. N Khan	Non-Executive Director
Mr. N Ahmad	Non-Executive Director
Mr A Mumtaz	Non- Executive Director (Appointed March 2024)

United National Bank Limited

Directors' report

The Board membership represents an appropriate mix of experience and knowledge relevant to the Company's business lines.

Board meetings are held at least four times a year, and additional meetings can be held at any time to discuss urgent issues.

The Board has also constituted the following committees to set policy, review progress, and deal with specific and critical issues relevant to the committee's objectives. The committees, their Board members, and their responsibilities are:

- Board Audit Committee
  Mr. M Husain (Acting Chair), Mr. N Khan, Mr. S Z Ijaz, Mr. R Wilton (Chair - Resigned in March 2023) and Mr. B Hasan (Resigned in September 2023),
  - Oversight of financial reporting;
  - Oversight of external audit;
  - Oversight of internal control;
  - Oversight of internal audit; and
  - Oversight of corporate governance and regulatory compliance.

- Board Risk and Compliance Committee
  Mr. M Husain (Chair), Mr. N Khan, Mr. N Ahmad and Mr. S Z Ijaz, Mr. B Hasan (Resigned in September 2023) and Mr. S Dada (Resigned in May 2023)
  - Determine the policies and principles that govern the identification and evaluation of risks;
  - Ensure that systems, policies and procedures for the management and monitoring of risks are carried-out;
  - To ensure that the risk profile of the Company is in line with the risk appetite set by the Board;
  - To ensure that capital and liquidity resources are maintained to meet current and future business requirements under normal and stressed conditions;
  - Approval of credits and credit provisioning;
  - Approval of credit policy and all amendments;
  - Review and recommendation to the Board of all lending policies;
  - The delegation of credit approval and provisioning limits to the Credit Committee;
  - Oversight of financial crime including anti-money laundering; and
  - Oversight of compliance.

- HR Remuneration and Appointments Committee
  Mr. M Husain (Acting Chair), Mr. S Z Ijaz, Mr. N Ahmad, Mr. N Khan and Mr. B Hasan (Chair - Resigned in September 2023),
  - Ensure that the Company is in compliance with all relevant employment law;
  - Decide on total remuneration and benefits for senior staff and Executive Director; and
  - Oversee compliance with the Remuneration Code.

Each committee meets a minimum of three times a year, and is chaired by a Board member, who reports to the Board at the next meeting.

The Executive Committee controls the day-to-day activities of the Company, including business development and financial performance. The employees who served on the Executive Committee during the year are set out below along with their specific area of responsibility within the Company.

Mr. B Firth	Chief Executive Officer
Mr. R Mathews	Head of Finance
Mr. Z Haider	Chief Business Officer
Mr. T Varkey	Chief Risk and Compliance Officer

Directors' report

The Executive Committee has formed the following sub-committees to manage specific risks on a day-to-day basis:

- Assets and Liabilities Committee - responsible for identifying, managing and controlling the balance sheet risks in accordance with the Board approved business strategy and risk appetite;
- Management Risk Committee – responsible for the oversight of risk management;
- Financial Crime Committee – responsible for reviewing and approving the Company's high-risk clients including correspondent relationships and the monitoring of all transactions with respect to financial crime risk;
- Operational Risk and Conduct Committee – responsible for the monitoring and management of operational risk and conduct risk including the fair treatment of customers;
- Credit Committee – responsible for the oversight of credit risk, the implementation of credit policies and for the approval of routine credit facilities within its credit approval and provisioning limits as delegated by the Board Risk Committee;
- Business Committee – responsible for managing and monitoring the wholesale and retail banking business, including investment, syndicated loan, corporate/financial institutions and commercial lending portfolios.

Each committee has at least one Executive Committee member who is responsible for feedback including the escalation of issues to the Executive Committee.

Directors' indemnification

The Company has arranged qualifying third party indemnity insurance for all Directors.

Internal Audit

The Board Audit Committee monitors the activities and effectiveness of Internal Audit function and agrees the audit plan and budget. At each meeting, the Internal Auditor presents a summary audit status report and report on the progress of each individual audit performed in the quarter. The Committee has regard to the level of internal audit resources applied, the implications of any audit recommendations and tracking of outstanding actions. The Board is satisfied that there are sufficient resources for the Internal Audit function to effectively conduct its duties for the 2024 financial year.

Events after the reporting period

There has been no post balance sheet event to note at the time of writing this report.

Share capital and dividends

The directors, at their Board meeting held on 7 March 2024, declared an ordinary dividend amounting to £Nil (2022: £Nil) for the financial year ended 31 December 2023.

Diversity policy

The Company recognises and embraces the benefits of having a diverse workforce, and sees increasing diversity as an essential element in maintaining a competitive advantage. A truly diverse workforce will include and make good use of differences in the skills, regional and industry experience, background, race, gender and other distinctions between employees.

The Company is committed to the principle of equal opportunity in employment. Accordingly, the Board and management will ensure that recruitment, selection, training, development and promotion results in no job applicant receiving less favourable treatment because of a protected characteristic.

The Board operates a formal boardroom diversity policy, which aims to promote diversity in the composition of the Board. Under this policy, all Board appointments will be made based on individual competence, skills and expertise measured against identified objective criteria.

In reviewing Board composition, the Board Nomination Committee will consider the benefits of all aspects of diversity in order to enable it to discharge its duties and responsibilities effectively.

In identifying suitable candidates for appointment to the Board, the Board Nomination Committee will consider candidates on merit against objective criteria and with due regard for the benefits of diversity on the Board.

Auditor

The year ended 31 December 2023 is the 10th year with Mazars LLP as an auditor and under the Companies Act 2006 rules, a competitive tender for 2024 audit is required.

United National Bank Limited

Directors' report

Each Director at the date of approval of this report confirms that:

(1) so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and

(2) the Director has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

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

Approved by the Board of Directors
and signed by order of the Board

B Firth
Director
24 April 2024

Independent auditor's report to the members of United National Bank Limit

Opinion

We have audited the financial statements of United National Bank Limited (the 'Company') for the year ended 31 December 2023 which comprise the Statement of profit or loss, the Statement of other comprehensive income, the Balance sheet, the Statement of changes in equity, the Statement of cash flows and notes to the financial statements, including a summary of significant accounting policies0F.

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 Company's affairs as at 31 December 2023 and of its 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 Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

Our audit procedures to evaluate the directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included but were not limited to:

- Undertaking an initial assessment at the planning stage of the audit to identify events or conditions that may cast significant doubt on the Company's ability to continue as a going concern;
- Making enquiries of the directors to understand the period of assessment considered by them, the assumptions they considered and the implication of those when assessing the Company's future financial performance;
- Assessing the sufficiency of the Company's capital and liquidity taking into consideration the most recent Internal Capital Adequacy Assessment Process (ICAAP) and Internal Liquidity Assessment Process (ILAAP), and evaluating the results of management stress testing, including consideration of principal risks on liquidity and regulatory capital;
- Challenging the appropriateness of the directors' key assumptions in their cash flow forecasts by reviewing supporting and contradictory evidence in relation to these key assumptions and assessing the directors' consideration of severe but plausible scenarios;
- Assessing the historical accuracy and testing the arithmetical accuracy of the cash flow forecasts prepared by the directors;
- Considering the consistency of the directors' forecasts with other areas of the financial statements and our audit;
- Reading regulatory correspondence and minutes of meetings of the risk committee, the audit committee and the board of directors;
- Considering whether there were events subsequent to the balance sheet date which could have a bearing on the going concern conclusion; and
- Evaluating the appropriateness of the directors' disclosures in the financial statements on 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.

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

Key audit matters

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

We summarise below the key audit matter in forming our opinion above, together with an overview of the principal audit procedures performed to address the matter and our key observations arising from those procedures.

This matter, together with our findings, was communicated to those charged with governance through our Audit Completion Report.

Key Audit Matter	How our scope addressed this matter
Credit risk: Impairment losses on loans and advances to customers *Refer to significant accounting policies (Note 1); and Notes 2, 9, 11 and 26 of the financial statements.* As at 31 December 2023, the Company had a collective provision of £0.4 million (2022: £0.4 million). Credit risk is an inherently judgmental area due to the use of subjective assumptions and a high degree of estimation in arriving at the year end collective provision. The Company accounts for the impairment of loans and advances using an incurred loss model. Management calculates two types of impairment provisions: • *Specific provision* – The provision is recognised where there is an observable loss event. • *Collective provision* – The provision is recognised where there are credit events that have occurred but have not been identified at the year end. Estimating the collective provision requires judgement in deriving assumptions to be applied in the assessment. The collective provision model is most sensitive to movements in the probability of default ('PD'). The collective provision is derived from a model that uses external data. There is a risk that the external data applied by the Company is not an appropriate proxy for its loan portfolio. Therefore, there is a greater risk of misstatement in the collective provision on loans and advances to customers.	Our audit procedures included, but were not limited to: • Assessing the design and implementation, and testing the operating effectiveness, of the key controls operating at the Company in relation to loan underwriting, monitoring and provisioning. In respect of the model used to determine the collective provision, with the assistance of our in-house credit modelling experts: • Critically assessing the appropriateness of the methodology used by management; • Challenging the reasonableness of external data used in the collective provision model and checking relevance of the data based on our understanding of the Company's portfolio; • Reviewing the key assumptions used in applying the methodology adopted for PDs and assessing them for reasonableness; • Verifying inputs to source documentation; • Testing the mathematical accuracy of the model; • Performing a stand-back assessment of the collective provision estimate to assess its appropriateness and reasonableness by considering the credit quality of the portfolio and performing benchmarking against similar banks; • Performing a sensitivity analysis over the key assumptions on PDs; and • Assessing the appropriateness of impairment provision disclosures in the financial statements. **Our observations** Based on the audit procedures performed, we concluded that the assumptions used by management in assessing the collective provision are reasonable and the collective provision on loans and advances to customers as at 31 December 2023 is not materially misstated in accordance with the requirements of FRS 102.

Our application of materiality and an overview of the scope of our audit

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality.

These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and on the financial statements as a whole. Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall materiality	£445,000 (2022: £739,000)
How we determined it	5% of forecasted profit before tax (2022: 1% of net assets)
Rationale for benchmark applied	We have determined materiality based on 5% of forecasted profit before tax for the period ended 31 December 2023 since the Company is profit-making and have projected future profits. The final profit before tax for the year ended 31 December 2023 included a one-off remeasurement of financial liability during the year of £2.65m. In determining the final materiality, we have excluded the one-off remeasurement of financial liability which resulted in an adjusted profit before tax that was higher than the forecasted profit before tax, however, for convenience, we kept materiality at the original absolute value, i.e. £445,000. Refer to Note 6 of Financial statements for further details of adjusting item.
Performance materiality	Performance materiality is set to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements in the financial statements exceeds materiality for the financial statements as a whole. We set performance materiality at £311,000 (2022: £480,000), which represents 65% (2022: 65%) of overall materiality. In determining the performance materiality, we considered a number of factors, including the level and nature of uncorrected and corrected misstatements in the prior year and the effectiveness of the control environment, and concluded that an amount in the middle of our normal range was appropriate.
Reporting threshold	We agreed with the directors that we would report to them misstatements identified during our audit above £13,000 (2022: £22,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

As part of designing our audit, we assessed the risk of material misstatement in the financial statements, whether due to fraud or error, and then designed and performed audit procedures responsive to those risks. In particular, we looked at where the directors made subjective judgements, such as assumptions on significant accounting estimates.

We tailored the scope of our audit to ensure that we performed sufficient work to be able to give an opinion on the financial statements as a whole. We used the outputs of our risk assessment, our understanding of the Company, its environment, controls, and critical business processes, to consider qualitative factors to ensure that we obtained sufficient coverage across all financial statement line items.

Other information

The other information comprises the information included in the Annual Report and Financial Statements other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. 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 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 strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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 18, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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 Company and its industry, we considered that non-compliance with the following laws and regulations might have a material effect on the financial statements: regulatory and supervisory requirements of the Prudential Regulation Authority (the 'PRA') and of the Financial Conduct Authority (the 'FCA').

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:

- Gaining an understanding of the legal and regulatory framework applicable to the Company and the industry in which it operates, and considering the risk of acts by the Company which were contrary to the applicable laws and regulations, including fraud;
- Inquiring of the directors, management and, where appropriate, those charged with governance, as to whether the Company is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;
- Inspecting correspondence with relevant licensing or regulatory authorities including the PRA and the FCA;
- Reviewing minutes of meetings of the board of directors, of the audit committee and of the risk committee held during the year; and
- Discussing amongst the engagement team the laws and regulations listed above, and remaining alert to any indications of non-compliance.

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

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, management bias through judgements and assumptions in significant accounting estimates, in particular in relation to revenue recognition (which we pinpointed to the cut-off assertion).

Our 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;
- Addressing the risks of fraud through management override of controls by performing journal entry testing;
- Being skeptical to the potential of management bias through judgements and assumptions in significant accounting estimates.

The primary responsibility for the prevention and detection of irregularities, including fraud, rests with both those charged with governance and 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.

The risks of material misstatement that had the greatest effect on our audit are discussed in the "Key audit matters" section of this report.

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

Other matters, which we are required to address

Following the recommendation of the audit committee, we were appointed by Company's board of directors on 7 December 2014 to audit the financial statements for the year ended 31 December 2014 and subsequent financial periods. The period of total uninterrupted engagement is 10 years, covering the years ended 31 December 2014 to 31 December 2023.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Company and we remain independent of the Company in conducting our audit.

Our audit opinion is consistent with our additional report to the audit committee.

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.

PProborespati

Poppy Proborespati (Senior Statutory Auditor) for and on behalf of Mazars LLP

Chartered Accountants and Statutory Auditor

30 Old Bailey
London EC4M 7AU

24 April 2024

United National Bank Limited
Statement of profit or loss
For the year ended 31 December 2023

	Note	2023 £	2022 £
Interest receivable from debt securities		6,781,043	3,402,074
Interest receivable from group undertakings		471,110	85,430
Other interest receivable and similar income		36,417,814	26,604,318
		43,669,967	30,091,822
Interest payable to group undertakings		(291,812)	(108,360)
Interest payable		(22,302,031)	(11,235,244)
		(22,593,843)	(11,343,604)
Net interest income		21,076,124	18,748,218
Fees and commissions receivable		531,356	463,844
Profit from foreign exchange		623,278	720,867
Profit on realised debt securities	5	139,910	344,705
Other operating income		366,513	139,404
Profit on disposal of fixed assets		-	372,270
Fair value (losses)/gains on derivatives		(206,509)	3,635,562
Non-interest income		1,454,548	5,676,652
Total income		22,530,672	24,424,870
Administrative expenses	4	(12,549,595)	(12,752,766)
Remeasurement of financial liability	6	(2,650,000)	-
Depreciation and amortisation	14,16	(597,021)	(755,530)
Impairment recoveries/(losses)	11	177,172	(5,620,263)
Profit on ordinary activities before taxation		6,911,228	5,296,311
Income tax credit/(expense)	8	1,689,239	(754,543)
Profit for the year		8,600,467	4,541,768

The notes on page 33 to 78 form part of these financial statements

United National Bank Limited
Statement of other comprehensive income
For the year ended 31 December 2023

	Note	2023 £	2022 £
Profit for the year		8,600,467	4,541,768
Other comprehensive income/(loss)			
Gain on the revaluation of freehold property	16	440,867	98,316
Deferred tax relating to revaluation of freehold property	8	(85,353)	90,190
Actuarial (loss)/gain on defined benefit pension scheme	27	(454,350)	889,850
Fair value gain/(loss) on available for sale (AFS) debt securities	26	7,410,504	(10,073,633)
Deferred tax relating to fair value movement of AFS debt securities	26	1,631,429	-
Other comprehensive income/(loss) for the year, net of tax		8,943,097	(8,995,277)
Total comprehensive income/(loss) for the year		17,543,564	(4,453,509)

The notes on page 33 to 78 form part of these financial statements

United National Bank Limited
Balance sheet
As at 31 December 2023

	Note	2023 £	2022 (as restated) £
Assets			
Cash and balances at banks		9,725,415	6,703,512
Loans and advances to customers	9	718,597,663	636,057,857
Loans and advances to banks	10	13,576,284	2,000,329
Derivatives financial assets	12	632,792	3,137,104
Debt securities	26	138,342,935	122,536,714
Prepayments and accrued income	26	1,140,078	772,017
Other assets	17&27	6,382,510	1,906,588
Investment properties	15	9,604,343	9,446,895
Tangible fixed assets	16	21,774,348	21,122,931
Intangibles	14	157,144	254,630
Total assets		919,933,512	803,938,577
Liabilities			
Customer accounts	20	777,311,509	700,089,790
Deposits by banks and credit unions	18	19,917,773	21,387,884
Repurchase agreements	19	19,284,670	-
Derivatives financial liabilities	13	151,115	213,652
Other liabilities	21	3,534,309	2,752,806
Provision for liabilities	22	7,577,361	4,881,234
Total liabilities		827,776,737	729,325,366
Net assets		92,156,775	74,613,211
Equity			
Called up share capital	23	45,000,000	45,000,000
Property revaluation reserve	26	13,672,082	13,326,168
Investment revaluation reserve	26	(4,894,285)	(13,936,218)
Profit and loss account	26	38,378,978	30,223,261
Total equity		92,156,775	74,613,211
Memorandum items			
Contingent liabilities	24	1,026,848	921,282
Commitments	25	23,385,937	6,395,127

These financial statements were approved and authorised for issue by the Board of Directors on 24 April 2024
Signed on behalf of the Board of Directors

Brian Firth
Director
24 April 2024

Company Registration No 4146820

The notes on page 33 to 78 form part of these financial statements

United National Bank Limited
Statement of changes in equity
For the year ended 31 December 2023

	Notes	Called up share capital £	Profit and Loss Account £	Investment revaluation reserve £	Property Revaluation reserve £	Total £
Balance at 1 January 2022		45,000,000	25,297,603	(3,862,585)	13,646,702	80,081,720
Profit for the year		-	4,541,768	-	-	4,541,768
Actuarial gain recognised relating to the pension scheme	27	-	889,850	-	-	889,850
Fair value loss on AFS debt securities	26	-	-	(10,073,633)	-	(10,073,633)
Gain on revaluation of freehold property		-	-	-	98,316	98,316
Deferred tax related to revaluation of freehold property	8	-	-	-	90,190	90,190
Release of revaluation reserve on disposal of property	16	-	499,440	-	(499,440)	-
Dividend paid and declared		-	(1,015,000)	-	-	(1,015,000)
Total		45,000,000	30,213,661	(13,936,218)	13,335,768	74,613,211
Transfer of depreciation on revaluation surplus		-	9,600	-	(9,600)	-
Balance as at 31 December 2022		45,000,000	30,223,261	(13,936,218)	13,326,168	74,613,211
Balance as 1 January 2023		45,000,000	30,223,261	(13,936,218)	13,326,168	74,613,211
Profit for the year		-	8,600,467	-	-	8,600,467
Actuarial loss recognised relating to the pension scheme	27	-	(454,350)	-	-	(454,350)
Fair value gain on available for sale debt securities	26	-	-	7,410,504	-	7,410,504
Deferred tax related to available for sale debt securities	8&26	-	-	1,631,429	-	1,631,429
Gain on revaluation on freehold property	16	-	-	-	440,867	440,867
Deferred tax relating to revaluation of freehold property	8	-	-	-	(85,353)	(85,353)
Total		45,000,000	38,369,378	(4,894,285)	13,681,682	92,156,775
Transfer of depreciation on revaluation surplus		-	9,600	-	(9,600)	-
Balance as at 31 December 2023		45,000,000	38,378,978	(4,894,285)	13,672,082	92,156,775

The notes on page 33 to 78 form part of these financial statements

United National Bank Limited
Statement of cash flows
For the year ended 31 December 2023

	Note	2023	2022 (as restated)
		£	£
Cash flows from operating activities			
Profit on ordinary activities before taxation		6,911,228	5,296,311
Adjustments for:			
Depreciation and amortisation	14&16	597,021	755,530
Remeasurement of financial liability	6	2,650,000	-
Net (reversal) / charge in respect of defined benefit pension scheme	27	(54,000)	3,000
Impairment recoveries on loans and advances and other items	11	(133,448)	(190,335)
Impairment (recoveries)/charge of available for sale investments	11	(43,724)	5,081,559
Non-cash movements relating to AFS debt securities		(38,664)	472,140
Fair value gain on investment properties	15	(157,448)	-
Disposal of fixed assets -non cash		-	(950,000)
Effects of exchange rate changes on cash and cash equivalents		(1,040,191)	1,310,294
		1,779,546	6,482,188
Change in operating assets and liabilities:			
Change in loans to bank		(11,575,956)	253,159
Change in loans and advances		(82,406,357)	(129,900,329)
Change in other operating assets		(2,726,540)	(1,703,767)
Change in deposits from banks and customers		75,751,608	145,891,909
Change in other operating liabilities		4,913,759	(5,203,335)
Corporate income tax paid		(907,009)	(563,132)
Net cash (used in)/from operating activities		(8,259,721)	20,553,004
Cash flows from investing activities			
Purchase of tangible fixed and intangible assets	14&16	(710,084)	(216,696)
Proceeds from disposal of fixed assets		-	950,000
Purchase of debt securities	26	(595,299,208)	(572,112,956)
Proceeds from sale and maturity of debt securities	26	586,985,878	526,168,675
Net cash used in investing activities		(9,023,414)	(45,210,977)
Cash flows from financing activities			
Repayment of obligations under finance lease		(19,823)	(8,263)
Proceeds from repurchase agreements	19	19,284,670	-
Dividends paid	28	-	(1,015,000)
Net cash from/(used in) financing activities		19,264,847	(1,023,263)
Net increase/(decrease) in cash and cash equivalents		1,981,712	(25,681,236)
Cash and cash equivalents at the beginning of the financial year		6,703,512	33,695,042
Effects of exchange rate changes on cash and cash equivalents		1,040,191	(1,310,294)
Cash and cash equivalents at the end of the financial year		9,725,415	6,703,512

During the year, interest income received was £41,201,105 (2022: £32,676,681) and interest paid was £18,852,299 (2022: £8,651,877). No dividend was paid during the year (2022: £1,015,000)

The notes on page 33 to 78 form part of these financial statements

1. Significant accounting policies

Reporting entity
United National Bank Limited ('the Company') is a company incorporated in the UK. The address of the registered office is given on page 3. The Company was formed in 2001 from the merger of the UK branches of two Pakistani banks, United Bank Limited and National Bank of Pakistan, who had been operating in the UK since the mid-1960s.

Statement of compliance
The financial statements have been prepared in accordance with applicable United Kingdom Accounting Standards, including Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' ('FRS 102') and the Companies Act 2006. The financial statements are expressed in Pound Sterling ('£') which is the functional currency of the Company being the currency of the primary economic environment in which it operates

Basis of preparation
The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss (FVTPL), financial assets at fair value through other comprehensive income, investment properties, certain classes of tangible fixed assets and derivative financial instruments.

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed under the critical accounting estimates and judgements note.

In previous accounting periods, the company presented loan fees charged to customer as deferred income. As required by Section 11 of FRS 10, such transactions costs should be factored into (i.e. adjusted against) the initial measurement of the loan receivable recognised. Therefore, the balance sheet comparatives for 2022 have been restated accordingly resulting in a reduction in loans and advances to customers and deferred income of £2.26m. In addition, the remaining in deferred income comparatives for 2022 of £42k is reclassified to other liabilities resulting in a reduction in deferred income and an increase in other liabilities. There was no impact arising from the restatements to the result for the period or net assets.

Going concern basis
The financial statements are prepared on a going concern basis and the Directors have a reasonable expectation that the Company has the resources to continue in business for at least 12 months from the approval or signing of the financial statements and the foreseeable future. In making this assessment, the Directors have considered a wide range of information including all principal risks noted in this strategic report relating to present and future conditions, including the current state of the balance sheet, future projections of profitability, cash flows and capital resources and the longer-term strategy of the business. The Company's capital and liquidity plans have been stress tested and have been reviewed by the Directors.

The impact of headwinds emanating from challenges facing the UK economy and Pakistan economy have been assessed and incorporated within the 2024-2026 financial and business plans. The Directors assessed the expected effect of management actions taken in response, against the most severe but plausible scenario used in the Board's assessment of the Internal Capital Adequacy Assessment Process (ICAAP) approved in 2024. This scenario was guided by the 2022-2023 Annual Cyclical Scenario ('ACS' or 'Anchor Scenario') specified by the Bank of England for use in preparing ICAAP stress tests. Having regard for the severe financial outcomes from these scenarios and the reverse stress tests also conducted as well as the Internal Liquidity Adequacy Assessment Process (ILAAP), the Board concluded that both capital and liquidity forecasts remained within present regulatory requirements throughout the going concern period. More details on ICAAP and ILAAP are set out on page 13 and 14 of this document.

After making enquiries, the Directors believe that the Company has sufficient resources to continue in operation for the foreseeable future and for 12 months from the date of approval or signing the financial statements and the Company has sufficient capital to enable it to continue to meet its regulatory capital requirements as set out by the PRA. The Board concluded that there is no material uncertainty on going concern therefore it remains appropriate to adopt the going concern basis in preparing the Company's financial statements.

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1. Significant accounting policies (continued)

Revenue recognition

Profit on financial assets that are classified as loans and receivables and interest expense on financial liabilities is determined using the effective interest rate (‘EIR’) method. The EIR method is a way of calculating the amortised cost of a financial asset or financial liability (or group of financial assets or liabilities) and of allocating the interest income or expense over the expected life of the asset or liability. The EIR is the rate that exactly discounts estimated future cash flows to the instrument’s initial carrying amount.

Fees, commission, income, premiums and discounts are recognised in the EIR where they are an integral part of the instrument yield. Judgement is required to determine whether fees are recognised as EIR or recognised when a service is performed. Although, the systems do not automatically calculate the EIR, it is monitored manually and the resulting adjustment is made to the financial statements. The key assumptions in the EIR calculations is the expected life over which to measure the cash flows.

Interest income from debt securities relates to the interest income generated by the Company's AFS portfolio.

Fees receivable that represent a return for services provided are generally charged on a transaction basis and recognised when the related service is performed.

Profit from foreign exchange relates to foreign exchange income derived from customer facilitation and the unrealised gains and losses on revaluation of foreign currency assets and liabilities as well as foreign currency trading. See further details in Note 12 and 13.

Profit on realised debt securities relates to the gains arising from the sale of listed debt securities.

Other operating income relates to operating lease income generated by the Company’s investment properties as well as government grants.

All income derives from banking business carried out in the United Kingdom.

Foreign currency

Transactions in foreign currencies are recorded using the rate of exchange, ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into sterling using the rate of exchange as at the balance sheet date and resulting gains or losses on translation are included in the profit and loss account.

Pensions

The Company operates a defined benefit scheme for certain staff. This scheme is closed for new members and the future accrual of benefits ceased from 1 January 2010. A defined benefit plan defines the pension benefit that the employee will receive on retirement usually dependent upon several factors including age, length of service and remuneration. In respect of the defined benefit plan, the Company recognises its obligations to the members of the plan at the period end, less the fair value of the plan assets.

The defined benefit obligation is calculated using the projected unit credit method. Annually the Company engages independent actuaries to calculate the obligation. The present value is determined by discounting the estimated future payments using market yields on high quality corporate bonds that are denominated in sterling and that have terms approximating the estimated period of the future payments (‘discount rate’).

The fair value of plan assets is measured in accordance with the FRS 102 fair value hierarchy and in accordance with the Company’s policy for similarly held assets. This includes the use of appropriate valuation techniques.

Actuarial gains or losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income. These amounts together with the return on plan assets, less amounts included in net interest, are disclosed as ‘re-measurement of net defined benefit asset/liability’. Under FRS102, a surplus can only be recognised as an asset to the extent that the Company is able to realise economic benefits, either in the form of future refunds or from reductions in future contributions. In accordance with the rules of the UNB Pension Scheme, the Company has an unconditional right to a refund of surplus assets assuming the full settlement of liabilities in the event of a plan wind-up. Based on these rights, the net surplus at the balance sheet date is recognised in full, and subject to a deduction of the 35% tax charge currently applicable to authorised surplus payments.

The net interest cost on the net defined benefit pension liability is calculated by applying the liability discount rate. The cost is recognised in profit or loss as ‘Finance expense’.

For defined contribution schemes, the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

1. Significant accounting policies (continued)

Intangible assets
Intangible assets are measured at cost less accumulated amortisation and any accumulated impairment losses.

Software development costs are recognised as an intangible asset when all of the criteria below are demonstrated:
(a) The technical feasibility of completing the software so that it will be available for use;
(b) The intention to complete the software and use it;
(c) How the software will generate probable future economic benefits;
(d) The availability of adequate technical, financial and other resources to complete the development and to use the software; and
(e) The ability to measure reliably the expenditure attributable to the software during its development.

Amortisation is charged so as to allocate the cost of intangibles less residual values over the estimated useful lives, using the straight-line method. The intangible assets are amortised over a 2 to 10 year period.

If there is an indication that there has been a significant change in amortisation rate or residual value of an asset, the amortisation of that asset is revised prospectively to reflect the new expectations.

Taxation
(i) Current tax
Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(ii) Deferred tax
Deferred tax arises from timing differences that occur between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from 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 in line with the requirements of FRS 102. 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 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 to the reversal of the timing difference.

Cash and cash equivalents
Cash and cash equivalents includes cash in hand and deposits held at call with banks.

Provisions and contingencies
(i) Provisions
Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle an obligation; and the amount of the obligation can be estimated reliably.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current assessments of the time value of money and the risks associated with an obligation. The increase in the provision due to passage of time is recognised as a finance cost.

(ii) Contingencies
Contingent liabilities, arising as a result of past events, are only recognised when (i) it is probable that there will be an outflow of resources and the amount can be reliably measured at the reporting date (ii) the existence of a liability does not rely on the occurrence or non-occurrence of uncertain future events which are not wholly within the Company's control. Contingent liabilities are disclosed in the financial statements unless the probability of an outflow of resources is remote.

Contingent assets are not recognised as assets. However, when the flow of future economic benefits to the entity is virtually certain, then the related asset is recognised appropriately as an asset

1. Significant accounting policies (continued)

Financial assets
Under the options available to it under FRS 102, the Company chose to apply the measurement and recognition provisions of IAS 39 Financial instruments: Recognition and Measurement.

Financial assets are classified as loans and receivables, held to maturity, fair value through profit or loss, or available-for-sale.

Loans and receivables - non-derivative financial assets with fixed or determinable repayments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost. The Company includes its loans and advances to customers and to banks within this category.

Fair value through profit or loss - any financial asset that is designated on initial recognition as one to be measured at fair value with fair value changes accounted for in profit or loss. The Company has foreign exchange forwards that are included within this category.

Available-for-sale - those non-derivative financial assets that are not classified as loans and receivables are not designated as at fair value through profit or loss on initial recognition. Available-for-sale financial assets are initially recognised at cost including transaction costs and thereafter measured at fair value with fair value gains or losses recognised directly in equity through the statement of other comprehensive income.

Exchange differences on available for sale financial assets are recognised in the profit and loss account. The Company has listed investments that are included within this category.

Regular way purchases of financial assets classified as loans and receivables are recognised on settlement date; all other regular way purchases are recognised on trade date.

1. Significant accounting policies (continued)

Impairment of financial assets

Assets accounted for at amortised cost
The Company assesses at each balance sheet date whether there is any objective evidence that a financial asset or group of financial assets classified as loans and receivables and held-to-maturity.

Where such an event has had an impact on the estimated future cash flows of the financial asset or group of financial assets, an impairment allowance is recognised. The amount of impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. If the asset has a variable rate of interest, the discount rate used for measuring the impairment allowance is the current effective interest rate.

Subsequent to the recognition of an impairment loss on a financial asset or a group of financial assets, interest income continues to be recognised on an EIR basis, on the asset's carrying value net of impairment provisions. Furthermore, in order to account for amortised costs interest income has to be recognised on an asset's carrying value net of impairment provisions for assets or group of assets that have been classified as impaired. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, such as an improvement in the borrower's credit rating, the allowance is adjusted and the amount of the reversal is recognised in the income statement.

Impairment allowances are assessed individually for financial assets that are individually significant. The Company treats all its financial assets as individually significant as its portfolio does not contain homogeneous loans such as personal and credit card balances. The Company's financial assets are reviewed on a regular basis and those showing potential or actual vulnerability are placed on a Watch-list where greater monitoring is undertaken. Specific examples of trigger events that would lead to the initial recognition of impairment allowances against an exposure (or the recognition of additional impairment allowances) include (i) trading losses, loss of business or major customer of a borrower; (ii) material breaches of the terms and conditions of a loan facility, including non-payment of interest or principal, or a fall in the value of security such that it is no longer considered adequate; (iii) disappearance of an active market because of financial difficulties; or (iv) restructuring a facility with preferential terms to aid recovery of the lending (such as a debt for equity swap). A review is undertaken of the expected future cash flows, which requires significant management judgement as to the amount and timing of such cash flows. Where the debt is secured, the assessment reflects the expected cash flows from the realisation of the security, net of costs to realise, whether or not foreclosure or realisation of the collateral is probable.

For impaired debt instruments which are held at amortised cost, impairment losses are recognised in subsequent periods when it is determined that there has been a further negative impact on expected future cash flows. A reduction in fair value caused by general widening of credit spreads would not, of itself, result in additional impairment.

Collective assessment

Incurred but not yet identified impairment
The collective provision also includes provision for inherent losses, that is losses that have been incurred but have not been separately identified at the balance sheet date. The loans that are not currently recognised as impaired are assessed individually as follows:

Property based lending portfolio
All the property based loans are analysed using the Moody's Mortgage Portfolio Analyser ('MPA') which provides the Probability of Defaults ('PDs') and Loss Given Defaults ('LGDs'). The analysis which is through a simulation based econometric model takes into consideration the purpose, occupancy type, employment status, delinquency status, indexed loan-to-value, region, original channel, interest rate type, interest rate, borrower credit status, forbearance history, repayment profile and age of the loan. The MPA separately assesses the credit implications of interest only exposures and assigns them the appropriate PDs and LGDs.The PDs and LGDs are point in time and are based on the economic conditions existing at the balance sheet date. In compliance with IAS39, only historical information has been used in the model to calculate the PDs and LGDs. The Company from time to time assesses the MPA generated PDs against historical experiences (actual portfolio PDs) and perform adjustments to align the PDs if necessary.

Other loan portfolio
The other loan portfolio is assessed individually and the respective parameters used to generate the provisions include:

- If the loan is externally rated, the external credit rating is used to determine the PDs using the Moody's rating scale. For non- rated loans, the converted scale is used to determine the proxy external credit rating, which is subsequently used to derive the respective PDs.
- The LGDs are based on observed default rates for specific exposures such as corporate, individual, institution and sovereign. The observed default rates are sourced from reputable databases such as Moody, Fitch and S&P.
- The product of the PDs, LGDs and Exposure at Default ('EAD') will be subsequently used to derive the provision under this loan portfolio category.

1. Significant accounting policies (continued)

Other matters that are considered in the derivation of the collective impairment provision include:

- The emergence period, which is estimated to be in the period between impairment occurring and the loss being identified. The factors used to determine this include the period between the last credit review date, last interest or principal payment date, last missed payment date and the balance sheet date. The Company also considers the full repayment date for the exposure in the determination of the loss emergence period, particularly for those exposures whose maturity are close to the balance sheet date.

- The Company's historical experience in portfolios of similar risk characteristics.
- The fact that an exposure had been restructured is taken into account through higher risk rating and hence higher PDs.
- Exposures that are in the Watchlist category are also assessed separately and attract higher ratings.

Loan renegotiations and forbearance
In certain circumstances, the Company will renegotiate the original terms of a customer's loan, either as part of an ongoing customer relationship or in response to adverse changes in the circumstances of the borrower. Where the renegotiated payments of interest and principal will not recover the original carrying value of the asset, the asset continues to be reported as past due and is considered impaired. Where the renegotiated payments of interest and principal will recover the original carrying value of the asset, the loan is no longer reported as past due or impaired provided that an adequate record has been established of the sustainability of the payments to be made are in accordance with the revised terms. Renegotiation may lead to the loan and associated provision being derecognised and a new loan being recognised initially at fair value.

Write offs
A loan or advance is normally written off, either partially or in full, against the related allowance when the proceeds from realising any available security have been received and there is no realistic prospect of further recovery and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of impairment losses recorded in the income statement. For both secured and unsecured balances, the write-off takes place only once an extensive set of collections processes has been completed, or the status of the account reaches a point where policy dictates that forbearance is no longer appropriate.

Available-for-sale financial assets
The Company assesses, at each balance sheet date, whether there is objective evidence that an available-for-sale financial asset is impaired. When the impairment is established, the impairment loss is recycled from investment reserve onto the profit or loss account. In addition to the impairment criteria for financial assets accounted for at amortised cost set out above, this assessment involves reviewing the current financial circumstances (including creditworthiness) and future prospects of the issuer, assessing the future cash flows expected to be realised. If an impairment loss has been incurred, the cumulative loss measured as the difference between the acquisition cost (net of any principal repayment and amortisation) and the current fair value, less any impairment loss on that asset previously recognised, is reclassified from equity to the other comprehensive income to profit or loss. For impaired debt instruments, impairment losses are recognised in subsequent periods when it is determined that there has been a further negative impact on expected future cash flows; a reduction in fair value caused by general widening of credit spreads would not, of itself, result in additional impairment. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised, an amount not greater than the original impairment loss is credited to the profit and loss account; any excess is taken to other comprehensive income.

1. Significant accounting policies (continued)

Financial liabilities
A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another entity.

Financial liabilities are initially measured at their fair value and subsequently at amortised cost. This however excludes derivative financial liabilities which are measured at fair value.

The Company classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments. Preference shares are a contractual obligation, which are treated as a debt instrument and classified as a liability. The dividends on these preference shares are recognised in the profit and loss account as an interest expense.

Derecognition of financial assets and liabilities
Derecognition of financial assets
The derecognition criteria is applied to the transfer of part of an asset, rather than the asset as a whole, only if such part comprises specifically identified cash flows from the financial asset, a fully proportionate share of the cash flows from the asset, or a fully proportionate share of specifically identified cash flows from the asset.

A financial asset is derecognised when the contractual rights to the cash flows from the asset have expired or the Company transfers the contractual rights to receive the cash flows from the financial asset; or has assumed an obligation to pay those cash flows to an independent third-party; or the Company has transferred substantially all the risks and rewards of ownership of that asset to an independent third-party. Management determines whether substantially all the risks and rewards of ownership have been transferred by quantitively comparing the variability in cash flows before and after the transfer. If the variability in cash flows remains significantly similar subsequent to the transfer, the Company has retained substantially all of the risks and rewards of ownership.

Where substantially all the risks and rewards of ownership of the financial asset are neither retained nor transferred, the Company derecognises the transferred asset only if it has lost control over that asset. Control over the asset is represented by the practical ability to sell the transferred asset. If the Company retains control over the asset, it will continue to recognise the asset to the extent of its continuing involvement.

On derecognition of a financial asset, the difference between the carrying amount and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in other comprehensive income is recognised in the profit or loss statement.

Derecognition of financial liabilities
Financial liability is derecognised when the obligation under the liability is discharged, cancelled, or expires. If an existing financial liability is replaced by another counterparty on substantially different terms, or the terms of the existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability at fair value. The difference in the respective carrying amount of the existing liability and the new liability is recognised as a gain/loss in the profit or loss statement.

Repurchase agreements and resale agreements
Repurchase and resale agreements, which are treated as collateralised financing transactions (securities which have been sold with an agreement to repurchase), continue to be shown on the balance sheet and the sale proceeds are recorded as collateralised financing transactions with creditors (‘Repos’). Assets and liabilities recognised under collateralised financing transactions are classified as ‘held for trading’ and are recorded at fair value with changes in fair value recorded in the profit and loss account.

Derivative financial instruments
The Company uses derivative financial instruments to economically hedge exposure to foreign exchange risk. The Company does not hold or issue derivative financial instruments for speculative purposes.

Derivative financial instruments are measured at fair value with gains and losses arising from changes in their fair value being recognised in the profit and loss account. Derivative fair values are determined from quoted prices in an active market where available. Where there is no active market for an instrument, fair value is derived from prices for the derivative’s components using appropriate pricing or valuation models.

A derivative embedded in a contract is accounted for as stand-alone derivative if its economic characteristics are not closely related to the economic characteristics of the host contract; unless the entire contract is carried at fair value through profit and loss. There were no contracts with embedded derivatives as at the year end.

Geographical Analysis
The Company’s primary focus is retail and wholesale / corporate banking in the United Kingdom.

1. Significant accounting policies (continued)

Investment properties

Investment properties principally comprise of freehold land and buildings held for long-term rental and capital appreciation that are not occupied by the company. Investment properties are initially recognised at cost, including transaction costs, and are subsequently remeasured annually at fair value. Movements in fair value are recognised directly to profit or loss. Deferred tax is recognised on any fair value movement at the rate expected to apply when the property is sold, however this rate would also need to be one substantively enacted at the balance sheet date.

Investment properties are derecognised when disposed of or when there is no future economic benefit expected.

Transfers to and from investment properties to tangible assets are determined by a change in use of owner-occupation. The fair value on the date of change of use from investment properties to tangible assets are used as deemed cost for the subsequent accounting. The existing carrying amount of tangible assets is used for the subsequent accounting cost of investment properties on the date of change of use.

Tangible fixed assets and depreciation

Tangible fixed assets for which fair value can be measured reliably are stated at a revalued amount, being its fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Tangible fixed assets that fall under this category are freehold building and land. All other tangible fixed assets are stated at historical cost less depreciation and impairment losses.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of tangible fixed asset over their expected useful lives as follows:

Computer equipment	20-33% per annum
Office equipment	15-25% per annum
Leasehold property	10% per annum
Freehold and leasehold improvements	10%
Freehold buildings	2%
Freehold land	no depreciation charged

The value of each freehold property is assessed annually by an independent member of the Royal Institution of Chartered Surveyors. The surplus or deficit on book value is transferred to the revaluation reserve, except that a deficit which is in excess of any previously recognised surplus over depreciated cost relating to the same property, or the reversal of such a deficit, is charged/credited to the profit and loss account. A deficit which represents a clear consumption of economic benefits is charged to the profit and loss account regardless of any such previous surplus.

Where depreciation charges are increased following a revaluation, an amount equal to the increase is transferred annually from the revaluation reserve to the profit and loss account as a movement on reserves. On the disposal or recognition of a provision for impairment of a revalued fixed asset, any related balance remaining in the revaluation reserve is also transferred to the profit and loss account as a movement on reserves.

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Leasehold improvements under lease are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of tangible fixed assets is derecognised upon disposal or when there is no future economic benefit to the company. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

Leases

At inception the Company assesses agreements that transfer the right to use assets. The assessment considers whether the arrangement is, or contains, a lease based on the substance of the arrangement.

(a) Finance leased assets
Leases of assets that transfer substantially all the risks and rewards incidental to ownership are classified as finance leases.

Finance leases are capitalised at commencement of the lease as assets at the fair value of the leased asset or, if lower, the present value of the minimum lease payments calculated using the interest rate implicit in the lease. Where the implicit rate cannot be determined the Company's incremental borrowing rate is used. Incremental direct costs incurred in negotiating and arranging the lease, are included in the cost of the asset. Assets are depreciated over the shorter of the lease term and the estimated useful life of the asset. Assets are assessed for impairment at each reporting date.

1. Significant accounting policies (continued)

The capital element of lease obligations is recorded in the balance sheet as a liability on inception of the arrangement. Lease payments are apportioned between capital repayments and finance charges to produce a constant rate of charge on the balance of the capital repayments outstanding.

Finance charges are deducted in measuring profit or loss. Assets held under finance leases are included in the tangible fixed assets and depreciated and assessed for impairment in the same way as other tangible assets.

(b) Operating leased assets
Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. The Company is both a lessee and a lessor of operating leases. Payments/receipts under operating leases are charged/credited to the profit and loss account on a straight-line basis over the lease term.

(c) Lease incentives
Incentives received to enter into a finance lease reduce the fair value of the asset and are included in the calculation of present value of minimum lease payments.

Incentives received to enter into an operating lease are credited to the profit and loss account, to reduce lease expense, on a straight-line basis over the lease term. Incentives offered by the Company are charged to the profit and loss account, to reduce income, on a straight-line basis over the lease term.

Impairment of non-financial assets
At each balance sheet date non-financial assets not carried at fair value are assessed to determine whether there is an indication that the asset may be impaired. If there is such an indication, the recoverable amount of the asset is compared to the carrying amount of the asset.

The recoverable amount of the asset is the higher of the fair value less costs to sell and value in use. Value in use is defined as the present value of future cash flows expected to be derived from an asset or a cash generating unit. The cash flows are discounted using a discount rate that represents the current market risk-free rate and the risks inherent in the asset. If the recoverable amount of the asset is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in the profit and loss account, unless the asset has been revalued when the amount is recognised in other comprehensive income to the extent of any previously recognised revaluation. Thereafter any excess is recognised in the profit or loss.

If an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that could have been determined (net of depreciation) had no impairment loss been recognised in prior periods. A reversal of impairment loss is recognised in the profit and loss account.

Government grants
Grants are accounted for under the accruals model as permitted by FRS 102. Grants relating to expenditure on tangible fixed assets are credited to the profit and loss account at the same rate as the depreciation on the assets to which the grant relates. The deferred element of grants is included in creditors as deferred income.

Grants of a revenue nature are recognised in “other operating income” within profit or loss in the same period as the related expenditure. This includes the Government Coronavirus Job Retention Scheme (‘Furlough’). The Company has not directly benefited from any other forms of government assistance.

Distributions to equity holders
Dividends and other distributions to the Company’s shareholders are recognised as a liability in the financial statements in the period in which the dividends and other distributions are approved by the Board and are no longer at the discretion of the Company. These amounts are recognised in the statement of changes in equity.

Reserves
Called up share capital - represents the nominal value of shares that have been issued

Profit or loss account - includes profit for the period and prior periods, actuarial gains or losses recognised relating to the defined benefit scheme plus any transfers from revaluation relating to depreciation realised on revaluations less dividend paid.

Investment revaluation reserve - represents the cumulative after tax unrealised change in fair value of financial assets classified as available for sale (AFS) since their initial recognition. Any impairment losses that arise on the AFS instruments are recycled from Investment revaluation reserve to Profit and Loss.

Revaluation reserve - represents accumulated surplus on annual revaluation of the Company's freehold properties.

2. Critical accounting judgements, estimates and assumptions

The preparation of the Company financial statements in accordance with FRS 102 requires management to make judgements, estimates and assumptions in applying accounting policies that affect the reported amounts of assets, liabilities, income and expenses. Due to the inherent uncertainty in making estimates, actual results reported in future periods may be based upon amounts which differ from those estimates. Estimates, judgements and assumptions are continually evaluated and based on historical experience and factors, including expectations of future events that are believed to be reasonable under the circumstances.

The significant judgements made by management in applying the Company’s accounting policies and the key sources of estimation uncertainty in these financial statements, which together are deemed critical to the Company’s results and financial position, are as follows:

Allowance for impairment losses on loan and advances (Note 9&11)
At 31 December 2023 gross loans and advances to customers totalled £718,597,663 (2022 (as restated): £636,057,857) against which impairment allowances of £444,874 (2022:£1,302,101) had been made whereas the loans and advances to banks totalled £13,576,284 (2022: £2,000,329).The allowance for impairment losses on loans and advances is management’s best estimate of losses incurred in the portfolio at the balance sheet date. Impairment allowances are made up of two components, those determined individually and those determined collectively which makes up the collective unimpaired provision. Individual impairment assessment is established across the Company's lending and wholesale portfolio. The determination of individual impairment allowance requires the exercise of considerable judgement by management involving matters such as local economic conditions and the resulting trading performance of the customer, and the value of the security, for which there may not be a readily accessible market. In particular, significant judgement is required by management in assessing the borrower's cash flows and debt servicing capability and realisable value of collateral. The actual amount of cash flows and their timing may differ significantly from the assumptions made for the purposes of determining impairment allowances and consequently these allowances can be subject to variation as time progresses and the circumstances of the customer become clear.

Collective provision is made for loan losses that have been incurred but have not been separately identified at the balance sheet date. This provision is sensitive to changes in the time between the loss event and the date the impairment is separately identified. This period is the emergence period.

Given the size of the Company's property lending portfolio, a key variable which determines the collateral value supporting loans is house prices. The value of this collateral is estimated by applying changes in house price indices to the original assessed value of the property. This provides another source of uncertainty in the derivation of impairment allowance. Estimating the collective provision requires significant judgement, including in deriving assumptions to be applied in the assessment.

Allowance for impairment losses on available for sale assets (Note 11 & 26).
The impairment assessment of available for sale assets and the calculation of the requisite impairment allowances requires a degree of estimation. In conducting this assessment including the calculation of impairment allowances, all relevant considerations that have a bearing on the expected cash flows are taken into account (for example market and book values of the exposures, the business prospects and the Company's position relative to other claimants).

Revenue recognition
Fees, commission, income, premiums and discounts are recognised in the EIR where they are an integral part of the instrument yield. Judgement is required to determine whether fees are recognised as EIR or recognised when a service is performed. Although, the systems do not automatically calculate the EIR, it is monitored manually and adjusted when considered necessary based on materiality. The key assumptions in the EIR calculations are the projected loan amortisation schedules and if these turn out to be different from those projected, the resulting EIR results may differ from expectations.

Fair value of financial instruments (Note 26)
Where the fair value of financial instruments is not observable from a quoted price, the valuation is done using a discounted cash flow model using other observable inputs and information from the market. For available for sale financial instruments where significant estimation techniques have been used, the underlying assumptions used in calculating the appropriate carrying amount includes: credit risk of the counterparty, the coupon rate and maturity date for the new instrument to be issued, the time to completion of any restructure, the sovereign risk of the issuing country, the liquidity risk premium, the business model, and finally an adjustment to reflect execution risk.

Defined benefit pension scheme (Note 27)
The Company operates a defined benefit scheme. The value of the Company's defined benefit pension scheme's liabilities and assets requires management to make a number of assumptions. The key area of estimating uncertainty is the discount rate applied to future cash flows and the expected lifetime of the scheme's members. The discount rate is required to be set with reference to market yields at the end of the reporting period on high quality corporate bonds in the currency, with a term consistent with the defined benefit scheme's obligations. The average duration of the scheme is 13.5 years. The market for bonds with a similar duration is illiquid and, as a result, significant management judgement is required to determine an appropriate yield curve to base the discount rate. The cost of the benefits payable by the scheme will also depend upon the life expectancy of the members. The Company considers latest market practice and actual experience in determining the appropriate assumptions for both current mortality expectations and the rate of future mortality improvement. Given advances in medical sciences in recent years, it is uncertain whether this rate of improvement will be sustained going forward, as a result, actual experience may differ from expectations. The details on the principal assumptions used in the valuation of the Company's defined benefit pension scheme's liability is in Note 27.

2. Critical accounting judgements, estimates and assumptions (continued)

Deferred tax assets (Note 8)
At 31 December 2023, the Company recognised a deferred tax asset of £5,053,324 (2022: £Nil) principally relating to tax losses carried forward and unrealised losses on the AFS portfolio. Further information on the Company's deferred tax asset is provided in note 8. The Company's expectations of future UK taxable profits require management judgement and in making this assessment, account is taken of Board-approved business plans. Under current law there is no expiry date for UK trading losses not yet utilised for corporation tax purposes, and given the forecast of future profitability, it is more likely than not, that the value of the losses will be recovered at some point in the future. It is possible that future tax law changes could materially affect the timing of recovery and the value of losses ultimately utilised by the Company. Recognition is based on a conservative approach to assumptions on future profitability. The Company's assessment of deferred tax recoverability is based on its assessment of profitability covering its five-year planning horizon.

Remeasurement of financial liability (Note 6&22)
At its formation in 2001, the Company assumed tax losses from the pre-merged branches of two Pakistan Banks namely United Bank Limited and National Bank of Pakistan but they were subject to dividend payments for the tax benefit on the utilisation of these losses. Of the £5,053,324 deferred tax assets, £3,099,000 related to these carry-forward losses and since the utilisation of these carry-forward losses are subject to dividend payments, there is a corresponding liability that needs to be recognised in the financial statements. Accordingly, in making the assessment of the financial liability, the 5- year profit projections used in deriving deferred tax assets of £3,099,000 was also used in this instance. The cash outflows associated with dividend payments were subsequently discounted using the discount rate based on the marginal cost of 5-year deposit funds to derive the financial liability. Since this is the first year of recognition of the financial liability, the full amount was also be treated as an expense in the profit and loss account.

Revaluation of properties (Note 15&16)
A key estimate included within this year's financial results is the valuation of the Company's Head Office on Brook Street in London. The valuation was based on a desktop assessment by the Directors under the guidance of RICS valuation experts. The valuation assessed as of 31 December 2023 took into account current rental yields for similar properties in the same locality as well as recent comparable sale transactions.

3. Total Income

Total income, analysed geographically between markets, was as follows:

	2023 £	2022 £
United Kingdom	20,061,568	18,860,428
Rest of the World	2,469,104	5,564,442
	22,530,672	24,424,870

4. Administrative expenses

	2023	2022
Average Number of Employees	73	87

	2023 £	2022 £
Front Office	28	33
Back Office	45	54

	2023 £	2022 £
Wages and salaries	5,539,224	6,250,006
Social security costs	626,346	741,922
Other pension costs	551,840	584,894
Other administrative expenses	5,832,185	5,175,944
	12,549,595	12,752,766

5. Profit on ordinary activities before taxation

	2023 £	2022 £
Profit on ordinary activities before taxation is stated after charging/(crediting)		
Auditor's remuneration		
-fees payable for the audit of the Company's annual accounts	250,000	212,000
-fees payable for the audit of the Company's annual accounts for the previous year	30,000	-
Depreciation and amortisation	597,021	755,530
Interest payable on preference shares	239,003	98,304
Remeasurement of financial liability	2,650,000	-
Pension costs	551,840	584,894
Profit from foreign exchange	(623,278)	(720,867)
Profit on realised debt securities	(139,910)	(344,705)
Rental of premises held under operating leases	-	34,919
Onerous lease costs	9,391	36,254
Profit on sale of fixed assets	-	(372,270)

The total audit remuneration for the year therefore amount to £280,000 (2022:£212,000). The total audit remuneration for the year includes £30,000 for prior year.

6. Remeasurement of financial liability

	2023 £	2022 £
Remeasurement of financial liability	2,650,000	-

At its formation in 2001, the Company assumed tax losses from the pre-merged branches of two (2) Pakistan Banks namely United Bank Limited and National Bank of Pakistan but they were subject to dividend payments for the tax benefit on the utilisation of these tax losses. The estimated amount of £2,650,000 is a recognition of the financial liability that will be payable from the utilisation of these carry-forward losses.

7. Directors and senior management emoluments

	2023 £	2022 £
Directors' fees and emoluments	486,618	706,244
Pension contributions	27,935	43,085
National insurance	55,822	91,217
	570,375	840,546

The highest paid director received emoluments excluding pension contributions, totalling £346,432 (2022: £312,419) and the amount of pension contributions paid to the Company's defined contribution scheme was £27,935 (2022: £26,605). One of the Directors is both Director and member of the senior management of the Company, but the related emoluments have been included in the Directors emoluments and excluded from the senior management emoluments. These total emoluments (fees and emoluments, pension and national insurance) were £416,928 (2022: £655,716).

	2023 £	2022 £
Senior management emoluments	716,708	713,660
Pension contributions	57,100	61,825
National Insurance	92,805	96,287
	866,613	871,772

8. Taxation

	2023 £	2022 £
Analysis of tax charge on ordinary activities		
UK corporation tax on profits of the period	1,676,147	744,297
Adjustments in respect of prior periods	(1,753)	10,246
Foreign tax relief	(7,009)	(63,454)
	1,667,385	691,089
Foreign tax suffered	7,009	63,454
Current tax	1,674,394	754,543

8. Taxation (continued)

	2023 £	2022 £
Origination and reversal of timing differences	(3,169,659)	-
Impact of rate changes	(193,974)	-
Deferred Tax	(3,363,633)	-
Current Tax	1,674,394	754,543
Deferred Tax	(3,363,633)	-
Tax charge for the year	(1,689,239)	754,543
Profit for the period before tax	6,911,228	5,296,311
Tax at 23.52% (2022: 19.00%) thereon	1,625,558	1,006,299
Effects of:		
Income not taxable	(396)	(83,627)
Non-deductible expenses	690,404	29,068
Deferred tax not provided	(3,809,079)	(232,785)
Tax rate changes	(193,974)	-
Gains/rollover relief	-	25,342
Adjustments from previous periods	(1,752)	10,246
Total tax (reversal) / charge for the year	(1,689,239)	754,543

Deferred taxation

As of 31 December 2023, there were accumulated tax losses of £27.37m (2022: £29.77m) carried forward and a recognised deferred tax asset of £3,099,000 (2022: £Nil). The full-deferred tax breakdown is set out in the table overleaf.

The aggregate current and deferred tax relating to items that are recognised as items of other comprehensive income is £1,546,070 (2022: £90,190).

The corporation tax rate applicable in the UK was increased from 19% to 25% effective from 1 April 2023.

HMRC introduced International Tax Pillar Two rules that were effective from 1 January 2023, and an internal assessment conducted by the Company indicated that these rules are not applicable to the Company.

Since 1 April 2016, taxable profits that can be set-off against brought-forward tax losses are restricted to 25%.

The table below shows movements on deferred tax liabilities during the year:

	2023 £	2022 £
As of 1 January	4,701,235	4,791,425
Income statement	39,362	-
OCI & Reserves	85,353	(90,190)
As of 31 December	4,825,950	4,701,235

Deferred tax liabilities relate to unrealised gains on property. See further details in Note 22.

8. Taxation (continued)

Deferred tax asset of £5,053,324 (2022: £Nil) has been recognised and is in relation to accelerated depreciation, trading losses carried forward and the revaluation movement on assets available for sale since 1 January 2016 when the new tax legislation came into force. The breakdown of the deferred tax assets is in relation to:

	1 January 2023 £	Movement £	31 December 2023 £
Tax losses	-	3,099,000	3,099,000
Timing differences - trading	-	1,631,429	1,631,429
Accelerated depreciation	-	322,895	322,895
	-	5,053,324	5,053,324

Deferred tax asset of £3,743,767 (2022: £11,757,881) has not been recognised and is in relation to pre- April 2017 trading losses carried forward. The breakdown of the unrecognised deferred tax assets and is in relation to:

	1 January 2023 £	Movement £	31 December 2023 £
Tax losses	7,442,416	(3,698,649)	3,743,767
*Timing differences - trading	3,859,555	(3,859,555)	-
Accelerated depreciation	455,910	(455,910)	-
	11,757,881	(8,014,114)	3,743,767

*This relates to fair value movement of available for sale assets and the pension fund.

9. Loans and advances to customers

	Impaired Loans £	Non-Impaired loans £	Total £
2023			
Remaining maturity:			
Three months or less	-	19,118,385	19,118,385
One year or less but over three months	-	115,755,600	115,755,600
Five years or less but over one year	-	559,540,212	559,540,212
Over five years	-	12,788,538	12,788,538
Overdue	14,038,077	-	14,038,077
	14,038,077	707,202,735	721,240,812
Collective provision	-	(444,874)	(444,874)
Unamortised portion of loan fees	-	(2,198,275)	(2,198,275)
	14,038,077	704,559,586	718,597,663
Amount repayable on demand (included within three months or less above)	-	653,039	653,039

9. Loans and advances to customers (continued)

2022 (as restated)	**Impaired Loans**	**Non-Impaired loans**	**Total**
Remaining maturity:			
Three months or less	**£**	**£**	**£**
One year or less but over three months	-	24,333,641	24,333,641
Five years or less but over one year	-	260,485,896	260,485,896
Over five years	-	337,506,350	337,506,350
Overdue	8,027,926	-	8,027,926
	8,027,926	631,590,077	639,618,003
Impairment allowance on loans and advances	(933,571)	-	(933,571)
Collective provision	-	(368,530)	(368,530)
Unamortised portion of loan fees	-	(2,258,045)	(2,258,045)
	7,094,355	628,963,502	636,057,857
Amount repayable on demand (included within three months or less above)	-	1,218,574	1,218,574

The table below represents the movement of specific and collective provisions in respect of loan and advances to customers during the year:

	Specific £	**Collective £**	**Total 2023 £**	**Total 2022 £**
At 1 January	933,571	368,530	1,302,101	1,492,436
(Credit)/charge to profit or loss	(101,324)	76,344	(24,980)	(190,335)
Amounts written off	(832,247)	-	(832,247)	-
As of 31 December	-	444,874	444,874	1,302,101

10. Loans and advances to banks

	2023 £	**2022 £**
Loans and advances to banks	13,576,284	2,000,329

The loan and advances amount of £13,576,284 (2022: £2,000,329) is repayable on demand.

During the year, there was no impairment charge (2022: £Nil) made against loan and advances to banks.

As of 31 December 2023, there were no loans and advances to banks that were either past due or impaired (2022: same).

11. Impairment Losses

During 2023, the total impairment / (recoveries) losses were in respect of the following:

	2023 £	2022 £
Credit to provisions	(24,980)	(190,335)
Impairment (recoveries)/charges in respect of loans and advances directly written off to profit & loss	(108,468)	99,278
Net impairment credit related to loans and advances to customers	(133,448)	(91,057)
Impairment (recoveries) /charge for debt securities	(43,724)	5,711,320
Total impairment (recoveries)/charge in profit or loss	(177,172)	5,620,263

12. Derivatives financial assets

	2023 £	2022 £
Fair value - forward foreign exchange contracts	632,792	2,221,022
Fair value - interest rate swap contracts	-	916,082
	632,792	3,137,104
Notional amount - forward foreign currency contracts	45,037,420	72,779,627
Notional amount - interest rate swap contracts	-	5,000,000
	45,037,420	77,779,627

The fair value of derivatives held for non-trading purposes is determined by using observable market data. The Company pledges cash as collateral for its derivative transactions. Collateral in respect of these derivatives is subject to the standard industry terms of ISDA Credit Support Annex. In 2023, the Company posted a loss/(gain) on interest rate swaps of £206,509 (2022: (£3,635,562)). During the year, the interest rate swaps were unwound and currently there are no existing interest swap arrangements.

13. Derivative financial liabilities

	2023 £	2022 £
Fair value	151,115	213,652
Notional amount - foreign currency swaps	44,503,629	70,781,971
Notional amount - Interest rate swap contracts	-	5,000,000
	44,503,629	75,781,971

The fair value of derivatives held for non-trading purposes is determined by using observable market data. The Company pledges cash as collateral for its derivative transactions. Collateral in respect of these derivatives is subject to the standard industry terms of ISDA Credit Support Annex.

The derivative instruments reflected in notes 12 & 13 comprise foreign exchange forward swaps, which the Company uses to hedge against foreign exchange risk. Refer to note 26 for further information on financial instruments and risk management.

14. Intangibles

	Computer 2023 £	Software 2022 £
Cost		
At 1 January	4,995,272	4,960,772
Additions	107,550	34,500
At 31 December	5,102,822	4,995,272
Amortisation		
At 1 January	(4,740,643)	(4,421,970)
Charge for the year	(205,035)	(318,673)
At 31 December	(4,945,678)	(4,740,643)
Carrying amount		
At 31 December	157,144	254,629

Amortisation of intangible assets is included in depreciation and amortisation. The intangible assets principally comprise computer software that is used by the Company for transaction processing, accounting as well as other business purposes.

15. Investment properties

	2023 £	2022 £
Investment property (2 Brook Street, London)	9,604,343	9,446,895

The property at 2 Brook Street, London has elements of both tangible fixed asset and investment property. The investment property relates to the 3rd and 4th floors of the building, which are normally leased to third parties.
The carrying value of the investment property is based on a desktop valuation assessment conducted by the Directors under the guidance of RICS property valuation experts. The valuation was predicated on the following assumptions and factors: stability in the London property market conditions, prices for similar properties, projected rental yields, comparability of recent property sale transactions, void and rent-free periods and capitalisation rates. The valuation results are set out in the table below:

	Fair value 2023 £	Cost 2023 £	Accumulated Depreciation 2023 £	Historical net book value 2023 £
Property				
2 Brook Street, London				
1 January	9,446,895	2,330,234	(219,127)	2,111,107
Revaluation	157,448	-	-	-
Depreciation	-	-	(45,190)	(45,190)
31 December	9,604,343	2,330,234	(264,317)	2,065,917

Operating lease agreements where the Company is a lessor

The Company holds surplus office buildings as investment properties as previously disclosed that are let to third parties. These are non-cancellable leases with remaining terms of between 0.4 and 2 years.
At 31 December 2023, the future minimum leases rentals receivable under non-cancellable leases for the investment properties were as follows:

	2023 £	2022 £
Not later one year	120,645	222,623
Later than one year and not later than five years	68,407	189,052
Total	189,052	411,675

16. Tangible fixed assets

	Computer equipment £	**Office equipment £**	**Leasehold property £**	**Property improvement £**	***Freehold land and buildings £**	**Total £**
Cost or valuation						
At 1 January 2023	2,427,317	600,785	515,545	607,502	21,197,845	25,348,994
Revaluation	-	-	-	-	440,867	440,867
Additions	7,254	26,573	-	535,298	33,410	602,535
At 31 December 2023	2,434,571	627,358	515,545	1,142,800	21,672,122	26,392,396
Depreciation						
At 1 January 2023	(2,092,564)	(554,218)	(515,545)	(580,635)	(483,100)	(4,226,062)
Charge for the year	(251,769)	(21,776)	-	(16,318)	(102,123)	(391,986)
At 31 December 2023	(2,344,333)	(575,994)	(515,545)	(596,953)	(585,223)	(4,618,048)
Carrying amount						
At 31 December 2023	90,238	51,364	-	545,847	21,086,899	21,774,348

	Computer equipment £	**Office equipment £**	**Leasehold property £**	**Property improvement £**	***Freehold land and buildings £**	Total **£**
Cost or Valuation						
As 1 January 2022	2,386,461	1,063,058	515,545	1,343,902	21,783,925	27,092,891
Revaluation	-	-	-	-	98,316	98,316
Additions	164,197	18,002	-	-	-	182,199
Disposals/adjustments/transfers	(123,341)	(480,275)	-	(736,400)	(684,396)	(2,024,412)
As 31 December 2022	2,427,317	600,785	515,545	607,502	21,197,845	25,348,994
Depreciation						
As 1 January 2022	(1,921,444)	(1,016,258)	(515,545)	(1,269,682)	(515,820)	(5,238,749)
Charge for the year	(294,461)	(18,235)	-	(13,372)	(110,789)	(436,857)
Disposals/adjustments/transfers	123,341	480,275	-	702,419	143,509	1,449,544
As 31 December 2022	(2,092,564)	(554,218)	(515,545)	(580,635)	(483,100)	(4,226,062)
Carrying amount						
As 31 December 2022	334,753	46,567	-	26,867	20,714,745	21,122,932

*Freehold land and buildings only includes the tangible fixed asset element of the Brook Street property. Details of the investment property element of this asset are provided in Note 15.

16. Tangible fixed assets (continued)

	Total £	Carrying value 2023 Freehold land and buildings £	Carrying value 2023 Investment property £	Historical cost NBV 2023 Freehold land and buildings £	Historical cost NBV 2023 Investment property £
Property					
2 Brook Street, London					
1 January	30,000,000	20,553,105	9,446,895	4,593,024	2,111,107
Revaluation	598,315	440,867	157,448	-	-
Depreciation	(98,315)	(98,315)	-	(98,315)	(45,190)
31 December	30,500,000	20,895,657	9,604,343	4,494,709	2,065,917

	Freehold land and buildings £	Freehold land and buildings £
Property		
3-5 Oakland Lane, Bradford		
1 January	161,640	22,869
Additions	33,410	33,410
Depreciation	(3,806)	(3,806)
31 December	191,244	52,473

The valuations on the above properties were based on desktop valuation assessment as of 31 December 2023 conducted by the Directors under the expert guidance of qualified RICS property valuation experts. The valuations were predicated on the following assumptions and factors: stable property market conditions in the respective locations, prices for similar properties, projected rental yields, comparability of recent property sale transactions, void and rent-free periods and capitalisation rates.

Assets under finance leases have a net book value of £23,409 (2022: £43,530) with minimum lease payments of £21,709 (2022: £41,532).

17. Other assets

	2023 £	2022 £
Remittance funds receivable	252,387	350,834
Security deposits	378,597	400,252
Rent deposits	39,953	31,084
Sundry debtors	-	35,584
Pension Asset	340,600	759,850
Deferred tax asset	5,053,324	-
Others	234,742	223,876
*Deferred costs	82,907	105,108
	6,382,510	1,906,588

*These are unamortised costs relating to fees paid by the Company for outsourcing the mobilisation of deposits.

18. Deposits by banks and credit unions

2023	**Banks** £	**Credit Unions** £	**Total** £
Repayable on demand	3,290,080	-	3,290,080
With agreed maturity dates or periods of notice by remaining maturity:			
1 year or less but over 3 months	-	3,612,557	3,612,557
3 years or less but over 1 year	-	9,972,484	9,972,484
Over 3 years	-	3,042,652	3,042,652
Total	3,290,080	16,627,693	19,917,773

2022	**Banks** £	**Credit Unions** £	**Total** £
Repayable on demand	4,830,097	-	4,830,097
With agreed maturity dates or periods of notice by remaining maturity:			
3 years or less but over 1 year	-	3,609,050	3,609,050
Over 3 years	4,613	12,944,124	12,948,737
Total	4,834,710	16,553,174	21,387,884

19. Repurchase agreements

	2023 £	**2022** £
Repurchase agreements	19,284,670	-

These are repurchase agreements in respect of GBP borrowings collateralised by the Company's UK Financial Institutions (FI) Bonds. The borrowings carry coupon rates of 5.88%-6.00% and all are due to mature by 20 March 2024.

20. Customer accounts

	2023 £	**2022** £
Repayable on demand	138,315,331	173,169,739
Three months or less	58,328,425	78,342,919
One year or less but over three months	275,174,502	190,941,386
Three years or less but over one year	233,049,176	185,666,869
Over three years	72,444,075	71,968,877
	777,311,509	700,089,790

21. Other liabilities

	2023 £	2022 (as restated) £
Unclaimed credits	787,774	844,081
Finance lease	21,709	41,532
Amounts due to preference shareholders (see below)	4	4
Accrued expenses	1,280,935	1,016,340
Corporation tax liability	767,385	563,132
Other	676,502	287,717
	3,534,309	2,752,806

Amounts due to preference shareholders

The four £1 preference shares that have been issued and allotted have each been designated as one of 'A', 'B', 'C' and 'D' classes of preference shares. The 'A' and 'C' shares are held by United Bank Limited ('UBL') and the 'B' and 'D' shares by National Bank of Pakistan ('NBP'). The preference shares carry no voting rights or any rights in a wind-up situation.

Dividends payable on the 'A' and 'B' preference shares are related to the ability of the Company to utilise tax losses that have been surrendered to it on the transfer of the business from United Bank Limited or National Bank of Pakistan as appropriate.

Dividends payable on the 'C' and 'D' preference shares are related to loans transferred to the Company from United Bank Limited or National Bank of Pakistan, as appropriate, that have been written off or provided for at the point of transfer, and the ability of the Company to realise in excess of such loan value.

A breakdown of the amounts owed to the preference shareholders are shown in the table below and overleaf:

2023	UBL Total £	NBP Total £	Total £
Amounts due on 1 January 2023	2	2	4
Tax losses utilised during the year	239,003	-	239,003
Payable to preference shareholders	239,005	2	239,007
Dividends paid	(239,003)	-	(239,003)
Amounts due on 31 December 2023	2	2	4

2022	UBL Total £	NBP Total £	Total £
Amounts due on 1 January 2022	2	2	4
Tax losses utilised during the year	98,404	-	98,404
Payable to preference shareholders	98,406	2	98,408
Dividends paid	(98,404)	-	(98,404)
Amounts due on 31 December 2022	2	2	4

An estimated amount of £593,859 (2022: £235,000) relating to utilisation of tax losses will be payable in the form of preference share dividend in 2024, when the tax losses are actually utilised.

Any recovery from written-off loans that were transferred upon merger will also be paid as preference share dividend.

22. Provision for liabilities

2023	**Provision for Deferred Tax £**	**Remeasurement of financial liability £**	**Provision for Compensated Absences £**	**Onerous Lease**	**Total £**
1 January 2023	4,701,235	-	143,745	36,254	4,881,234
Additions	124,715	2,650,000	-	-	2,774,715
Utilised during the period	-	-	(58,018)	(20,570)	(78,588)
31 December 2023	4,825,950	2,650,000	85,727	15,684	7,577,361

2022	**Provision for Deferred tax £**	**Pension Liability £**	**Provision for Compensated Absences £**	**Onerous Lease £**	**Total £**
1 January 2022	4,791,425	174,000	255,000	-	5,220,425
Additions	-	(174,000)	143,745	36,254	5,999
Utilised during the period	-	-	(255,000)	-	(255,000)
Adjustments	(90,190)	-	-	-	(90,190)
31 December 2022	4,701,235	-	143,745	36,254	4,881,234

The deferred tax provided is the amount expected to be payable in future periods in accordance with the current tax legislation and it is in respect of revaluation and fair value movement of tangible fixed assets and investment properties, respectively. The reversal of any of this amount will only occur when some of the assets are sold. Deferred tax liabilities have been calculated at 25% (2022: 25%) of the timing difference.

Provision for compensated absences represent holiday balances accrued as a result of services rendered in the current period and which employees are entitled to carry forward. The Company's internal policy which covers this states that the carry-forward holiday balances must ordinarily be utilised by 31 March of the following year and by this date this provision will be reversed. The provision is measured at the salary cost payable for the period of absence.

23. Called up share capital

	2023 Shares	**2022 Shares**	**2023 £**	**2022 £**
(Issued, allotted and fully paid) Ordinary shares of £1 each	45,000,000	45,000,000	45,000,000	45,000,000

There is a single class of ordinary shares. There are no restrictions on the distribution of dividends and the repayment of capital.

24. Contingent liabilities

The Company had £1,026,848 (2022: £921,282) contingent liabilities arising from guarantees issued. The Company in the normal course of business issues guarantees on behalf of its customers for non-performance or non-delivery of goods and services.

25. Commitments

Unutilised overdraft commitments

	2023 £	2022 £
*Unutilised overdraft	48,837	97,927

*This represents overdraft facilities that have been provided to the Company's customers but are not yet drawn.

Loan commitments

	2023 £	2022 £
Loan commitments	23,337,100	6,297,200

The loan commitments are amounts where the Company has approved credit and signed facility letters have been sent to the customers for signature or having been signed but the funds have not yet been drawn.

The total commitments comprising unutilised overdraft commitments and loan commitments are £23,385,937 (2022: £6,395,127).

The Company had the following future minimum lease payments under non-cancellable operating leases for each of the time bands below. These are in respect to the Company standard lease agreements for the lease of a Manchester property and a vehicle with remaining term of 6 years and 2 years, respectively.

	2023 £	2022 £
Within one year	26,422	32,927
Between one year and five years	30,939	61,747
Later than five years	-	7,000
	57,361	101,674

The Company had the following future minimum finance lease payments:		
Within one year	22,018	21,604
Between one year and five years	-	21,347
Total gross payments	22,018	42,951
Less: Finance charges	(309)	(1,419)
*Carrying amount of liability	21,709	41,532

*The carrying amount of the finance lease reflected in the balance sheet (see note 21) includes accrued interest charges of £309 (2022: £257) totalling £21,709 (2022: £41,532).

Certain items of office equipment (franking machines and photocopiers) are held under finance lease arrangements. The finance lease liabilities are secured by the assets held under finance lease (see notes 16 & 21 respectively). The lease arrangements include fixed lease payments and a purchase option at the end of the lease term. The lease term remaining is 1 year and 0.8 years for the franking machines and photocopiers, respectively.

26. Financial instruments and risk management

Financial risk instruments and risk management

The Company finances its operations by a mixture of shareholders’ funds, customer deposits and inter-bank deposits. The deposits raised may be in a range of currencies at floating or fixed rates of interest. The Company’s lending is usually in sterling, euros or US dollars and may be either floating or fixed rate. The Company uses forward foreign exchange contracts to hedge foreign exchange exposures resulting from customer facilitation. All forward foreign exchange contracts for customers are matched with corresponding contracts with banks.

The main risks arising from the Company’s financial instruments are:

1. credit risk

2. liquidity risk

3. interest rate risk

4. foreign currency risk

5. regulatory risk

6. market price risk

The Board of Directors has overall responsibility for the establishment and oversight of the Company’s risk management framework.

The Company’s risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which employees understand their roles and obligations.

The Board has established an Audit Committee to monitor compliance with the Company’s risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Company. The Audit Committee is assisted in these functions by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Board Audit Committee.

The Company has also a Chief Risk and Compliance Officer (CRCO) who reports with a dotted line to the Board. The CRCO is responsible for overseeing all aspects of risk management policy within the Company including its implementation and effectiveness.

The Company holds and issues financial instruments for three main purposes:
(a) to earn an interest margin or a fee;
(b) to finance its operations; and
(c) to manage the interest rate and currency risks arising from its operations and from its sources of finance.

26. Financial instruments and risk management (continued)

Fair value
The fair value of a financial instrument is the amount for which an asset can be exchanged, or a liability settled, in an arm's length transaction between knowledgeable willing parties. Wherever possible, fair value is determined by reference to a quoted market price for that instrument. In the absence of readily ascertainable market values, fair values are determined based on the best information available e.g. by reference to similar assets, similar maturities or other analytical techniques.

The carrying amounts of the bank's assets and liabilities are considered to equate to the fair values of those assets and liabilities.

Fair value measurement
The Company categorises financial instruments carried on the balance sheet at fair value using a three-level hierarchy as follows.

a) Level 1: The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.

All investment securities held by the Company at 31 December 2023 are rated (2022: same). Prices used for fair value calculation are obtained from Bloomberg.

b) Level 2: Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.

The Company has forward derivative contracts, which are OTC derivatives and are not traded, therefore, cannot be measured using Category 1 input. Observable currency prices obtained from Bloomberg have been used to determine the fair value of forward derivative contracts. Availability of observable market prices reduces the need for management judgement and estimation and also reduces the uncertainty associated with determining fair values.

c) Level 3: Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

The Company uses discounted cash flow model for determining the fair value of financial instruments where the fair value cannot be reasonably determined. During the year, there was £Nil (2022: £4,061,358) exposure of this nature. The underlying assumptions normally used in calculating the appropriate carrying amount includes credit risk of the counterparty, the coupon rate and maturity date for the new instrument to be issued, the time to completion of any restructure, the sovereign risk of the country of issuer, the liquidity risk premium, the business model, and finally adjustment to reflect execution risk.

Financial assets and liabilities not carried at fair value
Loans and advances to banks and customers are both short and long term in nature. In regards to long term loans and advances to banks and customers, there are considered to be no material factors in terms of impairment, credit or market risk, which would indicate that the carrying value differs from the fair value.

Deposits from banks and customers are both short term and long term in nature. In regards to long-term deposits, there are no material factors, which indicate that the carrying value differs from the fair value.

26. Financial instruments and risk management (continued)

Financial assets and liabilities that are carried at fair value
The Company holds available for sale securities ('AFS') which are carried on a fair value basis at level 1 and derivatives at level 2.

Set out below are the Company's financial instruments by category:

2023	**AFS**	**FVPL**	**Assets & Liabilities at amortised cost**	**Total**
	£	**£**	**£**	**£**
Financial assets				
Cash and balances	-	-	9,725,415	9,725,415
Loans and advances to banks	-	-	13,576,284	13,576,284
Loans and advances to customers	-	-	718,597,663	718,597,663
Debt securities	138,342,935	-	-	138,342,935
Derivatives at fair value	-	632,792	-	632,792
Other assets	-	-	670,937	670,937
	138,342,935	632,792	742,570,299	881,546,026
Financial liabilities				
Deposits by banks	-	-	19,917,773	19,917,773
Repurchase agreements	-	-	19,284,670	19,284,670
Customer accounts	-	-	777,311,509	777,311,509
Derivatives at fair value	-	151,115	-	151,115
Other liabilities	-	-	2,863,649	2,863,649
	-	151,115	819,377,601	819,528,716

2022 (as restated)	**AFS**	**FVTPL**	**Assets & Liabilities at amortised cost**	**Total**
	£	**£**	**£**	**£**
Financial assets				
Cash and balances	-	-	6,703,512	6,703,512
Loans and advances to banks	-	-	2,000,329	2,000,329
Loans and advances to customers	-	-	636,057,857	636,057,857
Debt securities	122,536,714	-	-	122,536,714
Derivatives at fair value	-	3,137,104	-	3,137,104
Other assets	-	-	1,546,520	1,546,520
	122,536,714	3,137,104	646,308,218	771,982,036
Financial liabilities				
Deposits by banks	-	-	21,387,884	21,387,884
Customer accounts	-	-	638,315,902	638,315,902
Derivatives at fair value	-	213,652	-	213,652
Other liabilities	-	-	2,159,611	2,159,611
	-	213,652	661,863,397	662,077,049

26. Financial instruments and risk management (continued)

	2023 £	2022 £
Interest Income		
Available for sale	6,781,043	3,402,074
Loans and receivables	36,888,924	26,689,748
	43,669,967	30,091,822
Interest Expense		
Derivative financial instruments	2,425,718	1,554,842
Customer and bank deposits (includes preference share dividend)	20,168,125	9,788,762
	22,593,843	11,343,604

A total of £Nil relating to interest income on impaired debt securities and £816,641 relating to interest income on impaired loans and receivables have been recognised in the year (2022: £Nil and £435,941, respectively).

The fair value of derivatives held for non-trading purposes is determined by market prices, or, where market prices are not available, by applying current market information to pricing or valuation models.

As well as using derivatives to hedge foreign exchange exposure and interest rate risk, the Company takes exchange rate contract orders from customers and will cover these by entering into similar positions with third parties.

The tables below show a hierarchy that reflects the significance of observable market inputs for financial instruments measured at fair value:

2023	Level 1 £	Level 2 £	Level 3 £	Total £
Financial assets				
Available for sale investments	138,342,935	-	-	138,342,935
Derivatives at fair value	-	632,792	-	632,792
	138,342,935	632,792	-	138,975,727
Financial liabilities				
Derivatives at fair value	-	151,115	-	151,115

2022	Level 1 £	Level 2 £	Level 3 £	Total £
Financial assets				
Available for sale investments	118,475,356	-	4,061,358	122,536,714
Derivatives at fair value	-	3,137,104	-	3,137,104
	118,475,356	3,137,104	4,061,358	125,673,818
Financial liabilities				
Derivatives at fair value	-	213,652	-	213,652

26. Financial instruments and risk management (continued)

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. For the Company, this arises principally from the Company's loans and advances to customers, other banks and the investment portfolio. However, the most significant credit risk on the investment portfolio is reflected in the fair value of the debt securities held. For risk management reporting purposes, the Company considers and consolidates all elements of credit risk exposure (such as individual obligor default risk, sector and country concentration risk).

The Board of Directors has delegated responsibility for the management of credit risk to its Board Risk and Compliance Committee. Their main duties include the approval of credits and credit provisions, the approval of credit policy and subsequent amendments, and the delegation of credit approval and provisioning limits to the Credit Committee.

The Credit Committee is responsible for the implementation of credit policies and for the approval of routine credit facilities within its credit approval and provisioning limits, as delegated by the Board Risk and Compliance Committee.

The Business Committee is responsible for performing the first level screening of any proposed new investments, ongoing monitoring of the performance of the investment portfolio, and assessing the risks faced by the Company, through its holdings in the investment portfolio which should be within the overall credit risk limits as delegated by the Board Risk and Compliance Committee.

The Company's maximum exposure to credit risk, by class of financial instrument is shown in the table below:

	2023 Carrying Value £	2023 Maximum Exposure £	2022 Carrying Value (as restated) £	2022 Maximum Exposure (as restated) £
Cash and balances	9,725,415	9,725,415	6,703,512	6,703,512
Loans and advances to banks	13,576,284	13,576,284	2,000,329	2,000,329
Loans and advances to customers				
-Loan and advances to customers	718,597,663	718,597,663	636,057,857	636,057,857
Debt securities				
- Available for sale	138,342,935	138,342,935	122,536,714	122,536,714
Commitments	-	23,385,937	-	6,395,127
	880,242,297	903,628,234	767,298,412	773,693,539

26. Financial instruments and risk management (continued)

The table below shows the breakdown of the Company's debt securities and loan advances portfolio, categorised by the degree of risk of financial loss:

	Debt securities 2023 £	Debt securities 2022 £	*Loans & advances 2023 £	Loans & advances 2022 (as restated) £
Carrying amount	138,342,935	122,536,714	732,173,948	638,058,186
Individually impaired				
Grade 12: Doubtful	-	9,142,917	14,038,077	7,195,679
Grade 14: Loss	-	-	-	832,247
Impairment allowance (specific)	-	(5,081,559)	-	(933,571)
Carrying amount	-	4,061,358	14,038,077	7,094,355
Past due but not impaired				
Grade 3-11				
- Up to 30 days	-	-	21,821,501	25,606,834
- 31 – 60 days	-	-	14,541,830	4,347,686
- 61 – 90 days	-	-	109,829	-
- 91 – 120 days	-	-	-	-
Carrying amount	-	-	36,473,160	29,954,520
Neither past due nor impaired				
Grade 1-8: Low – fair risk	123,357,778	109,468,118	657,572,765	560,342,123
Grade 9,10,11: Watchlist	14,985,157	9,007,238	26,733,095	43,293,763
Carrying amount	138,342,935	118,475,356	684,305,860	603,635,886
Impairment allowance				
Collective provision	-	-	(444,874)	(368,530)
Carrying amount	-	-	(444,874)	(368,530)
Unamortised portion of loan fees				
Unamortised portion of loan fees	-	-	(2,198,275)	(2,258,045)
Carrying amount	-	-	(2,198,275)	(2,258,045)

*Loan advance portfolio includes loans and advances to banks and to customers.

All other assets of the Company are neither past due nor impaired (2022: Nil).

26. Financial instruments and risk management (continued)

The ratings for debt securities are set out in the table below:

	2023 £	2022 £
ECAI Ratings		
AAA	21,579,389	35,740,222
AA+	2,724,019	-
AA	-	4,879,178
AA-	73,745,364	68,848,718
A+	4,939,105	-
A-	15,226,651	
BBB+	5,143,251	-
CCC+	-	9,007,238
CCC	14,985,156	
Restricted Default (RD)	-	4,061,358
	138,342,935	122,536,714

A sovereign debt security exposure, which was classified as an impaired asset in 2022 was disposed of during the year.

The loans and advances portfolio is predominantly unrated.

Impaired loans

Impaired loans are loans for which the Company determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan agreement.

Past due but not impaired

Loans where contractual interest or principal payments are past due but the Company believes that impairment is not appropriate based on the level of security/collateral available and/or the stage of collection of amounts owed to the Company.

Allowances of impairment

The Company establishes an allowance for impairment losses that represents its estimate of incurred losses in its loan portfolio. The main component is a specific loss provision that relates to individually significant exposures and represents the amount remaining after deducting the expected discounted cash flows from the outstanding loan principal and accrued interest at the balance sheet date.

Forbearance Policy

The Company periodically assesses whether there is objective evidence that a financial asset or portfolio of financial assets is impaired. In conducting this assessment, management takes account of any forbearance arrangements it has with its customers. The Company has a detailed forbearance policy and as part of the arrears management process, the Company will consider providing a forbearance facility to the borrower after considering each case and analysing it based on its own merits and the specific circumstances of the borrower. The primary aim of providing a forbearance facility to a borrower is to enable the complete recovery of the debt through the full repayment of arrears. Where the circumstances of the borrower means that this primary aim is not achievable, the secondary aim is to recover the customer into a ‘sustainable terms’ position on their debt.

In all cases, the provision of forbearance aims to minimise the risk of the borrower ultimately defaulting on their debt and losing their security.

Write off policy

The Company writes off a loan balance (and any related allowances for impairment losses) when the Board Risk and Compliance Committee determines that the loans are uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the borrower / issuer’s financial position such that the borrower / issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure.

26. Financial instruments and risk management (continued)

Collateral

The Company holds collateral against loans and advances to customers in the form of mortgage interests over property and liens over cash deposits. Collateral is not held over loans and advances to banks. During the year, no collateral was possessed by the Company (2022: £Nil).

The table below shows a breakdown of the credit exposure by collateral type:

	2023 £	2022 (as restated) £
Carrying amount	732,173,948	638,058,186
Individually impaired		
Property	14,038,077	4,649,048
Unsecured	-	3,378,878
Impairment allowance (specific	-	(933,571)
Carrying amount	14,038,077	7,094,355
Past due but not impaired		
Property	36,473,160	29,954,520
Carrying amount	36,473,160	29,954,520
Neither past due nor impaired		
Property	649,009,148	555,781,433
Unsecured	35,296,657	47,854,395
Other	55	58
Carrying amount	684,305,860	603,635,886
Impairment allowance		
Collective provision	(444,874)	(368,530)
	(444,874)	(368,530)
Unamortised portion of loan fees		
Unamortised portion of loan fees	(2,198,275)	(2,258,045)
	(2,198,275)	(2,258,045)

The average loan to value ratio for customer loans secured by property is 66% (2022: 62%); calculated by dividing the balance owed to the Company by the latest valuation held for the property. Property values are reviewed half yearly by using house price indices to calculate changes in property prices compared to the original assessed value of the property. The Company considers this to be appropriate as the original assessed value is based on a comprehensive red book valuation by FRICS registered surveyors, which takes into account the specific characteristics of the property such as type, quality and location.

The Company will seek to dispose of property and other assets obtained by taking possession of collateral and converting into cash as rapidly as the market for the individual asset permits.

Credit risk concentration

The Company monitors credit risk concentration against limits daily. The Company places significant emphasis on loans and advances portfolio due to the diversity of sectors and location the portfolio is exposed to. The table overleaf summarises the sector and location concentration risk for the Company's loans and advances portfolio at the year-end.

26. Financial instruments and risk management (continued)

	Loans and advances to customers 2023 £	Loans and advances to customers 2022 (as restated) £
Central and local government	451,543	1,879,876
Food, beverage, tobacco	21,316,307	3,830,445
Textiles, leather, clothes	370,380	343,503
Other manufacturing	2	1,134
Retail	35	380
Real estate - buy, sell, develop and letting	553,472,367	469,161,066
Financial	20,571,625	9,399,090
Others	10,666,901	26,561,544
Individuals	125,324,788	126,881,148
Total	732,173,948	638,058,186
Concentration by location		
Great Britain	587,411,951	537,314,176
Europe	9,550,914	8,525,746
South Asia	86,112,689	85,067,816
Rest of world	49,098,394	7,150,448
Total	732,173,948	638,058,186

Investment Securities
Investment securities held by the Company at 31 December 2023 and 2022 were all rated.

Below is a reconciliation of the opening and closing balance of securities held as well as the sector concentration analysis:

	2023 £	2022 £
As at 1 January	122,536,714	92,219,766
Purchases	595,299,208	572,112,956
Sales and maturities	(586,985,878)	(526,168,675)
Interest/(amortisation)	82,387	(472,141)
Unrealised gains/losses	7,410,504	(10,073,633)
Impairment losses	-	(5,081,559)
Balance at 31 December	138,342,935	122,536,714

A sovereign debt security exposure, which was classified as an impaired asset in 2022 was disposed of during the year.

26. Financial instruments and risk management (continued)

The movement in unrealised losses during the year were as follows:

	2023 £	2022 £
As at 1 January	(13,936,218)	(3,862,585)
Unrealised gains/(losses) accounted for in the Statement of Comprehensive Income during the year	7,410,504	(10,073,632)
Deferred tax movement in respect of the unrealised gains	1,631,429	-
Balance at 31 December	(4,894,285)	(13,936,218)

The unrealised gains/(losses) represent the cumulative unrealised change in fair value of financial assets classified as available for sale.

	2023 £	2022 £
Analysis of sector concentration		
Central government	89,007,126	80,475,964
Financial institutions	46,888,396	40,619,400
Corporates	2,447,414	1,441,350
Balance at 31 December	138,342,935	122,536,714

Liquidity risk

Liquidity risk is the risk that a Company will encounter difficulty in meeting obligations from its financial liabilities. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company policy is to monitor the liquidity position daily, with regular liquidity stress testing conducted under a variety of scenarios covering both normal and more severe market conditions. The Company's Treasury Department is responsible for maintaining sufficient liquidity to meet the Company's obligations and to meet the specific liquidity requirements of the UK supervisory authorities.

In the unlikely event of a liquidity crisis the policy is to immediately sell the Company's liquid assets, or if more expedient, seek additional funds from the shareholders or borrow in the market to alleviate the shortfall.

The tables overleaf shows the undiscounted cash flows on the Company's financial assets and liabilities and unrecognised loan commitments on the basis of their earliest possible contractual maturity. The Company's expected cash flows on these instruments vary significantly from this analysis. For example, demand deposits from customers are expected to maintain a stable or increasing balance, and unrecognised loan commitments are not all expected to be drawn down immediately.

26. Financial instruments and risk management (continued)

Residual contractual maturities of financial instruments as at 31 December 2023	Less than 1 month £	More than one month but less than three months £	More than three months but less than one year £	More than one year but less than five years £	More than five years £	Total £	Carrying amount £
Non-derivative assets							
Cash and balances	9,725,415	-	-	-	-	9,725,415	9,725,415
Loan and advances to banks	13,605,297	-	-	-	-	13,605,297	13,576,284
Loans and advances to customers	20,247,558	21,098,884	139,015,609	616,195,120	18,276,748	814,833,919	718,597,663
Debt securities	32,218,081	49,242,490	28,092,683	18,848,892	19,154,672	147,556,818	138,342,935
	75,796,351	70,341,374	167,108,292	635,044,012	37,431,420	985,721,449	880,242,297
Non-derivative liabilities							
Deposits by banks	3,311,321	38,658	3,773,918	13,355,797	-	20,479,694	19,917,773
Repurchase agreements	9,769,123	9,631,901	-	-	-	19,401,024	19,284,670
Customer accounts	157,138,235	43,872,341	284,154,738	316,026,075	677,991	801,869,380	777,311,509
Liabilities against assets subject to finance lease	21,709	-	-	-	-	21,709	21,709
	170,240,388	53,542,900	287,928,656	329,381,872	677,991	841,771,807	816,535,661
Derivative contracts							
Forward foreign exchange contracts inflow	(150,226)	(889)	-	-	-	(151,115)	(151,115)
Forward foreign exchange contracts outflow	98,971	421,472	112,349	-	-	632,792	632,792
	(51,255)	420,583	112,349	-	-	481,677	481,677
Loan commitments	-	(935,600)	(22,401,500)	-	-	(23,337,100)	-
	170,189,133	53,027,883	265,639,505	329,381,872	677,991	818,916,384	817,017,338
Net Position	(94,392,782)	17,313,491	(98,531,213)	305,662,140	36,753,429	166,805,065	-
Cumulative gap	(94,392,782)	(77,079,291)	(175,610,504)	130,051,636	166,805,065	-	-

26. Financial instruments and risk management (continued)

Residual contractual maturities of financial instruments as at 31 December 2022 (as restated)	Less than 1 month £	More than one month but less than three months £	More than three months but less than one year £	More than one year but less than five years £	More than five years £	Total £	Carrying amount £
Non-derivative assets							
Cash and balances	6,703,512	-	-	-	-	6,703,512	6,703,512
Loans and advances to banks	2,002,795	-	-	-	-	2,002,795	2,002,329
Loan and advances to customers	11,139,026	11,468,621	43,557,721	620,585,017	36,473,621	723,224,006	636,057,857
Debt securities	25,152,098	45,248,082	1,258,278	40,246,594	17,177,762	129,082,814	122,536,714
	44,997,431	56,716,703	44,815,999	660,831,611	53,651,383	861,013,127	767,300,412
Non-derivative liabilities							
Deposits by banks and credit unions	4,852,618	31,252	140,633	17,019,892	-	22,044,395	21,387,884
Customer accounts	190,266,370	63,783,083	194,751,914	262,446,108	548,046	711,795,521	700,089,790
Liabilities against assets subject to finance lease	41,532	-	-	-	-	41,532	41,532
	195,160,520	63,814,335	194,892,547	279,466,000	548,046	733,881,448	721,519,206
Derivative contracts							
Forward foreign exchange contracts inflow	(532,227)	(890,375)	(798,420)	-	-	(2,221,022)	(2,221,022)
Forward foreign exchange contracts outflow	1,055	46,695	165,902	-	-	213,652	213,652
	(531,172)	(843,680)	(632,518)	-	-	(2,007,370)	(2,007,370)
Loan commitments	-	(4,648,000)	(1,649,200)	-	-	(6,297,200)	-
	194,629,348	58,322,655	192,610,829	279,466,000	548,046	725,576,878	719,511,836
Net position	(149,631,918)	(1,605,952)	(147,794,830)	381,365,611	53,103,338	135,436,249	-
Cumulative gap	(149,631,918)	(151,237,870)	299,032,700	82,332,911	135,436,249	-	-

Interest rate risk

Interest rate risk is the risk that changes in interest rates will affect the Company's income or the value of its holdings of financial instruments. The objective of interest rate risk management is to manage and control interest rate risk exposure within acceptable parameters while optimising the return on risk.

Interest rate risk originating from banking activities arises partly from the employment of non-interest bearing liabilities such as shareholders' funds and customer current accounts, but also from the gaps that arise from the normal course of business.

The policy of the Company is to price all placements / exposures at floating rates or at fixed rates for fixed periods on appropriate rollover dates that allow for matching in the market.

The tables overleaf summarise the re-pricing mismatches on the Company's assets and liabilities as at 31 December 2023 and 31 December 2022. Items are allocated to time bands by reference to the earlier of the next contracted interest rate re-pricing date and the maturity date.

26. Financial instruments and risk management (continued)

As at 31 December 2023	Not more than three months £	More than three months but not more than six months £	More than six months but not more than one year £	More than one year but not more than five years £	More than five years £	Non-interest bearing £	Total £
Assets							
Cash and balances	9,654,324	-	-	-	-	71,091	9,725,415
Loans and advances to bank	13,576,284	-	-	-	-	-	13,576,284
Loans and advances to customers	259,718,965	80,668,811	79,489,960	300,864,191	-	(2,144,264)	718,597,663
Debt securities	113,266,113	8,956,973	(1,317,483)	11,100,905	6,336,427	-	138,342,935
Intangible assets	-	-	-	-	-	157,144	157,144
Investment property	-	-	-	-	-	9,604,343	9,604,343
Tangible fixed assets	-	-	-	-	-	21,774,348	21,774,348
Derivatives at fair value	107,063	525,729	-	-	-	-	632,792
Other assets	-	-	-	-	-	6,382,510	6,382,510
Prepayments and accrued income	-	-	-	-	-	1,140,078	1,140,078
Total Assets	396,322,749	90,151,513	78,172,477	311,965,096	6,336,427	36,985,250	919,933,512
Liabilities							
Deposit by banks	3,290,080	-	3,612,557	13,015,136	-	-	19,917,773
Repurchase agreement	19,284,670	-	-	-	-	-	19,284,670
Customer accounts	155,910,521	80,301,145	199,956,381	302,213,526	635,280	38,294,656	777,311,509
Derivatives at fair value	44,515	106,600	-	-	-	-	151,115
Other liabilities	-	-	-	-	-	3,534,309	3,534,309
Provision for liabilities	-	-	-	-	-	7,577,361	7,577,361
Shareholders' funds	-	-	-	-	-	92,156,775	92,156,775
Total Liabilities	178,529,786	80,407,745	203,568,938	315,228,662	635,280	141,563,101	919,933,512
Interest rate sensitivity gap	217,792,962	9,743,769	(125,396,461)	(3,263,566)	5,701,147	(104,577,851)	-
Cumulative sensitivity gap	217,792,962	227,536,731	102,140,270	98,876,704	104,577,851	-	-

26. Financial instruments and risk management (continued)

As at 31 December 2022 (as restated)	Not more than three months £	More than three months but not more than six months £	More than six months but not more than one year £	More than one year but not more than five years £	More than five years £	Non-interest bearing £	Total £
Assets							
Cash and balances	6,592,003	-	-	-	-	111,509	6,703,512
Loans and advances to banks	2,000,329	-	-	-	-	-	2,000,329
Loans and advances to customers	137,410,902	21,675,582	26,377,224	448,006,612	-	2,587,537	636,057,857
Debt securities	96,071,502	-	-	15,706,378	6,697,476	4,061,358	122,536,714
Intangible assets	-	-	-	-	-	254,630	254,630
Investment property	-	-	-	-	-	9,446,895	9,446,895
Tangible fixed assets	-	-	-	-	-	21,122,931	21,122,931
Derivatives at fair value	3,556,283	680,733	-	(2,015,964)	-	916,052	3,137,104
Other assets	-	-	-	-	-	1,906,588	1,906,588
Prepayments and accrued income	-	-	-	-	-	772,017	772,017
Total Assets	245,631,019	22,356,315	26,377,224	461,697,026	6,697,476	41,179,517	803,938,577
Liabilities							
Deposits by banks and credit unions	4,830,097	-	-	16,553,174	-	4,613	21,387,884
Customer accounts	167,756,300	99,208,122	123,229,175	255,361,677	528,619	54,005,897	700,089,790
Derivatives at fair value	(1,121,579)	(680,733)	-	2,015,964	-	-	213,652
Other liabilities	-	-	-	-	-	2,752,806	2,752,806
Provision for liabilities	-	-	-	-	-	4,881.234	4,881,234
Shareholders' funds	-	-	-	-	-	74,613,211	74,613,211
Total Liabilities	171,464,818	98,527,389	123,229,175	273,930,815	528,619	136,257,761	803,938,577
Interest rate sensitivity gap	74,166,201	(76,171,074)	(96,851,951)	187,766,211	6,168,857	(95,078,244)	-
Cumulative sensitivity gap	74,166,201	(2,004,873)	(98,856,824)	88,909,387	95,078,244	-	-

The table below shows the weighted average interest rates received and paid for each class of financial asset and financial liability exposed to interest rate risk.

	2023	2022
Financial assets		
Loans and advances to banks	5.20%	3.00%
Loans and advances to customers	4.99%	4.27%
Debt securities	4.95%	3.22%

	2023	2022
Financial liabilities		
Deposits by banks	1.41%	1.15%
Repurchase agreements	5.81%	-
Customer accounts	2.69%	1.47%

The management of interest rate risk against interest rate gap limits is supplemented by monitoring the sensitivity of the Company's financial assets and liabilities to various interest rate scenarios. The table overleaf shows the impact on annual income of a 200 basis point rise or fall in the base rate of the main currencies traded by the Company, and assumes a constant balance sheet position:

26. Financial instruments and risk management (continued)

	2023 200 basis points increase £	2023 200 basis points decrease £	2022 200 basis points increase £	2022 200 basis points decrease £
GBP	4,118,715	(4,496,657)	(4,154,359)	4,390,912
USD	(1,050,073)	1,209,895	(1,805,779)	2,088,018
EUR	(1,222)	1,248	(993)	1,015

Foreign exchange risk

Foreign exchange risk is the risk that changes in foreign currency rates will affect the Company's income or the value of its holdings of financial instruments. The objective of foreign currency risk management is to manage and control foreign currency risk exposure within acceptable parameters while optimising the return on risk.

Foreign exchange exposure arises from normal banking activities, primarily from the receipt of deposits and the placement of funds. Future open positions in any currency are managed by means of forward foreign exchange contracts. The Company may from time to time take open positions on its own account (proprietary trading) but these are closely monitored to ensure they remain within the overall foreign exchange policy set by the Board.

The Company does not currently deal, and has no plans to deal, in Foreign Exchange Futures, Foreign Exchange Options or Options on Foreign Exchange Futures.

Any foreign exchange forward swap transaction is either immediately covered or incorporated into the respective loan and deposit book (the banking book). The table set out in note 12 & 13 gives details of the notional principal amounts and fair values as at 31 December 2023 and 31 December 2022.

The Company has no significant structural currency exposures that are not covered by forward foreign exchange contracts. The tables shown overleaf give details of the Company's assets and liabilities as at 31 December 2023 and 31 December 2022, in sterling, based on the currencies in which they are denominated to identify the extent to which the foreign currency exposures of the Company are matched.

26. Financial instruments and risk management (continued)

As at 31 December 2023	Sterling £	US dollars £	Euro £	Other currencies £	Total £
Assets					
Cash and balances	6,844,234	1,935,787	524,032	421,362	9,725,415
Loan and advances to banks	12,005,128	1,571,156	-	-	13,576,284
Loans and advances to customers	695,057,438	6,923,783	4	16,616,438	718,597,663
Debt securities	112,003,675	26,339,260	-	-	138,342,935
Derivatives at fair value	632,792	-	-	-	632,792
Intangible assets	157,144	-	-	-	157,144
Investment property	9,604,343	-	-	-	9,604,343
Tangible assets	21,774,348	-	-	-	21,774,348
Other assets	6,382,510	-	-	-	6,382,510
Prepayments and accrued income	1,140,078	-	-	-	1,140,078
Total assets	865,601,690	36,769,986	524,036	17,037,800	919,933,512
Liabilities					
Deposits by banks	19,419,961	241,048	256,764	-	19,917,773
Repurchase agreements	19,284,670	-	-	-	19,284,670
Customer accounts	753,072,625	22,717,976	1,510,651	10,257	777,311,509
Derivatives at fair value	151,115	-	-	-	151,115
Other liabilities	3,625,126	242,804	(360,972)	27,351	3,534,309
Provision for liabilities	7,577,361	-	-	-	7,577,361
Shareholders' funds	98,385,847	(6,245,725)	333	16,320	92,156,775
Total liabilities and capital	901,516,705	16,956,103	1,406,776	53,928	919,933,512
Net (liabilities)/assets	(35,915,015)	19,813,883	(882,740)	16,983,872	-
Net currency forwards	37,407,435	(20,741,280)	870,737	(17,055,678)	481,214
Net position	1,492,420	(927,397)	(12,003)	(71,806)	481,214

26. Financial instruments and risk management (continued)

As at 31 December 2022 (as restated)	Sterling £	US dollars £	Euro £	Other currencies £	Total £
Assets					
Cash and balances	2,827,833	2,705,257	745,926	424,496	6,703,512
Loans and advances to banks	2,000,329	-	-	-	2,000,329
Loans and advances to customers	585,794,545	33,155,650	-	17,107,662	636,057,857
Debt securities	83,855,357	38,681,357	-	-	122,536,714
Derivatives at fair value	3,137,104	-	-	-	3,137,104
Intangible assets	254,630	-	-	-	254,630
Investment property	9,446,895	-	-	-	9,446,895
Tangible assets	21,122,931	-	-	-	21,122,931
Other assets	1,906,588	-	-	-	1,906,588
Prepayments and accrued income	772,017	-	-	-	772,017
Total assets	711,118,229	74,542,264	745,926	17,532,158	803,938,577
Liabilities					
Deposits by banks and credit unions	20,800,369	437,471	150,044	-	21,387,884
Customer accounts	660,149,104	38,989,227	938,883	12,576	700,089,790
Derivatives at fair value	213,652	-	-	-	213,652
Other liabilities	2,787,836	281,731	(345,861)	29,100	2,752,806
Provision for liabilities	4,881,234	-	-	-	4,881,234
Shareholders' funds	88,799,135	(14,190,366)	145	4,297	74,613,211
Total liabilities and capital	777,631,330	25,518,063	743,211	45,973	803,938,577
Net (liabilities)/assets	(66,513,101)	49,024,201	2,715	17,486,185	
Net currency forwards	71,692,113	(52,297,626)	-	(17,306,228)	2,088,259
Net position	5,179,012	(3,273,425)	2,715	179,957	2,088,259

The carrying amounts of derivative assets and liabilities represent fair values and have been included in the heading of the various currencies in which they occur. Foreign exchange risk on these instruments has been reflected through currency swaps. The notional principal (note 12 & 13) are amounts in respect of forward foreign exchange derivatives which are utilised for managing the foreign exchange risk position of the Company.

The sensitivity analysis table below shows the impact on the Company's total comprehensive income of possible changes in significant currency exposures based on historical volatility and relevant assumptions regarding near term future volatility.

	2023 10% increase £	2023 10% decrease £	2022 10% increase £	2022 10% decrease £
USD	(92,740)	92,740	(1,028,037)	1,028,037
EUR	(1,200)	1,200	(271)	271

The analysis table below shows the impact on the Company's other comprehensive income of possible changes in significant currency exposures based on historical volatility and relevant assumptions regarding near term future volatility.

26. Financial instruments and risk management (continued)

	2023 10% increase £	2023 10% decrease £	2022 10% increase £	2022 10% increase £
USD	(625,435)	625,435	(1,355,380)	1,355,380

Market Price Risk

The Sensitivity analysis below shows the impact on the Company's other comprehensive income of possible changes in market prices of the Company's AFS portfolio.

	2023 5% increase £	2023 5% decrease £	2022 5% increase £	2022 5% decrease £
Other comprehensive income	6,917,147	(6,917,147)	5,923,768	(5,923,768)

Capital management policy

The Company manages its capital through the Basel 3 framework which was enacted in the United Kingdom from 1 January 2014 via the fourth Capital Requirements Directive ('CRD 4') and the Capital Requirements Regulation ('CRR'). Further details of the Company's capital management policy can also be found in the unaudited Pillar III disclosures.

27. Post –employment benefits

United National Bank Limited Pension and Life Assurance Scheme

As part of the Shareholders' Agreement ('the Agreement') signed on 9 November 2001 between the Company and the shareholders, United Bank Limited and National Bank of Pakistan, it was agreed that the Company may participate as an associated employer in the United Bank Limited Pension and Life Assurance Scheme ('the Scheme') with effect from completion of the transfer of the businesses (19 November 2001) ('the Completion Date'). The Scheme is classified as a defined benefit scheme providing benefits based on final pensionable salary.

Under the terms of the Agreement, the Company is responsible for the funding requirements of the active members whose employment transferred to the Company on the Completion Date and for any new members admitted to the Scheme after this date. United Bank Limited remains responsible for the funding of the deferred members as at the Completion Date.

The pension scheme assets are held in a separate trustee-administered fund to meet long-term pension liabilities to past and present employees. The trustees of the fund are required to act in the best interest of the fund's beneficiaries. The appointment of trustees to the fund is determined by the Scheme's trust documentation. At present the sole trustee of the Scheme is Pitmans Trustees Limited.

This Scheme is subject to risks in relation to changes in inflation, future salary increases and to changes in the value of investments and the returns derived from such investments. An investment strategy is in place, which has been developed by the pension trustees in order to manage and mitigate such risks.

A comprehensive actuarial valuation of the scheme, using the projected unit credit method, was carried out as at 31 December 2023 by Premier Pensions Management, independent consulting actuaries.

	2023 £	2022 £
The amounts recognised are as follows:		
Present value of funded obligations	(4,863,000)	(4,566,000)
Fair value of plan assets	5,387,000	5,735,000
Gross pension asset	524,000	1,169,000
Surplus refund charge	(183,400)	(409,150)
Net pension asset	340,600	759,850

27. Post –employment benefits (continued)

	2023 £	2022 £
The amounts recognised in profit or loss is as follows:		
Interest income	264,000	122,000
Interest expense	(210,000)	(125,000)
Net interest income/(expense)	54,000	(3,000)

	2023 £	2022 £
The amounts recognised in other comprehensive income are as follows:		
*(Loss)/gain during the year	(454,350)	889,850

*This is an actuarial loss/(gain) of £454,350 (2022: (£889,850)). During the year the Company contributed £Nil (2022: £47k) to the Defined Benefit Scheme.

	2023 £	2022 £
Changes in the present value of the defined benefit obligation are as follows:		
As at 1 January	4,566,000	6,678,000
Interest expense	210,000	125,000
Remeasurement: actuarial loss from experience adjustments	361,000	40,000
Remeasurement: actuarial gain arising from changes in demographic assumptions	(76,000)	(11,000)
Remeasurement : actuarial loss/(gain) arising from changes in financial assumptions	102,000	(2,093,000)
Benefits paid	(300,000)	(173,000)
Balance at 31 December	4,863,000	4,566,000

	2023 £	2022 £
Changes in the fair value of plan assets are as follows:		
As at 1 January	5,735,000	6,504,000
Interest income	264,000	122,000
Remeasurement: the actuarial (loss)/gain arising from experience adjustments	(315,000)	120,000
Remeasurement: the actuarial loss arising from changes in demographic assumptions	(38,000)	(5,000)
Remeasurement: the actuarial gain/(loss) arising from changes in financial assumptions	41,000	(880,000)
Employer contribution	-	47,000
Benefits paid	(300,000)	(173,000)
Balance at 31 December	5,387,000	5,735,000

27. Post –employment benefits (continued)

	2023	2022
The major categories of plan assets as a percentage of total plan assets are as follows:		
Insurance policies	56.78%	64.73%
Guaranteed Annuities Rates	-	0.12%
Annuities	42.60%	34.40%
Cash	0.62%	0.75%

	2023 £	2022 £
The fair values of plan assets were as follows:		
Insurance policies	3,059,000	3,712,000
Guaranteed Annuity Rates	-	7,000
Annuities	2,295,000	1,973,000
Cash	33,000	43,000
Total	5,387,000	5,735,000

The liabilities and assets of the Scheme noted in the tables above relate to those employees for whom the Company has a funding liability.

The asset value supplied by the insurance company for 2023 is on an ongoing basis. If the policy had been surrendered at 31 December 2023, the surrender value would have been £3,059,000 (2022: £3,712,000). It is not the Company's intention to surrender the policy.

Principal assumptions are set out below:
The pension plan has not invested in any of the Company's own financial instruments or other assets of the Company. Principal actuarial assumptions at the reporting date (expressed as weighted averages) are set out below:

	2023	2022
Rate of increase of pensions in payment	3.50%	3.70%
Rate of revaluation of pensions in deferment	3.50%	3.70%
Discount rate	4.50%	4.75%
Price inflation (RPI)	3.05%	3.20%
Price inflation (CPI)	2.55%	2.90%
Expected return on assets	4.50%	4.75%
Post retirement mortality		
Current pensioners at 65 - male	86.20	86.80
Current pensioners at 65 - female	88.70	89.20
Future pensioners at 65 - male	87.20	87.80
Future pensioners at 65 - female	89.80	90.30

27. Post –employment benefits (continued)

Sensitivity analysis on actuarial assumptions

The sensitivity analysis has been conducted by calculating the gross pension liability (pension deficit) using the amended assumptions shown in the table below and keeping the remaining assumptions the same as disclosed under principal assumptions above. The difference between the recalculated pension deficit and that stated in the balance sheet reconciliation table is set out below. The selection of these movements to illustrate the sensitivity of the pension surplus to key assumptions should not be interpreted as the Company expressing any specific view of the probability of such movements happening.

Change in key assumptions:

	2023 Increase/ (Decrease) in Pension surplus £	2022 Increase/ (Decrease) in Pension surplus- £
1% increase in discount rate	321,000	311,000
1% decrease in discount rate	(397,000)	(376,000)
1% increase in inflation rate	(49,000)	(38,000)
1% decrease in inflation rate	36,000	45,000
1 year increase in life expectancy	(80,000)	(68,000)
1 year decrease in life expectancy	80,000	69,000

Total charge for the year (see note 5)

The total amount charged (excluding amounts debited to net interest income) during the year in respect of the defined contribution scheme and other money purchase schemes amounted to £551,840 (2022: £584,894). The charge (current service cost) for the defined benefit scheme was £Nil (2022: £47,000).

Of the contributions paid in the year £27,935 (2022: £43,085) was made on behalf of directors. It is estimated that contributions of £619,540 would be made to the defined contribution scheme and £Nil to the defined benefit scheme in 2024.

28. Ordinary dividend paid

The directors, at their Board meeting held on 7 March 2024 did not declare any ordinary dividend for the financial year ended 31 December 2023 (2022: £Nil).

29. Ultimate parent company and controlling party

Bestway Group Limited, a Company incorporated in Guernsey is the ultimate parent of United National Bank Limited. Bestway Group Limited is the largest group of accounts in which United National Bank Limited is consolidated. Copies of such accounts can be obtained from the Company Secretary, Bestway Group Limited, 2 Abbey Road, Park Royal, London NW10 7BW.

The immediate parent company and controlling party of United National Bank Limited is United Bank Limited, a company incorporated in Pakistan and the parent undertaking of the smallest group of which the Company is a member and for which group accounts are prepared. Copies of such accounts may be obtained from the Company Secretary, United Bank Limited, I.I. Chandigarh Road, Karachi, Pakistan.

United National Bank Limited is also an associate company to National Bank of Pakistan Limited, a company incorporated in Pakistan.

The shareholding structure of the Company is set out in note 23.

30. Related party transactions

During the year, two related companies undertook commercial arm's length transactions with the Company, mainly in the form of deposits placed with the Company. Below are details of amounts due to / from each party as at 31 December 2023 and 31 December 2022.

	United Bank Ltd 2023 £	United Bank Ltd 2022 £	National Bank of Pakistan 2023 £	National Bank of Pakistan 2022 £
Loans to	6,669,993	6,868,199	1,516,073	1,550,721
Deposits from	2,100,559	2,893,000	1,187,790	1,148,776
Deposits to	250,242	251,564	7,110	157,176
Contingent letter of credit liabilities	776,848	-	-	-
Interest earned from	382,007	114,312	89,103	23,251
Interest paid to	52,809	119,655	-	7,922
Discount income unearned due from	455,024	-	99,960	176,455
Preference share dividend paid to	239,003	98,404	-	-

During 2023, the Company sold some of its assets worth £17.3m (2022: £4.5m) to United Bank Limited. This was an arm's length transaction.

31. **Events after the reporting period**

There have been no post balance sheet events to note at the time of writing this report.