MONEYBARN NO.1 LIMITED
(Company Number 04496573)

ANNUAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2017

MONEYBARN NO.1 LIMITED
(Company Number 04496573)

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MONEYBARN NO.1 LIMITED
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DIRECTORS' REPORT

Moneybarn No.1 Limited (the 'company') is part of Provident Financial plc. Provident Financial plc is a public limited company, listed on the London Stock Exchange, which, together with its subsidiaries, forms the Provident Financial group (the 'group'). The immediate parent of the company is Moneybarn Group Limited.

Principal activities

The principal activity of the company is the provision of finance for the purchase of motor vehicles by individuals via conditional sale agreements.

Due to the company's net current liability position at the year-end, the ultimate parent undertaking Provident Financial plc, has confirmed its continued support for the company. Accordingly, the financial statements have been prepared on a going concern basis.

Results

The statement of comprehensive income for the year is set out on page 7. The profit for the year of £5.6m (2016: £17.5m) has been added to reserves.

Dividends

The directors do not propose the payment of a dividend in respect of the year ended 31 December 2017 (2016: £nil) to invest surplus equity into funding new receivables.

Directors

The directors of the company during the year ended 31 December 2017, all of whom were directors for the whole year then ended and to the date of this report, except where stated, were:

R W Anderson	
P S Crook	(Resigned 21 August 2017)
A C Fisher	
S Hodgson	
M J Le May	(Appointed 13 February 2018)
S D K Law	
P Minter	Chairman (appointed Chairman on 1 January 2017)

Auditor information

In accordance with section 418 of the Companies Act 2006, each person who is a director at the date of this report confirmed that:

i) so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
ii) he has taken all reasonable steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Auditor

Deloitte LLP will continue as auditor to the company for the next financial year.

BY ORDER OF THE BOARD

S Hodgson
Director
Petersfield
23 March 2018

STRATEGIC REPORT

Business review

The company recorded another year of strong growth in the receivables book in 2017. Profit before taxation and exceptional costs amounted to £27.4m (2016: £23.7m).

During the year, the company wrote 25,300 new contracts (2016: 21,500) and increased the portfolio of conditional sales financing contracts from 41,000 to 50,300. This growth was achieved from:

- a broader product range with improved onboarding systems and processes; and
- building upon the company's working relationships with brokers and intermediaries to improve volumes and efficiency.

The company has continued to invest in upgrading its computer systems both to win new business and to improve operational efficiency. This has involved research and development in order to continue to develop a system that is 'best in class' and capable of meeting the company's needs.

Revenue increased by 31.5% to £95.5m (2016: £72.6m), primarily as a result of the receivables growth with revenue margins being broadly stable. Amounts receivable from customers increased by 23.0% to £379.6m (2016: £308.7m).

Finance costs increased by 7.7% to £19.6m (2016: £18.2m) compared with a growth in year-end receivables of 23% due to the retention of earnings increasing the equity of the company.

Pre-exceptional impairment charges grew by 89% to £31.0m (2016: £16.4m) as a result of business growth and a change in the mix of credit quality in the portfolio. Pre-exceptional operating costs and administrative expenses grew by 22.4% to £17.5m (2016: £14.3m) in line with the growth in receivables.

Regulation

The company gained full authorisation from the FCA during 2016.

The FCA is currently investigating the processes applied by the company in relation to customer affordability assessments for vehicle finance and the treatment of customers in financial difficulties. This included the company entering into a voluntary requirement with the FCA pursuant to which it agreed to amend its processes for dealing with loan terminations to ensure that customers receive information which enables them to make an informed decision as to which termination option to adopt. On 5 December 2017, however, the group was informed that the FCA had commenced an investigation into the company covering the adequacy of creditworthiness assessments as well as the treatment of customers in default or arrears with forbearance and due consideration, and the provision of information about termination processes.

Based on the work undertaken to date and the status of discussions with the FCA, the estimated possible cost of restitution and fine is estimated to be £20.0m of which £12.1m, comprising a gross balance reduction of £32.5m less release of impairment provisions of £20.3m, has been reflected as a reduction in receivables and £7.9m which has been reflected as a provision in the 2017 year-end balance sheet. The release of impairment provisions of £20.3m has been reflected as a credit to impairment with the remaining estimated costs of £40.3m being reflected within administrative and operating costs.

Principal risks and uncertainties and financial risk management

In December each year the board approves detailed budgets and forecasts for the year ahead. It also approves outline projections for the subsequent four years. An update to the budget is approved in June of each year. Actual performance against these budgets is monitored in detail within the company's management accounts and this is supplemented with a rolling forecast of the full-year outturn. The Executive Committee meets each month to review the prior month performance of the company. This includes the management accounts and key financial and non-financial performance indicators. The company's management accounts also form part of the papers for each board meeting.

A principal risk faced by the company is the possibility that customers will fail to honour their contracts and the market value of the underlying vehicle will be insufficient security to cover the customer's outstanding liabilities. To mitigate this risk, the company has developed strong underwriting, loan to value and credit control policies, as well as an efficient disposal process.

STRATEGIC REPORT (CONTINUED)

The company continues to cooperate with the FCA in its ongoing investigation into affordability, forbearance and settlement options. The scope of the investigation is understood and the estimated cost of £20.0m, being management's prudent estimate of the expected outcome in respect of the investigation, has been reflected as an exceptional cost in the 2017 results. A final resolution to the investigation is likely to take up to 24 months.

The Executive Committee of Moneybarn (consisting of Duncton Group Limited and its subsidiaries) is responsible for managing the day-to-day strategic risks of the Moneybarn group. Moneybarn is managed as a consolidated business, and the committees and risk management policies operate across the group. The Executive Committee delegates some of its responsibilities to sub-committees, set out below.

The following committees all report to the Executive Committee which in turn reports to the board:

- Credit Committee, which reviews credit performance, approves underwriting rule changes, assesses new products or product changes and approves pricing changes.
- Policy Committee which reviews and approves the company policies and reviews and acts upon the feedback from internal audits.
- Regulatory Change Committee which meets quarterly to review the impact of regulatory changes on Moneybarn and any associated required actions.
- Complaints Committee which reviews complaints examples, trends and root causes.
- Risk Committee which oversees overall risk management and meets twice every quarter to:
    - Consider and monitor the ongoing effectiveness of the company's risk management framework, including business systems and controls, risk policies and risk appetite.
    - Review the Moneybarn risk measures, risk dashboards and risk appetites.
    - Consider the appropriateness of risk specific classifications and proposed mitigants as set out in the risk dashboards.

The Risk Committee reports to the board.

Information on the management of specific financial risks including credit, market, liquidity, interest rate, and capital risks is provided on pages 16 and 17.

Going concern
Due to the company's net current liability position at the year-end, the ultimate parent undertaking, Provident Financial plc, has confirmed its continued support for the company for at least the next 12 months from the date of signing these financial statements. As announced on 27 February 2018, the Parent Company, Provident Financial plc announced its intention to raise £331m of capital by way of a rights issue. Following the General Meeting held on 21 March 2018, the shareholders of Provident Financial plc approved the proposed rights issue. This will protect the Group's capital position and will allow the parent company the ability to continue its financial support for the company. Accordingly, the financial statements of the company have been prepared on a going concern basis of accounting. Further details on the basis of preparation are provided on page 11.

BY ORDER OF THE BOARD

S Hodgson
Director
Petersfield
23 March 2018

MONEYBARN NO.1 LIMITED
(Company Number 04496573)

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. 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, International Accounting Standard 1 requires that directors:

- properly select suitable accounting policies and apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRS are 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
- make an assessment of the company's ability to continue as a going concern.

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

BY ORDER OF THE BOARD

S Hodgson
Director
Petersfield
23 March 2018

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MONEYBARN NO.1 LIMITED

Report on the audit of the financial statements

Opinion
In our opinion the financial statements:
- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Moneybarn No.1 Limited (the 'company') which comprise:
- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in shareholder's equity;
- the statement of cash flows;
- the statement of accounting policies;
- the financial and capital risk management report; and
- the related notes 1 to 18.

The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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, 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
We are required by ISAs (UK) to report in respect of the following matters where:
- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Other information
The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MONEYBARN NO.1 LIMITED (CONTINUED)

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

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

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

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

Use of our report
This report is made solely to the 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.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:
- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

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

Matters on which we are required to report by exception
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

Matthew Perkins

Matthew Perkins (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Birmingham
23 March 2018

MONEYBARN NO.1 LIMITED
(Company Number 04496573)

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December	Note	2017 £'000	2016 £'000
Revenue	1	95,526	72,623
Finance costs	2	(19,605)	(18,183)
Impairment charges	3	(43,056)	(16,424)
Administrative and operating costs	3	(25,442)	(14,287)
Total costs		(88,103)	(48,894)
Profit before taxation	3	7,423	23,729
Profit before taxation and exceptional costs		27,423	23,729
Exceptional costs	3	(20,000)	-
Tax charge	4	(1,835)	(6,229)
Profit and total comprehensive income for the year		5,588	17,500

All of the above operations relate to continuing operations.

MONEYBARN NO.1 LIMITED
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BALANCE SHEET

As at 31 December	Note	2017 £'000	2016 £'000
ASSETS			
Non-current assets			
Intangible assets	6	58	121
Property, plant and equipment	7	-	-
Financial assets:			
- amounts receivable from customers	9	282,980	223,259
Deferred tax assets	11	60	63
		283,098	223,443
Current assets			
Financial assets:			
- cash and cash equivalents		2,908	2,041
- trade and other receivables	10	155	9,241
- amounts receivable from customers	9	96,667	85,438
Inventories		2,058	1,672
		101,788	98,392
Total assets		384,886	321,835
LIABILITIES			
Current liabilities			
Financial liabilities:			
- trade and other payables	12	(356,994)	(303,248)
Provisions	13	(7,897)	-
Current tax liabilities		(1,832)	(6,012)
		(366,723)	(309,260)
Total liabilities		(366,723)	(309,260)
NET ASSETS		18,163	12,575
SHAREHOLDER'S EQUITY			
Share capital	14	-	-
Retained earnings		18,163	12,575
TOTAL SHAREHOLDER'S EQUITY		18,163	12,575

The financial statements on pages 7 to 27 were approved by the board of directors on 23 March 2018 and signed on its behalf by:

S Hodgson
Director

S D K Law
Director

MONEYBARN NO.1 LIMITED
(Company Number 04496573)

STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY

	Share capital £'000	Retained earnings £'000	Total £'000
At 1 January 2016	-	(4,925)	(4,925)
Profit and total comprehensive income for the year	-	17,500	17,500
At 31 December 2016	-	12,575	12,575
At 1 January 2017	-	12,575	12,575
Profit and total comprehensive income for the year	-	5,588	5,588
At 31 December 2017	-	18,163	18,163

MONEYBARN NO.1 LIMITED
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STATEMENT OF CASH FLOWS

For the year ended 31 December	Note	2017 £'000	2016 £'000
Cash flow from operating activities			
Cash generated from operations	17	2,195	1,177
Tax (paid)/received		(1,340)	126
Net cash generated from operating activities		855	1,303
Cash flow from investing activities			
Purchase of intangible assets	6	-	(114)
Proceeds from disposal of property, plant and equipment	7	12	7
Net cash generated from/(used in) investing activities		12	(107)
Net increase in cash, cash equivalents and overdrafts		867	1,196
Cash and cash equivalents at beginning of year		2,041	845
Cash and cash equivalents at end of year		2,908	2,041

STATEMENT OF ACCOUNTING POLICIES

General information
The company is a private limited liability company incorporated and domiciled in the UK. The address of its registered office is The New Barn, Bedford Road, Petersfield, Hampshire, GU32 3LJ.

Basis of preparation
The financial statements are prepared in accordance with IFRS adopted for use in the European Union (EU), International Financial Reporting Interpretations Committee (IFRIC) interpretations and the Companies Act 2006 applicable to companies reporting under IFRS.

The financial statements have been prepared on a going concern basis under the historical cost convention. In preparing the financial statements, the directors are required to use certain critical accounting estimates and are required to exercise judgement in the application of the company's accounting policies.

The financial statements are presented in pounds sterling, which is the currency of the primary economic environment in which the company operates.

Separate disclosure of impairment on the face of the income statement

Historically, costs have been analysed between operating costs, administrative costs and finance costs on the face of the income statement. Operating costs comprised impairment and acquisition costs. Given that impairment costs comprise a significant proportion of the operating costs and due to its significance to the company, it is considered appropriate to disclose impairment separately on the face of the income statement. The residual operating costs, comprising acquisition costs have been incorporated within administrative and operating costs with 2016 comparatives reclassified.

Principal accounting policies
The company's principal accounting policies under IFRS, which have been consistently applied to all the years presented unless otherwise stated, are set out below.

The following new standards, amendments to standards and interpretations are mandatory and were applied by the company for the first time in the financial year commencing 1 January 2017:

(a) New and amended standards adopted by the company:

There have been no new or amended standards adopted by the company in the financial year beginning 1 January 2017 which had a material impact on the company.

(b) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2017 and not early adopted:

IFRS 9 'Financial instruments' is effective from 1 January 2018 and replaces IAS 39 'Financial instruments: Recognition and measurement'. The standard has been applied prospectively and prior year comparatives will not be restated.

IFRS 9 prescribes: (i) classification and measurement of financial instruments; (ii) expected loss accounting for impairment, and (ii) hedge accounting. The only area which materially affects the company is expected loss accounting for impairment. Under this approach, impairment provisions are recognised on inception of a loan based on the probability of default and the typical loss arising on default:

- Stage 1 – Accounts at initial recognition. The expected loss is based on a 12 month probability of default (PD), based on historic experience, and revenue is recognised on the gross receivable before impairment provision.

- Stage 2 – Accounts which have suffered a significant deterioration in credit risk but have not defaulted. The expected loss is based on a lifetime PD, based on historic experience, and recognised on the gross receivable before impairment provision.

STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

Principal accounting policies (continued)

- Stage 3 – Accounts which have missed a payment and are in arrears. Provisions are based on expected losses based on historic cash flows. Revenue is recognised on the net receivables after impairment provision. This stage is effectively the current IAS 39 treatment for impairment.

Provisions are calculated based on an unbiased probability-weighted outcome which take into account historic performance and considers the outlook for macro-economic conditions.

The impairment approach under IFRS 9 differs from the current incurred loss model under IAS 39 where impairment provisions are only reflected when there is objective evidence of impairment, typically a missed payment. The resulting effect is that impairment provisions under IFRS 9 are recognised earlier. This will result in a one-off adjustment to receivables, deferred tax and reserves on adoption and will result in delayed recognition of profits.

The company's unaudited IFRS 9 profits in 2017 of £28.8m were £5.3m lower than IAS 39 profits. This reflects the impact of the shrinkage in receivables. Profits in growing businesses tend to be lower under IFRS 9 whilst conversely profits of shrinking business tend to be higher.

The adoption of IFRS 9 into the opening balance sheet on 1 January 2018 results in a reduction in receivables of £37.0m, which net of deferred tax, results in a reduction in net assets of £30.0m.

Despite the adjustments required to receivables, net assets and earnings, it is important to note that IFRS 9 only changes the timing of profits made on a loan. The company's underwriting and scorecards will be unaffected by the change in accounting, the ultimate profitability of loan is the same under both IAS 39 and IFRS 9 and more fundamentally the cash flows and capital generation over the life of a loan remain unchanged.

IFRS 16, 'Leases', replaces IAS 17, 'Leases' and provides a model for the identification of lease arrangements and the treatment in the financial statements of both lessees and lessors.

The standard distinguishes leases and service contracts on the basis of whether an identified asset is controlled by the customer. Distinctions of operating leases and finance leases are removed for lessee accounting and is replaced by a model where a right-of use asset and a corresponding liability are recognised for all leases by lessees, except for short term assets and leases of low value assets.

The right of use asset is initially measured at cost and subsequently measured at cost less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others.

The classification of cash flows will be also affected as under IAS 17 operating lease payments are presented as operating cash flows; whereas under IFRS 16, the lease payments will be split into a principal and interest portion which will be presented as financing and operating cash flows respectively.

The company are in the process of assessing the impact of the standard and will adopt from the effective date of 1 January 2019.

STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

Revenue

Hire purchase agreements to customers (conditional sale):
Interest income on conditional sale contracts is recognised in the income statement for all conditional sales using an effective interest rate method (EIR), such that a constant periodic rate of return is earned on the net investment in the conditional sale agreements, as required by IAS 17.The EIR is the rate that discounts estimated future cash flows of the amount of finance provided in the conditional sale agreement back to the present value of the amount, taking account of directly attributable incremental issue costs (broker commissions). Under IAS 39 interest earned is reduced to reflect the impairment of receivables, and a corresponding adjustment is made to the impairment charge.

Interest and administration charges:
Interest and administration charges and other fees charged to customers arising on settlement or default are recognised as the event occurs and are exclusive of VAT.

Finance costs
Finance costs principally comprise the interest on both intra-group and third party loan arrangements, and are recognised on an effective interest rate basis.

Amounts receivable from customers
Customer receivables are initially recognised at the amount of finance agreed with the customer in the conditional sale agreement plus directly attributable acquisition costs. After initial recognition, customer receivables are subsequently measured at amortised cost. Amortised cost is the amount of the customer receivable at initial recognition less customer repayments, plus revenue earned calculated using the effective interest rate, less deduction for impairment.

Customer balances are deemed to be impaired as soon as a customer misses one monthly contractual payment. Impairment is calculated as the difference between the carrying value of receivables and the present value of estimated future cash flows discounted at the original effective interest rate. Estimated future cash flows are based on the historical performance of customer balances falling into different arrears stages and are regularly assessed.

In addition, the company raises an incurred but not yet reported provision to cover impairment events that have taken place but are not as yet evidenced by a missing payment.

Intangible assets
Intangible assets, which comprises computer software, represent the costs incurred to acquire or develop the specific software and bring it into use.

Computer software is amortised on a straight-line basis over its estimated useful economic life, which is generally estimated to be between three and five years.

The residual values and economic lives of intangible assets are reviewed by management at each balance sheet date.

Amortisation is charged to the income statement as part of administrative costs.

	%	Method
Software development costs	33.3	Straight line

Property, plant and equipment
Property, plant and equipment is shown at cost less subsequent depreciation and impairment.

Cost represents invoiced cost plus any other costs that are directly attributable to the acquisition of the items. Repairs and maintenance costs are expensed as incurred.

STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment (continued)
Depreciation is calculated to write down assets to their estimated realisable value over their useful economic lives. The following are the principal bases used:

	%	Method
Equipment and vehicles	25-42	Straight line

The residual values and useful economic lives of all assets are reviewed, and adjusted if appropriate, at each balance sheet date.

All property, plant and equipment are tested for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying value exceeds the higher of the asset's value in use or its fair value less costs to sell.

Gains and losses on disposal of property, plant and equipment are determined by comparing any proceeds with the carrying amount of the asset and are recognised within administrative costs in the income statement.

Motor vehicles are depreciated over the estimated useful life of the asset, generally between 3 and 5 years dependent on vehicle class and expected annual mileage.

Depreciation is charged to the income statement as part of administrative costs.

Inventories
Inventories consist of vehicles brought back into stock after the termination of the conditional sale agreements with customers, valued at the expected auction proceeds net of auction costs.

Cash and cash equivalents
Cash and cash equivalents comprise cash at bank and in hand.

Share capital
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Taxation
The tax charge represents the sum of current and deferred tax. Current tax is calculated based on taxable profit for the year using tax rates that have been enacted or substantively enacted by the balance sheet date. Taxable profit differs from profit before taxation as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method.

Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled. Deferred tax is also provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the company and it is probable that the temporary difference will not reverse in the future.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

Taxation (continued)
Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Provisions
Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event, it is probable that the company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

Key assumptions and estimates
In applying the accounting policies set out above, the company makes significant estimates and assumptions that affect the reported amounts of assets and liabilities as follows:

Amounts receivable from customers
The company assesses whether there is objective evidence that amounts receivable from customers have been impaired at each balance sheet date. The principal criterion for determining whether there is objective evidence of impairment is a delinquency in contractual payments.

Amounts receivable from customers are deemed to be impaired as soon as a customer misses one monthly contractual payment. Impairment is calculated as the difference between the carrying value of receivables and the present value of estimated future cash flows discounted at the original effective interest rate. Estimated future cash flows are based on the historical performance of customer balances falling into different arrears stages and are regularly assessed.

The company complies with the derecognition and impairment provisions of IAS39, Financial instruments: Recognition and measurement.

To the extent that the net present value of estimated future cash flows differs by +/- 1%, it is estimated that the amounts receivable from customers would be approximately £3.8m (2016: £3.1m) higher/lower.

Provision for customer restitution costs (£20m)
Provisions for customer restitution are established based on the following conditions being present: (i) a present obligation (legal or constructive) has arisen as a result of a past event; (ii) payment is probable (more likely than not); and (iii) the amount can be estimated reliably. Judgement is applied to determine whether the criteria for establishing a provision have been met, including obtaining legal advice from the group's lawyers. Any provisions established are based on either: (i) the basis of any settlement agreed with the FCA; (ii) any future claims which may arise outside the settlement agreement reached with the FCA; and (iii) the expected costs of administering the restitution programme.

Judgement is applied to determine the quantum of such liabilities, particularly those relating to future claims volumes, including making assumptions regarding the number of future complaints that will be received and the extent to which they will be upheld, average restitution payments and related administrative costs. Past experience is used as a predictor of future expectations with management applying overlays where necessary depending on the nature and circumstances of any restitution programme.

The total amount provided for redress represents the company's best estimate of the likely future cost. However, a number of risks and uncertainties remain in particular with respect to future claim volumes outside of any settlement agreed with the FCA. The cost could differ from the company's estimates and the assumptions underpinning them, and could result in a further provision being required.

FINANCIAL AND CAPITAL RISK MANAGEMENT

The overall financial and risk management framework is the responsibility of the board with certain responsibilities in respect of internal control and risk management being delegated to various subcommittees who report directly to the board. The company also operates within a group treasury framework and is subject to group treasury policies including counterparty, liquidity, interest rate, market and capital risk.

An overview of the group's risk management framework can be found in the annual report and financial statements of Provident Financial plc.

(a) Credit risk
Credit risk is the risk that the company will suffer loss in the event of a default by a customer, a bank counterparty or the UK Government. A default occurs when the customer, bank or the UK government fails to honour repayments as they fall due.

(i) Amounts receivable from customers
The company's maximum exposure to credit risk on amounts receivable from customers as at 31 December 2017 is the carrying value of amounts receivable from customers of £379.6m (2016: £308.7m).

The board is responsible for setting the credit policy of the company. The board meets quarterly, or more frequently if required, and is responsible for ensuring that the approach to lending is within sound risk and financial parameters and that key metrics are reviewed to ensure compliance with policy.

A customer's risk profile and amount of finance provided by way of conditional sales contract is evaluated at the point of application. Historical payment patterns of customers are used to assess the applicant's potential default risk and their ability to manage a specific finance amount and monthly payments. The company also incorporates data from the applicant, such as income and employment, and data from external credit bureaux in assessing the customer's risk profile.

Arrears management is a combination of central letters, inbound and outbound telephony, SMS, e-mail and outsourced debt collection agency activities. Contact is made with the customer to discuss the reasons for non-payment and specific strategies are employed to support the customer in returning to a good standing, which can involve recovery of the vehicle for which the loan was placed.

(ii) Counterparty risk
The company's maximum exposure to credit risk on bank counterparties as at 31 December 2017 was £2.9m (2016: £2.0m).

Counterparty credit risk arises as a result of cash deposits placed with banks and the use of derivative financial instruments with banks and other financial institutions which are used to hedge interest rate risk and foreign exchange rate risk. Counterparty credit risk is managed by the group's treasury committee and is governed by a board approved counterparty policy which ensures that the group's cash deposits and derivative financial instruments are only made with high quality counterparties with the level of permitted exposure to a counterparty firmly linked to the strength of its credit rating. In addition, there is a maximum exposure limit for all institutions, regardless of credit rating. This is linked to the group's regulatory capital base in line with the group's regulatory reporting requirements on large exposures to the Prudential Regulation Authority (PRA).

(b) Liquidity risk
Liquidity risk is the risk that the company will have insufficient liquid resources available to fulfil its operational plans and/or to meet its financial obligations as they fall due. The company's funding is provided by a mixture of retained earnings and intra-group borrowings from Provident Financial plc.

Liquidity risk is managed by the group's centralised treasury department through daily monitoring of expected cash flows in accordance with a board-approved group funding and liquidity policy. This process is monitored regularly by the group treasury committee.

FINANCIAL AND CAPITAL RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk (continued)
The group's funding and liquidity policy is designed to ensure that the group is able to continue to fund the growth of the business. The group therefore maintains committed borrowing facilities and access to retail deposit funding through its subsidiary, Vanquis Bank Limited, to meet forecast borrowing requirements, including contractual maturities, at all times for at least the following 12 months. As at 31 December 2017, the group's committed borrowing facilities had a weighted average maturity of 2.3 years (2016: 2.5 years) and the headroom on these committed facilities amounted to £66.2m (2016: £110.2m). In addition the group has additional funding capacity for Vanquis Bank to take retail deposits of £76.9m and cash resources held of £34.3m.

The group is less exposed than other mainstream lenders to liquidity risk as the loans issued by the Consumer Credit Division are of short-term duration (typically around one year), whereas the group's borrowings extend over a number of years.

A maturity analysis of the undiscounted contractual cash flows of the group's bank and other borrowings, including derivative financial instruments settled on a net and gross basis, is set out in the annual report and financial statements of Provident Financial plc.

(c) Interest rate risk
Interest rate risk is the risk of a change in external interest rates which leads to an increase in the company's cost of borrowing.

The group's exposure to movements in interest rates is managed by the group treasury committee and is governed by a board-approved interest rate hedging policy which forms part of the group's treasury policies.

The group seeks to limit the net exposure to changes in sterling interest rates. This is achieved through a combination of issuing fixed-rate debt and by the use of derivative financial instruments such as interest rate swaps.

A 2% movement in the interest rate applied to borrowings during 2017 and 2016 would not have had a material impact on the group's profit before taxation or equity as the group's interest rate risk was substantially hedged. Further details of the interest rate risk management are detailed within the annual report and financial statements of Provident Financial plc.

(d) Market risk
Market risk is the risk of loss due to adverse market movements caused by active trading positions taken in interest rates, foreign exchange markets, bonds and equities. The group's policies do not permit it or the company to undertake position taking or trading books of this type and therefore neither it or the company does so.

(e) Capital risk
Capital risk is managed by the group's centralised treasury department. The group manages capital risk by focussing on capital efficiency and effective risk management. This takes into account the requirements of a variety of different stakeholders including shareholders, policyholders, regulators and rating agencies. A more detailed explanation of the management of capital risk can be found in the annual report and financial statements of Provident Financial plc.

NOTES TO THE FINANCIAL STATEMENTS

1 Revenue

	2017 £'000	2016 £'000
Interest income	94,242	71,685
Fee income	1,284	938
Total revenue	95,526	72,623

Revenue comprises interest and fee income of £106.3m (2016: £80.7m) net of the amortisation of deferred broker commissions of £10.8m (2016: £8.1m).

Management regard the business as one operating segment. All revenue is from UK operations..

2 Finance costs

	2017 £'000	2016 £'000
Interest payable to other group undertakings	19,605	18,183
Total finance costs	19,605	18,183

3 Profit before taxation

	2017 £'000	2016 £'000
Profit before taxation is stated after charging/(crediting):		
Amortisation of intangible assets:		
- computer software (note 6)	63	95
Depreciation of property, plant and equipment (note 7)	-	9
Profit on disposal of property, plant and equipment (note 7)	(12)	(7)
Impairment of amounts receivable from customers (note 9)	30,954	16,424
Exceptional costs	20,000	-

Fellow subsidiary undertakings have recharged certain administrative costs to the company of £13.7m (2016: £12.5m) in respect of services provided.

The exceptional costs for the year are in relation to an FCA investigation into the company regarding its processes on affordability, forbearance and settlement options. Based on the work undertaken to date and the status of discussions with the FCA, the estimated cost of restitution and fine is estimated to be £20.0m of which £12.1m, comprising a gross balance reduction of £32.5m less release of impairment provisions of £20.3m, has been reflected as a reduction in receivables and £7.9m has been reflected as a provision in the 2017 year-end balance sheet. The release of impairment provisions of £20.3m has been reflected as a credit to impairment with the remaining estimated costs of £40.3m being reflected within administrative and operating costs.

Exceptional costs	2017 £'000	2016 £'000
Release of impairment provision as part of FCA balance reduction	(20,319)	-
Estimated costs of settlement of the FCA investigation	40,319	-
Total exceptional costs	20,000	-

Auditor's remuneration to Deloitte LLP in respect of the audit of the financial statements was £200,000 (2016: £49,000). Auditor's remuneration to Deloitte LLP in respect of other services was £nil (2016: £nil).

4 Tax charge

Tax charge in the income statement	2017 £'000	2016 £'000
Current tax	(1,832)	(6,216)
Deferred tax (note 11)	(3)	(10)
Impact of change in UK tax rate (note 11)	-	(3)
Total tax charge	(1,835)	(6,229)

During 2015, changes in corporation tax rates were enacted, reducing the corporation tax rate from 20% to 19% with effect from 1 April 2017 and from 19% to 18% with effect from 1 April 2020. During 2016, a further change was enacted which further reduced the corporation tax rate from 18% to 17% with effect from 1 April 2020. Deferred tax balances as at 31 December 2017 have been measured at 17% on the basis that temporary differences on which deferred tax has been calculated are expected to reverse after 1 April 2020 (2016: 1 April 2020). In 2017, movements in the deferred tax balances have been measured at the statutory corporation tax rate for the year of 19.25% (2016: 20.00%). A tax charge in 2017 of £nil (2016: £3,000) represents the income statement adjustment to deferred tax as a result of these changes.

The rate of tax charge on the profit before taxation for the year is higher than (2016: higher than) the average standard rate of corporation tax in the UK of 19.25% (2016: 20%). This can be reconciled as follows:

	2017 £'000	2016 £'000
Profit before taxation	7,423	23,729
Profit before taxation multiplied by the average standard rate of corporation tax in the UK of 19.25% (2016: 20%)	(1,429)	(4,746)
Effects of:		
- adjustment in respect of prior years	(20)	(1,475)
- impact of change in UK tax rate	-	(3)
- non-deductible FCA fine	(289)	-
- impact of permanent differences	(97)	(5)
Total tax charge	(1,835)	(6,229)

The estimated fine levied by the FCA of £1.5m included in the exceptional costs discussed in Note 3 is not tax deductible. This gives rise to an adverse impact on the tax charge of £289k (2016: £nil).

5 Employee information and directors' remuneration

The company has no employees.

The emoluments of the directors are paid by Moneybarn Limited, a fellow subsidiary, which makes no specific recharge to the company (2016: no specific recharge) in relation to the directors. It is not possible to make an accurate apportionment of their services in relation to the company. The emoluments of these directors are disclosed in the financial statements of Moneybarn Limited.

6 Intangible assets

	Computer software	
	2017	2016
	£'000	£'000
Cost		
At 1 January	357	243
Additions	-	114
At 31 December	357	357
Accumulated amortisation		
At 1 January	236	141
Charged to the income statement	63	95
At 31 December	299	236
Net book value at 31 December	58	121
Net book value at 1 January	121	102

7 Property, plant and equipment

	Equipment and vehicles	
	2017	2016
	£'000	£'000
Cost		
At 1 January	92	105
Disposals	(29)	(13)
At 31 December	63	92
Accumulated depreciation		
At 1 January	92	96
Charged to the income statement	-	9
Disposals	(29)	(13)
At 31 December	63	92
Net book value at 31 December	-	-
Net book value at 1 January	-	9

Disposals in the year had a net book value of £nil (2016: £nil) and related proceeds of £12,000 (2016: £7,000). The profit on disposals was £12,000 (2016: £7,000).

8 Financial instruments

The following table sets out the carrying value of the company's financial assets and liabilities in accordance with the categories of financial instruments set out in IAS 39. Assets and liabilities outside the scope of IAS 39 are shown within non-financial assets/liabilities:

31 December 2017

	Loans and receivables £'000	Amortised cost £'000	Non-financial assets/ liabilities £'000	Total £'000
Assets				
Cash and cash equivalents	2,908	-	-	2,908
Trade and other receivables	60	-	95	155
Amounts receivable from customers	379,647	-	-	379,647
Intangible assets	-	-	58	58
Deferred tax assets	-	-	60	60
Inventories	-	-	2,058	2,058
Total assets	382,615	-	2,271	384,886
Liabilities				
Trade and other payables	-	(356,994)	-	(356,994)
Provisions	-	-	(7,897)	(7,897)
Current tax liabilities	-	-	(1,832)	(1,832)
Total liabilities	-	(356,994)	(9,729)	(366,723)

31 December 2016

	Loans and receivables £'000	Amortised cost £'000	Non-financial assets/ liabilities £'000	Total £'000
Assets				
Cash and cash equivalents	2,041	-	-	2,041
Trade and other receivables	9,019	-	222	9,241
Amounts receivable from customers	308,697	-	-	308,697
Intangible assets	-	-	121	121
Deferred tax assets	-	-	63	63
Inventories	-	-	1,672	1,672
Total assets	319,757	-	2,078	321,835
Liabilities				
Trade and other payables	-	(303,248)	-	(303,248)
Current tax liabilities	-	-	(6,012)	(6,012)
Total liabilities	-	(303,248)	(6,012)	(309,260)

9 Amounts receivable from customers

Amounts receivable from customers are held at amortised cost and are equal to the expected future cash flows discounted at the effective interest rate. The average effective interest rate for the year ended 31 December 2017 was 29% (2016: 29%).

Amounts from customers comprises £364.1m (2016: £297.3m) of customer receivables plus deferred broker commissions of £15.5m (2016: £11.4m).

Ageing analysis of amounts receivable from customers	2017 £'000	2016 £'000
Amounts due within one year	96,667	85,438
Amounts due in more than one year	282,980	223,259
Total	379,647	308,697

2017	Within 1 year £'000	1-5 years £'000	Total £'000
Future minimum lease payments	182,484	410,603	593,087
Unearned finance income	(85,817)	(127,623)	(213,440)
Present value of minimum lease payments receivable	96,667	282,980	379,647

2016	Within 1 year £'000	1-5 years £'000	Total £'000
Future minimum lease payments	153,878	326,766	480,644
Unearned finance income	(68,440)	(103,507)	(171,947)
Present value of minimum lease payments receivable	85,438	223,259	308,697

No finance agreements entered into have a term greater than five years (2016: none over five years).

The average term of finance leases entered into during the year is 4.7 years (2016: 4.7 years).

Vehicles are held as collateral against customer receivables until they are repaid in full. At 31 December 2017, £239.1m (2016: £217.6m) of collateral is held against the net amounts receivable from customers of £364.1m (2016: £297.3m), representing 66% (2016: 73%) of the balance.

The credit quality of amounts receivable from customers is as follows:

Credit quality of amounts receivable from customers	2017 £'000	2016 £'000
Neither past due nor impaired	263,610	241,228
Impaired	116,037	67,469
Total	379,647	308,697

The company has no balances past due, but not impaired, as a provision is made immediately when a balance is in arrears.

9 Amounts receivable from customers (continued)

Impairment is deducted from the carrying value of amounts receivable from customers by use of an allowance account. The movement in the allowance account during the year is as follows:

Impairment allowance account	2017 £'000	2016 £'000
At 1 January	34,171	18,485
Charge for the year	30,954	16,424
Release of impairment provision as part of balance reduction (see note 3)	(20,319)	-
Amounts written off during the year	(328)	(738)
At 31 December	44,478	34,171

Interest income of £14.2m (2016: £10.0m) has been recognised during the year on amounts receivable from customers which have been impaired.

The fair value of amounts receivable from customers is approximately £394.7m (31 December 2016: £338.3m). Fair value has been derived by discounting expected future cash flows at the credit risk adjusted discount rate at the balance sheet date.

Under IFRS 13. 'Fair value measurement', receivables are classed as level 3 as they are not traded on active market and the fair value is therefore through future cashflows.

10 Trade and other receivables

Current assets	2017 £'000	2016 £'000
Amounts owed by fellow subsidiary undertakings	-	9,019
Prepayments and accrued income	95	222
Other receivables including amounts due to the company for taxation and social security	60	-
Total	155	9,241

There are no amounts past due in respect of trade and other receivables that are not impaired.

Amounts owed by fellow subsidiary undertakings are unsecured, repayable on demand and do not accrue interest.

The maximum exposure to credit risk of trade and other receivables is the carrying value of each class of receivable set out above.

There is no collateral held in respect of trade and other receivables (2016: £nil).

11 Deferred tax

Deferred tax is calculated in full on temporary differences under the balance sheet liability method. During 2015, reductions in corporation tax rates were enacted, reducing the corporation tax rate from 20% to 19% with effect from 1 April 2017 and from 19% to 18% with effect from 1 April 2020. During 2016, a further change was enacted which further reduced the corporation tax rate from 18% to 17% with effect from 1 April 2020. Deferred tax balances at 31 December 2017 have been measured at 17% (2016: 17%) on the basis that the temporary differences on which the deferred tax has been calculated are expected to reverse after 1 April 2020 (2015: 1 April 2020). In 2017,movements in the deferred tax balances have been measured at the statutory corporation tax rate for the year of 19.25% (2016: 20.00%). A tax charge in 2017 of £nil (2016: £3,000) represents the income statement adjustment to deferred tax as a result of these changes. The movement in the deferred tax asset during the year can be analysed as follows:

Asset	2017 £'000	2016 £'000
At 1 January	63	76
Charge to the income statement	(3)	(10)
Impact of change in UK tax rate	-	(3)
At 31 December	60	63

Asset		2017
	Accelerated capital allowances £'000	Total £'000
At 1 January	63	63
Charge to the income statement	(3)	(3)
At 31 December	60	60

Asset			2016
	Accelerated capital allowances £'000	Other temporary differences £'000	Total £'000
At 1 January	72	4	76
Charge/(credit) to the income statement	(6)	(4)	(10)
Impact of change in UK tax rate	(3)	-	(3)
At 31 December	63	-	63

Deferred tax is a future tax liability or asset resulting from temporary differences or timing differences between the accounting value of assets and liabilities and their value for tax purposes. Deferred tax arises primarily in respect of property, plant and equipment which is depreciated on a different basis for tax purposes and certain cost provisions for which tax deductions are only available when the costs are paid. Deferred tax assets are recognised because it is considered probable that future taxable profits will be available against which the temporary differences can be utilised.

12 Trade and other payables

Current liabilities	2017 £'000	2016 £'000
Trade payables	881	290
Amounts owed to fellow subsidiary undertakings	4,672	22,802
Amounts owed to ultimate parent undertaking	349,628	279,159
Accruals	1,813	997
Total	356,994	303,248

The fair value of trade and other payables equates to their book value (2016: fair value equated to book value). Amounts owed to fellow subsidiary undertakings are unsecured, due for repayment in less than one year and do not accrue interest.

Amounts owed to the ultimate parent undertaking are unsecured, due for repayment in less than one year and accrue interest at rates linked to LIBOR. Provident Financial plc, has confirmed its continued support for the company for at least the next 12 months.

13 Provisions

Provisions	2017 £'000	2016 £'000
At 1 January	-	-
Created in the year	20,000	-
Utilised in the year	12,103	-
Total	7,897	-

Moneybarn continues to cooperate with the FCA with its ongoing investigation into affordability, forbearance and termination options. Management's best estimate in respect of the potential liability in respect of the investigation, based on the work of external consultants and management's own analysis of potentially affected customers within the areas being investigated, is estimated to be £20.0m. This comprises £12.1m in respect of balance reductions to existing customers and £7.9m in respect of potential cash restitution, administration costs and an FCA fine. The balance reductions of £12.1m have been applied to amounts receivable from customers at 31 December 2017 with the remaining estimated cost of £7.9m being recognised as a provision at 31 December 2017.

14 Share capital

	2017		2016	
	Authorised	Issued and fully paid	Authorised	Issued and fully paid
Ordinary shares of £1 each	2	2	2	2
Number of shares	2	2	2	2

There are no shares issued and not fully paid at the end of the year (2016: no shares).

15 Related party transactions

Details of the transactions between the company and other group undertakings, which comprise management recharges and interest charges or credits on intra-group balances, along with any balances outstanding at 31 December are set out below:

			2017
Company	Management recharge £'000	Interest charge £'000	Outstanding balance £'000
Ultimate parent undertaking	-	19,605	(349,628)
Other subsidiaries of the ultimate parent undertaking	13,688	-	(4,672)

			2016
Company	Management recharge £'000	Interest charge £'000	Outstanding balance £'000
Ultimate parent undertaking	-	18,183	(279,159)
Immediate parent undertaking	-	-	1,845
Other subsidiaries of the ultimate parent undertaking	12,470	-	(15,628)

The directors believe that all related party transactions are on an arm's length basis.

16 Contingent liabilities

The company is a guarantor in respect of: (i) borrowings made by the company's ultimate parent undertaking; and (ii) guarantees given by the company's ultimate parent undertaking in respect of borrowings of certain of its subsidiaries to a maximum of £969.8m (2016: £1,019.0m). At 31 December 2017, the borrowings amounted to £879.5m (2016: £908.8m).

17 Reconciliation of profit after taxation to cash generated from operations

	Note	2017 £'000	2016 £'000
Profit after taxation		5,588	17,500
Adjusted for:			
- tax charge	4	1,835	6,229
- amortisation of intangible assets	6	63	95
- depreciation of property, plant and equipment	7	-	9
- profit on disposal of property, plant and equipment	7	(12)	(7)
Changes in operating assets and liabilities:			
- amounts receivable from customers		(70,950)	(81,792)
- trade and other receivables		4,414	(5,477)
- inventories		(386)	204
- trade and other payables		53,746	64,416
- provisions		7,897	-
Cash generated from operations		2,195	1,177

18 Parent undertaking and controlling party

The immediate parent undertaking is Moneybarn Group Limited. The ultimate parent undertaking and controlling party is Provident Financial plc, which is the largest and smallest group to consolidate these financial statements. Copies of the consolidated financial statements of Provident Financial plc may be obtained from the Company Secretary, Provident Financial plc, No.1 Godwin Street, Bradford, BD1 2SU.