

DUNCTON GROUP LIMITED
(Company Number 06308608)

ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019

DUNCTON GROUP LIMITED
(Company Number 06308608)

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DUNCTON GROUP LIMITED
(Company Number 06308608)

DIRECTORS REPORT

Duncton Group Limited (the 'company') is part of Provident Financial plc, a public limited company, listed on the London Stock Exchange, which, together with its subsidiaries, forms the Provident Financial group (the 'group').

Principal activities and review of the business

The principal activity of the company is that of a holding company. The principal activity of the company's subsidiaries is the financing of motor vehicles to individuals via conditional sale agreements.

Results

The statement of comprehensive income for the year is set out on page 5. The profit for the year of £5,000 (2018: loss of £7,000) has been added to (2018: deducted) from reserves.

Dividends

The directors are unable to recommend the payment of a dividend in respect of the year ended 31 December 2019 (2018: £nil).

Directors

The directors of the company during the year ended 31 December 2019, all of whom were directors for the whole year then ended and to the date of this report were:

M J Le May (Chairman)
S Hodgson (Resigned 31 March 2020)
L S O'Loingsigh
S G Thomas (Resigned 31 March 2020)
N Kapur (Appointed 1 April 2020)
S J Bayley (Appointed 1 April 2020)
D V Shrimpton-Davis (Appointed 23 April 2020)

Post balance sheet events

Post balance sheet events have been disclosed in note 14 of the accounts.

Consolidation exemption

The company is not required to produce consolidated accounts for its subsidiaries as the ultimate parent of the company, Provident Financial plc, produces a consolidation which includes the company and its subsidiaries. The financial statements for Provident Financial plc are publicly available.

Exemption from preparing a strategic report

In accordance with section 414B of Companies Act 2006, the company has taken advantage of the exemption for small companies from preparing a strategic report.

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

L S O'Loingsigh
Director
Petersfield
27 August 2020



DUNCTON GROUP LIMITED
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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.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
DUNCTON GROUP LIMITED**

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Duncton Group Limited ('the company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2019 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 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;
- financial and capital risk management; and
- the related notes 1 to 14.

The financial reporting framework that has been applied in their preparation is applicable law and 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 Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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
DUNCTON GROUP LIMITED (CONTINUED)**

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with applicable legal requirements.

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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled take advantage of the small companies' exemptions in preparing the directors' report and from the requirement to prepare a strategic report.

We have nothing to report in respect of these matters.

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.

S. Cumberlandbatch

Stewart Cumberlandbatch (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Birmingham
27 August 2020

DUNCTON GROUP LIMITED
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STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December	Note	2019 £'000	2018 £'000
Finance income	1	8	6
Administrative costs		(2)	(2)
Profit before taxation	2	6	4
Tax charge	3	(1)	(11)
Profit/ (loss) and total comprehensive income/ (expense) for the year		5	(7)

All of the above operations relate to continuing operations.

DUNCTON GROUP LIMITED
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BALANCE SHEET

	Note	2019 £'000	2018 £'000
ASSETS			
Non-current assets			
Investments in subsidiaries	5	10,000	10,000
Current assets			
Trade and other receivables	7	1,033	1,040
Total current assets		1,033	1,040
Total assets		11,033	11,040
LIABILITIES			
Current liabilities			
Trade and other payables	8	(30)	(42)
Current tax liabilities		(1)	(1)
Total liabilities		(31)	(43)
NET ASSETS		11,002	10,997
SHAREHOLDER'S EQUITY			
Share capital	9	11,007	11,007
Share premium account		20	20
Retained deficit		(25)	(30)
TOTAL SHAREHOLDER'S EQUITY		11,002	10,997

The financial statements on pages 5 to 17 were approved by the board of directors on 27 August 2020 and signed on its behalf by:



L S O'Loingsigh
Director



S J Bayley
Director

DUNCTON GROUP LIMITED
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STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY

	Share capital £'000	Share premium account £'000	Retained deficit £'000	Total £'000
At 1 January 2018	11,007	20	(23)	11,004
Loss and total comprehensive expense for the year	-	-	(7)	(7)
At 31 December 2018	11,007	20	(30)	10,997
At 1 January 2019	11,007	20	(30)	10,997
Profit and total comprehensive income for the year	-	-	5	5
At 31 December 2019	11,007	20	(25)	11,002

STATEMENT OF CASH FLOWS

For the year ended 31 December	Note	2019 £'000	2018 £'000
Cash flows used in operating activities			
Cash used in operations	12	(8)	(6)
Net cash used in operating activities		(8)	(6)
Cash flows from investing activities			
Interest received from group undertakings	1	8	6
Net cash generated from investing activities		8	6
Net increase in cash, cash equivalents and overdrafts			
Cash and cash equivalents at beginning of year		-	-
Cash and cash equivalents at end of year		-	-

DUNCTON GROUP LIMITED
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STATEMENT OF ACCOUNTING POLICIES

General information

The company is a private limited liability company incorporated in the UK under the Companies Act 2006 and domiciled in the UK. The address of its registered office is Moneybarn, Athena House, Bedford Road, Petersfield, Hampshire, GU32 3LJ.

The principal activity of the company is that of a holding company. The principal activity of the company's subsidiaries is the financing of motor vehicles to individuals via conditional sale agreements.

Consolidation exemption

The company is not required to produce consolidated accounts for its subsidiaries as the ultimate parent of the company, Provident Financial plc, produces a consolidation which includes the company and its subsidiaries. The financial statements for Provident Financial plc are publicly available.

Basis of preparation

The financial statements are prepared in accordance with International Financial Reporting Standards (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.

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

Going concern

In assessing whether the Company is a going concern, the directors have considered the ability of the Group to continue as a going concern due to the intercompany funding provided by the ultimate parent company Provident Financial plc. The directors of the Group have reviewed the latest budgets, as approved in July 2020, which includes capital and liquidity forecasts, on detailed projections for 2020 and 2021. This assessment has included consideration of the Group's principal risks and uncertainties, including that of Covid-19, and the likelihood of these risks materialising into losses.

Given the uncertain outlook as a result of Covid-19, additional stress testing has been performed through modelling a range of macro-economic scenarios. This initially assumes a severe but plausible downturn, with 'severe' being defined consistently with the Group's IFRS 9 'severe' macro-economic weighting. This assumes that unemployment in the UK reaches a peak unemployment rate of 14%. Further, more severe, scenarios have been modelled which would need to materialise to prevent the directors from adopting the going concern assumption. These scenarios are considered to be sufficiently remote to impact on the going concern assumption. The projections do not assume any further refinancing, or government support, and the Group's revised Total Capital Requirement has been assumed in all scenarios modelled.

Based on this review, the directors are satisfied that the group has the required resources to continue in business for a period of at least twelve months following the approval of the Company accounts. For this reason, the directors continue to adopt the going concern basis in preparing the Company accounts.

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.

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

There are no new standards not yet effective and not adopted by the Company from 1 January 2019 which are expected to have a material impact on the Company

Revenue

Revenue comprises interest received from group undertakings and is recognised on an EIR basis.

Dividend income from investments is recognised when the shareholder's rights to receive payment have been established, provided that it is probable that the economic benefits will flow and the amount of revenue can be measured reliably. Dividend income is recognised in the income statement within revenue.

DUNCTON GROUP LIMITED
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STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

Trade and other receivables and payables

Trade and other receivables and payables are held at amortised cost and assessed for impairment.

Investment in subsidiaries

Investments in subsidiaries are stated at cost less, where appropriate, provisions for impairment.

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.

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.

Critical accounting judgements and sources of estimation uncertainty

No critical judgements or estimates have been identified that affect the reported amounts of assets and liabilities.

DUNCTON GROUP LIMITED
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FINANCIAL AND CAPITAL RISK MANAGEMENT

Dunton Group Limited (the company) is a wholly-owned subsidiary of Provident Financial plc which, together with its subsidiaries, forms the Provident Financial group (the group).

The overall group internal control and risk management framework is the responsibility of the group board with certain responsibilities in respect of internal control and risk management being delegated to various sub-committees who report directly to the board. An overview of the group's risk management framework can be found in the annual report and financial statements of Provident Financial plc which do not form part of this report.

The group operates with a centralised treasury function and therefore the funding requirements of the company are met wholly or partially via funding from Provident Financial plc or one of its subsidiaries. In addition, the allocation of capital is managed on a group basis by the centralised treasury function.

Accordingly, it is inappropriate to consider the management of liquidity risk, interest rate risk, market risk and capital risk on a stand-alone company basis.

(a) 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.

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 headroom on its committed borrowing facilities to fund growth and contractual maturities for at least the following 12 months. As at 31 December 2019, the group's committed borrowing facilities had a weighted average period to maturity of 2.2 years (2018: 2.3 years) and the headroom on these committed facilities amounted to £69.1m (2018: £327.4m).

The group is less exposed than other mainstream lenders to liquidity risk as the loans issued by the home credit business are of short-term duration (typically around one year), whereas the group's borrowings extend over a number of years. The group's funding strategy is to maintain diversification in its funding and, as such, currently accesses three main sources of funding comprising:

- (i) the syndicated revolving bank facility;
- (ii) market funding, including retail bonds, institutional bonds and private placements; and
- (iii) retail deposits which fully funds the ring-fenced Vanquis Bank.

The group will continue to explore further funding options as appropriate, including but not limited to the refinancing of the syndicated revolving bank facility, further securitisation of receivable assets and further private placements and institutional bond issuance.

(b) 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 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 2019 and 2018 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 which do not form part of this report.

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FINANCIAL AND CAPITAL RISK MANAGEMENT (CONTINUED)

(c) 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 company's and group's policies do not permit it or the group to undertake position taking or trading books of this type and therefore neither it or the group does so.

(d) Capital risk

Capital risk is managed by the group's centralised treasury department. The group manages capital risk by focusing 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 which do not form part of this report.

(e) Brexit

The UK's EU referendum on 23 June 2016 resulted in a decision to leave the EU (Brexit). The Government has so far been unable to negotiate a withdrawal deal with the UK to the satisfaction of the UK Parliament and therefore the UK may leave the EU without a withdrawal agreement.

Brexit has led to a significant amount of instability in the UK economy and capital markets over the last 30 months, albeit unemployment levels have remained stable and there has not been any significant impact on the group's businesses to date.

Despite any potential second order risks of Brexit, the company has proven resilient during previous economic downturns due to the specialist business models deployed by the business which are tailored to serving non-standard customers. In addition, Moneybarn No.1 Limited has tightened underwriting over the last two years in advance of a potential weakening in the UK economy.

The main risk to the company is reduced levels of funding from Provident Financial plc ('the group') to its fellow subsidiary Moneybarn No.1 Limited. The group has current committed facilities to fund growth and contractual maturities until mid-2022, when the current syndicated bank facility is due to mature, assuming ongoing access to retail deposits to fully fund Vanquis Bank. No effect is anticipated on Vanquis Bank's ability to access retail deposits, although it maintains a minimum operational buffer over its liquid requirements stipulated by the PRA to withstand any short-term disruption.

In line with the group's treasury policy, the group will seek to refinance the current syndicated revolving bank facility no less than 12 months in advance of its maturity. The group's lending banks are predominantly UK based, have supported the group for many years, and have broader relationships through ancillary business such as transactional banking. In the event of a prolonged period of market disruption and the closure of debt capital markets, then the group has the ability to manage receivables growth and/or dividend flows.

The group maintains regulatory capital headroom in excess of £50m, in line with the board's risk appetite. Despite the need to absorb the continued transitional arrangements of IFRS 9, this headroom, together with the regulatory prescribed buffers, should be sufficient to withstand a potential downturn in economic conditions caused by Brexit.

(f) Covid-19

The Group Board, directors and management have focused on the Group's principal risks throughout the first half in response to the changing and challenging operational environment as a result of Covid 19. This was essential to ensure the principal risks were appropriately managed and further mitigated where possible. The response through the first half, and planned approach for the remainder of the 2020 financial year, are:

(i) Credit risk

All of the Group's divisions have tightened lending policies and underwriting criteria through the first half, thereby limiting new business and improving the quality of newly acquired customers. The relaxation of tightening will be gradual, on a test and learn basis and an assessment of repayment performance will be made before further changes are made.

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FINANCIAL AND CAPITAL RISK MANAGEMENT (CONTINUED)

(ii) Capital risk

The 2019 final dividend was not proposed for approval at the Group's AGM in May to preserve both cash and capital. Future dividend decisions will be made as and when conditions normalise. A reduction in customer receivables, combined with tighter underwriting impairment provisioning has increased surplus capital held. When combined with the reduction in countercyclical buffer and increased dynamic provisions, through relief for Covid-19 related provisions, the Group's surplus regulatory capital has increased from £117m at 31 December 2019 to £215.0m at 30 June 2020.

(iii) Liquidity and funding risk

The Group was able to raise additional liquidity rapidly through April and May resulting in headroom on committed facilities and surplus cash and liquid resources increasing to approximately £1.2bn in May to mitigate risk of operational disruption and utilisation of undrawn credit facilities in Vanquis Bank. £1bn of surplus liquidity continues to be held to mitigate against any ongoing risk.

(iv) Operational, people, business resilience and information and data security risk

All divisions had to adapt rapidly and introduce new ways of working in response to Covid-19. The response was swift and effective, enabling us to continue supporting our customers whilst ensuring the safety and wellbeing of our colleagues. This support has enabled colleagues from across the Group to have the necessary equipment to work remotely. The provisions to work remotely have proved to be effective and therefore the measures will remain in place for the short to medium-term. Colleagues will return to working from the Group's offices when this is deemed to be safe and operationally viable.

(v) Regulatory and conduct risk

The Group has worked closely with its regulators through the first half to ensure customers could continue to be served responsibly, recognising that many of these are vulnerable. This has included offering payment holidays and other forbearance where appropriate.

(vi) Model risk

A Model Risk policy has been approved by the Group Board in the first half. Independent model validation has been initiated for the Group's most material models.

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NOTES TO THE FINANCIAL STATEMENTS

1 Finance income

	2019	2018
	£'000	£'000
Interest received from group undertakings	8	6
Total revenue	8	6

2 Profit before taxation

Profit before taxation is stated after charging:

	2019	2018
	£'000	£'000
Auditor's remuneration		
Fees payable to the company's auditor for the audit of the financial statements	2	2
Total auditors' remuneration	2	2

Auditor's remuneration to Deloitte LLP in respect of other services was £nil (2018: £nil).

3 Tax charge

	2019	2018
	£'000	£'000
Tax charge in the income statement		
Current tax	(1)	(11)
Total tax charge	(1)	(11)

The rate of tax charge (2018: charge) on the profit before taxation is in line with (2018: higher than) the average standard rate of corporation tax in the UK of 19% (2018: 19%). This can be reconciled as follows:

	2019	2018
	£'000	£'000
Profit before taxation	5	4
Profit before taxation multiplied by the average standard rate of corporation tax in the UK of 19% (2018: 19%)	(1)	(1)
Effects of:		
- adjustment in respect of prior years	-	(10)
Total tax charge	(1)	(11)

The tax charge (2018: charge) in respect of prior years relates primarily to transfer pricing on non-trading intragroup balances with other Moneybarn subsidiaries as reflected in corporation tax returns.

4 Employee information and directors' remuneration

The emoluments of the directors are paid by Moneybarn Limited, a fellow subsidiary of Provident Financial plc, the ultimate parent company, which makes no recharge to the company (2018: no recharge). 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.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5 Investments in subsidiaries

	2019	2018
	£'000	£'000
Cost and net book value	10,000	10,000
Investments in subsidiary companies	10,000	10,000

The directors consider the value of investments to be supported by their underlying assets.

The following are all subsidiary undertakings which, in the opinion of the directors, principally affect the profit or assets of the company, all of which are incorporated in England. Direct subsidiaries are 100% owned by the company and indirect subsidiaries of the company are all 100% owned by their immediate parent.

Company	Direct/indirect subsidiary	Class of capital	Principal activity
Moneybarn Group Limited	Direct	Ordinary	Holding company
Moneybarn Limited	Indirect	Ordinary	Service company
Moneybarn No.1 Limited	Indirect	Ordinary	Vehicle finance

The above companies operate principally in their country of incorporation or registration. The registered office of the above companies is Moneybarn, Athena House, Bedford Road, Petersfield, Hampshire, GU32 3LJ.

6 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 IFRS 9. Assets and liabilities outside the scope of IFRS 9 are shown within non-financial assets/liabilities:

	2019		
	Amortised cost £'000	Non-financial assets/ liabilities £'000	Total £'000
Assets			
Investments in subsidiaries	-	10,000	10,000
Trade and other receivables	1,033	-	1,033
Total assets	1,033	10,000	11,033
Liabilities			
Trade and other payables	(30)	-	(30)
Current tax liabilities	-	(1)	(1)
Total liabilities	(30)	(1)	(31)

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6 Financial instruments (continued)

	2018			
	Loans and receivables £'000	Amortised cost £'000	Non-financial assets/ liabilities £'000	Total £'000
Assets				
Investments in subsidiaries	-	-	10,000	10,000
Trade and other receivables	1,040	-	-	1,040
Total assets	1,040	-	10,000	11,040
Liabilities				
Trade and other payables	-	(42)	-	(42)
Current tax liabilities	-	-	(1)	(1)
Total liabilities	-	(42)	(1)	(43)

Financial assets that were previously classified as loans and receivables under IAS 39 have been included within amortised cost under IFRS 9. However, these assets were previously measured at amortised cost therefore there has been no change in the measurement basis following adoption of IFRS 9. The carrying value for all financial assets represents the maximum exposure to credit risk.

7 Trade and other receivables

	2019 £'000	2018 £'000
Current assets		
Amounts owed by ultimate parent undertaking	1,033	1,040
Total	1,033	1,040

The fair value of trade and other receivables equates to their book value (2018: fair value equated to book value).

Amounts owed by the ultimate parent undertaking are unsecured, due for repayment in less than one year and accrue interest at rates linked to LIBOR.

8 Trade and other payables

	2019 £'000	2018 £'000
Current liabilities		
Amounts owed to fellow subsidiary undertakings	-	12
Accruals	30	30
Total	30	42

The fair value of trade and other payables equates to their book value (2018: fair value equated to book value). The amounts owed to subsidiary and fellow subsidiary undertakings are unsecured, due for repayment in less than one year and do not accrue interest.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9 Share capital

	2019		2018	
	Number of shares	£ Issued and fully paid	Number of shares	£ Issued and fully paid
'A' ordinary shares of 1p each	3	-	3	-
'B' ordinary shares of 1p each	1,230,851	12,309	1,230,851	12,309
'D' ordinary shares of 1p each	527,507	5,275	527,507	5,275
'E' ordinary shares of £1 each	10,989,000	10,989,000	10,989,000	10,989,000
'F' ordinary shares of 1p each	1	-	1	-
Total	12,747,362	11,006,584	12,747,362	11,006,584

There are no shares issued and not fully paid at the end of the year (2018: no shares).

Rights of class of share include:

A shares; do not carry any rights to receive notice of, attend and vote at Shareholders' meetings. The holders of the A shares are not entitled to receive any dividends or distributions.

B shares and D shares; carry a right to receive notice of, attend and vote at Shareholders' meetings. The holders of the B shares and D shares are entitled to receive all distributions made by the company. On a return of capital on a liquidation, the surplus assets of the company remaining after satisfaction of its then outstanding liabilities are to be distributed in cash to shareholders in a specified order, as set out in the company's Articles of Association.

E shares; do not carry any rights to receive notice of, attend and vote at shareholders' meetings. The holders of the E shares are not entitled to receive any dividends or distributions except in the event of a return of a capital when the surplus assets of the Company remaining after satisfaction of its then outstanding liabilities are to be distributed in cash to shareholders in a specified order, as set out in the company's Articles of Association.

F shares; do not carry any rights to receive notice of, attend and vote at shareholders' meetings. The holders of the F shares are not entitled to receive any dividends or distributions

10 Related party transactions

Details of the transactions between the company and other group undertakings, which comprise any balances outstanding at 31 December are set out below:

	2019	2018
	£'000	£'000
Ultimate parent undertaking	1,033	1,040
Other subsidiaries of the ultimate parent undertaking	-	(12)
Total	1,033	1,028

11 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 £689.8m (2018: £958.7m). At 31 December 2019, the borrowings amounted to £616.3m (2018: £621.0m).

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12 Reconciliation of profit/ (loss) after taxation to cash used in operations

	Note	2019 £'000	2018 £'000
Profit/(loss) after taxation		5	(7)
Adjusted for:			
- interest received	1	(8)	(6)
- Tax charge	3	(1)	11
Changes in operating assets and liabilities:			
- trade and other receivables		7	11
- trade and other payables		(11)	(15)
Cash used in operations		(8)	(6)

13 Parent undertaking and controlling party

The immediate and 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.

14 Post balance sheet events

(i) Covid -19

For January, February and the first three weeks of March, the Group made good progress against many of its key objectives and Key Performance Indicators (KPIs) were tracking in line, if not marginally ahead, of those seen in 2019. Then, from the 23 March 2020, the UK Government ordered that all non-essential travel and activities should cease immediately because of the threat posed by Covid-19. This meant Moneybarn had to adapt rapidly and introduce new ways of working. The response was swift and effective, enabling Moneybarn to continue to support customers whilst ensuring the safety of colleagues.

In the five years since acquisition by Provident Financial, Moneybarn has become one of the largest suppliers of vehicle finance to underserved customers in the UK. The business has a strong track record, delivering high levels of growth and strong returns, and is in an excellent position to continue to deliver profitable growth in the medium term from existing and adjacent markets. For the first six months of the year, Moneybarn generated a profit before tax of £2.4m (H1'19: £15.5m), with the reduction driven by a significant increase in impairment.

Moneybarn took a proactive approach to offering its customers a solution to ease any potential financial hardship they, or their households, might be experiencing. Before the FCA's formal guidance, Moneybarn was offering its customers a payment holiday arrangement. Therefore, Moneybarn experienced an earlier take-up of such arrangements than the wider market. At its peak, the take-up of a payment holiday by Moneybarn customers was 27.5% of customers (or c.23k customers). Following the expiry of the one, two and three-month options, the live number is around 5k customers. Of customers who have come off payment holidays, around a third then go on to miss a repayment, in line with internal expectations.

For Moneybarn, payment holidays increased significantly in April to 27k customers (22% of their total). The activation of payment holidays has reduced significantly since this point from c.400 activations/day to 20 activations/day in July and August. Arrears have also improved, and two thirds of customers are returning to their pre-Covid repayment performance when terminating the payment holiday.