MONEYBARN NO.1 LIMITED
(Company Number 04496573)

ANNUAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2020

MONEYBARN NO.1 LIMITED
(Company Number 04496573)

CONTENTS

MONEYBARN NO.1 LIMITED
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DIRECTOR'S 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.

The following provisions, which the directors are required to report in the Directors' Report, have been included in the Strategic Report:

- how the directors have engaged with colleagues, how they have had regard to colleague interests and the effect of that regard, including on the principal decisions taken by the company in the financial year (page 7); and,
- how the directors have had regard to the need to foster the company's business relationship with suppliers, customers and others, and the effect of that regard, including on the principal decision taken by the Company in the financial year (pages 4 to 9).

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.

Results
The statement of comprehensive income for the year is set out on page 16. The loss for the year of £2.8m (2019 restated: profit of £14.3m) has been deducted from (2019: added to) reserves. The movement is due to significantly increased impairment charge partially offset by an increase in revenue. Refer to the statement of accounting policies for details of the restatement.

Dividends
The directors do not recommend the payment of a dividend in respect of the year ended 31 December 2020 (2019: £nil).

Directors
The directors of the company during the year ended 31 December 2020, all of whom were directors for the whole year then ended and to the date of this report, except where stated, were:
M J Le May (Chairman)
S Hodgson (Resigned 31 March 2020)
L S O'Loingsigh (Resigned 30 November 2020)
S G Thomas (Resigned 31 March 2020)
S J Bayley (Appointed 1 April 2020, Resigned 1 March 2021)
D V Shrimpton-Davis (Appointed 23 April 2020)
N Kapur (Appointed 30 June 2020)
C G Anderson (appointed 24 May 2021)

The Company has made qualifying third-party indemnity provisions for the benefit of its Directors which were in place during the year and remain in force at the date of this report. The Company maintains directors' and officers' liability insurance for its Directors and officers.

Climate change
Disclosures are made in the Provident Financial plc Group Annual Report and Financial Statements 2020, which do not form part of this report, in respect of Moneybarn's:

- scope 1 and 2 greenhouse gas emissions in tonnes of carbon dioxide equivalent;
- a relevant intensity ratio (i.e. kilograms of carbon dioxide equivalent per customer); and
- information on underlying energy use for 2020.

The disclosures are produced in accordance with the UK Government's Streamlined Energy and Carbon Reporting (SECR) policy that has been implemented through the Companies (Directors' Report) and Limited Liability Partnership (Energy and Carbon Report) Regulations 2018. This disclosure covers the greenhouse gas emissions and energy use for the Group and its operating divisions incorporating Moneybarn.

Financial risk management
The financial and capital risk management reports of the company are set out on pages 27 to 29.

DIRECTOR'S REPORT

Post balance sheet events
Post balance sheet events have been disclosed in note 18 of the accounts.

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

C G Anderson
Director
Petersfield
19 July 2021

STRATEGIC REPORT

Business review

The company recorded another year of strong growth with a 15.8% increase in amounts receivable from customers in the year (see Note 6). This resulted in a 11.8% increase in revenue from interest income. Impairment increased by 50.8% largely reflecting the impact of Covid-19 and deterioration in the macroeconomic environment. In the current year the company updated its accounting policy in respect of the definition of default. Further information can be found in the accounting policies included within the financial statements on page 21. The change was applied retrospectively therefore the 2019 comparatives have been restated. Finance costs were higher than the prior year reflecting a growth in the receivables book and higher cost of funding. Loss before taxation and exceptional income (2019: profit before taxation and exceptional income) amounted to £5.6m, £20.5m less than the restated prior year profit of £14.9m.

During the year, the company wrote 38,000 new contracts (2019: 38,800) and increased the portfolio of conditional sales financing agreements from 77,000 to 91,400. This increase was achieved from:

- an improvement in the quality of the new business being written, e.g. the average credit score of new customers has increased; and
- competitor's pulling back from the market during the beginning of the Covid-19 pandemic at the start of 2020.

Revenue from interest income increased by 11.8% to £133.9m (2019 restated: £119.8m), primarily as a result of the receivables increase with revenue margins being broadly stable. Amounts receivable from customers increased by 15.8% to £566.6m (2019 Restated: £489.1m).

The underlying finance costs increased by 37.0% to £40.0m excluding an exceptional interest credit of £1.3m (2019: £29.2m). This reflects the growth in the receivables book, higher average cost of funding from the ultimate parent undertaking as well as increased costs linked to the securitisation entered in to at the start of 2020.

Impairment increased significantly during the year to £72.7m (2019 restated: £48.2m) as a result of Covid-19's impact on the arrears rate and increased provisions driven by a deterioration in the macroeconomic environment. As a consequence, the annualised impairment rate increased to 13.6% (2019 restated: 10.1%). On a risk-adjusted basis, the net interest margin fell to 4.8% at the end of December vs. 8.9% a year earlier, as a result of the increased impairment rate. The annualised impairment rate remained elevated during 2020 due, in part, to persistently higher arrears levels supported by a challenging termination process, as the company's ability to collect vehicles was restricted. This restriction, as per FCA guidance, was lifted on 31 January 2021. Whilst Moneybarn is now able to collect vehicles again, it remains sensitive to customer circumstances.

Prior to the FCA issuing guidance to the market regarding payment holidays, the company started working with its customers proactively to ease any potential financial hardship they might be experiencing. Therefore, the company experienced an earlier take-up of such arrangements than the wider market. At its peak, the take-up of a payment holiday by customers was 23.0%. Following the initial one to three-month payment holidays expiring, the overall number declined and, at the end of December, the proportion of customers with an active payment holiday was 1.3%.

Operating costs and administrative costs increased by 20.0% to £29.7m (2019: £24.8m) reflecting an increase in headcount, volume related costs – such as credit bureau searches – and arrangements for working remotely.

During the year, the company issued its first tranche of asset backed securities through a closed deal with NatWest Markets. As at 31 December 2020, £150m of notes are in issue externally; of this, £133.1m has been remitted to Moneybarn, with the remainder carried as cash inside the structure to be reinvested in a future window or retained for liquidity purposes.

Principal risks and uncertainties and financial risk management

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 Moneybarn. The Executive Committee delegates some of its responsibilities to sub-committees, set out on the following page.

Principal risks and uncertainties and financial risk management (continued)

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 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.

Credit risk is the principal risk faced by the company. 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.

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 meets bi-monthly and 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 and any associated required actions.
- Technology and Change Committee which meets monthly to review the programme, prioritisation and progress of projects.
- Executive Audit Committee which meets every other month to review progress of actions raised and the performance of 3 lines of defence, analysis of root causes and review of compliance monitoring plan.
- 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 risk measures, risk dashboard and risk appetites; and
    - Consider the appropriateness of risk specific classifications and proposed mitigants as set out in the risk dashboard.

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 27 to 29.

Statement regarding section 172 of the Companies Act 2006

Our purpose, as part of the Provident Financial group, is predicated on our customers and is underpinned by a number of strategic drivers and behaviours. These aim to deliver an appropriate balance between the needs of our customers, our regulators, investors and our employees, in order to ensure that we are successful and sustainable for all of our stakeholders. Our stakeholders are individuals or groups who have an interest in, or are affected by, the activities of our business; our key stakeholders are set out in the table below. We seek to engage with them regularly to ensure that we are aware of their views and concerns with regard to a wide range of issues and we do this in a number of ways, as detailed on this page and pages 5 to 9. By balancing the interests of our stakeholders, lending responsibly, contributing to wider society and ensuring the appropriate corporate governance arrangements are in place, we can maintain a reputation for high standards of business conduct. You can read about how we have generated and preserved value over the long term in the strategic report and review of business.

Statement regarding section 172 of the Companies Act 2006 (continued)

Our Stakeholders and why we engage with them	**How?** (How management and/or directors engaged with and considered our stakeholders)	**What?** (What were the key topics of engagement and consideration)	**Key outcomes and actions** (What was the impact of the engagement and/or consideration?)
Our Customers We engage with our customers to determine whether we are delivering our business activities in accordance with our purpose and ensuring that we deliver good outcomes for them throughout their journey with us.	• Utilising a wide variety of customer engagement methods including, third party research, and complaints monitoring • Monitoring performance against good customer outcomes • Considering the customer experience, customer journeys and outcomes • Designing and implementing policies that protect and support customers	• Customer affordability, vulnerability and persistent debt • Customer outcomes, satisfaction, service level agreements care, service and complaints • Policy suite includes, but is not limited to, Anti Money Laundering (‘AML’), Data Protection, Complaints Handling, Forbearance, Collections, Vulnerable Customers and Financial Promotions • Enhanced forbearance measures	• Management and Board oversight of customer complaints operations, outcomes and strategy • Remained open to new business throughout the Covid-19 related disruption to support customers • Refined and digitised, where beneficial, customer journeys • Payment holidays were introduced and made available to customers ahead of FCA guidance to the industry • Vehicle repossessions were paused for a period for customers in arrears who had been impacted by the Covid-19 pandemic • Approximately 50% of customer facing colleagues were cross-trained to support with customer queries • Tightened credit underwriting reflective of the desire to lend responsibly through a period of unprecendented disruption

STRATEGIC REPORT (CONTINUED)

Our Stakeholders and why we engage with them	**How?** (How management and/or directors engaged with and considered our stakeholders)	**What?** (What were the key topics of engagement and consideration)	**Key outcomes and actions** (What was the impact of the engagement and/or consideration?)
Our shareholder The Company is a wholly owned subsidiary of Provident Financial plc, and as such it is of paramount importance that the Group is kept updated on the Company's progress in delivering the Group's shared purpose, it's budget, it's strategy, governance and culture. Direct and regular engagement with our shareholder ensures that the Company has a clear understanding of its role as part of the Group.	• Adapted the business model to take into account the Group-wide purpose, our Blueprint • Group CEO is the Chair of the Company Board and the Group CFO is a member • The MD and FD have regular meetings with the Group CEO and Group CFO • Financial reporting, strategy and common accounting principles are utilised across the Group to provide alignment • The Budget and financial plan are developed as part of the wider Group process • The Group has an aligned corporate governance framework and structure including complementary Delegated Authorities Manuals • Participation in the Group credit underwriting review • The Group has a centralised Corporate Responsibility team and a Group-wide approach to CSR.	• Strategy and long-term value creation • Culture and Blueprint • Financial and operational performance and resilience • Risk Management • Corporate governance arrangements and alignment • Corporate responsibility • Interactions with the regulators • The Application of common accounting principles across the Group • Consideration of creditworthiness and lending policy in the macro-economic environment arising from the Covid-19 pandemic	• Business model aligned with the Group's purpose • Business model aligned with regulatory expectations • Group CEO and company MD objectives aligned • Amended IFRS9 methodology application and alignment • Group approved budget and operational plan • Tightened underwriting standards in April 2020

STRATEGIC REPORT (CONTINUED)

Our Stakeholders and why we engage with them	**How?** (How management and/or directors engaged with and considered our stakeholders)	**What?** (What were the key topics of engagement and consideration)	**Key outcomes and actions** (What was the impact of the engagement and/or consideration?)
Our colleagues To ensure that they understand the Group's purpose and how they can support its delivery, which we believe helps our customer base. To maintain high levels of colleague engagement in order to enable us to attract, retain and develop the talent we need.	• A Group-wide colleague survey was carried out during the year together with Covid-19 specific surveys • A workforce panel consultation was undertaken to establish Covid-19 secure working environment and practices • Our Designated Group Non-Executive Director Colleague Champion plays the lead role in Board engagement with employees, understanding and representing employee interests across the Group • The Group's inclusion programme was launched via a dedicated roll-out programme during the year to focus on inclusion • Leadership and professional development programmes • A colleague communication strategy was adapted to account for the Covid-19 pandemic and delivers frequent, multi-channel communication • Group recognition platform, 'Better Everyday' continues to foster a culture where we say 'thank you' or 'well done' to colleagues who demonstrate our Blueprint behaviours • A confidential externally facilitated whistleblowing line is available for colleagues to raise concerns	• Review of colleague survey results • Culture, purpose and behaviours • Group aligned Colleague reward and recognition • Training, leadership development and succession planning • Employee engagement • Health and safety • Colleague wellbeing at work • Inclusion	• Colleague survey action plans to address any areas for improvement and celebrate areas of achievement with a view to increasing scores year on year • Mechanisms for colleague recognition 'Better Everyday' • Oversight of our health and safety approach, including the impact on colleagues of the Covid-19 pandemic and associated working arrangements • 'Be Brilliant' leadership programme and increased the support available for professional qualifications • The Board and Executive Management agreed a 20% pay reduction for a three-month period whilst operations were impacted by Covid-19 related disruption • The purchase of equipment to enable colleagues to work from home
Our communities To invest in activities and initiatives which seek to address some of the key factors which, on their own or acting together, may reduce someone's likelihood to be accepted for credit.	• Participation in the Group Social Impact Programme that delivers community investment • The Company participates in the Group Customer, Culture and Ethics Committee at which Group-wide community matters are discussed and overseen by the Group Board • Group Board oversight of community matters and the approach to external engagement regarding the Company's purpose and role in society	• Community contributions and charitable giving Volunteering • Matched employee fundraising • Relationships with debt charities	• Group volunteering policy • Group approved approach to external engagement regarding the Company's purpose and role in society • Matched employee charitable fundraising • The Group Social Impact Fund constituted a foundation in Scotland and provided 800 printed information packs for the first Virtual Numeracy day, in keeping with the Group's purpose

STRATEGIC REPORT (CONTINUED)

Our Stakeholders and why we engage with them	**How?** (How management and/or directors engaged with and considered our stakeholders)	**What?** (What were the key topics of engagement and consideration)	**Key outcomes and actions** (What was the impact of the engagement and/or consideration?)
Our regulators To plan for regulatory change with greater certainty and confidence, to maintain our reputation as a responsible lender and to maintain our sustainable business model.	• Board members and executive management engage proactively with regulators via regular face to face and telephone meetings • Regulatory risk reporting, including horizon scanning, is carried out and reported to the Company Risk Committee and Board as well as to the Group Executive Risk Committee where appropriate • Regulatory engagement and correspondence is reported to and discussed by the Board • Dialogue and engagement regarding current products, potential products, customer outcomes and digitisation primarily through the Company CRO	• Customer vulnerability and persistent debt • Affordability • Our products, our potential products and digitisation • Customer proposition improvements • Complaints levels and handling • Senior Management & Certification Regime embedding and ongoing compliance • Culture • Payment holidays and other forbearance options • Regulatory change and the potential impact on our business model and processes	• The views of regulators and the regulatory environment informed the business model updates and amendments to our product offering • Oversight and monitoring of regulatory matters, including approval of regulatory submissions • The Company's Covid-19 forbearance approach aligned with regulatory expectations • SM&CR Responsibilities Map and policy embedded
Our suppliers To treat our suppliers fairly and develop strong relationships with them which ensure that we only buy products and services from those who operate responsibly and mitigates risk in our supply chain.	• There is an established due diligence process to manage supply chain-based risks and comply with Company policies. • There are standardised contractual terms that we attempt to use with all of our suppliers, to reduce contractual risks when contracting under these terms. • The Company is a signatory to the Prompt Payment Code and we publish our Payment Practices Reporting at Companies House	• Prompt payment • Data Protection • Information Security • Environment • Supplier on-boarding and performance • Delegated Authorities • Modern Slavery • Anti-Bribery and Corruption	• Signatories of the Prompt Payment Code • SRM Framework which highlights supplier performance and enables joint roadmaps • Compliance with EBA Outsourcing Guidelines
Our environment To minimising our environmental impact, in particular to reducing the greenhouse gas emissions associated with our business activities, thereby lessening our contribution to issues such as climate change.	• The Company utilises and contributes to the Group Environmental Management System (EMS) • The Company participates in the Group Customer, Culture and Ethics Committee at which Group-wide environmental matters are overseen by the Group Board Committee • Participation in the Group submission to the Carbon Disclosure Project • Execution of activities to support Group achievement of ISO 14001	• Climate change • Environmentally conscious vehicle manufacture • Funding of electric vehicles • Achievement of the Task Force on Climate Related Financial Disclosures objectives	• Group wide reduced emissions targets resulting in a reduction in the Groups scope 1 and 3 emissions • Group submission to the Carbon Disclosure Project • Achievement of ISO 14001 • Continued offset of the Group's operational carbon footprint • Group commitment to the six long-term ESG objectives • Implementation of the Task Force on Climate Related Financial Disclosures objectives and recommendations

STRATEGIC REPORT (CONTINUED)

Statement regarding section 172 of the Companies Act 2006 (continued)

In making the following principal decision, the Board took into account its duties under s.172 of the Companies Act 2006:

Responding to Covid-19
Under the leadership of the Board, the Company adapted swiftly and effectively to the early stages of the Covid-19 pandemic and continued to adapt to the demands of the crisis as it has evolved. Listed below are some the key Covid-19 related matters discussed by the Board during the year. They demonstrate how the Board has integrated stakeholder considerations, including its duties under s.172 of the Companies Act 2006, into its deliberations and decision making. A Steering Group, at which Directors of the Company were present, was incepted in February 2020 to plan for the potential impact of the Covid-19 virus on the Group's colleagues and customers. The Company communicated frequently with its key stakeholders including the regulator, colleagues, customers and the shareholder about changes that might impact them. These included changes to processes, new or adapted methods of engagement and the working environment.

Customers
The Board monitored management's customer facing processes including the transition of those relating to lending and enhanced forbearance and oversaw the early adoption of payment holidays as an option for customers. This was implemented prior to the FCA's guidance for the industry and, in doing so acknowledged the Group's common strategic purpose of 'helping put people on the path to a better everyday life'. In addition, the Board has received comprehensive updates from management relating to the take up and effectiveness of forbearance options for customers. After due consideration of a broad number of factors, including the associated risks, the Board concluded that the company should remain open to new business, and in doing so, that it served an important purpose for customers. Updates to operational processes have been supported by both Group Internal Audit and risk functions, who have completed reviews of proposed processes and controls.

Colleagues
Board directors and senior management agreed to take a 20% reduction in fees/salary for an initial three-month period given the challenges facing customers and colleagues. Colleagues were advised to work from home from 23 March 2020 onwards and the Board received updates on the technological resources required to make this possible. Management's enhanced communication tools and increased use of social media was overseen by the Board. The Board challenged and supported management in their approach to colleague and regulator engagement with regards the requirements for offices to remain open and ensuring they operated within applicable guidelines. Government guidance introduced a requirement to consult with elected representatives on a Covid-19 related workplace risk assessment, and colleague representatives were therefore elected to our existing Colleague Forums, and their terms of reference were updated to meet this requirement. The Board has received updates on colleagues' return to work strategy, including health and safety, planning and internal communications.

Suppliers
The company has continued to pay its suppliers promptly, thereby remaining signatories of the Prompt Payment Code and maintaining the Group's reputation for high standards of business conduct.

Going concern

The company is partially funded through intercompany loan facilities made available by the ultimate parent company, Provident Financial plc. As a result, the ability of the company to continue as a going concern is dependent on the ability and intent of its ultimate parent to continue to make funds available to enable the company to meet its liabilities as they fall due.

In assessing whether the Group is a going concern, the Group directors have reviewed the Group's reforecast, as approved in May 2021, which includes capital and liquidity forecasts, on detailed projections for 2021 to 2023. This assessment has included consideration of the Group's principal risks and uncertainties, focusing on capital and liquidity, 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 macroeconomic scenarios. This initially assumes a severe but plausible downturn, with 'severe' being defined consistently with the group's IFRS 9 'severe' macroeconomic weighting. This assumes that unemployment in the UK reaches a peak unemployment rate of 12%. The Group's Total Capital Requirement (TCR) was exceeded in all scenarios modelled both with and without management actions. The point of non-viability has been assessed for the group which would need to materialise to prevent the directors from adopting the going concern assumption. This is materially higher than any economic forecasts. The group's reforecast does not require market access for capital or liquidity during the going concern period.

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. In addition, due to the company's net liability position at the year end, the ultimate parent undertaking, Provident Financial plc, has confirmed its continued support for the company for a period of at least twelve months from the date of approval of the financial statements. Accordingly the financial statements of the company have been prepared on a going concern basis of accounting. Further details on the basis of preparation is provided on page 20.

BY ORDER OF THE BOARD

C G Anderson
Director
Petersfield
19 July 2021

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 are required to prepare the financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, 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 MONEYBARN NO.1 LIMITED

Report on the audit of the financial statements

Opinion
In our opinion the financial statements of Moneybarn No.1 Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; 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;
- 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 accounting standards in conformity with the requirements of the Companies Act 2006.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the 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
In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

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

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

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

We have nothing to report in this regard.

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.

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

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory framework that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act and tax legislation etc; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty. These included regulation set by the Financial Conduct Authority.

We discussed among the audit engagement team, including relevant internal specialists, regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud to be in relation to the estimation of expected credit losses on loans to customers. Our specific procedures performed to address it are described below:

- We obtained an understanding of relevant controls relating to the identification, valuation and recording of expected credit losses.
- We obtained an understanding of the IFRS 9 methodology and models. We engaged our credit risk modelling specialists to assist in our assessment and challenge of management's methodology and evaluated whether the methodology is compliant with the requirements of IFRS 9. This included considerations related to the appropriateness of portfolio segmentation into homogeneous cohorts. In performing these procedures we further considered whether there were any indications of bias in the methodology applied by management or in the estimation of the amount and timing of expected future cash flows. We also challenged whether the potential impact of economic uncertainty had been appropriately incorporated into expected credit loss calculations.

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

- In respect of the macroeconomic scenarios applied we engaged with an internal macroeconomic specialist to review the appropriateness of the shape of unemployment curves and the respective weightings attached to the curves. We benchmarked the unemployment economic variable against various external sources including Her Majesty's Treasury forecasts, Office for Budget Responsibility forecasts and other available data.
- In order to challenge the new model, we engaged our credit risk modelling specialists to perform a detailed review of the model methodology, compliance with IFRS 9 and the scripts used within the model.
- We reviewed and challenged the judgements made around the determination of 'significant increase in credit risk' ('SICR') and 'default' definitions for those accounts which have been subject to a Covid-19-related payment holiday and challenged the completeness of PMAs in relation to payment holiday customers.
- We engaged our credit risk modelling specialists to challenge the completeness of PMAs identified to address further risks not captured in the core provision for expected credit losses. We tested the mechanical accuracy of PMA calculations and tested the underlying data used in the calculations back to supporting documentation.
- We assessed whether the prior period restatement met the criteria for a prior period error under IAS 8. We challenged the appropriateness of the definition of default with reference to historic customer cure data. We tested the accuracy and completeness of the restatement calculations and tested the underlying data back to customer correspondence.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with the Financial Conduct Authority.

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.

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

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.

Matthew Perkins (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Birmingham, United Kingdom
20 July 2021

MONEYBARN NO.1 LIMITED
(Company Number 04496573)

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December	Note	2020 £m	(Restated*) 2019 £m
Revenue	1	136.8	119.8
Finance costs	2	(38.7)	(29.1)
Net interest margin		**98.1**	**90.7**
Impairment charges	6	(72.7)	(48.2)
Risk-adjusted net interest margin		**25.4**	**42.5**
Administrative and operating costs		(29.7)	(24.8)
(Loss)/ profit before taxation	3	(4.3)	17.7
(Loss)/ profit before taxation and exceptional items	3	(5.6)	14.9
Exceptional items	3	1.3	2.7
Tax credit/ (charge)	4	1.5	(3.4)
(Loss)/ profit for the period attributable to equity shareholders		(2.8)	14.3

All of the above operations relate to continuing operations.

*Refer to statement of accounting policies for details of restatement.

MONEYBARN NO.1 LIMITED
(Company Number 04496573)

BALANCE SHEET

	Note	At 31 December 2020 £m	(Restated*) At 31 December 2019 £m	(Restated*) At 1 January 2019 £m
ASSETS				
Cash and cash equivalents		2.1	1.2	1.7
Amounts receivable from customers	6	566.6	489.1	412.1
Trade and other receivables	7	148.1	11.4	0.6
Inventories		2.2	3.6	3.9
Intangible assets	8	0.1	0.3	-
Deferred tax assets	10	6.1	6.2	7.5
Total assets		725.2	511.8	425.8
LIABILITIES AND EQUITY				
Liabilities				
Trade and other payables	11	726.8	505.8	429.9
Current tax liabilities		-	2.0	1.5
Provisions	12	-	2.8	7.5
Total liabilities		726.8	510.6	438.9
Equity attributable to owners of the parent				
Share capital	13	-	-	
Retained (deficit)/profit		(1.6)	1.2	(13.1)
Total equity		(1.6)	1.2	(13.1)
Total liabilities and equity		725.2	511.8	425.8

The financial statements on pages 16 to 43 were approved and authorised for issue by the board of directors on 19 July 2021 and signed on its behalf by:

C G Anderson
Director

D V Shrimpton-Davis
Director

MONEYBARN NO.1 LIMITED
(Company Number 04496573)

STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY

	Note	Share capital £m	(Restated*) Retained (deficit)/ earnings £m	Total £m
At 31 December 2018		-	(8.7)	(8.7)
Prior year adjustment		-	(4.4)	(4.4)
At 1 January 2019		-	(13.1)	(13.1)
Profit and total comprehensive income for the year		-	14.3	14.3
At 31 December 2019		-	1.2	1.2
At 1 January 2020		-	1.2	1.2
Loss and total comprehensive expense for the year		-	(2.8)	(2.8)
At 31 December 2020		-	(1.6)	(1.6)

*Refer to statement of accounting policies for details of restatement.

STATEMENT OF CASH FLOWS

For the year ended 31 December	Note	2020 £m	2019 £m
Cash flow from operating activities			
Cash generated from/ (used in) operations	16	22.9	(0.2)
Net cash generated from / (used in) operating activities		22.9	(0.2)
Cash flow from investing activities			
Purchase of intangible assets	8	-	(0.3)
Net cash generated from/ (used in) investing activities		-	(0.3)
Cash flow from financing activities			
Financing from Moneybarn Financing Limited		125.3	-
Funding to ultimate parent undertaking		(147.3)	-
Net cash used in financing activities		(22.0)	-
Net increase/ (decrease) in cash, cash equivalents and overdrafts		0.9	(0.5)
Cash, cash equivalents and overdrafts at beginning of year		1.2	1.7
Cash, cash equivalents and overdrafts at end of year		2.1	1.2

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.

Basis of preparation
The financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

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.

In assessing whether the Group is a going concern, the directors have reviewed the Group's reforecast, as approved in May 2021, which includes capital and liquidity forecasts, on detailed projections for 2021 to 2023. This assessment has included consideration of the Group's principal risks and uncertainties, focusing on capital and liquidity, 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 macroeconomic scenarios. This initially assumes a severe but plausible downturn, with 'severe' being defined consistently with the Group's IFRS 9 'severe' macroeconomic weighting. This assumes that unemployment in the UK reaches a peak unemployment rate of 12%. The Group's TCR was exceeded in all scenarios modelled both with and without management actions. The point of non-viability has been assessed for the Group which would need to materialise to prevent the directors from adopting the going concern assumption. This is materially higher than any economic forecasts. The Group's reforecast does not require market access for capital or liquidity during the going concern period.

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. In addition, due to the company's net liability position at the year end, the immediate and ultimate parent undertaking, Provident Financial plc, has confirmed its continued support for the company for a period of at least twelve months from the date of approval of the financial statements. Accordingly the financial statements of the company have been prepared on a going concern basis of accounting.

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

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 2020:

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

There are no new or amended standards adopted in the financial year beginning 1 January 2020 which had a material impact on the group or company.

(b) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2020 and not early adopted:

There are no new standards not yet effective and not adopted by the company from 1 January 2020 which are expected to have a material impact on the company.

(c) Changes in accounting treatment in 2020

The Company's principal accounting policies under IFRS have been consistently applied to all the years presented. In the current year the Company has updated its accounting policy in respect of the definition of default.

Following the scheduled review of the Moneybarn IFRS 9 model in late 2020, it was determined that the previous definition of default of 'termination of the vehicle contract' did not meet the requirements of IFRS 9. Loans in IFRS 9 stage 2 were identified to have been greater than 90 days past due, despite it being inappropriate to rebut the 90-day backstop presumption included within IFRS 9.

The change in the point of default from termination to three missed payments (90 days) has resulted in higher impairment charges being recognised in current and prior periods. The change in definition of default has not affected the 30 days past due trigger for receivables moving to IFRS 9 stage 2. It does, however, impact the point at which receivables should have moved to IFRS 9 stage 3. As revenue is calculated based on the net receivable in IFRS 9 stage 3, the change in the point of default has resulted in lower revenue as more accounts are considered defaulted. This does not impact profit before tax as it is offset by an equivalent decrease in impairment charges.

Management has concluded that this is a prior period error and has therefore retrospectively restated results. In the 2020 financial statements, the 2019 income statement, statement of comprehensive income, balance sheet and statement of changes in shareholders' equity have all been restated. An opening balance sheet as at 1 January 2019 has also been presented.

The prior year restatement has resulted in a decrease in receivables of £4.4m and an adjustment to retained earnings of £4.4m at 1 January 2019. The 2019 profit before tax decreased by £8.6m, comprising an increase in impairment of £6.4m and a reduction in revenue of £2.2m. Receivables at 31 December 2019 reduced by £13.0m.

A current tax credit of £1.8m arose in respect of the reduction in profit before tax of £8.6m for 2019. There is no tax impact in respect of the £4.4m adjustment to retained earnings at 1 January 2019 related to 2018 and earlier as those periods are closed for amendment.

A summary of the impact of the changes in treatment, for 2019, on the primary statements is set out below:

	2019 Previous presented £m	Adjustments	2019 Restated £m
Income Statement			
Revenue	122.0	(2.2)	119.8
Finance costs	(29.1)	-	(29.1)
Impairment charges	(41.8)	(6.4)	(48.2)
Administrative and operating costs	(24.8)	-	(24.8)
Profit before taxation	26.3	(8.6)	17.7
Tax charge	(5.2)	1.8	(3.4)
Profit for the period attributable to equity shareholders	21.1	(6.8)	14.3
Balance Sheet			
Amounts receivable from customers	502.1	(13.0)	489.1
Other assets	22.7		22.7
Total Assets	524.8	(13.0)	511.8
Current tax liability	3.8	1.8	2.0
Other liabilities	508.6		508.6
Retained earnings	12.4	11.2	1.2
Total liabilities and equity	524.8	(13.0)	511.8

STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

Revenue
Revenue comprises interest and fee income earned by the company and includes intra-group transactions and dividend received. Revenue on customer receivables is recognised using an effective interest rate. The effective interest rate is calculated using estimated cash flows. Revenue is recognised on the gross receivable basis when the company accounts are in IFRS 9 stages 1 and 2 and on the net receivable for accounts in stage 3. Accounts can only move between stages for revenue recognition purposes at the Company's interim and year-end balance sheet date. Directly attributable acquisition costs within the Company are capitalised as part of receivables and amortised over the expected life of customer accounts as a deduction to revenue.

Finance costs
Finance costs comprise the interest on intra-group arrangements and securitisation and are recognised on an effective interest rate (EIR) basis.

Amounts receivable from customers
Amounts receivable from customers are initially recognised at fair value which represents the amount advanced to the customer plus directly attributable issue costs less an impairment provision for expected losses. The Impairment provision recognised is based on the probability of default (PD) within 12 months and the loss arising on default (LGD). Receivables are subsequently increased by revenue and reduced by cash collections and impairment.

On initial recognition, all accounts are recognised in IFRS 9 stage 1. The account moves to stage 2 when a significant increase in credit risk (SICR) becomes evident, such as a missed payment, but has not defaulted. An account moves to stage 3 and is deemed to have defaulted when 3 payments are missed or a payment arrangement is initiated.

Losses are recognised on inception of a loan based on the probability of a customer defaulting within 12 months. This is determined with reference to historical customer's data and outcomes.

An account moves from stage 1 to stage 2 when there has been a SICR or when the customer is assessed with vulnerable. An account cannot return to stage 1 until it has remained up to date with payments for more than 24 days.

Lifetime losses are recognised when a significant increase in credit risk is evident from a missed monthly payment.

A customer is deemed to have defaulted when they become three monthly payments in arrears. Customer agreements which have been terminated, either voluntarily, by the customer settling their agreement early, or through the agreement being default terminated, are also included within stage 3. Customers can cure back to stage 2 if they have not been terminated and they repay contractual missed payments to become less than three payments in arrears.

A customer's debt is written off when they are sold to debt collection agencies.

Customers are moved to IFRS 9 stage 3 and lifetime losses are recognised where forbearance is provided to the customer or alternative payment arrangements are established. Customers under temporary payment arrangements are separately identified according to the type of arrangement. The carrying value of receivables under each type of payment arrangement is calculated using historical cash flows under that payment arrangement, discounted at the original EIR.

Separate macroeconomic provisions are recognised to reflect the expected impact of future economic events on a customer's ability to make payments on their agreements and the losses which are expected to be incurred given default, in addition to the core impairment provisions, already recognised. Both changes in unemployment and used car sales values are used to calculate a separate macroeconomic provision.

Amounts receivable from customers (continued)
No receivables have been derecognised in respect of Moneybarn's securitisation programme. Moneybarn substantially retains all the risks and rewards of the assets, through the mechanisms of the subordinated notes and the right to receive all deferred consideration in respect of the sale of the receivables. As a result, Moneybarn recognises a deemed loan arrangement under "Amounts owed to Moneybarn Financing Limited" representing amounts receivable from Moneybarn Financing Limited for the purchase of the receivables and is shown net of the amounts of subordinated notes issued to the company by Moneybarn Financing Limited.

Exceptional items
Exceptional items are material and non-recurring items excluded from management's assessment of profit, because by their nature could distort the company's underlying quality of earnings. These are excluded to reflect performance in a consistent manner.

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

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

The residual values and economic lives of intangible assets are reviewed by management at each balance sheet date. An impairment loss is recognised whenever the carrying amount of the intangible asset exceeds its recoverable amount. The recoverable amount of an intangible asset is the higher of its fair value less costs of disposal and its value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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

	%	Method
Computer software	33.3	Straight line
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.

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	20-33.3	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.

Trade and other receivables and payables
Trade and other receivables and payables are held at amortised cost and receivables are assessed for impairment at the balance sheet date based on lifetime expected credit loss (ECL).

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.

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.

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).

Contingent liabilities

Contingent liabilities are possible obligations arising from past events, whose existence will be confirmed only by uncertain future events or present obligations arising from past events that are not recognised because either an outflow of economic benefits is not probable or the amount of the obligation cannot be reliably measured. Contingent liabilities are not recognised in the balance sheet but information about them is disclosed unless the possibility of any economic outflow in relation to settlement is remote.

Critical accounting judgements and sources of estimation uncertainty

In applying the accounting policies set out above, the company make judgements (other than those involving estimates) that have a significant impact on the amounts recognised and to make estimates and assumptions that affect the reported amounts of assets and liabilities. The estimates and judgements are based on historical experience, actual results may differ from these estimates.

Amounts receivable from customers

(i) Critical accounting assumptions

The company reviews amounts receivable from customers for impairment at each balance sheet date. For the purposes of assessing the impairment, customers are categorised into IFRS 9 stages and cohorts which are considered to be the most reliable indication of future payment performance. Assessments are made to determine whether there is objective evidence of SICR which indicates there has been an adverse effect on PD.

A significant increase in credit risk is when one contractual monthly payment has been missed.

For the purpose of IFRS 9, default is assumed when three contractual repayments have been missed.

Macroeconomic provisions

Separate macroeconomic impairment provision adjustments are recognised to reflect an increased PD and LGD, in addition to the core impairment provisions already recognised, based on future macroeconomic scenarios.

Trends in the used vehicle resale values have been analysed to estimate recoveries from the sale of the vehicle at auction. This also reflects assumptions over the timing of resale given difficulties in recovering the vehicles. Unemployment is utilised as a key macroeconomic indicator as analysis has clearly evidenced correlation between changes in unemployment and credit losses incurred by the business. This will continue to be analysed to assess if there are any additional macroeconomic indicators which also correlate to credit losses.

(ii) Key sources of estimation uncertainty

The level of impairment recognised is calculated using models which utilise historical payment performance to generate the estimated amount and timing of future cash flows from each cohort of customers in each arrears stage. These are regularly tested using subsequent cash collections to assess accuracy.

The impact of Covid-19 has significantly influenced ECL in the year. The company has reviewed customer behaviour in light of Covid-19 to adjust the previous assumptions within PD, EAD and LGD. This reflects assumptions in respect of:

- higher PD for customers who have already activated a payment holiday including the expectation of how a customer will continue to repay following the end of the payment holiday;
- higher PD from increased arrears where a customer may not have been able to meet their repayments but not activated a payment holiday. Future repayment expectations have been derived from detailed analysis of previous customer behaviour, including payment history or evidence of a SICR from bureau analysis;
- the potential for further payment holidays where FCA guidance was in place at the period end, extending the period over which customers could activate a payment holiday into 2021;
- higher loss given default where recoveries from the customer may be impacted, as well as lower recoveries from third-party debt collection agencies and external debt sales. Trends in the used vehicle resale values have been analysed to estimate recoveries from the sale of the vehicle at auction. This also reflects assumptions over the timing of resale given the difficulties in recovering the vehicles; and
- the potential impact to PD and LGD as a result of changing forecasts in the macroeconomic environment.

Based on IASB guidance, the activation of a payment holiday by a customer is not automatically deemed to be indicative of a SICR. A customer who is not in arrears on activation of a payment holiday would remain in stage 1 unless internal data or external bureau analysis, utilised by the company, indicates a SICR. If this were to be evident, a customer would be moved to stage 2. Individual customer behaviour has continued to be analysed to understand repayment behaviour on exit of a payment holiday to update the PDs, and stage classification, accordingly.

Macroeconomic provisions

Macroeconomic provisions are recognised to reflect an increased PD and LGD, in addition to the core impairment provisions, already recognised based on future macroeconomic scenarios. The provision reflects the potential for future changes in unemployment under a range of unemployment forecasts, as analysis has clearly evidenced correlation between changes in unemployment and credit losses incurred. The company will continue to analyse and assess if there are any additional macroeconomic indicators which also correlate with credit losses.

The unemployment data has been compiled from a consensus of sources including the Bank of England, HM Treasury, the Office for Budget Responsibility (OBR), Bloomberg and a number of prime banks. The table below shows the annual peak and average unemployment assumptions adopted and the weightings applied to each. The combined severe and downside scenario weightings have doubled from 20% at December 2019 to 40% at December 2020 to reflect the uncertain outlook:

	Base	Upside	Downside	Severe
Weighting	50%	10%	35%	5%
2021				
Peak	7.9%	6.2%	10.1%	12.7%
Average	7.1%	5.7%	9.0%	11.2%
2022				
Peak	6.7%	5.0%	8.5%	10.4%
Average	6.1%	4.8%	7.7%	9.0%

Weightings applied to the macroeconomic assumptions were reviewed and reconfirmed at the March 2021 Assumptions Committee and remain unchanged from December 2020.

Increasing the downside weighting by 5%, from 35% to 40%, and a corresponding reduction in the base case would increase the allowance account by £0.5m.

Increasing the upside weighting by 5%, from 10% to 15%, and a corresponding reduction in the base case would decrease the allowance account by £0.2m.

The impact on the 2020 allowance account if each of the macroeconomic scenarios were applied at 100% weighting, rather than the weightings set out above, is shown below:

	Base	Upside	Downside	Severe
	£m	£m	£m	£m
Impact	(1.8)	(5.4)	3.0	8.3

Whilst the forward-looking nature of IFRS 9 requires provisions to be established for all losses arising out of the current Covid-19 crisis, the level of uncertainty may mean that additional impairment provision, or releases, may be required in future periods.

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 which do not form part of this report.

(a) Credit risk
Credit risk is the risk that the company will suffer loss in the event of a default by a customer, bank counterparty or the UK Government. A default occurs when the customer or a bank 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 2020 is the carrying value of amounts receivable from customers of £566.6m (2019 restated: £489.1m).

Credit risk within Moneybarn is managed by the Moneybarn Credit Committee which meets at least monthly and is responsible for approving underwriting parameters, decisioning strategy and credit control policy.

A customer's credit risk profile and ability to afford the proposed contract is initially evaluated both at the point of application, and subsequently should the customer fall into arrears. A scorecard based on historical payment patterns of customers is used to assess the applicant's potential default risk. The scorecard incorporates data from the applicant, such as income and employment, and data from an external credit bureau. The application assessment process involves verification of key aspects of the customer data. Certain policy rules including customer profile, proposed loan size and vehicle type are also assessed in the decisioning process, as well as affordability checks to ensure that, at the time of application, the loan repayments are affordable.

Arrears management is conducted by way of a combination of letters, inbound and outbound telephony, SMS, email 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 and retaining use of the vehicle. These include appropriate forbearance arrangements, or where the contract has become unsustainable for the customer, then an appropriate exit strategy is implemented.

The FCA moratorium restricted Moneybarn from terminating customer contracts and recovering the vehicle from a customer where a default termination would ordinarily have occurred. This led to c.12k contracts which could not be terminated at the end of the year. The restriction was lifted from 31 January 2021. Moneybarn has subsequently worked with customers affected.

(ii) Counterparty risk
The company's maximum exposure to credit risk on bank counterparties as at 31 December 2020 was £2.2m (2019: £1.2m).

Counterparty credit risk arises as a result of cash deposits placed with banks. 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).

FINANCIAL AND CAPITAL RISK MANAGEMENT (CONTINUED)

(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.

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 2020, the group's committed borrowing facilities had a weighted average period to maturity of 1.5 years (2019: 2.2 years) and the headroom on these committed facilities amounted to £79.3m (2019: £69.1m).

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 current funding strategy seeks to maintain a secure funding structure by maintaining committed facilities to pre-fund the group's liquidity and funding requirements for at least the next 12 months, maintaining access to four main sources of funding comprising: (i) the syndicated revolving bank facility; (ii) external market funding; (iii) securitisation; and (iv) retail deposits. Headroom on the group's committed debt facilities together with available cash was £143.7m at 31 December 2020 together with ongoing access to the retail deposits programme in Vanquis Bank. There are no contractual maturities of the group's facilities until a scheduled maturity of a £65m bond in September 2021.

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 potential loss through unhedged or mismatched asset and liability positions, which are sensitive to changes in interest rates. Primarily, the group is at risk of a change in external interest rates which leads to an increase in the group's cost of borrowing.

The group's exposure to movements in interest rates is managed by the 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 2020 and 2019 would not have had a material impact on the group's profit before taxation or equity given that the group's receivables can be repriced over a relatively short timeframe. Further details of the interest rate risk management are detailed within the annual report and financial statements of Provident Financial plc.

Key benchmark interest rates and indices, such as the London Interbank Offered Rate (LIBOR), are being reformed in favour of risk free rates such Sterling Overnight Index Average (SONIA) in the UK. LIBOR will be withdrawn at the end of 2021. The group currently only has LIBOR linked liabilities relating to the group's revolving credit facility and securitisation funding in Moneybarn. There is no impact to financial assets or our fixed rate liabilities, which are all on administered rates. The securitisation funding is expected to be refinanced in 2021 and will be priced based on SONIA. The revolving credit facility moved to SONIA benchmark for all new drawings after 31 March 2021. LIBOR reform is therefore not considered to have a material impact on the group.

(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.

FINANCIAL AND CAPITAL RISK MANAGEMENT (CONTINUED)

(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 which do not form part of this report.

(f) Brexit

On 31 January 2020 the UK withdrew from the European Union and a transitional period formally ended on 31 December 2020. The economic outlook post Brexit remains uncertain against the backdrop of the impact of the Covid-19 pandemic and there remains significant amount of instability in the UK economy and capital markets, albeit unemployment levels have remained stable due to the UK Government's job retention schemes.

Despite any potential second order risks of Brexit, the group has proven resilient during previous economic downturns due to the specialist business models deployed by its divisions which are tailored to serving non-standard customers. In addition, all four of the group's businesses – Vanquis Bank, Moneybarn, Provident home credit and Satsuma – have tightened underwriting over the last three years in advance of a potential weakening in the UK economy.

The group's only direct exposure to the EU is the home credit operation in the Republic of Ireland. This represents c.13% of the home credit business and is, therefore, relatively immaterial to the group as a whole. The foreign exchange exposure to the Republic of Ireland operation is hedged through a net investment hedge.

No effect is anticipated on Vanquis Bank's ability to access retail deposits, although it maintains an operational buffer over its liquid requirements stipulated by the PRA to withstand any short-term disruption. The group has engaged extensively with its lending banks throughout 2020 in response to the Covid-19 pandemic and the economic uncertainties both that and Brexit present. 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 has maintained regulatory capital headroom in excess of £100m, in line with the Board's risk appetite, in response to the Covid-19 pandemic. 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. Furthermore, the group has the ability to manage receivables growth and/or dividend flows to preserve capital.

NOTES TO THE FINANCIAL STATEMENTS

1 Revenue

	2020 £m	(Restated) 2019 £m
Interest income	133.9	119.8
Interest income from loan to ultimate parent undertaking	2.9	-
Total revenue	136.8	119.8

Revenue comprises interest and fee income of £153.0m (2019 restated: £138.0m) net of the amortisation of deferred broker commissions of £19.1m (2019: £18.2m), plus interest income from loan to ultimate parent undertaking of £2.9m (2019: £nil) prior to its novation to the intermediate holding company.

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

2 Finance costs

	2020 £m	2019 £m
Interest payable to ultimate parent undertaking	37.2	29.2
Interest payable to Moneybarn Financing Limited	2.8	-
Exceptional interest credit on borrowings from ultimate parent undertaking	(1.3)	-
Total finance costs	38.7	29.2

3 (Loss)/profit before taxation

	2020 £m	(Restated) 2019 £m
(Loss)/ profit before taxation is stated after charging:		
Amortisation of intangible assets:		
- computer software (note 8)	0.1	0.1
Impairment of amounts receivable from customers (note 6)	72.7	48.2

Fellow subsidiary undertakings have recharged certain administrative costs to the company of £25.0m (2019: £20.0m) in respect of services provided.

Auditor's remuneration to Deloitte LLP in respect of the audit of the financial statements was £0.4m (2019: £0.3m). Auditor's remuneration to Deloitte LLP in respect of other services was £nil (2019: £nil).

Exceptional costs	2020 £m	2019 £m
Release of impairment provision as part of FCA balance reduction	-	(2.7)
Exceptional interest credit on borrowings from ultimate parent undertaking	(1.3)	-
Total exceptional items	(1.3)	(2.7)

The exceptional interest credit of £1.3m relates to an additional interest credit on borrowings from the company's ultimate parent, Provident Financial plc following the tender and early redemption of the 2018 five-year-fixed-rate bond in August 2020.

The customer redress in respect of the FCA investigation into affordability, forbearance and termination was completed in 2019 and the final notice was received from the FCA in February 2020. The total cost of the investigation came in below the £20m provision originally established in 2017 leading to a release as an exceptional credit of £2.7m of the provision in 2019.

4 Tax credit/ (charge)

Tax credit/ (charge) in the income statement	2020 £m	(Restated) 2019 £m
Current tax	1.7	(2.0)
Deferred tax (note 10)	(0.9)	(1.4)
Impact of change in UK tax rate	0.7	-
Total tax credit/ (charge)	1.5	(3.4)

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. In 2020, the reduction in the mainstream corporation tax rate to 17% was cancelled and the rate has remained at 19% for 2020.

Deferred tax balances at 31 December 2019 were measured at 17% to the extent that the temporary differences on which deferred tax was calculated were expected to reverse after 1 April 2020. At 31 December 2020, these deferred tax balances have been re-measured at 19%. A tax credit in 2020 of £0.7m (2019: credit of £nil) represents the income statement adjustment to deferred tax as a result of these changes. Movements in deferred tax balances have been measured at the mainstream corporation tax rate for the year of 19% (2019: 19%).

The rate of tax credit on the loss before taxation for the year is higher than (2019 tax charge: the same as) the average standard rate of corporation tax in the UK of 19% (2019: 19%). This can be reconciled as follows:

	2020 £m	(Restated) 2019 £m
(Loss)/ profit before taxation	(4.3)	17.7
Profit before taxation multiplied by the average standard rate of corporation tax in the UK of 19% (2019: 19%)	0.8	(3.4)
Effects of:		
- adjustment in respect of prior years	1.7	-
- impact of losses carried back to prior periods	(1.7)	-
- impact of change in UK tax rate	0.7	-
- non-deductible FCA fine	-	(0.2)
- impact of permanent differences	-	-
- impact of prior year restatement	-	0.2
Total tax charge	1.5	(3.4)

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 (2019: 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.

The directors' emoluments of M J Le May, S G Thomas and N Kapur are paid and disclosed by the ultimate parent company, Provident Financial plc.

6 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 EIR. The average EIR for the year ended 31 December 2020 was 34% (2019: 34%).

Amounts from customers comprises £538.7m (2019 restated: £464.5m) of customer receivables plus deferred broker commissions of £27.9m (2019: £24.6m).

Ageing analysis of amounts receivable from customers	2020 £m	(Restated) 2019 £m
Amounts due within one year	174.8	139.1
Amounts due in more than one year	391.8	350.0
Total	566.6	489.1

2020	Within 1 year £m	1-5 years £m	Total £m
Future minimum lease payments	315.5	586.9	902.4
Unearned finance income	(140.7)	(195.1)	(335.8)
Present value of minimum lease payments receivable	174.8	391.8	566.6

2019 restated	Within 1 year £m	1-5 years £m	Total £m
Future minimum lease payments	265.0	532.8	797.8
Unearned finance income	(125.9)	(182.8)	(308.7)
Present value of minimum lease payments receivable	139.1	350.0	489.1

No finance agreements entered into have a term greater than five years (2019: none over five years). The average term of finance leases entered into during the year is 4.6 years (2019: 4.6 years).

The gross receivable and allowance account which form the net amounts receivable from customers excluding deferred broker commissions of £27.9m (2019: £24.6m) is as follows:

	2020 £m	(Restated) 2019 £m
Gross receivable	734.4	584.6
Allowance account	(167.8)	(95.5)
Net amounts receivable from customers	566.6	489.1

6 Amounts receivable from customers (continued)

Amount receivable from customers can be reconciled as follows:

				2020
	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m
Gross carrying amount:	**335.4**	**131.0**	**118.2**	**584.6**
New financial assets originated	286.5	-	-	286.5
Transfers due to changes in credit risk:				
From Stage 1 to Stage 2	(69.2)	69.2	-	-
From Stage 1 to Stage 3	(52.5)	-	52.5	-
From Stage 2 to Stage 1	21.0	(21.0)	-	-
From Stage 2 to Stage 3	-	(56.0)	56.0	-
From Stage 3 to Stage 1	1.7	-	(1.7)	-
From Stage 3 to Stage 2	-	4.8	(4.8)	-
Write-offs	-	-	(1.0)	(1.0)
Recoveries	(171.4)	(47.0)	(73.1)	(291.5)
Revenue*	91.6	29.2	41.9	162.7
Other changes	0.7	(10.1)	2.5	(6.9)
At 31 December	**443.8**	**100.1**	**190.5**	**734.4**
Loss allowance account:				
At 1 January	**9.5**	**12.4**	**73.6**	**95.5**
Movements through income statement:				
New financial assets originated	10.0	-	-	10.0
Transfers due to changes in credit risk				
From Stage 1 to Stage 2	(1.3)	6.4	-	5.1
From Stage 1 to Stage 3	(1.1)	-	13.4	12.3
From Stage 2 to Stage 1	0.7	(3.1)	-	(2.4)
From Stage 2 to Stage 3	-	(9.6)	21.5	11.9
From Stage 3 to Stage 1	-	-	(0.4)	(0.4)
From Stage 3 to Stage 2	-	0.6	(1.3)	(0.7)
Remeasurements within Existing Stage	4.0	11.2	51.4	66.6
Other changes	-	-	(1.0)	(1.0)
Total movements through income statement:	**12.3**	**5.5**	**83.6**	**101.4**
Amounts netted off against revenue for stage 3 assets	-	-	(28.7)	(28.7)
Other movements:				
Other changes	-	-	(0.4)	(0.4)
Total other during the period	**-**	**-**	**(29.1)**	**(29.1)**
Allowance account at 31 December	**21.8**	**17.9**	**128.1**	**167.8**
Reported amounts receivable from customers at 31 December	**422.0**	**82.2**	**62.4**	**566.6**
Reported amounts receivable from customers at 1 January	325.9	118.6	44.6	489.1

6 Amounts receivable from customers (continued)

				(Restated) 2019
	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m
Gross carrying amount:	**292.8**	**104.4**	**143.6**	**540.8**
New financial assets originated	282.8	-	-	282.8
Transfers due to changes in credit risk:				
From Stage 1 to Stage 2	(99.3)	99.3	-	-
From Stage 1 to Stage 3	(91.8	-	91.8	-
From Stage 2 to Stage 1	11.6	(11.6)	-	-
From Stage 2 to Stage 3	-	(70.4)	70.4	-
From Stage 3 to Stage 1	-	-	-	-
From Stage 3 to Stage 2	-	-	-	-
Write-offs	-	-	(99.2)	(99.2)
Recoveries	(153.3)	(49.4)	(79.9)	(282.6)
Revenue*	78.8	23.5	41.0	143.3
Other changes	13.8	35.2	(49.5)	(0.5)
At 31 December	**335.4**	**131.0**	**118.2**	**584.6**
Loss allowance account:				
At 1 January	**9.2**	**19.9**	**99.7**	**128.8**
Movements through income statement:				
New financial assets originated	9.6	-	-	9.6
Transfers due to changes in credit risk:				
From Stage 1 to Stage 2	(1.3)	5.8	-	4.5
From Stage 1 to Stage 3	(1.1)	-	10.8	9.7
From Stage 2 to Stage 1	0.2	(2.0)	-	(1.8)
From Stage 2 to Stage 3	-	(13.0)	20.7	7.7
From Stage 3 to Stage 1	-	-	-	-
From Stage 3 to Stage 2	-	-	-	-
Remeasurements within Existing Stage	(7.1)	1.7	47.4	42.0
Total movements through income statement:	**0.3**	**(7.5)**	**78.9**	**71.7**
Amounts netted off against revenue for stage 3 assets	-	-	(23.5)	(23.5)
Other movements:				
Write-offs	-	-	(81.5)	(81.5)
Total other during the period	**0**	**0**	**(105.0)**	**(105.0)**
Allowance account at 31 December	**9.5**	**12.4**	**73.6**	**95.5**
Reported amounts receivable from customers at 31 December	**325.9**	**118.6**	**44.6**	**489.1**
Reported amounts receivable from customers at 1 January	283.6	84.5	43.9	412.0

6 Amounts receivable from customers (continued)

*In the income statement revenue is £133.9m (2019: £119.8m) and for stage 3 assets is reported net of the impairment charge, the difference of which is included in the ‘amounts netted against revenue for stage 3 assets’ in the loss allowance account reconciliation of £28.7m (2019: £23.5m).

The allowance account includes the macroeconomic provision which reflects that a reduction in car sales and an increase in unemployment could lead to an increase in impairment. This is consistent with the prior year.

Vehicles are held as collateral against a Moneybarn conditional sale agreement until it is repaid in full. The impact of holding the collateral of £423.6m (2019: £339.8m) on the allowance account as at 31 December 2020 was £76.4m (2019: £52.9m), representing 76% (2019: 71%) of the balance.

The fair value of amounts receivable from customers is approximately £768.8m (31 December 2019: £633.3m). Fair value has been derived by discounting expected future cash flows at the credit adjusted discount rate.

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.

Internal rating Scales

In assessing the credit quality of the loan portfolio, the company uses an internal rating scale based on a customer’s 12 month expected default probability.

	Internal Rating Scales
Good quality	1
Satisfactory quality	2
Lower quality	3
Below standard	3+

The customers categorised as below standard are those that fall into credit risk cohorts that the Company has subsequently removed from the scorecard reflecting tightening of credit scoring across the portfolio.

Internal rating values				**2020**
	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m
Good quality	106.5	11.2	10.8	128.5
Satisfactory quality	305.9	71.8	125.3	503.0
Lower quality	31.0	16.8	51.9	99.7
Below standard	0.4	0.3	2.5	3.2
Gross carrying amount	**443.8**	**100.1**	**190.5**	**734.4**

6 Amounts receivable from customers (continued)

Internal rating values				**(Restated) 2019**
	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m
Good quality	72.0	13.4	5.7	91.1
Satisfactory quality	221.5	87.4	73.9	382.8
Lower quality	41.2	29.4	36.2	106.8
Below standard	0.7	0.8	2.4	3.9
Gross carrying amount	**335.4**	**131.0**	**118.2**	**584.6**

7 Trade and other receivables

Current assets	2020 £m	2019 £m
Prepayments and accrued income	1.9	11.0
Other receivables including amounts due to the company for taxation and social security	0.2	0.4
Amounts due from intermediate holding company	146.0	-
Total	148.1	11.4

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

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 (2019: £nil).

Within the trade receivables there is a £1.5m retention amount related to the debt sale within the company, which is payable at the sooner of the acquirer determining that no non-complying or remediation cases are present or 2 years' time. The company consider it remote that any such cases will be identified and therefore expect payment will be received within 12 months' time. On 25 February 2021 the company re-acquired certain non-performing loans from Arrow. The total purchase consideration of these assets amounted to £3.3m at which point the £1.5m retention was utilised.

Amounts due from the intermediate holding company comprise the proceeds of the securitisation of the Company's receivables which were initially loaned to the ultimate parent under an upstream loan. The loan was subsequently novated to the intermediate holding company. Interest is charged on the upstream loan at a rate which broadly represents the costs of the securitisation.

8 Intangible assets

	Computer software	
	2020	2019
	£m	£m
Cost		
At 1 January	0.7	0.4
Additions	0.1	0.3
Disposals	(0.3)	-
At 31 December	0.5	0.7
Accumulated amortisation		
At 1 January	0.4	0.3
Charged to the income statement	0.1	0.1
Disposals	(0.1)	-
At 31 December	0.4	0.4
Net book value at 31 December	0.1	0.3
Net book value at 1 January	0.3	0.1

9 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:

	31 December 2020		
	Amortised cost £m	Non-financial assets/ liabilities £m	Total £m
Assets			
Cash and cash equivalents	2.1	-	2.1
Trade and other receivables	146.2	1.9	148.1
Amounts receivable from customers	566.6	-	566.6
Intangible assets	-	0.1	0.1
Deferred tax assets	-	6.1	6.1
Inventories	-	2.2	2.2
Total assets	714.9	10.3	725.2
Liabilities			
Trade and other payables	(726.8)	-	(726.4)
Current tax liabilities	-	-	-
Total liabilities	(726.8)	-	(726.8)

		31 December 2019 (Restated)		
		Amortised cost £m	Non-financial assets/ liabilities £m	Total £m
Assets				
Cash and cash equivalents		1.2	-	1.2
Trade and other receivables		0.4	11.0	11.4
Amounts receivable from customers		489.1	-	489.1
Intangible assets		-	0.3	0.3
Deferred tax assets		-	6.2	6.2
Inventories		-	3.6	3.6
Total assets		490.7	21.1	511.8
Liabilities				
Trade and other payables	-	(505.8)	-	(505.8)
Provisions	-	-	(2.8)	(2.8)
Current tax liabilities	-	-	(2.0)	(2.0)
Total liabilities	-	(505.8)	(4.8)	(510.6)

The carrying value for all financial assets represents the maximum exposure to credit risk.

10 Deferred tax

Deferred tax is a future liability or asset resulting from temporary differences between the accounting value of assets and liabilities and their value for tax purposes. 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 mainstream UK 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 mainstream corporation tax rate from 18% to 17% with effect from 1 April 2020. In 2020, the reduction in the mainstream corporation tax rate to 17% was cancelled and the rate has remained at 19% for 2020.

Deferred tax balances at 31 December 2019 were measured at 17% to the extent that the temporary differences on which deferred tax was calculated were expected to reverse after 1 April 2020. At 31 December 2020, these deferred tax balances have been re-measured at 19%, and movements in deferred tax balances have been measured at the mainstream corporation tax rate for the year of 19% (2019: 19%). A tax credit in 2020 of £0.7m (2019: credit of £0.0m) 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	2020 £m	2019 £m
At 1 January	6.3	7.6
Credit to the income statement (note 4)	(0.9)	(1.4)
Impact of change in UK tax rate	0.7	-
At 31 December	6.1	6.2

An analysis of the deferred tax asset for the company is set out below:

Asset			2020
	Accelerated capital allowances £m	Other temporary differences £m	Total £m
At 1 January	-	6.3	6.3
Credit to the income statement	-	(0.9)	(0.9)
Impact of change in UK tax rate	-	0.7	0.7
At 31 December	-	6.1	6.1

Asset			2019
	Accelerated capital allowances £m	Other temporary differences £m	Total £m
At 1 January	0.1	7.5	7.6
Credit to the income statement	(0.1)	(1.3)	(1.4)
Impact of change in UK tax rate	-	-	-
At 31 December	-	6.2	6.2

Deferred tax is a future tax liability or asset resulting from temporary 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, certain cost provisions for which tax deductions are only available when the costs are paid, and the opening balance sheet adjustment to restate the IAS 39 balance sheet onto an IFRS 9 basis for which tax deductions are available over 10 years.

11 Trade and other payables

Current liabilities	2020 £m	2019 £m
Trade payables	0.7	0.4
Amounts owed to fellow subsidiary undertakings	4.9	2.6
Amounts owed to ultimate parent undertaking	-	500.9
Amounts owed to intermediate holding company	588.4	-
Amounts owed to Moneybarn Financing Limited	129.2	-
Accruals	3.6	1.9
Total	726.8	505.8

The fair value of trade and other payables equates to their book value (2019: 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.

Amounts owed to the intermediate holding company accrue interest linked to the monthly weighted average cost of funds of the ultimate parent undertaking plus a margin.

Amounts owed to Moneybarn Financing Limited represents amounts received for the purchase of the company's receivables by Moneybarn Financing Limited as part of the securitisation of the company's receivables which is accounted for as a deemed loan. The amount is shown net of the amount of subordinated notes issued to the company by Moneybarn Financing Limited. Finance charges under the deemed loan represent the costs of the securitisation.

12 Provisions

Provisions	2020 £m	2019 £m
At 1 January	2.8	7.5
Utilised in the year	(2.8)	(2.1)
Released in the year	-	(2.6)
Total	-	2.8

The amounts shown in provisions is in relation to the FCA fine imposed on the company which has been settled in the year.

13 Share capital

	2020		2019	
	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 (2019: no shares).

14 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:

					2020
	Management recharge £m	Interest charge £m	Interest credit £m	Owed balance £m	Outstanding balance £m
Ultimate parent undertaking	-	(35.9)	2.9	-	-
Intermediate holding company	-	-	-	146.0	(588.4)
Other subsidiaries of the ultimate parent undertaking:					
Moneybarn Financing Limited	-	(2.8)	-	-	(129.2)
Moneybarn Limited	25.1	-	-	-	(4.5)
Provident Personal Credit Limited	-	-	-	-	(0.4)

				2019
	Management recharge £m	Interest charge £m		Outstanding balance £m
Ultimate parent undertaking	-	(29.2)	-	(500.9)
Other subsidiaries of the ultimate parent undertaking:				
Moneybarn Limited	19.9	-	-	(2.6)

In January 2020, Moneybarn No. 1 Limited issued its first tranche of asset backed securities through a closed deal with NatWest Markets. The external notes attract a rate of LIBOR +210bps. At the end of 2020, £150m of notes are in issue externally; of this, £133.1m has been remitted to Moneybarn, with the remainder carried as cash inside the structure to be reinvested in a future window or retained for liquidity purposes. During 2021, this facility is expected to be refinanced, with the expectation of refinancing onto a SONIA linked interest rate.

In December 2020, a new group intermediate holding company, Provident Financial Holdings No. 2 Limited (PFH2), was incorporated and the ultimate parent, Provident Financial plc, novated various loans to PFH2 which simplified the intercompany relationships across the Provident Financial group.

As a result of this, a revolving loan facility of £684m has been provided to the company and an upward stream funding facility of £396m provided from the company to PFH2. On 3 February 2021, PFH2 was renamed Provident Financial Holdings Limited. The intercompany loan from PFH2 accrues interest at the monthly weighted average cost of funds of the ultimate parent plus a margin. The upstream loan from the company to PFH2 accrues interest at a rate which broadly represents the costs of the securitisation.

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

15 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 £453.9m (2019: £689.8m). At 31 December 2020, the borrowings amounted to £369.0m (2019: £616.3m).

In addition, during the ordinary course of business the company is subject to other complaints and threatened or actual legal proceedings (including class or group action claims) brought by or on behalf of current or former employees, agents, customers, investors or third parties. This extends to legal and regulatory reviews, challenges, investigations and enforcement actions combined with tax authorities taking a view that is different to the view the Group has taken on the tax treatment in its tax returns, both in the UK and overseas. All such material matters are periodically assessed, with the assistance of external professional advisers, where appropriate, to determine the likelihood of the company incurring a liability. In those instances where it is concluded that it is more likely than not that a payment will be made, a provision is established to management's best estimate of the amount required at the relevant balance sheet date. In some cases it may not be possible to form a view, for example because the facts are unclear or because further time is needed to properly assess the merits of the case, and no provisions are held in relation to such matters. However, the company does not currently expect the final outcome of any such case to have a material adverse effect on its financial position, operations or cash flows.

16 Reconciliation of profit after taxation to cash used in operations

	Note	2020 £m	Restated 2019 £m
Profit after taxation		(2.8)	14.3
Adjusted for:			
- tax (credit)/ charge	4	(1.5)	3.4
- amortisation of intangible assets	8	-	0.1
- disposal of intangible assets	8	0.2	-
- release of FCA provision	12	-	(2.7)
Changes in operating assets and liabilities:			
- amounts receivable from customers		(77.5)	(75.8)
- trade and other receivables		10.6	(11.9)
- inventories		1.4	0.2
- trade and other payables		95.3	74.3
- provisions		(2.8)	(2.1)
Cash used in/ (generated from) operations		22.9	(0.2)

16 Reconciliation of profit after taxation to cash used in operations (continued)

The table below details changes in the company's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be classified in the cash flow statement as cash flows from financing activities.

	2020				
	Cash changes		Non cash changes		
	1 January 2020 £m	Financing £m	Interest £m	Other movements £m	31 December 2020 £m
Amounts owed to Moneybarn Financing Limited	-	(125.3)	(2.8)	(1.1)	(129.2)

17 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.

18 Post balance sheet events

(i) Change in corporation tax rate
In the March 2021 Budget, the Government announced that the mainstream corporation tax rate would increase to 25% from 1 April 2023. Revaluing the deferred tax balances at 31 December 2020 at the mainstream corporation tax rate of 25% to the extent they relate to temporary differences which are expected to reverse after 1 April 2023, gives rise to a tax credit of £1.3m.

(ii) Near-prime
In January 2021 the company launched a near-prime product offering, expanding into the near-prime motor finance space. The financial effects of this launch have not been recognised at 31 December 2020.

(iii) Debt Sale buyback
On 25 February 2021 the company re-acquired certain non-performing loans from Arrow. The total purchase consideration of these assets amounted to £3.3m. The financial effects of this transaction have not been recognised at 31 December 2020.