MONEYBARN NO.1 LIMITED
(Company Number 04496573)

ANNUAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

MONEYBARN NO.1 LIMITED
(Company Number 04496573)

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MONEYBARN NO.1 LIMITED
(Company Number 04496573)

DIRECTORS' REPORT

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

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 5); 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 3 to 6)

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 12. The profit for the year of £21.1m (2018 restated: £10.6m) has been added to reserves. The improved profit in the current year came from significantly increased revenue, lower finance charges, and exceptional credit, but partially offset by higher impairment and tax charge. For detail on the restatement refer to page 17.

Dividends

The directors do not recommend the payment of a dividend in respect of the year ended 31 December 2019 (2018: £nil).

Directors

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

M J Le May (Chairman)
S Hodgson (Resigned 31 March 2020)
L S O'Loingsigh
S G Thomas (Resigned 31 March 2020)
S J Bayley (Appointed 1 April 2020)
D V Shrimpton-Davis (Appointed 23 April 2020)
N Kapur (Appointed 30 June 2020)

Post balance sheet events

Post balance sheet events have been disclosed in note 19 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.

DIRECTORS' REPORT (CONTINUED)

BY ORDER OF THE BOARD

L S O'Loingsigh
Director
Petersfield
27 August 2020

MONEYBARN NO.1 LIMITED
(Company Number 04496573)

STRATEGIC REPORT

Business review

The company recorded another year of strong growth with a 20.6% increase in amounts receivable from customers in the year (see Note 9). This resulted in a 16.9% increase in revenue. Impairment increased by 21.4% largely reflecting the receivables growth. A change in accounting treatment was recognised in the year, and applied retrospectively, in respect of the impairment accounting on IFRS 9 stage 3 receivables. Further information can be found in the accounting policies included within the financial statements on page 17. The 2018 comparatives have therefore been restated. The change in accounting treatment reflect a reclassification only and had no impact on the 2018 profit and total comprehensive income for the year, therefore an opening balance sheet for 1 January 2018 is not presented. Finance costs were lower than the prior year reflecting group funding efficiencies. Profit before taxation and exceptional income (2018: exceptional costs) amounted to £23.6m, £1.2m greater than the restated prior year of £22.4m.

During the year, the company wrote 38,800 new contracts (2018: 29,900) and increased the portfolio of conditional sales financing agreements from 62,100 to 77,000. This increase was achieved from:

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

Revenue increased by 17% to £122.0m (2018 restated: £104.3m), primarily as a result of the receivables increase with revenue margins being broadly stable. Amounts receivable from customers increased by 21% to £502.1m (2018 Restated: £416.5m).

The underlying finance costs increased by 20% to £29.2m (2018: £24.4m excluding exceptional interest charges of £9.3m). This reflects an increase in the company's group funding rate as the cost of funding the non-bank segment of the group has increased. The company's funding rate in 2020 will benefit from recently signed securitisation of its receivables book.

Impairment charges increased by 21% to £41.7m (2018 restated: £34.4m) primarily due to business growth. Default rates and arrears levels were stable in the first three quarters of 2019, continuing the trend experienced since the end of the first quarter of 2018. However, the final quarter of 2019 showed a modest deterioration in impairment trends reflecting: (i) the flow through of higher risk customers prior to the tightening of underwriting early in the fourth quarter; and (ii) the impact of stronger than forecast growth in new business volumes earlier in the year as the company's peak in defaults is approximately 9 to 12 months following inception of a loan. Accordingly, the company's impairment rate of 8.6% in 2019 was in line with last year (2018 restated: 8.7%), having tracked at a lower rate of 8.0% earlier in the year.

Operating costs and administrative costs increased by 8.0% to £24.9m (2018 Restated: £23.1m) as a result of both the increase in receivables and investment in people and systems for maintaining future growth.

Regulation

Moneybarn has now completed its customer redress programme and received the final notice in February 2020 following the FCA investigation into affordability, forbearance and termination options. It also does not pay variable commission so will not be impacted by the FCA review into motor finance that came out in the third quarter of 2019.

The total cost of the investigation has come in below the £20m provision originally established in 2017 leading to the release, as an exceptional credit, of £2.6m of the provision. The fine has now been settled.

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 in June of each year. Actual performance against these budgets is monitored in detail within the company's management accounts and this is supplemented with a rolling forecast of the full-year outturn. The Executive Committee meets each month to review the prior month performance of the company. This includes the management accounts and key

financial and non-financial performance indicators. The company's management accounts also form part of the papers for each board meeting.

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.
    - 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 21 to 24.

Statement regarding section 172 of the Companies Act 2006

As part of the Provident Financial Group, our purpose is founded 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. We describe how, and on which topics, we engage with our stakeholders in the table below and also document the key outcomes of the engagement. 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. How we have generated and preserved value over the long term is included in the strategic report and review of business.

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 customers	Customer affordability, vulnerability and persistent debt Customer outcomes, satisfaction, 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	Management and Board oversight of customer complaints operations, outcomes and strategy Revised scorecard to improve customer outcomes Work to refine and digitise, where beneficial, customer journeys
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, the Blueprint Group CEO is the Chair of the Company Board and the Group CFO is also member of the Company Board MD and FD have regular meetings with the Group CEO and Group CFO Oversee risk identification programme and associated action plan	Strategy and long-term value creation Culture and Blueprint Financial and operational performance Risk Management	Business model aligned with the Group’s purpose Business model aligned with regulatory expectations Established risk remediation project team and concluded FCA Investigation into lending historic practices Agreed and signed a bilateral Securitisation facility with NatWest Markets to fund Moneybarn business flows
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	Group-wide colleague survey was carried out during the year. Designated Group Non-Executive Director plays the lead role in Board engagement with employees, understanding and representing employee interests across the Group The Group’s Blueprint was launched via a dedicated roll-out programme during the year to focus on culture Board oversight of policies that protect employees, their rights and their personal data Leadership and professional development programmes	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	Review of colleague survey results and action plans Launch of the new and enhanced mechanisms for colleague recognition ‘Better Everyday’ Oversight of our health and safety approach, including the impact on colleagues Launched ‘Be Brilliant’ leadership programme and increased the support available for professional qualifications

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	Community contributions and charitable giving Volunteering Matched employee fundraising	Group volunteering policy Group Board oversight of community matters and the approach to external engagement regarding the Company's purpose and role in society Matched employee charitable fundraising.
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.	Adapting the business model to account for changes in regulation 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 risk committee and Board Regulatory engagement and correspondence is reported to and discussed by the Board Regulatory dialogue and engagement regarding current products, potential products, customer outcomes and digitisation	Customer vulnerability and persistent debt Affordability Our products, our potential products and digitisation Historic lending practices FCA investigation Customer proposition improvements Complaints Senior Management & Certification Regime embedding and ongoing compliance Culture	Achieved closure of the Moneybarn's historical lending practices investigation with the Regulator 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 Developed and approved SM&CR policy
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	Signatories of the Prompt Payment Code SRM Framework which highlights supplier performance and enables joint roadmaps
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	A key tool in helping the Group to manage its environmental impact is the Group Environmental Management System (EMS)	Environmentally conscious vehicle manufacture Funding of electric vehicles	Participated in the Group wide reduced emissions targets Participated in the annual Group submission to the Carbon Disclosure Project

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:

Establishing the bilateral securitisation facility
The Board approved the establishment of a bilateral securitisation funding facility in January 2020, having considered the Company's strategy and having acknowledged the Group's common strategic purpose of 'helping put people on the path to a better everyday life'. In determining to approve the transaction to enter into the funding facility, which it believes will promote the long term success of the Company for the benefit of its members, the Board considered a broad number of factors including:

<u>Risk</u>
- Initial due diligence
- Key risks
- Legal risks
- Ongoing monitoring and controls

<u>Financial</u>
- Shareholder and market context
- Financial benefits of the facility
- Funding policy and diversification

<u>Regulatory</u>
- Regulatory reporting

With due and careful consideration of their statutory and fiduciary duties to the Company the Board Directors of the Company approved the transaction. The ongoing performance of the facility will be monitored throughout the year.

Going concern

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

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

Based on this review, the directors are satisfied that the group has the required resources to continue in business for a period of at least twelve months following the approval of the Company accounts. For this reason, the directors continue to adopt the going concern basis in preparing the Company accounts. In addition, 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. Further details on the basis of preparation are provided on page 16.

STRATEGIC REPORT (CONTINUED)

BY ORDER OF THE BOARD

L S O'Loingsigh
Director
Petersfield
27 August 2020

MONEYBARN NO.1 LIMITED
(Company Number 04496573)

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, International Accounting Standard 1 requires that directors:

- properly select suitable accounting policies and apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRS are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the company's ability to continue as a going concern.

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

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 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in shareholder's equity;
- the statement of cash flows;
- the statement of accounting policies;
- financial and capital risk management; and
- the related notes 1 to 19.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union.

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

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern
We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

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

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

We have nothing to report in respect of these matters.

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

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the 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.

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

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

MONEYBARN NO.1 LIMITED
(Company Number 04496573)

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December	Note	2019 £'000	(Restated*) 2018 £'000
Revenue	1	122,004	104,291
Finance costs	2	(29,172)	(33,653)
Impairment charges	9	(41,771)	(34,405)
Administrative and operating costs		(24,780)	(23,125)
Total costs		(95,723)	(91,283)
Profit before taxation	3	26,281	13,108
Profit before taxation and exceptional costs		23,630	22,370
Exceptional items	3	2,649	(9,262)
Tax charge	4	(5,212)	(2,475)
Profit and total comprehensive income for the year		21,069	10,633

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

As at 31 December	Note	2019 £'000	2018 £'000
ASSETS			
Non-current assets			
Intangible assets	6	302	49
Property, plant and equipment	7	-	-
Financial assets:			
- amounts receivable from customers	9	375,404	313,759
Deferred tax assets	11	6,243	7,545
		381,949	321,353
Current assets			
Financial assets:			
- cash and cash equivalents		1,176	1,710
- trade and other receivables	10	11,379	621
- amounts receivable from customers	9	126,743	102,734
Inventories		3,669	3,875
		142,967	108,940
Total assets		524,916	430,293
LIABILITIES			
Current liabilities			
Financial liabilities:			
- trade and other payables	12	(505,795)	(429,884)
Provisions	13	(2,775)	(7,509)
Current tax liabilities		(3,918)	(1,541)
		(512,488)	(438,934)
Total liabilities		(512,488)	(438,934)
NET ASSETS/(LIABILITIES)		12,428	(8,641)
SHAREHOLDER'S EQUITY			
Share capital	14	-	-
Retained earnings/(deficit)		12,428	(8,641)
TOTAL SHAREHOLDER'S EQUITY/(DEFICIT)		12,428	(8,641)

The financial statements on pages 12 to 36 were approved and authorised for issue by the board of directors on 27 August 2020 and signed on its behalf by:

L S O'Loingsigh
Director

S J Bayley
Director

MONEYBARN NO.1 LIMITED
(Company Number 04496573)

STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY

	Note	Share capital £'000	Retained (deficit)/ earnings £'000	Total £'000
At 1 January 2018		-	18,163	18,163
Impact of adoption of IFRS 9 'Financial Instruments'		-	(37,437)	(37,437)
Profit and total comprehensive income for the year		-	10,633	10,633
At 31 December 2018		-	(8,641)	(8,641)
At 1 January 2019		-	(8,641)	(8,641)
Profit and total comprehensive income for the year		-	21,069	21,069
At 31 December 2019		-	12,428	12,428

MONEYBARN NO.1 LIMITED
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STATEMENT OF CASH FLOWS

For the year ended 31 December	Note	2019 £'000	2018 £'000
Cash flow from operating activities			
Cash used in operations	17	(221)	(1,392)
Tax received		-	205
Net cash used in operating activities		(221)	(1,187)
Cash flow from investing activities			
Purchase of intangible assets	6	(313)	(30)
Proceeds from disposal of property, plant and equipment	7	-	19
Net cash used in investing activities		(313)	(11)
Net decrease in cash, cash equivalents and overdrafts		(534)	(1,198)
Cash, cash equivalents and overdrafts at beginning of year		1,710	2,908
Cash, cash equivalents and overdrafts at end of year		1,176	1,710

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

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

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

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 2019:

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

IFRS 16, 'Leases', replaces IAS 17, 'Leases' and provides a model for the identification of lease arrangements and the treatment in the financial statements of both lessees and lessors and was effective from 1 January 2019.

The company is not currently the lessee of any assets in the normal course of business, IFRS 16 has not had an impact on the company as a lessee.

Interest income generated from Moneybarn's conditional sales agreements will be accounted for in accordance IFRS 16. The impacts on the implementation of this standard are shown in notes 1, 8 and 9, further detail is provided in section (c) below

There has been no other new or amended standards adopted in the financial year beginning 1 January 2019 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 2019 and not early adopted:

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

(c) Changes in accounting treatment in 2019

In 2018, revenue on Moneybarn's credit impaired receivables was recognised 'gross' of the impairment provision with this additional revenue reflected as an impairment charge resulting in a gross-up in the income statement. On reviewing its accounting policies in preparing the 2019 financial statements, the Group has determined that revenue on Moneybarn's credit impaired receivables should be recognised 'net' of the impairment provision to align the accounting treatment under IFRS 16 with IFRS 9

A summary of the impact of the changes in treatment on the Income statement is set out below:

For the year ended 31 December	2019 Previous policy £m	Restatement	2019 As reported £m	2018 Previously disclosed £m	Restatement	2018 As restated £m
Revenue	143.3	(21.3)	122.0	117.9	(13.6)	104.3
Finance costs	(29.1)	-	(29.1)	(33.7)	-	(33.7)
Impairment charges	(63.1)	21.3	(41.8)	(48.0)	13.6	(34.4)
Administrative and operating costs	(24.8)	-	(24.8)	(23.1)	-	(23.1)
Total costs	(117.0)	21.3	(95.7)	(104.8)	13.6	(91.2)
Profit before taxation	26.3	-	26.3	13.1	-	13.1
Profit before taxation and exceptional costs	23.7	-	23.7	22.4	-	22.4
Exceptional items	2.6	-	2.6	(9.3)	-	(9.3)
Tax charge	(5.2)	-	(5.2)	(2.5)	-	(2.5)
Profit and total comprehensive income for the year	21.1	-	21.1	10.6	-	10.6

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.

Revenue on customer receivables is recognised using an effective interest rate.
The effective interest rate is calculated using estimated cash flows.

Finance costs

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

Amounts receivable from customers

Amounts receivable from customers are initially recorded at the amount advanced to the customer plus directly attributable issue costs. Subsequently, receivables are increased by revenue and reduced by cash collections and deduction for impairment.

Impairment provisions are recognised on inception of a loan based on the probability of default (PD), exposure at default (EAD) and the loss arising on default (LGD).

On initial recognition, all accounts are recognised in IFRS 9 stage 1. When an account is deemed to have suffered a significant increase in credit risk, such as missing a payment, but they have not defaulted, they move to stage 2. When accounts default, after missing further payments or moving to a payment arrangement, they move into stage 3.

STATEMENT OF ACCOUNTING POLICIES

Amounts receivable from customers (continued)

The company uses a PD/EAD/LGD model to calculate an expected loss impairment provision in accordance with IFRS 9, net of expected cash flows from future debt sale proceeds discounted at the effective interest rate of the terminated loan portfolio.

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.

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 are no longer able to sustain payments under their agreement and the agreement is terminated.

Customers are moved to IFRS 9 stage 3 on default and lifetime losses are recognised where forbearance is provided to the customer and alternative payment arrangements are established. Customers under payment arrangements are separately identified according to the type of payment 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 macro-economic provisions are also created to reflect the expected impact of future economic events on a customer's ability to make payments on their accounts. Deterioration in both unemployment, the used car market and a full economic downturn are used to calculate separate provisions which are held in addition to the core provisions for accounts in stages 1 to 3.

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

STATEMENT OF ACCOUNTING POLICIES

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.

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 makes significant estimates and assumptions that affect the reported amounts of assets and liabilities as follows:

Amounts receivable from customers

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

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

To the extent that the present value of estimated future cash flows differs by +/- 1%, it is estimated that the amounts receivable from customers would be approximately £5.0m (2018: £4.2m) higher/lower.

An increase of 1% of the gross exposure into stage 2 from stage 1 would result in an increase in the allowance account of £0.5m based on applying the difference between the coverage rations from stage 1 to stage 2 to the movement in gross exposure.

MONEYBARN NO.1 LIMITED
(Company Number 04496573)

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 or a bank counterparty. 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 2019 is the carrying value of amounts receivable from customers of £502.1m (2018: £416.5m).

The board is responsible for setting the credit policy of the company. The board meets quarterly, or more frequently if required,

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

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

(ii) Counterparty risk
The company’s maximum exposure to credit risk on bank counterparties as at 31 December 2019 was £1.2m (2018: £1.7m).

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).

(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. To enable the Group to mitigate this risk a securitisation funding arrangement has been entered since the year end (see note 19).

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

The group’s funding and liquidity policy is designed to ensure that the group is able to continue to fund the growth of the business. The group therefore maintains headroom on its committed borrowing facilities to fund growth and contractual maturities for at least the following 12 months. As at 31 December 2019, the group’s committed borrowing facilities had a weighted average period to maturity of 2.2 years (2018: 2.3 years) and the headroom on these committed facilities amounted to £69.1m (2018: £327.4m).

FINANCIAL AND CAPITAL RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk (continued)

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

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

The group also successfully signed a bilateral securitisation facility with NatWest Markets to fund Moneybarn business flows on 14 January 2020. The new facility provides up to £100m of initial funding and is anticipated to grow to £275m over the next 18 months.

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

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

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

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

A 2% movement in the interest rate applied to borrowings during 2019 and 2018 would not have had a material impact on the group's profit before taxation or equity as the group's interest rate risk was substantially hedged. Further details of the interest rate risk management are detailed within the annual report and financial statements of Provident Financial plc which do not form part of this report.

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

(e) Capital risk
Capital risk is managed by the group's centralised treasury department. The group manages capital risk by focussing on capital efficiency and effective risk management. This takes into account the requirements of a variety of different stakeholders including shareholders, policyholders, regulators and rating agencies. A more detailed explanation of the management of capital risk can be found in the annual report and financial statements of Provident Financial plc which do not form part of this report.

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

Despite any potential second order risks of Brexit, the company has proven resilient during previous economic downturns due to the specialist business models deployed by the business which are tailored to serving non-standard customers. In addition, Moneybarn has tightened underwriting over the last two years in advance of a potential weakening in the UK economy.

FINANCIAL AND CAPITAL RISK MANAGEMENT (CONTINUED)

(f) Brexit (continued)
The main risk to the company is reduced levels of funding from Provident Financial plc ('the group'). The group has current committed facilities to fund growth and contractual maturities until mid-2022, when the current syndicated bank facility is due to mature, assuming ongoing access to retail deposits to fully fund Vanquis Bank. No effect is anticipated on Vanquis Bank's ability to access retail deposits, although it maintains a minimum operational buffer over its liquid requirements stipulated by the PRA to withstand any short-term disruption. In line with the group's treasury policy, the group will seek to refinance the current syndicated revolving bank facility no less than 12 months in advance of its maturity. The group's lending banks are predominantly UK based, have supported the group for many years and have broader relationships through ancillary business such as transactional banking. In the event of a prolonged period of market disruption and the closure of debt capital markets, then the group has the ability to manage receivables growth and/or dividend flows.

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

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

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

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

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

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

FINANCIAL AND CAPITAL RISK MANAGEMENT (CONTINUED)

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

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

NOTES TO THE FINANCIAL STATEMENTS

1 Revenue

	2019 £'000	(Restated) 2018 £'000
Interest income	122,004	103,503
Fee income	-	788
Total revenue	122,004	104,291

Revenue comprises interest and fee income of £140.2m (2018: £131.9m) net of the amortisation of deferred broker commissions of £18.2m (2018: £14.0m). During 2019 the company stopped charging fees to customers.

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

2 Finance costs

	2019 £'000	2018 £'000
Interest payable	29,172	24,391
Additional interest charge from ultimate parent company	-	9,262
Total finance costs	29,172	33,653

3 Profit before taxation

	2019 £'000	(Restated) 2018 £'000
Profit before taxation is stated after charging/(crediting):		
Amortisation of intangible assets:		
- computer software (note 6)	60	39
Profit on disposal of property, plant and equipment (note 7)	-	(19)
Impairment of amounts receivable from customers (note 9)	41,771	34,405

Fellow subsidiary undertakings have recharged certain administrative costs to the company of £20.0m (2018: £17.8m) in respect of services provided.

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 has come in below the £20m provision originally established in 2017 leading to a release as an exceptional credit, of £2.6m of the provision as noted below.

The exceptional costs in 2018 comprised additional interest charges on borrowings from the company's ultimate parent, Provident Financial plc, which reflected the increased funding costs incurred by Provident Financial plc following the early redemption and new issue of senior bonds.

Exceptional costs	2019 £'000	2018 £'000
Release of impairment provision as part of FCA balance reduction	(2,649)	-
Additional interest charge from ultimate parent company	-	9,262
Total exceptional items	(2,649)	9,262

3 Profit before taxation (continued)

Auditor's remuneration to Deloitte LLP in respect of the audit of the financial statements was £256,000 (2018: £156,000). Auditor's remuneration to Deloitte LLP in respect of other services was £nil (2018: £nil).

4 Tax charge

Tax (charge) in the income statement	2019 £'000	2018 £'000
Current tax	(3,910)	(2,015)
Deferred tax (note 11)	(1,350)	(413)
Impact of change in UK tax rate (note 11)	48	(47)
Total tax charge	(5,212)	(2,475)

During 2015, changes were enacted reducing the mainstream corporation tax rate from 20% to 19% with effect from 1 April 2017 and from 19% to 18% with effect from 1 April 2020. In 2016, a further change was enacted, which further reduced the mainstream corporation tax rate from 18% to 17% with effect from 1 April 2020. Deferred tax balances at 31 December 2019 have been measured at 17% (2018: 17%) to the extent that the temporary differences on which deferred tax has been calculated are expected to reverse after 1 April 2020 (2018: 1 April 2020). In 2019, movements in deferred tax balances have been measured at the mainstream corporation tax rate for the year of 19% (2018: 19%). A tax credit in 2018 of £48,000 (2018: charge of £47,000) represents the income statement adjustment to deferred tax as a result of these changes.

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

	2019 £'000	2018 £'000
Profit before taxation	26,281	13,108
Profit before taxation multiplied by the average standard rate of corporation tax in the UK of 19% (2018: 19%)	(4,993)	(2,491)
Effects of:		
- adjustment in respect of prior years	(28)	63
- impact of change in UK tax rate	48	(47)
- non-deductible FCA fine	(229)	-
- impact of permanent differences	(10)	-
Total tax charge	(5,212)	(2,475)

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 (2018: 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 and S G Thomas are paid and disclosed by the ultimate parent company, Provident Financial plc.

6 Intangible assets

	Computer software	
	2019	2018
	£'000	£'000
Cost		
At 1 January	387	357
Additions	313	30
At 31 December	708	387
Accumulated amortisation		
At 1 January	338	299
Charged to the income statement	60	39
At 31 December	398	338
Net book value at 31 December	302	49
Net book value at 1 January	49	58

7 Property, plant and equipment

	2019	2018
	£'000	£'000
Cost		
At 1 January	27	63
Disposals	-	(36)
At 31 December	27	27
Accumulated depreciation		
At 1 January	27	63
Charged to the income statement	-	-
Disposals	-	(36)
At 31 December	27	27
Net book value at 31 December	-	-
Net book value at 1 January	-	-

Disposals in the year had a net book value of £nil (2018: £nil) and related proceeds of £nil (2018: £19,000). The profit on disposals was £nil (2018: £19,000).

8 Financial instruments

The following table sets out the carrying value of the company's financial assets and liabilities in accordance with the categories of financial instruments set out in IFRS 9. Assets and liabilities outside the scope of IFRS 9 are shown within non-financial assets/liabilities:

			31 December 2019
	Amortised cost £'000	Non-financial assets/ liabilities £'000	Total £'000
Assets			
Cash and cash equivalents	1,176	-	1,176
Trade and other receivables	379	11,000	11,379
Amounts receivable from customers	502,147	-	502,147
Intangible assets	-	302	302
Deferred tax assets	-	6,243	6,243
Inventories	-	3,669	3,669
Total assets	503,702	21,214	524,916
Liabilities			
Trade and other payables	(505,795)	-	(505,795)
Provisions	-	(2,775)	(2,775)
Current tax liabilities	-	(3,918)	(3,918)
Total liabilities	(505,795)	(6,693)	(512,488)

				31 December 2018 (Restated)
		Amortised cost £'000	Non-financial assets/ liabilities £'000	Total £'000
Assets				
Cash and cash equivalents		1,710	-	1,710
Trade and other receivables		93	528	621
Amounts receivable from customers		416,493	-	416,493
Intangible assets		-	49	49
Deferred tax assets		-	7,545	7,545
Inventories		-	3,875	3,875
Total assets		418,296	11,997	430,293
Liabilities				
Trade and other payables	-	(429,884)	-	(429,884)
Provisions	-	-	(7,509)	(7,509)
Current tax liabilities	-	-	(1,541)	(1,541)
Total liabilities	-	(429,884)	(9,050)	(438,934)

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

9 Amounts receivable from customers

Amounts receivable from customers are held at amortised cost and are equal to the expected future cash flows discounted at the EIR. The average EIR for the year ended 31 December 2019 was 34% (2018: 34%).

Amounts from customers comprises £477.5m (2018: £396.7m) of customer receivables plus deferred broker commissions of £24.6m (2018: £19.8m) and the prior year is stated net of an estimated balance reduction of £1.8m in respect of the FCA investigation into affordability, forbearance and termination options.

Ageing analysis of amounts receivable from customers	2019 £'000	Restated 2018 £'000
Amounts due within one year	126,743	102,734
Amounts due in more than one year	375,404	313,759
Total	502,147	416,493

2019	Within 1 year £'000	1-5 years £'000	Total £'000
Future minimum lease payments	252,645	558,208	810,853
Unearned finance income	(125,902)	(182,804)	(308,706)
Present value of minimum lease payments receivable	126,743	375,404	502,147

2018 restated	Within 1 year £'000	1-5 years £'000	Total £'000
Future minimum lease payments	206,170	464,410	670,580
Unearned finance income	(103,436)	(160,651)	(254,087)
Present value of minimum lease payments receivable	102,734	313,759	416,493

No finance agreements entered into have a term greater than five years (2018: none over five years). The average term of finance leases entered into during the year is 4.6 years (2018: 4.6 years).

The gross receivable and allowance account which form the net amounts receivable from customers excluding deferred broker commissions of £24.6m (2018: £19.8m) is as follows:

	2019 £'000	(restated) 2018 £'000
Gross receivable	586,758	540,834
Allowance account	(84,611)	(124,341)
Net amounts receivable from customers	502,147	416,493

9 Amounts receivable from customers (continued)

Amount receivable from customers can be reconciled as follows:

				2019
	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
Gross carrying amount:	**292,800**	**130,700**	**117,334**	**540,834**
New financial assets originated	282,775	-	-	282,775
Net transfers and changes in credit risk	(179,500)	59,800	119,700	-
Write-offs	-	-	(99,191)	(99,191)
Recoveries	(153,300)	(49,400)	(79,941)	(282,641)
Revenue*	78,800	38,400	26,110	143,310
Other changes	13,800	8,871	(21,000)	1,671
At 31 December	**335,375**	**188,371**	**63,012**	**586,758**
Loss allowance account:				
At 1 January	**9,217**	**28,364**	**86,760**	**124,341**
Movements through income statement:				
New financial assets originated	9,584	-	-	9,584
Net transfers and changes in credit risk	(9,347)	7,361	55,438	53,452
Amounts netted off against revenue for stage 3 assets	-	-	(21,265)	(21,265)
Total movements through income statement:	**237**	**7,361**	**34,173**	**41,771**
Other movements:				
Write-offs	-	-	(81,501)	(81,501)
Loss allowance account at 31 December	**9,454**	**35,760**	**39,432**	**84,611**
Net receivable at 31 December	**325,921**	**152,611**	**23,615**	**502,147**
Net receivable at 1 January	283,583	102,336	30,574	416,493

*In the income statement revenue is £122.0m (2018: £104.3m) 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 £21.3m (2018: £13.6m).

Write offs have increased significantly in 2019 due to the sale of terminated debt towards the end of the year. 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.

9 Amounts receivable from customers (continued)

				Restated 2018
	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
Gross carrying amount:	**253,900**	**98,700**	**74,649**	**427,249**
New financial assets originated	234,647	-	-	234,647
Net transfers and changes in credit risk	(155,700)	40,800	114,900	-
Write-offs	(400)	(200)	(2,422)	(3,022)
Recoveries	(101,300)	(42,000)	(94,700)	(238,000)
Revenue	53,500	29,400	35,048	117,948
Other changes	8,153	4,000	(10,141)	2,012
At 31 December	**292,800**	**130,700**	**117,334**	**540,834**
Loss allowance account:				
At 1 January	**8,648**	**29,664**	**54,753**	**93,065**
Movements through income statement:				
New financial assets originated	8,269	-	-	8,269
Net transfers and changes in credit risk	(7,300)	(1,100)	48,173	39,773
Amounts netted off against revenue for stage 3 assets	-	-	(13,637)	(13,637)
Total movements through income statement:	**969**	**(1,100)**	**34,536**	**34,405**
Other movements:				
Write-offs	(400)	(200)	(2,407)	(3,007)
Loss allowance account at 31 December	**9,217**	**28,364**	**86,882**	**124,463**
Net receivable at 31 December	**283,583**	**102,336**	**30,452**	**416,371**
Net receivable at 1 January	245,252	69,036	19,896	334,184

Vehicles are held as collateral against amounts receivable from customers until they are repaid in full. At 31 December 2019, £339.8m (2018: £286.3m) of collateral is held against amounts receivable from customers of £502.1m (2018: £416.4m), representing 68% (2018 restated: 69%) of the balance including broker fees. The impact of holding the collateral on the allowance account as at 31 December 2019 was £52.9m (2018: £65.1m.)

The fair value of amounts receivable from customers is approximately £633.3m (31 December 2018: £566.4m). 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.

9 Amounts receivable from customers (continued)

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				**2019**
	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
Good quality	72,020	16,590	2,538	91,148
Satisfactory quality	221,453	124,240	39,275	384,968
Lower quality	41,220	46,081	19,482	106,783
Below standard	682	1,460	1,717	3,859
Gross carrying amount	335,375	188,371	63,012	586,758

10 Trade and other receivables

Current assets	2019 £'000	2018 £'000
Prepayments and accrued income	11,000	528
Other receivables including amounts due to the company for taxation and social security	379	93
Total	11,379	621

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 (2018: £nil).

Within the trade receivables is an amount of £11m relating to the deferred consideration of debts sold by the company prior to the year-end and £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 3 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.

11 Deferred tax

Deferred tax is calculated in full on temporary differences under the balance sheet liability method. During 2015, reductions in corporation tax rates were enacted, reducing the 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. Deferred tax at 31 December 2019 has been measured at 17% (2018: 17%) to the extent that the temporary differences on which deferred tax has been calculated are expected to reverse after 1 April 2020 (2018: 1 April 2020). The exception to this is the deferred tax asset that has arisen on the opening balance sheet adjustment to restate the IAS 39 balance sheet on to an IFRS 9 basis. The adjustment is tax deductible over 10 years commencing in 2018 and deferred tax has been measured at the UK corporation tax rate at which the temporary differences on which deferred tax has been recognised will reverse. In 2018, movements in deferred tax balances have been measured at the mainstream corporation tax rate for the year of 19% (2018: 19%). A tax credit in 2019 of £48,000 (2018: charge of £47,000) represents the income statement adjustment to deferred tax as a result of these changes. The movement in the deferred tax asset during the year can be analysed as follows:

Asset	2019 £'000	2018 £'000
At 1 January	7,545	60
Credit to the income statement (note 4)	(1,350)	(413)
Tax impact of IFRS 9 adoption taken to reserves	-	7,945
Impact of change in UK tax rate	48	(47)
At 31 December	6,243	7,545

Asset			2019
	Accelerated capital allowances £'000	Other temporary differences £'000	Total £'000
At 1 January	50	7,495	7,545
Credit to the income statement	(8)	(1,342)	(1,350)
Impact of change in UK tax rate	1	47	48
At 31 December	43	6,200	6,243

Asset			2018
	Accelerated capital allowances £'000	Other temporary differences £'000	Total £'000
At 1 January	60	-	60
Credit to the income statement	(11)	(402)	(413)
Tax impact of IFRS 9 adoption taken to reserves	-	7,945	7,945
Impact of change in UK tax rate	1	(48)	(47)
At 31 December	50	7,945	7,545

11 Deferred tax (continued)

The deferred tax credit of £nil (2018: £7,945,000) represents deferred tax arising on the 2018 opening balance sheet adjustments to restate the IAS 39 balance sheet on an IFRS 9 basis. The adjustment is tax deductible over 10 years commencing in 2018 and deferred tax has been measured at the UK corporation tax rate at which the temporary differences on which deferred tax has been recognised will reverse.

Deferred tax is a future tax liability or asset resulting from temporary differences or timing difference 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.

Since the year end it has been announced that the mainstream rate of corporation tax in the UK will not reduce to 17% with effect from 1 April 2020 and will instead remain at 19%, refer to note 19.

12 Trade and other payables

Current liabilities	2019 £'000	2018 £'000
Trade payables	373	346
Amounts owed to fellow subsidiary undertakings	2,636	4,496
Amounts owed to ultimate parent undertaking	500,945	423,059
Accruals	1,841	1,983
Total	505,795	429,884

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

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

13 Provisions

Provisions	2019 £'000	2018 £'000
At 1 January	7,509	7,897
Utilised in the year	(2,085)	-
Released in the year	(2,649)	(388)
Total	2,775	7,509

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 has come in below the £20m provision originally established in 2017 leading to the release, as an exceptional credit, of £2.6m of the provision as noted above. The carried forward provision in 2019 relates to the FCA fine in respect of the investigation, which has been settled after the balance sheet date.

14 Share capital

	2019		2018	
	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 (2018: no shares).

15 Related party transactions

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

			2019
	Management recharge £'000	Interest charge £'000	Outstanding balance £'000
Ultimate parent undertaking	-	29,172	(500,945)
Other subsidiaries of the ultimate parent undertaking	19,899	-	(2,636)

			2018
	Management recharge £'000	Interest charge £'000	Outstanding balance £'000
Ultimate parent undertaking	-	33,653	(423,059)
Other subsidiaries of the ultimate parent undertaking	17,761	-	(4,496)

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

16 Contingent liabilities

The company is a guarantor in respect of: (i) borrowings made by the company's ultimate parent undertaking; and (ii) guarantees given by the company's ultimate parent undertaking in respect of borrowings of certain of its subsidiaries to a maximum of £689.8m (2018: £953.7m). At 31 December 2019, the borrowings amounted to £616.3m (2018: £621.0m).

17 Reconciliation of profit after taxation to cash used in operations

	Note	2019 £'000	2018 £'000
Profit after taxation		21,069	10,633
Adjusted for:			
- tax charge	4	5,211	2,475
- amortisation of intangible assets	6	60	39
- profit on disposal of property, plant and equipment	7	-	(19)
- release of FCA provision	13	(2,649)	-
--changes in operating assets and liabilities:			
- amounts receivable from customers		(85,803)	(82,227)
- trade and other receivables		(10,758)	(2,978)
- inventories		206	(1,817)
- trade and other payables		74,528	72,890
- provisions		(2,085)	(388)
Cash used in operations		(221)	(1,392)

18 Parent undertaking and controlling party

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

19 Post balance sheet events

(i) Covid -19

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

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

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

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

(ii) Securitisation facility

The company successfully signed a bilateral securitisation facility with NatWest Markets to fund the company's business flows on 14 January 2020. The new facility provides up to £100m of initial funding and is anticipated to grow to £275m over the next 18 months.

(iii) Change in corporation tax rate

In 2016 a change in the UK mainstream rate of corporation tax was enacted reducing the rate to 17% with effect from 1 April 2020. Subsequently, at the March 2020 Budget it was announced that this reduction to 17% would no longer take place, and the mainstream rate of corporation tax would be maintained at 19%.

As the 17% rate of mainstream corporation tax was the enacted rate at the reporting date, the 17% rate has been applied in calculating the deferred taxation balances reflected in the accounts. The cancellation of the rate reduction resulted in the Company's deferred tax asset increasing by £0.7m in March 2020.