

DUNCTON GROUP LIMITED
(Company Number 06308608)

ANNUAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2020

DUNCTON GROUP LIMITED
(Company Number 06308608)

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DUNCTON GROUP LIMITED
(Company Number 06308608)

DIRECTORS' REPORT

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

Principal activities and review of the business

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

Results

The statement of comprehensive income for the year is set out on page 3. The loss for the year of £1,000 (2019: profit of £5,000) has been deducted from (2019: added to) from reserves.

Dividends

The directors are unable to 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 were:

M J Le May (Chairman)
S Hodgson (Resigned 31 March 2020)
L S O'Loingsigh (Resigned 30 November 2021)
S G Thomas (Resigned 31 March 2020)
N Kapur (Appointed 1 April 2020)
S J Bayley (Appointed 1 April 2020, Resigned 1 March 2021)
D V Shrimpton-Davis (Appointed 23 April 2020)
C G Anderson (Appointed 2 February 2021)

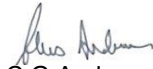
Consolidation exemption

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

Exemption from preparing a strategic report

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

BY ORDER OF THE BOARD



C G Anderson
Director
Petersfield
19 July 2021

DUNCTON GROUP LIMITED
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STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

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

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

DUNCTON GROUP LIMITED
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STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December	Note	2020 £'000	2019 £'000
Finance income	1	3	8
Administrative costs		(4)	(2)
(Loss)/ profit before taxation	2	(1)	6
Tax charge	3	-	(1)
Profit for the period attributable to equity shareholders		(1)	5

All of the above operations relate to continuing operations.

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BALANCE SHEET

	Note	2020 £'000	2019 £'000
ASSETS			
Trade and other receivables	5	1,086	1,033
Investments in subsidiaries	6	10,000	10,000
Total assets		11,086	11,033
LIABILITIES AND EQUITY			
Liabilities			
Trade and other payables	7	85	30
Current tax liabilities		-	1
Total liabilities		85	31
Equity attributable to owners of the parent			
Share capital	9	11,007	11,007
Share premium account		20	20
Retained deficit		(26)	(25)
Total Equity		11,001	11,002
Total Liabilities and Equity		11,086	11,033


The company is entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies for the year ended 31 December 2020.

The members have not required the company to obtain an audit of its accounts for the year in question in accordance with section 476 of the Companies Act 2006.

The directors acknowledge their responsibilities for complying with requirements of the Companies Act 2006 with respect to accounting records and the preparation of accounts.

The financial statements on pages 3 to 14 were approved and authorised for issue by the board of directors on 19 July 2021 and were signed on its behalf by:


C G Anderson
Director


D V Shrimpton-Davis
Director

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STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY

	Share capital £'000	Share premium account £'000	Retained profit/ (deficit) £'000	Total £'000
At 1 January 2019	11,007	20	(30)	10,997
Profit and total comprehensive income for the year	-	-	5	5
At 31 December 2019	11,007	20	(25)	11,002
At 1 January 2020	11,007	20	(25)	11,002
Loss and total comprehensive expense for the year	-	-	(1)	(1)
At 31 December 2020	11,007	20	(26)	11,001

STATEMENT OF CASH FLOWS

For the year ended 31 December	Note	2020 £'000	2019 £'000
Cash flows used in operating activities			
Cash used in operations	12	(3)	(8)
Net cash used in operating activities		(3)	(8)
Cash flows from investing activities			
Interest received from group undertakings	1	3	8
Net cash generated from investing activities		3	8
Net increase in cash, cash equivalents and overdrafts			
Cash and cash equivalents at beginning of year		-	-
Cash and cash equivalents at end of year		-	-

DUNCTON GROUP LIMITED
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STATEMENT OF ACCOUNTING POLICIES

General information

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

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

Consolidation exemption

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

Basis of preparation

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

The financial statements have been prepared on a going concern basis under the historical cost convention.

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

Going concern

In assessing whether the 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 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 both the group and Vanquis Bank 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. Accordingly the financial statements of the company have been prepared on a going concern basis of accounting.

Principal accounting policies

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

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

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

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STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

Revenue

Revenue comprises interest received from group undertakings and is recognised on an EIR (Effective Interest Rate) basis.

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

Trade and other receivables and payables

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

Investment in subsidiaries

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

Share capital

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

Taxation

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

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

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

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

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

Critical accounting judgements and sources of estimation uncertainty

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

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FINANCIAL AND CAPITAL RISK MANAGEMENT

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

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

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

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

(a) Liquidity risk

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

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

The group's funding and liquidity policy is designed to ensure that the group is able to continue to fund the growth of the business. The group therefore maintains headroom on its committed borrowing facilities to fund growth and contractual maturities for at least the following 12 months. As at 31 December 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'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

(b) 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.

FINANCIAL AND CAPITAL RISK MANAGEMENT (CONTINUED)

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 as 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.

(c) Market risk

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

(d) Capital risk

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

(e) Brexit

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.

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NOTES TO THE FINANCIAL STATEMENTS

1 Finance income

	2020	2019
	£'000	£'000
Interest receivable from group undertakings	-	8
Interest receivable from fellow subsidiary undertakings	3	-
Total revenue	3	8

2 (Loss)/ profit before taxation

(Loss)/ profit before taxation is stated after charging:

	2020	2019
	£'000	£'000
Auditor's remuneration: Fees payable to the company's auditor for the audit of the financial statements	-	2
Total auditors' remuneration	-	2

Auditor's remuneration to Deloitte LLP in respect of other services was £nil (2019: £nil).

3 Tax charge

	2020	2019
	£'000	£'000
Tax charge in the income statement	-	(1)
Total tax charge	-	(1)

The rate of tax charge on the (loss)/ profit before taxation for the year is in line with (2019: in line with) the average standard rate of corporation tax in the UK of 19% (2019: 19%). This can be reconciled as follows:

	2020	2019
	£'000	£'000
(Loss)/ profit before taxation	(1)	5
(Loss)/ profit before taxation multiplied by the average standard rate of corporation tax in the UK of 19% (2019: 19%)	-	(1)
Total tax charge	-	(1)

4 Employee information and directors' remuneration

The emoluments of the directors are paid by Moneybarn Limited, a fellow subsidiary of Provident Financial plc, the ultimate parent company, which makes no recharge to the company (2019: no recharge). It is not possible to make an accurate apportionment of their services in relation to the company. The emoluments of these directors are disclosed in the financial statements of Moneybarn Limited.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5 Trade and other receivables

	2020	2019
Current assets	£'000	£'000
Amounts owed by ultimate parent undertaking	-	1,033
Amounts owed by intermediate holding company	1,086	-
Total	1,086	1,033

The fair value of trade and other receivables equates to their book value (2019: fair value equated to book value).

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

6 Investments in subsidiaries

	2020	2019
Cost and net book value	£'000	£'000
Investments in subsidiary companies	10,000	10,000

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

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

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

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

7 Trade and other payables

	2020	2019
Current liabilities	£'000	£'000
Amounts owed to fellow subsidiary undertakings	54	-
Accruals	31	30
Total	85	30

The fair value of trade and other payables equates to their book value (2019: fair value equated to book value). The amounts owed to subsidiary and fellow subsidiary undertakings are unsecured, due for repayment in less than one year and do not accrue interest.

DUNCTON GROUP LIMITED
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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:

	2020		
	Amortised cost £'000	Non-financial assets/ liabilities £'000	Total £'000
Assets			
Trade and other receivables	1,086	-	1,086
Investments in subsidiaries	-	10,000	10,000
Total assets	1,086	10,000	11,086
Liabilities			
Trade and other payables	(85)	-	(85)
Current tax liabilities	-	-	-
Total liabilities	(85)	-	(85)
	2019		
	Amortised cost £'000	Non-financial assets/ liabilities £'000	Total £'000
Assets			
Trade and other receivables	1,033	-	1,033
Investments in subsidiaries	-	10,000	10,000
Total assets	1,033	10,000	11,033
Liabilities			
Trade and other payables	(30)	-	(30)
Current tax liabilities	-	(1)	(1)
Total liabilities	(30)	(1)	(31)

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9 Share capital

	2020		2019	
	Number of shares	Issued and fully paid £	Number of shares	Issued and fully paid £
'A' ordinary shares of 1p each	3	-	3	-
'B' ordinary shares of 1p each	1,230,851	12,309	1,230,851	12,309
'D' ordinary shares of 1p each	527,507	5,275	527,507	5,275
'E' ordinary shares of £1 each	10,989,000	10,989,000	10,989,000	10,989,000
'F' ordinary shares of 1p each	1	-	1	-
Total	12,747,362	11,006,584	12,747,362	11,006,584

There are no shares issued and not fully paid at the end of the year (2019: no shares).

Rights of class of share include:

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

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

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

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

10 Related party transactions

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

	2020	2019
	£'000	£'000
Ultimate parent undertaking	-	1,033
Intermediate holding company	1,086	-
Other subsidiaries of the ultimate parent undertaking	(54)	-
Total	1,032	1,033

11 Contingent liabilities

The company is a guarantor in respect of: (i) borrowings made by the company's ultimate parent undertaking; and (ii) guarantees given by the company's ultimate parent undertaking in respect of borrowings of certain of its subsidiaries to a maximum of £453.9m (2019: £689.8m). At 31 December 2020, the borrowings amounted to £369.0m (2019: £616.3m).

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

	Note	2020 £'000	2019 £'000
(Loss)/ profit after taxation		(1)	5
Adjusted for:			
- interest received	1	(3)	(8)
- Tax (credit)/ charge	3	(1)	1
Changes in operating assets and liabilities:			
- trade and other receivables		(53)	7
- trade and other payables		55	(13)
Cash used in operations		(3)	(8)

13 Parent undertaking and controlling party

In December 2020, a new Group holding company, Provident Financial Holdings No.2 (PFH2), was incorporated. The Company was transferred from PF plc to PFH2 in exchange for shares in PFH2 at a premium. Following the transfer, the immediate parent undertaking of the Company was PFH2. On 3 February 2021, PFH2 was renamed to Provident Financial Holdings Limited.

The ultimate parent undertaking and controlling party is PF plc, a company incorporated in the United Kingdom, which is the smallest and largest group to consolidate these financial statements. Copies of the consolidated financial statements of PF plc may be obtained from the Company Secretary, PF plc, No.1 Godwin Street, Bradford BD1 2SU.