MONEYBARN NO.1 LIMITED
(Company Number 04496573)

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

MONEYBARN NO.1 LIMITED
(Company Number 04496573)

CONTENTS

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DIRECTORS' REPORT

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

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

- how the directors have engaged with colleagues, how they have had regard to colleague interests and the effect of that regard, including on the principal decisions taken by the Company in the financial year (page 7); and,
- how the directors have had regard to the need to foster the Company's business relationship with suppliers, customers and others, and the effect of that regard, including on the principal decision taken by the Company in the financial year (pages 5 to 9).

Principal activities

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

Results

The Statement of comprehensive income for the year is set out on page 17. The profit for the year of £12.9m (2020: loss for the year of £2.8m) has been added to (2020: deducted from) retained earnings. The key drivers for the increase in profit in the current year have been considered in the Business review within the Strategic report.

Dividends

The directors do not recommend the payment of a dividend in respect of the year ended 31 December 2021 (2020: £nil).

Directors

The directors of the Company during the year ended 31 December 2021, 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 J Bayley	(resigned 1 March 2021)
D V Shrimpton-Davis	
N Kapur	
C G Anderson	(appointed 24 May 2021)

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

Climate change

Disclosures are made in the Group's Annual Report and Financial Statements 2021 in respect of the Group's:

- scope 1 and 2 greenhouse gas emissions in tonnes of carbon dioxide equivalent;
- scope 3 carbon emissions in the supply chain;
- compliance with Taskforce on Climate related financial disclosures ("TCFD") recommendations;
- a relevant intensity ratio (i.e. kilograms of carbon dioxide equivalent per customer); and
- information on underlying energy use for 2021.

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

Financial risk management

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

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) the directors have taken all reasonable steps that they ought to have taken as a director in order to make themselves 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.

On behalf of the Board

C G Anderson
Director
25 April 2022

STRATEGIC REPORT

Business review

Moneybarn No.1 Limited (the 'Company') is one of the leading suppliers of vehicle finance to non-prime customers in the United Kingdom. For the year ended 31 December 2021, the Company generated profit before tax of £14.6m (2020: loss before tax of £4.3m). This represents significant growth year-on-year, which has been considered in the business review below.

The following are considered the Company's key performance indicators:

Key Performance Indicators (KPIs)*	**2021**	2020
Revenue yield	23.2%	25.1%
Impairment rate	(7.6%)	(13.6%)

*Certain alternative performance measures (APMs) have been used in this report. Please refer to page 24 for further detail.

Revenue from interest income increased by 3.0% during the current year to £137.9m (2020: £133.9m) as the business focused on higher quality customers, including the launch of a 14.9% APR product. The annualised revenue yield has decreased to 23.2% from 25.1% in 2020. This partly reflects the Company's focus on higher quality customers and partly because of furlough support schemes and provision releases.

During the year, the Company wrote 37,000 new contracts (2020: 38,000) and increased the portfolio of conditional sales financing agreements from 91,400 to 93,900. The increase in the portfolio of conditional sales financing agreements was achieved as a result of customer demand for used vehicles improving progressively as lockdown restrictions were eased in the United Kingdom with approximately 33% (2020: 38%) of the Company's new lending being to people classified as key workers.

This increase is despite tighter underwriting standards which were implemented during the second half of 2020; and which have since remained in place. The Company also experienced a buoyant second-hand vehicle market during the third and final quarter of the financial year. In addition, in January 2021, the Company launched its near-prime product offering, expanding into the near-prime motor finance space.

As a result of the Company's focus on higher quality customers on average, and the strong pricing environment seen in the used-car market throughout 2021, the average loan size increased to approximately £9,000 (2020: £8,100) whilst maintaining the average loan to values consistent with the prior year.

At the end of 2021, amounts receivable from customers stood at £586.2m (2020: £566.6m) driven by new business volumes and the average loan size increasing. During the second half of the year, the business started to experience higher levels of early settlement from customers which impacted the year end receivables outcome.

The impairment charge to the Statement of comprehensive income reduced by 38.7% largely reflecting the improvement in underlying customer trends, including lower arrears rates, and more benign macroeconomic conditions year on year. In addition, the annualised impairment rate improved year on year as a result of the lifting of restrictions, as per FCA guidance, on 31 January 2021 relating to the termination process as the Company's ability to collect vehicles was restricted. Whilst the Company is now able to collect vehicles again, it remains sensitive to customer circumstances.

Finance costs were higher than the prior year reflecting a growth in the receivables book and higher cost of funding. The exceptional interest charge in the current year of £1.4m relates to an exceptional interest charge on borrowings from the intermediate holding company. The intermediate holding company has been charged an exceptional interest charge on its borrowings from the Company's ultimate parent undertaking, Provident Financial plc, following the partial buyback of Provident Financial plc's 2018 five-year-fixed-rate bond and its Tier 2 subordinated bond issuance in October 2021.

Operating costs and administrative costs increased by 42.4% to £42.3m (2020: £29.7m) reflecting the continued cost of supporting colleagues to work remotely, together with significant spend on change and transformation to enable the business to continue on its growth trajectory.

Business review (continued)
In February 2021, the Company re-acquired certain non-performing loans. The total purchase consideration of these assets amounted to £3.3m.

During the current year, the Group signed a new warehouse securitisation facility for the Company. This increased the Moneybarn Group's committed funding to £325m (from £150m at 31 December 2020) over a new 24 month period (plus any amortisation thereafter) and will increase the weighted average duration of the Group's funding sources and decrease its weighted average cost of funds to Moneybarn.

For 2022, the Company will continue to evaluate the expansion of its offerings to customers with products and services that will strengthen its relationships and provide for evolving customer preferences.

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 as appropriate.

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

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

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

- Credit Committee, which reviews credit performance, approves underwriting rule changes, assesses new products or product changes and approves pricing changes.
- Policy Committee which meets bi-monthly and reviews and approves the Company policies and reviews and acts upon the feedback from internal audits.
- Technology and Change Committee which meets monthly to review the programme, prioritisation and progress of projects.
- Complaints Committee which reviews complaints examples, trends and root causes.
- Executive Audit, Risk and Compliance Committee which meets every quarter to review progress of actions raised and the performance of 3 lines of defence, regulatory matters and risk management including:

    - Consideration and monitoring of the ongoing effectiveness of the Company's risk management framework, including business systems and controls, risk policies and risk appetite;
    - Review the risk measures, risk dashboard and risk appetites; and
    - Consideration of the appropriateness of risk specific classifications and proposed mitigants as set out in the risk dashboard.

The Risk Committee is a committee of the Board and reports to the Board.

Information on the management of specific financial risks including credit, market, liquidity, interest rate, and capital risks is provided on pages 27 to 29.

Statement regarding section 172 of the Companies Act 2006

Our purpose, as part of the Provident Financial Group, is predicated on our customers and is underpinned by a number of strategic drivers and behaviours. These aim to deliver an appropriate balance between the needs of our customers, our regulators, investors and our employees, in order to ensure that we are successful and sustainable for all of our stakeholders. Our stakeholders are individuals or groups who have an interest in, or are affected by, the activities of our business; our key stakeholders are set out in the table below. We seek to engage with them regularly to ensure that we are aware of their views and concerns with regard to a wide range of issues and we do this in a number of ways, as detailed on this page and pages 6 to 9. By balancing the interests of our stakeholders, lending responsibly, contributing to wider society and ensuring the appropriate corporate governance arrangements are in place, we can maintain a reputation for high standards of business conduct. You can read about how we have generated and preserved value over the long term in the strategic report and review of business.

Our Stakeholders and why we engage with them	**How?** (How management and/or directors engaged with and considered our stakeholders)	**What?** (What were the key topics of engagement and consideration)	**Key outcomes and actions** (What was the impact of the engagement and/or consideration?)
Our Customers We engage with our customers to determine whether we are delivering our business activities in accordance with our purpose and ensuring that we deliver good outcomes for them throughout their journey with us.	• Utilising a wide variety of customer engagement methods including, third party research, and complaints monitoring • Monitoring performance against good customer outcomes • Considering the customer experience, customer journeys and outcomes • Designing and implementing policies that protect and support customers	• Customer outcomes, satisfaction, service level agreements, care, service and complaints • Policy suite includes, but is not limited to, Anti Money Laundering ('AML'), Data Protection, Complaints Handling, Forbearance, Collections, Vulnerable Customers and Financial Promotions • Enhanced forbearance measures • Commencing working with Stepchange	• Management and Board oversight of customer complaints operations, outcomes and strategy • Refined and digitised, where beneficial, customer journeys • Customer payment holidays for customers impacted by the Covid-19 pandemic were continued until 31 July 2021 in line with FCA guidelines • Vehicle repossessions were paused for customers in arrears who had been impacted by the Covid-19 pandemic • Maintained appropriate credit underwriting reflective of the desire to lend responsibly through a period of continued disruption

<table>
<tr><th>Our Stakeholders and why we engage with them</th><th>How? (How management and/or directors engaged with and considered our stakeholders)</th><th>What? (What were the key topics of engagement and consideration)</th><th>Key outcomes and actions (What was the impact of the engagement and/or consideration?)</th></tr>
<tr><td>Our shareholder

The Company is a wholly owned subsidiary of Moneybarn Group Limited, whose ultimate parent is 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.</td><td>• Continued to adapt the business model to take into account the Group-wide purpose and Blueprint
• The Group CEO is the Chair of the Company Board and the Group CFO is a member
• The MD and FD have regular meetings with the Group CEO and Group CFO
• Financial reporting, strategy and common accounting principles are utilised across the Group to provide alignment
• The Budget and financial plan are developed as part of the wider Group process
• The Group has an aligned corporate governance framework and structure including complementary Delegated Authorities Manuals
• The Group has a centralised Corporate Responsibility team and a Group-wide approach to CSR.
• Participating in the Group’s capital funding plan and contributing to the strenghtening of the Group’s capital, liquidity and funding structure</td><td>• Strategy and long-term value creation
• Culture and Blueprint
• Financial and operational performance and resilience
• Risk Management
• Corporate governance arrangements and alignment
• Corporate responsibility
• Interactions with the regulators
• The application of common accounting principles across the Group
• Consideration of creditworthiness and lending policy in the macro-economic environment, specifically arising from the ongoing Covid-19 pandemic
• Participation in the Group’s intra-Group funding arrangements</td><td>• Business model aligned with the Group’s purpose
• Business model aligned with regulatory expectations
• Group CEO and Company MD objectives aligned
• Amended IFRS9 methodology application and alignment
• Group approved budget and operational plan
• Execution of a new warehouse securitisation
• Approved a Core UK Group Waiver attestation (see page 10 for more information)</td></tr>
</table>

Our Stakeholders and why we engage with them	**How?** (How management and/or directors engaged with and considered our stakeholders)	**What?** (What were the key topics of engagement and consideration)	**Key outcomes and actions** (What was the impact of the engagement and/or consideration?)
Our colleagues To ensure that they understand the Group's purpose and how they can support its delivery, which we believe helps our customer base. To maintain high levels of colleague engagement in order to enable us to attract, retain and develop the talent we need.	• A colleague survey was carried out during the year • Workforce panel consultation was undertaken to enhance and improve the working environment and contributed to the future of work programme • Our Designated Group Non-Executive Director Colleague Champion plays the lead role in Board engagement with employees, understanding and representing employee interests across the Group • The Group has an active, Executive sponsored, inclusion programme which has five affinity pillars • Leadership and professional development programmes • The colleague communication strategy which was adapted in 2020 to account for the Covid-19 pandemic continued to deliver frequent, multi-channel communication • Group recognition platform, 'Better Everyday' continues to foster a culture where we say 'thank you' or 'well done' to colleagues who demonstrate our Blueprint behaviours • A confidential externally facilitated whistleblowing line is available for colleagues to raise concerns	• Review of colleague survey results • Culture, purpose and behaviours • Group aligned Colleague reward and recognition • Training, leadership development and succession planning • Employee engagement • Health and safety • Colleague wellbeing at work • Inclusion and affinity group pillars such as gender balance, ethnicity, disability and LGBTQ+	• Colleague survey action plans to address any areas for improvement and celebrate areas of achievement with a view to increasing scores year on year • Mechanisms for colleague recognition 'Better Everyday' • Continued oversight of our health and safety approach, including the impact on colleagues of the Covid-19 pandemic and associated working arrangements • 'Be Brilliant' leadership programme continuing and increased the support available for professional qualifications • Review of equipment enabling colleagues to work from home and office-based safely
Our communities To invest in activities and initiatives which seek to address some of the key factors which, on their own or acting together, may reduce someone's likelihood to be accepted for credit.	• Participation in the Group Social Impact Programme that delivers community investment • The Company participates in the Group Customer, Culture and Ethics Committee at which Group-wide community matters are discussed and overseen by the Group Board • Group Board oversight of community matters and the approach to external engagement regarding the Company's purpose and role in society	• Community contributions and charitable giving • Volunteering • Matched employee fundraising • Relationships with debt charities • Group Social Impact programme	• Group volunteering policy • Group approach to external engagement regarding the Company's purpose and role in society embedded • Matched employee charitable fundraising • The Group Social Impact Programme is aligned to the Group's strategy and Purpose and has delivered community investment focused on community, customers and education

STRATEGIC REPORT (CONTINUED)

Our Stakeholders and why we engage with them	**How?** (How management and/or directors engaged with and considered our stakeholders)	**What?** (What were the key topics of engagement and consideration)	**Key outcomes and actions** (What was the impact of the engagement and/or consideration?)
Our regulators To plan for regulatory change with greater certainty and confidence, to maintain our reputation as a responsible lender and to maintain our sustainable business model.	• Board members and executive management engage proactively with regulators via regular face to face and telephone meetings • Regulatory risk reporting, including horizon scanning, is carried out and reported to the Company Risk Committee and Board as well as to the Group Executive Committee where appropriate • Regulatory engagement and correspondence is reported to and discussed by the Board • Dialogue and engagement regarding current products, potential products, customer outcomes and digitisation primarily through the Company CRO	• Affordability • Our products, our potential products and digitisation • Customer proposition improvements • Complaints levels and handling • Senior Management & Certification Regime and ongoing compliance • Culture • Payment holidays and other forbearance options • Regulatory change and the potential impact on our business model and processes	• Building Operational Resilience Project • Breathing Space Phase 2 • StepChange Initiatives • Co-operation with the Regulator on Borrowers in Financial Difficulty Project
Our suppliers To treat our suppliers fairly and develop strong relationships with them which ensure that we only buy products and services from those who operate responsibly and mitigates risk in our supply chain.	• There is an established due diligence process to manage supply chain-based risks and comply with Company policies • There are standardised contractual terms that we attempt to use with all of our suppliers, to reduce contractual risks when contracting under these terms • The Company is a signatory to the Prompt Payment Code, and we publish our Payment Practices Reporting at Companies House	• Prompt payment • Data Protection • Information Security • Environment • Supplier on-boarding and performance • Delegated Authorities • Modern Slavery • Anti-Bribery and Corruption	• Signatories of the Prompt Payment Code • SRM Framework which highlights supplier performance and enables joint roadmaps • Compliance with EBA Outsourcing Guidelines

STRATEGIC REPORT (CONTINUED)

Our Stakeholders and why we engage with them	**How?** (How management and/or directors engaged with and considered our stakeholders)	**What?** (What were the key topics of engagement and consideration)	**Key outcomes and actions** (What was the impact of the engagement and/or consideration?)
Our environment To minimise our environmental impact, in particular to reducing the greenhouse gas emissions associated with our business activities, thereby lessening our contribution to issues such as climate change.	• The Company utilises and contributes to the Group Environmental Management System (EMS) • The Company participates in the Group Customer, Culture and Ethics Committee at which Group-wide environmental matters are overseen by the Group Board Committee • Participation in the Group submission to the Carbon Disclosure Project • Execution of activities to support Group achievement of ISO 14001	• Climate change • Environmentally conscious vehicle manufacture • Funding of electric vehicles • Achievement of the Task Force on Climate Related Financial Disclosures objectives • Maintenance and compliance with ISO 14001	• Group wide reduction in the Group's scope 1 and 2 (and associated scope 3) emissions • Group submission to the Carbon Disclosure Project • Compliance with ISO 14001 • Continued offset of the Group's operational carbon footprint • Group commitment to the six long-term ESG objectives • Implementation of the Task Force on Climate Related Financial Disclosures objectives and recommendations • A Climate Risk Committee was established with terms of reference approved by the CCE Committee, chaired by the Group's Chief Risk Officer. • Climate risk was approved as a principal risk by the Risk Committee • A Climate Risk Working Group has been established with specific responsibilities to support the reporting requirements for TCFD and undertake scenario analysis for climate related risks • The Group Board approved the Group's target to reach net zero carbon dioxide emissions by 2040 • The CCE Committee approved the Group's commitment to the Business Ambition for 1.5°C pledge

In all of our Board papers requiring a decision to be taken there is a section which presenters have to complete asking them to set out the impact/key matters for the Board to consider in relation to the decision in question on the following factors/stakeholders (where not already set out in the body of their paper) – customers; colleagues; suppliers; regulators/government; investors, communities; environment; reputation; and long term considerations. This draws attention to all of the factors directors need to take into account when considering their s.172 Companies Act 2006 duties, even if there is considered to be no material impact in relation to any specific category of consideration.

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:

Board approved a Core UK Group Waiver attestation to the Prudential Regulation Authority ("PRA")

In October 2021, the Board considered and approved the giving of a Core UK Group Waiver attestation (the "Attestation") to support an application to the PRA to allow the wider use of retail deposit funding across the Group, including the Company, from H2 2022, subject to PRA approval.

The Attestation underwent a thorough governance process with appropriate scrutiny and challenge provided by a variety of stakeholders across the finance and risk functions as well as external input.

In deciding to approve the Attestation to support the Core UK Group Waiver application, the Board considered a number of factors such as the benefits to the Company, associated risks and financial implications, as well as the impact of the decision on its stakeholders. One key consideration was securing a suitable funding mix for the Company which would support customer lending growth and help customers access vehicle finance.

Furthermore, the use of retail deposit funding would enable the Group to diversify its funding options and access deeper pools of liquidity at a lower cost therefore the Core UK Group Waiver would support stable margins and the ability to generate sustainable returns for the Company's shareholder and parent company.

Another consideration for the Board was how the Core UK Group Waiver application would facilitate the successful implementation of the 1PFG strategy, a key component of the Company's parent company strategic plan. The 1PFG strategy would deliver many efficiencies across the Group which would benefit the Company's colleagues, customers and its shareholder.

The Board also took into account the requirements of their regulator (the PRA) when making the decision to approve the Attestation in support of the Core UK Group Waiver application. The Group Legal function, as well as external expertise, provided assurance to the Board that the Attestation met the requirements of the regulator.

To ensure a robust balance sheet, it is expected that a capital injection into the Company will be undertaken. Furthermore, an inter-group borrowing facility will be put in place, with market-appropriate funding rates and also draw down parameters designed to avoid unsustainable indebtedness in the Company.

Taking into account the above factors and the directors' statutory and fiduciary duties, the Board determined that the giving of the Attestation in support of the Core UK Group Waiver application was in the best interests of the Company and thereby approved the Attestation. The Waiver remains subject to PRA approval.

Going concern

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

In assessing whether the Company is a going concern, the directors have reviewed the Group's corporate plan, as approved in December 2021, which includes capital and liquidity forecasts from 2022 to 2026. The assessment included consideration of the Group's principal risks and uncertainties, with a focus on capital and liquidity.

The directors have also reviewed the Group's stress testing projections which are based on a severe but plausible scenario in which unemployment peaks at 12%. This shows that the Group is able to maintain sufficient capital headroom above minimum requirements. The directors have reviewed the Group's reverse stress testing projections to the point of non-viability, which concluded that the Group's viability only comes into question under an unprecedented macroeconomic scenario.

Based on this review, the directors are satisfied that the Company 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. Further details on the basis of preparation is provided on page 21.

On behalf of the Board

C G Anderson
Director
25 April 2022

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors are required to prepare the financial statements in accordance with United Kingdom adopted international accounting standards. 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 and apply accounting policies;
- 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 IFRSs 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 AUDITORS' 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 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom adopted international accounting standards; 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 shareholders' equity;
- the statement of cash flows;
- the statement of accounting policies; and
- the related notes 1 to 17.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom adopted international accounting standards.

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

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

Conclusions relating to going concern
In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

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

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

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

We have nothing to report in this regard.

INDEPENDENT AUDITORS' 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.

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

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

We obtained an understanding of the legal and regulatory framework that the Company operates in, and identified the key laws and regulations that:
- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included the UK Companies Act and tax legislation etc; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the Company's ability to operate or to avoid a material penalty. These included regulation set by the Financial Conduct Authority.

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

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

- We obtained an understanding of relevant controls relating to the identification, valuation and recording of expected credit losses.
- We obtained an understanding of the new IFRS 9 methodology and its implementation in the new model. We engaged our credit risk modelling specialists to assist in our assessment and challenge of management's methodology and evaluated whether the methodology is compliant with the requirements of IFRS 9. In performing these procedures, we further considered whether there were any indicators of bias in the methodology applied by management or in the estimation of the amount and timing of expected future cash flows, through a stand back assessment performed on the ECL coverage ratios derived from the new model.

Extent to which the audit was considered capable of detecting irregularities, including fraud (continued)

- In respect of the macroeconomic scenarios applied we engaged with our internal economics specialist to review the appropriateness of the shape of the hazard rate and debt-to-income (DTI) curves and the respective weightings attached to the curves, whilst also testing the underlying data used in this assessment for completeness and accuracy. We benchmarked the underlying unemployment economic variables against various external sources including Her Majesty's Treasury forecasts, Office for Budget Responsibility forecasts, Bank of England Monetary Policy Report, Office for National Statistics and other available data.
- We challenged the significant changes in credit risk ('SICR') criteria, with the assistance of our credit risk modelling specialists, and assessed the staging criteria against the requirements of IFRS 9. In addition, we tested that the SICR thresholds had been appropriately implemented in the models through review of the underlying scripts, tested the completeness and accuracy of the historical data used to form the SICR thresholds and challenged management's conclusions regarding the appropriateness of the SICR threshold changes in the current macroeconomic environment.
- We also challenged, using the assistance of our credit risk modelling specialists, whether the potential impact of economic uncertainty, including inflation, had been appropriately incorporated into expected credit loss calculations through inclusion of reasonable forward-looking information.

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

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

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

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

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, United Kingdom
25 April 2022

MONEYBARN NO.1 LIMITED
(Company Number 04496573)

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December	Note	2021 £m	2020 £m
Revenue	1	144.8	136.8
Finance costs	2	(43.3)	(38.7)
Net interest margin		**101.5**	**98.1**
Impairment charges	6	(44.6)	(72.7)
Risk-adjusted net interest margin		**56.9**	**25.4**
Administrative and operating costs		(42.3)	(29.7)
Profit/(loss) before taxation	3	14.6	(4.3)
Profit/(loss) before taxation and exceptional items	3	16.0	(5.6)
Exceptional items	3	(1.4)	1.3
Tax (charge)/credit	4	(1.7)	1.5
Profit/(loss) for the year attributable to equity shareholders		12.9	(2.8)

There is no other comprehensive income for the year.

All of the above operations relate to continuing operations.

MONEYBARN NO.1 LIMITED
(Company Number 04496573)

BALANCE SHEET

	Note	At 31 December 2021 £m	At 31 December 2020 £m
ASSETS			
Cash and cash equivalents		2.0	2.1
Amounts receivable from customers	6	586.2	566.6
Trade and other receivables	7	273.5	148.1
Inventories		1.7	2.2
Intangible assets	8	0.1	0.1
Deferred tax assets	10	6.5	6.1
Total assets		870.0	725.2
LIABILITIES AND EQUITY			
Liabilities			
Trade and other payables	11	858.7	726.8
Provisions	12	-	-
Total liabilities		858.7	726.8
Equity attributable to owners of the parent			
Share capital	13	-	-
Retained earnings/(deficit)		11.3	(1.6)
Total equity		11.3	(1.6)
Total liabilities and equity		870.0	725.2

The financial statements on pages 17 to 47 were approved and authorised for issue by the Board of directors on 25 April 2022 and signed on its behalf by:

C G Anderson
Director

D V Shrimpton-Davis
Director

MONEYBARN NO.1 LIMITED
(Company Number 04496573)

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Share capital £m	Retained earnings / (deficit) £m	Total £m
At 1 January 2020	-	1.2	1.2
Loss and total comprehensive expense for the year	-	(2.8)	(2.8)
At 31 December 2020	-	(1.6)	(1.6)
At 1 January 2021	-	(1.6)	(1.6)
Profit and total comprehensive income for the year	-	12.9	12.9
At 31 December 2021	**-**	**11.3**	**11.3**

MONEYBARN NO.1 LIMITED
(Company Number 04496573)

STATEMENT OF CASH FLOWS

For the year ended 31 December	Note	2021 £m	2020 £m
Cash flow from operating activities			
Cash generated from operations	16	7.7	22.9
Net cash generated from operating activities		**7.7**	**22.9**
Cash flow from investing activities			
Purchase of intangible assets	8	(0.1)	-
Net cash used in investing activities		**(0.1)**	**-**
Cash flow from financing activities			
Financing from Moneybarn Financing Limited	11	110.6	125.3
Funding to intermediate holding company	7, 11	(118.3)	(147.3)
Net cash used in financing activities		**(7.7)**	**(22.0)**
Net (decrease)/increase in cash and cash equivalents		(0.1)	0.9
Cash and cash equivalents at beginning of year		2.1	1.2
Cash and cash equivalents at end of year		**2.0**	**2.1**

STATEMENT OF ACCOUNTING POLICIES

General information
The Company is a private limited company incorporated and domiciled in the United Kingdom. The address of its registered office is Moneybarn, Athena House, Bedford Road, Petersfield, Hampshire, GU32 3LJ.

Basis of preparation
The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the United Kingdom (UK), International Financial Reporting Interpretations Committee (IFRIC) interpretations and the Companies Act 2006.

The change in basis of preparation from IFRS as adopted by the European Union (EU) to IFRS as adopted by the UK is required as a result of the UK's exit from the EU on 31 January 2020. This change does not constitute a change in accounting policy and there is no impact on recognition, measurement or disclosure between the two frameworks in the period reported.

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

In assessing whether the Company is a going concern, the directors have reviewed the Group's corporate plan, as approved in December 2021, which includes capital and liquidity forecasts from 2022 to 2026. The assessment included consideration of the Group's principal risks and uncertainties, with a focus on capital and liquidity.

The directors have also reviewed the Group's stress testing projections which are based on a severe but plausible scenario in which unemployment peaks at 12%. This shows that the Group is able to maintain sufficient capital headroom above minimum requirements. The directors have reviewed the Group's reverse stress testing projections to the point of non-viability, which concluded that the Group's viability only comes into question under an unprecedented macroeconomic scenario.

Based on this review, the directors are satisfied that the Company 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.

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 International Financial Reporting Standards (IFRSs) as adopted by the United Kingdom (UK), 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:

Interest Rate Benchmark Reform Phase 2
In 2021, the Group adopted the Interest Rate Benchmark Reform Phase 2 amendments issued by the IASB. These amendments require that changes to expected future cash flows that both arise as a direct result of IBOR Reform and are economically equivalent to the previous cash flows are accounted for as a change to the effective interest rate with no adjustment to the asset or liability carrying value and no immediate gain or loss is recognised.

The new requirements also provide relief from the requirements to discontinue hedge accounting as a result of amending hedge documentation if the changes are required solely as a result of IBOR Reform. As at the end of 2021, the Group has refinanced all LIBOR linked derivatives to SONIA resulting in no impact from the implementation of these changes.

(b) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2021 and not early adopted:
There are no new standards not yet effective and not adopted by the Company from 1 January 2021 which are expected to have a material impact on the Company.

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

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

Amounts receivable from customers
The Company is considered a lessor for its conditional sale agreements to customers; however, both revenue and impairment are accounted for under IFRS 9.

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

On initial recognition, all accounts are recognised in IFRS 9 stage 1. The account moves to stage 2 when a significant increase in credit risk (SICR) becomes evident, such as a missed payment or a significant increase in PD, but has not defaulted. In absence of other factors indicating SICR, this will occur at 30 days past due. An account moves to stage 3 and is deemed to have defaulted at 90 days past due, when a payment arrangement is initiated, or when other unlikeliness to pay factors arise.

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 data and outcomes.

An account moves from stage 1 to stage 2 when there has been a SICR or when the customer is assessed as vulnerable. Lifetime losses are recognised for all accounts in stages 2 and 3.

A customer is deemed to have defaulted when they become three monthly payments in arrears or enter into a forbearance arrangement. Customer agreements which have been terminated, either voluntarily, by the customer settling their agreement early, or through the agreement being default terminated, are also included within stage 3. Cure from stage 3 is limited to some default reasons and for contracts not already terminated.

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

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

Macroeconomic provisions are recognised to reflect the expected impact of future economic events on a customer's ability to make payments on their agreements and the losses which are expected to be incurred given default. Following refinements to the IFRS 9 impairment model in 2021, these provisions are now included as part of the core model provision.

Amounts receivable from customers (continued)
The provisions now consider the relationship between hazard rate, the number of people who were employed last month but who are unemployed the following month (derived from unemployment), debt to income ratio and default rates.

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

Included within amounts receivable from customers is amounts in relation to receivables classified as purchased or originated as credit impaired ('POCI') under IFRS 9. For financial assets that were impaired on initial recognition, a credit adjusted effective interest rate is calculated using estimated future cash flows, including expected credit losses. Income is calculated by applying the credit adjusted effective interest rate to the amortised cost of the asset. Collection activity costs are not included in the amortised cost of the assets, but are included in operating costs in the Statement of comprehensive income, and are recognised as incurred, in common with other business in the sector. For such financial assets the calculation of interest income will never revert to a gross basis, even if the credit risk of the asset improves.

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 Statement of comprehensive income as part of administrative costs.

	%	Method
Computer software	33.3	Straight line

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

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

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

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

Taxation
The tax charge represents the sum of current and deferred tax. Current tax is calculated based on taxable profit for the year using tax rates that have been enacted or substantively enacted by the balance sheet date. Taxable profit differs from profit before taxation as reported in the Statement of comprehensive income 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.

Alternative performance measures (APMs)
In addition to statutory results and key performance indicators (KPIs) reported under International Financial Reporting Standards (IFRS), the Company provides certain alternative performance measures (APMs). These APMs are used internally by management and are also deemed helpful in understanding the Company's performance. These non-statutory measures should not be considered as replacements for IFRS measures. The definition of these non-statutory measures may not be comparable to similarly titled measures reported by other companies. All the below APMs are on continuing operations basis. The APMs used within this report are calculated as follows:

Revenue yield
Revenue as a percentage of average receivables for the 12 months ended 31 December.

Impairment rate
Impairment as a percentage of average receivables for the 12 months ended 31 December.

Critical accounting judgements and sources of estimation uncertainty

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

A**mounts receivable from customers**

Critical accounting assumptions

The Company reviews amounts receivable from customers for impairment at each balance sheet date. For the purposes of assessing the impairment, customers are categorised into IFRS 9 stages and cohorts which are considered to be the most reliable indication of future payment performance. The determination of expected credit losses involves complex modelling techniques and requires management to apply significant judgements to calculate expected credit losses. The most critical judgements are outlined below.

The determination of the significant increase in credit risk (SICR) thresholds to be used in the new model required management judgement to optimise the performance and therefore effectiveness of the staging methodology. Assessments are made to determine whether there is objective evidence of SICR which indicates there has been an adverse effect on probability of default (PD). A SICR is when there has been a significant increase in behavioural score or when on contractual monthly payment has been missed.

For the purpose of IFRS9, default is assumed when three contractual repayments have been missed.

During the second half of 2021, the Company implemented a new IFRS 9 model to more accurately assess provision requirements based on market driven metrics. The model will be regularly tested using subsequent cash collections to assess accuracy. The impact of implementing this model was approximately a £3.1m increase in the provision.

The Company's impairment model is subject to periodic monitoring, validation and back testing performed on model components, including probability of default, exposure at default and loss given default to ensure management judgements remain appropriate.

Limitations in the Company's impairment models or data inputs may be identified through the ongoing assessment and validation of the output of the models. In these circumstances, management makes appropriate adjustments to the Company's allowance for impairment losses to ensure that the overall provision adequately reflects all material credit risks. These adjustments are determined by considering the particular attributes of exposures which have not been adequately captured by the impairment models and range from changes to model inputs and parameters, at account level, through to more qualitative post-model overlays. Those changes applied to model inputs and parameters are deemed to be in-model overlays; more qualitative changes that have a higher degree of management judgement are deemed to be post-model overlays. All adjustments are reviewed quarterly and are subject to internal review and challenge to ensure that amounts are appropriately calculated.

During Covid-19, in an economic environment which differed significantly from the historical economic conditions upon which the impairment models had been built, there was a greater need for management judgement to be applied in determining appropriate post-model adjustments. Following the refinements to the models during 2021 a number of the post-model adjustments are now included as part of the core model calculations. A breakdown of the post-model overlays is included within note 6.

Macroeconomic impairment provision adjustments are now recognised in the core model to reflect an increased probability of default, based on future macroeconomic scenarios. These provisions reflect the potential for future changes in hazard rate, the number of people who were employed last month but who are unemployed the following month (derived from unemployment), and debt to income ratio. The provision reflects the potential for future changes under a range of forecasts, as analysis has clearly evidenced correlation between hazard rates, debt to income ratios and credit losses incurred.

STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

Critical accounting assumptions (continued)
Management judgement was required to determine the appropriate macroeconomic indicators to be used in the model by assessing their correlation with credit losses incurred by the business. Unemployment is judged to be a key macroeconomic indicator as analysis has clearly evidenced correlation between changes in unemployment and credit losses incurred by the business. The provisions now consider the relationship between hazard rate, the number of people who were employed last month but who are unemployed the following month (derived from unemployment), debt to income ratio and default rates. This will continue to be analysed to assess if there are any additional macroeconomic indicators which also correlate to credit losses.

Key sources of estimation uncertainty
The level of impairment recognised is calculated using models which utilise historical payment performance to generate the estimated amount and timing of future cash flows from each cohort of customers in each arrears stage. The model is regularly tested to ensure they retain sufficient accuracy. Sensitivity analysis has been performed in note 6 which shows the impact of a 1% movement of gross exposure into stage 2 from stage 1 on the allowance accounts and changes in valuation forecast considerations.

The unemployment data used in the macroeconomic provisions has been compiled from a consensus of sources including the Bank of England, HM Treasury, the Office for Budget Responsibility (OBR), Bloomberg and a number of prime banks. These estimates are used to derive base case, upside, downside and severe scenarios.

The table below shows the scenario five-year peak and average unemployment assumptions adopted and the weightings applied to each. The weightings have remained consistent with prior year.

Scenario for year ended 2021	Base	Upside	Downside	Severe
Weighting	50%	10%	35%	5%
2022	4.6%	4.2%	5.4%	6.3%
2023	4.3%	3.9%	6.4%	8.5%
2024	4.3%	4.1%	5.9%	7.5%
2025	4.3%	4.1%	5.3%	6.2%
2026	4.3%	4.1%	4.9%	5.4%
Five-year peak	4.8%	4.7%	6.5%	8.6%

Scenario for year ended 2020	Base	Upside	Downside	Severe
Weighting	50%	10%	35%	5%
2021	7.1%	5.7%	9.0%	11.2%
2022	6.1%	4.8%	7.7%	9.0%
2023	5.1%	4.8%	5.8%	6.9%
2024	5.0%	4.8%	5.5%	6.1%
2025	5.0%	4.8%	5.5%	6.0%
Five-year peak	7.9%	6.2%	10.1%	12.7%

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

Sensitivity analysis has been performed which shows that if the macroeconomic scenarios were applied at 100% weighting, rather than the weightings set out above, the impact on the downside scenario would increase the allowance account by £2.2m and the impact on the severe scenario would increase the allowance account by £5.1m.

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

FINANCIAL AND CAPITAL RISK MANAGEMENT

The overall financial and capital 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, a bank counterparty or the UK Government. A default occurs when the customer or a bank fails to honour repayments as they fall due. For further detail on the Company's write-off policy please refer to page 22.

(i) Amounts receivable from customers

The Company's maximum exposure to credit risk on amounts receivable from customers as at 31 December 2021 is the carrying value of amounts receivable from customers of £586.2m (2020: £566.6m).
Credit risk within the Company is managed by the Moneybarn Credit Committee which meets at least monthly and is responsible for approving underwriting parameters, decisioning strategy and credit control policy.

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

Arrears management is conducted by way of a combination of letters, inbound and outbound telephony, SMS, email and outsourced debt collection agency activities. Contact is made with the customer to discuss the reasons for non-payment and specific strategies are employed to support the customer in returning to a good standing and retaining use of the vehicle. These include appropriate forbearance arrangements, or where the contract has become unsustainable for the customer, then an appropriate exit strategy is implemented.

The FCA moratorium introduced as part of Covid-19 support measures restricted the Company from terminating customer contracts and recovering the vehicle from a customer where a default termination would ordinarily have occurred. The restriction was lifted from 31 January 2021. The Company has subsequently worked with customers affected.

(ii) Counterparty risk

The Company's maximum exposure to credit risk on bank counterparties as at 31 December 2021 was £2.0m (2020: £2.2m).

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

(b) Liquidity risk

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

Liquidity risk is managed by the Group's centralised treasury department through daily monitoring of expected cash flows in accordance with a Board-approved group funding and liquidity policy. This process is monitored regularly by the Group's Assets and Liabilities Committee (ALCO).

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 2021, the Group's committed borrowing facilities had a weighted average period to maturity of 2.5 years (2020: 1.5 years) and the headroom on these committed facilities amounted to £110.0m (2020: £79.3m).

The Group's funding strategy is to maintain sufficient available funds and committed facilities to pre-fund the Group's liquidity and funding requirements for at least the next 12 months, maintaining access to diversified sources of funding comprising: (i) external market funding; (ii) securitisation; (iii) retail deposits; and (iv) liquidity and funding facilities at the Bank of England.

In line with the Group's funding strategy to place less reliance on revolving credit facilities, the Group's facility was repaid early ahead of its contractual maturity in July 2023 and at the same time was cancelled at the discretion of the Group as allowed for in the terms of the facility. The headroom on committed facilities of £110.0m at 31 December 2021 reduced to £50.0m after cancellation of the facility. The Group does not require the funding and was not expecting to renew the facility on maturity.

The Group will continue to explore further funding options as appropriate including, but not limited to, using retail deposits taken in Vanquis Bank Limited to fund the Company, further securitisation issuance and institutional bond issuance. The Group continues to adopt a prudent approach to managing its funding and liquidity resources within risk appetite, and will optimise these resources when new opportunities become available to the Group.

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

(c) Interest rate risk

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

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

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

A 2% movement in the interest rate applied to borrowings during 2021 and 2020 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), were reformed in favour of risk-free rates such as Sterling Overnight Index Average (SONIA) in the UK. LIBOR was withdrawn at the end of 2021. Over the course of 2021, the Group has refinanced all historically LIBOR-linked liabilities to reference SONIA.

FINANCIAL AND CAPITAL RISK MANAGEMENT (CONTINUED)

(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 corporate 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 within the Pillar 3 disclosures document which do not form part of this report.

1 Revenue

	2021 £m	2020 £m
Interest income	137.9	133.9
Interest income from loan to ultimate parent undertaking	-	2.9
Interest income from loan to intermediate holding company	6.9	-
Total revenue	**144.8**	**136.8**

Revenue comprises interest and fee income of £156.7m (2020: £153.0m) net of the amortisation of deferred broker commissions of £18.8m (2020: £19.1m), plus interest income from the loan to the intermediate holding company of £6.9m (2020: £nil). During the prior year, the loan to the intermediate holding company was novated from the ultimate parent undertaking, for which interest income in the prior year was £2.9m.

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

2 Finance costs

	2021 £m	2020 £m
Interest payable to ultimate parent undertaking	-	37.2
Interest payable to intermediate holding company	35.5	-
Interest payable to Moneybarn Financing Limited	6.4	2.8
Exceptional interest credit on borrowings from ultimate parent undertaking	-	(1.3)
Exceptional interest charge on borrowings from intermediate holding company	1.4	-
Total finance costs	**43.3**	**38.7**

3 Profit/(loss) before taxation

	2021 £m	2020 £m
Profit/(loss) before taxation is stated after charging:		
Amortisation of intangible assets:		
- computer software (note 8)	0.1	0.1
Impairment of amounts receivable from customers (note 6)	44.6	72.7

Fellow subsidiary undertakings have recharged certain administrative costs to the Company of £34.6m (2020: £25.0m) in respect of services provided.

Auditor's remuneration to Deloitte LLP in respect of the audit of the financial statements was £0.5m (2020: £0.4m). Auditor's remuneration to Deloitte LLP in respect of other services was £nil (2020: £nil).

Exceptional costs/(income)	2021 £m	2020 £m
Exceptional interest credit on borrowings from ultimate parent undertaking	-	(1.3)
Exceptional interest charge on borrowings from intermediate holding company	1.4	-
Total exceptional items	**1.4**	**(1.3)**

The exceptional interest charge of £1.4m in the current year relates to an exceptional interest charge on borrowings from the intermediate holding company. The intermediate holding company has been charged an exceptional interest charge on its borrowings from the Company's ultimate parent undertaking, Provident Financial plc, following the partial buyback of Provident Financial plc's 2018 five-year-fixed-rate bond and its Tier 2 subordinated bond issuance in October 2021.

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

4 Tax (charge)/credit

Tax (charge)/credit in the Statement of comprehensive income	2021 £m	2020 £m
Current tax	(2.1)	1.7
Deferred tax (note 10)	(0.9)	(0.9)
Impact of change in UK tax rate	1.3	0.7
Total tax (charge)/credit	**(1.7)**	**1.5**

The rate of tax charge (2020: tax credit) on the profit before taxation for the year is lower than (2020: higher than) the standard rate of corporation tax in the UK of 19% (2020: 19%). This can be reconciled as follows:

	2021 £m	2020 £m
Profit/(loss) before taxation	14.6	(4.3)
Profit/(loss) before taxation multiplied by the average standard rate of corporation tax in the UK of 19% (2020: 19%)	(2.8)	0.8
Effects of:		
- adjustment in respect of prior years	(0.2)	1.7
- impact of losses carried back to prior periods	-	(1.7)
- impact of change in UK tax rate (Note (a))	1.3	0.7
Total tax (charge)/credit	(1.7)	1.5

(a) Impact of change in UK tax rates

In 2016, changes in corporation tax rates were enacted which reduced the mainstream corporation tax rate to 17% with effect from 1 April 2020. Prior to 1 April 2020, the mainstream corporation tax rate was 19%. In 2020, the reduction in the mainstream corporation tax rate to 17% was cancelled and the rate remained at 19% for 2020. During 2021, a further change was enacted to increase the mainstream corporation tax rate from 19% to 25% with effect from 1 April 2023.

Deferred tax balances at 31 December 2019 were measured at the mainstream corporation tax rate of 17% to the extent that the temporary differences on which the deferred tax was calculated were expected to reverse after 1 April 2020. At 31 December 2020, these deferred tax balances were re-measured at the mainstream corporation tax rate of 19%, as were movements in the deferred tax balances during the year.

At 31 December 2021, the deferred tax balances have been re-measured at the mainstream corporation tax of 25% (2020: 19%) to the extent that the temporary differences on which deferred tax has been calculated are expected to reverse after 1 April 2023.

A tax credit of £1.3m (2020: credit of £0.7m) represents the income statement adjustment to deferred tax as a result of these changes and no additional deferred tax charge (2020: nil) has been taken directly to other comprehensive income in respect of items reflected in other comprehensive income.

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 (2020: 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 N Kapur are paid and disclosed by the ultimate parent company, Provident Financial plc.

6 Amounts receivable from customers

Amounts receivable from customers are held at amortised cost and are equal to the expected future cash flows discounted at the EIR. The average EIR for the year ended 31 December 2021 was 29% (2020: 34%).

Amounts from customers comprises £553.8m (2020: £538.7m) of customer receivables plus deferred broker commissions of £32.4m (2020: £27.9m).

Ageing analysis of amounts receivable from customers	2021 £m	2020 £m
Amounts due within one year	168.5	174.8
Amounts due in more than one year	417.7	391.8
Total	**586.2**	**566.6**

2021	Within 1 year £m	1-5 years £m	Total £m
Future minimum lease payments	305.9	602.7	908.6
Unearned finance income	(137.4)	(185.0)	(322.4)
Present value of minimum lease payments receivable	**168.5**	**417.7**	**586.2**

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

No finance agreements entered into have a term greater than five years (2020: none over five years). The average term of finance leases entered into during the year is 2.9 years (2020: 4.6 years).

The gross receivable and allowance account which form the net amounts receivable from customers including deferred broker commissions of £32.4m (2020: £27.9m) is as follows:

	2021 £m	2020 £m
Gross receivable	841.7	765.3
Allowance account	(255.5)	(198.7)
Net amounts receivable from customers	**586.2**	**566.6**

6 Amounts receivable from customers (continued)

Amount receivable from customers can be reconciled as follows:

				2021
	Stage 1 £m	Stage 2 £m	Stage 3* £m	Total* £m
Gross carrying amount:	**443.8**	**100.1**	**221.4**	**765.3**
New financial assets originated	272.8	-	-	272.8
Transfers due to changes in credit risk:				
From Stage 1 to Stage 2	(108.2)	108.2	-	-
From Stage 1 to Stage 3	(156.1)	-	156.1	-
From Stage 2 to Stage 1	2.8	(2.8)	-	-
From Stage 2 to Stage 3	-	(73.8)	73.8	-
From Stage 3 to Stage 1	0.1	-	(0.1)	-
From Stage 3 to Stage 2	-	0.5	(0.5)	-
Write-offs	(0.3)	(0.7)	(15.6)	(16.6)
Recoveries	(199.6)	(47.3)	(103.7)	(350.6)
Revenue**	93.7	27.6	46.3	167.6
Other changes	1.2	1.1	0.9	3.2
At 31 December	**350.2**	**112.9**	**378.6**	**841.7**
Loss allowance account:				
At 1 January	**21.8**	**17.9**	**159.0**	**198.7**
Movements through Statement of comprehensive income:				
New financial assets originated	39.1	-	-	39.1
Transfers due to changes in credit risk				
From Stage 1 to Stage 2	(12.7)	15.0	-	2.3
From Stage 1 to Stage 3	(23.5)	-	46.8	23.3
From Stage 2 to Stage 1	0.1	(0.4)	-	(0.3)
From Stage 2 to Stage 3	-	(12.5)	23.6	11.1
From Stage 3 to Stage 1	-	-	(0.1)	(0.1)
From Stage 3 to Stage 2	-	-	(0.2)	(0.2)
Remeasurements within Existing Stage	(10.2)	(3.5)	(23.2)	(36.9)
Other changes	-	-	6.3	6.3
Total amount recorded in impairment charges	**(7.2)**	**(1.4)**	**53.2**	**44.6**
Amounts netted off against revenue for stage 3 assets	-	-	29.7	29.7
Other movements:				
Write offs	(0.3)	(0.7)	(15.6)	(16.6)
Other changes	-	-	(0.9)	(0.9)
Total other during the period	**(0.3)**	**(0.7)**	**13.2**	**12.2**
Allowance account at 31 December	**14.3**	**15.8**	**225.4**	**255.5**
Reported amounts receivable from customers at 31 December	**335.9**	**97.1**	**153.2**	**586.2**
Reported amounts receivable from customers at 1 January	422.0	82.2	62.4	566.6

6 Amounts receivable from customers (continued)

				2020
	Stage 1	Stage 2	Stage 3*	Total*
	£m	£m	£m	£m
Gross carrying amount:	**335.4**	**131.0**	**120.4**	**586.8**
New financial assets originated	286.5	-	-	286.5
Transfers due to changes in credit risk:				
From Stage 1 to Stage 2	(69.2)	69.2	-	-
From Stage 1 to Stage 3	(52.5)	-	52.5	-
From Stage 2 to Stage 1	21.0	(21.0)	-	-
From Stage 2 to Stage 3	-	(56.0)	56.0	-
From Stage 3 to Stage 1	1.7	-	(1.7)	-
From Stage 3 to Stage 2	-	4.8	(4.8)	-
Write-offs	-	-	(1.0)	(1.0)
Recoveries	(171.4)	(47.0)	(44.4)	(262.8)
Revenue**	91.6	29.2	41.9	162.7
Other changes	0.7	(10.1)	2.5	(6.9)
At 31 December	**443.8**	**100.1**	**221.4**	**765.3**
Loss allowance account:				
At 1 January	**9.5**	**12.4**	**75.8**	**97.7**
Movements through the Statement of comprehensive income:				
New financial assets originated	10.0	-	-	10.0
Transfers due to changes in credit risk:				
From Stage 1 to Stage 2	(1.3)	6.4	-	5.1
From Stage 1 to Stage 3	(1.1)	-	13.4	12.3
From Stage 2 to Stage 1	0.7	(3.1)	-	(2.4)
From Stage 2 to Stage 3	-	(9.6)	21.5	11.9
From Stage 3 to Stage 1	-	-	(0.4)	(0.4)
From Stage 3 to Stage 2	-	0.6	(1.3)	(0.7)
Remeasurements within Existing Stage	4.0	11.2	22.7	37.9
Other changes	-	-	(1.0)	(1.0)
Total amount recorded in impairment charges	**12.3**	**5.5**	**54.9**	**72.7**
Amounts netted off against revenue for stage 3 assets	-	-	28.7	28.7
Other movements:				
Other changes	-	-	(0.4)	(0.4)
Total other during the year	**-**	**-**	**28.3**	**28.3**
Allowance account at 31 December	**21.8**	**17.9**	**159.0**	**198.7**
Reported amounts receivable from customers at 31 December	**422.0**	**82.2**	**62.4**	**566.6**
Reported amounts receivable from customers at 1 January	325.9	118.6	44.6	489.1

6 Amounts receivable from customers (continued)

*Gross loan receivables and impairment provisions for expected credit losses were unintentionally reduced by equal amounts of £30.9m in the prior year to reflect the net revenue recognition for loans in stage 3. Comparatives included in note 6 have been amended to remove this adjustment as part of the Company's implementation of a new IFRS 9 model. This prior period adjustment has no impact on the Company's primary statements.

**In the Statement of comprehensive income, revenue is £137.9m (2020: £133.9m) 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 £29.7m (2020: £28.7m).

The Company refined its IFRS 9 models during the year, further details can be found on pages 25 to 26. Included within receivables is £2.9m in relation to receivables classified as purchased or originated as credit impaired under IFRS 9.

Vehicles are held as collateral against a Moneybarn conditional sale agreement until it is repaid in full. The impact of holding the collateral of £494.7m (2020: £423.6m) on the allowance account as at 31 December 2021 was £85.8m (2020: £76.4m), representing 84% (2020: 76%) of the balance.

Gross receivables are stated net of unearned finance income of £322.4m (2020: £335.8m).

An increase of 1% of the gross exposure into stage 2 from stage 1 would result in an increase in the allowance account of £0.4m (2020: £0.6m) based on applying the difference between the coverage ratios from stage 1 to stage 2 to the movement in gross exposure.

The loans provided by the Company are secured against vehicles. The recovery and sale of the vehicle can be a significant recovery which can be used to offset any losses incurred because of defaulted contracts. The future valuation of vehicles feeds into the impairment model to calculate the expected recovery amount from sale. It is recognised that supply shortfalls of second-hand vehicles experienced during 2021 have resulted in lower rates of depreciation subsequent to the period chosen as to determine future depreciation values. It is management's view that the current supply and demand economics are likely to rebalance during 2022, resulting in a downward correction in second hand vehicle values and consequently, return to pre-Covid vehicle depreciation rates. For sensitivity purposes, a 10% decrease in the second-hand vehicle valuations would result in an increase in the allowance account of £5.4m.

The fair value of amounts receivable from customers is approximately £933.1m (2020: £768.8m). 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.

6 Amounts receivable from customers (continued)

A breakdown of the in-model and post-model adjustments for the Company is shown below:

	2021 £m	2020 £m
Core model	257.5	165.7
In-model adjustments	-	13.1
Post-model adjustments	(2.0)	19.9
Total allowance account	**255.5**	**198.7**

	2021 £m	2020 £m
In-model overlays:		
Definition of default (note (a))	-	13.1
Total in-model overlays	**-**	**13.1**
Post-model overlays:		
Macroeconomic assumption (note (b))	-	6.6
FCA moratorium (note (c))	-	13.3
Fraud (note (d))	(2.0)	-
Total post-model overlays	**(2.0)**	**19.9**
Total overlays	**(2.0)**	**33.0**

a) Definition of default
Following the scheduled review of the IFRS 9 model in late 2020, it was determined that the previous definition of default of 'termination of the vehicle contract' did not meet the requirements of IFRS 9. Loans in IFRS 9 stage 2 were identified to have been greater than 90 days past due, despite it being inappropriate to rebut the 90-day backstop presumption included within IFRS 9. The change in the point of default from termination to three missed payments (90 days) for this cohort of customers resulted in this in-model adjustment in 2020. The models were updated during 2021 and this is now part of the core model provision.

(b) Macroeconomic assumptions
A post-model macroeconomic provision was in place to reflect an increased PD and LGD, in addition to the core impairment provisions already recognised, based on future macroeconomic scenarios. The provision reflected the potential for future changes in unemployment under a range of unemployment forecasts that are not included in the underlying models. Following refinements to the model during 2021 this is now part of the core model provision.

(c) FCA moratorium
The FCA moratorium initiated in response to Covid-19 temporarily restricted Moneybarn from terminating customer contracts and recovering the vehicle from a customer where a default termination would ordinarily have occurred. This led to c.12k contracts which could not be terminated at the end of 2020. This post-model adjustment was designed to recalibrate modelled LGDs, to reflect the inability to maximise recoveries, and was calculated using observed termination experience. This overlay was no longer required in 2021.

(d) Fraud
The fraud overlay represents a small cohort of live accounts that have been identified as fraud customers.

6 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 **2021**

	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m
Good quality	113.6	35.1	33.0	181.7
Satisfactory quality	224.6	71.2	258.6	554.4
Lower quality	12.0	6.5	83.9	102.4
Below standard	-	0.1	3.1	3.2
Gross carrying amount	**350.2**	**112.9**	**378.6**	**841.7**

Internal rating values **2020**

	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m
Good quality	106.5	11.2	11.8	129.5
Satisfactory quality	305.9	71.8	139.0	516.7
Lower quality	31.0	16.8	67.6	115.4
Below standard	0.4	0.3	3.0	3.7
Gross carrying amount	**443.8**	**100.1**	**221.4**	**765.3**

Internal credit risk rating is based on the internal credit score of a customer at the inception of the loan.

7 Trade and other receivables

Current assets	2021 £m	2020 £m
Prepayments and accrued income	0.3	1.9
Other receivables including amounts due to the company for taxation and social security	0.4	0.2
Amounts due from intermediate holding company	272.8	146.0
Total	273.5	148.1

There are no amounts past due in respect of trade and other receivables that are not impaired (2020: £nil).

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 (2020: £nil).

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

The amounts due have been assessed for impairment under IFRS 9.

Performing loans are categorised as stage 1 against which no provision would be recognised as the counterparty would have sufficient expected cash flows to service their obligations and sufficient realisable net assets to sell in the event of a default. Non-performing loans would have either little or no expected cash flow and are recognised at the realisable value of net assets. A provision would be recognised against these loans. The Company has assessed the estimated credit losses and as a result of which there has been no impairment charge recognised.

8 Intangible assets

	Computer software	
	2021	2020
	£m	£m
Cost		
At 1 January	0.5	0.7
Additions	0.1	0.1
Disposals	(0.4)	(0.3)
At 31 December	0.2	0.5
Accumulated amortisation		
At 1 January	0.4	0.4
Charged to the Statement of comprehensive income	0.1	0.1
Disposals	(0.4)	(0.1)
At 31 December	0.1	0.4
Net book value at 31 December	0.1	0.1
Net book value at 1 January	0.1	0.3

Disposals in the year had a net book value of £nil (2020: £0.2m) and related proceeds of £nil (2020: £nil). The profit/(loss) on disposals was £nil (2020: loss on disposal of £0.2m).

9 Financial instruments

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

31 December 2021	Financial instruments at amortised cost £m	Non-financial assets/ liabilities £m	Total £m
Assets			
Cash and cash equivalents	2.0	-	2.0
Trade and other receivables	273.2	0.3	273.5
Amounts receivable from customers	586.2	-	586.2
Intangible assets	-	0.1	0.1
Deferred tax assets	-	6.5	6.5
Inventories	-	1.7	1.7
Total assets	**861.4**	**8.6**	**870.0**
Liabilities			
Trade and other payables	858.7	-	858.7
Provisions	-	-	-
Total liabilities	**858.7**	**-**	**858.7**

31 December 2020	Financial instruments at amortised cost £m	Non-financial assets/ liabilities £m	Total £m
Assets			
Cash and cash equivalents	2.1	-	2.1
Trade and other receivables	146.2	1.9	148.1
Amounts receivable from customers	566.6	-	566.6
Intangible assets	-	0.1	0.1
Deferred tax assets	-	6.1	6.1
Inventories	-	2.2	2.2
Total assets	**714.9**	**10.3**	**725.2**
Liabilities			
Trade and other payables	726.8	-	726.8
Provisions	-	-	-
Total liabilities	**726.8**	**-**	**726.8**

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

10 Deferred tax

Deferred tax is a future tax liability or asset resulting from temporary differences between the accounting value of assets and liabilities and their value for tax purposes.

Deferred tax arises primarily in respect of: (a) the opening balance sheet adjustments to restate the IAS 39 balance sheet onto an IFRS 9 basis for which tax deductions are available over 10 years; and (b) other temporary differences.

In 2016, changes in corporation tax rates were enacted which reduced the mainstream corporation tax rate to 17% with effect from 1 April 2020. Prior to 1 April 2020 the mainstream corporation tax rate was 19%. In 2020, the reduction in the mainstream corporation tax rate to 17% was cancelled and the rate remained at 19% for 2020. During 2021, a further change was enacted to increase the mainstream corporation tax rate from 19% to 25% with effect from 1 April 2023.

Deferred tax balances at 31 December 2019 were measured at the mainstream corporation tax rate of 17% to the extent that the temporary differences on which the deferred tax was calculated were expected to reverse after 1 April 2020. At 31 December 2020, these deferred tax balances were re-measured at the mainstream corporation tax rate of 19%, as were movements in the deferred tax balances during the year.

At 31 December 2021, the deferred tax balances have been re-measured at the mainstream corporation tax of 25% (2020: 19%) to the extent that the temporary differences on which deferred tax has been calculated are expected to reverse after 1 April 2023.

A tax credit of £1.3m (2020: credit of £0.7m) represents the income statement adjustment to deferred tax as a result of these changes and no additional deferred tax charge (2020: nil) has been taken directly to other comprehensive income in respect of items reflected in other comprehensive income.

Asset	2021 £m	2020 £m
At 1 January	6.1	6.3
Credit to the income statement (note 4)	(0.9)	(0.9)
Impact of change in UK tax rate	1.3	0.7
At 31 December	6.5	6.1

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

Asset			2021
	IFRS 9	Other temporary differences	Total
	£m	£m	£m
At 1 January	6.0	0.1	6.1
Credit to the income statement	(0.9)	-	(0.9)
Impact of change in UK tax rate	1.3	-	1.3
At 31 December	6.4	0.1	6.5

10 Deferred tax (continued)

Asset			2020
	IFRS 9	Other temporary differences	Total
	£m	£m	£m
At 1 January	6.2	0.1	6.3
Credit to the income statement	(0.9)	-	(0.9)
Impact of change in UK tax rate	0.7	-	0.7
At 31 December	6.0	0.1	6.1

At 31 December 2021, there are no (2020: no) deductible temporary differences or carried forward tax losses in Moneybarn No.1 Limited for which a deferred tax asset is not provided.

11 Trade and other payables

Current liabilities	2021 £m	2020 £m
Trade payables	0.6	0.7
Amounts owed to fellow subsidiary undertakings	5.8	4.9
Amounts owed to intermediate holding company	596.9	588.4
Amounts owed to Moneybarn Financing Limited	250.6	129.2
Accruals	4.8	3.6
Total	**858.7**	**726.8**

The fair value of trade and other payables equates to their book value (2020: 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 intermediate holding company accrue interest linked to the monthly weighted average cost of funds of the ultimate parent undertaking plus a margin.

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

12 Provisions

Provisions	2021 £m	2020 £m
At 1 January	-	2.8
Utilised in the year	-	(2.8)
Released in the year	-	-
Total	-	-

The amounts shown in provisions in the prior year is in relation to the FCA fine imposed on the Company which was settled in the prior year.

13 Share capital

	2021 Authorised	2021 Issued and fully paid	2020 Authorised	2020 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 (2020: no shares).

14 Related party transactions

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

2021

	Management recharge £m	Interest charge £m	Interest credit £m	Owed balance £m	Outstanding balance £m
Ultimate parent undertaking	-	-	-	-	-
Intermediate holding company	-	(36.9)	6.9	272.8	(596.9)
Other subsidiaries of the ultimate parent undertaking:					
Moneybarn Financing Limited	-	(6.4)	-	-	(250.6)
Moneybarn Limited	33.0	-	-	-	(4.6)
Vanquis Bank	1.6	-	-	-	(1.1)
PFG Corporate Services	-	-	-	-	(0.1)

2020

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

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

During the current year, the Group signed a new warehouse securitisation facility for the Company. This increased the Moneybarn Group's committed funding to £325m (from £150m at 31 December 2020) over a new 24 month period (plus any amortisation thereafter) and will increase the weighted average duration of the Group's funding sources and decrease its weighted average cost of funds to Moneybarn.

14 Related party transactions (continued)

The Group successfully renegotiated the bilateral securitisation facility in July 2021, adding Barclays as an additional lender, extending the facility and achieving an improved advance rate. At 31 December 2021 £275m had been drawn. The rates paid on the borrowings are linked to SONIA and the facility has a maturity date of June 2024.

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

The intercompany loan from Provident Financial Holdings Limited accrues interest at the monthly weighted average cost of funds of the ultimate parent plus a margin. The upstream loan from the Company to Provident Financial Holdings Limited accrues interest at a rate which broadly represents the costs of the securitisation.

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

15 Contingent liabilities

The Company is a guarantor in respect of: (i) borrowings made by the Company’s ultimate parent undertaking; and (ii) guarantees given by the Company’s ultimate parent undertaking in respect of borrowings of certain of its subsidiaries to a maximum of £254.5m (2020: £453.9m). At 31 December 2021, the borrowings amounted to £194.0m (2020: £369.0m).

In line with the Group’s funding strategy to place less reliance on this source of funding the Group exercised its contractual option to early repay its revolving credit facility on 30 March 2022, ahead of its contractual maturity in July 2023. Following the repayment, the guarantees given by the Company’s ultimate parent undertaking in respect of borrowings reduced from £254.5m to £164.5m.

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

16 Reconciliation of profit/(loss) after taxation to cash generated from operations

	Note	2021 £m	2020 £m
Profit/(loss) after taxation		12.9	(2.8)
Adjusted for:			
- tax charge	4	(0.4)	(1.5)
- amortisation of intangible assets	8	0.1	-
- disposal of intangible assets	8	-	0.2
Changes in operating assets and liabilities:			
- amounts receivable from customers	6	(19.6)	(77.5)
- trade and other receivables	7	1.4	10.6
- inventories		0.5	1.4
- trade and other payables	11	12.8	95.3
- provisions	12	-	(2.8)
Cash generated from operations		7.7	22.9

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

2021

	Cash changes		Non cash changes		
	1 January 2021 £m	Financing £m	Interest £m	Other movements £m	31 December 2021 £m
Amounts owed to Moneybarn Financing Limited	129.2	104.2	6.4	-	239.8

2020

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

17 Parent undertaking and controlling party

The immediate parent undertaking is Moneybarn Group Limited, a company incorporated in the United Kingdom.

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.