MONEYBARN NO.1 LIMITED
(Company Number 04496573)

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

MONEYBARN NO.1 LIMITED
(Company Number 04496573)

CONTENTS

MONEYBARN NO.1 LIMITED
(Company Number 04496573)

DIRECTORS' REPORT

Moneybarn No.1 Limited (the 'Company') is part of Vanquis Banking Group plc (formerly Provident Financial plc). Vanquis Banking Group plc is a public limited company, listed on the London Stock Exchange, which, together with its subsidiaries, forms the Vanquis Banking 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 decision taken by the Company in the financial year (page 9); 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 7 to 12).

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 19. The profit for the year of £11.2m (2021: £12.9m) has been added to (2021: added to) retained earnings. The key drivers for the decrease 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 2022 (2021: £nil).

Directors

The directors of the Company during the year ended 31 December 2022, 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)
D V Shrimpton-Davis
N Kapur
C G Anderson

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 2022 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 2022.

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 29 to 31.

MONEYBARN NO.1 LIMITED
(Company Number 04496573)

DIRECTORS' REPORT (CONTINUED)

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.

Approved by the Board and signed on behalf of the Board by:

C G Anderson
Director
26 April 2023

MONEYBARN NO.1 LIMITED
(Company Number 04496573)

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. In addition, the expansion into the near-prime vehicle finance market in 2021 provided further opportunities for the business to support more consumers excluded from mainstream lending. For the year ended 31 December 2022, the Company generated profit before tax of £13.8m (2021: £14.6m).

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

Key Performance Indicators (KPIs)*	2022	2021
Asset yield	21.4%	20.5%
Cost of risk	6.2%	6.6%
Annualised return on assets	3.6%	3.0%

*Certain alternative performance measures (APMs) have been used in this report. Please refer to page 4 for further detail.

Interest income from customers increased by 2.0% during the current year to £140.6m (2021: £137.9m), reflecting the growth in the loan book year-on-year as the business continued to focus on higher quality customers. The Company has the broadest coverage of APRs in the non-prime market and its expansion into near-prime lending enables utilisation of existing capabilities to support more consumers requiring access to finance in order to purchase a vehicle.

The annualised asset yield increased year-on-year to 21.4% reflecting the fall in average gross receivables year-on-year as a result of the timing of new business volumes being weighted to the second half of the year.

During the year, the Company wrote 42,000 new contracts (2021: 37,000) and increased the portfolio of conditional sales financing agreements from 93,900 to 100,000, notwithstanding the challenging macroeconomic backdrop. The Company reaching 100,000 customers is the first time that this milestone has been achieved in its history.

As a result of the Company's focus on higher quality customers on average, and the robust pricing environment seen in the used-car market throughout 2022, the average loan size increased to approximately £9,000 whilst maintaining average loan to values consistent with 2021. This drove total credit issued in the year to over £342m after unwinds (2021: £287m).

At the end of 2022, amounts receivable from customers stood at £646.1m (2021: £586.2m) driven by the improvement in new business volumes year-on-year, particularly during the second half of the year.

The impairment charge to the Statement of comprehensive income reduced as a result of the business' focus on lower risk customers in recent years coupled with a small amount of provision release. As a consequence, the annualised cost of risk decreased to 6.2% from 6.6% in the prior year.

Interest expense in relation to interest payable to the intermediate holding company reduced during the current year reflecting a lower cost of funding received from the Group during the year, including the intercompany loan from Vanquis Bank Limited.

Operating Costs increased by 22.2% to £51.7m (2021: £42.3m), albeit by a much reduced rate versus the prior year, and is attributable to the significant increase in lending volumes year-on-year and the additional service costs associated with the higher volumes.

On 30 June 2022, an additional 100 Ordinary shares of £1 each were issued and fully paid by the Company's immediate parent undertaking at a price of £0.5m per share. The Ordinary shares, which are held exclusively by the immediate parent undertaking carry full voting, dividend and capital distribution rights.

For 2023, the Company will focus on growing its addressable market by introducing new product offerings and services for customers including new asset classes and contract types.

STRATEGIC REPORT (CONTINUED)

Alternative performance measures (APMs)
In addition to statutory results and key performance indicators (KPIs) reported under international accounting standards as adopted by the UK, 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.

Changes to terminology and alternative performance measures
In line with the Group's continued repositioning as a specialist banking group, management have taken the decision in the current year to change the presentation of the Statement of comprehensive income. See page 23 in the Statement of accounting policies for further details on the change in presentation. In line with these changes updated APMs have been implemented across the Group to provide more relevant and reliable information for stakeholders. The changes to APMs are summarised below and all presented APMs have been retrospectively represented in line with these changes.

The APMs used within this report are calculated as follows:

New APM	Previous APM
Asset Yield Interest income from customer receivables for the 12 months ended 31 December as a percentage of average gross receivables	**Revenue yield** Revenue for the 12 months ended 31 December as a percentage of average net receivables
Cost of risk Impairment charges for the 12 months ended 31 December as a percentage of average gross receivables	**Impairment rate/cost of risk** Impairment charge for the 12 months ended 31 December as a percentage of average net receivables
Average gross receivables Average of gross customer interest earning balances for the 13 months ended 31 December	**Average receivables** Average of net reported receivables for the 12 months ended 31 December

Principal risks and uncertainties and financial risk management

The Management 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 Management 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 Management 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 Management 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.
- 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 Audit, Risk and Compliance 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 29 to 31.

STRATEGIC REPORT (CONTINUED)

Statement regarding section 172 of the Companies Act 2006

The directors have acted in a way that they considered, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, having regard to the matters set out in section 172(a) – (f) of the Companies Act 2006.

The Board met formally six times during the reporting period and received regular updates from management on engagement activities with the Company's key stakeholders including regulators, customers and colleagues. The Board is composed of two executive directors and two Group non-executive directors (the Chief Executive Officer (CEO) and Chief Finance Officer (CFO) of the ultimate parent company) which provides direct investor engagement and ensures that investors' views are considered during the Board's discussion and decisions.

Our purpose, as part of the Vanquis Banking 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 in the below table. 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.

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 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. Our customers' interests include access to affordable vehicle finance that meet their needs as well as high quality service.	• Utilising a wide variety of customer engagement methods including, third party research, and complaints monitoring • Customer call listening by the Group Customer, Culture and Ethics Committee which was fedback to the Company • Monitoring performance against good customer outcomes • Considering the customer experience, customer journeys and outcomes • Designing and implementing policies that protect and support customers • Management reports to the Board on the above methods of engagement and the outcomes of such engagement	• Supporting customers impacted by the cost-of-living crisis, including forbearance measures • Customer affordability, vulnerability and persistent debt • Customer outcomes aligned with the FCA *Consumer Duty rules* • Customer satisfaction, service level agreements, care, service and complaints • Introducer oversight • Policy suite including, but not limited to, Anti Money Laundering (AML), Data Protection, Complaints Handling, Forbearance, Collections, Vulnerable Customers and Financial Promotions • Continued partnership with Stepchange	• Enhanced forbearance measures to support customers through the cost-of-living crisis and Board-level oversight over the impact of the crisis on our customers • Management and Board oversight of customer complaints operations, outcomes, strategy and vulnerable customers • Enhanced affordability assessment process to meet customers' needs while continuing to lend responsibly during difficult economic conditions • Board-level review of the Introducer Oversight Framework and a new Broker Manager was appointed to minimise potential detriments in the customer sales journey • Board approved an operational outsourcing arrangement with Teleperformance to improve the quality of service provided to our customers • Maintained appropriate credit underwriting reflective of the desire to lend responsibly through difficult macroeconomic conditions during the year

STRATEGIC REPORT (CONTINUED)

Our Stakeholders and why we engage with them	**How?** (How management and/or directors engaged with and considered our stakeholders)	**What?** (What were the key topics of engagement and consideration)	**Key outcomes and actions** (What was the impact of the engagement and/or consideration?)
Our shareholder The Company is a wholly owned subsidiary of Moneybarn Group Limited, whose ultimate parent is Vanquis Banking Group 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, its budget, its 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. Our ultimate shareholders' interests include return on investment, long-term growth and good ESG performance.	• 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 Managing Director and Finance Director have regular meetings with the Group CEO and Group CFO • The Managing Director is a member of the Group Executive Committee • 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 Corporate Social Responsibility. Participating in the Group's capital funding plan and contributing to the strenghtening of the Group's capital, liquidity and funding structure.	• Strategy and long-term value creation • Culture and Blueprint • Financial and operational performance and resilience • Harmonisation of risk management to provide a more consistent and integrated approach to managing risk across the Group • Corporate governance arrangements and alignment • Corporate responsibility • Interactions with the regulators • Consideration of creditworthiness and lending policy in the macro-economic environment, specifically arising from the cost-of-living crisis during the year • Participation in the Group's intra-Group funding arrangements	• Business model aligned with the Group's purpose • Board-level oversight over the newly created Group Risk Policy Taxonomy, Group Risk System and Group Enterprise Risk Management function to ensure a consistent approach to risk management across the Group • Shared services model rolled out across the Group to drive consistency and reduce inefficiencies • Group Board and Company Board refreshed their corporate governance framework to support effective decision-making, oversight and accountability • Group CEO and Company Managing Director objectives were aligned • Board approved intra-Group funding arrangements to provide more cost-efficient funding across the Group (see page 12 for more details) • Input into the Group's Internal Capital Adequacy Assessment Process • Board and Group Board approved budget and operational plan

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. Our colleagues' interests include fair pay and benefits, career development, and a positive culture.	• 'Be Open' Colleague Surveys issued halfway through the year and at year end to gather valuable insights • Colleague Forums with representatives from the Company and other businesses across the Group provided two-way engagement between the Group Board and colleagues • Town halls provided an invaluable method of engagement for colleagues and management • Group CEO VLOGS and e-communications issued regularly to colleagues on important Group news and updates. • Designated Group Non-Executive Director Colleague Champion played the lead role in Group Board engagement with employees, understanding and representing employee interests across the Group • The Group had an active, Executive sponsored, inclusion programme which had five affinity pillars • Leadership and professional development programmes • Group recognition platform, 'Better Everyday' continued 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 was available for colleagues to raise concerns • Management reports to the Board on the above methods of engagement and the outcomes of such engagement	• Review of colleague survey results • Group governance and target operating model changes • Culture, purpose and behaviours • Group aligned Colleague reward and recognition • Group aligned HR Policies • Training, leadership development and succession planning • Employee engagement • Health and safety approach, including hybrid working arrangements to ensure that colleagues continued to have a safe working environment. • 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 • Collective consultation on the Group's restructure via the Colleague Forums informed the governance and target operating model changes that took place during 2022 • In response to feedback at Colleague Forums, we adopted hybrid working arrangements to provide colleagues with flexible working arrangements and promote a healthy work-life balance • New Group Reward Framework was introduced; and the benefits framework published on the Group intranet, to bring consistency and transparency to rewarding colleagues • The Management Blueprint Programme commenced in April 2022 to provide professional development and coaching to managers • Successful achievement of the target of 33% female representation on the Company's Management Committee (44% female representation as at 3 March 2023)

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 communities To make a positive difference to the communities we serve in order to improve the lives of our customer base. Our communities' interests include removing key barriers to financial inclusion and improving financial awareness and education.	• Participation in the Group Social Impact Programme that delivers community investment • The Company participated in the Group Customer, Culture and Ethics Committee at which Group-wide community matters are discussed and overseen by the Group Board • Oversight by the Group Board and Customer, Culture and Ethics Committee 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	• Board approved a memorial donation of £140,000 in memory of a colleague which was used to support charitable initiatives aligned with the Group's Social Impact Programme and the colleague's charitable pursuits, including a donation to TutorMate to improve the education of children in a disadvantaged area. • Group volunteering policy to encourage colleagues to volunteer and make a positive difference in their communities • 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
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. Our regulators' interests include conduct, compliance and fair treatment of stakeholders.	• Board members and executive management engaged proactively with regulators via regular face to face and telephone meetings • Regulatory risk reporting, including horizon scanning, was carried out and reported to the Company Risk Committee and Board as well as to the Group Executive Committee and Group Risk Committee where appropriate • Regulatory engagement and correspondence was reported to and discussed by the Board via the Company CRO and Group CEO • Dialogue and engagement regarding current products, potential products, customer outcomes and digitisation primarily through the Company Chief Risk Officer (CRO) • Management reports to the Board on the above methods of engagement and the outcomes of such engagement	• Customer vulnerability and persistent debt • Compliance with Consumer Duty rules to deliver good customer outcomes • Affordability assessments • Our products, our potential products and digitisation • Complaints levels and handling • Compliance with the Senior Management & Certification Regime • Culture • Payment holidays and other forbearance options • Regulatory changes and the potential impact on our business model and processes	• Group-wide Operational Resilience Project to ensure compliance with the Operational Resilience Regulations, with Board oversight of the project. The Board approved the Company's self-assessment of operational resilience vulnerabilities in compliance with Phase 1 of the regulations. • Group-wide participation in the Consumer Duty of Care consultation to prepare for the implementation of the Consumer Duty rules, with the Company CRO reporting regularly to the Board on the progress made • Business model aligned with regulatory expectations • Continued partnership with StepChange • Co-operation with the FCA on Borrowers in Financial Difficulty Project

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 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. Our suppliers' interests include sustainable business, long-term partnerships, and prompt payment.	• There is an established due diligence process to manage supply chain-based risks and comply with Company policies and Group 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 • Group Customer, Culture and Ethics Committee reviewed suppliers' feedback on a questionnaire issued by the Group to supply account managers	• 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 • Supplier Relationship Management Framework which highlighted supplier performance and enabled joint roadmaps • Compliance with EBA Outsourcing Guidelines • Board reviewed the Group Delegated Authorities Manual which facilitates effective decision-making and accountability • Group Board approved the 2022 Modern Slavery Statement • Group Board approved the Group's policy on Human Rights and Modern Slavery
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 interests of our environment include sustainable business and contributing to tackling climate change.	• The Company utilises and contributes to the Group Environmental Management System (EMS) • The Company participates in the Group Customer, Culture & Ethics Committee at which Group-wide environmental matters are overseen by the Group Board Committee • Execution of activities to support Group achievement of ISO 14001 • Group Climate Risk Committee chaired by the Group's Chief Risk Officer and Company's Chief Risk Officer.	• Climate change • Environmentally conscious vehicle manufacture • Funding of electric vehicles • A compliance statement published in respect of the recommendations and recommended disclosures of the Task Force on Climate Related Financial Disclosures which complies with the FCA Listing Rule 9.8.6R(8) • Maintenance and compliance with ISO 14001	• Compliance with ISO 14001 • Board approved a partnership that would allow non-prime customers to access the electric vehicles market. • Progress made against environmental targets was included within the non-financial scorecard used by the Group Remuneration Committee to assist in determining the annual bonus pool for executive remuneration. • Scope 1 and 2, and 8 out of 15 material scope 3 greenhouse gas emissions (including those associated with products and services procured and downstream leased assets) accounted for and reported across the Group in accordance with the UK Government's Streamlined Energy and Carbon Reporting policy • Continued offsetting of the Group's operational carbon footprint through investment in nature-based projects • Group commitment to the six long-term ESG objectives • Good progress made in setting carbon reduction targets in alignment with the Science Based Targets initiative.

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

During the year the Board made the following decisions: approved intra-Group lending arrangements designed to facilitate effective capital management across the Group (see below for more information on this principal decision); approved the strategic business and financial plan for the vehicle finance business for the period 2023 to 2027 as part of the Group budget; approved the pilot of an outsourcing arrangement to improve operational efficacy and deliver good customer outcomes; and approved a self-assessment of the Company's operational resiliency in support of the FCA and PRA Operational Resilience Regulations.

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 the factors the 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.

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

Decision to enter new intra-group funding arrangements

Decision making process
In October 2021 the Group applied to the Prudential Regulation Authority for a Core UK Group Waiver (the 'waiver'). The waiver would deliver financial efficiency benefits to the Group as it would disapply the maximum amount that Vanquis Bank Ltd could lend to other Group entities, principally to the Company. Furthermore, the Group's funding mix would be optimised. On 30th June 2022 the Board considered a proposal to implement changes to the intra-Group lending arrangements, including: (i) the execution of a Net Settlement Agreement that reflected the partial repayment of existing intercompany lending (ii) the entry into a new intercompany Loan Agreement and Capital Support Agreement between the Company and Vanquis Bank Ltd; and (iii) the allotment of shares in the Company to its sole member, Moneybarn Group Ltd, to capitalise the Company.

The Board noted that the proposal met the Group's policy requirements as set out within the Intra-Group Funding and Lending Framework. Furthermore, the Board received assurance on the intragroup lending arrangements and associated agreements from external legal expertise as well as key internal stakeholders including Group Legal, Treasury, Tax, Finance and Risk. The Board noted that a suitable risk assessment had been completed with all impacts of the activity having been addressed prior to lending and on an ongoing basis.

Long term implications
Having due regard to its position as a wholly owned subsidiary of the plc, the Board noted the benefit of the proposed lending and the benefit to the Company of a more robustly capitalised balance sheet and more cost-efficient funding received from Vanquis Bank Ltd and decided to proceed with the proposed lending arrangements.

Stakeholder implications
In making this decision, the Board recognised that the fundamental purpose of the waiver and the proposed lending arrangements was to ensure the most efficient deployment of capital within the Group and to ensure cost-effective funding arrangements over time which should result in an overall positive impact, directly or indirectly, on all stakeholders of the Company, including customers, colleagues, those in a business relationship with the Company, regulators/government, investors, communities and the environment.

The Group and Company engaged with the regulator throughout the process of the waiver application by responding to requests for information and acting upon feedback from the regulator. For example, the Board approved a Capital Support Agreement between the Company and Vanquis Bank Ltd in response to the regulator's feedback. In November 2022, the PRA approved the Group's application for a Core UK Group waiver. For further information, please refer to page 30.

Going concern

The Company is partially funded through intercompany loan facilities made available by the ultimate parent company, Vanquis Banking Group 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 2022, which includes detailed forecasts for the three year period to December 2025 and also considered less detailed forecasts for 2026 and 2027. These higher-level outer year forecasts do not contain any information which would cause different conclusions to be reached over the longer-term viability of the Company or Group. 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. The stress test scenario envisages that the UK economy enters a period of stagflation in 2023 with inflation rising to approximately 17% and the UK Bank Rate rising to 6%. As a result, the UK unemployment rate rises to approximately 8.5%. 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 23.

Approved by the Board and signed on behalf of the Board by:

C G Anderson
Director
26 April 2023

MONEYBARN NO.1 LIMITED
(Company Number 04496573)

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors 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 of the financial reporting framework 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.

MONEYBARN NO.1 LIMITED
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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 2022 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 18.

The financial reporting framework that has been applied in their preparation is applicable law, 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.

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 and the directors about their own identification and assessment of the risks of irregularities, including those that are specific to the Company's business sector.

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; 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 regulations set by the Financial Conduct Authority (FCA).

We discussed among the audit engagement team, including relevant internal specialists such as tax, IT, 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 and 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 updated our understanding of the IFRS 9 methodology and its implementation in the model. We involved our credit risk modelling specialists to assist in our assessment and challenge of management's methodology and assessed these methodology changes against 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 models;

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

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 economics specialist to assess 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, Prudential Regulation Authority, Office for National Statistics and other available data; and
- In respect of the Cost-of-Living PMA, we challenged, with the involvement of our credit risk modelling specialists, the appropriateness of the methodology and assumptions applied by management in determining the value of the CoL adjustment. This included performing benchmarking of the ECL against peers to inform our assessment and evaluating the results of the scenario modelling techniques performed by management and the appropriateness of the underlying assumptions. We also evaluated management's credit risk monitoring analysis to determine whether any significant deterioration in customer performance has occurred to date.

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 FCA.

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.

K. J. Cooper

Kieren Cooper (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Birmingham, United Kingdom
26 April 2023

MONEYBARN NO.1 LIMITED
(Company Number 04496573)

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December	Note	2022 £m	2021 £m
Interest income	1	149.6	144.8
Interest expense	2	(43.3)	(43.3)
Net interest margin		**106.3**	**101.5**
Impairment charges	6	(40.8)	(44.6)
Risk-adjusted income		**65.5**	**56.9**
Operating costs		(51.7)	(42.3)
Profit before taxation	3	13.8	14.6
Profit before taxation and exceptional items	3	13.8	16.0
Exceptional items	3	-	(1.4)
Tax charge	4	(2.6)	(1.7)
Profit for the year attributable to equity shareholders		11.2	12.9

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 2022 £m	At 31 December 2021 £m
ASSETS			
Cash and cash equivalents		1.4	2.0
Amounts receivable from customers	6	646.1	586.2
Trade and other receivables	7	273.6	273.5
Inventories		1.5	1.7
Intangible assets	8	-	0.1
Deferred tax assets	10	5.7	6.5
Total assets		928.3	870.0
LIABILITIES AND EQUITY			
Liabilities			
Trade and other payables	11	854.3	858.7
Provisions	12	1.5	-
Total liabilities		855.8	858.7
Equity attributable to owners of the parent			
Share capital	13	-	-
Share premium	13	50.0	-
Retained earnings		22.5	11.3
Total equity		72.5	11.3
Total liabilities and equity		928.3	870.0

The financial statements on pages 19 to 49 were approved and authorised for issue by the Board of directors on 26 April 2023 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	Share premium £m	Retained (deficit) / earnings £m	Total £m
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
At 1 January 2022	-	-	11.3	11.3
Issue of share capital		50.0	-	50.0
Profit and total comprehensive income for the year	-	-	11.2	11.2
At 31 December 2022	**-**	**50.0**	**22.5**	**72.5**

MONEYBARN NO.1 LIMITED
(Company Number 04496573)

STATEMENT OF CASH FLOWS

For the year ended 31 December	Note	2022 £m	2021 £m
Cash flow from operating activities			
Cash (used in)/generated from operations	16	(41.3)	7.7
Net cash generated from operating activities		**(41.3)**	**7.7**
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 (to)/from Moneybarn Financing Limited	11	(0.8)	110.6
Funding to intermediate holding company	7, 11	(78.5)	(118.3)
Funding from Vanquis Bank Limited	11	70.0	-
Proceeds of issue of shares	13	50.0	-
Net cash generated from / (used in) financing activities		**40.7**	**(7.7)**
Net decrease in cash and cash equivalents		(0.6)	(0.1)
Cash and cash equivalents at beginning of year		2.0	2.1
Cash and cash equivalents at end of year		**1.4**	**2.0**

MONEYBARN NO.1 LIMITED
(Company Number 04496573)

STATEMENT OF ACCOUNTING POLICIES

General information
The Company is a private limited company limited by shares and is incorporated and domiciled in England, 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 accounting standards as adopted by the United Kingdom (UK), International Financial Reporting Interpretations Committee (IFRIC) interpretations and the Companies Act 2006.

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

In assessing whether the Company is a going concern, the directors have reviewed the Group's corporate plan, as approved in December 2022, which includes detailed forecasts for the three year period to December 2025 and also considered less detailed forecasts for 2026 and 2027. These higher-level outer year forecasts do not contain any information which would cause different conclusions to be reached over the longer-term viability of the Company or Group. 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. The stress test scenario envisages that the UK economy enters a period of stagflation in 2023 with inflation rising to approximately 17% and the UK Bank Rate rising to 6%. As a result, the UK unemployment rate rises to approximately 8.5%. 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.

Change in presentation of Income statement
In line with the Group's continued repositioning as a specialist banking group, the Company has taken the decision in the current year to change the presentation of its statutory statement of comprehensive income to align with the wider Group. All periods presented have been retrospectively re-presented. This change does not constitute a change in accounting policy and there is no impact on recognition, measurement or profit and loss in any year presented in the financial statements.

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.

The impact of new standards not yet effective and not adopted by the Company from 1 January 2023

There are no new standards not yet effective and not adopted by the Company from 1 January 2023 which are expected to have a material impact on the Company.

STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

Interest income
Interest income comprises interest earned by the Company and includes intra-group transactions. Interest income on customer receivables is recognised using an effective interest rate. The effective interest rate is calculated using estimated cash flows. Interest income 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 interest income 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 interest income.

Interest expense
Interest expense comprises 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 interest income 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 receivables are originated under a business model that intends to collect the contractual cash flows and includes only elements of principal and interest, so are subsequently measured at amortised cost less impairment provisions. 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 interest income 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 (such as customer bankruptcy proceedings).

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 part of the core model and 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. The provisions 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.

STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

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

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. Interest 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 impairment charges 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 items which the directors consider should be disclosed separately to enable a full understanding of the Company's results. An exceptional item needs to meet at least two of the following criteria:

– the financial impact is material;
– it is one-off and not expected to recur; and
– it is outside the normal course of business.

Examples include, but are not limited to, costs arising from redundancy, acquisition or restructuring activities. Management may also apply judgement to determine whether an item should be classified as an exceptional item and be an allowable adjustment to a statutory measure.

Intangible assets
Intangible assets represent the costs incurred to acquire or develop computer software and bring it into use. Directly attributable costs include the cost of software development employees and an appropriate portion of relevant directly attributable overheads.

Computer software and computer software development costs are amortised on a straight-line basis over their estimated useful economic life which is generally estimated to be between three and ten years. Amortisation is charged to the statement of comprehensive income as part of operating costs. The residual values and economic lives of intangible assets are reviewed by management at each balance sheet date.

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.

STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

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.

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

Amounts receivable from customers

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 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 for customers is when there has been a significant increase in behavioural score or when one contractual monthly payment has been missed.

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

The Company's impairment model is subject to periodic monitoring, independent 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 adjustments. Those changes applied to model inputs and parameters are deemed to be in-model adjustments; more qualitative changes that have a higher degree of management judgement are deemed to be post-model adjustments. All adjustments are reviewed quarterly and are subject to internal review and challenge to ensure that amounts are appropriately calculated.

During the Covid-19 period, 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.

Management has placed a significant focus on both the cost-of-living crisis and high inflationary economic environment and as such post-model adjustments have been recognised. However, credit performance remains stable and internal analysis shows no obvious signs of stress from the cost-of-living crisis at this stage.

The Group's customers are more agile in managing their finances during times of affordability constraints. A significant proportion of the Groups customers are also expected to benefit from wage increases during 2023 which will help alleviate financial stress.

Management judgement has been used to determine appropriate amounts to be held as cost-of-living post-model adjustments taking into account the total level of provisioning held across the portfolio including the macroeconomic provision. Scenario modelling techniques have been used to support the amount of post-model adjustments recognised for a potential cost-of-living impact. A breakdown of the post-model adjustments is included within note 6.

STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

Critical accounting judgements (continued)
Macroeconomic impairment provision adjustments are recognised in the core model to reflect an increased PD, 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.

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. 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.

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 2022	**Base**	**Upside**	**Downside**	**Severe**
Weighting	50%	10%	35%	5%
2023	4.1%	3.4%	4.2%	4.6%
2024	4.7%	3.6%	5.8%	7.4%
2025	4.8%	4.3%	6.3%	8.2%
2026	4.8%	4.5%	5.5%	6.8%
2027	4.8%	4.5%	5.1%	6.0%
Five-year peak	4.8%	4.5%	6.5%	8.6%
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%

Weightings applied to the macroeconomic assumptions were reviewed and reconfirmed at the December 2022 Assumptions Committee meeting and remain unchanged from December 2021.

Sensitivity analysis has been performed on the weightings which show that changing the weightings would not have a material impact on the allowance account.

Whilst the forward-looking nature of IFRS 9 requires provisions to be established for all losses arising, 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 Vanquis Banking Group plc, which do not form part of this report and are available on the Group's website.

(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 24.

(i) Amounts receivable from customers
The Company's maximum exposure to credit risk on amounts receivable from customers as at 31 December 2022 is the carrying value of amounts receivable from customers of £646.1m (2021: £586.2m).
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 credit line are evaluated at the point of application. Internally generated scorecards based on historical payment patterns and other behavioural characteristics of customers are used to assess the applicant's potential default risk and their ability to manage a specific credit line. For new customers, the scorecards incorporate data from the applicant and sourced from external credit bureaux. 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. For existing customer lending, the scorecards also incorporate data on actual payment performance and product utilisation, together with data sourced from an external credit bureau each month to refresh customers' payment performance position with other lenders.

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.

(ii) Counterparty risk
The Company's maximum exposure to credit risk on bank counterparties as at 31 December 2022 was £1.4m (2021: £2.0m).

Counterparty credit risk arises as a result of cash deposits and collateral placed with banks. Counterparty credit risk is managed by the Group's Assets and Liabilities Committee (ALCO) 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 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 within the Group.

Liquidity risk is managed on a day-to-day basis by the Group's centralised Treasury function, under the supervision of ALCO and in accordance with a Board-approved Group Funding and Liquidity Policy, which is designed to ensure that the Group is able to continue to fund the growth of the business. The overall responsibility for the management of liquidity risk rests with ALCO, which makes recommendations for the Group's liquidity policy for Board approval. ALCO monitors liquidity risk metrics within limits set by the Board, including meeting regulatory requirements.

FINANCIAL AND CAPITAL RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk (continued)
In November 2022, the PRA approved the Group's application for a Core UK Group waiver. The application will allow the Group to leverage its existing access to retail deposit funding, through Vanquis Bank Ltd, to fund all lending products going forwards, including vehicle finance.

The Company also has access to headroom on the Group's committed borrowing facilities, which is primarily intended to support growth of the Company. As at 31 December 2022, the Group's committed borrowing facilities including retail deposits has a weighted average period to maturity of 2.0 years (2021: 2.5 years) and the headroom on its committed facilities amounted to £50.0m (2021: £110.0m).

Historically, the Groups' non-bank funding strategy was to maintain sufficient available funds and committed facilities to pre-fund its liquidity and funding requirements for at least the next 12 months. On 1 November 2022, Vanquis Bank received notice from the PRA that it had approved its application for a Core UK Group large exposure waiver which enables Vanquis Bank to use its retail deposit funding to lend to the Company, with immediate effect. This enables the transition to a traditional bank funding model in which the Group maintains access to diversified sources of funding comprising: (i) retail deposits; (ii) securitisation of the cards and vehicle finance books; (iii) liquidity and funding facilities at the Bank of England; and (iv) access to wholesale market funding and debt capital via its EMTN programme. The Group will continue to explore further funding options as appropriate including, but not limited to, further diversifying the retail deposit funding mix through more cost-effective behaviouralised deposits and ISAs, and further securitisation issuance in the private or public markets.

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 is set out in the annual report and financial statements of Vanquis Banking Group plc.

(c) Interest rate risk
Interest rate risk is the current or prospective risk to capital or earnings arising from adverse movements 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, with control and oversight provided by the Asset Liability Committee (ALCO) and is governed by a Group Board approved interest rate hedging policy which forms part of the Group's treasury policies.

The principal market-set interest rate used by the Group's and Bank's lenders is the Sterling Overnight Index Average (SONIA). The SONIA index tracks the sterling overnight indexed swaps for unsecured transactions in the market. SONIA is the risk-free borrowing rate which is used to set rates for certain borrowings and swaps.

The Group has adopted the standard methodology measurement of interest rate risk. The Group measures and monitors the following market risk drivers under the interest rate risk in the banking book (IRRBB) framework through which risk exposure may arise.

FINANCIAL AND CAPITAL RISK MANAGEMENT (CONTINUED)

(d) Market risk
Market risk is the risk that a financial instrument's fair value or future cash flows will fluctuate because of changes in market prices. The Group's exposure to market risk is primarily through interest rate risk. These exposures arise solely through the Group's duration mismatches between its lending and funding activities. The Group's corporate policies do not permit it or the Company to undertake position taking or to run a 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 Vanquis Banking Group plc within the Pillar 3 disclosures document which do not form part of this report and are available on the Groups website.

NOTES TO THE FINANCIAL STATEMENTS

1 Interest income

	2022 £m	2021 £m
Interest income from customer receivables	140.6	137.9
Interest income from loan to intermediate holding company	9.0	6.9
Total Interest income	**149.6**	**144.8**

Interest income from customer receivables comprises £160.8m (2021: £156.7m) net of the amortisation of deferred broker commissions of £20.2m (2021: £18.8m), plus interest income from the loan to the intermediate holding company of £9.0m (2021: £6.9m).

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

2 Interest expense

	2022 £m	2021 £m
Interest payable to intermediate holding company	34.2	35.5
Interest payable to Moneybarn Financing Limited	8.2	6.4
Interest payable to Vanquis Bank Limited	0.9	-
Exceptional interest charge on borrowings from intermediate holding company	-	1.4
Total Interest expense	**43.3**	**43.3**

3 Profit before taxation

	2022 £m	2021 £m
Profit before taxation is stated after charging:		
Amortisation of intangible assets:		
- computer software (note 8)	-	0.1
Impairment of amounts receivable from customers (note 6)	40.8	44.6

Fellow subsidiary undertakings have recharged certain operating costs to the Company of £41.4m (2021: £34.6m) in respect of services provided.

Auditor's remuneration to Deloitte LLP in respect of the audit of the financial statements was £0.5m (2021: £0.5m). Auditor's remuneration to Deloitte LLP in respect of other services was £nil (2021: £nil).

Exceptional costs	2022 £m	2021 £m
Exceptional interest charge on borrowings from intermediate holding company	-	1.4
Total exceptional items	**-**	**1.4**

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

4 Tax charge

Tax charge in the Statement of comprehensive income	2022 £m	2021 £m
Current tax	1.8	2.1
Deferred tax (note 10)	0.8	0.9
Impact of change in UK tax rate	-	(1.3)
Total tax charge	**2.6**	**1.7**

The rate of tax charge (2021: tax charge) on the profit before taxation for the year is equal to (2021: lower than) the standard rate of corporation tax in the UK of 19% (2021: 19%). This can be reconciled as follows:

	2022 £m	2021 £m
Profit before taxation	13.8	14.6
Profit before taxation multiplied by the average standard rate of corporation tax in the UK of 19% (2021: 19%)	2.6	2.8
Effects of:		
- adjustment in respect of prior years	-	0.2
- impact of change in UK tax rate (Note (a))	-	(1.3)
Total tax charge	**2.6**	**1.7**

(a) Impact of change in UK tax rates

In 2021, changes were enacted to increase the mainstream corporation tax rate from 19% to 25% with effect from 1 April 2023.

Deferred tax balances at 31 December 2021 were re-measured at the mainstream corporation tax rate of 25% to the extent that the temporary differences on which the deferred tax was calculated were expected to reverse after 1 April 2023.

To the extent the temporary differences on which deferred tax has been calculated are expected to reverse after 1 April 2023, deferred tax balances at 31 December 2022 and movements in deferred tax balances during the year have also been measured at 25% (2021: 25%).

A tax credit of £nil (2021: £1.3m) represents the Statement of comprehensive income adjustment to deferred tax as a result of these changes and no additional deferred tax charge (2021: £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 (2021: 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, Vanquis Banking Group 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 2022 was 29% (2021: 29%).

Amounts receivable from customers comprises £601.8m (2021: £553.8m) of customer receivables plus deferred broker commissions of £44.3m (2021: £32.4m).

Ageing analysis of amounts receivable from customers	2022 £m	2021 £m
Amounts due within one year	181.4	168.5
Amounts due in more than one year	464.7	417.7
Total	**646.1**	**586.2**

2022	Within 1 year £m	1-5 years £m	Total £m
Future minimum lease payments	323.1	660.5	983.6
Unearned finance income	(141.7)	(195.8)	(337.5)
Present value of minimum lease payments receivable	**181.4**	**464.7**	**646.1**

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**

No finance agreements entered into have a term greater than five years (2021: none over five years). The average term of finance leases entered into during the year is 4.7 years (2021: 4.6 years).

The gross amounts receivable from customers and allowance account which form the net amounts receivable from customers including deferred broker commissions of £44.3m (2021: £32.4m) is as follows:

	2022 £m	2021 £m
Gross amounts receivable from customers	972.3	841.7
Allowance account	(326.2)	(255.5)
Net amounts receivable from customers	**646.1**	**586.2**

6 Amounts receivable from customers (continued)

Amounts receivable from customers can be reconciled as follows:

				2022
	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total* £m
Gross carrying amount:	**350.2**	**112.9**	**378.6**	**841.7**
New financial assets originated	274.5	-	-	274.5
Transfers due to changes in credit risk:				
From Stage 1 to Stage 2	(132.8)	132.8	-	-
From Stage 1 to Stage 3	(75.6)	-	75.6	-
From Stage 2 to Stage 1	10.2	(10.2)	-	-
From Stage 2 to Stage 3	-	(48.5)	48.5	-
From Stage 3 to Stage 1	11.1	-	(11.1)	-
From Stage 3 to Stage 2	-	12.1	(12.1)	-
Write-offs	-	-	(3.1)	(3.1)
Recoveries	(160.5)	(56.7)	(123.5)	(340.7)
Revenue*	62.8	25.8	85.8	174.4
Other changes	11.1	1.1	13.3	25.5
At 31 December	**351.0**	**169.3**	**452.0**	**972.3**
Allowance account:				
At 1 January	**14.3**	**15.8**	**225.4**	**255.5**
Movements through Statement of comprehensive income:				
New financial assets originated	37.2	-	-	37.2
Transfers due to changes in credit risk				
From Stage 1 to Stage 2	(19.8)	21.2	-	1.4
From Stage 1 to Stage 3	(11.6)	-	41.1	29.5
From Stage 2 to Stage 1	0.3	(1.3)	-	(1.0)
From Stage 2 to Stage 3	-	(8.8)	15.7	6.9
From Stage 3 to Stage 1	0.2	-	(2.0)	(1.8)
From Stage 3 to Stage 2	-	1.1	(2.4)	(1.3)
Remeasurements within Existing Stage	(5.1)	(3.4)	(29.8)	(38.3)
Other changes	0.4	1.2	6.6	8.2
Total amount recorded in impairment charges	**1.6**	**10.0**	**29.2**	**40.8**
Amounts netted off against interest income for stage 3 assets	-	-	33.8	33.8
Other movements:				
Write offs	-	-	(3.1)	(3.1)
Other changes	-	-	(0.8)	(0.8)
Total other during the period	**-**	**-**	**29.9**	**29.9**
Allowance account at 31 December	**15.9**	**25.8**	**284.5**	**326.2**
Reported amounts receivable from customers at 31 December	**335.1**	**143.5**	**167.5**	**646.1**
Reported amounts receivable from customers at 1 January	335.9	97.1	153.2	586.2

6 **Amounts receivable from customers (continued)**

				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**
Allowance account:				
At 1 January	**21.8**	**17.9**	**159.0**	**198.7**
Movements through the 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 interest income 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 year	**(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)

*In the Statement of comprehensive income, interest income is £140.6m (2021: £137.9m) and for stage 3 assets is reported net of the impairment charge, the difference of which is included in the 'amounts netted against interest income for stage 3 assets' in the allowance account reconciliation of £33.8m (2021: £29.7m).

Other changes within gross receivables include the capitalisation of broker costs.

Included within receivables is £2.8m (2021: £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 £453.4m (2021: £494.7m) on the allowance account as at 31 December 2022 was £54.7m (2021: £85.8m), representing 88% (2021: 84%) of the balance.

Gross receivables are stated net of unearned finance income of £337.5m (2021: £322.4m).

An increase of 1% of the gross exposure into stage 2 from stage 1 would result in an increase in the allowance account of £0.3m (2021: £0.4m) 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.

The fair value of amounts receivable from customers is approximately £1,141.9m (2021: £933.1m). 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:

	2022 £m	2021 £m
Core model	328.7	257.5
In-model adjustments	-	-
Post-model adjustments	(2.5)	(2.0)
Total allowance account	**326.2**	**255.5**

	2022 £m	2021 £m
In-model adjustments:		
Total in-model adjustments	**-**	**-**
Post-model adjustments:		
Cost-of-living (nota (a))	0.5	-
Fraud (note (b))	(3.0)	(2.0)
Total post-model adjustments	**(2.5)**	**(2.0)**
Total adjustments	**(2.5)**	**(2.0)**

a) Cost-of-living

The credit acquisition and affordability modes were updated in early 2022 by a blended average of 8.75% reflecting the rise in inflation, energy prices and other bills compared to income. The Company implemented a new IFRS 9 suite of models with revised behavioural PDs during late 2021 and therefore a significant number of variables indicating financial distress are already incorporated within this model.

However, considering the broader macro-economic environment and the observations made above, managements opinion is that a cost-of-living adjustment of £0.5m should be recognised. This was derived by taking the cohort of up-to-date accounts in stage 2 and modelling a higher probability of default to replicate a situation reflective of these falling into arrears.

(b) Fraud

The fraud adjustment represents the cohort of live accounts within the portfolio that have been identified as fraud customers. There is a corresponding adjustment within gross receivables for these accounts.

6. Amounts receivable from customers (continued)

Internal rating scales

A breakdown of the gross receivables by internal credit risk rating is shown below:

Internal rating values	Stage 1 £m	Stage 2 £m	Stage 3 £m	2022 Total £m
Good quality	145.9	20.6	-	166.5
Satisfactory quality	174.1	59.7	-	233.8
Lower quality	30.1	38.6	-	68.7
Below standard	0.9	50.4	452.0	503.3
Gross carrying amount	**351.0**	**169.3**	**452.0**	**972.3**

Internal rating values	Stage 1 £m	Stage 2 £m	Stage 3 £m	2021 Total £m
Good quality	152.3	10.4	-	162.7
Satisfactory quality	170.7	32.4	-	203.1
Lower quality	26.1	23.1	-	49.2
Below standard	1.1	47.0	378.6	426.7
Gross carrying amount	**350.2**	**112.9**	**378.6**	**841.7**

Internal credit risk rating is based on the internal credit score of a customer at the 31 December. 2021 has been represented on a consistent basis with 2022 using risk rating at the 31 December.

7 Trade and other receivables

	2022 £m	2021 £m
Prepayments and accrued income	0.5	0.3
Other receivables including amounts due to the company for taxation and social security	0.3	0.4
Amounts due from intermediate holding company	272.8	272.8
Total	273.6	273.5

There are no amounts past due in respect of trade and other receivables that are impaired (2021: £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 (2021: £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 2020. 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. 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 2022 £m	Computer software 2021 £m
Cost		
At 1 January	0.2	0.5
Additions	-	0.1
Disposals	(0.2)	(0.4)
At 31 December	-	0.2
Accumulated amortisation		
At 1 January	0.1	0.4
Charged to the Statement of comprehensive income	-	0.1
Disposals	(0.1)	(0.4)
At 31 December	-	0.1
Net book value at 31 December	-	0.1
Net book value at 1 January	0.1	0.1

Disposals in the year had a net book value of £0.1m (2021: £nil) and related proceeds of £nil (2021: £nil). The loss on disposals was £0.1m (2021: £nil).

MONEYBARN NO.1 LIMITED
(Company Number 04496573)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 2022

	Financial instruments at amortised cost £m	Non-financial assets/ liabilities £m	Total £m
Assets			
Cash and cash equivalents	1.4	-	1.4
Trade and other receivables	273.1	0.5	273.6
Amounts receivable from customers	646.1	-	646.1
Intangible assets	-	-	-
Deferred tax assets	-	5.7	5.7
Inventories	-	1.5	1.5
Total assets	**920.6**	**7.7**	**928.3**
Liabilities			
Trade and other payables	854.3	-	854.3
Provisions	-	1.5	1.5
Total liabilities	**854.3**	**1.5**	**855.8**

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**

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 2021, changes were enacted to increase the mainstream corporation tax rate from 19% to 25% with effect from 1 April 2023.

Deferred tax balances at 31 December 2021 were re-measured at the mainstream corporation tax rate of 25% to the extent that the temporary differences on which the deferred tax was calculated were expected to reverse after 1 April 2023.

To the extent the temporary differences on which deferred tax has been calculated are expected to reverse after 1 April 2023, the deferred tax balances at 31 December 2022 and movements in deferred tax balances during the year have also been measured at 25% (2021: 25%).

A tax credit of £nil (2021: £1.3m) represents the Statement of comprehensive income adjustment to deferred tax as a result of these changes and no additional deferred tax charge (2021: nil) has been taken directly to other comprehensive income in respect of items reflected in other comprehensive income.

Asset	2022 £m	2021 £m
At 1 January	6.5	6.1
Charge to the Statement of comprehensive income (note 4)	(0.8)	(0.9)
Impact of change in UK tax rate	-	1.3
At 31 December	5.7	6.5

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

Asset			2022
	IFRS 9 £m	Other temporary differences £m	Total £m
At 1 January	6.4	0.1	6.5
Charge to the Statement of comprehensive income	(0.8)	-	(0.8)
Impact of change in UK tax rate	-	-	-
At 31 December	5.6	0.1	5.7

10 Deferred tax (continued)

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

At 31 December 2022, there are no (2021: 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	2022 £m	2021 £m
Trade payables	0.5	0.6
Amounts owed to fellow subsidiary undertakings	10.3	5.8
Amounts owed to Vanquis Bank Limited	70.0	-
Amounts owed to intermediate holding company	518.4	596.9
Amounts owed to Moneybarn Financing Limited	249.8	250.6
Accruals	5.3	4.8
Total	**854.3**	**858.7**

The fair value of trade and other payables equates to their book value (2021: 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	2022 £m	2021 £m
At 1 January	-	-
Created in the year	2.3	-
Utilised in the year	(0.5)	-
Released in the year	(0.3)	-
Total	**1.5**	**-**

The amount shown in the current year relates to a provision in respect of customer compliance matters.

13 Share capital and share premium

	2022 Authorised	2022 Issued and fully paid	2021 Authorised	2021 Issued and fully paid
Ordinary shares of £1 each	-	102	2	2
Number of shares	-	102	2	2

There are no shares issued and not fully paid at the end of the year (2021: no shares).

The Ordinary shares, which are held exclusively by the immediate parent undertaking carry full voting, dividend and capital distribution rights.

On 30 June 2022, an additional 100 Ordinary shares of £1 each were issued and fully paid by the Company's immediate parent undertaking at a price of £0.5m per share. The difference of £50.0m between the par value of the shares issued and the issue price has been recognised in Share premium.

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:

2022

	Management recharge £m	Interest charge £m	Interest credit £m	Owed balance £m	Outstanding balance £m
Intermediate holding company	-	(34.2)	9.0	272.8	(518.4)
Other subsidiaries of the ultimate parent undertaking:					
Moneybarn Financing Limited	-	(8.2)	-	-	(249.8)
Moneybarn Limited	41.4	-	-	-	(10.2)
Vanquis Bank Limited	-	(0.9)	-	-	(70.0)
PFG Corporate Services Limited	-	-	-	-	(0.1)

2021

	Management recharge £m	Interest charge £m	Interest credit £m	Owed balance £m	Outstanding balance £m
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 Limited	1.6	-	-	-	(1.1)
PFG Corporate Services Limited	-	-	-	-	(0.1)

14 Related party transactions (continued)

During the current year, the Company entered a loan facility (the Original Facility Agreement) and received a loan of £70m from Vanquis Bank Limited at an interest rate based on Vanquis Bank Limited's average cost of retail funds (for the weighted average life) plus a margin. The outstanding gross balance has remained at £70m, with a weighted average interest rate of 2.78%. Interest of £0.9m on the loan was recognised in the year.

On 3 November 2022, Vanquis Bank Limited received notification from the Prudential Regulation Authority that its application for a Core UK Group waiver application had been successful, thereby enabling Vanquis Bank Limited to disapply the large exposure limits imposed by the Capital Requirements Regulation when lending to the Company under the Original Facility Agreement.

During the prior year, the Group signed a new warehouse securitisation facility for the Company. This increased the Moneybarn Group's committed funding to £325m for 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.

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.

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 £164.5m (2021: £254.5m). At 31 December 2022, the borrowings amounted to £164.7m (2021: £194.0m).

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 Company 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 for management's best estimate of the amount required at the relevant balance sheet date. In some cases it may not be possible to form a view, for example because the facts are unclear or because further time is needed to properly assess the merits of the case, and no provisions are held in relation to such matters. However, the Company does not currently expect the final outcome of any such case to have a material adverse effect on its financial position, operations or cash flows.

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

	Note	2022 £m	2021 £m
Profit after taxation		11.2	12.9
Adjusted for:			
- tax charge	4	(2.6)	(0.4)
- amortisation of intangible assets	8	-	0.1
- disposal of intangible assets	8	(0.1)	-
Changes in operating assets and liabilities:			
- amounts receivable from customers	6	(59.9)	(19.6)
- trade and other receivables	7	(0.1)	1.4
- inventories		0.2	0.5
- trade and other payables	11	8.5	12.8
- provisions	12	1.5	-
Cash (used in)/generated from operations		**(41.3)**	**7.7**

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.

2022

	Cash changes		Non cash changes	
	1 January 2022 £m	Financing £m	Interest £m	31 December 2022 £m
Amounts owed to Moneybarn Financing Limited	250.6	(9.0)	8.2	249.8
Amounts owed to Vanquis Bank Limited	-	70.0	-	70.0

2021

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

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

The increase (2021: increase) in amounts receivable from customers of £59.9m (2021: £19.6m) includes the non-cash movement in the impairment provision as set out below:

	2022 £m	2021 £m
Cash movement in amounts receivable from customers	(130.6)	(76.4)
Non-cash provision movement – allowance account	70.7	56.8
Total	**(59.9)**	**(19.6)**

17 Parent undertaking and controlling party

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

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

18 Post balance sheet events

Subsequent to the year end, on 1 March 2023, the Original Facility Agreement, as disclosed in note 14, was amended to redefine the maximum available amount available on the facility as enabled by the granting of the Core UK Group waiver in November 2022 and post completion of internal credit risk assessments.

On 31 March 2023, the Company received a further loan of £60m from Vanquis Bank Limited at an interest rate of 4.85% per annum.