V12 Retail Finance Limited
Annual report and financial statements
for the year ended 31 December 2022

Registered Number 04585692

Contents

Strategic Report

Principal activity and business review

The principal activity of V12 Retail Finance Limited ('the Company') during the year was as a lending intermediary company, facilitating consumer credit applications and the provision of comprehensive loan servicing arrangements for a managed loan portfolio, which is held on the balance sheet of the ultimate parent company, Secure Trust Bank ('STB') PLC.

At 31 December 2022, the managed loan portfolio lending balances were £1,054.5 million (2021: £764.8 million), an increase of 37.9%, and total new lending introduced in 2022 was £1,124.3 million (2021: £771.5 million), an increase of 45.7%.

The Directors consider that, consistent with the size and non-complex nature of the business, the key performance indicators are revenue and profit before tax, which show the financial performance of the business as a whole. As a result of the year on year increase in the managed loan portfolio, the revenue of the Company increased by 16.9% to £29,187,000 (2021: £24,964,000), and profit before tax increased by 29.5% to £12,313,000 (2021: £9,507,000).

During the year, the assets and liabilities of AppToPay Ltd, a fellow subsidiary's assets and liabilities were transferred to the Company. The assets comprised of software development costs which were acquired at their book value of £66,000. AppToPay Ltd was acquired earlier in the year by STB PLC and was the owner of a proprietary technology platform. The acquisition is complementary to the Group's existing retail finance proposition and supports its planned entry into the Digital Buy Now Pay Later market during 2023. The liability comprised of amounts due to STB PLC.

Principal risks and uncertainties

The principal risks and uncertainties of this business relate to liquidity risk, operational risk, conduct risk and climate change risk. Online retail sales remain buoyant and V12 Retail Finance Limited's unique on-line offering and its access to funding from STB PLC will enable the business to manage these principal risks and uncertainties. The Company's overall approach to managing risk is described in Note 3.

Liquidity risk is the risk that the Company cannot meet its liabilities as they fall due. The Company takes a conservative approach to managing its liquidity profile. It has no external funding and is supported by its parent company, STB PLC.

Operational risk is the risk that the Company may be exposed to financial losses from failures of its systems and processes. The Company maintains clear compliance guidelines and provides ongoing training to all staff.

Conduct risk reflects the potential for customers (and the business) to suffer financial loss or other detriment through the actions and decisions made by the business and its staff. The Company takes a principles-based approach, which covers all its activities.

Climate change risk is the risk of the potential 'physical' effects of climate change and the 'transitional' risks from the UK's adjustment towards a carbon neutral economy on the Company's strategy, performance and operational resilience. The Company has established processes to monitor the exposure in relation to climate change risk and installed controls to manage the associated risks and will continue to develop our business plans in the future as the risks evolve and our customers adapt to the changes required in our markets to meet the UK's target to bring all greenhouse gas emissions to net zero by 2050.

Strategic and emerging risks

In addition to the principal risks disclosed above, the Directors consider strategic and emerging risks, including key factors, trends and uncertainties which can influence our results. These risks include the following:

Macroeconomic environment and market conditions

The Company operates exclusively within the UK and its performance is influenced by the domestic macroeconomic environment. The economy affects demand for the Company's products, margins that can be earned from our managed portfolio lending assets and the levels of impairment.

The key strategic risk identified by the Executive and reported through to the Board was the macroeconomic environment in the UK. Weaknesses in economic position or outlook can impact the demand for the Company's products, returns that can be achieved and the level of impairments.

2022 saw rapid increases in inflation, driven principally by increases in energy costs as a result of the conflict in Ukraine and other supply chain and labour market issues. The Bank of England response to higher inflation has been to increase interest rates, with continued upward pressure into 2023 creating uncertainty for consumers and businesses.

The Company has taken proactive action to reflect these changes in lending parameters to continue to operate within its Credit risk appetite and maintain support for its customers.

Whilst material direct impacts have not yet been seen, the Company continues to monitor closely the macroeconomic *environment to assess the impact of these changes on its customer and financial performance.*

People

Strategic Report

The UK job market has continued to be competitive, with hybrid working allowing recruiters to look nationally for new talent. Inflationary pressures have also increased pressure on wages across the sector.

The Company has kept its Hybrid Working Policy that was put in place during 2021 and continues to monitor the wider employment market and respond as required.

Our Section 172 Statement

This section of the Strategic Report describes how the Directors perform their duty under S172 of the Companies Act 2006 to act in a way that they consider would be most likely to promote the long-term success of the Company for the benefit of its members as a whole, having regard to a range of stakeholders. In performing this duty, the Directors must have regard to specified matters and this section of the Strategic Report describes ways in which this is done. The Board discharges this duty through its decision making at meetings and by other means detailed in the table below.

Our key stakeholders

Consideration is given by the Board and by management, acting under authority delegated from the Board, to impacts on our customers, workforce, wider society and the environment. The table below identifies key stakeholders and how we engage with them. That engagement is shaped by the Board and is taken into account by the Board in the performance of its role.

The table below highlights our key stakeholders, and why and how we engage with them.

Customers
Link to Group Strategy CARE GROW
Why we act responsibly for our customers Our purpose is to help more consumers and businesses fulfil their ambitions. Our aim is to build the trust of our customers through the way we treat them, by enhancing our customers' experience, achieving high standards of customer service excellence and through the outcomes we enable for them. Preparing for the incoming Consumer Duty rules has given us the opportunity to enhance our existing approach to our customers and the outcomes we reach for them. We have rigorous policies and procedures designed to make our lending responsible, fair and appropriate to the customer's circumstances, thereby enabling customers to make informed borrowing decisions. We only approve lending once we have checked a customer's creditworthiness and ability to meet repayments. The customer experience is considered at every point in the design process for products and services. We regularly seek customer opinion on new initiatives before promoting these to the wider population and the customer design approval process makes sure that we can provide strong evidence that customer needs have been considered before a new product is launched. We continue to adopt digital solutions to provide good outcomes for customers and improve the customer experience. For example, we now offer customers more choice and convenience through open banking to repay their loan. We have also launched the new streamlined personal loan eligibility check in partnership with Freedom Finance and the Savings team has continued a project to improve the customer's digital experience. In 2022 we renewed our Cyber Essentials Plus certification as part of our overall information security protections.

Two-way engagement

Listening to our customers is paramount. We continue to use Feefo as an independent source of customer feedback, providing valuable insight into our customer relationships. In addition, our customers are able to use Trustpilot to share their views about V12 Retail Finance Limited ('V12 Retail Finance') and STB') Group more widely. Feefo scoring and customer service awards are discussed by the Board. We are keen to learn from where we may be going wrong and complaints data is reviewed by the Board. In 2022:

- our average Feefo rating was 4.8 out of 5 (2021: 4.8); and
- the average Trustpilot rating was 4.9 out of 5 (2021: 4.8).

When poor feedback is received, we treat each case individually and attempt to resolve the issue with the customer. This feedback is monitored alongside complaints data and where emerging trends are noted we seek to design and implement solutions to fix the problem. We take pride that our Feefo scores demonstrate V12 Retail Finance and STB's culture of putting the customer at the centre of what we do.

Outcomes

Feefo Trusted Awards

We also continue to be recognised through the Feefo Trusted Awards. In January 2023 it was announced that the Retail Finance business achieved a Platinum award. This independent seal of excellence recognises that the business is delivering exceptional experiences, rated by real customers.

The Board

The Board receives updates on customer views. This helps us to shape the products and services we offer to suit our customers' needs.

Key topics discussed at meetings have included;

- vulnerable customer needs;
- customer trends in 2022;
- reviewing key business streams and lending products against customer feedback;
- customer affordability;
- receiving Feefo and Trustpilot ratings and customer service awards; and
- aligning management reward with Feefo ratings.

How has the customer voice helped the Board make decisions on strategy?

As previously reported, the V12 Retail Finance Board is supportive of the parent company's decision to acquire AppToPay Ltd, owner of a digital Buy Now Pay Later technology platform following feedback that there was demand for a Buy Now Pay Later offering. During 2022, the technology owned by of AppToPay Ltd was transferred to V12 Retail Finance Limited and has been further enhanced to integrate into our existing systems in preparation for the launch of a regulated BNPL product. The decision to acquire and integrate the AppToPay technology aligns our customer needs with our growth strategy, which is also at the core of our shareholders' interests.

One of our key values as a Group is to be customer focused. Part of our ESG strategy is enabling good outcomes for customers. Together this value and strategy fit well with the forthcoming Consumer Duty rules, giving us an opportunity to review all our products and processes and see if we can make them even better. In 2022, the STB PLC Board considered how it would meet the requirements of the new Consumer Duty rules and appointed Finlay Williamson as the Consumer Duty Champion to help ensure that the consumer voice is heard at the STB PLC Board and throughout the Group.

Strategic Report

Employees

Link to Group Strategy

SUSTAIN

Why we act responsibly for our employees

We believe that providing our employees with an effective voice contributes to building trust, innovation, productivity and organisational improvement. By considering our people as a key stakeholder in our decision making, we seek to attract the best people for our business, gain their commitment and retain them long-term to fulfil their ambitions at work. The employee voice is pivotal in creating diverse, inclusive and safe working environments.

Two-way engagement

The STB Group continue to operate Employee Councils in each of our businesses, including V12 Retail Finance, consisting of department representatives elected by their colleagues. The Councils meet on a regular basis and encourage a two-way process of communication between employees, senior managers and the STB PLC Board. In addition, we have a Group Employee Council that meets with the Group Chief Executive Officer, Group HR Director and is chaired by the independent STB Non-Executive Director designated for workforce engagement, Paul Myers. The aim of the Employee Council is to promote further employee engagement and provide a structured forum for teams to share their views, enabling colleagues to provide insight, feedback and suggestions to make V12 Retail Finance and STB Group a great place to work. Throughout 2022, our Employee Councils were pivotal in helping us shape our future working practices and fully consider the views of all colleagues. Paul Myers provides an update to the Board following each meeting so that the employee voice can be heard by the Board.

Great Place to Work – Your Voice Survey

As a subsidiary of STB PLC, the employees of V12 Retail Finance, complete an annual 'Your Voice' employee survey conducted by the Great Place to Work® Institute. This comprehensive survey explored the levels of trust and employee engagement across the Group and includes values such as credibility, fairness, respect, camaraderie, honesty and pride. In November 2022, the Group participated in the survey for the fifth time. The STB Group were thrilled to maintain a high Trust Index rating of 85% (2021: 80%) with 94% of respondents from V12 Retail stating that 'STB PLC is a great place to work'. The Trust Index is the average of the core survey statements and is used as the Group's key performance indicator for employee satisfaction. A breakdown of the results of the annual survey on an entity basis are considered by the Directors.

Our Your Voice results are used to drive continuous improvement at both Group and team level throughout the year. Progress is communicated and enabled by a team of colleague volunteers called Your Voice champions. Our Your Voice Champions meet quarterly and act as a conduit between senior management and the wider colleague community and are instrumental to driving and reporting progress in key areas at both a Group and departmental level.

The Group, including V12 Retail Finance, has adopted a hybrid working policy which enables the vast majority of employees to work remotely as well as in the office. The decision to move to a hybrid working policy was based on feedback received that employees wanted the flexibility that remote working provides.

Save as you Earn Scheme

During 2022, STB made an offer to all eligible employees, including those in V12 Retail Finance, to participate in the Save as you Earn Scheme. We communicated the launch with employees via news articles on the intranet, a webinar, communications with teams as well as drop in sessions with members of the Company Secretariat. Feedback was sought on the views from employees on the benefit of the plan and will be reflected on when considering the 2023 invite.

Outcomes

Further detail on the employee wellbeing initiatives as well as personal and professional development opportunities rolled out to all employees of the STB Group following feedback from our people can be found on page 44 of the STB PLC 2022 Annual Report and Accounts.

Strategic Report

The Board

The Board acknowledges that the strength of our service is set by our people. It is clear that having a talented, healthy, diverse family of individuals who are engaged in their roles is essential to bringing the STB vision to be the most trusted specialist lender in the UK to life and fundamental to the long-term success of the Company and the Group. By protecting mental health and listening to employee feedback and implementing ideas for improvements, we stand the best chance of maintaining morale, boosting productivity and retaining the individuals that make V12 Retail Finance work on a day-to-day basis.

Key topics discussed by the Board this year have included;

- Changing needs of employees as a result of changes to the working environment
- Diversifying the workforce;
- 'Your Voice' results;
- Aligning Management reward with employee engagement;
- Upskilling existing employees to provide a talent pipeline for the Group through initiatives such as the Confident Leader Academy, Blazing My Trail and an extensive range of professional qualifications.

How has the employee voice helped the Board make decisions on strategy?

The Board recognises employees and workforce colleagues as key stakeholders and takes the perceived or actual views of that constituency into consideration when making key strategic decisions.

In 2022, we have also had a focus on menopause and employee wellbeing. The STB plc Board adopted a menopause policy which is supported by V12 Retail and sets out how colleagues going through menopause will be supported within the Group. Awareness sessions were held during the year and additional resources were made available to all of our colleagues on the employee intranet.

Environment

Link to Group Strategy

SUSTAIN

Why we act responsibly towards our environment

We continue to recognise the importance of acting responsibly in relation to the environment and our ESG Strategy, which has been developed following engagement with a wide range of stakeholders, includes environment as a key focus area.

Two-way engagement

During 2021 an Environment Action Plan for our Cardiff office was adopted. This programme of work continued in 2022 aided by a newly formed Environment Steering Committee. The Committee has used the outputs from Business in the Community's Responsible Business Tracker survey, to develop and guide our environment strategy, embed our Environmental Policy and help the Group develop its approach to reducing CO2 equivalent ('CO2e') emissions and improving its environmental impact.

More detail on the Group's ESG strategy, developed and approved in 2022 by the STB plc Board can be found on pages 37 to 39.

Outcomes

STB Group's Group Environmental Policy, which has been adopted by V12 Retail Finance, sets out key areas of focus for the business and also commits the business to following environmental guidance, where reasonably practicable, provided by the UK Government, the financial services sector and environmental organisations. This includes reporting the Group's, including V12 Retail Finance's, progress using key metrics related to our environmental footprint.

In addition to supporting the Groupwide environmental initiatives, V12 Retail Finance have taken additional measures to reduce paper wastage, minimise the use of gas and electricity usage and have installed electric car charging points at their offices in Cardiff.

More information about our progress in this area can be found in section of the STB PLC 's 2022 Annual Report and on pages 50 to 59.

Strategic Report

The Board

The Board recognises the importance of our impact on the environment and that making decisions that help to improve our impact on the environment support our long-term sustainability. It also enables us to agree our priorities in line with the expectations of future generations of customers.

Key topics discussed by the Board this year have included;

- Measuring emissions from our operations;
- Operating Model; and
- Roadmap to carbon neutrality.

How has the environment voice helped the Board make decisions on strategy?

In developing strategy, environmental impact has been a key feature of Board room discussions. The Board continues to be mindful of both its direct and indirect impact on the environment. In 2022, an ESG strategy to improve STB's environmental impact has been developed and adopted for the Group, including V12 Retail Finance, by the STB plc Board.

Wider Society

Link to Group Strategy

CARE GROW

Why we act responsibly towards our society

We remain mindful of our need to act responsibly in society and comply with the wide range of laws and regulations applying to financial services companies generally in the UK.

Two way engagement

Our established community-focused schemes remain in place and our charity committees continue to empower colleagues from different business areas to drive forward charitable activities.

As we transitioned to a post COVID-19 environment in 2022, there were increased opportunities for fundraising and community outreach. We chose to continue to match £-for-£ donations raised by Group employees. In 2022, V12 Retail Finance focussed on a small number of charities and raised over £7,000 for good causes.

The STB Volunteers Scheme, which entitles all colleagues to use one paid day a year to make a difference in their local area, was impacted by the pandemic. In 2022, we saw a ten-fold increase in hours used by colleagues and we are proud to continue to support this initiative.

We are proud of the work done to date in this area and we fully anticipate that STB Group's ongoing partnership with Business in the Community and the results from our first Responsible Business Tracker will guide our Responsible Business strategy and result in new initiatives which address additional social issues that are of high importance to our stakeholders.

Outcomes

The STB Group has a governance framework and range of policies, which have been adopted by V12 Retail Finance. These are designed to ensure that we meet these responsibilities and adhere to the highest professional and ethical standards when dealing with customers, suppliers, employees, local communities and other stakeholders.

The scope of our Group- wide policies and regulations includes:

- Anti-bribery and corruption;
- Anti-money laundering;
- Employment health and safety;
- Whistleblowing; and
- Human rights and tackling modern slavery

All employees at V12 Retail Finance are required to complete the relevant regulatory training on an annual basis with further training offered when required.

The Board

The Board is proud that V12 Retail Finance is a good corporate citizen. We are mindful of our impact on wider society and supportive of our employees' efforts with local communities and stakeholders.

Regulators
Link to Group Strategy CARE GROW
Why we act responsibly for our Regulators We have a duty to make sure that we engage transparently and proactively with our regulators
Two way engagement We interact with our regulators through meetings on a monthly basis with our Directors and senior management. Engagement is also conducted through thematic reviews in which the Group participates. Informally we give regular consideration to correspondence and publications from the regulatory sphere. Engagement is also periodically conducted through UK Finance, the relevant trade body. We adhere to the FCA's Principles for business, which is the foundation for firms operating in a regulatory environment.
Outcomes We ensure that our people act with integrity and they undertake the necessary training to conduct themselves with due skill, care and diligence. Amongst other things, this approach ensures the suitability of our advice provided for our customers. Participation in thematic reviews and Consultation Papers allows us to understand where key risks and opportunities may be within the industry and allows us to learn from our peers on industry wide challenges. This enables us to evolve our business processes to become more resilient and to identify opportunities to take advantage of our specialisations and/or our technology, such as our digital Buy Now Pay Later product. This helps us to serve our customers in the best way we can.
The Board By taking part in Regulator's initiatives and having transparent communication with our regulators we are able to understand the key drivers for regulatory change which, in the Board's view, promotes the long-term success of the Company. It also provides us with a platform and to provide input into the regulatory environment in which we operate. By supporting the regulatory regime in which we have been granted a licence to operate, we ensure, collectively with our peers, continued customer confidence in the industry. Key topics discussed by the Board this year have included; • Implementation plans for the new Consumer Duty; • Operational and cyber resilience; and • Thematic reviews.
How have the Regulators voices helped the Board make decisions on strategy? Knowing regulatory and industry expectations allows us to enhance our existing operating model and to adapt as required. It also provides us with a steer on what is needed when implementing our growth strategy through STB Group acquisitions such as AppToPay Limited.

Strategic Report

Suppliers

Link to Group Strategy

CARE GROW

Why we act responsibly for our Suppliers

Our suppliers support a wide range of services and systems which underpins our operating model

Two-way engagement

STB has a structured supplier governance framework, which has been adopted by V12 Retail Finance, operated by executive management to manage material suppliers.

Outcomes

The Board is committed to acting ethically and with integrity in all of its business relationships. The Group has adopted a number of policies, which apply to V12 Retail Finance, which reinforce this commitment including the procurement policy, the supplier management policy and the anti-bribery and corruption policy.

During 2022, V12 Retail Finance assessed 163 suppliers within its supply chain to determine which, if any, potentially presented a higher risk of modern slavery and human trafficking. The suppliers identified were required to provide additional assurance of the programmes they had in place to address this risk. The Group's, including V12 Retail Finance, supply chain management process involves the assessment and ongoing monitoring of critical contractors and suppliers in line with STB's policies. The Group invests in training for employees, including those of V12 Retail Finance, on modern slavery.

The V12 Retail Finance Limited Board have considered resilience of all our outsourced IT services and are content with provision of services and diligence undertaken by management in assessing the continuity of services. STB Group have had a continued focus on ensuring our most critical services and processes are resilient to disruption through a structured programme of supplier management, testing and supplier assurance activities. This has included risk assessment of STB Group's supply chain, with reviews of business continuity, disaster recovery plans and recovery test results of over 60 suppliers including those identified as a key dependency for the delivery of STB Group's, including V12 Retail Finance's, important business services. We are content with the provision of services and diligence undertaken by management in assessing the continuity of services.

The Board

Delivery of our vision to be the most trusted specialist lender in the UK depends, in part, on ensuring the continuity of our services. Key topics discussed by the Board this year have included;

- Delivery of continuity of service;
- Operational resilience of material suppliers;
- Commitments to avoid modern slavery by our suppliers.

Approved by the Board and signed on its behalf.

N J Davies
Director
30 June 2023

Directors' report

The Directors present their report and the audited financial statements for the year ended 31 December 2022.

Results for the year

The results for the year are shown in the Statement of Comprehensive Income on page 15. The Company generated a profit of £9,930,000 in the year (2021: £7,899,000) which was transferred to reserves. A dividend of £78,990 per share, totalling £7,899,000, was paid during the year (2021: £48,140 per share, totalling £4,814,000). The Directors have proposed a final dividend of £9,930,000 (2021: £7,899,000).

Officers serving during the year and up until the date of signing

Directors

D A McCreadie
J M Bowers (resigned 20 November 2022)
N J Davies
R M Lawrence (appointed 6 December 2022)

Secretary

M Stevens

Directors' interests

Of the Directors holding office at 31 December 2022, D A McCreadie and R M Lawrence were directors of Secure Trust Bank PLC, the ultimate parent company. Their interests in the share capital of that company are shown in the Directors' report of that company's 2022 annual report and accounts. During the year N J Davies and J M Bowers were awarded the following options over shares in Secure Trust Bank PLC and paid under long term incentive schemes:

N J Davies	2022 Long Term Incentive plan share scheme Number	2022 Deferred bonus plan Number	2022 Sharesave scheme Number	2022 Total Number	2021 Long Term Incentive plan share scheme Number	2021 Deferred bonus plan Number	2021 Sharesave scheme Number	2021 Total Number
1 January	43,232	6,713	3,388	53,333	38,404	5,011	3,388	46,803
Granted during the year	14,506	3,039	-	17,545	15,085	1,702	-	16,787
Exercised during the year	(5,548)	(3,907)	-	(9,455)	-	-	-	-
Lapsed during the year	(4,742)	-	-	(4,742)	(10,257)	-	-	(10,257)
31 December	**47,448**	**5,845**	**3,388**	**56,681**	**43,232**	**6,713**	**3,388**	**53,333**

J M Bowers	2022 Long Term Incentive plan share scheme Number	2021 Long Term Incentive plan share scheme Number
1 January	31,297	24,609
Granted during the year	10,189	10,622
Exercised during the year	(2,595)	(590)
Lapsed during the year	(17,700)	(3,344)
At resignation/31 December	**21,191**	**31,297**

Details of the scheme are shown in Secure Trust Bank PLC's 2022 Annual Report and Accounts. No director had a beneficial interest in shares of the Company during the year.

Third party indemnity provisions

The Directors of the Company have an insurance policy in place to provide them with indemnity cover. This policy was in force during the year, and also at the date of approval of the financial statements.

Directors' report

Employment policies and equal opportunities

The Group is an inclusive and equal opportunities employer and opposes all forms of discrimination. Further details on the Group's policy on disabled persons can be found on page 107 of Secure Trust Bank PLC's 2022 Annual Report and Accounts.

Risk management

The Company regards the monitoring and controlling of risks as a fundamental part of the management process. Consequently, senior management are involved in the development of risk management policies and in monitoring their application. The Company's overall approach to managing internal control and financial reporting is described in Note 3.

Going concern

The ultimate parent company, Secure Trust Bank PLC has provided the Directors with a legally binding written obligation that it will continue to provide the Company with financial and non-financial support for a period of at least 12 months from the date of approval of the financial statements. The Directors are satisfied that the ultimate parent company has the ability to provide financial support when necessary, and the Company is a key part of the Group's overall business activities. The Company was included as part of the Secure Trust Bank PLC's Group's stress testing process covering capital and liquidity. Further details of this can be found on pages 35 and 36 of Secure Trust Bank PLC's 2022 Annual Report and Accounts. For this reason, the Directors continue to adopt the going concern basis in preparing these financial statements.

The Directors are not aware, at the date of this report, of any likely major changes in the Company's activities in the next year.

Auditor

Each director in office at the date of this Directors' Report confirms that so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware and each director has taken all the steps that they ought to have taken as director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Deloitte LLP was reappointed as auditor at the Secure Trust Bank PLC Annual General Meeting held in 2022. Deloitte LLP, has expressed its willingness to accept reappointment. A resolution to reappoint Deloitte LLP will be proposed to the Board of Directors

Approved by the Board and signed on its behalf.

N J Davies
Director
30 June 2023

Statement of Directors' responsibilities

The Directors are responsible for preparing the Strategic Report, the Directors' 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 UK adopted International accounting standards in conformity with the requirements of the Companies Act 2006. The financial statements also comply with International Financial Reporting Standards ('IFRSs'), as issued by the IASB.

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, the Directors are required to:

- select suitable accounting policies and then apply them consistently
- make judgments and estimates that are reasonable and prudent
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information
- state whether they have been prepared in accordance with UK adopted IFRSs as adopted by the IASB
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the company's financial position and financial performance
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report and Directors' Report that complies with that law and those regulations.

We confirm that to the best of our knowledge:

- The financial statements, prepared in accordance with IFRS as issued by the IASB, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company taken as a whole
- The Strategic report includes a fair review of the development and performance of the business and the position of the company taken as a whole, together with a description of the principal risks and uncertainties that it faces.

This responsibility statement was approved by the Board of Directors on 30 June 2023 and is signed on their behalf by:

N J Davies
Director

Independent auditor's report

to the members of V12 Retail Finance Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of V12 Retail Finance 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 International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB); 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 statement of financial position;
- the statement of changes in equity;
- the cash flow statement; and
- the related notes 1 to 18.

The financial reporting framework that has been applied in their preparation is applicable law, and United Kingdom adopted international accounting standards and IFRSs as issued by the IASB.

Basis for opinion

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

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

Conclusions relating to going concern

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

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

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

Other information

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

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

We have nothing to report in this regard.

Independent auditor's report

to the members of V12 Retail Finance Limited

Responsibilities of Directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

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 and reviewing correspondence with the Financial Conduct Authority.

Independent auditor's report

to the members of V12 Retail Finance Limited

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Neil Reed

Neil Reed, FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
Birmingham, United Kingdom

30 June 2023

Statement of comprehensive income

	Note	Year ended 31 December 2022 £000	Year ended 31 December 2021 £000
Revenue	4	29,187	24,964
Cost of sales		(1,858)	(1,910)
Gross profit		**27,329**	**23,054**
Operating expenses	5	(15,016)	(13,547)
Profit before income tax		**12,313**	**9,507**
Income tax expense	7	(2,383)	(1,608)
Profit for the year		**9,930**	**7,899**
Total comprehensive income for the year		**9,930**	**7,899**
Profit attributable to:			
Equity holders of the Company		**9,930**	**7,899**
Total comprehensive income attributable to:			
Equity holders of the Company		**9,930**	**7,899**

The Company has no recognised gains and losses other than those included in the results above hence a Statement of Other Comprehensive Income has not been prepared.

The Company's results above are from continuing operations.

The Notes on pages 19 to 28 are an integral part of these financial statements

Statement of financial position

	Note	As at 31 December 2022 £000	As at 31 December 2021 £000
ASSETS			
Cash and cash equivalents		298	678
Property, plant and equipment	8	609	329
Right-of-use assets	9	209	43
Intangible assets	10	459	28
Investments	11	91	91
Deferred tax assets	12	151	210
Other assets	13	*12,610*	*11,766*
Total assets		**14,427**	**13,145**
EQUITY AND LIABILITIES			
Liabilities			
Current tax liabilities		264	689
Lease liabilities	14	211	22
Other liabilities	15	3,358	4,176
Total liabilities		**3,833**	**4,887**
Equity attributable to owners of the parent			
Share capital	16	-	-
Retained earnings		10,594	8,258
Total equity		**10,594**	**8,258**
Total equity and liabilities		**14,427**	**13,145**

The financial statements on pages 15 to 28 were approved by the Board of Directors on 30 June 2023 and were signed on its behalf by:

N J Davies
Director

Company number: 04585692

The Notes on pages 19 to 28 are an integral part of these financial statements

Statement of changes in equity

	Share capital	Retained earnings	Total
	£000	£000	£000
Balance at 1 January 2021	-	**4,997**	**4,997**
Total comprehensive income for the year			
Profit for the year ended 31 December 2021	-	7,899	7,899
Total comprehensive income for the period	-	**7,899**	**7,899**
Transactions with owners, recorded directly in equity			
Distributions to owners			
Dividends	-	(4,814)	(4,814)
Equity contribution from the parent undertaking	-	176	176
Total contributions by and distributions to owners	-	**(4,638)**	**(4,638)**
Balance at 31 December 2021	-		
Balance at 1 January 2022	-	**8,258**	**8,258**
Total comprehensive income for the period			
Profit for the year ended 31 December 2022	-	9,930	9,930
Total comprehensive income for the period	-	**9,930**	**9,930**
Transactions with owners, recorded directly in equity			
Distributions to owners			
Dividends	-	(7,899)	(7,899)
Equity contribution from the parent undertaking	-	308	308
Tax		(3)	(3)
Total contributions by and distributions to owners	-	**(7,594)**	**(7,594)**
Balance at 31 December 2022	-	**10,594**	**10,594**

The Notes on pages 19 to 28 are an integral part of these financial statements

Statement of cash flows

	Note	Year ended 31 December 2022 £000	Year ended 31 December 2021 £000
Cash flows from operating activities			
Profit for the year		9,930	7,899
Adjustments for:			
Income tax expense		2,383	1,608
Depreciation of property, plant and equipment	8	236	203
Depreciation of right-of-use assets	9	108	141
Amortisation of intangible assets	10	19	34
Interest on lease liabilities	14	3	7
Profit on disposal of property, plant and equipment		(3)	-
Share-based payment expense		308	176
Cash flows from operating profits before changes in operating assets and liabilities		12,984	10,068
Changes in operating assets and liabilities:			
- movement in other assets		(3,596)	(5,475)
- movement in other liabilities		(8,717)	(3,764)
Net cash flows from operating activities		**671**	**829**
Purchase of intangible assets	10	(450)	-
Purchase of property, plant and equipment	8	(516)	(118)
Disposal of property, plant and equipment		3	-
Net cash used in investing activities		**(963)**	**(118)**
Repayment of lease liabilities	14	(88)	(156)
Net cash used in financing activities		**(88)**	**(156)**
Net movement in cash and cash equivalents		(380)	555
Cash and cash equivalents at start of period		678	123
Cash and cash equivalents at 31 December		**298**	**678**

All changes in liabilities arising from financing activities arise from changes in cash flows, apart from £3,000 (2021: £7,000) of lease liabilities interest expense, as shown in Note 14.

The Notes on pages 19 to 28 are an integral part of these financial statements

Notes to the financial statements

1. Accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

1.1 Reporting entity

V12 Retail Finance Limited is a private company limited by shares and incorporated and domiciled in England and Wales in the United Kingdom. The registered address of the Company is Yorke House, Arleston Way, Solihull, West Midlands, B90 4LH.

1.2 Basis of presentation

The Company's financial statements have been prepared under the historical cost convention and in accordance with United Kingdom adopted International Accounting Standards in conformity with the requirements of the Companies Act 2006 and United Kingdom adopted International Financial Reporting Standards.

The financial statements are presented in pounds sterling, which is the Company's functional and presentational currency. There are no IFRSs that are issued but not yet effective that will have a material impact on the Company.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. Areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, as set out in Note 2.

The Directors have assessed, in the light of current and anticipated economic conditions, the Company's ability to continue as a going concern. The Directors confirm they are satisfied that the Company has adequate resources to continue in business for the foreseeable future. For this reason, they continue to adopt the 'going concern' basis for preparing accounts, as set out in the Going concern section of the Directors' Report on page 10.

1.3 Financial instruments

Financial assets and liabilities are measured at amortised cost. The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition, plus or minus the cumulative amortisation using the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument, minus any reduction for impairment.

1.4 Revenue

The Company's revenue predominantly relates to the managed loan portfolio held on the balance sheet of Secure Trust Bank PLC, the Company's ultimate parent undertaking, and is all paid for by Secure Trust Bank PLC.

The Company provides the following three services:

- Loan management services: The performance obligation is satisfied in accordance with the intercompany agreement when the Company undertakes collection activities for amounts due from borrowers.
- Subsidy and third party commission setup fees: The performance obligation is satisfied on loan origination as each loan is contracted with the customer on behalf of Secure Trust Bank PLC.
- Sales commission: The performance obligation is satisfied on loan origination as each loan is contracted with customer on behalf of Secure Trust Bank PLC.

The above-mentioned fee income is disaggregated in accordance with IFRS 15, Paragraph 114 and are recognised as 'over time' revenue.

The fee income for the above revenue streams is calculated on an arm's length basis, using industry benchmarks. Loan management services are charged on a cost plus basis, and sales commission is charged on percentage commission basis.

In addition, the Company also receives a small proportion of subsidy income through recharges to retailers for the provision of card payments and commission set-up fees from third parties.

1.5 Cost of sales

Cost of sales comprises credit card and payment platform fees, credit scoring and affordability checks, identity checks and electronic payment processing fees and is recognised on an accruals basis when the service has been provided.

1.6 *Income taxation*

Current income tax which is payable on taxable profits is recognised as an expense in the period in which the profits arise. Income tax recoverable on tax allowable losses is recognised as an asset only to the extent that it is regarded as recoverable by offset against current or future taxable profits.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is determined using tax rates and laws that have been enacted or substantially enacted by the Statement of financial position date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

1.7 Cash and cash equivalents

For the purposes of the Statement of Cash Flows, cash and cash equivalents represent monies placed with the Company's Principal Banker, comprising balances with less than three months' maturity from the date of acquisition, including cash, loans and advances to banks and building societies and short-term highly liquid debt securities.

1.8 Property plant and equipment

Tangible fixed assets are initially recorded at cost, which represents the purchase cost plus any incidental costs of acquisition. Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost, less estimated residual value, of each asset evenly over its expected useful life, as follows:

Computer and other equipment	3 to 5 years

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying values may not be recoverable.

1.9 Leases

As a lessee

The Company assesses whether a contract is or contains a lease at inception of the contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to the lease arrangement in which it is the lessee. The lease liability is initially measured at the present value of the future lease payments, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate. It is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made, and is presented as a separate line in the statement of financial position. The right-of-use asset comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. It is subsequently measured at cost less accumulated depreciation and impairment charges and is depreciated over the shorter of the lease term and useful life of the underlying asset. The depreciation starts at the commencement date of the lease. The right-of-use asset is presented as a separate line in the statement of financial position. The Company applies IAS 36 to determine whether the right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy.

1.10 Intangible assets

Software

Acquired computer software licences which meet the IAS 38 recognition criteria are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised evenly over their expected useful lives, which are between three and five years.

1.11 Investments

Fixed asset investments are initially measured at amortised cost, which represents the purchase price plus any incidental costs of acquisition. The carrying value of these investments is reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

1.12 Short-term operating leases

Rentals paid under short-term operating leases are charged to the profit and loss account on a straight-line basis over the lease term.

Notes to the financial statements

1.13 Post retirement obligations
The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

1.14 Share based payments
On 3 May 2017, Secure Trust Bank Group PLC established three new share options schemes. The 2017 Sharesave plan is an all employee plan entitling eligible employees to purchase shares in Secure Trust Bank PLC. Both the 2017 Long Term Incentive Plan and 2017 Deferred Bonus Plan are discretionary schemes which certain employees of the Company participate in. These schemes are administered by Secure Trust Bank PLC, the ultimate parent company.

Share options have been granted under these schemes to certain employees of the company. Accordingly, the fair value of the services received, in relation to the schemes, is recognised in the Income statement of the Company, along with the equity contribution from the parent increasing retained profit.

1.15 Equity instruments
Equity instruments issued by the Company are recorded at the proceeds received, net of direct issuance costs. Any amounts received over nominal value are recorded in the share premium account, net of direct issuance costs.

2. Critical accounting judgements and key sources of estimation uncertainty

There are no critical accounting judgements and key sources of estimation uncertainty that have any impact on either the financial result for the year or the Statement of financial position as at 31 December 2022.

3. Financial risk management

Strategy
Key risks identified by the Directors are formally reviewed and assessed at least once a year by the Board, in addition to which key business risks are identified, evaluated and managed by operating management on an ongoing basis by means of procedures such as physical controls, credit and other authorisation limits and segregation of duties. The Board also receives regular reports on any risk matters that need to be brought to its attention. Significant risks identified in connection with the development of new activities are subject to consideration by the Board.

The principal non-operational risk inherent in the Company's business is that related to liquidity risk. There is limited exposure to credit risk and regulatory risk, and no exposure to market risk.

(a) Liquidity risk
Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due, or can only do so at excessive cost. The Company's liquidity policy is to maintain sufficient liquid resources to cover cash flow imbalances and fluctuations and to enable the Company to meet its financial obligations as they fall due. The Company's liquidity is provided entirely by the ultimate parent company, Secure Trust Bank PLC. For further details of how the group manages liquidity risk, see Secure Trust Bank PLC's 2022 Annual Report and Accounts, page 29.

(b) Operational risk
The Company's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Company's reputation with overall cost effectiveness and to avoid control procedures that restrict initiatives and creativity.

Operational risk is the risk that the Company may be exposed to direct or indirect loss arising from inadequate or failed internal processes, personnel and succession, technology/ infrastructure, or from external factors.

The scope of operational risk is broad and includes business process, business continuity, third party, financial crime, change, human resources, information security and IT risk, including cyber risk. The Company has adopted an Operational Risk Policy and Framework designed in accordance with the 'Principles for the Sound Management of Operational Risk' issued by the Basel Committee on Banking Supervision.

The approach ensures appropriate governance is in place to provide adequate and effective oversight of the Company's operational risk. The governance framework includes the Secure Trust Bank PLC's Board Risk Committee and Group Operational Risk Committee.

The Company has a defined set of qualitative and quantitative operational risk appetite measures. Quantitative measures cover operational losses, complaints, key operational risks, systems availability and information security. The appetite measures are reported and monitored on a monthly basis.

Notes to the financial statements

The primary responsibility for the development and implementation of controls to address operational risk is assigned to the senior management within the Company.

(c) Conduct risk
Conduct risk reflects the potential for customers (and the business) to suffer financial loss or other detriment through the actions and decisions made by the business and its staff. We define conduct risk as the risk that the Company's services, and the way they are delivered, result in poor outcomes for customers or markets in which we operate, or harm to the Company. This could be as a direct result of poor or inappropriate execution of business activities or behaviour from staff. The Company takes a principles based approach, which covers both regulated and unregulated activities.

(d) Climate change risk
Climate change, and society's response to it, present financial risks to the UK financial services sector. While these risks will crystallise in full over the coming years, they are already becoming apparent in the shorter term as consumers' preferences change and governments implement their strategic responses. The Company has now established processes to monitor our risk exposure in relation to both the potential 'Physical' effects of climate change and the 'Transitional' risks from the UK's adjustment towards a carbon neutral economy.

The Group has installed controls to manage the associated risks and will continue to develop our business plans in the future as the risks evolve and our customer, clients and businesses adapt to the changes required in our markets to meet the UK's target to bring all greenhouse gas emissions to net zero by 2050.

4. Revenue

Revenue represents fee income during the period, an analysis of which is below:

	2022 £000	2021 £000
Loan management services	15,722	15,613
Sales commission	11,243	7,715
Subsidy and third party commission setup fees	2,222	1,636
Total revenue	**29,187**	**24,964**

All of the revenue originates in the United Kingdom. Loan management services and sales commission relate to services provided to Secure Trust Bank PLC in respect of the managed loan portfolio.

Notes to the financial statements

5. Operating expenses

Operating expenses comprise:	2022 £000	2021 £000
Staff costs, including Directors:		
Wages and salaries	8,614	7,800
Social security costs	1,039	912
Pension costs	719	617
Share-based payment expense	308	176
Depreciation of property, plant and equipment (Note 8)	236	203
Depreciation of right-of-use assets (Note 9)	108	141
Amortisation of intangible assets (Note 10)	19	34
Other administrative expenses	3,973	3,664
Total operating expenses	**15,016**	**13,547**

The Company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the Company to the scheme. There were outstanding contributions at the end of the current financial year of £63,000 (2021: £50,000).

The audit fee in relation to statutory financial statements of V12 Retail Finance Limited for the current year was £27,000 (2021: £25,000) excluding VAT and was borne by the Company.

In 2021 and 2022, of the Directors, only Mr Davies was remunerated by the Company. The other Directors were remunerated by the Company's ultimate parent company, Secure Trust Bank PLC, which made no recharges to the Company for their services.

6. Monthly average number of employees

	2022 Number	2021 Number
Directors	3	3
Management	23	52
Other	191	136
Total	**217**	**191**

The definition of management at 31 December 2022 has changed to include only senior management, whereas in the prior year management included senior management and all employees who had people management responsibilities. Accordingly, the analysis is not directly comparable with the prior year.

Directors above includes the two Directors that are not paid by the Company. Directors' emoluments in total and for the highest paid Director paid for by this Company were £530,000 and £7,000 of pension contributions (2021: £494,000 and £7,000 respectively).

Notes to the financial statements

7. Income tax expense

	2022 £000	2021 £000
Current taxation		
Corporation tax charge - current year	2,304	1,649
Corporation tax credit - adjustments in respect of prior years	23	-
	2,327	**1,649**
Deferred taxation		
Deferred tax charge/(credit) - current year	84	(148)
Deferred tax (credit)/charge - adjustments in respect of prior years	(28)	107
	56	**(41)**
Income tax expense	**2,383**	**1,608**

	2022 £000	2021 £000
Tax reconciliation		
Profit before tax	12,313	9,507
Tax at 19.00% (2021: 19.00%)	2,339	1,806
Permanent differences	2	2
Tax rate change	47	(39)
Prior period adjustments	(5)	107
Group relief	-	(268)
Income tax expense for the year	**2,383**	**1,608**

The government legislated on 10 June 2021 to increase the main corporation tax rate from 19% to 25% from 1 April 2023.

8. Property, plant and equipment

	2022 Computer and other equipment £000	2021 Computer and other equipment £000
Cost or valuation		
At 1 January	2,276	2,158
Additions	516	118
Disposals	(2,137)	-
At 31 December	**655**	**2,276**
Accumulated depreciation		
At 1 January	(1,947)	(1,744)
Depreciation charge	(236)	(203)
Disposals	2,137	-
At 31 December	**(46)**	**(1,947)**
Net book amount		
At 31 December	**609**	**329**

Notes to the financial statements

9. Right-of-use assets

	2022			2021		
	Leasehold property	Leased motor vehicles	Total	Leasehold property	Leased motor vehicles	Total
	£000	£000	£000	£000	£000	£000
Cost						
At 1 January	279	182	**461**	279	258	**537**
Additions	-	279	**279**	-	14	**14**
Disposals	(279)	(79)	**(358)**	-	(90)	**(90)**
	-	**382**	**382**	**279**	**182**	**461**
Accumulated depreciation						
At 1 January	(258)	(160)	**(418)**	(172)	(195)	**(367)**
Depreciation charge	(21)	(87)	**(108)**	(86)	(55)	**(141)**
Disposals	279	74	**353**	-	90	**90**
At 31 December	**-**	**(173)**	**(173)**	**(258)**	**(160)**	**(418)**
Net book amount						
At 31 December	**-**	**209**	**209**	**21**	**22**	**43**

10. Intangible assets

	2022			2021		
	Brand	Computer software	Total	Brand	Computer software	Total
	£000	£000	£000	£000	£000	£000
Cost or valuation						
At 1 January	22	580	**602**	22	580	**602**
Additions	-	450	**450**	-	-	**-**
Disposals	-	(560)	**(560)**	-	-	**-**
	22	**470**	**492**	**22**	**580**	**602**
Accumulated amortisation						
At 1 January	(22)	(552)	**(574)**	(22)	(518)	**(540)**
Amortisation charge	-	(19)	**(19)**	-	(34)	**(34)**
Disposals	-	560	**560**	-	-	**-**
At 31 December	**(22)**	**(11)**	**(33)**	**(22)**	**(552)**	**(574)**
Net book amount						
At 31 December	**-**	**459**	**459**	**-**	**28**	**28**

Additions during 2022 above includes £66,000 acquired from AppToPay Ltd. For further information see the Business review on page 1.

11. Investments

	2022 Cost £000	2021 Cost £000
Other investments	**91**	**91**

The other investments relate to sport debentures, which were originally acquired as part of a previous business acquisition with a further addition occurring during 2020. They are non-interest bearing, repayable in 2050 and 2081, and held at amortised cost.

12. Deferred tax

The deferred tax assets comprise:

	2022 £000	2021 £000
Accelerated capital allowances and other short-term timing differences	151	210
Deferred tax assets	**151**	**210**
At start of period	210	164
Deferred tax (charge)/credit	(84)	148
Prior year adjustment	28	(107)
Reserves movement	(3)	5
Deferred tax assets as at 31 December	**151**	**210**

13. Other assets

	2022 £000	2021 £000
Trade receivables	69	42
Amounts due from related companies	11,417	10,719
Prepayments and accrued income	1,124	1,005
	12,610	**11,766**

Amounts due from related companies

Amounts due from related companies do not bear any interest, have no fixed date for repayment and are therefore technically repayable on demand. They are accounted for as financial assets, measured at amortised cost and the fair value is not considered to be significantly different from the carrying value.

Amounts due from related companies includes the transfer of £66,000, due from AppTo Pay Ltd (a fellow subsidiary company), as part of the hive across of AppTo Pay Limited's assets and liabilities (see page 1).

14. Lease liabilities

	2022			2021		
	Leasehold property £000	Leased motor vehicles £000	**Total £000**	Leasehold property £000	Leased motor vehicles £000	**Total £000**
At 1 January	-	22	**22**	97	60	**157**
Additions	-	279	**279**	-	14	**14**
Disposals	-	(5)	**(5)**			
Payments	-	(88)	**(88)**	(98)	(58)	**(156)**
Interest expense	-	3	**3**	1	6	**7**
At 31 December	**-**	**211**	**211**	**-**	**22**	**22**
Lease liabilities - Gross						
- No later than one year	-	96	**96**	-	22	**22**
- Later than one year but no later than five years	-	120	**120**	-	-	-
	-	**216**	**216**	**-**	**22**	**22**
Less: Future finance expense	-	(5)	(5)	-	-	-
At 31 December	**-**	**211**	**211**	**-**	**22**	**22**
Net						
- No later than one year	-	93	**93**	-	22	**22**
- Later than one year but no later than five years	-	118	**118**	-	-	-
At 31 December	**-**	**211**	**211**	**-**	**22**	**22**

Notes to the financial statements

15. Other liabilities

	2022 £000	2021 £000
Trade payables	1,984	2,638
Accruals and deferred income	1,374	1,538
	3,358	**4,176**

16. Share capital

	Number of ordinary shares	Share capital £000
At 1 January and at 31 December 2022	**100**	**-**

The total number of ordinary shares in issue at 31 December 2022 and 31 December 2021 was 100 with a par value of £1 per share (2021: £1 per share). All issued shares are fully paid.

17. Related party transactions

During the year, the Company undertook the following transactions with other companies in the group headed by the ultimate parent company, Secure Trust Bank PLC:

	2022 £000	2021 £000
V12 Finance Group Limited		
Dividends paid	**7,899**	**4,814**
Secure Trust Bank PLC		
Loan management services	15,722	15,613
Sales commission	11,243	7,715
	26,965	**23,328**

The loans and advances with, and amounts receivable and payable to, related companies are noted below:

	2022 £000	2021 £000
Amounts receivable from ultimate parent company (including the transfer of £66,000 due from AppTo Pay Limited (fellow subsidiary company) to the ultimate parent company)	11,386	10,688
Amounts receivable from fellow subsidiary company	31	31
	11,417	**10,719**
AppToPay Ltd (a fellow subsidiary company)		
Transfer of intangible assets	**66**	-

All amounts above are repayable on demand. During the year, the Company settled a dividend amount due to the parent company settled via intercompany account.

Compensation for key management personnel is included on page 9 and Note 6 the financial statements.

Directors' self-invested personal pension funds

Landlord for office property

The Company leased 2 units of its office premises from a group of four self-invested personal pension funds, which includes two funds belonging to a director and former director. The Company vacated the property as the lease expired in 2022. The annual rental was £98,000 plus VAT. There was no balance outstanding at 31 December 2022 or 31 December 2021.

Notes to the financial statements

18. Immediate and ultimate parent company

The immediate parent company is V12 Finance Group Limited. The ultimate parent company Secure Trust Bank PLC is the only company in the group that prepares consolidated financial statements. A copy of the financial statements of Secure Trust Bank PLC may be obtained from Secure Trust Bank PLC, Yorke House, Arleston Way, Solihull, B90 4LH.

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