VEHICLE CREDIT LIMITED

Annual report and financial statements

For the period ended 31 December 2020

Registered number: 07941730

Contents

VEHICLE CREDIT LIMITED

Corporate information

Director	P Behrens
Company number	07941730
Registered office	No 1 The Osiers Business Centre Leicester LE19 1DX
Independent auditors	PricewaterhouseCoopers LLP 1 Embankment Place London WC2N 6RH

Director's report for the period ended 31 December 2020

The director presents the annual report and audited financial statements of Vehicle Credit Limited ("the Company"), a private company limited by shares which is domiciled and incorporated in England and Wales, for the period ended 31 December 2020.

Principal activities

The principal activity of the Company throughout the period was the management of the run-off of the Company's loan portfolio. Previously, the Company provided motor finance to individuals however no new loans were originated in the current period or prior financial year. In addition to its principal activity, the Company receives commissions associated with the performance of the RateSetter group's motor finance business.

Acquisition of the RateSetter Group by Metro Bank PLC

In June 2020, RateSetter, being Retail Money Market Ltd and its subsidiaries, entered a period of exclusivity with Metro Bank PLC about the acquisition of RateSetter. Metro Bank PLC had stated in early 2020 that it intended to grow in consumer finance, making the potential combination a natural fit. After a period of due diligence and negotiation, the transaction was announced on 3 August 2020, subject to shareholder and regulatory approval. On 14 September 2020 the acquisition completed.

Change of financial year-end

Following the acquisition of RateSetter, the Company changed the financial year end to 31 December to align with the other entities in the Metro Bank group.

Dividend

The director does not propose a dividend in respect of the period ended 31 December 2020 (Mar-20: £nil).

Director

The sole director of the Company who served during the period and up to the date of this report was Peter Behrens.

Disclosure of information to the auditor

The director has confirmed that:

- so far as he is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- he has taken all the steps that ought to have been taken as a director to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

COVID-19

The outbreak of COVID-19 in the UK and the subsequent action taken by the UK Government has resulted in significant turbulence across the financial system and a significant increase in economic uncertainty. Despite this uncertainty, given the Company's loan portfolio is in an advanced stage of amortisation the director does not consider that the pandemic will have a material impact on the Company in the future.

Future developments

The principal activity of the Company is not expected to change in the foreseeable future.

Going concern

The Company forecasts show it will generate sufficient cash, through the unwind of its loan portfolio to meet its liabilities as they fall due. Having considered the risks and uncertainties to which the business is exposed, the director considers that the business will have sufficient financial resources to meet its obligations for the foreseeable future (being a period of at least twelve months from the date of this report). As a result, the financial statements have been produced on a going concern basis and do not contain any adjustments that would result if the Company was unable to continue as a going concern.

Small companies' exemption

The Company is entitled to small companies' exemption in relation to the Strategic report as it would be entitled to prepare accounts for the year in accordance with the small companies' regime but for having been a member of an ineligible group.

This report has been approved by the Board and signed on behalf of the Board by:

Peter Behrens

P Behrens
Director
02 July 2021

Director's responsibilities statement

The director is responsible for preparing the Director's report and the financial statements in accordance with applicable law and regulations.

Company law requires the director to prepare financial statements for each financial year. Under that law the director has elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 'Reduced Disclosure Framework'. Under company law the director must not approve the financial statements unless he is satisfied that they give a true and fair view of the state of affairs of the Company and of the comprehensive income of the Company for that year. In preparing these financial statements, the directors are required to:

- selects suitable accounting policies and then applies them consistently;
- makes judgments and accounting estimates that are reasonable and prudent;
- presents information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101 have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepares the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The director is 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. He is 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.

Under applicable law and regulations, the director is also responsible for preparing a Strategic report and Director's report that comply with that law.

Independent auditors' report to the members of Vehicle Stocking Limited

Report on the audit of the financial statements

Opinion

In our opinion, Vehicle Credit Limited's financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2020 and of its loss for the period from 1 April 2020 to 31 December 2020;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the statement of financial position as at 31 December 2020; the statement of comprehensive income for the period then ended; the statement of changes in equity for the period then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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.

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

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Company's ability to continue as a going concern.

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

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The director is responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Director's report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Director's report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Director's report for the period ended 31 December 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Director's report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Director's responsibilities statement, the director is responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The director is also 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.

In preparing the financial statements, the director is 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 director either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditors' 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 auditors' 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.

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.

Based on our understanding of the Company and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of the rules of the Financial Conduct Authority (FCA), UK tax legislation and the Consumer Credit Act 1974, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting manual journal entries to manipulate financial performance and management bias in accounting estimates. Audit procedures performed by the engagement team included:

- Enquiries of the Audit Committee, management, compliance, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Evaluation of the design and implementation of controls designed to prevent and detect irregularities relevant to financial reporting;
- Incorporating unpredictability into the nature, timing and/or extent of our testing;
- Reviewing key correspondence with regulators, such as the FCA in relation to the Company's compliance with regulations;
- Challenging assumptions and judgements made by management in their estimation of the assessment of the expected credit loss, and
- Identifying and testing journal entries including those posted by infrequent or unexpected users, those posted to unusual account combinations and those posted late in the financial reporting process.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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 auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

Entitlement to exemptions

Under the Companies Act 2006 we are required to report to you if, in our opinion, the director was not entitled to take advantage of the small companies' exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.

Darren Meek

Darren Meek (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
02 July 2021

VEHICLE CREDIT LIMITED

Statement of comprehensive income for the period ended 31 December 2020

	Note	Period ended 31 Dec 20 £	Year ended 31 Mar 20 £
Interest and fee income		245,005	1,077,336
Finance costs		(590,782)	(1,046,109)
Cost of sales		(102,703)	(81,528)
Gross loss		**(448,480)**	**(50,301)**
Administrative expenses		(115,673)	(300,326)
Movement in provisions	13	-	321,005
Net impact of impairments		125,186	76,587
Gain on debt sale		-	432,858
Operating (loss) / profit	5	**(438,967)**	**479,823**
Finance income		343,596	499,563
(Loss) / profit before taxation		**(95,371)**	**979,386**
Income tax	8	-	-
Total comprehensive (loss) / income for the period / year		**(95,371)**	**979,386**

All amounts relate to continuing activities.

The notes on pages 11 to 21 form part of these financial statements.

VEHICLE CREDIT LIMITED

Statement of changes in equity for the period ended 31 December 2020

	Share capital £	Capital contribution reserve £	Accumulated losses £	Total £
At 1 April 2019	**1,500,000**	**903,501**	**(8,571,237)**	**(6,167,736)**
Capital contribution	-	735,608	-	**735,608**
Total comprehensive income for the year	-	-	979,386	**979,386**
At 31 March 2020	**1,500,000**	**1,639,109**	**(7,591,851)**	**(4,452,742)**
Capital contribution	-	4,496,365	-	**4,496,365**
Total comprehensive loss for the period	-	-	(95,371)	**(95,371)**
At 31 December 2020	**1,500,000**	**6,135,474**	**(7,687,222)**	**(51,748)**

The notes on pages 11 to 21 form part of these financial statements.

Statement of financial position as at 31 December 2020

	Note	Dec-20 £	Mar-20 £
Non-current assets			
Trade and other receivables	10	53,684	7,472,238
		53,684	7,472,238
Current assets			
Stock	9	-	5,825
Trade and other receivables	10	602,846	1,885,416
Cash and cash equivalents		153,790	83,357
		756,636	1,974,598
Total assets		**810,320**	**9,446,836**
Current liabilities			
Trade and other payables	11	(862,068)	(42,428)
Loans and borrowings	12	-	(2,785,160)
		(862,068)	(2,827,588)
Non-current liabilities			
Loans and borrowings	12	-	(11,071,990)
		-	(11,071,990)
Total liabilities		**(862,068)**	**(13,899,578)**
Net liabilities		**(51,748)**	**(4,452,742)**
Equity			
Called up share capital	14	1,500,000	1,500,000
Capital contribution reserve		6,135,474	1,639,109
Accumulated losses		(7,687,222)	(7,591,851)
Total shareholder's deficit		**(51,748)**	**(4,452,742)**

The financial statements on pages 8 - 21 were approved and authorised for issue by the Board and were signed on its behalf on 02 July 2021.

Peter Behrens

P Behrens
Director

Registered Number: 07941730

The notes on pages 11 to 21 form part of these financial statements

1. Accounting policies

1.1 Basis of preparation of financial statements

The financial statements were prepared in accordance with the Companies Act 2006, Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and any other applicable accounting standards. The Company has taken advantage of the disclosure exemptions allowed under this standard. The Company's ultimate parent undertaking, Metro Bank PLC, was notified of, and did not object to, the use of any disclosure exemptions.

The Company has taken advantage of the following disclosure exemptions under FRS 101:

a) the requirements of IFRS 7 Financial Instruments: Disclosures,
b) the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement,
c) the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of: (i) paragraph 79(a)(iv) of IAS 1;
d) the requirements of paragraphs 10(d), 38(a-d), and 134-136 of IAS 1 Presentation of Financial Statements;
e) the requirements of IAS 7 Statement of Cash Flows; and
f) the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

The preparation of financial statements in conformity with FRS 101 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. Changes in assumptions may have a significant impact on the financial statements in the year the assumptions change. Management believe that the underlying assumptions are appropriate. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2.

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

Significant 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.

Functional and presentational currency

The Company's presentational currency is pound sterling ("£"). The functional currency of the Company is also pound sterling on the basis that it is the pricing currency in which the transactions of the Company are conducted.

Strategic report exemption

The Company is entitled to the small companies' exemption in relation to the Strategic report as it would be entitled to prepare accounts for the period in accordance with the small companies' regime but for having been a member of an ineligible group.

Change of financial year-end

Following the acquisition of RateSetter, the Company changed the financial year-end to 31 December to align with the other entities in the Metro Bank group.

New, or amended, accounting standards

There are no new, or amendments to, accounting standards, or IFRIC interpretations that are effective for the period ended 31 December 2020 that have a material impact on the Company's financial statements.

1.2 Summary of significant accounting policies

Financial instruments

Financial assets and liabilities are recognised in the Company's statement of financial position when the Company becomes a party to any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

All financial assets are recognised initially at fair value plus transaction costs that are attributable to the acquisition of the financial asset, with the exception of assets valued at fair value through profit or loss where transactions costs are expensed through the statement of comprehensive income. Following an assessment of the business model for managing the financial assets and the contractual terms of the cashflows, the Company classifies its financial assets, at initial recognition and for subsequent measurement, as financial assets held at amortised cost.

Amortised cost

Assets that are held for the collection of contractual cashflows, where the cashflows represent solely repayments of principal and interest, are measured at amortised cost using the effective interest method, net of any impairment provision. Interest earned from such financial assets is recognised in the statement of comprehensive income as revenue on an accruals basis using the effective interest method.

Any losses arising from impairment of the asset are recognised in the statement of comprehensive income. The Company's financial assets measured at amortised cost includes loans receivable, being finance lease receivables, and trade and other receivables.

Trade receivables are recognised at fair value on initial recognition which equates to the amount expected to be receivable on settlement of the asset. All amounts are assessed for impairment based on a consideration of whether the Company will be able to collect all amounts due according to the original terms of the receivable using the expected credit loss ("ECL") approach. Any losses arising from impairment of the asset are recognised in the statement of comprehensive income.

Impairment of financial assets

Under IFRS 9, for financial assets measured at amortised cost, the Company assesses the ECL. With respect to loan receivables, as the Company has adopted the simplified approach the loss allowance is equal to the lifetime ECL. Further information of the calculation of ECL is included within Note 3.

The other current assets have been analysed for impairment using the ECL approach and no material loss allowance has been deemed to be required.

De-recognition of financial assets

Financial assets are derecognised when the contractual rights to the cashflows from the financial assets expire or the Company has either transferred the contractual right to receive the cashflows from that asset or has assumed an obligation to pay those cashflows to one or more recipients.

Financial liabilities

All financial liabilities are recognised initially at fair value net of any directly attributable transaction costs. The Company classifies its financial liabilities, at initial recognition and for subsequent measurement, as financial liabilities held at amortised cost.

Amortised cost

Financial liabilities recognised in the Company's statement of financial position as either loans and borrowings or trade and other payables are classified as financial liabilities held at amortised cost. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method with all movements recognised in the statement of comprehensive income.

1.3 Summary of accounting policies

Interest and fee income

Interest and fee income represents interest and fee income, on loan receivables held at amortised cost, which is recognised using the effective interest method which allocates interest and fees over the expected lives of the assets in the normal course of business and is shown net of VAT and other sales related taxes. The effective interest method requires the Company to estimate future cash flows, in some cases based on its experience of customers' behaviour, considering all contractual terms of the financial instrument, as well as the expected lives of the loan receivables.

Finance costs

Finance costs comprise interest arising on loans and borrowings measured at amortised cost using the effective interest method.

Finance Income

Finance income comprises interest receivable on loans made to group companies measured at amortised cost using the effective interest method.

Cost of sales

Cost of sales is primarily the costs associated with vehicle trackers that were fitted to vehicles against which the Company previously provided motor finance. Costs are recognised on an accruals basis.

Administrative expenses

Administrative expenses comprise office costs, professional costs, depreciation of assets used for administrative purposes, and other costs. All costs are recognised on an accruals basis.

Net impact of impairment

The net impact of impairment is the sum of any impairment charges in the year offset by the release of any impairment provision no-longer required (i.e. not utilised). Net impact of impairment is one of the main drivers in the movement in the loss allowance during the reporting period, as shown in Note 3.

Cash and cash equivalents

Cash and cash equivalents include short-term deposits with banks and other financial institutions, with an initial maturity of three months or less.

Stock

Stock is valued at the lower of cost and net realisable value. Net realisable value is based upon the estimated selling prices less any cost of disposal. Provision is made for obsolete and slow-moving stock.

Taxation

The tax expense comprises current and deferred tax. Current tax is recognised in the statement of comprehensive income and is provided at the amount expected to be paid (or recovered) applying tax rates and laws enacted or substantively enacted at the end of the reporting year. Deferred tax is provided in full, using a temporary difference approach, and is the tax expected to be payable or recoverable on temporary differences between the carrying amount of assets and liabilities in the statement of financial position and the corresponding tax bases used in the computation of taxable profit. Deferred tax is calculated applying tax rates and laws enacted or substantively enacted at the end of the reporting year. Deferred tax liabilities are generally recognised for all taxable temporary differences.

Lessor accounting

Where assets are provided by the Company under finance lease agreements, that transfers substantially all the risk and rewards incidental to ownership, the assets are treated as if they had been sold outright and the corresponding asset to the Company is included as loan receivables. Receipts from loan receivables are treated as consisting of capital and interest elements and the interest rate is credited to the statement of comprehensive income using the effective interest rate method.

Capital contributions

Throughout the period, capital contributions were received from Retail Money Market Ltd via a commission agreement and were recognised on an accruals basis. These capital contributions are recorded in the Capital contributions reserve. In November 2020 the Company received a capital contribution of £4,061,000 from its parent company, RateSetter Motor Limited, which was used to repay the Company's external debt. Upon the repayment of the external debt, the commission agreement with Retail Money Market Ltd ceased, as per the terms of the agreement.

2. Significant accounting judgements, estimates and assumptions

The preparation of financial statements in conformity with FRS 101 requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

Loan receivables write-off policy

The Company exercises judgement in determining when to write-off loan receivables. The Company' s policy recommends that a loan receivable is written-off after a borrower' s third missed payment, however all loans are subject to management review prior to being written-off. Since the beginning of the COVID pandemic the Company has ceased vehicle repossessions and has an ongoing policy to offer breathing-space and forbearance arrangements in line with FCA principles and guidance.

Measurement of loss allowance provision

The Company exercises judgement in measuring and recognising provisions related to loans made to individuals that have acquired vehicles under hire purchase contracts. An estimation technique is adopted in assessing the likelihood that a liability will arise, and to quantify the possible range of the financial settlement. Due to the inherent uncertainty in this evaluation process, actual losses may be different from the originally estimated provision. A 10.0% increase in the loss allowance provision would result in a £5k (Mar-20: £25k) reduction in the Company's profit for the period and its shareholder's funds.

3. Financial risk management

Capital policy

The Company's objective when managing capital is to safeguard its ability to continue as a going concern, to provide optimal returns for shareholders and to maintain an efficient capital structure to reduce the cost of capital.

Principal financial risks

The principal financial risks faced by the Company are credit risk, liquidity risk and market risk (including price, interest rate and foreign exchange risk). The policies and strategies for managing these risks are summarised on the following pages.

Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. The Company is exposed to credit risk from its operating activities (being amounts owed from group undertakings and its outstanding loan receivables balance) and from its financing activities, including cash equivalents held at banks. The Company assesses and monitors the credit risk associated with borrowers and other counterparties and incorporates this information into its credit risk controls.

It has an effective collections process to minimise any losses on its loan receivables. All loans are subject to strict lending and affordability criteria and the Company's policy is to deal only with creditworthy counterparties. Cash and cash equivalents are held with reputable institutions, which are credit assessed regularly.

The Company's maximum exposure to credit risk by class of financial asset is as follows:

	Dec-20 £	Mar-20 £
Non-current assets		
Loan receivables	53,684	328,996
Amounts owed from Group undertakings	-	7,143,242
Current assets		
Cash and cash equivalents	153,790	83,357
Trade receivables	-	6,377
Loan receivables	476,764	708,689
Amounts owed from Group undertakings	-	1,003,457
Amounts due from HMRC	126,082	166,893
	810,320	**9,441,011**

The ageing analysis of the Company's loan receivables balance is as follows:

31 December 2020	Total	Not past due	1-30 days	31-60 days	61-90 days	> 90 days
Gross loan receivables	576,602	326,403	104,962	18,306	15,071	111,860
Loss allowance	(46,154)					
Net loan receivables	**530,448**					

31 March 2020	Total	Not past due	1-30 days	31-60 days	61-90 days	> 90 days
Gross loan receivables	1,285,204	891,739	186,279	46,067	16,803	144,316
Loss allowance	(247,519)					
Net loan receivables	**1,037,685**					

The movement in the Company's loss allowance, during the reporting period, is as follows:

	Dec-20 £	Mar-20 £
Loss allowance at start of period / year	(255,270)	(1,358,709)
Amendment to b/fwd balance	-	117,854
Release of provision on performing loans	118,775	501,777
Impairment charge	(33,264)	(96,585)
Reversal of impairment on Loan receivables written-off	115,855	580,393
Loss allowance at end of period / year	**(53,904)**	**(255,270)**

In addition to the loss allowance provision held against loan receivables, the Company's loss allowance provision of £53,904 at 31 December 2020 (Mar-20: £255,270) includes a provision of £7,750 (Mar-20: £7,750) held against Trade receivables.

The movement in the Company's gross carrying amount of loan receivables, during the reporting period, is as follows:

	Dec-20 £	Mar-20 £
Gross loan receivables at start of period / year	1,285,204	5,837,681
Additional interest and fees accrued	245,005	1,077,336
Loan repayments	(867,625)	(4,602,961)
Balances written off	(85,982)	(1,026,852)
Gross loan receivables at end of period / year	**576,602**	**1,285,204**

The loan receivables represent non-prime motor finance hire purchase loans made by the Company prior to 2018. The loans are amortising in line with expectations, with the majority of the outstanding balance expected to be fully amortised within the next year. The other current assets have been analysed for impairment and no material loss allowance has been deemed to be required.

Liquidity Risk

Liquidity risk is the risk that the Company could be unable to settle or meet its financial obligations as they fall due. The Company's approach to managing liquidity risk is to ensure that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's position. The Company actively monitors its current and forecast capital and liquidity levels, against its strategic requirements.

The maturity analysis of the financial instruments held by the Company at 31 December 2020 and 31 March 2020 is shown in the table below. The amounts disclosed are the contractual undiscounted cash flows. With the exception of the loans and borrowings, these balances are repayable on demand at the value shown in the financial statements.

	Dec-20 £	Mar-20 £
Current liabilities		
Trade and other payables	862,068	42,428
Loans and borrowings (less than 1 year)	-	3,639,810
Non-current liabilities		
Loans and borrowings (between 1 and 2 years)	-	3,639,810
Loans and borrowings (between 2 and 5 years)	-	8,796,207
	862,068	**16,118,255**

Market risk

Market risk is the risk that the fair value or cash flows of a financial instrument will fluctuate due to changes in market prices. The Company's exposure to market risk is limited to interest rate risk which impacts financial instruments such as deposits held at fair value.

Fluctuations in interest rates can affect interest income and expense, through financial assets and liabilities with variable interest rates. The Company's exposure to interest rate risk of £150,815 (Mar-20: £83,357) is associated with cash and cash equivalents. The Company's loans and borrowings have fixed interest rates and are not exposed to cash flow interest rate risk.

The Company does not use interest rate swaps to hedge the fair value or cash flow interest rate risk. At the reporting date, a 0.5% change in the interest rate could have an impact of approximately £754 (Mar-20: £417) on the income or equity attributable to the Group.

The Company's risk to changes in the market is monitored and reviewed on an ongoing basis by the director.

4. Segmental analysis

The Company's operations are carried out solely in the UK and are considered by the director to consist of a single business unit. The results and net liabilities of the Company are derived from its principal activity.

5. Operating (loss) / profit

The operating (loss) / profit is stated after (crediting) / charging:

	Dec-20	Mar-20
	£	£
Overpayment of VAT reimbursable from HMRC	-	(166,893)
Auditors' remuneration (audit fees only)	20,000	25,000

6. Director's remuneration

The director is the only member of management that meets the definition of 'key management personnel' and during the period he did not receive any emoluments for services provided to the Company (Mar-20: £nil). The emoluments of the director have been borne by Retail Money Market Ltd and were not re-charged to the Company on the basis that the activity that the director performs as a director of the Company is not deemed to be material relative to the services he provides to the wider RateSetter group and, as a result, it is not considered possible to attribute a proportion of the director's overall remuneration to the Company.

7. Employees

The average number of employees (including key management personnel) of the Company during the period was nil (Mar-20: nil). The Company has no employees and the employee services provided to the Company have been borne by Retail Money Market Ltd and were not re-charged.

8. Tax on (loss) / profit

The standard UK corporation tax rate was 19.0% for the period (Mar-20: 19.0%).

	Dec-20	Mar-20
	£	£
Current tax		
Current tax on profit for the period / year	-	-
Total current tax	-	-
Tax per income statement	-	-
Factors affecting the tax charge for the current period / year:		
(Loss) / profit before taxation – continuing activities	(95,371)	979,386
Tax on (loss) / profit at standard UK tax rate of 19.0% (Mar20: 19.0%)	(18,120)	186,083
Effects of:		
Income not taxable	-	(35)
Utilisation of unrecognised losses	18,120	(186,048)
Tax charge for the period / year	-	-
Unrecognised deferred tax:		
Fixed Assets	(8,852)	(10,074)
Losses	(2,330,548)	(2,302,263)
Other	(64,310)	(70,996)
	(2,403,710)	**(2,383,333)**

The current UK corporation tax rate is 19.0%, and is not expected to change in the foreseeable future, therefore the unrecognised deferred tax asset of £2,403,710 (Mar-20: £2,383,333) has been calculated at a rate of 19.0% (Mar-20: 19.0%).

9. Stock

	Dec-20	Mar-20
	£	£
At start of period / year	5,825	46,386
Additions	-	5,825
Expensed	(5,825)	(46,386)
At end of period / year	-	**5,825**

10. Trade and other receivables

	Dec-20	Mar-20
	£	£
Non-current:		
Loan receivables	53,684	328,996
Amounts due from Group undertakings	-	7,143,242
	53,684	**7,472,238**
Current:		
Trade receivables	-	6,377
Loan receivables	476,764	708,689
Amounts due from HMRC	126,082	166,893
Amounts due from Group undertakings	-	1,003,457
	602,846	**1,885,416**

The Company has entered into various lease arrangements as a lessor that are considered to be finance leases. The Company leases vehicles and as they transfer substantially all of the risks and rewards of ownership of the assets they are classified as finance leases.

The maturity analysis of the lease receivables, including the undiscounted lease payments to be received are as follows:

	Dec-20	Mar-20
	£	£
Less than 1 year	591,838	1,020,094
1 – 2 years	54,594	379,177
2 – 3 years	-	34,479
3 – 4 years	-	-
4 – 5 years	-	-
Total undiscounted lease payments	646,432	1,433,750
Unearned finance income	(69,830)	(148,546)
Impairment provisions	(46,154)	(247,519)
	530,448	**1,037,685**

11. Trade and other payables

	Dec-20 £	Mar-20 £
Amounts owed within one year:		
Trade payables	8,272	-
Accruals	62,089	42,428
Amounts owed to Group undertakings	791,707	-
	862,068	**42,428**

12. Loans and borrowings

	Dec-20 £	Mar-20 £
Current liabilities:		
Loans and borrowings	-	2,785,160
Non-current liabilities:		
Loans and borrowings	-	11,071,990
Total	**-**	**13,857,150**

Loans and borrowings comprises secured debt repayable to the RateSetter investors, with an average interest rate of 7.0%. The debt amortises monthly with a maturity of August 2024. In November 2020 the debt was repaid in full.

Analysis of changes in Loans and borrowings

	At 01 April 2020 £	Non-cash movements £	Cash movements £	At 31 December 2020 £
Loans and borrowings	(13,857,150)	-	13,857,150	-

13. Provisions

	Dec-20 £	Mar-20 £
At start of period / year	-	321,005
Released in the period / year	-	(321,005)
Utilised in the period / year	-	-
At end of period / year	-	-

The total provision figure at 01 April 2019 represents a provision for sums potentially due to HMRC in relation to historical VAT obligations. The provision was released during the year ending 31 March 2020 following confirmation from HMRC that there were no amounts payable to HMRC by the Company.

14. Called up share capital

	Dec-20	Mar-20
	£	£
Authorised, allotted, called up and fully paid:		
1,000,000 A Ordinary shares of £1.00 each	1,000,000	1,000,000
Authorised, allotted, called up and fully paid:		
500,000 B Ordinary shares of £1.00 each	500,000	500,000
	1,500,000	**1,500,000**

15. Related party transactions

Finance income represents interest received on an intercompany position with Retail Money Market Ltd. There are no other related party transactions except those already disclosed within the notes of these accounts.

16. Ultimate controlling entity

At the reporting date, the ultimate controlling entity was Metro Bank PLC (company number: 06419578), a company incorporated in England and Wales. The registered office of Metro Bank PLC is One Southampton Row, London, WC1B 5HA. The Company's financial statements are included within the consolidated group accounts prepared by Metro Bank PLC.