REGISTERED NUMBER: 03560611 (England and Wales)

First Response Finance Limited

Annual Report and Financial Statements

for the Year Ended 31 March 2023

FRIDAY
BCIEMD0J
B14 15/12/2023 #61
COMPANIES HOUSE

First Response Finance Limited

Contents of the Annual Report and Financial Statements
for the Year Ended 31 March 2023

First Response Finance Limited

Company Information
for the Year Ended 31 March 2023

Directors:	J Britton D Brough H Katoh J Pollard C Sanders M Akiyoshi S Shimizu (appointed April 2023)
Company Secretary:	L Handley
Registered office:	5 Regan Way Chetwynd Business Park Chilwell Nottingham Nottinghamshire NG9 6RZ United Kingdom
Registered number:	03560611 (England and Wales)
Auditor:	Deloitte LLP 4 Brindley Place Birmingham B1 2HZ United Kingdom

First Response Finance Limited

Strategic Report
for the Year Ended 31 March 2023

The directors present their Strategic Report for First Response Finance Limited (the 'Company') for the year-ended 31 March 2023.

Principal activities
The Company (a wholly owned subsidiary of Itochu Europe plc.) provides instalment credit for non-prime customers who have difficulty in obtaining mainstream finance.

Fixed rate and fixed term hire purchase agreements are provided to new and existing non-prime customers who wish to purchase a used motor vehicle. Finance term periods range from 12 to 61 months with a maximum loan size of £15,000. Returning customers account for over a third of new business originations, and personal loan agreements are only offered to existing customers and account for around 1% (2021/22: 2%) of the overall portfolio.

In 2022/23 we produced a profit after tax of £19.1m (2021/22: £16.5m), a year-on-year increase of 15.7% (2021/22: 53.6%). This result is the outcome of many years of steady management, the application of fiscal prudence and our continual focus of putting the customer at the heart of what we do.

Key performance indicators	**31 March 2023**	**31 March 2022**	**Movement**	**Note**
Revenue (£)	62,331,310	56,405,436	10.5%	1
Profit after tax (£)	19,118,015	16,520,893	15.7%	2
Hire purchase receivables (£)	251,007,717	203,625,447	23.3%	1
Amounts received from customers1 (£)	180,129,526	161,475,200	11.6%	2
Group borrowings (£)	200,621,503	156,996,594	27.8%	1
Number of hire purchase agreements	61,367	54,585	12.4%	1
Number of loans and advances to customers	2,340	2,286	2.4%	n/a

Note 1: During the beginning of a tough economic period, we were able to service increased demand as market risk appetite declined while our target non-standard population began to grow.
Note 2: Despite the challenges of the cost-of-living crisis, with tailored support where required, our customers remained fairly resilient and continued to make payments as our portfolio grew.

The quality and long-term profitability of our business is the outcome of appropriate and evolving underwriting standards, products, and long-term account management, coupled with our pragmatic ability to manage and adapt our business through economic cycles and changing circumstances.

As the cost-of-living crisis deepened during 2022/23 many lenders withdrew their product support from non-prime customers, however the demand from non-prime customers continued and consequently trading is strong and is expected to continue. Our portfolio performed better than expected when we closed 2021/22 as can be seen in the KPIs; considering the economic and inflationary challenges coupled with the uncertainties that arose due to the war in Ukraine. Consequently, the provision to net receivables ratio (or coverage) reduced to 13.1% and remains historically high (2021/22: 14.4%).

Whilst the current cost-of-living crisis continues, we maintain a considerable manual underwriting and account management capability supported by constantly enhanced technology. We are well able to support the needs of our customers as these economic and inflationary uncertainties prevail, supported by a management team that steered a safe course through the turbulent waters of the Global Financial Crisis and the recent Covid-19 impact.

We already take a long-term view of account management (as we do in the other parts of our business), and value the long-term relationships we have with our customers and do not place undue pressures on them regarding their ability to repay more or before they are able to do so, offering a range of forbearance measures to support the individual needs and circumstances of our customers.

The FCA is holding our industry to a higher standard from mid-2023 called the Consumer Duty; a set of principles that require firms to proactively act to deliver good outcomes for retail customers. Our plan to transition to the expectations of the Consumer Duty has been a key focus in 2022/23, and these plans remained on-track with all actions completed by the due date of 31 July 2023.

[1] This amount represents cash collected from customers during the year

Company overview

Our purpose is:

**Providing great credit solutions
through service excellence and continual improvement
for non-prime customers**

We will achieve these credit solutions via service excellence and continual improvements, which is part of our DNA and the way we do things at First Response Finance. For clarity, a credit solution isn't just a product, it's the end-to-end relationship and service that our customers receive, so we will endeavour to always act responsibly, transparently, honestly and with integrity in the way we service our customer demands throughout our relationship.

Our Company is founded on the ethos that if we get our people foundations right, then we can expect them to support our business goals by delivering and improving the service offered to our customers, and by getting this right our long-term profit will also improve.

This ethos is called 'People-Service-Profit' and we re-invest part of our profits to ensure we maintain and retain the quality of our people and continue this cycle of service excellence and improvement.

Our culture, behaviour and mindset are underpinned by our core values:

**Be Open and Honest
Be Customer Driven
Be a Team Player
Have a Winning Attitude**

We benchmark our commitment to customer service by using independent net promoter score surveys to capture real-time customer insights and from these we take positive action to improve our performance. For example, at the time of writing this report, our rating is 4.9 out of 5.0 (2021/22: 4.9 out of 5.0), from c. 5,000 customer reviews (2021/22: 700) and continue to hold Feefo's Platinum Trusted Service Award.

We have no individual or team-based targets to ensure we avoid inappropriate behaviour regarding offering our customers the right product and service. Our profit share bonus remuneration is an agreed percentage of the Company's profit and will be paid out over the coming 3 years; and in-line with promoting long-term service-oriented thinking and action.

At the end of 2022/23 we had 301 people working for us (2021/22: 286) with an average tenure of 8.9 years (2021/22: 8.8 years). Having maintained our 3-star rating in the annual Best Companies survey for 13 contiguous years and being placed in the Sunday Times top 100 companies to work for during this time, we decided in 2022/23 to undertake this survey on a bi-annual basis going forward. We operate from three sites, providing a UK national coverage from Nottingham, Leigh (near Manchester) and Paisley (near Glasgow) and will seek an appropriate flexible working balance during the coming year.

Unlike some consumer finance companies who have moved to machine-based service delivery mechanisms, we believe our retained manual underwriting and collection skills complement our technical capabilities to not only navigate periods of economic challenge but also to provide an appropriate human element that overcomes the inevitable customer anxieties that also occur.

Our customers are predominantly sourced via our national coverage of over 4,000 small to medium sized car and motorcycle dealers. These are mainly independent, and with additional demand during the year our core group has risen to around 1,100 (2021/22: 900). We differentiate ourselves on service and our dealers value our personal and manual service proposition.

Account Management (including customer service and collection) is performed in-house within our Leigh office, with the complaint handling function being provided by our Customer Experience Team mainly based in our Nottingham office.

We continue to invest in our risk control and governance capabilities to reflect the growth in our business, and the evolving regulatory environment and expectation.

Company overview - continued

Our Board considers the monitoring and controlling of risks as a fundamental part of the management process and consequently senior management are intrinsically involved in the development and creation of risk management policies and monitoring their application.

Our risk management framework is based on the concept of 'three lines of defence'. Operations management are responsible for identifying, assessing, and evaluating key risks and ensuring that appropriate controls support their ability to manage and mitigate these risks within the Company's risk appetite. The Risk and Compliance Committee provides risk assessment and oversight of the operational environment, the execution of policies and procedures and compliance to expectation. The Audit Committee (supported by appropriate external advisors) provides assurance that the first and second lines of defence are effective, and the Company also uses 'J-SOX' (a set of Japanese standards for evaluating and auditing internal controls over financial reporting, similar to Sarbanes Oxley) as the methodology to identify and assess risk regarding financial reporting.

Future developments

It is the intention of the directors to continue to service customers with consumer finance products. The Company's loan loss performance was as expected during the financial year, and this is now expected to increase due to inflationary pressures on household budgets. The Company plans to grow its share of the point of sale used car motor finance market without compromising asset quality. The Company will continue to operate within the spirit, expectations and requirements of the regulatory environment whilst managing and increasing our loan volumes over the long-term. Our main channel of business will continue via our motor dealer network.

Principal risks and uncertainties

The Company has a comprehensive approach to the management of risk. The Company is principally exposed to credit risk, operational risk, market and liquidity risk, and legal and regulatory risk.

Credit risk

The Company defines credit risk as the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. It arises principally from the Company's hire purchase receivables from customers and loans and advances to customers.

The Company acknowledges that the risk arising from changes in credit quality and the recoverability of loans is inherent in the nature of our business. The principal protections against credit risk are our credit scoring processes, underwriting policies, and account management policies which ensure our portfolio remains within the Company's risk appetite as set by the Board.

Operational risk

The Company defines operational risk as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Management mitigates the risk through a Risk and Compliance committee which meet on a regular basis to discuss areas of concern. For the purposes of managing operational risk, this risk is broken down into the following categories:

1: Operations and processes
2: Financial crime
3: Systems
4: External events or incidents as defined in our Business Continuity Plan
5: People

The Company has developed a Risk Management Framework, Risk Identification and Assessment Methodology, and Policy and Procedures which are in use within each business area.

First Response Finance Limited

Strategic Report - continued
for the Year Ended 31 March 2023

Company overview - continued

Market and liquidity risk
The Company's exposure to market risk is the risk that changes in interest rates will affect the Company's income or the value of its holdings of financial instruments. Management of this risk requires a medium-term focus as all customer lending is currently at rates of interest which are fixed over the term of their contract. The Company is therefore exposed to interest rate risk through its use of wholesale funding (provided by the Company's parent) and loss of the inception margin that these fluctuations can cause. The Company used a range of interest rate caps during 2022/23 to mitigate risk in this area and continues to monitor and allow an appropriate margin within the inception yield in line with the cash recovery expectations associated with each product.

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. It includes the risk of inability to manage unplanned decreases or changes in funding sources and any failure to recognise and address changes in market conditions that could affect the Company's ability to liquidate assets quickly, with minimum value loss, if necessary. The Company has a group funding facility in place which is projected to meet the growth aspirations of the Company through 2023/24.

Legal and regulatory risk
The financial services sector is heavily regulated, and the Company goes to great lengths to ensure that its activities are compliant with all laws and regulations that are in effect. The Company has a Risk and Compliance Committee whose purpose is to ensure compliance with UK law and all relevant regulatory bodies. Amongst the processes in place are regular training and re-training of staff, attendance at update events hosted by the regulatory bodies and regular liaison with the Company's regulator and solicitors.

Section 172(1) of the Companies Act
Our purpose drives our strategic goals and our ethos, values and principles define how we implement the actions necessary to achieve these goals, with due consideration of our key stakeholders. We believe that to maximise our long-term success we must engage effectively with our stakeholders, so we can ensure their views and needs are factored into our Board discussions and decisions in accordance with s172 of the Companies Act 2006. Our Board believes that during 2022/23 we have balanced the needs of our customers, employees, shareholder, regulator, suppliers and society to ensure we have delivered a successful, sustainable and fair outcome for all of our key stakeholders.

Employees: The quality, competence, engagement, and values of our employees has a direct relationship to the quality of the credit solutions our customers receive.

Engagement: We have an open, collaborative, and flat management structure. The Chairman & CEO meets with small groups of employees preferably face to face but also via Teams on a quarterly basis to gauge the 'pulse' of the organisation, listening to and addressing any concerns or issues raised directly and affirming the Company goals and progress against these. The Operations Director conducts Team Leader 'pulse' meetings during the year with a similar purpose, and this engagement with this key layer of our employees improves our overall communication, clarity of message and focus on our purpose. Both the Chairman & CEO and Operations Director provide two-way all employee company updates at least three times per year, to promote understanding of the company goals, key project work and achievements. For 13 years, our staff have taken part in the annual Sunday Times Best Companies to work for engagement survey as noted in the Company Overview. As an independent and anonymous survey, we are able to benchmark a variety of factors which influence our employees' engagement at First Response Finance such as Leadership, Wellbeing, Personal Growth, Fair Deal, etc., and therefore we can track our progress and improvement; the key outcomes from this survey feed into the employee discussion forums and are presented to our Board. The annual assessment of employees against key role knowledge expectations ensures our staff maintain their competency regarding evolving regulatory expectations, policies and procedures, and other legal matters, etc.

Highlights: In 2021/22 we were once again awarded Best Companies 3-star (Best Company Index: BCI) rating, followed by a review and action of the key topics arising from the Best Companies survey. During 2022/23 we decided that after 13 years the Best Companies Survey was providing marginal opportunities for learning and improvement on an annual basis and we opted to undertake this survey bi-annually, and therefore we will review our BCI performance once again in 2023/24. We have previously introduced a wellness centre application that provides articles, videos and tips to improve wellbeing in specific areas, which has received positive feedback. Whilst we have no reason to believe we have diversity or inclusion issues, during 2023/24 we are undertaking an independent and anonymous Diversity & Inclusion Survey to identify potential opportunities for improvement in this area.

Key Measure (Bi-annual from 2023/24: Employee Engagement (BCI) 2021/22: 754.5 of 900 (2020/21 757.5).

Section 172(1) of the Companies Act - continued

Customers: We must ensure that we are meeting our customers' demands in accordance with our purpose and whilst doing so ensure we are providing them with good outcomes.

Engagement: We engage with our customers in a variety of ways. Our customer facing colleagues engage with customers daily to tailor our credit solutions to their individual needs, assess vulnerability and address any instances of dissatisfaction, and beyond these interactions, we have many mechanisms to assess customer engagement. For example, we measure customer engagement using independent net promoter surveys as noted in the Company Overview section, as well as complaint monitoring through online forums and direct. This information is used for route-cause improvement analysis and the data is reported to our Board monthly. Within the Risk and Compliance Committee (and thereafter shared with our Board) we review and challenge our Consumer Duty Management Information to assess the degree to which 'good customer outcomes' have occurred, taking action as appropriate and when necessary.

Highlights: We retain Feefo's Platinum Trusted Service Award. Our Board has oversight of customer complaints and outcomes, and our root cause analysis has highlighted that our major complaint type is vehicle quality complaints, with age and mileage of the vehicle financed being dominant factors. As a result of this root cause analysis, we have developed a vehicle risk model. The model segregates vehicles into risk factors (VR1 to VR7) which aids our underwriting conversations with customers, supporting our financing decisions. We have not found any common factors leading to poor customer outcomes for affordability or service/process complaints, and our Financial Ombudsman Service 'overturn' rate is very favourable when compared to the industry at 15% versus the industry average overturn rate of 34% in the second half of 2022.

Key Measure: Customer Satisfaction (Review Centre/Feefo score) 4.9/4.9 of 5.0, (2021/22: 4.9/4.9).

Shareholder: We value the healthy and transparent relationship we have with our shareholder, Itochu Europe plc. This allows us to maintain their support and to provide opportunities to update them on our progress towards delivering our agreed annual business plan.

Engagement: We engage with our Shareholder in a variety of ways. Our full Board meets once a quarter, and in between we have monthly Non-Executive Director update/Q&A sessions provided by the Chairman & CEO and Finance Director. Our directors and senior management regularly attend development courses provided by ITOCHU Corporation to gain skills and to engage with like-minded professionals from other subsidiaries and parts of our shareholder's organisation. During the year our Lead Non-Executive Director (who resides within our premises in Nottingham) consolidated his considerable knowledge of our business to support shareholder understanding and engagement and continued his Institute of Directors examinations and once completed, he will become the Chairman of our Audit Committee in 2023/24.

Highlights: Shareholder views are always considered in any key action or project undertaken, and their interests and values inform our annual Business Plan.

Key Measure: Return on Assets 7.9% (2021/22: 8.1%).

Regulator: Whilst we do not have direct regulatory supervision, we value the opportunities to engage with our regulator; the Financial Conduct Authority. These ensure we can proactively plan for regulatory change and uphold our reputation as a responsible lender.

Engagement: We engage with our regulator in a variety of ways. Directors and senior managers engage with regulators via our inclusion in their Thematic Reviews, if only by providing data and questionnaire-based insight, and via our membership of a trade association. Regulatory correspondence (such as Sector Views and Portfolio Strategy letters) and engagement is discussed by the Board and acted upon as appropriate. Regulatory risk reporting and horizon scanning is carried out within the Risk and Compliance Committee and reported to the Board.

Highlights: The view of our regulator and their concerns within our market informs the projects, oversight and assurance plans completed each year. In 2022/23 we undertook a project to transition to the higher standards set by the Consumer Duty and remain on track to complete all actions by the due date of 31 July 2023.

Key Measure: Not applicable.

First Response Finance Limited

Strategic Report - continued
for the Year Ended 31 March 2023

Section 172(1) of the Companies Act - continued

Suppliers: Beyond our important dealer and broker intermediaries who provide us with customer applications for automotive finance, we do not have a significant number of suppliers. However, it is important that we treat all third parties fairly, whilst ensuring we are dealing with suppliers who act responsibly, and we mitigate risks arising from our relationship with them.

Engagement: There is an established on-boarding process for suppliers including our dealer and broker intermediaries, and we have performance monitoring and assurance processes to review supplier performance. We feel it is appropriate to pay promptly for the services we receive, and our suppliers tell us that they value this. Also, the Company complies with our duty to report on payment practices via the Business and Industry government website.

Highlights: Our last government payment statistics report shows that we pay 89% of our invoices within 30 days (2021/22: 94%). Our Board reviewed and approved our Modern Slavery Act Statement during the year and reviewed and approved our anti-bribery and corruption processes and controls. Regarding our dealer intermediaries, during the year we declined to on-board 577 (2021/22: 399), terminated relationships with 45 for not meeting our standards (2021/22: 41) and terminated 505 that lost or lapsed their regulatory permissions (2021/22: 604).

Key Measure: Average days for invoice payment is 16 days as at March 2023 (2021/22: 14 as at March 2022).

Society: By offering credit solutions to our under-served non-prime customers, we believe that we are helping society by supporting financial inclusion. Beyond this we also believe it is important to reduce our impact on the environment where we are able and support our chosen charities.

Engagement: We work closely with our chosen charities to engage our employees in undertaking various events that raise money to fund their services; every loan we make also provides a charity contribution. We operate a 'matching' charity policy whereby if our employees opt to raise money for their own charity we will match the money they raise in support of their chosen charity, and then we will match the total money raised for their chosen charity and send this to our own charities. During the year we continued to support DEC (Disasters Emergency Committee) to fund the delivery of food, warmth, clean water, and medical care to the people of Ukraine and vital support to refugees in neighbouring countries. From November 2022 as the cost-of-living crisis worsened in the UK, our charitable focus was directed back towards the needs of our local society. Splitting our charity focus equally, we have been supporting the Trussell Trust who provide food banks to allow those in crisis access to emergency food, and to Magic Breakfast who provide school breakfast clubs to ensure those attending have the fuel necessary to support their learning and attainment. All our waste is recycled, and we have installed solar panels on buildings we own, to reduce our energy usage and have a largely paperless operation.

Highlights: During another challenging year for charity events, we supported Magic Breakfast/The Trussell Trust with £22k (2021/22: £0k) and supported DEC in their humanitarian refugee work in Ukraine with £35k (2021/22: £103k).

Key Measure: 2022/23 GHG emissions Gas 23.8, Electric 83.6 (2021/22: Gas 19.0, Electric 86.3).

Section 172(1) of the Companies Act - continued

Energy and carbon reporting
We have reported on all sources of GHG emissions and energy usage as required under The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 as amended.

GHG emissions and energy usage data for period 1 April 2022 to 31 March 2023	UK and offshore 2023	2022
Emissions from combustion of gas (Scope 1 – tonnes of CO2e)	23.8	19.0
Emissions from combustion of fuel for transport purposes (Scope 1 – tonnes of CO2e)	-	3.0
Emissions from electricity purchased for own use, including for the purposes of transport (Scope 2 – tonnes of CO2e)	83.6	86.3
Emissions from business travel in rental cars or employee-owned vehicles where Company is responsible for purchasing the fuel (Scope 3 – tonnes of CO2e)	40.9	-
Total gross tonnes of CO2e based on above	148.3	108.3
Intensity measurement, tonnes of CO2e per £m revenue	2.38	1.92

Reporting boundary and methodology
The reporting boundary used for collation of the above data is the entire operations of the Company. We have followed the latest versions of the UK Government environmental reporting guidance, including the GHG Protocol Corporate Accounting and Reporting Standard and UK Government's GHG Conversion Factors for Company Reporting, to calculate the above disclosures.

Energy efficiency actions taken
During 2022/23 we extended our pilot Electric Vehicle ('EV') Company Car Scheme to encourage our employees towards EV usage and this included the installation of EV charging at our Leigh and Nottingham locations. By the end of 2022/23, 19 staff had transitioned to an all-electric vehicle, and having installed charging points at our offices which are free for staff to use to further encourage movement generally towards Ultra-Low Emission Vehicles ('ULEV') a further 3 of our staff use these for their own cars. We will continue to encourage a higher percentage of our staff towards the use of this scheme or to purchase a ULEV themselves. Our energy usage and therefore Green House Gas emissions have increased marginally in recent years as we returned to our offices after lockdown. In 2022/23 we installed solar panels in the last of our offices and expect this to further off-set our non-renewable energy usage, and during 2023/24 we plan to engage an insulation expert to advise us on what opportunities exist across all our offices to limit energy loss to further reduce our on-going energy consumption.

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

....
D Brough - Chairman & CEO

Date: 31/08/2023

5 Regan Way
Chetwynd Business Park
Chilwell
Nottingham
NG9 6RZ
United Kingdom

First Response Finance Limited

Directors' Report
for the Year Ended 31 March 2023

The directors present their Annual Report and the audited financial statements of the Company for the year ended 31 March 2023.

Directors
The directors holding office during the period and up to the date of this report were:

J Britton
D Brough
H Katoh
J Pollard
C Sanders
M Akiyoshi
S Shimizu (appointed April 2023)

Dividends
A dividend of £13,216,719 was paid during the year (2022: £8,604,253). The directors anticipate payment of a dividend of £15,294,412 relating to the financial year ended 31 March 2023 to be paid during financial year 31 March 2024, however this has not yet been formally approved.

Financial instruments
The Company finances its activities with a combination of a funding facility provided by its parent and cash generated from operational activities. Other financial assets and liabilities, such as trade debtors and trade creditors, arise directly from the Company's operating activities. Financial instruments give rise to interest rate, credit and liquidity risk as noted and set out in the Strategic Report on pages 3 to 9 and details are included within Note 23.

Political and charitable contributions
The Company made no political contributions or incurred any political expenditure during the financial year or in previous years but made charitable contributions of £62,305 (2021/22: £153,031).

Employees
The Company is committed to providing employment practices and policies which recognise the diversity of its workforce and ensure equality of opportunity for employees regardless of sex, race, disability, age, sexual orientation, religion or belief, marriage and civil partnership, pregnancy and maternity, gender reassignment, or any other personal characteristics.

Full and fair consideration is given to applications for employment made by disabled persons, having regard to their aptitudes and abilities. We continue employment in such instances in that an employee becomes disabled during the period in which they are employed by us. All employees, including disabled persons, have equal rights to training, career development and promotions.

Employees are kept informed of business change and performance through two-way Company communication sessions held regularly throughout the year. The Company is committed to encouraging staff development and learning, using its employees' knowledge and skill sets in the continuous improvement of its service.

Directors' indemnity
The Company's parent provided all directors with qualifying third-party indemnity provisions during the financial year and at the date of this report.

Future developments
It is the intention of the directors to continue to service customers with consumer finance products. A more detailed explanation can be found in the Strategic Report on page 5.

Going concern
The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on pages 3 to 9. The Strategic Report also discusses the financial position of the Company, its financial risk management objectives, its exposure to credit risk and current borrowing facilities. Further information on the financial position of the Company, including its cash flows, can be found in the primary statements on pages 16 to 19. Key assumptions when considering going concern include the impact of rising interest costs on the Company however the directors believe that the Company is well placed to manage its business risks successfully despite the current uncertain economic outlook. During the shock of COVID-19, customers continued to make payments towards their contracts and cash levels remained high and we can therefore expect levels

to remain similar during the current cost-of-living crisis.

Amongst those business risks is the impact of climate change and the UK's planned ban on sales of new internal combustion engines ('ICEs') vehicles from 2030. The Company is already supporting customers and dealers with the transition to electric vehicles by financing such vehicles and sharing learning around the different servicing and maintenance requirements, respectfully. It should be noted, however, that the average mileage of vehicles currently financed by the Company is 69,795 and as a result the Company expects to support customers with the purchase of the UK's legacy ICE fleet for some time beyond 2030.

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future being a period of at least twelve months from the date of approval of the financial statements. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report and accounts.

Post balance sheet events
There are no post balance sheet events requiring disclosure in these audited financial statements.

Streamlined Energy and Carbon Reporting (SECR)
This has been referenced in the Strategic Report under 'Energy and carbon reporting'.

Auditor
Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the directors are aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the directors have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and Deloitte will therefore continue in office.

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

....

D Brough - Chairman & CEO

Date: 31/08/2023

5 Regan Way
Chetwynd Business Park
Chilwell
Nottingham
Nottinghamshire
NG9 6RZ
United Kingdom

First Response Finance Limited

Statement of Directors' Responsibilities for the Year Ended 31 March 2023

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom adopted international accounting standards. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, International Accounting Standard 1 requires that directors:

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

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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditor's report to the members of First Response Finance Limited for the Year Ended 31 March 2023

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of First Response Finance Limited (the 'Company'):

- give a true and fair view of the state of the Company's affairs as at 31 March 2023 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of comprehensive income;
- the statement of financial position;
- the statement of changes in equity;
- the statement of cash flows; and
- the related notes 1 to 32.

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

Basis for opinion

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

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

Conclusions relating to going concern

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

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

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

Other information

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

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

We have nothing to report in this regard.

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.

Independent auditor's report to the members of First Response Finance Limited for the Year Ended 31 March 2023 (continued)

Report on the audit of the financial statements (continued)

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

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

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

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

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

We obtained an understanding of the legal and regulatory frameworks 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, pensions legislation and tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the Company's ability to operate or to avoid a material penalty. These included the Company's regulatory solvency requirements, requirements of the Financial Conduct Authority ("FCA") and the Financial Services and Markets Act 2000.

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

As a result of performing the above, we identified the greatest potential for fraud to be in relation to loan loss provisioning, and our procedures performed to address it are described below:

- we obtained understanding of the controls in place regarding the approach to calculating the probability of default and the loss given default, related to the impairment of lending receivables;
- we challenged the completeness and accuracy of identified management overlays, through our understanding of the book and the external environment and by comparing the size of overlays used by other car finance lenders;
- we challenged management's consideration of the future economic environment within their macroeconomic scenarios, by comparing model assumptions to publicly available data and comparable peer data;
- we tested the implementation of the Significant Increase in Credit Risk ('SICR'') criteria for accuracy and completeness by reviewing the payment and correspondence history for the sample of loans in stage 2;
- we also tested the mechanical accuracy of the model which is used to determine the provision and verified the accuracy and completeness of inputs used by tracing a sample of model inputs to underlying source data; and
- we performed a stand back assessment to test the Probability of Default's, changes in staging balances and overall coverage ratios.

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:

Report on the audit of the financial statements (continued)

- 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 and in-house legal counsel 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 FCA.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:

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

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

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

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

We have nothing to report in respect of these matters.

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

K. J. Cooper
....
Kieren Cooper, FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Birmingham, United Kingdom
Date 31/08/23

Statement of Comprehensive Income for the Year Ended 31 March 2023

	Note	2023 £	2022 £
Revenue	4	62,331,310	56,405,436
Cost of sales		(2,823,788)	(2,559,127)
Gross profit		59,507,522	53,846,309
Administrative expenses	31	(20,862,226)	(19,558,674)
Expected credit loss		(10,110,493)	(13,003,303)
Other income		577,482	229,998
Profit before Interest and Tax		29,112,285	21,514,330
Finance costs	9	(5,717,221)	(1,677,730)
Profit before Tax	6	23,395,064	19,836,600
Taxation	10	(4,277,049)	(3,315,707)
Profit for the financial year attributable to the owner of the Company		19,118,015	16,520,893

All results are derived from continuing operations.

There has been no other comprehensive income or expense other than the profit for the year (2022: nil).

The notes on pages 21 to 50 form an integral part of these financial statements.

First Response Finance Limited

Statement of Financial Position
As at 31 March 2023

	Note	2023 £	2022 £
Non-current assets			
Intangible assets	11	561,936	751,204
Property, plant and equipment	12	3,395,334	2,856,103
Right-of-use assets	24	2,695,097	2,667,188
Hire purchase receivables	15	172,693,309	136,962,815
Loans and advances to customers	16	252,369	155,264
Deferred tax assets	13	2,442,001	2,487,392
		182,040,046	145,879,966
Current assets			
Hire purchase receivables	15	78,314,408	66,662,632
Loans and advances to customers	16	1,659,517	1,715,386
Trade and other receivables	14	997,688	823,020
Cash and cash equivalents	17	4,916,831	676,914
		85,888,444	69,877,952
Total assets		267,928,490	215,757,918
Current liabilities			
Bank overdraft	23	55,725	255,908
Borrowings	18	170,621,503	46,996,594
Trade and other payables	20	8,153,393	7,863,806
Current tax		7,819,675	5,939,890
Lease liabilities	24	515,034	348,315
		187,165,330	61,404,513
Net current assets		(101,276,886)	8,473,439
Non-current liabilities			
Borrowings	18	30,000,000	110,000,000
Provisions	19	846,317	198,650
Lease liabilities	24	2,338,630	2,477,838
		33,184,947	112,676,488
Total liabilities		220,350,277	174,081,001
Net assets		47,578,213	41,676,917
Equity			
Called-up share capital	22	501,000	501,000
Retained earnings		47,077,213	41,175,917
Total equity		47,578,213	41,676,917

The notes on pages 21 to 50 form an integral part of these financial statements.

The financial statements of First Response Finance Limited (registered number: 03560611) were approved by the Board of Directors and authorised for issue on 31/08/2023 and were signed on its behalf by:

....

D Brough - Chairman & CEO

First Response Finance Limited

Statement of Changes in Equity
for the Year Ended 31 March 2023

	Called-up share capital £	Retained earnings £	Total equity £
Balance at 1 April 2021	501,000	33,259,277	33,760,277
Profit for the financial year	-	16,520,893	16,520,893
Total comprehensive income	501,000	49,780,170	50,281,170
Dividends paid	-	(8,604,253)	(8,604,253)
Balance at 31 March 2022	501,000	41,175,917	41,676,917
Profit for the financial year	-	19,118,015	19,118,015
Total comprehensive income	501,000	60,293,932	60,794,932
Dividends paid	-	(13,216,719)	(13,216,719)
Balance at 31 March 2023	501,000	47,077,213	47,578,213

The notes on pages 21 to 50 form an integral part of these financial statements.

First Response Finance Limited

Statement of Cash Flows
for the Year Ended 31 March 2023

	Note	2023 £	2022 £
Cash flows from operating activities			
Cash used in operations	27	(19,706,358)	(1,493,039)
Net cash used in operating activities		(19,706,358)	(1,493,039)
Cash flows from investing activities			
Acquisition of property, plant and equipment	12	(796,877)	(142,348)
Acquisition of other intangible assets	11	(422,538)	(567,055)
Acquisition of ROU assets	24	(485,896)	(40,519)
Disposal of other intangible assets	11	555,807	-
Net cash used in investing activities		(1,149,504)	(749,922)
Cash flows from financing activities			
Increase in borrowings		43,624,909	12,840,989
Principal portion of lease liabilities		485,896	-
Interest portion of lease liabilities		43,603	-
Lease payments for lease liabilities		(501,988)	-
Decrease in lease liabilities		-	(382,619)
Interest paid		(5,717,221)	(1,677,730)
Other income		577,482	229,998
Dividends paid		(13,216,719)	(8,604,253)
Net cash from financing activities		25,295,962	2,406,385
Increase in net cash and cash equivalents		4,400,100	163,424
Net cash and cash equivalents at beginning of year		421,006	257,582
Net cash and cash equivalents at end of year	17	4,861,106	421,006

Net cash and cash equivalents are shown net of any bank overdrawn balances (Note 27).

The notes on pages 21 to 50 form an integral part of these financial statements.

1. General information

First Response Finance Limited (the 'Company') is a private Company limited by share capital incorporated in the United Kingdom and domiciled in England and Wales under the Companies Act 2006. The address of the Company's registered office is shown on page 2.

The nature of the Company's operations and its principal activities are set out in the Strategic Report on pages 3 to 9.

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

2. Adoption of new and revised standards

Amendments to IFRS 3 Business Combinations
In May 2020, the IASB issued 'Reference to the Conceptual Framework (Amendments to IFRS 3) with amendments to IFRS 3 'Business Combinations' that update an outdated reference in IFRS 3 without significantly changing its requirements. The amendments are effective for annual reporting periods beginning on or after 1 January 2022.

The amendments are not relevant to the Company given that it has not acquired any business in the year.

Amendment to IAS 16 Property, Plant and Equipment
In May 2020, the IASB issued 'Property, Plant and Equipment - Proceeds before Intended Use (Amendments to IAS 16) regarding proceeds from selling items produced while bringing an asset into the location and condition necessary for it to be capable of operating in the manner intended by management. The amendments are effective for annual reporting periods beginning on or after 1 January 2022.

The application of amendment to IAS 16 has had no impact on the financial position, financial performance or disclosures of the Company.

Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets
In May 2020, the IASB issued Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37) amending the standard regarding costs a Company should include as the cost of fulfilling a contract when assessing whether a contract is onerous. The amendments are effective for annual reporting periods beginning on or after 1 January 2022.

The amendments have had no impact on the financial position, financial performance or disclosures of the Company.

Impact of initial application of other amendments to IFRS Standards and Interpretations
In the current year, the Company has applied amendments to IFRS Standards and Interpretations issued by the International Accounting Standards Board (IASB) that are effective for an annual period that begins on or after 1 January 2023. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

New and revised IFRS Standards in issue but not yet effective
At the date of authorisation of these financial statements, the Group has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

- IFRS 17 (including the June 2020 and December 2021 Amendments to IFRS 17): Insurance Contracts
- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- Amendments to IAS 1: Classification of Liabilities as Current or Non-current
- Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting Policies
- Amendments to IAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods.

3. **Accounting policies**

Statement of compliance
The financial statements have been prepared in accordance international accounting standards in conformity with the requirements of the Companies Act 2006.

Summary of significant accounting policies and key accounting estimates
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.

The financial statements have been prepared under the historical cost convention.

Critical accounting judgments and key sources of estimation
The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key estimations and uncertainties are in relation to the recoverability of hire purchase receivables and loans and advances to customers. Refer to Note 30 for further details on estimates and judgements.

Fair value
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for leasing transactions that are within the scope of IFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

Going concern
The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on pages 3 to 9. The Strategic Report also discusses the financial position of the Company, its financial risk management objectives, its exposure to credit risk and current borrowing facilities. Further information on the financial position of the Company, including its cash flows, can be found in the primary statements on pages 16 to 19. The directors believe that the Company is well placed to manage its business risks successfully despite the current uncertain economic outlook including the cost-of-living crisis.

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, being at least 12 months from the date of approval of the financial statements. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

3. **Accounting policies**

Financial instruments: Hire purchase receivables and loans advances to customers

Recognition and Measurement
Trade receivables and loans issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Classification
The Company currently provides hire purchase agreements to customers (who typically wish to purchase a used motor vehicle) and personal loan agreements (to existing customers). All agreements are structured as fixed rate, fixed term contracts for the repayment of the principal amount and interest thereon. Since 2015 all contracts have been written without any additional fees and charges.

Having assessed the Company's business model, hire purchase receivables and loans and advances to customers will both be measured at amortised cost reflecting that:

- The objective pursued within the Company's business model is to hold the assets to collect contractual cash flows; and,
- That the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Company currently has no plans to change its business model and, as a consequence, the treatment of hire purchase receivables and loans and advances to customers.

Subsequent measurement
Interest income is recognised in the income statement for hire purchase receivables and loans and receivables which are measured at amortised cost using the constant periodic rate of return on the net investment in the loans, which is akin to an effective interest rate ('EIR') method. The EIR is the rate that exactly discounts estimated future cash flows of the loan back to the present value of the advance. Direct transaction costs such as the dealer commission are included in the calculation of the EIR. For lease agreements which are classified as credit impaired (i.e. stage 3 assets under IFRS 9), the Company recognises revenue 'net' of the impairment provision to align the accounting treatment under IFRS 16 with the requirements of IFRS 9.

The carrying value of the asset is reduced by expected credit losses ('ECLs'). Interest income is recognised in profit or loss within the Statement of Comprehensive Income. Any gain or loss on de-recognition is recognised in profit or loss also within the Statement of Comprehensive Income.

Derecognition
Under IFRS 9 the Company derecognises hire purchase receivables and loans and advances to customers when an agreement ends or should aggregate payments received in the last 13 months to be less than a full contractual payment. At this point, any gain or loss on derecognition is recognised directly in the Statement of Comprehensive Income.

3. Accounting policies (continued)

Financial instruments: Hire purchase receivables and loans advances to customers (continued)

Staging

Under IFRS 9 all agreements within hire purchase receivables and loans and advances to customers are allocated to one of three stages. The Company defines those stages as follows:

IFRS 9 stage	The Company's definition	Accounting treatment
Stage 1	All performing agreements where arrears are less than or equal to 30 days past due	12 month ECLs are all losses that are expected to occur due to impairment events in the next 12 months. Interest income is recognised on the carrying value of the asset using the effective interest rate method.
Stage 2	Agreements where there has been a significant increase in credit risk and can be considered 'at risk' but where the agreement has not gone into default. These agreements are less than 90 days past due.	Lifetime ECLs recognised, meaning the losses that would result from all expected default events over the life of the asset. Interest income is recognised on the carrying value of the asset using the effective interest rate method.
Stage 3	Agreements which are 90 or more days past due and are described as being in default. Additionally, agreements which have terminated or settled with a balance remaining due are classified as being in default.	Lifetime ECLs are recognised, meaning the losses that would result from all possible default events over the life of the asset. Interest income is recognised on the carrying value of the asset, net of expected credit losses using the effective interest rate method.

The Company defines a significant increase in credit risk as the increased probability of default of an individual agreement, as indicated by delinquency in payments where these are greater than 30 days past due. Agreements in stage 2 can 'cure' and return to stage 1 when arrears are less than or equal to 30 days past due. If, however an agreement reaches arrears of 90 or more days past due than it is classified as in default and will remain so unless the agreement is terminated or derecognised.

Impairment

In respect of hire purchase receivables and loans and advances to customers, the Company makes provisions for losses on an ECL basis by multiplying each outstanding balance by its propensity to default ('PD') and the expected loss given default ('LGD').

The PD for agreements in Stage 1 is the propensity to default within the next 12 months whilst agreements in Stage 2 use the PD for the propensity to default at any stage during their remaining life. The PD for agreements in Stage 3 is by definition 100%.

The LGDs are calculated on recovery rates of amounts outstanding at the time of the default and applied equally to all remaining payments due from an agreement.

The Company maintains a reference database of values for PDs and LGDs for both hire purchase and personal loan agreements dating back to 2008 and 2014 respectively. This dataset covers a range of different economic conditions.

Forward looking information

At least quarterly the Company considers the assumptions in the impairment model. When changes are required it undertakes a forward looking process to develop various economic scenarios. These scenarios include a central case, a better case, a worse case and a severe downturn case each of which is allocated appropriate PDs and LGDs and a probability of occurring. A weighted probability is calculated for inclusion in the impairment model.

3. **Accounting policies (continued)**

Financial instruments: Hire purchase receivables and loans advances to customers (continued)

Economic Scenarios
The Company identifies four significant macroeconomic scenarios and weights the Stage 1 to Stage 3 PD appropriately across these scenarios. Variation of Stage 2 to Stage 3 PDs and to the LGDs is considerably less and a single setting is maintained across all economic scenarios.

Note the macro-economic factors, including GDP, unemployment rate, interest rates and productivity data are not used to drive values for PDs or LGDs in the ECL models given the lack of correlation between these factors and resulting PDs and LGDs across the historical database maintained by the Company.

Other non-derivative financial instruments

Non-derivative financial instruments are as shown below.

Cash and cash equivalents
Cash and cash equivalents comprise cash balances held with financial institutions.

Trade and other receivables and trade and other payables
Trade and other receivables and trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost. These are stated net of impairment.

Interest-bearing borrowings
Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost.

Impairment

Non-financial assets
The carrying amounts of the Company's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is adjusted appropriately.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease and to the extent that the impairment loss is greater than the related revaluation surplus, the excess impairment loss is recognised in profit or loss.

Property, plant and equipment
Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Depreciation is provided to write off the cost less the estimated residual value of tangible assets by equal instalments over their estimated useful economic lives of between 2 and 50 years. Land is not depreciated.

Where parts of an item of property, plant and equipment have different useful economic lives, they are accounted for as separate items of property, plant and equipment.

3. **Accounting policies (continued)**

Property, plant and equipment - continued

Depreciation methods, useful economic lives and residual values are reviewed at each period-end date. The estimated useful economic lives are as follows:

- Buildings - 50 years
- Leasehold improvements - 2 to 15 years
- Fixtures, fittings and equipment - 2 to 10 years
- Right of use - 3 to 8 years

Intangible assets

Intangible assets comprise software development costs and are stated at cost less accumulated amortisation and impairment losses.

Amortisation is charged to the income statement on a straight-line basis over the estimated useful economic lives of intangible assets. Intangible assets are amortised from the date they are available for use. The estimated useful economic lives are as follows:

- Computer Software - 1 to 8 years

Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Research and development

Research expenditure is written off as incurred. Development expenditure is also written off, except where the directors are satisfied as to the technical, commercial and financial viability of individual projects. In such cases, the identifiable expenditure is capitalised as an intangible asset and amortised over the period during which the Company is expected to benefit. The amortisation period for development costs incurred is 10 years. Provision is made for any impairment.

Revenue

Interest income is recognised in the Statement of Comprehensive Income for all hire purchase receivables and loans and advances to customers, measured at amortised cost using approaches akin to an effective interest rate (EIR) method. The EIR is the rate that exactly discounts estimated future cash flows of the loan back to the present value of the advance. For hire purchase agreements, income is recognised using the EIR under IFRS 16 and for personal loan agreements income is recognised using the EIR under IFRS 9.

For hire purchase receivables commissions paid to dealers and discounts afforded to renewing customers are included in the calculation of the EIR. For hire purchase agreements and personal loan agreements which are classified as credit impaired (i.e. stage 3 assets under IFRS 9), the Company recognises revenue 'net' of the impairment provision to align the accounting treatment with the requirements of IFRS 9.

Taxation

Corporation tax is accounted for using the taxes payable method. The corporation tax expense recorded in the Statement of Comprehensive Income for the period represents the corporation tax payable for the period.

The current corporation tax asset or liability recognised on the Statement of Financial Position represents the current corporation tax balance due from or obligation to the relevant tax authority at the reporting date. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purpose at the reporting date.

3. **Accounting policies (continued)**

Taxation (continued)

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss, and;
- in respect of taxable temporary differences associated with investments in subsidiaries when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes related to the same taxable entity and the same taxation authority.

Leases

The Company as 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 all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate.

3. **Accounting policies (continued)**

Leases (continued)

The Company as lessee (continued)

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the Consolidated Statement of Financial Position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest rate method) and by reducing the carrying amount to reflect the lease payments made.

The Company remeasures the lease liability and makes a corresponding adjustment to the related right-of-use asset whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used)
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate

The Company did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Company incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. The costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the Consolidated Statement of Financial Position.

The Company applies IAS 36 Impairment of Assets to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the Property, Plant and Equipment policy.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line "Other operating expenses" in the statement of profit or loss.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has not used this practical expedient.

3. **Accounting policies (continued)**

Employee benefits

The Company operates a defined contribution pension scheme and the pension charge represents the amount payable by the Company for the financial year.

Finance expenses

Finance expenses comprise expenses incurred on the borrowings with the Company's parent and other financial institutions and also IFRS 16 finance costs. Interest expense is recognised in the Statement of Comprehensive Income as it accrues on an effective interest rate basis.

4. **Revenue**

Revenue is the aggregate of interest earned from hire purchase receivables and loans and advances to customers.

	2023 £	2022 £
Hire purchase receivables interest income	60,875,280	55,135,369
Loans and advances to customers interest income	1,456,030	1,270,067
Total revenue	62,331,310	56,405,436

The Company operates in a single geographical segment being the United Kingdom. Included within the above revenue is £1,244,643 (2022: £1,439,235) in respect of interest earned on impaired agreements.

5. **Auditor's remuneration**

Auditor's remuneration comprises:

	2023 £	2022 £
Audit of these financial statements	130,557	130,000
Other non-audit services	-	7,950
Total	130,557	137,950

6. **Profit for the financial year**

Profit for the year has been calculated after the following deductions:

	2023 £	2022 £
Depreciation of property, plant and equipment (see Note 12)	257,646	229,714
Depreciation of right-of-use assets (see Note 24)	457,987	384,938
Interest expenses on lease liabilities	43,603	44,468
Amortisation of intangible assets (see Note 11)	55,999	309,630

7. Staff costs and employees

The average number of persons employed by the Company (including directors) during the year, analysed by category was as follows:

	2023	2022
	No.	No.
Management	9	10
Administration	241	231
Sales	45	46
	295	287

The aggregate payroll costs were as follows:	2023	2022
	£	£
Wages and salaries	13,342,170	13,322,943
Social security costs	1,510,660	1,413,512
Other pension costs (Note 21)	915,334	778,112
	15,768,164	15,514,567

Other pension costs include only those defined contribution plan costs included within operating costs and the defined contribution plan charge.

8. Directors' remuneration

The aggregate directors' remuneration was as follows:	2023	2022
	£	£
Directors' emoluments	1,649,844	1,569,476
Company contributions to defined contribution pension plans	-	-
	1,649,844	1,569,476

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid director was £727,217 (2022: £692,662) and pension contributions of £0 (2022: £0) were made by the Company to a money purchase scheme on his behalf.

Retirement benefits are accruing to the following number of directors under:	2023	2022
Defined contribution pension plans	3	3

9. Finance costs

	2023	2022
	£	£
Interest on intercompany loan from parent	5,672,726	1,633,222
Other finance costs	44,495	44,508
	5,717,221	1,677,730

10. Taxation

Analysis of tax expense

	2023 £	2022 £
Current tax expense:		
Current year	3,988,456	3,579,457
Adjustments for prior years	243,201	24,933
Total current tax expense	4,231,657	3,604,390
Deferred tax expense:		
Origination and reversal of temporary differences	414,601	147,631
Effect of law changes	(149,423)	(433,549)
Adjustment for prior year	(219,786)	(2,765)
Total deferred tax expense	45,392	(288,683)
Total tax expense included in the income statement	4,277,049	3,315,707

Factors affecting the tax expense:
The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The difference is explained below:

	2023 £	2022 £
Profit before income tax	23,395,064	19,836,600
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2022: 19%)	4,445,063	3,768,954
Effects of:		
Depreciation of ineligible assets	8,283	8,387
Non-deductible expenses	4,194	1,794
R&D Credit	-	(18,575)
Capital allowances super deduction	(54,484)	(33,472)
Increase in deferred tax due to rate change	(149,423)	(433,549)
Adjustment in respect of prior years - current tax	243,202	24,933
Adjustment in respect of prior years - deferred tax	(219,786)	(2,765)
Tax expense for the year	4,277,049	3,315,707

An increase in the UK corporation tax rate from 19% to 25% (effective 1 April 2023) was substantively enacted on 24 May 2021. The UK deferred tax asset as at 31 March 2023 was calculated at 25% (2022: 23%).

11. Intangible assets

	Computer software	Development cost	Total
	£	£	£
Cost			
At 1 April 2021	1,039,015	1,955,429	2,994,444
Additions	65,980	501,075	567,055
Disposals	(12,653)	-	(12,653)
At 1 April 2022	1,092,342	2,456,504	3,548,846
Additions	-	422,538	422,538
Disposals	(88,903)	(501,075)	(589,978)
At 31 March 2023	1,003, 439	2,377, 967	3,381,406
Amortisation			
At 1 April 2021	987,534	1,513,131	2,500,665
Charge for the year	30,283	279, 347	309,630
Eliminated on disposal	(12,653)	-	(12,653)
At 1 April 2022	1,005,164	1,792,478	2,797,642
Charge for the year	10,524	45,475	55,999
Eliminated on disposal	(34,171)	-	(34,171)
At 31 March 2023	981,517	1,837,953	2,819,470
Net book value			
At 31 March 2023	21,922	540,014	561,936
At 31 March 2022	87,178	664,026	751,204
At 31 March 2021	51,481	442,298	493,779

Capitalised development costs are not treated as a realised loss for the purpose of determining the Company's distributable profits as the costs meet the conditions requiring them to be treated as an intangible asset in accordance with IAS 38. The amortisation period for development costs incurred is seven years.

The amortisation charge for the year ended 31 March 2023 of £55,999 (2022: £309,630) is fully recognised within administration expenses in the Statement of Comprehensive Income.

There was no impairment charge recognised in respect of intangible assets in the year to 31 March 2023 or the prior year.

12. Property, plant and equipment

	Buildings £	Leasehold Improvements £	Fixtures & Fittings £	Total £
Cost				
At 1 April 2021	2,549,290	1,394,162	2,228,289	6,171,741
Additions	-	75,304	67,044	142,348
Disposals	-	(13,770)	(85,530)	(99,300)
At 1 April 2022	2,549,290	1,455,696	2,209,803	6,214,789
Additions	-	316,867	480,010	796,877
Disposals	-	(30,787)	(335,482)	(366,269)
At 31 March 2023	2,549,290	1,741,776	2,354,331	6,645,397
Depreciation				
At 1 April 2021	279,906	1,001,279	1,947,087	3,228,272
Charge for year	45,529	79,333	104,852	229,714
Eliminated on disposal	-	(13,770)	(85,530)	(99,300)
At 1 April 2022	325,435	1,066,842	1,966,409	3,358,686
Charge for year	45,528	73,897	138,221	257,646
Eliminated on disposal	-	(30,787)	(335,482)	(366,269)
At 31 March 2023	370,963	1,109,952	1,769,148	3,250,063
Net book value				
At 31 March 2023	2,178,327	631,824	585,183	3,395,334
At 31 March 2022	2,223,855	388,854	243,394	2,856,103
At 31 March 2021	2,269,384	392,883	281,202	2,943,469

There were no revaluations of fixed assets during the year to 31 March 2023 or the prior year.

13. Deferred tax assets

Deferred tax assets are attributable to the following:	2023 £	2022 £
Property, plant and equipment	(45,086)	32,053
Hire purchase receivables	985,844	1,181,899
Employee bonuses	1,474,995	1,257,741
Other	26,248	15,699
Deferred tax assets	2,442,001	2,487,392

There are no deferred tax liabilities as at 31 March 2023 (2022: nil).

13. Deferred tax assets (continued)

Movement in deferred tax during the year:

	1 April 2022 £	Recognised in income £	31 March 2023 £
Property, plant and equipment	32,053	(77,139)	(45,086)
Hire purchase receivables	1,181,899	(196,055)	985,844
Employee bonuses	1,257,741	217,254	1,474,995
Leased buildings	15,104	(1,820)	13,284
Donations	595	(1,249)	(654)
Prior adjustment	-	13,618	13,618
	2,487,392	(45,391)	2,442,001

Movement in deferred tax during the prior year:

	1 April 2021 £	Recognised in income £	31 March 2022 £
Property, plant and equipment	134,396	(102,343)	32,053
Hire purchase receivables	1,141,352	40,547	1,181,899
Employee bonuses	907,681	350,060	1,257,741
Leased buildings	13,739	1,365	15,104
Donations	1,545	(950)	595
Prior adjustment	(4)	4	-
	2,198,709	288,683	2,487,392

Deferred tax assets are recognised only to the extent that realisation of the related tax benefit against future taxable profits if probable over the foreseeable future. The deferred tax assets have not been discounted.

The UK corporation tax rate increased to 25% with effect from 1 April 2023. Deferred tax assets and liabilities have been recognised at 25% (2022: 23%), being the rate substantively enacted at the Statement of Financial Position date and expected to apply when the deferred tax balances are realised.

14. Trade and other receivables

	2023 £	2022 £
Current:		
Other receivables	334,952	170,977
Prepayments and accrued income	662,736	400,525
Derivative asset	-	251,518
	997, 688	823,020

15. Hire purchase receivables

Gross Balance	Stage 1 £	Stage 2 £	Stage 3 £	Total £
As at 1 April 2022	308,031,669	6,375,454	17,760,186	332,167,309
Reclassification of stage	(23,874,302)	2,293,460	21,580,842	-
Movements in stage inc. new business	91,920,590	10,595	(10,438,642)	81,492,543
Other movements including write offs	(428,948)	(438,445)	(6,720,706)	(7,588,099)
Gross Balance as at 31 March 2023	375,649,009	8,241,064	22,181,680	406,071,753

Gross Balance	Stage 1 £	Stage 2 £	Stage 3 £	Total £
As at 1 April 2021	271,689,822	4,245,695	18,042,014	293,977,531
Net transfers and changes in credit risk	(18,182,914)	2,420,906	15,762,008	-
New financial assets originated	54,799,926	(66,803)	(9,969,569)	44,763,554
Other movements including write offs	(275,165)	(224,344)	(6,074,267)	(6,573,776)
Gross Balance as at 31 March 2022	308,031,669	6,375,454	17,760,186	332,167,309

	2023 £	2022 £
Gross investment in hire purchase receivables comprise		
- Less than one year	147,994,026	124,012,371
- Between one and five years	257,235,175	207,459,576
- Over five years	842,552	695,362
	406,071,753	332,167,309
Unearned finance income on hire purchase receivables	(117,540,967)	(94,520,820)
	288,530,786	237,646,489
Net investment in hire purchase receivables comprise		
- Less than one year	90,009,787	76,025,660
- Between one and five years	196,641,135	159,740,965
- Over five years	1,879,864	1,879,864
	288,530,786	237,646,489
Less allowance for impairment	(37,523,069)	(34,021,042)
Net hire purchase receivables after impairment	251,007,717	203,625,447

15. Hire purchase receivables (continued)

	2023 £	2022 £
Hire purchase receivables net of impairment comprise		
- Non-current hire purchase receivables	172,693,309	136,962,815
- Current hire purchase receivables	78,314,408	66,662,632
	251,007,717	203,625,447

Allowance for impairment	Stage 1 £	Stage 2 £	Stage 3 £	2023 Total £
As at 1 April 2022	20,696,952	2,642,001	10,682,089	34,021,042
Reclassification of stage	(903,510)	(1,509,678)	2,413,188	-
Movements in stage inc new business	2,468,411	2,616,812	4,873,853	9,959,076
Other movements including write offs	(367,268)	(381,964)	(5,707,817)	(6,457,049)
Balance as at 31 March 2023	21,894,585	3,367,171	12,261,313	37,523,069

	Stage 1 £	Stage 2 £	Stage 3 £	2022 Total £
As at 1 April 2021	14,145,899	1,799,876	10,870,629	26,816,404
Reclassification of stage	(584,550)	(1,094,387)	1,678,937	-
Movements in stage inc new business	7,355,093	2,116,011	3,184,155	12,655,259
Other movements including write offs	(219,490)	(179,499)	(5,051,632)	(5,450,621)
Balance as at 31 March 2022	20,696,952	2,642,001	10,682,089	34,021,042

16. Loans and advances to customers

Gross Balance	Stage 1 £	Stage 2 £	Stage 3 £	Total £
As at 1 April 2022	2,791,705	65,129	307,506	3,164,340
Net transfers and changes in credit risk	(326,709)	19,043	307,666	-
New financial assets originated	414,089	33,924	(39,878)	408,135
Other movements including write offs	(28,203)	(28,649)	(191,644)	(248,496)
Gross Balance as at 31 March 2023	2,850,882	89,447	383,650	3,323,979

16. **Loans and advances to customers (continued)**

Gross Balance	Stage 1 £	Stage 2 £	Stage 3 £	Total £
As at 1 April 2021	2,131,230	42,804	391,993	2,566,027
Net transfers and changes in credit risk	(179,795)	10,223	169,572	-
New financial assets originated	858,969	27,077	(72,064)	813,982
Other movements including write offs	(18,699)	(14,975)	(181,995)	(215,669)
Gross Balance as at 31 March 2022	2,791,705	65,129	307,506	3,164,340

	2023 £	2022 £
Gross investment in loans and advances to customers comprise		
- Less than one year	2,917,326	2,758,573
- Between one and five years	406,653	405,767
	3,323,979	3,164,340
Unearned finance income on loans and advances to customers	(760,548)	(719,039)
	2,563,431	2,445,301
Net investment in loans and advances to customers comprise		
- Less than one year	2,225,775	2,099,670
- Between one and five years	337,656	345,631
	2,563,431	2,445,301
Less allowance for impairment	(651,545)	(574,651)
Net loans and advances to customers after impairment	1,911,886	1,870,650

	2023 £	2022 £
Loans and advances to customers		
- Non-current loans and advances to customers	252,369	155,264
- Current loans and advances to customers	1,659,517	1,715,386
	1,911,886	1,870,650

Allowance for impairment

	Stage 1 £	Stage 2 £	Stage 3 £	2023 Total £
As at 1 April 2022	304,251	39,233	231,167	574,651
Reclassification of stage	(19,544)	(12,982)	32,526	-
Movements in stage inc new business	52,516	56,203	206,022	314,741
Other movements including write offs	(27,175)	(28,489)	(182,183)	(237,847)
Balance as at 31 March 2023	310,048	53,965	287,532	651,545

16. Loans and advances to customers (continued)

	Stage 1 £	Stage 2 £	Stage 3 £	2022 Total £
As at 1 April 2021	157,991	27,019	458,936	643,946
Reclassification of stage	(8,896)	(7,380)	16,276	-
Movements in stage inc new business	172,992	33,584	(78,941)	127,635
Other movements including write offs	(17,836)	(13,990)	(165,104)	(196,930)
Balance as at 31 March 2022	304,251	39,233	231,167	574,651

17. Cash and cash equivalents

	2023 £	2022 £
Cash and cash equivalents	4,916,831	676,914
Total cash and cash equivalents	4,916,831	676,914

18. Borrowings

This note provides information about the terms of the Company's interest-bearing loans and borrowings, which are measured at amortised cost. For information about the Company's exposure to interest rate risk, see Note 23.

	2023 £	2022 £
Non-current liabilities		
Intercompany loan facility	30,000,000	110,000,000
Current liabilities		
Long term loan - intercompany loan facility	100,000,000	10,000,000
Short term loan - intercompany loan facility	69,191,885	36,649,990
Accrued interest	1,429,618	346,604
	170,621,503	46,996,594

18. Borrowings (continued)

Terms and debt repayment schedule:

Loan facility Reference	Loan due	Interest rate	Face value 2023	Carrying amount 2023	Face value 2022	Carrying amount 2022
			£	£	£	£
Short term		1M SONIA OIS[2] + 0.75%	69,191,885	69,451,568	36,649,990	36,690,384
Long term - 13	10/03/2023	SONIA OIS + 0.95%	-	-	10,000,000	10,010,569
Long term - 14	17/04/2023	SONIA OIS + 0.95%	20,000,000	20,198,370	20,000,000	20,055,307
Long term - 15	17/04/2023	SONIA OIS + 0.95%	30,000,000	30,297,555	30,000,000	30,082,961
Long term - 16	17/04/2023	SONIA OIS + 0.95%	15,000,000	15,148,777	15,000,000	15,041,481
Long term - 17	24/07/2023	SONIA OIS + 0.95%	10,000,000	10,089,964	10,000,000	10,025,754
Long term - 18	24/07/2023	SONIA OIS + 0.95%	20,000,000	20,179,927	20,000,000	20,051,507
Long term - 19	24/07/2023	SONIA OIS + 0.95%	5,000,000	5,044,982	5,000,000	5,012,877
Long term - 20	24/10/2024	SONIA OIS + 0.95%	10,000,000	10,089,964	10,000,000	10,025,754
Long term – 21	24/07/2025	SONIA OIS + 0.95%	5,000,000	5,044,982	-	-
Long term - 22	24/10/2025	SONIA OIS + 0.95%	5,000,000	5,044,982	-	-
Long term - 23	24/10/2025	SONIA OIS + 0.95%	10,000,000	10,030,432	-	-
			199,191,885	200,621,503	156,649,990	156,996,594

The amendments issued by FRC in December 2020 has driven the Company to transition all outstanding loans from GBP LIBOR (London Interbank Offered Rate) to SONIA (Sterling Overnight Index Average) starting from 1 January 2022. The Company's borrowings are on a floating rate and therefore the Company will maintain careful monitoring of interest payments.

All loans are in GBP.

19. Provisions

	2023	2022
	£	£
Balance bought forward	198,650	193,198
Utilised in the year	(242,818)	418,028
Additions in the year	890,485	(412,576)
Balance carried forward	846,317	198,650

Monthly, we produce a dealer debtor reconciliation and post a provision based on the movement of debt that is owed by dealers.

[2] Overnight Index Swap

20. Trade and other payables

	2023	2022
Current:	£	£
Trade payables	210,533	110,653
Other taxes and social security	300,063	282,439
Staff bonus accrual	6,684,908	6,692,734
Other payables	50,990	11,595
Accruals and deferred income	906,899	766,385
	8,153,393	7,863,806

21. Employee benefits

The Company operates a defined contribution pension plan. The total expense relating to these plans in the current year was £915,334 (2022: £778,112) and has been recognised in administrative expenses. Contributions outstanding at the year end amounted to £71,671 (2022: £nil).

22. Called up share capital

Authorised:

Number:	Class:	Nominal value:	2023 £	2022 £
8,001,000	Ordinary share	£1 each	8,001,000	8,001,000

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	2023 £	2022 £
501,000	Ordinary share	£1 each	501,000	501,000

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

Capital Management

The Company's objective is to maintain a strong capital base so as to maintain creditor, market and regulator confidence and to sustain future development of the business. During the year the Company's approach to capital management has remained broadly consistent with prior years. The Company is not subject to externally imposed capital requirements.

Dividends

The following dividends were recognised during the period:

	2023	2022
	£	£
Total dividend paid	13,216,719	8,604,253
Per qualifying ordinary share	26.38	17.17

23. Financial instruments and risk management

(a) Fair values of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between informed market participants at the measurement date. The Company determines fair values by the following three tier valuation hierarchy in accordance with IFRS 13:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Valuation techniques where all inputs are taken from observable market data, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: Valuation techniques where significant inputs are not based on observable market data.

Valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which market observable prices exist and other valuation models. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by market participants acting at arm's length.

The fair values of all financial assets and financial liabilities by class together with their carrying amounts shown in the balance sheet are as follows (excluding tax assets and liabilities as well as provisions):

	Carrying amount 2023 £	Fair value 2023 £	Carrying amount 2022 £	Fair value 2022 £	Fair value hierarchy
Financial assets					
Hire purchase receivables	251,007,717	237,435,409	203,625,447	215,890,722	3
Loans and advances to customers	1,911,886	1,952,236	1,870,650	1,872,119	3
Trade and other receivables	997,688	997, 688	823,020	823,020	3
Cash and cash equivalents	4,916,831	4,916,831	676,914	676,914	1
Total financial assets	258,834,122	245,302,164	206,996,031	219,262,775	
Financial liabilities					
Interest bearing loans and borrowings	200,621,503	199,191,885	156,996,594	156,649,990	3
Trade and other payables	8,153,393	8,153,393	7,863,806	7,863,806	3
Bank overdraft	55,725	55,725	255,908	255,908	1
Total financial liabilities	208,830,621	207,401,003	165,116,308	164,769,704	

Detailed below are the assumptions applied in determining the fair value of the financial instruments held by the Company.

23. **Financial instruments and risk management (continued)**

(a) Fair values of financial instruments (continued)

Hire purchase receivables and loans and advances to customers

Fair values of hire purchase receivables have been calculated by using the current market rate used in hire purchase contracts written at the balance sheet date as a discount factor on the forecasted future monthly gross receivable amounts.

Cash and cash equivalents and trade and other payables

For cash and cash equivalents and trade and other payables and advances and other receivables with a remaining life of less than one year, the carrying amount is deemed to reflect fair value.

Interest bearing borrowings

The fair value of interest-bearing loans is deemed to be equal to the carrying amount other than for the accrued interest owing at the balance sheet date.

(b) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. It arises principally from the Company's hire purchase receivables from customers and loans and advances to customers.

At contract inception various tools and procedures are used to assess credit risk. This includes such information as credit scoring techniques and external credit reference agencies. This is designed to balance the generation of new business with the risk of credit loss.

The Company actively manages its credit exposures. When weaknesses in exposures are detected, action is taken to mitigate the risks. These included steps to reduce the outstanding balance and, where appropriate, repossession and sale of the loan assets.

Exposure to credit risk

In the event that receivables are considered to be impaired, provisions are calculated under IFRS 9 based on appropriate Propensity to Default (PD) and Loss Given Default (LGD) from a database of similar assets dating back to 2008 for hire purchase agreements and 2014 for personal loan agreements.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Carrying amount 2023 £	Carrying amount 2022 £
Hire purchase receivables (Note 15)	251,007,717	203,625,447
Loans and advances to customers (Note 16)	1,911,886	1,870,650
Trade and other receivables (Note 14)	997,688	823,020
Cash and cash equivalents (Note 17)	4,916,831	676,914
	258,834,122	206,996,031

Receivables above are shown net of impairment provisions.

The Company deems the majority of exposure to credit risk at the reporting date to be related to hire purchase receivables and loans and advances to customers.

23. Financial instruments and risk management (continued)

Credit quality of financial assets and impairment losses

The ageing of hire purchase receivables at the balance sheet date was:

	2023 £	2022 £
Not past due	252,157,198	207,774,117
Past due 0-30 days	9,437,184	7,236,428
Past due 31-120 days	10,161,343	8,567,085
More than 120 days	13,151,123	11,779,063
Carrying value adjustment - income	(261,331)	(656,237)
Allowance for impairment	(37,523,069)	(34,021,042)
Prepaid dealer commission	3,528,863	2,830,969
Prepaid 10% discount scheme	356,406	115,064
	251,007,717	203,625,447

The ageing of loans and advances to customers at the balance sheet date was:

	2023 £	2022 £
Not past due	2,080,972	2,047,175
Past due 0-30 days	58,618	55,690
Past due 31-120 days	126,445	119,192
More than 120 days	298,334	228,129
Carrying Value Adjustment - Income	(938)	(4,885)
Allowance for impairment	(651,545)	(574,651)
	1,911,886	1,870,650

The movement in the allowance for impairment in respect of hire purchase receivables and loans and advances to customers during the year has been disclosed in Notes 15 and 16 respectively.

The allowance for impairment for hire purchase receivables and loans and advances to customers is used to record impairment losses unless the Company is satisfied that no recovery of the amount owing is possible; at that point the amounts considered irrecoverable are written off.

23. **Financial instruments and risk management (continued)**

(c) Liquidity risk

Financial risk management
Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company mitigates this risk by the following measures:

- Day to day liquidity is managed in a way that the Company ensures it can meet any obligation to make payments.
- The Company performs forecasting in order to ensure that requirements can be met.
- Revolving intercompany facilities are entered into and closely monitored.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the effect of netting agreements:

At 31 March 2023:	Carrying amount £	1 year or less £	No specific maturity £
Non-derivative financial liabilities			
Intercompany loan facility	200,621,503	170,621,503	30,000,000
Trade and other payables	8,153,393	2,279,657	5,873,736

At 31 March 2022:	Carrying amount £	1 year or less £	No specific maturity £
Non-derivative financial liabilities			
Intercompany loan facility	156,996,594	46,996,594	110,000,000
Trade and other payables	7,863,806	4,658,219	3,205,587

(d) Market risk

Financial risk management
Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The Company's market risk relates predominantly to interest rate fluctuations.

Management of this risk requires a medium term focus as all customer lending is currently at rates of interest which are fixed over the term of their contract. The Company is therefore exposed to interest rate risk through its use of wholesale funding (provided by the Company's parent) and loss of the inception margin that these fluctuations can cause.

23. Financial instruments and risk management (continued)

(d) Market risk (continued)

Interest rate risk
At the balance sheet date, the interest rate profile of the Company's interest-bearing financial instruments was:

	2023	2022
Fixed rate instruments	£	£
Financial Assets		
- Hire purchase receivables	251,007,717	203,625,447
- Loans and advances to customers	1,911,886	1,870,650
Variable instruments		
Other interest-bearing loans and borrowings	(200,621,503)	(156,996,594)
	52,298,100	48,499,503

Other interest-bearing loans and borrowings have been designated as variable rate instruments as the interest rates charged tracks the SONIA overnight rate plus 0.95%, the exception being the short-term loan which tracks 1 month SONIA OIS plus 0.75%.

Sensitivity analysis
A change of 50 basis points in interest rates at the balance sheet date would have increased or decreased equity and profit for the year by £495,141 (2022: £515,816). This calculation assumes that the change had been applied to risk exposures existing at the balance sheet date.

This analysis assumes that all other variables remain constant and considers the effect of financial instruments with variable interest rates. The analysis is performed on the same basis for the year ended 31 March 2022.

	2023	2022
	£	£
Equity		
Retained earnings	495,141	515,816
Profit or loss		
Finance expenses	495,141	515,816

24. Lease liabilities

	ROU Assets Land, Buildings & Electric Vehicles £
Cost	
At 1 April 2021	3,782,538
Additions	40,519
At 1 April 2022	3,823,057
Additions	485,896
At 31 March 2023	4,308,953
Depreciation	
At 1 April 2021	770,931
Charge for the year	384,938
At 1 April 2022	1,155,869
Charge for the year	457,987
At 31 March 2023	1,613,856
Net book value	
At 31 March 2023	2,695,097
At 31 March 2022	2,667,188
At 31 March 2021	3,011,607

The Company leases several buildings, the average lease term is 4 years (2022: 5 years).

The Company also leases electric vehicles, the average lease term is 2 years (2022: 3 years)

24. Lease liabilities (continued)

	2023 £	2022 £
Amounts recognised in profit and loss		
Depreciation expenses on right-of-use assets	457,987	384,938
Interest expenses on lease liabilities	43,603	44,468
Expense relating to short-term leases	80,893	38,094

At 31 March 2023, the Company is committed to £nil (2022: £nil) for short-term leases.

The total cash outflow for leases amount to £493,089 (2022: £504,290).

Analysed as:	2023 £	2022 £
Current	515,034	348,315
Non-current	2,338,630	2,477,838
	2,853,664	2,826,153

Maturity analysis:

	2023 £	2022 £
Year 1	643,109	348,315
Year 2	582,189	442,403
Year 3	470,522	387,957
Year 4	402,952	326,942
Year 5	353,941	319,903
Onwards	770,482	1,000,633
	3,223,198	2,826,153

25. Commitments

There are no capital commitments (contracted or committed) at the end of the year or the prior year.

26. Contingent Liabilities

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

27. Reconciliation of profit before income tax to cash generated from operations

	2023 £	2022 £
Profit for the financial year	19,118,015	16,520,893
Depreciation, amortisation and impairment charges	771,632	924,282
Finance costs	5,717,221	1,677,730
Other income	(577,482)	229,998
Research and development tax credits	-	(97,764)
Utilisation of provisions	647,667	5,452
Taxation	4,277,049	3,315,707
	29,954,102	22,576,298
Increase in hire purchase receivables	(47,382,270)	(22,100,246)
Increase in loans and advances to customers	(41,236	(62,828)
(Increase)/decrease in trade and other receivables	(174,668)	67,218
Increase in trade and other payables	289,587	562,766
Tax paid	(2,351,873)	(2,076,251)
Cash (used)/generated from operations	(19,706,358)	(1,493,039)

Net debt reconciliation

	31 March 2022	Cash flows	31 March 2023
Cash at bank and in hand	676,914	4,239,917	4,916,831
Bank overdraft	(255,908)	200,183	(55,725)
Net debt	421,006	4,440,100	4,861,106

28. Related parties

Identity of related parties with which the Company has transacted
The Company has a related party relationship with its parent and with its directors.
Particulars of the transactions are set out elsewhere within the financial statements (See Note 8 and Note 14).

Transactions with key management personnel
The compensation of key management personnel (including directors) is as follows:

	2023 £	2022 £
Key management emoluments including social security costs	1,649,844	1,569,476
Company contributions to money purchase pension plans	-	-
	1,649,844	1,569,476
Balances owed by key management personnel (including directors) included within Trade and other receivables (Note 14)	1,129	19,018

Transactions with parent:

	2023 £	2022 £
Administrative expenses incurred from parent company	171,690	191,303
Interest expenses incurred from parent company	5,672,726	1,633,222
Intercompany borrowings from parent company	200,621,503	156,996,594.

29. Ultimate parent company and parent company of larger group

The immediate parent and smallest group in which the Company are consolidated is that headed by ITOCHU Europe plc (address: The Broadgate Tower, 20 Primrose Street, London EC2A 2EW) incorporated in England and Wales. The ultimate parent company and ultimate controlling party of the Company is ITOCHU Corporation (address: 5-1, Kita-Aoyama 2-chome, Minato-ku, Tokyo 107-8077, Japan). The largest group in which the results of the Company are consolidated is that headed by ITOCHU Corporation incorporated in Japan.

30. Estimates and judgements

The preparation of financial statements in conformity with international accounting standards requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities as at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future period affected.

Judgements

In the view of the directors, there are no critical accounting judgments which affect the Company's financial statements.

Estimates

The judgements above outline the main sources of estimation uncertainty inherent in the application of IFRS 9. Those estimations which could have a material impact on the Company's financial results and are therefore considered to be key sources of estimation and uncertainty are outlined below, along with corresponding sensitivity analysis which demonstrate the impact of a reasonable possible change in assumption.

Modelling techniques

Expected Credit Losses ('ECLs') are calculated by multiplying two main components; the Propensity to Default ('PD') and the Loss Given Default ('LGD') discounted at the original effective interest rate of an agreement. These variables are derived from internally developed statistical models and historical data dating back to 2008 for hire purchase agreements and 2014 for personal loan agreements. The estimates are adjusted to reflect forward looking information and are discussed in turn below.

Propensity to default ('PD')

A range of economic scenarios are considered by the Company before recommendations are given to the Board with whom ultimate responsibility rests. As detailed in Note 3 the Company uses its experience and understanding of the sector in which the Company operates to allocate weightings to the economic scenarios rather than letting macro-economic data points feed directly into the model.

The sensitivity of the PD is set out below:	**+2.5% change PD Estimate £**	**-2.5% change PD Estimate £**
Hire purchase	5,075,150	(4,813,786)
Personal loan	48,438	(48,365)
Total	5,123,588	(4,862,151)

The directors consider that an increase or decrease in PD of 2.5% is a reasonable change aligned with the historical variation of PDs.

30. Estimates and judgements (continued)

Loss given default ('LGD')
LGD is the magnitude of the likely loss in the event of default. This may take into account recoveries from the auction sale of repossessed vehicles or collections against the residual shortfall amount. Again, the LGD is reference to a historical database of values and estimates based on current known circumstances and anticipated future behaviours.

The sensitivity of the LGD is set out below:	**+2.5% change LGD Estimate £**	**-2.5% change LGD Estimate £**
Hire purchase	1,069,859	(1,063,791)
Personal loan	14,772	(14,699)
Total	1,084,631	(1,078,490)

The directors consider that an increase or decrease in PD of 2.5% is a reasonable change aligned with the historical variation of LGDs.

The macroeconomic scenarios and weightings applied at 31 March 2023 are summarised below:

Scenario	**Overview**	**Weighting as at 31 March 2023**	**Weighting as at 31 March 2022**
Better case	An economic recovery	5.0%	5.0%
Central case	A continuation of the most recently observed economic backdrop and free of disruption	50.0%	35.0%
Worse case	Recession	40.0%	50.0%
Severe Downturn	Extreme economic decline	5.0%	10.0%
Total		100.0%	100.0%

31. Administrative expenses

	2023 £	**2022 £**
Advertising & marketing	347,371	322,302
Buildings and maintenance	1,693,596	1,362,930
Employee	13,154,834	13,354,738
IT, Legal & professional	2,422,591	1,347,966
Depreciation & amortisation	313,645	539,343
Other	2,930,189	2,631,395
Total	20,862,226	19,558,674

32. Post balance sheet events

There are no post balance sheet events requiring disclosure in these audited financial statements.