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MONEYBARN LIMITED
(Company Number 02766324)

ANNUAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

MONEYBARN LIMITED
(Company Number 02766324)

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MONEYBARN LIMITED
(Company Number 02766324)

DIRECTORS' REPORT

Moneybarn Limited (the 'company') is a subsidiary of Provident Financial plc. Provident Financial plc is a public limited company, listed on the London Stock Exchange, which, together with its subsidiaries, forms the Provident Financial group (the 'group'). The immediate parent of the company is Moneybarn Group Limited.

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

- how the directors have engaged with colleagues, how they have had regard to colleague interests and the effect of that regard, including on the principal decisions taken by the Company in the financial year (page 5); and,
- how the directors have had regard to the need to foster the Company's business relationship with suppliers, customers and others, and the effect of that regard, including on the principal decision taken by the Company in the financial year (pages 4 to 6)

Principal activities
The principal activity of the company is to provide services to other companies in the group, principally Moneybarn No.1 Limited.

Results
The statement of comprehensive income for the year is set out on page 11. The profit for the year of £0.5m (2018: £1.1m) has been added to reserves.

Dividends
The directors do not propose the payment of a dividend in respect of the year ended 31 December 2019 (2018: £nil).

Directors
The directors of the company during the year ended 31 December 2019, all of whom were directors for the whole year then ended and to the date of this report, were:
M J Le May (Chairman)
S Hodgson (Resigned 31 March 2020)
L S O'Loingsigh
S G Thomas (Resigned 31 March 2020)
S J Bayley (Appointed 1 April 2020)
D V Shrimpton-Davis (Appointed 23 April 2020)
N Kapur (Appointed 30 June 2020)

Post balance sheet events
Post balance sheet events have been disclosed in note 22 of the accounts.

Employee involvement
The company regularly provides staff and colleagues with business updates, consulting with them regularly so that their views can be taken into account when making decisions that are likely to affect their interests. Employee involvement in the company and the wider group is encouraged as achieving a common awareness of the financial and economic factors affecting the company plays a major role in maintaining its competitive position. The company encourages the involvement of employees by way of weekly staff updates, monthly performance updates and regular management team briefings. The company also carries out regular employee engagement surveys.

Equal opportunities

The company is committed to employment policies which follow best practice based on equal opportunities for all employees irrespective of gender, pregnancy, race, colour, nationality, ethnic or national origin, disability, sexual orientation, age, marital or civil partner status, gender reassignment or religion or belief. The company gives full and fair consideration to applications for employment from disabled persons, having regard to their particular aptitudes and abilities. Appropriate arrangements are made for the continued employment and training, career development and promotion of disabled persons employed by the company including making reasonable adjustments where required. If members of staff become disabled, every effort is made by the company to ensure their continued employment, either in the same or an alternative position, with appropriate retraining being given if necessary.

Auditor information

In accordance with section 418 of the Companies Act 2006, each person who is a director at the date of this report confirmed that:

i) so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
ii) he has taken all reasonable steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Auditor

Deloitte LLP will continue as auditor to the company for the next financial year.

BY ORDER OF THE BOARD

L S O'Loingsigh
Director
Petersfield
27 August 2020

MONEYBARN LIMITED
(Company Number 02766324)

STRATEGIC REPORT

Business review

The following are considered the company's Key Performance Indicators:
The company reported profit before taxation of £0.7m (2018: £1.3m).

During the year, the company serviced, on behalf of other group companies, 38,800 new contracts (2018: 29,900), as well as maintaining the servicing of a portfolio of loan contracts which increased from 62,100 to 77,000 in the year. This growth was achieved through investment in technology and staff to support the growth of the other group companies which the company services.

Revenue grew by 12% to £19.9m (2018: £17.8m), primarily as a result of the receivables growth within Moneybarn No.1 Limited.

Administrative and operating costs increased by 17% to £19.3m (2018: £16.5m) in line with the increase in contracts serviced by the company.

Regulation

Moneybarn Limited is regulated and authorised by the Financial Conduct Authority.

Principal risks and uncertainties and financial risk management

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

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

- Credit Committee which reviews credit performance, approves underwriting rule changes, assesses new products or product changes and approves pricing changes.
- Policy Committee which meets every other month and reviews and approves the company policies and reviews and acts upon the feedback from internal audits.
- Regulatory Change Committee which meets quarterly to review the impact of regulatory changes on Moneybarn and any associated required actions, and review updates from major regulatory projects.
- Technology and Change Committee which meets monthly to review the programme, prioritisation and progress of projects.
- Executive Audit Committee which meets every other month to review progress of actions raised by the performance of 3 lines of defence, analysis of root causes and review of compliance monitoring plan.
- Complaints Committee which reviews complaints examples, trends and root causes.
- Risk Committee which oversees overall risk management and meets twice every quarter to:
    - Consider and monitor the ongoing effectiveness of the company's risk management framework, including business systems and controls, risk policies and risk appetite.
    - Review the Moneybarn risk measures, risk dashboard and risk appetites.
    - Consider the appropriateness of risk specific classifications and proposed mitigants as set out in the risk dashboard.

The Risk Committee reports to the board.

Information on the management of specific financial risks, including credit, market, liquidity, interest rate, and capital risks, is provided on pages 19 and 21.

Statement regarding section 172 of the Companies Act 2006

As part of the Provident Financial Group, our purpose is founded on our customers and is underpinned by a number of strategic drivers and behaviours. These aim to deliver an appropriate balance between the needs of our customers, our regulators, investors and our employees, in order to ensure that we are successful and sustainable for all of our stakeholders. Our stakeholders are individuals or Groups who have an interest in, or are affected by, the activities of our business; our key stakeholders are set out in the table below. We seek to engage with them regularly to ensure that we are aware of their views and concerns with regard to a wide range of issues. We describe how, and on which topics, we engage with our stakeholders in the table below and also document the key outcomes of the engagement. By balancing the interests of our stakeholders, lending responsibly, contributing to wider society and ensuring the appropriate corporate governance arrangements are in place, we can maintain a reputation for high standards of business conduct. How we have generated and preserved value over the long term is included in the strategic report and review of business.

Our Stakeholders and why we engage with them	**How?** (How management and/or directors engaged with and considered our stakeholders)	**What?** (What were the key topics of engagement and consideration)	**Key outcomes and actions** (What was the impact of the engagement and/or consideration?)
Our Customers We engage with our customers to determine whether we are delivering our business activities in accordance with our purpose and ensuring that we deliver good outcomes for them throughout their journey with us.	Utilising a wide variety of customer engagement methods including, third party research, and complaints monitoring Monitoring performance against good customer outcomes Considering the customer experience, customer journeys and outcomes Designing and implementing policies that protect customers	Customer affordability, vulnerability and persistent debt Customer outcomes, satisfaction, care, service and complaints Policy suite includes, but is not limited to, Anti Money Laundering ('AML'), Data Protection, Complaints Handling, Forbearance, Collections, Vulnerable Customers and Financial Promotions	Management and Board oversight of customer complaints operations, outcomes and strategy Revised scorecard to improve customer outcomes Work to refine and digitise, where beneficial, customer journeys
Our shareholder The Company is a wholly owned subsidiary of Provident Financial plc, and as such it is of paramount importance that the Group is kept updated on the Company's progress in delivering the Group's shared purpose, it's budget, it's strategy, governance and culture. Direct and regular engagement with our shareholder ensures that the Company has a clear understanding of its role as part of the Group.	Adapted the business model to take into account the Group-wide purpose, the Blueprint Group CEO is the Chair of the Company Board and the Group CFO is also member of the Company Board MD and FD have regular meetings with the Group CEO and Group CFO Oversee risk identification programme and associated action plan	Strategy and long-term value creation Culture and Blueprint Financial and operational performance Risk Management	Business model aligned with the Group's purpose Business model aligned with regulatory expectations Established risk remediation project team and concluded FCA Investigation into lending historic practices Agreed and signed a bilateral Securitisation facility with NatWest Markets to fund Moneybarn business flows

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

Our colleagues To ensure that they understand the Group's purpose and how they can support its delivery, which we believe helps our customer base. To maintain high levels of colleague engagement in order to enable us to attract, retain and develop the talent we need	Group-wide colleague survey was carried out during the year Designated Group Non-Executive Director plays the lead role in Board engagement with employees, understanding and representing employee interests across the Group The Group's Blueprint was launched via a dedicated roll-out programme during the year to focus on culture Board oversight of policies that protect employees, their rights and their personal data Leadership and professional development programmes	Culture, purpose and behaviours Group aligned Colleague reward and recognition Training, leadership development and succession planning Employee engagement Health and safety Colleague wellbeing at work	Review of colleague survey results and action plans Launch of the new and enhanced mechanisms for colleague recognition 'Better Everyday' Oversight of our health and safety approach, including the impact on colleagues Launched 'Be Brilliant' leadership programme and increased the support available for professional qualifications
Our communities To invest in activities and initiatives which seek to address some of the key factors which, on their own or acting together, may reduce someone's likelihood to be accepted for credit.	Participation in the Group Social Impact Programme that delivers community investment	Community contributions and charitable giving Volunteering Matched employee fundraising	Group volunteering policy Group Board oversight of community matters and the approach to external engagement regarding the Company's purpose and role in society Matched employee charitable fundraising.
Our regulators To plan for regulatory change with greater certainty and confidence, to maintain our reputation as a responsible lender and to maintain our sustainable business model.	Adapting the business model to account for changes in regulation Board members and executive management engage proactively with regulators via regular face to face and telephone meetings Regulatory risk reporting, including horizon scanning, is carried out and reported to the risk committee and Board Regulatory engagement and correspondence is reported to and discussed by the Board Regulatory dialogue and engagement regarding current products, potential products, customer outcomes and digitisation	Customer vulnerability and persistent debt Affordability Our products, our potential products and digitisation Historic lending practices FCA investigation Customer proposition improvements Complaints Senior Management & Certification Regime embedding and ongoing compliance Culture	Achieved closure of the Moneybarn's historical lending practices investigation with the Regulator The views of regulators and the regulatory environment informed the business model updates and amendments to our product offering Oversight and monitoring of regulatory matters, including approval of regulatory submissions Developed and approved SM&CR policy

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

Our suppliers To treat our suppliers fairly and develop strong relationships with them which ensure that we only buy products and services from those who operate responsibly and mitigates risk in our supply chain.	There is an established due diligence process to manage supply chain-based risks and comply with Company policies. There are standardised contractual terms that we attempt to use with all of our suppliers, to reduce contractual risks when contracting under these terms. The Company is a signatory to the Prompt Payment Code and we publish our Payment Practices Reporting at Companies House	Prompt payment Data Protection Information Security Environment Supplier on-boarding and performance	Signatories of the Prompt Payment Code SRM Framework which highlights supplier performance and enables joint roadmaps
Our environment To minimising our environmental impact, in particular to reducing the greenhouse gas emissions associated with our business activities, thereby lessening our contribution to issues such as climate change	A key tool in helping the Group to manage its environmental impact is the Group Environmental Management System (EMS)	Environmentally conscious vehicle manufacture Funding of electric vehicles	Participated in the Group wide reduced emissions targets Participated in the annual Group submission to the Carbon Disclosure Project

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

Establishing the bilateral securitisation facility
The Board approved the establishment of a bilateral securitisation funding facility in Moneybarn No.1 Limited in January 2020, having considered the Company's strategy and having acknowledged the Group's common strategic purpose of 'helping put people on the path to a better everyday life'. In determining to approve the transaction to enter into the funding facility, which it believes will promote the long term success of the Company for the benefit of its members, the Board considered a broad number of factors including:

Risk
- Initial due diligence
- Key risks
- Legal risks
- Ongoing monitoring and controls

Financial
- Shareholder and market context
- Financial benefits of the facility
- Funding policy and diversification

Regulatory
- Regulatory reporting

With due and careful consideration of their statutory and fiduciary duties to the Company the Board Directors of the Company approved the transaction. The ongoing performance of the facility will be monitored throughout the year.

Going concern

In assessing whether the Company is a going concern, the directors have considered the ability of the Group to continue as a going concern due to the intercompany funding provided by the ultimate parent company Provident Financial plc. The directors of the Group have reviewed the latest budgets, as approved in July 2020, which includes capital and liquidity forecasts, on detailed projections for 2020 and 2021. This assessment has included consideration of the Group's principal risks and uncertainties, including that of Covid-19, and the likelihood of these risks materialising into losses.

Given the uncertain outlook as a result of Covid-19, additional stress testing has been performed through modelling a range of macro-economic scenarios. This initially assumes a severe but plausible downturn, with 'severe' being defined consistently with the Group's IFRS 9 'severe' macro-economic weighting. This assumes that unemployment in the UK reaches a peak unemployment rate of 14%. Further, more severe, scenarios have been modelled which would need to materialise to prevent the directors from adopting the going concern assumption. These scenarios are considered to be sufficiently remote to impact on the going concern assumption. The projections do not assume any further refinancing, or government support, and the Group's revised Total Capital Requirement has been assumed in all scenarios modelled.

Based on this review, the directors are satisfied that the group has the required resources to continue in business for a period of at least twelve months following the approval of the Company accounts. For this reason, the directors continue to adopt the going concern basis in preparing the Company accounts.

APPROVED BY THE BOARD AND SIGNED ON ITS BEHALF BY

L S O'Loingsigh
Director
Petersfield
27 August 2020

MONEYBARN LIMITED
(Company Number 02766324)

STATEMENT OF DIRECTORS' RESPONSIBLITIES

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 International Financial Reporting Standards (IFRS) as adopted by the European Union. 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 suitable accounting policies and apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRS are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the company's ability to continue as a going concern.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MONEYBARN LIMITED

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Moneybarn Limited ('the company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in shareholder's equity;
- the statement of cash flows;
- the statement of accounting policies;
- *financial and capital risk management; and*
- the related notes 1 to 22.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union.

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

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. 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.

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

We have nothing to report in respect of these matters.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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.

S. Cumberbatch.

Stewart Cumberbatch (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Birmingham
27 August 2020

MONEYBARN LIMITED
(Company Number 02766324)

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December	Note	2019 £'000	2018 £'000
Revenue	1	19,983	17,797
Administrative costs		(19,229)	(16,511)
Total costs		(19,229)	(16,511)
Operating profit		754	1,286
Finance costs	2	(67)	-
Profit before taxation	3	687	1,286
Tax charge	4	(189)	(218)
Profit and total comprehensive income for the year		498	1,068

All of the above operations relate to continuing operations.

MONEYBARN LIMITED
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BALANCE SHEET

	Note	2019 £'000	2018 £'000
ASSETS			
Non-current assets			
Intangible assets	7	2,471	1,659
Property, plant and equipment	8	2,852	1,168
Right-of-use assets	9	2,512	-
Deferred tax assets	13	235	164
Total non-current assets		8,070	2,991
Current assets			
Financial assets:			
- cash and cash equivalents		140	-
- trade and other receivables	11	14,693	17,547
Current tax assets		1,502	-
Total current assets		16,335	17,547
Total assets		24,405	20,538
LIABILITIES			
Lease liabilities	14	(2,172)	-
Total non-current liabilities		(2,172)	-
Current liabilities			
Financial liabilities:			
- cash, cash equivalents and overdrafts		-	(1)
- trade and other payables	15	(3,091)	(1,796)
Provisions	16	(149)	(110)
Current tax liabilities		-	(321)
Total liabilities		(5,412)	(2,228)
NET ASSETS		18,993	18,310
SHAREHOLDER'S EQUITY			
Share capital	17	51	51
Share premium account		164	164
Share-based payment reserve		505	410
Retained earnings		18,273	17,685
TOTAL SHAREHOLDER'S EQUITY		18,993	18,310

The financial statements on pages 11 to 34 were approved and authorised for issue by the board of directors on 27 August 2020 and signed on its behalf by:

L S O'Loingsigh
Director

S J Bayley
Director

MONEYBARN LIMITED
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STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY

	Share capital £'000	Share premium account £'000	Share-based payment reserve £'000	Retained earnings £'000	Total £'000
At 1 January 2018	51	164	349	16,552	17,116
Profit and total comprehensive income for the year	-	-	-	1,068	1,068
Transaction with owners:					
- share-based payment charge (note 18)	-	-	126	-	126
- transfer of share-based payment reserve	-	-	(65)	65	-
At 31 December 2018	51	164	410	17,685	18,310
At 1 January 2019	51	164	410	17,685	18,310
Impact of adoption of IFRS 16 'leases'				(82)	(82)
Profit and total comprehensive income for the year	-	-	-	498	498
Transaction with owners:					
- share-based payment charge (note 18)	-	-	267	-	267
- transfer of share-based payment reserve	-	-	(172)	172	-
At 31 December 2019	51	164	505	18,273	18,993

MONEYBARN LIMITED
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STATEMENT OF CASH FLOWS

For the year ended 31 December	Note	2019 £'000	2018 £'000
Cash flow from operating activities			
Cash generated from/ (used in) operations	20	6,291	(493)
Tax (paid)/ received		(1,748)	1,667
Net cash generated from operating activities		4,543	1,174
Cash flow from investing activities			
Purchase of intangible assets	7	(1,591)	(739)
Purchase of property, plant and equipment	8	(2,510)	(617)
Proceeds from disposal of property, plant and equipment	8	85	180
Net cash used in investing activities		(4,016)	(1,176)
Cash flow from financing activities			
Finance lease payments		(386)	-
Net cash used in financing activities		(386)	-
Net increase/(decrease) in cash, cash equivalents and overdrafts		141	(2)
Cash and cash equivalents at beginning of year		(1)	1
Cash and cash equivalents and overdrafts at end of year		140	(1)

STATEMENT OF ACCOUNTING POLICIES

General information
Moneybarn Limited is a private limited liability company incorporated in the UK under the Companies Act 2006 and domiciled in the UK. The address of its registered office is Moneybarn, Athena House, Bedford Road, Petersfield, Hampshire, GU32 3LJ.

Basis of preparation
The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) adopted for use in the European Union (EU), International Financial Reporting Interpretations Committee (IFRIC) interpretations and the Companies Act 2006 applicable to companies reporting under IFRS.

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

The company's accounting policies are chosen by the directors to ensure that the financial statements present a true and fair view. In accordance with section 400 of the Companies Act 2006 consolidated accounts are not presented since the company is a wholly owned subsidiary undertaking of Provident Financial plc, a company incorporated in the United Kingdom.

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

Principal accounting policies
The company's principal accounting policies under IFRS, which have been consistently applied to all the years presented unless otherwise stated, are set out below

(a) The impact of new standards adopted by the company from 1 January 2019

IFRS 16
IFRS 16 'Leases' has been adopted by the Group and Company from the mandatory adoption date of 1 January 2019. IFRS 16 replaces IAS 17 'Leases' and provides a model for the identification of lease arrangements and the treatment in the financial statements of both lessees and lessors.

The standard distinguishes leases and service contracts on the basis of whether an identified asset is controlled by the customer. Distinctions between operating leases and finance leases are removed for lessee accounting, and has been replaced by a model where a right of use asset and a corresponding liability are recognised for all leases where the Group is the lessee, except for short-term assets and leases of low-value assets.

The Group and Company has applied the following practical expedient available on transition:

- not to reassess whether a contract is or contains a lease; the definition of a lease in accordance with IAS 17 will continue to be applied to those contracts entered or modified before 1 January 2019;
- reliance on previous assessment on whether leases are onerous instead of performing an impairment review;
- exclusion of initial direct costs from the measurement of the right of use asset at the date of adoption;
- continue to account for short-term leases with less than 12 months from 1 January 2019 as operating leases; and
- the use of hindsight in determining the lease term if the contract contains an option to extend or terminate the lease.

The right of use asset is initially measured at cost and subsequently measured at cost less accumulated amortisation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of future minimum lease payments discounted using the incremental borrowing rate at 1 January 2019. The incremental borrowing rates applied to individual leases was 3.3%.

Subsequently the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. The classification of cash flows is affected as under IAS 17 operating lease payments were presented as operating cash flows; whereas under IFRS 16, the lease payments will be split into a principal and interest portion which is presented as operating and financing cash flows respectively.

Principal accounting policies (continued)

The adoption of IFRS 16 into the company's opening balance sheet on 1 January 2019 resulted in an increase in assets of £0.37m and liabilities of £0.47m. Net of deferred tax of £0.02m, this has resulted in an increase in net liabilities of £0.08m which has been reflected through opening reserves at 1 January 2019. The company has taken the modified retrospective approach, as permitted by IFRS 16. Accordingly, comparative information has therefore not been restated.

The adoption of IFRS 16 has not had a material impact on profit in 2019.

A reconciliation from the closing operating lease commitments disclosed in 2018 and the opening IFRS 16 lease liability is shown below:

	£'000
'Undiscounted future minimum lease payments	
Under operating lease at 31 December 2019	1,638
Effect of discounting	(19)
Removal of VAT from operating lease calculations	(273)
Use of hindsight to reflect break in lease	(878)
Lease liability recognised on adoption at 1 January 2019	**468**

There has been no other new or amended standards adopted in the financial year beginning 1 January 2019 which had a material impact on the company.

(b) The impact of new standards not yet effective and not adopted by the company from 1 January 2019

There are no new standards not yet effective and not adopted by the company from 1 January 2019 which are expected to have a material impact on the company.

Revenue
Revenue comprises income from fees charged for the origination and servicing of contract purchase agreements on behalf of other companies in the group and is charged to the statement of comprehensive income in the period to which it relates.

Intangible assets
Intangible assets comprise computer software development costs, which represent the costs incurred to acquire or develop the specific software and bring it into use directly attributable costs associated with the development of software that will generate future economic benefits are capitalised as an intangible asset. Directly attributable costs include the cost of software development by employees and an appropriate portion of relevant directly attributable overheads.

The residual values and economic lives of intangible assets are reviewed by management at each balance sheet date.

Amortisation is charged to the income statement as part of administrative costs at the rate of 20.0% per annum on a straight-line basis.

Property, plant and equipment
Property, plant and equipment is shown at cost less subsequent depreciation and impairment.

Cost represents invoiced cost plus any other costs that are directly attributable to the acquisition of the items. Repairs and maintenance costs are expensed as incurred.

Upon the application of IFRS 16 leases, Right of use assets are measured at their carrying amount as if IFRS 16 had been applied since the commencement date discounted using the company's incremental borrowing rate at the date of initial application. The company applied this to its largest property leases but not assets with a lease term less than 12 months or whose value is low.

Property plant and equipment (continued)

Depreciation is calculated to write down assets to their estimated realisable value over their useful economic lives. The following are the principal bases used:

	%	Method
Equipment (including computer hardware)	33.3	Straight line
Leasehold improvements	15.0	Straight line
Motor vehicles	25.0	Straight line

The residual values and useful economic lives of all assets are reviewed, and adjusted if appropriate, at each balance sheet date.

All items of property, plant and equipment are tested for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying value exceeds the higher of the asset's value in use or its fair value less costs to sell.

Gains and losses on disposal of property, plant and equipment are determined by comparing any proceeds with the carrying amount of the asset and are recognised within administrative costs in the income statement. Depreciation is charged to the income statement as part of administrative costs.

Trade receivables and payables
Trade receivables & payables are held at amortised cost and assessed for impairment at the balance sheet date.

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

Retirement benefits
Cash contributions to defined contribution pension schemes are charged to the income statement on an accruals basis.

Share-based payments
Equity settled schemes:
Provident Financial plc grants options under employee savings-related share option schemes (typically referred to as Save As You Earn schemes (SAYE)) and makes awards under the Performance Share Plan (PSP) and the Long Term Incentive Scheme (LTIS).

The cost of providing options and awards to group and company employees is charged to the income statement of the company over the vesting period of the related options and awards. The corresponding credit is made to a share-based payment reserve within equity.

The cost of options and awards is based on their fair value. For PSP schemes, the performance conditions are based on Provident Financial plc earnings per share (EPS). Accordingly, the fair value of options and awards is determined using a binomial option pricing model which is a suitable model for valuing options with internal related targets such as EPS. A binomial model is also used for calculating the fair value of SAYE options which have no performance conditions attached. The value of the charge is adjusted at each balance sheet date to reflect lapses and expected or actual levels of vesting, with a corresponding adjustment to the share-based payment reserve.

For LTIS schemes, performance conditions are based on EPS, Total Shareholder Return (TSR) versus a peer group, risk metrics and profit before tax. The fair value of awards is determined using a combination of the binomial and Monte Carlo option pricing models. The value of the charge is adjusted at each balance sheet date to reflect lapses and expected or actual levels of vesting. Where the Monte Carlo option pricing model is used to determine fair value of the TSR component, no adjustment is made to reflect expected or actual levels of vesting as the probability of the awards vesting is taken into account in the initial calculation of the fair value of the awards.

Share-based payments (continued)

A transfer is made from the share-based payment reserve to retained earnings when options and awards vest or lapse. In respect of the SAYE options, the proceeds received, net of any directly attributable transaction costs, are credited to share capital and share premium when the options are exercised.

Cash settled schemes:
The company also previously granted awards under the Provident Financial Equity Plan (PFEP) to eligible employees based on a percentage of their salary. The cost of the awards is based on the performance conditions of divisional profit before tax and share price growth or TSR compared to a comparator group.

The cost of the award is charged to the income statement over the vesting period and a corresponding credit is made within liabilities. The value of the charge is adjusted at each balance sheet date to reflect expected levels of vesting.

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

Taxation
The tax charge represents the sum of current and deferred tax. Current tax is calculated based on taxable profit for the year using tax rates that have been enacted or substantively enacted by the balance sheet date. Taxable profit differs from profit before taxation as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled. Deferred tax is also provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the company and it is probable that the temporary difference will not reverse in the future.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Critical accounting judgements and sources of estimation uncertainty
No critical judgements or estimates have been identified that affect the reported amounts of assets and liabilities

MONEYBARN LIMITED
(Company Number 02766324)

FINANCIAL AND CAPITAL RISK MANAGEMENT

Moneybarn Limited (the company) is a wholly owned subsidiary of Provident Financial plc which together with its subsidiaries, forms the Provident Financial group (the group).

The overall financial and risk management framework is the responsibility of the group board with certain responsibilities in respect of internal control and risk management being delegated to various sub-committees who report directly to the board. An overview of the group's risk management framework can be found in the annual report and financial statements of Provident Financial plc which do not form part of this report.

The group operates with a centralised treasury function and therefore the funding requirements of the company are met wholly or partially via funding from Provident Financial plc or one of its subsidiaries. In addition, the allocation of capital is managed on a group basis by the centralised treasury function.

Accordingly, it is inappropriate to consider the management of liquidity risk, interest rate risk, market risk and capital risk on a stand-alone company basis.

(a) Credit risk
Credit risk is the risk that the company will suffer loss in the event of a default by a customer or a bank counterparty. A default occurs when the customer or bank fails to honour repayments as they fall due.

(b) Counterparty risk
The company's maximum exposure to counterparty risk on bank counterparties as at 31 December 2019 was £0.14m (2018: £nil).

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

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

Liquidity risk is managed by the group's centralised treasury department through daily monitoring of expected cash flows in accordance with a board-approved group funding and liquidity policy. This process is monitored regularly by the group treasury committee.

The group's funding and liquidity policy is designed to ensure that the group is able to continue to fund the growth of the business. The group therefore maintains headroom on its committed borrowing facilities to fund growth and contractual maturities for at least the following 12 months. As at 31 December 2019, the group's committed borrowing facilities had a weighted average period to maturity of 2.2 years (2018: 2.3 years) and the headroom on these committed facilities amounted to £69.1m (2018: £327.4m).

The group is less exposed than other mainstream lenders to liquidity risk as the loans issued by the home credit business are of short-term duration (typically around one year), whereas the group's borrowings extend over a number of years. The group's funding strategy is to maintain diversification in its funding and, as such, currently accesses three main sources of funding comprising:

(i) the syndicated revolving bank facility;
(ii) market funding, including retail bonds, institutional bonds and private placements; and
(iii) retail deposits which fully funds the ring-fenced Vanquis Bank.

The group will continue to explore further funding options as appropriate, including but not limited to the refinancing of the syndicated revolving bank facility, further securitisation of receivable assets, and further private placements and institutional bond issuance.

FINANCIAL AND CAPITAL RISK MANAGEMENT (CONTINUED)

(d) Interest rate risk
Interest rate risk is the risk of a change in external interest rates which leads to an increase in the company's cost of borrowing.

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

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

A 2% movement in the interest rate applied to borrowings during 2019 and 2018 would not have had a material impact on the group's profit before taxation or equity as the group's interest rate risk was substantially hedged. Further details of the interest rate risk management are detailed within the annual report and financial statements of Provident Financial plc which do not form part of this report.

(e) Market risk
Market risk is the risk of loss due to adverse market movements caused by active trading positions taken in interest rates, foreign exchange markets, bonds and equities. The group's policies do not permit it or the company to undertake position taking or trading books of this type and therefore neither it or the company does so.

(f) Capital risk
Capital risk is managed by the group's centralised treasury department. The group manages capital risk by focussing on capital efficiency and effective risk management. This takes into account the requirements of a variety of different stakeholders including shareholders, policyholders, regulators and rating agencies. A more detailed explanation of the management of capital risk can be found in the annual report and financial statements of Provident Financial plc which do not form part of this report.

(g) Brexit
The economic outlook post Brexit remains uncertain and has led to a significant amount of instability in the UK economy and capital markets over the last 30 months, albeit unemployment levels have remained stable and there has not been any significant impact on the company's businesses to date.

Despite any potential second order risks of Brexit, the company has proven resilient during previous economic downturns due to the specialist business models deployed by the business which are tailored to serving non-standard customers. In addition, Moneybarn No.1 Limited has tightened underwriting over the last two years in advance of a potential weakening in the UK economy.

The main risk to the company is reduced levels of funding from Provident Financial plc ('the group') to its fellow subsidiary and customer Moneybarn No.1 Limited. The group has current committed facilities to fund growth and contractual maturities until mid-2022, when the current syndicated bank facility is due to mature, assuming ongoing access to retail deposits to fully fund Vanquis Bank. No effect is anticipated on Vanquis Bank's ability to access retail deposits, although it maintains a minimum operational buffer over its liquid requirements stipulated by the PRA to withstand any short-term disruption.

In line with the group's treasury policy, the group will seek to refinance the current syndicated revolving bank facility 12 months in advance of its maturity. The group's lending banks are predominantly UK based, have supported the group for many years, and have broader relationships through ancillary business such as transactional banking. In the event of a prolonged period of market disruption and the closure of debt capital markets, then the group has the ability to manage receivables growth and/or dividend flows.

The group maintains regulatory capital headroom in excess of £50m, in line with the Board's risk appetite. Despite the need to absorb the continued transitional arrangements of IFRS 9, this headroom, together with the regulatory prescribed buffers, should be sufficient to withstand a potential downturn in economic conditions caused by Brexit.

FINANCIAL AND CAPITAL RISK MANAGEMENT (CONTINUED)

(h) Covid-19
The Group Board, directors and management have focused on the Group's principal risks throughout the first half in response to the changing and challenging operational environment as a result of Covid 19. This was essential to ensure the principal risks were appropriately managed and further mitigated where possible. The response through the first half, and planned approach for the remainder of the 2020 financial year, are:

(i) Credit risk
All of the Group's divisions have tightened lending policies and underwriting criteria through the first half, thereby limiting new business and improving the quality of newly acquired customers. The relaxation of tightening will be gradual, on a test and learn basis and an assessment of repayment performance will be made before further changes are made.

(ii) Capital risk
The 2019 final dividend was not proposed for approval at the Group's AGM in May to preserve both cash and capital. Future dividend decisions will be made as and when conditions normalise. A reduction in customer receivables, combined with tighter underwriting impairment provisioning has increased surplus capital held. When combined with the reduction in countercyclical buffer and increased dynamic provisions, through relief for Covid-19 related provisions, the Group's surplus regulatory capital has increased from £117m at 31 December 2019 to £215.0m at 30 June 2020.

(iii) Liquidity and funding risk
The Group was able to raise additional liquidity rapidly through April and May resulting in headroom on committed facilities and surplus cash and liquid resources increasing to approximately £1.2bn in May to mitigate risk of operational disruption and utilisation of undrawn credit facilities in Vanquis Bank. £1bn of surplus liquidity continues to be held to mitigate against any ongoing risk.

(iv) Operational, people, business resilience and information and data security risk
All divisions had to adapt rapidly and introduce new ways of working in response to Covid-19. The response was swift and effective, enabling us to continue supporting our customers whilst ensuring the safety and wellbeing of our colleagues. This support has enabled colleagues from across the Group to have the necessary equipment to work remotely. The provisions to work remotely have proved to be effective and therefore the measures will remain in place for the short to medium-term. Colleagues will return to working from the Group's offices when this is deemed to be safe and operationally viable.

(v) Regulatory and conduct risk
The Group has worked closely with its regulators through the first half to ensure customers could continue to be served responsibly, recognising that many of these are vulnerable. This has included offering payment holidays and other forbearance where appropriate.

(vi) Model risk
A Model Risk policy has been approved by the Group Board in the first half. Independent model validation has been initiated for the Group's most material models.

MONEYBARN LIMITED
(Company Number 02766324)

NOTES TO THE FINANCIAL STATEMENTS

1 Revenue

	2019 £'000	2018 £'000
Servicing fees to group companies	19,899	17,761
Interest receivable from other group undertakings	84	36
Total revenue	19,983	17,797

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

2 Finance costs

	2019 £'000	2018 £'000
Interest payable	67	-
Total finance costs	67	-

3 Profit before taxation

	2019 £'000	2018 £'000
Profit before taxation is stated after charging/(crediting):		
Amortisation of intangible assets:		
- computer software (note 7)	779	611
Depreciation of property, plant and equipment (note 8 and 9)	1,127	680
Profit on disposal of property, plant and equipment (note 8)	-	-
Operating lease rentals:		
- property	114	248
Employment costs (note 6(b))	12,345	11,427

	2019 £'000	2018 £'000
Auditor's remuneration		
Fees payable to the company's auditor for the audit of the financial statements	2	2
Total auditor's remuneration	2	2

Auditor's remuneration to Deloitte LLP in respect of other services was £nil (2018: £nil).

4 Tax charge

Tax charge in the income statement	2019 £'000	2018 £'000
Current tax	(244)	(333)
Deferred tax (note 13)	63	129
Impact of change in UK tax rate	(8)	(14)
Total tax charge	(189)	(218)

4 Tax charge (continued)

During 2015, changes were enacted reducing the mainstream corporation tax rate from 20% to 19% with effect from 1 April 2017 and from 19% to 18% with effect from 1 April 2020. In 2016, a further change was enacted, which further reduced the mainstream corporation tax rate from 18% to 17% with effect from 1 April 2020. Deferred tax balances at 31 December 2019 have been measured at 17% (2018: 17%) on the basis that the temporary differences on which deferred tax has been calculated are expected to reverse after 1 April 2020 (2017: 1 April 2020). In 2019, movements in deferred tax balances have been measured at the mainstream corporation tax rate for the year of 19% (2018: 19%). A tax charge in 2019 of £9,000 (2018: charge of £14,000) represents the income statement adjustment to deferred tax as a result of these changes.

The rate of tax charge on the profit before taxation for the year is higher than (2018: lower than) the average standard rate of corporation tax in the UK of 19% (2018: 19%). This can be reconciled as follows:

	2019 £'000	2018 £'000
Profit before taxation	687	1,286
Profit before taxation multiplied by the average standard rate of corporation tax in the UK of 19% (2018: 19%)	(131)	(244)
Effects of:		
- adjustment in respect of permanent differences	(35)	(46)
- impact of change in UK tax rate	(8)	(14)
- write-off of deferred tax asset regarding share-based payments	-	-
- adjustment in respect of prior years	(15)	86
Total charge	(189)	(218)

The £15,000 charge (2018: £86,000 credit) in respect of prior years primarily represents adjustments in respect of tax deductions for employee share awards.

5 Directors' remuneration

The remuneration of the directors, who are the key management personnel of the company, is set out below:

	2019 £'000	2018 £'000
Short-term employee benefits	805	1,297
Post-employment benefits	20	27
Share-based payment charge	118	34
Total	943	1,358

Fees and other emoluments of the highest paid director are as follows:

	2019 £'000	2018 £'000
Short-term employee benefits	560	657
Post-employment benefits	10	10
Share-based payment charge	104	34
Total	674	701

5 Directors' remuneration (continued)

The directors' emoluments of M J Le May and S G Thomas are paid and disclosed by the ultimate parent company, Provident Financial plc.

No contributions were paid by the company personal pension schemes in respect of the highest paid director (2018: £nil).

No retirement benefits accrued to any director under a money purchase scheme (2018: £nil).

Share awards vested for three directors during the year (2018: three).

6 Employee information

(a) The average monthly number of persons employed by the company (including directors) was as follows:

	2019 Number	2018 Number
Total	304	260

(b) *Employment costs – all employees (including directors)*

	2019 £'000	2018 £'000
Aggregate gross wages and salaries paid to the company's employees	10,512	9,977
Employers' National Insurance contributions	1,184	1,028
Pension charge (note 12)	382	296
Share-based payment charge (note 18)	267	126
	12,345	11,427

The pension charge comprises amounts paid by the company to a defined contribution pension plan (see note 12).

7 Intangible assets

	Software development 2019 £'000	Software development 2018 £'000
Cost		
At 1 January	4,243	3,504
Additions	1,591	739
At 31 December	5,834	4,243
Accumulated amortisation		
At 1 January	2,584	1,973
Charged to the statement of comprehensive income	779	611
At 31 December	3,363	2,584
Net book value at 31 December	2,471	1,659
Net book value at 1 January	1,659	1,531

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8 *Property, plant and equipment*

	Leasehold improvements	Equipment and vehicles	Total
	£'000	£'000	£'000
Cost			
At 1 January 2019	1,696	1,462	3,158
Additions	2,120	390	2,510
Disposals	-	(152)	(152)
At 31 December 2019	3,816	1,700	5,516
Accumulated amortisation			
At 1 January 2018	1,142	848	1,990
Charged to the statement of comprehensive income	430	320	750
Disposals	-	(76)	(76)
At 31 December 2019	1,572	1,092	2,664
Net book value at 31 December 2019	2,244	608	2,852
Net book value at 1 January 2019	554	614	1,168

	Leasehold improvements	Equipment and vehicles	Total
	£'000	£'000	£'000
Cost			
At 1 January 2018	1,634	1,198	2,832
Additions	62	555	617
Disposals	-	(291)	(291)
At 31 December 2018	1,696	1,462	3,158
Accumulated amortisation			
At 1 January 2018	781	640	1,421
Charged to the statement of comprehensive income	361	319	680
Disposals	-	(111)	(111)
At 31 December 2018	1,142	848	1,990
Net book value at 31 December 2018	554	614	1,168
Net book value at 1 January 2018	853	558	1,411

Disposals in the year had a net book value of £76,000 (2018: £180,000) and related proceeds of £85,000 (2018: £180,000). The profit on disposals was £9,000 (2018: profit on disposals of £nil).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9 Right of use assets

	New Barn	Athena House	Total
	£'000	£'000	£'000
Cost			
At 1 January 2019 – recognised on adoption of IFRS 16	1,295	-	1,295
Additions	-	2,519	2,519
Disposals	-	-	-
At 31 December 2019	1,295	2,519	3,814
Accumulated depreciation and impairment			
At 1 January 2019	925	-	925
Charged to the statement of comprehensive income	185	192	377
Disposals	-	-	-
At 31 December 2019	1,110	192	1,302
Net book value at 31 December 2019	185	2,327	2,512
Net book value at 1 January 2019	370	-	370

The recognition of right of use assets under IFRS 16 relates to the existing lease on the New barn building at 1 January 2019, whereas the recognition of the lease on Athena House as from April 2019 substantially increased additions.

10 Financial instruments

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

2019	Amortised cost £'000	Non-financial assets/ liabilities £'000	Total £'000
Assets			
Cash and cash equivalents	140	-	140
Trade and other receivables	12,016	2,677	14,693
Property, plant and equipment	-	2,852	2,852
Right of use assets	-	2,512	2,512
Intangible assets	-	2,471	2,471
Current tax assets	-	1,502	1,502
Deferred tax assets	-	236	236
Total assets	12,156	12,250	24,406
Liabilities			
Lease liabilities		(2,172)	(2,171)
Cash and cash equivalents and overdrafts	-	-	-
Trade and other payables	(3,091)	-	(2,595)
Provisions	-	(149)	(149)
Current tax liabilities	-	-	-
Total liabilities	(3,091)	(2,321)	(5,412)

2018	Amortised cost £'000	Non-financial assets/ liabilities £'000	Total £'000
Assets			
Cash and cash equivalents	-	-	-
Trade and other receivables	17,204	343	17,547
Property, plant and equipment	-	1,168	1,168
Intangible assets	-	1,659	1,659
Deferred tax assets	-	164	164
Total assets	17,204	3,334	20,538
Liabilities			
Cash and cash equivalents and overdrafts	(1)	-	(1)
Trade and other payables	(1,796)	-	(1,796)
Provisions	-	(110)	(110)
Current tax liabilities	-	(321)	(321)
Total liabilities	(1,797)	(431)	(2,228)

11 Trade and other receivables

	2019 £'000	2018 £'000
Amounts owed by ultimate parent undertaking	10,913	15,245
Amounts owed by fellow subsidiary undertakings	1,103	1,959
Prepayments and accrued income	2,677	343
Total	14,693	17,547

The fair value of trade and other receivables equated to their book value (2018: fair value equated to book value).

There are no amounts past due in respect of trade and other receivables that are not impaired.

Amounts owed by fellow subsidiary undertakings are unsecured, repayable on demand and do not accrue interest.

Amounts owed by the ultimate parent undertaking are unsecured, due for repayment in less than one year and accrue interest at rates linked to LIBOR.

The maximum exposure to credit risk of trade and other receivables is the carrying value of each class of receivable set out above (2018: carrying value).

12 Retirement benefits

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company and amount to £382,000 (2018: £296,000).

The company made no contributions to personal pension plans in the year (2018: £nil).

13 Deferred tax

Deferred tax is calculated in full on temporary differences under the balance sheet liability method. During 2015, reductions in corporation tax rates were enacted, reducing the mainstream UK corporation tax rate from 20% to 19% with effect from 1 April 2017 and from 19% to 18% with effect from 1 April 2020. During 2016, a further change was enacted which further reduced the mainstream corporation tax rate from 18% to 17% with effect from 1 April 2020. Deferred tax at 31 December 2019 has been measured at 17% (2018: 17%), on the basis that the temporary differences on which deferred tax has been calculated are expected to reverse after 1 April 2020 (2018: 1 April 2020). In 2019, movements in deferred tax balances have been measured at the mainstream corporation tax rate for the year of 19% (2018: 19%). A tax charge in 2019 of £9,000 (2018: charge of £14,000) represents the income statement adjustment to deferred tax as a result of these changes. The movement in the deferred tax asset during the year can be analysed as follows:

Asset	2019 £'000	2018 £'000
At 1 January	164	49
Credit to the income statement (note 4)	63	129
Impact of adoption of IFRS 16 in OCI	17	-
Impact of change in UK tax rate	(8)	(14)
At 31 December	236	164

13 Deferred tax (continued)

			2019
	Accelerated capital allowances	Other temporary differences	Total
Asset	£'000	£'000	£'000
At 1 January	75	89	164
Credit to the income statement	43	20	63
Impact of adoption of IFRS 16 in OCI	-	17	17
Impact of change in UK tax rate	(4)	(5)	(9)
At 31 December	114	121	235

			2018
	Accelerated capital allowances	Other temporary differences	Total
Asset	£'000	£'000	£'000
At 1 January	14	35	49
Credit to the income statement	68	61	129
Impact of change in UK tax rate	(7)	(7)	(14)
At 31 December	75	89	164

Deferred tax is a future tax liability or asset resulting from temporary differences or timing difference between the accounting value of assets and liabilities and their value for tax purposes. Deferred tax arises primarily in respect of deductions for employee share awards which are recognised differently for tax purposes, property, plant and equipment which is depreciated on a different basis for tax purposes and certain cost provisions for which tax deductions are only available when the costs are paid.

Since the year end it has been announced that the mainstream rate of corporation tax in the UK will not reduce to 17% with effect from 1 April 2020 and will instead remain at 19%, refer to note 22.

14 Lease liabilities

	2019	2018
Long term liabilities	£'000	£'000
Lease liabilities	2,172	-
Total	2,172	-

A maturity analysis of the lease liabilities is shown below

	2019
	£'000
Due within one year	579
Due between one and five years	1,687
Due in more than five years	772
Total	3,038
Unearned finance cost	(370)
Total lease liabilities	2,668
Long term lease liabilities	2,172
Short term lease liabilities (note 15)	496
Total	2,668

15 Trade and other payables

Current liabilities	2019 £'000	2018 £'000
Trade payables	81	14
Amounts owed to fellow subsidiary undertakings	718	-
Other payables including taxation and social security	250	227
Lease liabilities short term	496	-
Accruals	1,546	1,555
Total	3,091	1,796

The fair value of trade and other payables equates to their book value (2018: fair value equated to book value).

16 Provisions

Provisions	2019 £'000	2018 £'000
At 1 January	110	86
Provision movement	39	24
At 31 December	149	110

Provisions relate to the expected dilapidation costs to return the building currently occupied by the company back to a rentable state.

17 Share capital

	2019	2018
	Issued and fully paid	Issued and fully paid
Ordinary shares of £1 each (£'000)	51	51
Number of shares ('000)	51	51

There are no shares issued and not fully paid at the end of the year (2018: no shares).

18 Share-based payments

Provident Financial plc operates three equity-settled share schemes: the Long Term Incentive Scheme (LTIS), employee savings-related share option schemes (typically referred to as Save As You Earn schemes (SAYE)), and the Performance Share Plan (PSP) where shares in the parent company are available to the employees of the company. Provident Financial plc also operates a cash settled scheme, the Provident Financial Equity Plan (PFEP) for eligible employees based on a percentage of salary.

During 2019, awards/options have been granted under the LTIS and SAYE schemes (2018: awards/options granted under LTIS and SAYE schemes).

(a) Equity-settled schemes
The charge to the income statement during the year was £267,000 (2018: £126,000) for equity-settled schemes. The assumptions to consider the appropriate fair values of options are outlined below:

		2019
	LTIS	SAYE
Grant date	01-Apr-19	08-Oct-19
Share price at grant date (£)	£5.17	£3.87
Exercise price (£)	-	£3.29
Shares awarded/under option (number)	171,672	34,632
Vesting period (years)	3	3 and 5
Expected volatility	74.1%	68.0%-84.9%
Award/option life (years)	3	Up to 5
Expected life (years)	3	Up to 5
Risk free rate	0.66%	0.2%-0.3%
Expected dividends expressed as a dividend yield	n/a	3.00%
Fair value per award/option (£)	£4.69	£0.38-£0.76

		2018
	LTIS	SAYE
Grant date	16-Apr-18	04-Oct-18
Share price at grant date (£)	£6.85	£5.90
Exercise price (£)	-	£5.38
Shares awarded/under option (number)	96,713	21,369
Vesting period (years)	3	3 and 5
Expected volatility	82.6%	65.8%-83.3%
Award/option life (years)	3	3 and 5
Expected life (years)	3	3 and 5
Risk free rate	0.82%	0.99%-1.22%
Expected dividends expressed as a dividend yield	n/a	3.00%
Fair value per award/option (£)	-	£2.61-£3.36

The expected volatility is based on historical volatility over the last three or five years as applicable. The expected life is the average expected period to exercise. The risk free rate of return is the yield on zero coupon UK government bonds of a similar duration to the life of the share option. A reconciliation of share option movements during the year is shown below:

18 Share-based payments (continued)

	PSP		LTIS		SAYE	
		Weighted average exercise price		Weighted average exercise price		Weighted average exercise price
2019	Number	£	Number	£	Number	£
Outstanding at 1 January	19,856	-	121,696	-	58,787	5.44
Granted	-	-	171,672	-	34,632	3.29
Lapsed	(7,273)	-	(14,465)	-	(26,697)	5.65
Exercised	(5,322)	-	-	-	(1,395)	5.01
Outstanding at 31 December	7,261	-	278,903	-	65,327	4.22
Exercisable at 31 December	-	-	-	-	224	17.60

	PSP		LTIS		SAYE	
		Weighted average exercise price		Weighted average exercise price		Weighted average exercise price
2018	Number	£	Number	£	Number	£
Outstanding at 1 January	21,322	-	40,258	-	41,982	7.41
Adjustment from Rights issue	3,909	-	-	-	14,505	-
Granted	-	-	96,713	-	21,369	5.38
Lapsed	-	-	-	-	(18,273)	7.13
Exercised	(5,375)	-	(15,275)	-	(796)	5.01
Outstanding at 31 December	19,856	-	121,696	-	58,787	5.44
Exercisable at 31 December	-	-	-	-	1,275	15.79

Share awards outstanding under the LTIS scheme at 31 December 2019 had an exercise price of £nil (2018: £nil) and a weighted average remaining contractual life of 1.8 years (2018: 1.9 years). Share options outstanding under the SAYE schemes at 31 December 2019 had exercise prices ranging from 323p to 1,760p (2018: 501p to 1,579p) and a weighted average remaining contractual life of 2.3 years (2018: 2.8 years). Share awards outstanding under the PSP schemes at 31 December 2019 had an exercise price of £nil (2018: £nil) and a weighted average remaining contractual life of 0.2 years (2018: 2.6 years).

(b) Cash-settled schemes

Cash awards were granted under the PFEP to eligible employees that require the company to pay amounts linked to a combination of salary, financial performance and share price performance of Provident Financial plc. The credit to the income statement in 2019 was £1,000 (2018: charge £6,000) and the company has a liability of £6,000 as at 31 December 2019 (2018: £7,000).

19 Related party transactions

Details of the transactions between the company and other group undertakings, which comprise service charges and management recharges, along with any balances outstanding at 31 December are set out below:

	2019		2018	
Company	Management recharge £'000	Outstanding balance £'000	Management recharge £'000	Outstanding balance £'000
Ultimate parent undertaking	1,998	11,049	40	15,245
Other subsidiaries of the ultimate parent undertaking	(21,942)	1,103	(17,761)	1,959

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

20 Reconciliation of profit after taxation to cash generated from operations

	Note	2019 £'000	2018 £'000
Profit after taxation		498	1,068
Adjusted for:			
- share-based payments	17	267	126
- interest on lease		67	-
- tax charge	4	189	218
- amortisation of intangible assets	7	779	611
- depreciation of property, plant and equipment and right of use assets	8	1,127	680
- profit on disposal of property, plant and equipment	8	(9)	-
- provision movement	15	39	24
Changes in operating assets and liabilities:			
- trade and other receivables	10	2,854	(4,033)
- trade and other payables	14	480	813
Cash generated from/ (used in) operations		6,291	(493)

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

	2019				
	Cash changes		Non cash changes		
	1 January 2019 £'000	Lease payments £'000	Interest paid £'000	Lease Additions £'000	31 December 2019 £'000
Lease liabilities	(468)	386	(67)	(2,519)	(2,668)

21 Parent undertaking and controlling party

The immediate parent undertaking is Moneybarn Group Limited, a company incorporated in the UK. The ultimate parent undertaking and controlling party is Provident Financial plc, which is the largest and smallest group to consolidate these financial statements. Copies of the consolidated financial statements of Provident Financial plc may be obtained from the Company Secretary, Provident Financial plc, No.1 Godwin Street, Bradford, BD1 2SU.

22 Post balance sheet events

(i) Covid -19

For January, February and the first three weeks of March, the Group made good progress against many of its key objectives and Key Performance Indicators (KPIs) were tracking in line, if not marginally ahead, of those seen in 2019. Then, from the 23 March 2020, the UK Government ordered that all non-essential travel and activities should cease immediately because of the threat posed by Covid-19. This meant Moneybarn had to adapt rapidly and introduce new ways of working. The response was swift and effective, enabling Moneybarn to continue to support customers whilst ensuring the safety of colleagues.

In the five years since acquisition by Provident Financial, Moneybarn has become one of the largest suppliers of vehicle finance to underserved customers in the UK. The business has a strong track record, delivering high levels of growth and strong returns, and is in an excellent position to continue to deliver profitable growth in the medium term from existing and adjacent markets. For the first six months of the year, Moneybarn generated a profit before tax of £2.4m (H1'19: £15.5m), with the reduction driven by a significant increase in impairment.

Moneybarn took a proactive approach to offering its customers a solution to ease any potential financial hardship they, or their households, might be experiencing. Before the FCA's formal guidance, Moneybarn was offering its customers a payment holiday arrangement. Therefore, Moneybarn experienced an earlier take-up of such arrangements than the wider market. At its peak, the take-up of a payment holiday by Moneybarn customers was 27.5% of customers (or c.23k customers). Following the expiry of the one, two and three-month options, the live number is around 5k customers. Of customers who have come off payment holidays, around a third then go on to miss a repayment, in line with internal expectations.

For Moneybarn, payment holidays increased significantly in April to 27k customers (22% of their total). The activation of payment holidays has reduced significantly since this point from c.400 activations/day to 20 activations/day in July and August. Arrears have also improved, and two thirds of customers are returning to their pre-Covid repayment performance when terminating the payment holiday.

(ii) Change in corporation tax rate

In 2016 a change in the UK mainstream rate of corporation tax was enacted reducing the rate to 17% with effect from 1 April 2020. Subsequently, at the March 2020 Budget it was announced that this reduction to 17% would no longer take place, and the mainstream rate of corporation tax would be maintained at 19%.

As the 17% rate of mainstream corporation tax was the enacted rate at the reporting date, the 17% rate has been applied in calculating the deferred taxation balances reflected in the accounts. The cancellation of the rate reduction resulted in the Company's deferred tax asset increasing by £27.7k in March 2020.