MONEYBARN NO.1 LIMITED
(Company Number 04496573)

ANNUAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2016

MONEYBARN NO.1 LIMITED
(Company Number 04496573)

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MONEYBARN NO.1 LIMITED
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DIRECTORS' REPORT

Moneybarn No.1 Limited (the 'company') is a wholly-owned 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 to the company is Moneybarn Group Limited.

Principal activities and review of the business

The principal activity of the company is the provision of finance for the purchase of motor vehicles by individuals via conditional sale agreements.

Due to the company's net current liability position at the year-end, the ultimate parent undertaking, Provident Financial plc, has confirmed its continued support for the company for at least the next 12 months. Accordingly, the financial statements of the company have been prepared on a going concern basis of accounting. Further details on the basis of preparation are provided on page 10.

Results

The statement of comprehensive income for the year is set out on page 6. The profit for the year of £17.5m (2015: £6.1m) has been added to reserves.

Dividends

The directors do not propose the payment of a dividend in respect of the year ended 31 December 2016 (2015: £nil).

Directors

The directors of the company during the year ended 31 December 2016, all of whom were directors for the whole year then ended and to the date of this report, except where stated, were:

R W Anderson	(Appointed 1 September 2016)
P S Crook	Chairman
A C Fisher	
S Hodgson	
S D K Law	
M J Le May	(Resigned 15 September 2016)
P Minter	

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

EVersluys

E G Versluys
Company Secretary
Bradford
9 March 2017

MONEYBARN NO.1 LIMITED
(Company Number 04496573)

STRATEGIC REPORT

Business review
The company recorded strong growth and margins and delivered further growth in the receivables book in 2016. Profit before taxation amounted to £23.7m (2015: £7.5m).

During the year, the company wrote 21,500 new contracts (2015: 16,800) and increased the portfolio of conditional sales financing contracts from 31,000 to 41,000. This growth was achieved from:

- a broader product range with improved onboarding systems and processes; and
- building upon the company's working relationships with brokers and intermediaries to improve volumes and efficiency.

The company has continued to invest in upgrading its computer systems both to win new business and to improve operational efficiency. This has involved research and development in order to continue to develop a system that is 'best in class' and capable of meeting the company's needs.

Revenue increased by 45.8% to £72.6m (2015: £49.8m), primarily as a result of the receivables growth with revenue margins being broadly stable. Amounts receivable from customers increased by 36.1% to £308.7m (2015: £226.9m).

Finance costs increased by 28.2% to £18.2m (2015: £14.2m) compared with a growth in year-end receivables of 36.1% due to the retention of earnings increasing the equity of the company.

Operating costs increased by 9.1% to £28.9m (2015: £26.5m) as a result of business growth. Administrative expenses remained broadly stable year-on-year.

Regulation
The company was fully authorised by the FCA from 3 June 2016.

Principal risks and uncertainties and financial risk management
In December each year the board approves detailed budgets and forecasts for the year ahead. It also approves outline projections for the subsequent four years. An update to the budget is approved in June of 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 principal risk faced by the company is the possibility that customers will fail to honour their contracts and the market value of the underlying vehicle will be insufficient security to cover the customer's outstanding liabilities. To mitigate this risk, the company has developed strong underwriting, loan to value and credit control policies, as well as an efficient disposal process.

The Executive Committee of Moneybarn (consisting of Duncton Group Limited and its subsidiaries) is responsible for managing the day-to-day strategic risks of the Moneybarn group. Moneybarn is managed as a consolidated business, and the committees and risk management policies operate across the group. The Executive Committee delegates some of its responsibilities to sub-committees, set out below.

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.
- Compliance and Policy Committee which reviews and approves the company policies, and reviews and acts upon the feedback from internal audits.
- Operations Committee which oversees the performance of the new business and customer services departments.
- Collections and Recoveries Committee, which oversees the performance of the collections and recoveries departments.
- Fraud committee, which reports to the Credit Committee, and is responsible for managing Moneybarn's risk of loss from fraud.

In addition, the Risk Advisory Committee oversees overall risk management and meets every quarter to:

- Consider and monitor the ongoing effectiveness of the company's risk management framework, including systems and controls, risk policies and risk appetite.
- Review the Moneybarn risk register.
- Consider the appropriateness of risk specific classifications and proposed mitigants as set out in the risk register.

The Risk Advisory 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 14 and 15.

Going concern
Due to the company's net current liability position at the year-end, the ultimate parent undertaking, Provident Financial plc, has confirmed its continued support for the company for at least the next 12 months. Accordingly, the financial statements of the company have been prepared on a going concern basis of accounting. Further details on the basis of preparation are provided on page 10.

BY ORDER OF THE BOARD

EVersluys

E G Versluys
Company Secretary
Bradford
9 March 2017

MONEYBARN NO.1 LIMITED
(Company Number 04496573)

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

BY ORDER OF THE BOARD

E G Versluys
Company Secretary
Bradford
9 March 2017

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF MONEYBARN NO.1 LIMITED

We have audited the financial statements of Moneybarn No.1 Limited for the year ended 31 December 2016 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, the financial and capital risk management report and the related notes 1 to 17 of the financial statements. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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.

Respective responsibilities of directors and auditor

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. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies, we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion 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 and the directors' report.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you 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.

Peter Birch ACA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Leeds, United Kingdom
9 March 2017

MONEYBARN NO.1 LIMITED
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STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December	Note	2016 £'000	2015 £'000
Revenue	1	72,623	49,817
Finance costs	2	(18,183)	(14,204)
Operating costs		(28,894)	(26,491)
Administrative costs		(1,817)	(1,575)
Total costs		(48,894)	(42,270)
Profit before taxation	3	23,729	7,547
Tax charge	4	(6,229)	(1,476)
Profit and total comprehensive income for the year		17,500	6,071

All of the above operations relate to continuing operations.

MONEYBARN NO.1 LIMITED
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BALANCE SHEET

As at 31 December	Note	2016 £'000	2015 £'000
ASSETS			
Non-current assets			
Intangible assets	6	121	102
Property, plant and equipment	7	-	9
Financial assets:			
- amounts receivable from customers	9	223,259	159,915
Deferred tax assets	11	63	76
		223,443	160,102
Current assets			
Financial assets:			
- cash and cash equivalents		2,041	845
- trade and other receivables	10	9,241	3,764
- amounts receivable from customers	9	85,438	66,990
Inventories		1,672	1,876
Current tax assets		-	330
		98,392	73,805
Total assets		321,835	233,907
LIABILITIES			
Current liabilities			
- trade and other payables	12	(303,248)	(238,832)
Current tax liabilities		(6,012)	-
		(309,260)	(238,832)
Total liabilities		(309,260)	(238,832)
NET ASSETS/(LIABILITIES)		12,575	(4,925)
SHAREHOLDER'S EQUITY			
Share capital	13	-	-
Retained earnings/(deficit)		12,575	(4,925)
TOTAL SHAREHOLDER'S EQUITY/(DEFICIT)		12,575	(4,925)

The financial statements on pages 6 to 24 were approved by the board of directors on 9 March 2017 and signed on its behalf by:

S Hodgson
Director

S D K Law
Director

MONEYBARN NO.1 LIMITED
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STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY

	Share capital £'000	Retained earnings £'000	Total £'000
At 1 January 2015	-	(10,996)	(10,996)
Profit and total comprehensive income for the year	-	6,071	6,071
At 31 December 2015	-	(4,925)	(4,925)
At 1 January 2016	-	(4,925)	(4,925)
Profit and total comprehensive income for the year	-	17,500	17,500
At 31 December 2016	-	12,575	12,575

MONEYBARN NO.1 LIMITED
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STATEMENT OF CASH FLOWS

For the year ended 31 December	Note	2016 £'000	2015 £'000
Cash flow from operating activities			
Cash generated from operations	16	1,177	2,341
Tax received/(paid)		126	(1,107)
Net cash generated from operating activities		1,303	1,234
Cash flow from investing activities			
Purchase of intangible assets	6	(114)	-
Proceeds from disposal of property, plant and equipment	7	7	125
Net cash (used in)/generated from investing activities		(107)	125
Cash flow from financing activities			
Repayment of borrowings		-	(1,932)
Net increase/(decrease) in cash, cash equivalents and overdrafts		1,196	(573)
Cash and cash equivalents at beginning of year		845	1,418
Cash and cash equivalents at end of year		2,041	845

MONEYBARN NO.1 LIMITED
(Company Number 04496573)

STATEMENT OF ACCOUNTING POLICIES

General information
The company is a limited liability company incorporated and domiciled in the UK. The address of its registered office is The New Barn, Bedford Road, Petersfield, GU32 3LJ.

Basis of preparation
The financial statements are prepared in accordance with 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.

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.

The following new standards, amendments to standards and interpretations are mandatory and were applied by the company for the first time in the financial year commencing 1 January 2016:

(a) New and amended standards adopted by the company:

There have been no new or amended standards adopted by the company in the financial year beginning 1 January 2016 which had a material impact on the company.

(b) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2016 and not early adopted:

IFRS 9 'Financial instruments' is effective from 1 January 2018 and replaces IAS 39 'Financial instruments: Recognition and measurement'. IFRS 9 significantly changes the recognition of impairment on customer receivables with the standard introducing an expected loss model. Under this approach, impairment provisions are recognised on inception of a loan based on the typical average loss incurred on a loan. This differs from the current incurred loss model under IAS 39 whereby impairment provisions are only reflected when there is objective evidence of impairment, typically a missed payment. The resulting effect is that impairment provisions under IFRS 9 are recognised earlier in the income statement. This will result in a one-off adjustment to receivables and reserves on adoption and will result in a slower build in profits in growing businesses.

The company has been assessing the potential impact of IFRS 9 for the last 18 months. This includes participation in the group steering committee and the production of a formal timetable for implementation. It also includes working closely with the company's external auditor, Deloitte, to interpret the standard and ascertain emerging industry and best practice. However, whilst good progress has been made on quantifying the potential impact of IFRS 9 there are still a number of technical interpretations of the standard which need to be clarified in order to provide an accurate impact analysis.

Despite the magnitude of the changes to receivables and net assets, it is extremely important to note that IFRS 9 only changes the timing of profits made on a loan. The company's underwriting and scorecards will be unaffected by the change in accounting, the ultimate profitability of loan is the same under both IAS 39 and IFRS 9 and more fundamentally the cash flows and capital generation from a loan remain unchanged.

STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

Principal accounting policies (continued)
IFRS 16, 'Leases', 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 between leases and service contracts on the basis of whether there is an identified asset controlled by the customer. The standard requires the recognition of a lease liability, being the present value of the lease payments, and a right-to-use asset which will initially be recognised at the same value of the lease liability. The group and company are in the process of assessing the impact of the standard and will adopt from the expected effective date of 1 January 2019, subject to endorsement by the EU.

Revenue
Hire purchase agreements to customers (conditional sale):
Interest income on conditional sale contracts is recognised in the income statement for all conditional sales using an effective interest rate method (EIR), such that a constant periodic rate of return is earned on the net investment in the conditional sale agreements, as required by IAS 17.The EIR is the rate that discounts estimated future cash flows of the amount of finance provided in the conditional sale agreement back to the present value of the amount, taking account of directly attributable incremental issue costs (broker commissions). Under IAS 39 interest earned is reduced to reflect the impairment of receivables, and a corresponding adjustment is made to the impairment charge.

Interest and administration charges:
Interest and administration charges and other fees charged to customers arising on settlement or default are recognised as the event occurs and are exclusive of VAT.

Finance costs
Finance costs principally comprise the interest on both intra-group and third party loan arrangements, and are recognised on an effective interest rate basis.

Amounts receivable from customers
Customer receivables are initially recognised at the amount of finance agreed with the customer in the conditional sale agreement plus directly attributable acquisition costs. After initial recognition, customer receivables are subsequently measured at amortised cost. Amortised cost is the amount of the customer receivable at initial recognition less customer repayments, plus revenue earned calculated using the effective interest rate, less deduction for impairment.

In addition, the company raises an incurred but not yet reported provision to cover impairment events that have taken place but are not as yet evidenced by a missing payment trigger.

Intangible assets
Intangible assets, which comprises computer software, represent the costs incurred to acquire or develop the specific software and bring it into use.

Computer software is amortised on a straight-line basis over its estimated useful economic life, which is generally estimated to be between three and five years.

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.

STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

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.

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
Software development costs	33.3	Straight line
Contract hire vehicles	25	Straight line
Motor vehicles	Variable	Straight line

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

All 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.

Contract hire vehicles are depreciated over 4 years using an estimated residual value. Motor vehicles are depreciated over the estimated useful life of the asset, generally between 3 to 5 years dependent on vehicle class, expected annual mileage and use.

Depreciation is charged to the income statement as part of administrative costs.

Inventories
Inventories consist of vehicles brought back into stock after the termination of the conditional sale agreements with customers, valued at the expected auction proceeds net of auction costs.

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

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.

STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

Taxation (continued)
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.

Key assumptions and estimates
In applying the accounting policies set out above, the company makes significant estimates and assumptions that affect the reported amounts of assets and liabilities as follows:

Amounts receivable from customers
The company assesses whether there is objective evidence that amounts receivable from customers have been impaired at each balance sheet date. The principal criterion for determining whether there is objective evidence of impairment is a delinquency in contractual payments.

Customer balances are deemed to be impaired as soon as a customer misses one monthly contractual payment. Impairment is calculated as the difference between the carrying value of receivables and the present value of estimated future cash flows discounted at the original effective interest rate. Estimated future cash flows are based on the historical performance of customer balances falling into different arrears stages and are regularly assessed.

The company complies with the derecognition and impairment provisions of IAS39, Financial instruments: Recognition and measurement.

To the extent that the net present value of estimated future cash flows differs by +/- 1%, it is estimated that the amounts receivable from customers would be approximately £3.1m (2015 £2.3m) higher/lower.

FINANCE AND CAPITAL RISK MANAGEMENT

The overall financial and risk management framework is the responsibility of the board with certain responsibilities in respect of internal control and risk management being delegated to various subcommittees who report directly to the board. The company also operates within a group treasury framework and is subject to group treasury policies including counterparty, liquidity, interest rate, market and capital risk.

An overview of the group's risk management framework can be found in the annual report and financial statements of Provident Financial plc.

(a) Credit risk

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

(i) Amounts receivable from customers

The company's maximum exposure to credit risk on amounts receivable from customers as at 31 December 2016 is the carrying value of amounts receivable from customers of £308.7m (2015: £226.9m).

The board is responsible for setting the credit policy of the company. The board meets quarterly, or more frequently if required, and is responsible for ensuring that the approach to lending is within sound risk and financial parameters and that key metrics are reviewed to ensure compliance with policy.

A customer's risk profile and amount of finance provided by way of conditional sales contract is evaluated at the point of application. Historical payment patterns of customers are used to assess the applicant's potential default risk and their ability to manage a specific finance amount and monthly payments. The company also incorporates data from the applicant, such as income and employment, and data from external credit bureaux in assessing the customer's risk profile.

Arrears management is a combination of central letters, inbound and outbound telephony, SMS, e-mail and outsourced debt collection agency activities. Contact is made with the customer to discuss the reasons for non-payment and specific strategies are employed to support the customer in returning to a good standing, which can involve recovery of the vehicle for which the loan was placed.

(ii) Counterparty risk

The company's maximum exposure to credit risk on bank counterparties as at 31 December 2016 was £2.0m (2015: £0.8m).

Counterparty credit risk arises as a result of cash deposits placed with banks and the use of derivative financial instruments with banks and other financial institutions which are used to hedge interest rate risk and foreign exchange rate risk. 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 and derivative financial instruments are only made with high quality counterparties with the level of permitted exposure to a counterparty firmly linked to the strength of its credit rating. In addition, there is a maximum exposure limit for all institutions, regardless of credit rating. This is linked to the group's regulatory capital base in line with the group's regulatory reporting requirements on large exposures to the Prudential Regulation Authority (PRA).

(b) Liquidity risk

Liquidity risk is the risk that the company will have insufficient liquid resources available to fulfil its operational plans and/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.

FINANCE AND CAPITAL RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk (continued)
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 committed borrowing facilities and access to retail deposit funding through its subsidiary, Vanquis Bank Limited, to meet forecast borrowing requirements, including contractual maturities, at all times for at least the following 12 months. As at 31 December 2016, the group's committed borrowing facilities had a weighted average maturity of 2.5 years (2015: 2.8 years) and the headroom on these committed facilities amounted to £110.2m (2015: £222.3m). On 31 January 2017, the group entered into a new syndicated bank facility of £450m maturing in May 2020 and cancelled the existing facility of £382.5m which was due to expire in May 2018.

The group is less exposed than other mainstream lenders to liquidity risk as the loans issued by the Consumer Credit Division are of short-term duration (typically around one year), whereas the group's borrowings extend over a number of years.

A maturity analysis of the undiscounted contractual cash flows of the group's bank and other borrowings, including derivative financial instruments settled on a net and gross basis, is set out in the annual report and financial statements of Provident Financial plc.

(c) 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 2016 and 2015 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.

(d) 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.

(e) Capital risk
Capital risk is managed by the group's centralised treasury department. The group manages capital risk by focussing on capital efficiency and effective risk management. This aims to maintain sufficient, but not excessive, financial strength, optimise the debt to equity structure of the company and support dividend payments to the parent. 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.

MONEYBARN NO.1 LIMITED
(Company Number 04496573)

NOTES TO THE FINANCIAL STATEMENTS

1 Revenue

	2016 £'000	2015 £'000
Interest income	71,685	49,214
Fee income	938	603
Total revenue	72,623	49,817

Revenue comprises interest and fee income of £80.7m (2015: £55.3m) net of the amortisation of deferred broker commissions of £8.1m (2015: £5.5m).

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

2 Finance costs

	2016 £'000	2015 £'000
Interest payable to other group undertakings	18,183	14,191
Interest payable on bank and other borrowings	-	13
Total finance costs	18,183	14,204

3 Profit before taxation

	2016 £'000	2015 £'000
Profit before taxation is stated after charging/(crediting):		
Amortisation of intangible assets:		
- computer software (note 6)	95	81
Depreciation of property, plant and equipment (note 7)	9	29
Profit on disposal of property, plant and equipment (note 7)	(7)	(41)
Impairment of amounts receivable from customers (note 9)	18,451	8,926

Fellow subsidiary undertakings have recharged certain administrative costs to the company of £12.5m (2015: £17.2m) in respect of services provided.

	2016 £'000	2015 £'000
Auditor's remuneration		
Fees payable to the company's auditor for the audit of the financial statements	49	56
Total auditor's remuneration	49	56

4 Tax charge

Tax charge in the income statement	2016 £'000	2015 £'000
Current tax	(6,216)	(1,457)
Deferred tax (note 11)	(10)	(11)
Impact of change in UK tax rate	(3)	(8)
Total tax charge	(6,229)	(1,476)

During 2015, reductions in corporation tax rates were enacted, reducing the 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 corporation tax rate from 18% to 17% with effect from 1 April 2020. As the temporary differences on which deferred tax is calculated as at 31 December 2016 are expected to largely reverse after 1 April 2020 (2015: 1 April 2020), deferred tax at 31 December 2016 has been re-measured at 17% (2015: 18%). In 2016, movements in the deferred tax balances have been measured at the statutory corporation tax rate for the year of 20.0% (2015: 20.25%). A tax charge in 2016 of £3,000 (2015: £8,000) 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 (2015: lower than) the average standard rate of corporation tax in the UK of 20% (2015: 20.25%). This can be reconciled as follows:

	2016 £'000	2015 £'000
Profit before taxation	23,729	7,547
Profit before taxation multiplied by the average standard rate of corporation tax in the UK of 20% (2015: 20.25%)	(4,746)	(1,528)
Effects of:		
- adjustment in respect of prior years	(1,475)	66
- impact of change in UK tax rate	(3)	(8)
- impact of permanent differences	(5)	(6)
Total tax charge	(6,229)	(1,476)

The adjustment in respect of prior years relates primarily to transfer pricing adjustments on intra-group service charges made to the company by Moneybarn Limited which have increased prior year tax liabilities in the company and reduced prior year tax liabilities in Moneybarn Limited.

5 Employee information and directors' remuneration

The company has no employees, the cost of the directors is borne by Moneybarn Limited and recharged by way of a management charge.

6 Intangible assets

	Computer software	
	2016	2015
	£'000	£'000
Cost		
At 1 January	243	243
Additions	114	-
At 31 December	357	243
Accumulated amortisation		
At 1 January	141	60
Charged to the income statement	95	81
At 31 December	236	141
Net book value at 31 December	121	102
Net book value at 1 January	102	183

7 Property, plant and equipment

	Equipment and vehicles	
	2016	2015
	£'000	£'000
Cost		
At 1 January	105	405
Additions	-	-
Disposals	(13)	(300)
At 31 December	92	105
Accumulated depreciation		
At 1 January	96	283
Charged to the income statement	9	29
Disposals	(13)	(216)
At 31 December	92	96
Net book value at 31 December	-	9
Net book value at 1 January	9	122

Disposals in the year had a net book value of £nil (2015: £84,000) and related proceeds of £7,000 (2015: £125,000). The profit on disposals was £7,000 (2015: £41,000).

8 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 IAS 39. Assets and liabilities outside the scope of IAS 39 are shown within non-financial assets/liabilities:

31 December 2016	Loans and receivables £'000	Amortised cost £'000	Non-financial assets/ liabilities £'000	Total £'000
Assets				
Cash and cash equivalents	2,041	-	-	2,041
Trade and other receivables	9,241	-	-	9,241
Amounts receivable from customers	308,697	-	-	308,697
Intangible assets	-	-	121	121
Deferred tax assets	-	-	63	63
Inventories	-	-	1,672	1,672
Total assets	319,979	-	1,856	321,835
Liabilities				
Trade and other payables	-	(303,248)	-	(303,248)
Current tax liabilities	-	-	(6,012)	(6,012)
Total liabilities	-	(303,248)	(6,012)	(309,260)

31 December 2015	Loans and receivables £'000	Amortised cost £'000	Non-financial assets/ liabilities £'000	Total £'000
Assets				
Cash and cash equivalents	845	-	-	845
Trade and other receivables	3,764	-	-	3,764
Amounts receivable from customers	226,905	-	-	226,905
Property, plant and equipment	-	-	9	9
Intangible assets	-	-	102	102
Deferred tax assets	-	-	76	76
Inventories	-	-	1,876	1,876
Current tax assets	-	-	330	330
Total assets	231,514	-	2,393	233,907
Liabilities				
Trade and other payables	-	(238,832)	-	(238,832)
Total liabilities	-	(238,832)	-	(238,832)

9 Amounts receivable from customers

Amounts receivable from customers are held at amortised cost and are equal to the expected future cash flows discounted at the effective interest rate. The average effective interest rate for the year ended 31 December 2016 was 30% (2015: 28%).

Amounts from customers comprises £297.3m (2015: £219.6m) of customer receivables plus deferred broker commissions of £11.4m (2015: £7.3m).

Ageing analysis of amounts receivable from customers	2016 £'000	2015 £'000
Amounts due within one year	85,438	66,990
Amounts due in more than one year	223,259	159,915
Total	308,697	226,905

2016	Within 1 year £'000	1-5 years £'000	Total £'000
Future minimum lease payments	153,878	326,766	480,644
Unearned finance income	(68,440)	(103,507)	(171,947)
Present value of minimum lease payments receivable	85,438	223,259	308,697

2015	Within 1 year £'000	1-5 years £'000	Total £'000
Future minimum lease payments	116,183	230,255	346,438
Unearned finance income	(49,193)	(70,340)	(119,533)
Present value of minimum lease payments receivable	66,990	159,915	226,905

No finance agreements entered into have a term greater than five years (2015: none over five years).

The average term of finance leases entered into during the year is 4.7 years (2015: 4.6 years).

The credit quality of amounts receivable from customers is as follows:

Credit quality of amounts receivable from customers	2016 £'000	2015 £'000
Neither past due nor impaired	241,228	181,469
Impaired	67,469	45,436
Total	308,697	226,905

The company has no balances past due, but not impaired, as a provision is made immediately when a balance is in arrears.

9 Amounts receivable from customers (continued)

Impairment is deducted from the carrying value of amounts receivable from customers by use of an allowance account. The movement in the allowance account during the year is as follows:

Impairment allowance account	2016	2015
	£'000	£'000
At 1 January	18,485	27,142
Charge for the year	16,424	8,926
Amounts written off during the year	(738)	(2,023)
Sale of delinquent receivables	-	(15,560)
At 31 December	34,171	18,485

Interest income of £10.0m (2015: £6.7m) has been recognised during the year on amounts receivable from customers which have been impaired.

The fair value of amounts receivable from customers is approximately £338.3m (31 December 2015: £298.0m). Fair value has been derived by discounting expected future cash flows at the company's weighted average cost of capital at the balance sheet date.

Under IFRS 13. 'Fair value measurement', receivables are classed as level 3 as they are not traded on active market and the fair value is therefore through future cashflows.

10 Trade and other receivables

Current assets	2016 £'000	2015 £'000
Amounts owed by fellow subsidiary undertakings	9,019	3,731
Prepayments and accrued income	222	33
Total	9,241	3,764

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.

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

There is no collateral held in respect of trade and other receivables (2015: £nil).

11 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 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 corporation tax rate from 18% to 17% with effect from 1 April 2020. Deferred tax balances at 31 December 2016 have been measured at 17% (2015: 18%) on the basis that the temporary differences on which the deferred tax has been calculated are expected to reverse after 1 April 2020 (2015: 1 April 2020). In 2016, movements in the deferred tax balances have been measured at the statutory corporation tax rate for the year of 20.0% (2015: 20.25%). A tax charge in 2016 of £3,000 (2015: £8,000) 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	2016 £'000	2015 £'000
At 1 January	76	95
Charge to the income statement	(10)	(11)
Impact of change in UK tax rate	(3)	(8)
At 31 December	63	76

Asset			2016
	Accelerated capital allowances £'000	Other temporary differences £'000	Total £'000
At 1 January	72	4	76
Charge to the income statement	(6)	(4)	(10)
Impact of change in UK tax rate	(3)	-	(3)
At 31 December	63	-	63

Asset			2015
	Accelerated capital allowances £'000	Other temporary differences £'000	Total £'000
At 1 January	94	1	95
Charge/(credit) to the income statement	(14)	3	(11)
Impact of change in UK tax rate	(8)	-	(8)
At 31 December	72	4	76

Deferred tax is a future tax liability or asset resulting from temporary differences or timing differences between the accounting value of assets and liabilities and their value for tax purposes. Deferred tax arises primarily in respect of 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. Deferred tax assets are recognised because it is considered probable that future taxable profits will be available against which the temporary differences can be utilised.

12 Trade and other payables

Current liabilities	2016 £'000	2015 £'000
Trade payables	290	198
Amounts owed to fellow subsidiary undertakings	22,802	17,810
Amounts owed to ultimate parent undertaking	279,159	219,556
Other payables including taxation and social security	-	17
Accruals	997	1,251
Total	303,248	238,832

The fair value of trade and other payables equates to their book value (2015: fair value equated to book value). Amounts owed to fellow subsidiary undertakings are unsecured, due for repayment in less than one year and do not accrue interest.

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

13 Share capital

	2016 Issued and fully paid	2015 Issued and fully paid
Ordinary shares of 100p each (£)	2	2
Number of shares	2	2

There are no shares issued and not fully paid at the end of the year (2015: no shares).

14 Related party transactions

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

Company	Management recharge £'000	Interest charge £'000	2016 Outstanding balance £'000
Ultimate parent undertaking	-	18,183	(279,159)
Immediate parent undertaking	-	-	1,845
Other subsidiaries of the ultimate parent undertaking	12,470	-	(15,628)
Total	12,470	18,183	(292,942)

Company	Management recharge £'000	Interest charge £'000	2015 Outstanding balance £'000
Ultimate parent undertaking	-	14,191	(219,556)
Immediate parent undertaking	-	-	1,843
Other subsidiaries of the ultimate parent undertaking	17,202	-	(15,922)
Total	17,202	14,191	(233,635)

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

15 Contingent liabilities

The company is a guarantor in respect of: (i) borrowings made by the company's ultimate parent undertaking; and (ii) guarantees given by the company's ultimate parent undertaking in respect of borrowings of certain of its subsidiaries to a maximum of £1,019.0m (2015: £1,073.4m). At 31 December 2016, the borrowings amounted to £908.8m (2015: £851.1m). No loss is expected to arise.

16 Reconciliation of profit after taxation to cash generated from operations

	Note	2016 £'000	2015 £'000
Profit after taxation		17,500	6,071
Adjusted for:			
- tax charge	4	6,229	1,476
- amortisation of intangible assets	6	95	81
- depreciation of property, plant and equipment	7	9	29
- profit on disposal of property, plant and equipment	7	(7)	(41)
Changes in operating assets and liabilities:			
- amounts receivable from customers		(81,792)	(70,349)
- trade and other receivables		(5,477)	24
- inventories		204	(950)
- trade and other payables		64,416	66,000
Cash generated from operations		1,177	2,341

17 Parent undertaking and controlling party

The immediate parent undertaking is Moneybarn Group Limited. 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.