

MONEYBARN FINANCING LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023
REGISTERED NUMBER: 12323134



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FOR THE YEAR ENDED 31 DECEMBER 2023

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MONEYBARN FINANCING LIMITED

REGISTERED NUMBER: 12323134

FOR THE YEAR ENDED 31 DECEMBER 2023

COMPANY INFORMATION

Directors

L.D.C. Securitisation Director No. 1 Limited
L.D.C. Securitisation Director No. 2 Limited
M.H. Filer

Secretary

Law Debenture Corporate Services Limited

Registered Office

8th Floor
100 Bishopsgate
London EC2N 4AG

Registered Number

12323134

Statutory Auditor

Deloitte LLP
Birmingham
United Kingdom

STRATEGIC REPORT**FOR THE YEAR ENDED 31 DECEMBER 2023**

The directors present their strategic report for Moneybarn Financing Limited (the "Company") for the year ended 31 December 2023.

General company information

The Company was incorporated in England and Wales on 19 November 2019 as a private limited company with the registered number of 12323134.

Principal activities and review of business

The Company was set up as a special purpose company for the sole purpose of entering into a transaction arranged by Natwest Markets plc ("Natwest") to acquire and accumulate newly originated car, van and motorbike financing receivables through the issuance of loan notes.

On 14 January 2020, and as subsequently amended and restated from time to time, the Company entered into a receivables Sales Agreement to allow it to finance and acquire certain motor finance receivables originated by Moneybarn No.1 Limited ("Originator") which is part of Vanquis Banking Group plc ("VBG"). As part of the transaction the Company entered into a servicing agreement with Moneybarn No.1 Limited (the "Servicer") to service and administer the underlying receivables for which the Servicer receives a servicing fee.

On 26th January 2023, following requests from the transaction parties, amendments were made to certain transaction documents to amend the portfolio concentration limits. On 27th June 2023 further amendments were made to certain transaction documents to refinance the portfolio. On 18th December 2023 the Company made a utilisation of £12,642,360 under the subordinated note issuance agreement.

To allow for the acquisition of the receivables, on 14 January 2020, and as subsequently amended and restated from time to time, the Company entered into a senior note issuance agreement ("Interest bearing liabilities"). Natwest together with Barclays Bank PLC ("Barclays") are the senior noteholders of notes issued under the senior note issuance agreement. The notes are secured against the assets of the Company, with US Bank Trustees Limited acting as Security Trustee.

Under the terms of the transaction, on 14 January 2020, and as subsequently amended and restated from time to time, the Company also entered into a subordinated notes issuance agreement with Moneybarn No.1 Limited to ensure it had the requisite available cash and credit enhancement for the receivables acquired.

The finance obtained by the Company is limited recourse in nature and repayment is restricted to the income received by the Company on the underlying receivables acquired.

US Bank Global Corporate Trust Limited act as cash manager for the Company under the transaction documents. All payments made by the Company are subject to a payment waterfall as set out in the documents underlying the transaction.

The receivables acquired under the transaction fail the recognition criteria of IFRS9: "Financial Instruments", because the Originator retains all the risks and rewards of ownership by being entitled to any residual cash flows after payment of all other expenses under the transaction documents as deferred consideration. Accordingly, the beneficial interest in the receivables is recognised as a deemed loan in the Company's financial statements and the underlying receivables remain on the balance sheet of Originator. Consequently, VBG is considered the ultimate controlling party and as such the results of the Company are included in the consolidated financial statements of VBG.

During 2022, the Company approved the delisting of the Class A £25m Senior Notes from The International Stock Exchange.

STRATEGIC REPORT (CONTINUED)**FOR THE YEAR ENDED 31 DECEMBER 2023**

As at 31 December 2023, the Company had the following facilities:

	Facility limit £'000	Facility drawn £'000	Commitment fee %	Interest rate	Current maturity date
Interest bearing liabilities	400,000	200,000	0.70%	Daily compounded SONIA +2.15% until 21 January 2025, + 2.90% thereafter	21/01/2026
Subordinated Loan	Uncommitted	95,552	n/a	n/a	21/01/2026

Performance in the year and future outlook

The Company reported a loss after tax of £9,992k (2022: £8,159k profit) for the year as shown in the Statement of Comprehensive Income. This was driven by the derivative movement for the year shifting from a gain in the prior year to a loss in the current year.

Prospects for UK economic performance remain uncertain. The medium and longer-term impacts of COVID 19 together with the implications of the UK's new trading relationships post-Brexit and geopolitical tensions remain uncertain. Resultant inflation has led to increases in Bank of England base rates over the past few years. All of these factors have resulted in increased pressure on affordability and a heightened risk that borrowers may ultimately default on their finance repayments on the receivables underlying the deemed loan. However, as at the signing date UK inflation has fallen to 2%, with a reduction in interest rates expected to follow periodically. This combined with the low level of arrears on the underlying receivables mean that the overall outlook for the transaction is improving.

The Company and Servicer continue to monitor the situation and the Company will continue to operate under the terms of the sole transaction it was established for and will continue to acquire receivables underlying the deemed loan until the loan facilities have been fully utilised or the loan facility term has been reached at which point the Company may look to refinance the underlying receivables portfolio.

Further details in relation to Going Concern are included in the Director's report.

Key performance indicators (KPIs)

Financial KPIs - The recoverability of the Company's deemed loan is linked to the performance of the underlying receivables and therefore the net interest income and performance of the underlying receivables are key performance indicators. The Company monitors the monthly servicer reports that contain a range of data on the performance of the receivables portfolio including payment arrears, Loan to Value percentages and restructured loans.

Non-financial KPIs – as the purpose of the business is entirely finance related, the directors are of the view that there are no meaningful non-financial KPIs that could be adopted.

Post balance sheet events

There have not been any events of note after the reporting date.

Principal risks and uncertainties

The directors have been charged with governance in accordance with the transaction documents detailing the mechanism and structure of the Company. The structure of the Company is such that the key policies have been predetermined and the operational roles have been assigned to third parties and these are strictly governed by the transaction documents. The transaction documents provide for procedures that have been designed for safeguarding assets against unauthorised use or disposition, for maintaining proper accounting records and for the reliability and usefulness of financial information used within the Company or for publication. Such

STRATEGIC REPORT (CONTINUED)**FOR THE YEAR ENDED 31 DECEMBER 2023****Principal risks and uncertainties (continued)**

procedures are designed to manage, rather than eliminate, the risk of failure to achieve business objectives whilst enabling directors to comply with the regulatory obligations.

Impacts of geopolitical tensions and macroeconomic factors are also considered as uncertainties and are considered within the Going Concern assessment included in the Director's report.

The Company is mainly exposed to credit risk, interest rate risk and liquidity risk. The principal nature of such risks is summarised below:

Credit risk management

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's deemed loan and cash and cash equivalents held at banks. The Company's maximum exposure to credit risk by class of financial asset is set out in Note 2 to the financial statements.

The main asset of the Company is the deemed loan. Due to the high levels of collateralisation, the company has elected to assess the recoverability of the deemed loan based on the financial performance of VBG (the "Group").

The Company has appointed VBG to service the receivables underlying the deemed loan. VBG mitigates the Company's exposure to credit losses through strong underwriting, loan to value and credit control policies on the receivables underlying the deemed loan. Customers' credit risk profiles are evaluated by VBG when the underlying customer applies for finance and subsequently at the point of arrangement. A scorecard based on exhaustive historical data including payment patterns of customers is used by VBG to assess an applicant's potential default risk. Impairments are monitored and provided for using various techniques by VBG as Servicer.

Liquidity risk management

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when they fall due without incurring unacceptable losses or risking damage to the Company's position. Under the terms of the transaction documents, all payments made by the Company are made in strict order using a payment waterfall. As the funding raised by the Company is limited recourse in nature, the Company is only obliged to pay amounts falling due to the extent that it has received income from the receivables underlying the deemed loan.

The Company's contractual undiscounted cash flows of its financial assets and liabilities is set out in Note 2 to the financial statements.

Interest rate risk management

Interest rate risk exists where assets and liabilities have interest rates set under different bases or which reset at different times.

Interest paid on the Company's loan facilities is at a floating rate whilst interest received on the receivables underlying the deemed loan are at fixed and floating rates. The Company mitigates its interest rate risk on the underlying fixed rate receivables by entering into interest rate swap agreements with suitably rated counterparties. As a result, the Company does not have a material net interest rate risk exposure.

Capital risk management

The Company is not subject to any external capital requirements except for the minimum requirement under the Companies Act 2006. The Company has not breached the minimum requirement. The directors have considered the nature and structure of the Company and are satisfied that there is sufficient capital in relation to the business activities of the Company and levels of planned financial performance to continue to operate. Shareholders' funds at the year end were £1,289k (2023: £11,280k).

STRATEGIC REPORT (CONTINUED)**FOR THE YEAR ENDED 31 DECEMBER 2023****Streamlined Energy and Carbon Reporting**

The Company is out of the scope of the Streamlined Energy and Carbon Reporting (SECR), as it does not meet the numerical thresholds in relation to turnover and number of employees.

Directors' statement of compliance with Section 172(1) of the Companies Act 2006

Section 172 (1) of Companies Act 2006 requires directors to act in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

- a) The likely consequences of any decision in the long term
- b) The interests of the Company's employees
- c) The need to foster the Company's business relationships with suppliers, customers and others
- d) The impact of the Company's operations on the community and the environment
- e) The desirability of the Company maintaining a reputation for high standards of business conduct and
- f) The end to act fairly as between members of the Company

As a special purpose vehicle the governance structure of the Company is such that the key policies have been predetermined at the time the Company issued the bonds which were listed on the London Stock Exchange. The Directors have had regards to the matters set out in section 172(1) of the Companies Act 2006 as follows:

- the transaction documents, which cannot be changed without bondholder consent, have been formulated to achieve the Company's purpose and business objectives, safeguard the assets and promote the success of the Company with a long term view and as disclosed in Note 1;
- the transaction documents only allow the Company to retain a minimal profit and due to the limited recourse nature of the structure, the returns to bond holders are limited by the cashflows received;
- the Company has no employees;
- the Company is a securitisation vehicle and therefore a key stakeholder are the bondholders. The transaction documents determine the nature and quality of assets that can be securitised and how the cash flows from securitised assets are distributed. Relationships are also fostered with suppliers and others via professional third parties who have been assigned operational roles with their roles strictly governed by the transaction documents and fee arrangements agreed in advance. The Company has no customers;
- as a securitisation vehicle the Company has no physical presence or operations and accordingly has minimal impact on the community and the environment;
- the Company maintains a reputation for high standards of business conduct via professional third parties who have contracted with the Company to provide specific operational roles. Fee arrangements have been agreed in advance and supplier invoices paid strictly in accordance with the transaction documents including a priority of payments, if applicable; and
- the Company has a sole member, The Law Debenture Intermediary Corporation PLC, and the entire issued share capital of the Company is held under a discretionary trust for charitable purposes.

Approval

This report was approved by the board and signed on its behalf by:



Mark Filer
For and on behalf of L.D.C. Securitisation Director No.1 Limited
Director
30 September 2024

DIRECTORS' REPORT**FOR THE YEAR ENDED 31 DECEMBER 2023**

The directors present their report and the audited financial statements of the Company for the year ended 31 December 2023.

Corporate Governance

The directors have been charged with governance in accordance with the transaction documents describing the structure and operation of the transaction. The governance structure of the Company is such that the key policies have been predetermined at the time of issuance of the bonds and the operational roles have been assigned to third parties with their roles strictly governed by the transaction documents associated with the bond issuance.

The transaction documents provide for procedures that have been designed for safeguarding assets against unauthorised use or disposition, for maintaining proper accounting records, and for the reliability and usefulness of financial information used within the business or for publication. Such procedures are designed to manage rather than eliminate the risk of failure to achieve business objectives whilst enabling them to comply with the regulatory obligations.

Directors and company shareholdings

The directors of the Company who were in office during the year and up to the date of signing this report were:

Mark Filer

L.D.C. Securitisation Director No.1 Limited

L.D.C. Securitisation Director No.2 Limited

The directors are not subject to retirement by rotation.

The directors and their immediate relatives did not hold any interests in any shares of the Company or its ultimate controlling party.

Directors interest in contracts

None of the directors who held office during the year and up to the date of this report had any material contract or arrangement with the Company.

Law Debenture Corporate Services Limited is contracted to provide certain corporate services including a registered office, corporate administration and directors amongst other services for which it charges a corporate service fee. The amount charged for these services (including VAT) during the year was £22k (2022:£22k). The Directors are not remunerated directly by the Company for their services.

The Company has no employees.

Directors' Indemnities

The directors are provided by Law Debenture Corporate Services Limited under a Corporate Services Agreement which contains certain indemnities for the directors which were in place during the year and remain in force at the date of this report. Law Debenture Corporate Services Limited maintains its own insurance for the services it provides.

DIRECTORS' REPORT (CONTINUED)**FOR THE YEAR ENDED 31 DECEMBER 2023****Results and dividends**

The loss for the year ended 31 December 2023 amounted to £9,992k (2022: £8,159k profit) as shown in the Statement of Comprehensive Income. The Company retains the right under the transaction documents to retain a profit of £1,200 per year from the revenue receipts from the receivables underlying the Deemed Loan with all residual cash being paid as deferred consideration to the Originator. Therefore, whilst over the life of the transaction the profit and loss shown in the Statement of Comprehensive Income in any accounting period may differ from this amount due to fair value and other accounting adjustments, such profits or losses are expected to reverse over the life of the transaction, leaving the Company ultimately with retained earnings equal to the aggregate issuer profit accruing over the life of the transaction after tax.

The directors do not recommend the payment of a dividend for the year ended 31 December 2023 (2022: £nil).

Future outlook

See strategic report.

Principal risks and uncertainties

See strategic report.

Financial Instruments

The Company has entered into a sole transaction to raise finance through the issuance of Notes to acquire and accumulate newly originated motor finance receivables.

Political and charitable donations

The Company made no political or charitable donations during the year (2022: £nil).

Events after Statement of Financial Position date

There have been no significant events after the Statement of Financial Position date up to the date of this report.

Going concern

The Directors have prepared the financial statements on the going concern basis which assumes that the Company will continue in operational existence for the foreseeable future and will have adequate funds available to meet its obligations as they fall due.

In considering the going concern of the Company, the Directors have taken into account the financial position of the Company together with the financial position of VBG, the ultimate controlling party.

The key factor in determining going concern risk is the payments received by the Company from the receivables underlying the deemed loan. Prospects for UK economic performance remain uncertain. The medium and longer-term impacts of COVID 19 together with the implications of the UK's new trading relationships post-Brexit and geopolitical tensions remain uncertain. Resultant inflation has led to increases in Bank of England base rates over the past few years. All of these factors have resulted in increased pressure on affordability and a heightened risk that borrowers may ultimately default on their finance repayments on the receivables underlying the deemed loan. However, as at the signing date UK inflation has fallen to 2%, with a reduction in interest rates expected to follow periodically. This combined with the low level of arrears on the underlying receivables mean that the overall outlook for the transaction is improving.

Under the terms of the transaction documents, VBG, as the Originator of the receivables, is required to repurchase defaulting receivables from the Company for full value. Should VBG fail to repurchase the defaulting receivables, or there is a shortfall in payments to the Company, then the Company is only liable under the terms of the transaction documents to make payments to the noteholders and transaction parties to the extent that funds are received and in strict order of payment priority as set out in the transaction documents.

DIRECTORS' REPORT (CONTINUED)**FOR THE YEAR ENDED 31 DECEMBER 2023****Going concern (continued)**

While the extent and duration of the effect of this economic uncertainty remains unclear, there is a risk of financial instability for the Company - for example a detrimental effect on the UK economy may ultimately impact the borrowers' ability to repay the loans, or on the Servicers' ability to continue to effectively service the loans. However, as at the report date there has been no material impact from these macroeconomic factors on the Company's financial performance or cash flows. Ultimately, due to the limited recourse nature of the funding raised by the Company, any shortfall in the proceeds received from the repayment of the receivables underlying the deemed loan will be a risk to the holders of the notes held by the senior noteholders.

It is the intention of the Directors to continue the operations of the Company in accordance with the transaction documents for the foreseeable future.

Statement of Disclosure to the Auditors

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

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware and;
- each director has taken all the steps he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditors

The auditors, Deloitte LLP, have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the next Board Meeting of the Company

This report was approved by the board and signed on its behalf by:



Mark Filer

For and on behalf of L.D.C. Securitisation Director No.1 Limited

Director

30 September 2024

STATEMENT OF DIRECTORS' RESPONSIBILITIES**FOR THE YEAR ENDED 31 DECEMBER 2023**

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

Company law requires the directors to prepare financial statements for each financial period. Under that law, the directors have elected to prepare the financial statements in accordance with United Kingdom adopted international accounting standards. Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs 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.

Directors' confirmations

Each of the directors listed in the directors report confirm, to the best of their knowledge that:

- the financial statements have been prepared in accordance with IFRS and give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
- the annual report includes a fair review of the development and performance of the business and the financial position of the Company, together with a description of the principal risks and uncertainties that it faces.

Independent auditor's report to the members of Moneybarn Financing Limited***Report on the audit of the financial statements******Opinion***

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

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

We have audited the financial statements which comprise:

- the statement of comprehensive income;
- the statement of financial position;
- the statement of changes in equity;
- the statement of cash flow; and
- the related notes 1 to 16.

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

Basis for opinion

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

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

Conclusions relating to going concern

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

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

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

Other information

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

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or

otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

We obtained an understanding of the legal and regulatory frameworks that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act and tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty.

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

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

- We obtained an understanding of management's processes of valuation of derivatives and performed a walkthrough of relevant controls

- We worked with our internal complex pricing specialists to develop an independent view of an acceptable range for the swap valuation. This was performed using an independent model and independent market data. We assessed whether management's valuation estimate was within our acceptable range.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance and reviewing internal audit reports.

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.

[Signature]

Chris Freckelton (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

Birmingham, United Kingdom

30 September 2024

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2023

	Note	2023 £	2022 £
Finance income	4	21,136,755	13,541,979
Finance expense	5	<u>(17,372,868)</u>	<u>(9,808,370)</u>
Net finance cost		3,763,887	3,733,609
Administrative expenses		(3,762,687)	(3,732,409)
Fair value (loss)/gain on derivative	11	<u>(9,992,826)</u>	<u>8,158,351</u>
(Loss)/profit from operations before tax		(9,991,626)	8,159,551
Tax charge	7	<u>(228)</u>	<u>(228)</u>
(Loss)/profit for the year		(9,991,854)	8,159,323
Other comprehensive income:			
Other comprehensive income for the year, net of tax		<u>-</u>	<u>-</u>
Total comprehensive (expense)/income for the year		<u>(9,991,854)</u>	<u>8,159,323</u>

There are no other comprehensive (expense)/income items other than the result for the year stated above. Accordingly, no statement of other comprehensive income is given.

The above amounts relate exclusively to continuing operations.

The notes on pages 18 to 28 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	Note	2023 £	2022 £
NON-CURRENT ASSETS			
Deemed loan	8	179,310,343	249,841,206
Derivative financial instrument	11	<u>1,284,783</u>	<u>11,277,609</u>
		180,595,126	261,118,815
CURRENT ASSETS			
Cash and cash equivalents		<u>21,264,818</u>	<u>25,335,004</u>
TOTAL CURRENT ASSETS		21,264,818	25,335,004
TOTAL ASSETS		<u>201,859,943</u>	<u>286,453,819</u>
CURRENT LIABILITIES			
Trade and other payables	9	<u>571,352</u>	<u>173,374</u>
NON-CURRENT LIABILITIES			
Interest bearing liabilities	10	<u>200,000,000</u>	<u>275,000,000</u>
		200,000,000	275,173,374
TOTAL LIABILITIES		<u>200,571,352</u>	<u>275,173,374</u>
NET ASSETS		<u>1,288,591</u>	<u>11,280,445</u>
EQUITY			
Called up share capital	13	1	1
Retained earnings		<u>1,288,590</u>	<u>11,280,444</u>
TOTAL SHAREHOLDERS FUNDS		<u>1,288,591</u>	<u>11,280,445</u>

The notes on pages 18 to 28 form part of these financial statements.

Approved and authorised for issue by the directors on 30 September 2024 and signed on the Company's behalf by:



Mark Filer
For and on behalf of L.D.C. Securitisation Director No.1 Limited
Director

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2023

	Share Capital	Profit and loss account	Total
	£	£	£
Balance as at 31 December 2021	1	3,121,121	3,121,122
Total comprehensive income	-	8,159,323	8,159,323
Balance as at 31 December 2022	1	11,280,444	11,280,445
Total comprehensive expense	-	(9,991,854)	(9,991,854)
Balance as at 31 December 2023	1	1,288,590	1,288,591

The notes on pages 18 to 28 form part of these financial statements.

STATEMENT OF CASH FLOW

FOR THE YEAR ENDED 31 DECEMBER 2023

	2023 £	2022 £
Cash flows from operating activities		
(Loss)/profit on ordinary activities before taxation	(9,991,626)	8,159,551
Interest income	21,136,755	13,541,979
Interest expense	(17,372,868)	(9,808,370)
Fair value movement of swap	9,992,826	(8,158,351)
Increase/(decrease) in creditors	398,206	(11,884)
Net cash generated from operating activities before tax	4,163,293	3,722,925
Tax paid	(456)	(209)
Net cash generated from operating activities after tax	4,162,837	3,722,716
Cash flows used in investing activities		
Net deemed loan acquired	(75,077,784)	(138,742,700)
Repayment of deemed loan	145,608,648	139,520,860
Interest received	(21,136,755)	(13,541,979)
Net cash inflow/(outflow) from investing activities	49,394,109	(12,763,819)
Cash flows from financing activities		
Repayment of Interest bearing liabilities	(75,000,000)	-
Interest paid	17,372,868	9,808,370
Cash (used in)/generated from financing activities	(57,627,132)	9,808,370
Net (decrease)/increase in cash and cash equivalents	(4,070,186)	767,267
Cash and cash equivalents at the start	25,335,004	24,567,737
Cash and cash equivalent at year end	21,264,818	25,335,004

The notes on pages 18 to 28 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General information

Moneybarn Financing Limited was incorporated on 19 November 2019 in the United Kingdom under the Companies Act 2006. The Company was set up as a special purpose company for the sole purpose of entering into a transaction arranged by Natwest Markets plc ("Natwest") to acquire and accumulate newly originated car, van and motorbike financing receivables through the issuance of loan notes.

Significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have all been applied consistently throughout the year unless otherwise stated. The financial statements are presented in Sterling (£), which is also the functional currency of the Company. Sterling is used as this is the currency of the primary economic environment in which the Company operates.

Basis of accounting

The financial statements have been prepared in accordance with applicable accounting standards and in accordance with international accounting standards as adopted by the UK, International Financial Reporting Interpretations Committee (IFRIC) interpretations and the Companies Act 2006. The financial statements are prepared under the historical cost convention as modified by certain financial instruments recognised at fair value.

The Company is consolidated into VBG and its consolidated financial statements are publicly available as disclosed in note 15.

New standards or amendments in issue but not yet effective

There are no new standards not yet effective and not adopted by the Company from 1 January 2023 which are expected to have a material impact on the Company.

Going concern

The Directors have prepared the financial statements on the going concern basis which assumes that the Company will continue in operational existence for the foreseeable future and will have adequate funds available to meet its obligations as they fall due.

In considering the going concern of the Company, the Directors have taken into account the financial position of the Company together with the financial position of VBG, the ultimate controlling party.

The key factor in determining going concern risk is the payments received by the Company from the receivables underlying the deemed loan. Prospects for UK economic performance remain uncertain. The medium and longer-term impacts of COVID 19 together with the implications of the UK's new trading relationships post-Brexit and geopolitical tensions remain uncertain. Resultant inflation has led to increases in Bank of England base rates over the past few years. All of these factors have resulted in increased pressure on affordability and a heightened risk that borrowers may ultimately default on their finance repayments on the receivables underlying the deemed loan. However, as at the signing date UK inflation has fallen to 2%, with a reduction in interest rates expected to follow periodically. This combined with the low level of arrears on the underlying receivables mean that the overall outlook for the transaction is improving.

Under the terms of the transaction documents, VBG, as the Originator of the receivables, is required to repurchase defaulting receivables from the Company for full value. Should VBG fail to repurchase the defaulting receivables, or there is a shortfall in payments to the Company, then the Company is only liable under the terms of the transaction documents to make payments to the noteholders and transaction parties to the extent that funds are received and in strict order of payment priority as set out in the transaction documents.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

FOR THE YEAR ENDED 31 DECEMBER 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)***Going concern (continued)**

While the extent and duration of the effect of this economic uncertainty remains unclear, there is a risk of financial instability for the Company - for example a detrimental effect on the UK economy may ultimately impact the borrowers' ability to repay the loans, or on the Servicers' ability to continue to effectively service the loans. However, as at the report date there has been no material impact from these macroeconomic factors on the Company's financial performance or cash flows. Ultimately, due to the limited recourse nature of the funding raised by the Company, any shortfall in the proceeds received from the repayment of the receivables underlying the deemed loan will be a risk to the holders of the notes held by the senior noteholders.

It is the intention of the Directors to continue the operations of the Company in accordance with the transaction documents for the foreseeable future.

Finance income

Finance income represents interest and other income on the deemed loan. Finance income is accounted for under IFRS 9 on an effective interest rate ("EIR") basis, inclusive of directly attributable incremental transaction costs and fees. The EIR basis spreads the interest income over the expected life of each instrument. The EIR is the rate that, at the inception of the instrument, exactly discounts expected future cash payments and receipts through the expected life of the instrument back to the initial carrying amount. When calculating the EIR, the Company estimates cash flows considering all contractual terms of the instrument (for example, prepayment options) but does not consider assets' future credit losses.

All revenue recorded in the financial statements is generated in the UK and sourced from transactions relating to underlying receivables.

Finance expense

Finance expense represents interest expense on interest bearing liabilities which are accounted for on an EIR basis, inclusive of directly attributable incremental transaction costs and fees.

Deferred Consideration

The Originator is the subordinated noteholder. It retains the risk and rewards of ownership of the receivables and receives any residual income after payment of all the Company's expenses. The residual income is accounted for on an accrual basis.

Administration expenses

Administration expenses are recognised in the statement of comprehensive income on an accrual basis.

Taxation

The Company is within the permanent regime for taxation of securitisation companies, under which they are taxed by reference to their contractually retained profits (to the extent that they are realised). Taxable profits under the permanent regime will normally equal the contractual profit as defined by the original transaction documentation, being £1,200 for the year ended 31 December 2023 (2022: £1,200). Consequently, neither current tax nor deferred tax will be affected by any fair value gains or losses arising on derivatives and other financial instruments.

Cash and cash equivalents

Cash and cash equivalents comprise cash and short-term bank deposits.

Financial instruments*(i) Classification and measurement*

Financial assets and financial liabilities are recognised in the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

FOR THE YEAR ENDED 31 DECEMBER 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)**(i) Classification and measurement (Continued)*

initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

Financial assets

IFRS 9 requires the classification of financial assets to be determined by a contractual cash flows test referred to as Solely Payment of Principal and Interest ("SPPI") and the nature of the underlying financial asset and the business model under which it is being held. Financial assets that fail the SPPI test are measured at fair value through the income statement net of any expected credit losses. The impairment requirements are applied by reference to the credit quality at initial recognition and borrower repayment timeliness.

Deemed loans

The receivables acquired under the transaction fail the recognition criteria of IFRS9: "Financial Instruments", because the Originator retains all the risks and rewards of ownership by being entitled to any residual cash flows after payment of all other expenses under the transaction documents. Accordingly, the beneficial interest in the underlying receivables is recognised as a deemed loan in the Company's financial statements and the receivables remain on the balance sheet of Originator.

The deemed loan is classified as a financial asset measured at amortised cost in accordance with IFRS 9 because its contractual terms give rise to cash flows that are solely payments of principal and interest on the principal outstanding (SPPI). The Company's business model with regards the deemed loan is to hold it to collect the contractual cash flows, rather than selling it to generate cash flows.

The deemed loan initially represents the consideration paid by the Company in respect of the acquisition of the of the receivables. It is subsequently increased for further purchases of receivables and the accrual of finance expenses and is reduced by payments on the senior facility and payments of deferred consideration. The deemed loan is measured at amortised cost using the EIR less any provision where the loan is considered to be impaired.

Impairment

Impairment of the deemed loan has been assessed and deemed to be immaterial. The deemed loan is reported on a net basis with the subordinated notes, which carries the majority of the risk associated with the underlying receivables. Expected credit losses are calculated and monitored on the underlying receivables by the Servicer. These expected losses fall substantially short of the carrying value of the subordinated notes, thus reducing exposure to credit risk.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Financial liabilities included in trade and other payables and interest bearing liabilities are recognised initially at fair value and subsequently at amortised cost. The fair value of a non-interest bearing liability is its discounted repayment amount. If the due date of the liability is less than one year, discounting is omitted.

Derivative financial instruments

The Company enters into interest rate swaps to manage its exposure to interest rate risk. Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognised in profit or loss immediately.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

FOR THE YEAR ENDED 31 DECEMBER 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)**(i) Classification and measurement (Continued)*

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months.

(ii) Derecognition of financial assets and liabilities

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Company has substantially transferred all risks and rewards of ownership. If substantially all risks and rewards have been neither retained nor transferred the assets continue to be recognised to the extent of the Company's continuing involvement. Financial liabilities are derecognised when they are extinguished.

Critical accounting estimates and judgements

The preparation of these financial statements in accordance with IFRS requires the use of estimates. It also requires management to exercise judgement in applying the accounting policies.

Critical accounting estimates

Valuation of interest rate swap - The fair value of the interest rate swap is determined by predicting the future cash flows according to interest curve data available in the market and discounting these cash flows using the appropriate yield curve. Changes in assumptions used by the counterparties could affect the reported fair value of these financial instruments. Management utilises third-party valuations to measure the fair value of the interest rate swaps, and therefore a sensitivity analysis has not been performed. Further details can be found in note 11.

Impairment of the deemed loan – In assessing the deemed loan for impairment, the Servicer has assessed the underlying receivables for impairment to inform the Company's decision. These assessments are based on the Servicer's estimation of risk and uncertainty, taking inputs from observed behaviour and economic forecasts to determine an appropriate level of impairment provisions. The impairment recognised on the underlying receivables incorporates the best information available to the Servicer, but includes an inherent level of uncertainty that cannot be managed away by the Company. This uncertainty has not altered the Company's decision to classify expected credit losses as immaterial. Losses on the loans would need to increase by 134% to exceed the value of the subordinated notes. Further details can be found in note 8. The Company's maximum exposure to credit risk on interest rate swaps as at 31 December 2023 was £1,284,783 (2022: £11,277,609).

Critical accounting judgements

Classification of financial assets – Management judgement was applied to the assessment of whether contractual cash flows are solely payments of principal and interest. Management determined that term extensions and forbearance activity are not contractual so do not impact on the assessment. Further details can be found in note 2.

2. Financial risk management

The board has the overall responsibility for the establishment and oversight of the Company's risk management framework. The risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and ensure any limits are adhered to. The Company's activities are reviewed regularly and potential risks are considered. The overall objective of the board is to set policies that seek to reduce risk as far as possible without unduly affecting the business.

The Company has exposure to the following risks from its use of financial instruments: credit risk, liquidity risk, interest rate risk:

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

FOR THE YEAR ENDED 31 DECEMBER 2023

2. Financial risk management (continued)

Credit risk management

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's deemed loan and cash and cash equivalents held at banks. The Company's maximum exposure to credit risk by class of financial asset is as follows:

	2023	2022
Assets	£	£
Deemed loan	179,310,343	249,841,206
Cash and cash equivalents	21,264,818	25,335,004
	<u>200,575,161</u>	<u>275,176,210</u>

The main asset of the Company is the deemed loan. Due to the high levels of collateralisation, the company has elected to assess the recoverability of the deemed loan based on the financial performance of VBG (the "Group").

The Company has appointed VBG to service the receivables underlying the deemed loan. VBG mitigates the Company's exposure to credit losses through strong underwriting, loan to value and credit control policies on the receivables underlying the deemed loan. Customers' credit risk profiles are evaluated by VBG when the underlying customer applies for finance and subsequently at the point of arrangement. A scorecard based on exhaustive historical data including payment patterns of customers is used by VBG to assess an applicant's potential default risk. Impairments are monitored and provided for using various techniques by VBG as Servicer. Credit risk relating to cash and cash equivalents is mitigated as cash and cash equivalents are held with suitably rated counterparties.

Liquidity risk management

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when they fall due without incurring unacceptable losses or risking damage to the Company's position. Under the terms of the transaction documents, all payments made by the Company are made in strict order using a payment waterfall. As the funding raised by the Company is limited recourse in nature, the Company is only obliged to pay amounts falling due to the extent that it has received income from the receivables underlying the deemed loan.

The tables below analyse the Company's contractual undiscounted cash flows of its financial assets and liabilities:

	Carrying amount	Gross nominal inflow/ (outflow)	Amount due within one year	Amount due post one year
2023	£	£	£	£
Financial assets				
Deemed loan	179,310,343	(70,530,863)	-	179,310,343
Cash and cash equivalents	21,264,818	(4,070,186)	21,264,818	-
Derivative financial instrument	1,284,783	(9,992,826)	-	1,284,783
Financial liabilities				
Interest bearing liabilities	(200,000,000)	(75,000,000)	-	(200,000,000)
Trade and other payables	(571,352)	(397,978)	(571,352)	-

NOTES TO THE FINANCIAL STATEMENTS (*Continued*)

FOR THE YEAR ENDED 31 DECEMBER 2023

2. Financial risk management (continued)

<i>Liquidity risk management (continued)</i>	Carrying amount	Gross nominal inflow/ (outflow)	Amount due within one year	Amount due post one year
2022	£	£	£	£
Financial assets				
Deemed loan	249,841,206	(778,160)	-	249,841,206
Cash and cash equivalents	25,335,004	767,267	25,335,004	-
Derivative financial instrument	11,277,609	8,158,351	-	11,277,609
Financial liabilities				
Interest bearing liabilities	(275,000,000)	-	-	(275,000,000)
Trade and other payables	(173,374)	11,865	(173,374)	-

Interest rate risk management

Interest rate risk exists where assets and liabilities have interest rates set under different bases or which reset at different times. Interest paid on the Company's loan facilities is at a floating rate whilst interest received on the receivables underlying the deemed loan are at fixed and floating rates. The Company mitigates its interest rate risk on the underlying fixed rate receivables by entering into interest rate swap agreements with suitably rated counterparties. As a result, the Company does not have a material net interest rate risk exposure.

3. Segmental analysis

The Directors consider that the Company has one operating segment due to the similarity of risks faced in relation to the investment of the funding raised in the underlying receivables and generates all income in the United Kingdom. As such the Company has not disclosed segmental information.

4. Finance income

	2023 £	2022 £
Interest on deemed loan	14,450,957	11,893,458
Swap income	6,685,798	1,626,580
	<u>21,136,755</u>	<u>13,520,038</u>

5. Finance expense

	2023 £	2022 £
Interest on loan facilities	17,180,128	9,308,370
Commitment fee	192,740	500,000
	<u>17,372,868</u>	<u>9,808,370</u>

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

FOR THE YEAR ENDED 31 DECEMBER 2023

6. Profit from operations before tax

The audit fees for the Company were included in the audit fees for VBG as a whole and paid directly by VBG. No amounts have been charged by VBG to the Company. No non-audit services were provided during the year.

The Company has no employees in the year to 31 December 2023 (2022: Nil).

7. Taxation

	2023 £	2022 £
Current tax	228	228
Total Tax Charge	228	228

The rate of tax charge on the profit before taxation for the year is lower than (2022: lower than) the average rate of mainstream corporation tax in the UK of 19% (2022: 19%). This can be reconciled as follows:

	2023 £	2022 £
(Loss) / Profit on ordinary activities before tax	(9,991,626)	8,159,551
Effects of:		
Profit on ordinary activities before tax multiplied by the standard rate of UK Corporate tax of 19% (2022 19%)	(1,898,409)	1,550,315
Effects of:		
Accounting profit not taxed in accordance with Statutory Instrument 2006/3296	1,898,409	(1,550,315)
Tax on cash retained profit in accordance with Statutory Instrument 2006/3296	228	228
Total Tax Charge	228	228

The tax charge above has been calculated in accordance with the permanent regime for taxation of securitisation companies (Statutory Instrument 2006/3296). As such the Company has no (2022: no) temporary differences or carried forward tax losses at 31 December 2023.

8. Deemed loan

	2023 £	2022 £
Deemed Loan	179,310,343	249,841,206

The Company has provided security to its loan facility providers by granting charges over its rights to receive principal and interest on the receivables underlying the deemed loan. The interest on the deemed loan is linked to the interest on the senior notes.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

FOR THE YEAR ENDED 31 DECEMBER 2023

9. Trade and other payables

	2023	2022
	£	£
Tax payable	228	456
Accruals	571,124	172,918
	<u>571,352</u>	<u>173,374</u>

10. Interest bearing liabilities

	2023	2022
	£	£
Interest bearing liabilities due after one year but less than five years	<u>200,000,000</u>	<u>275,000,000</u>

The deemed loan is financed by Interest bearing liabilities and subordinated notes, the terms of which are shown below. The receivables acquired under the transaction fail the recognition criteria of IFRS9 therefore the subordinated notes are netted against the deemed loan.

	Facility limit £'000	Facility drawn £'000	Commitment fee %	Interest rate	Current maturity date
Interest bearing liabilities	400,000	200,000	0.70%	Daily compounded SONIA +2.15% until 21 January 2025, + 2.90% thereafter	21/01/2026
Subordinated Loan	Uncommitted	95,552	n/a	n/a	21/01/2026

In accordance with the transaction documents interest is payable on the 21st day of each month. The facilities are secured on the receivables underlying the deemed loan and any other collateral security relating to those Receivables.

The finance obtained is limited recourse in nature and repayment is restricted to the income received by the Company on the underlying receivables acquired and is subject to a payment waterfall under the transaction documents.

Net debt represents interest bearing liabilities, less cash at the bank and in hand, and excludes unamortised debt issue costs but includes accrued interest relating to the Company's third-party indebtedness. A reconciliation of net debt is shown below:

	2023	2022
	£	£
Interest bearing liabilities	200,000,000	275,000,000
Deduct: cash as reported in financial statements	<u>(21,264,818)</u>	<u>(25,335,004)</u>
Net debt: borrowings less cash	178,735,182	249,664,996
Add: Accrued interest and commitment fees	<u>571,124</u>	<u>172,918</u>
Net debt	<u>179,306,306</u>	<u>249,837,914</u>

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

FOR THE YEAR ENDED 31 DECEMBER 2023

11. Financial Instruments

The principal financial instruments used by the Company, from which financial instrument risk arises, are: the deemed loan, cash and cash equivalents, interest bearing liabilities, derivative financial instruments and trade and other payables. A summary of the financial instruments held is provided below:

	2023 £	2022 £
Financial asset: amortised cost		
Deemed loan	179,310,343	249,841,206
Cash and cash equivalents	21,264,818	25,335,004
Financial assets at fair value through the profit and loss		
Bespoke over-the-counter interest rate swap	1,284,783	11,277,609
	<u>201,859,944</u>	<u>286,453,819</u>
Financial liabilities at amortised cost		
Interest bearing liabilities	200,000,000	275,000,000
Trade and other payables	571,352	173,374
Financial liabilities at fair value through the profit and loss		
Bespoke over-the-counter interest rate swap	-	-
	<u>200,571,352</u>	<u>275,173,374</u>

The interest reference rate for the senior notes within the interest bearing liabilities is SONIA.

Fair value hierarchy*Quoted market prices - Level 1*

Financial instruments, the valuations of which are determined by reference to unadjusted quoted prices for identical assets or liabilities in active markets where the quoted price is readily available, and the price represents actual and regularly occurring market transactions on an arm's length basis. An active market is one in which transactions occur with sufficient volume and frequency to provide pricing information on an ongoing basis.

Valuation techniques using observable inputs - Level 2

Financial instruments that have been valued using inputs other than quoted prices as described for level 1 but which are observable for the asset or liability, either directly or indirectly.

Valuation techniques using significant unobservable inputs - Level 3

Financial instruments, the valuation of which incorporate significant inputs for the asset or liability that are not based on observable market data (unobservable inputs). Unobservable inputs are those not readily available in an active market due to market illiquidity or complexity of the product. These inputs are generally determined based on observable inputs of a similar nature, historic observations on the level of the input or analytical techniques.

The derivative financial instruments are considered to be level 3 and thus based on unobservable inputs. Whilst the swap is linked to SONIA which is observable, it has a non-standard repayment curve as it is tailored to match the expected repayment profile of the vehicle finance receivables underlying the deemed loan. This is a combination of the remaining contractual terms and an assumption about prepayment rates, both of which are deemed to be unobservable inputs.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2023

12. Reconciliation of opening and closing balance of financial liabilities arising from financing activities

	2023	2022
	£	£
Loan Notes		
Opening balance at the start of the year	275,000,000	275,000,000
Notes issued during the year	-	-
Notes redeemed	(75,000,000)	-
Closing balance at the end of the year	<u>200,000,000</u>	<u>275,000,000</u>

13. Share capital

	2023	2022
	£	£
Issued 1 Ordinary share of £1 each – fully paid	<u>1</u>	<u>1</u>

The entire issued share capital of the Company is held by The Law Debenture Intermediary Corporation Plc, as share trustee, under a declaration of trust for discretionary charitable purposes.

14. Related party transactions

Under the terms of a corporate services agreement entered into by the Company, Law Debenture Corporate Services Limited ("Law Deb") is contracted to provide certain corporate services including a registered office, administration and directors (Mark Filer, L.D.C. Securitisation Director No. 1 Limited and L.D.C. Securitisation Director No. 2 Limited) among other things for which it charges a corporate services fee.

VBG is considered to be the ultimate controlling party of the Company. Moneybarn No.1 Limited is the originator and appointed Servicer of the underlying receivables.

The related party transactions between the Company and its related parties are summarised below:

	Related party	2023	2022
		£	£
Statement of comprehensive income			
Finance income on deemed loan	Moneybarn No.1 Limited	21,136,755	13,541,979
Servicer fees	Moneybarn No.1 Limited	3,034,129	3,674,696
Corporate service fees	LawDeb	21,658	21,941
Statement of financial position			
Deemed loan	Moneybarn No.1 Limited	179,310,343	249,841,206

NOTES TO THE FINANCIAL STATEMENTS (*Continued*)**FOR THE YEAR ENDED 31 DECEMBER 2023****15. Ultimate controlling party**

The entire issued share capital of the Company is held by The Law Debenture Intermediary Corporation Plc, as share trustee, under a declaration of trust for discretionary charitable purposes.

In the opinion of the directors, Moneybarn No.1 Limited is the controlling party of the Company and VBG is the ultimate controlling party of the Company. As such, the results of the Company are included in the consolidated financial statements of VBG. Copies of these can be obtained from VBG, No 1 Godwin Street, Bradford, BD1 2SU or from the corporate website, www.vanquisbankinggroup.com.

16. Events after the reporting date

There have not been any significant events following the reporting date.

Independent auditor's report to the members of Moneybarn Financing Limited

Report on the audit of the financial statements

Opinion

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

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

We have audited the financial statements which comprise:

- the statement of comprehensive income;
- the statement of financial position;
- the statement of changes in equity;
- the statement of cash flow; and
- the related notes 1 to 16.

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

Basis for opinion

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

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

Conclusions relating to going concern

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

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

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not

cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

We obtained an understanding of the legal and regulatory frameworks that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act and tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty.

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

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

- We obtained an understanding of management's processes of valuation of derivatives and performed a walkthrough of relevant controls
- We worked with our internal complex pricing specialists to develop an independent view of an acceptable range for the swap valuation. This was performed using an independent model and independent market data. We assessed whether management's valuation estimate was within our acceptable range.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance and reviewing internal audit reports.

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.

Signed by:

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Chris Freckelton (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Birmingham, United Kingdom
30 September 2024