

DIRECT AUTO FINANCIAL SERVICES LIMITED
(Company Number 03444409)

ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019



DIRECT AUTO FINANCIAL SERVICES LIMITED
(Company Number 03444409)

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DIRECT AUTO FINANCIAL SERVICES LIMITED

(Company Number 03444409)

DIRECTORS' REPORT

Direct Auto Financial Services Limited (the 'company') is a wholly-owned subsidiary of Provident Financial plc which, together with its subsidiaries, forms the Provident Financial group (the 'group'). Provident Financial plc is a public limited company, listed on the London Stock Exchange.

Principal activity and review of business

The company previously issued motor finance loans prior to the closure of the Yes Car Credit motor trading operations on 14 December 2005. Since this date, the company ceased issuing loans and continued the collection of the outstanding receivables issued prior to 14 December 2005. In November 2009, the full collect-out of receivables was completed and the collections operation was closed. The directors expect that the present level of business will be sustained for at least 12 months from the date of signing the financial statements.

As at 31 December 2019, the company had net liabilities of £16,342,000 (2018: £16,342,000). Due to the company's year-end position, its parent undertaking, Provident Financial plc, has confirmed its continued support for the company for a period of at least twelve months from the date of the approval of the financial statements. Accordingly, the financial statements have been prepared on a going concern basis.

Results

The company did not trade during the year and therefore reported neither a profit nor a loss (2018: neither a profit nor loss).

Dividends

The directors are unable to recommend the payment of a dividend (2018: £nil).

Directors

The directors of the company at 31 December 2019, all of whom were directors for the whole of the year then ended and up to the date of signing of this report, except where stated, were:

M Le May
S G Thomas (resigned 31 March 2020)
N Kapur (appointed 1 April 2020)

Principal risks and uncertainties and financial risk management

The company participates in the group-wide management framework of Provident Financial plc. Details of the group's risk management framework together with the group's principal risks and uncertainties are set out in the annual report and financial statements of Provident Financial plc. Details of group's response to the changing and challenging operational environment as a result of Covid-19 are set out within the financial and capital risk management report on page 11.

Post balance sheet events

Post balance sheet events have been disclosed in note 8 of the financial statements.

Principal risks and uncertainties and financial risk management

The company participates in the group-wide risk management framework of Provident Financial plc which incorporates financial risk management. Details of the group's risk management framework together with the group's principal risks and uncertainties are set out in the annual report of Provident Financial plc.

Key performance indicators (KPIs)

Given the company is not trading, the company's directors are of the opinion that an analysis using KPIs is not necessary for an understanding of the development, performance or position of the business.

Exemption from preparing strategic report

In accordance with section 414B of the Companies Act 2006, the company has taken advantage of the exemption for small companies from preparing a strategic report.

DIRECT AUTO FINANCIAL SERVICES LIMITED

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DIRECTORS' REPORT

(CONTINUED)

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 each director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- ii) they have taken all the steps that they ought to have taken as director in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Auditor

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

BY ORDER OF THE BOARD



N Kapur
Director
Bradford
22 September 2020

DIRECT AUTO FINANCIAL SERVICES LIMITED
(Company Number 03444409)

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 (IFRSs) 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 the 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 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
DIRECT AUTO FINANCIAL SERVICES LIMITED

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Direct Auto Financial Services Limited (the 'company'):

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

We have audited the financial statements which comprise:

- the balance sheet;
- the statement of changes in shareholders' equity;
- the statement of cash flow;
- the statement of accounting policies;
- the financial and capital risk management report; and
- the related notes 1 to 8.

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.

Basis for opinion

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

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

Conclusions relating to going concern

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

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

We have nothing to report in respect of these matters.

Other information

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
DIRECT AUTO FINANCIAL SERVICES LIMITED
(CONTINUED)

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

We have nothing to report in respect of these matters.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has 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 directors' report.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
DIRECT AUTO FINANCIAL SERVICES LIMITED
(CONTINUED)

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; or
- the directors were not entitled to take advantage of the small companies exemption from preparing a strategic report.

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.

Stewart Cumberbatch FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Birmingham, United Kingdom
22 September 2020

DIRECT AUTO FINANCIAL SERVICES LIMITED
(Company Number 03444409)

BALANCE SHEET

As at 31 December	Note	2019 £'000	2018 £'000
ASSETS			
Current assets			
Financial assets:			
- trade and other receivables	3	14	19
LIABILITIES			
Current liabilities			
Financial liabilities:			
- bank overdraft		(40)	(39)
- trade and other payables	4	(16,316)	(16,322)
Total liabilities		(16,356)	(16,361)
NET LIABILITIES		(16,342)	(16,342)
SHAREHOLDER'S EQUITY			
Share capital	5	40,000	40,000
Retained losses		(56,342)	(56,342)
TOTAL SHAREHOLDER'S DEFICIT		(16,342)	(16,342)

The company did not trade during the current or prior year and has made neither a profit or loss, nor any comprehensive income.

The financial statements on pages 7 to 14 were approved and authorised for issue by the director on 22 September 2020 and signed by:



N Kapur
Director

DIRECT AUTO FINANCIAL SERVICES LIMITED
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STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY

There have been no changes in shareholders' equity in either the current or prior financial years.

STATEMENT OF CASH FLOWS

	2019	2018
For the year ended 31 December	£'000	£'000
Changes in operating assets and liabilities:		
- trade and other receivables	5	(4)
- trade and other payables	(6)	(15)
Net cash used in operating activities	(1)	(19)
Net decrease in cash, cash equivalents and overdrafts	(1)	(19)
Cash, cash equivalents and overdrafts at beginning of year	(39)	(20)
Total cash, cash equivalents and overdrafts at end of year	(40)	(39)

Cash, cash equivalents and overdrafts comprise bank overdrafts which do not accrue interest.

DIRECT AUTO FINANCIAL SERVICES LIMITED
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STATEMENT OF ACCOUNTING POLICIES

General information

The company is a limited liability company limited by shares and incorporated in England. The address of its registered office is No.1 Godwin Street, Bradford, West Yorkshire, BD1 2SU.

As at 31 December 2019, the company has net liabilities of £16,342,000 (2018: £16,342,000). Due to the company's year end position, its parent undertaking, Provident Financial plc, has confirmed its continued support for the company for at least next 12 months from the date of signing the financial statements. Accordingly, the financial statements have been prepared on a going concern basis.

Basis of preparation

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRSs) 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 IFRSs.

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

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

Going Concern

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

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

Based on this review, the directors are satisfied that the group has the required resources to continue in business for a period of at least twelve months following the approval of the Company accounts. Due to the company's net liability position at the year end, the immediate and ultimate parent undertaking, Provident Financial plc, has confirmed its continued support for the company for a period of at least twelve months from the date of approval of the financial statements. For this reason, the directors continue to adopt the going concern basis in preparing the Company accounts. Accordingly the financial statements of the company have been prepared on a going concern basis of accounting.

Principal accounting policies

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

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

There are no IFRS or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the company.

DIRECT AUTO FINANCIAL SERVICES LIMITED
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STATEMENT OF ACCOUNTING POLICIES

Financial instruments

In accordance with IFRS 9, 'Financial instruments', trade and other receivables, trade and other payables and cash and cash equivalents are measured at amortised cost and assessed for impairment.

Key assumptions and estimates

In applying the accounting policies set out above, there are no significant estimates or assumptions that affect the reported amounts of assets and liabilities.

DIRECT AUTO FINANCIAL SERVICES LIMITED
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FINANCIAL AND CAPITAL RISK MANAGEMENT

Direct Auto Financial Services Limited (the 'company') is a wholly-owned subsidiary of Provident Financial plc which, together with its subsidiaries, forms the Provident Financial group (the 'group').

The overall group internal control and risk management framework is the responsibility of the group board with certain responsibilities in respect of internal control and risk management being delegated to various sub-committees who report directly to the board. An overview of the group's risk management framework can be found in the annual report and financial statements of Provident Financial plc.

The group operates with a centralised treasury function and therefore the funding requirements of the company are met wholly or partially via funding from Provident Financial plc or one of its subsidiaries. In addition, the allocation of capital is managed on a group basis by the centralised treasury function. Accordingly, it is inappropriate to consider the management of liquidity risk and capital risk on a stand-alone company basis.

(a) Liquidity risk

The company is funded by means of an intercompany loan from Provident Financial plc. Liquidity risk is managed by the group's centralised treasury department through daily monitoring of expected cash flows in accordance with a board approved group funding and liquidity policy. This process is monitored regularly by the group treasury committee.

The group's funding and liquidity policy is designed to ensure that the group is able to continue to fund the growth of the business. The group therefore maintains 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 2019, the group's committed borrowing facilities had a weighted average maturity of 2.2 years (2018: 2.3 years) and the headroom on these committed facilities amounted to £69.1m (2018: £327.4m).

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

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.

(b) Capital risk

Capital risk is managed by the group's centralised treasury department. The group manages capital risk by focussing on capital efficiency and effective risk management. This takes into account the requirements of a variety of different stakeholders including shareholders, policyholders, regulators and rating agencies. A more detailed explanation of the management of capital risk can be found in the annual report and financial statements of Provident Financial plc.

(c) Covid-19

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

DIRECT AUTO FINANCIAL SERVICES LIMITED
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FINANCIAL AND CAPITAL RISK MANAGEMENT

Capital risk

The 2019 final dividend was not proposed for approval at the Group's AGM in May to preserve both cash and capital. Future dividend decisions will be made as and when conditions normalise.

A reduction in customer receivables, combined with tighter underwriting impairment provisioning has increased surplus capital held. When combined with the reduction in countercyclical buffer and increased dynamic provisions, through relief for Covid-19 related provisions, the Group's surplus regulatory capital has increased from £117m at 31 December 2019 to £215.0m at 30 June 2020.

Liquidity and funding risk

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

DIRECT AUTO FINANCIAL SERVICES LIMITED
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NOTES TO THE FINANCIAL STATEMENTS

1 Employee information

The company had no employees during 2019 (2018: none).

2 Director's emoluments

The emoluments of the directors for services to the company during 2019 were £nil (2018: £nil). Directors emoluments are borne by another subsidiary company and it is not possible to make an accurate apportionment of these services in relation to the company.

3 Trade and other receivables

	2019	2018
	£'000	£'000
Other debtors	14	19

4 Trade and other payables

	2019	2018
	£'000	£'000
Amounts owed to parent company	14,135	15,435
Accruals and deferred income	2,181	887
Total	16,316	16,322

Amounts owed to the parent company are unsecured, have no fixed date of repayment and do not accrue interest. No interest has been charged on loans from the company's parent undertaking on the basis that had the company and its parent been acting at arm's length, these loans would not have been made. The company is considered to have no ability to service or repay such loans.

5 Share capital

		2019		2018
	Number	£'000	Number	£'000
Authorised - ordinary shares of £1 each	50,000,000	50,000	50,000,000	50,000
Allotted, called up and fully paid - ordinary shares of £1 each	40,000,002	40,000	40,000,002	40,000

6 Related party transactions

	Outstanding balance
	2019 2018
	£'000 £'000
Amounts payable to Provident Financial plc	14,135 15,435

The outstanding balance represents the gross intercompany balance.

The £5,130 fee for the audit of the company for the year has been borne by the parent company, Provident Financial plc (2018: fee for the prior year was borne by the parent company).

7 Parent undertaking and controlling party

The immediate and ultimate parent undertaking and controlling party is Provident Financial plc, which is the smallest and largest 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.

DIRECT AUTO FINANCIAL SERVICES LIMITED
(Company Number 03444409)

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

8 Post balance sheet events

Covid -19

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