RNS Number : 2426D
Distribution Finance Cap. Hldgs PLC
02 April 2025

This announcement contains inside information as stipulated under the UK version of the Market Abuse Regulation (EU no. 596/2014) as it forms part of UK law by virtue of the European Union (Withdrawal) Act 2018 (as amended from time to time) ("MAR").

2 April 2025

Distribution Finance Capital Holdings plc
("DF Capital" or the "Company" together with its subsidiaries the "Group")

Audited Results for the year ended 31 December 2024

Strong performance ahead of initial expectations

Distribution Finance Capital Holdings plc, the specialist bank providing working capital solutions to dealers and manufacturers across the UK, today announces its audited results for the year ended 31 December 2024.

Highlights

	2024	**2023**	**Change**
Performance			
Loan Book (£m)	666	581	15%
New loans advanced to customers (£m)	1,440	1,200	20%
No of dealer customers	1,334	1,182	13%
Financial			
Gross Revenue (£m)	76.8	60.4	27%
Net Income (£m)	45.6	38.0	20%
Cost of Risk (bps)	(4)	228	(102%)
Profit before tax (£m)	19.1	4.6	317%
Net Assets (£m)	115.4	100.4	15%
Basic earnings per share (pence)	7.8	1.8	338%
Tangible net asset value per share (pence)	63.8	55.6	15%

- Strong financial performance, delivering profit before tax of £19.1m, including a £4.7m write back of a provision made in 2023, more than four times 2023 outturn
- Strong growth in new loan origination of £1.44bn, up almost £250m on the prior year supporting a record year-end loan book of £666m, up 15% on 2023
- Net Interest Margin ("NIM") increased by 30bps to 7.9%, well ahead of target
- Strong credit risk performance with continued low number of arrears cases: 33 dealers (2023: 30), with arrears one day past due and in legal recovery, representing less than 3% of the Group's entire dealer customer base
- Retail deposits increased during the year by £75m to £650m with over 15,600 savings accounts
- Tangible net asset value per share increased by 8.2p to 63.8p, up 15% on 2023.
- Continued progress in diversifying the Group's product set and end markets, ensuring further avenues for long-term growth without the need for a dilutive capital raise

Carl D'Ammassa, Chief Executive, commented: *"2024 was another year of significant progress for the Group, marking our third consecutive year of profit growth since our authorisation in 2020. This year, we have continued to scale the bank in our core inventory finance lending space, whilst also making investments in new products and services, bringing to life our ambitions to become a multi-product lender. I am incredibly proud of the team and the products we are bringing to life for our customers. We have an exciting journey ahead of us."*

An overview video of the results, by CEO Carl D'Ammassa, is available to watch here: https://bit.ly/DFCH_FY2024_overview and on the Company's website: https://www.dfcapital-investors.com/

Analyst presentation
The Company will host an analyst webinar at 9am today relating to the results. Analysts wishing to join can register by emailing dfcapital@almastrategic.com.

Investor presentation
The Company will also provide a presentation to existing and potential shareholders via the Investor Meet Company platform at 2:30pm. Investors can register for the webinar here: https://www.investormeetcompany.com/distribution-finance-capital-holdings-plc/register-investor

A recording of the presentation will be made available on the Company's website following the conclusion of the investor presentation.

Annual General Meeting
The Company will hold its Annual General Meeting on 4 June 2025 at the Company's registered office in Manchester. The Notice of AGM and Form of Proxy will be posted to shareholders in due course and a copy will be available at www.dfcapital-investors.com.

The Group's full Annual Report and Financial Statements have today been published and are available on its investor website at www.dfcapital-investors.com.

The person responsible for arranging the release of this announcement on behalf of the Company is Karen D'Souza (Company Secretary).

For further information contact:

For further information contact:

Distribution Finance Capital Holdings plc
Carl D'Ammassa - Chief Executive Officer +44 (0) 161 413 3391
Kam Bansil - Head of Investor Relations +44 (0) 7779 229508
http://www.dfcapital-investors.com

Panmure Liberum Limited (Nomad and Broker) +44 (0) 203 100 2000
Chris Clarke
William King

Alma Strategic Communications +44 (0) 203 405 0235
Josh Royston
Hilary Buchanan
Hannah Campbell
Sarah Peters

About DF Capital

DF Capital is a specialist independent bank providing award-winning commercial finance solutions and savings products to consumers and small businesses.

Founded in 2016, the Group is headquartered in Manchester with over 130 people. DF Capital's commercial lending supports, distributors and manufacturers across sectors including Automotive, Leisure and Luxury. In 2020, the Group became a fully authorised bank and started offering a range of consumer savings products.

The Group is listed on AIM on the London Stock Exchange under the ticker DFCH.
For more information, please visit www.dfcapital.bank

Chair's Statement

It is with immense pride that I present my statement for the last financial year. 2025 marks my sixth year with the Company, having assumed the role of Chair in 2021. During this time, it has been truly rewarding to see how the firm has grown and developed, having achieved the status of a bank only four years ago. This year, we are pleased to report significant year-on-year increases in profit, continued loan book growth and the imminent launch of new products and services. Such accomplishments are remarkable, especially considering the early-stage nature of our bank. As a Board, we believe that DF Capital's journey since authorisation has been exceptional, marked by outstanding delivery and achievement of key milestones.

This year, in addition to our strong financial performance, we have made great progress towards our ambitions to be a multi-product lender, supporting our dealer and manufacturer customers in a bigger way though lending product adjacencies. Our singular focus on reaching profitability quickly after authorisation has paid off. We have a strong financial base and accretive capital position that allows us to grow at meaningful levels year-on-year. We are now in a virtuous circle of scale, generating increasing levels of annualised earnings, which in turn creates capital unlocking further scale in our lending capacity.

Our updated medium-term guidance, which does not require additional Tier 1 capital, sets the firm apart from many early-stage banks. We are now delivering double digit returns on equity that is firmly "baked in" to our financial performance and we are on track to achieving mid-to-high teens returns in the medium term.

Whilst delivering on our financial objectives is undoubtedly critical, what I believe further sets DF Capital apart is the equal focus given to having a strong positive culture, where employees can thrive and demonstrate their passion to deliver the very best levels of customer service. As a Board, we do not put the financial successes down to good fortune. We believe it is the careful orchestration of a strong strategic focus, great culture, fabulous people and exceptional leadership that bring this level of performance to life.

The team at DF Capital is passionate about its purpose, doing the right thing and giving back to the communities in which it operates. Throughout our workforce, the ambition and enthusiasm for what they do is palpable. My fellow Board members and I enjoy spending time with the DF Capital team, lending our support and providing constructive challenge to the management team to drive greater success.

The Board believes DF Capital is an exciting growth story with a strong investment case. It's undoubted that we have many opportunities ahead of us to further scale the bank at attractive risk adjusted returns in specialised lending niches. The management team's focus on delivering exceptional service to our borrowers and retail depositors, through scalable and cost-efficient technology solutions sets it apart, demonstrated by the significant year-over-year growth in lending and strength of customer sentiment and the industry recognition and awards received.

We believe the launch of our share buyback programme in January 2025 sends a clear message about the confidence we have in the Group's intrinsic earnings potential and runway for further growth. As a Board, we continue to believe the Group's share price undervalues its current and future prospects and given this material disparity we felt compelled to launch the programme.

It is also undoubted that we have a high-quality team at DF Capital, but this level of performance is not possible without supportive shareholders, customers and wider stakeholders, to whom I extend my gratitude.

Whilst the global macro-economic uncertainty and some negative business sentiments in the UK remain, I'm optimistic about DF Capital's future prospects. We are at a point of transformation for the firm as we accelerate our multi-product lending ambitions and drive further scale across the bank, unconstrained by legacy issues or remediation activities felt by others in the sector.

Mark Stephens

Independent Non-executive Chair

Chief Executive Officer's Report

2024 has seen us continue to scale the bank in line with our growth plans. In particular, we are proud to have delivered our third consecutive year of profit, only four years since being authorised as a bank in 2020. During that time, we have seen more than a sevenfold increase in our loan book, supported by our retail savings proposition, and it is this scaling of lending that underpins our franchise and overall profit generation.

The Group has delivered pre-tax profit of £19.1m being more than a four-fold increase on the prior year (2023: £4.6m), including a significant write-back of the provision we made last year relating to RoyaleLife and associated companies. The Group's adjusted pre-tax profit is £14.4m being a 55% year on year increase (2023: £9.3m). Tangible net asset value per share increased significantly during the period to 63.8p (2023: 55.6p).

I believe the Group's performance in the year clearly demonstrates the successful delivery against our strategic objective to become a multi-product lender. I'm extremely proud of the business we continue to build and the products and services we are bringing to life for our customers.

Disciplined approach to growth drives strength of financial return

The Group continues to operate in attractive niche lending markets, providing working capital solutions to dealers and manufacturers. Despite significant macro-economic headwinds, we have continued to grow our new loan origination both in the core inventory finance product and new product adjacencies. New loan origination reached £1.44bn up almost £250m on the prior year (2023; £1.2bn). The Group's loan book increased by almost 15% to £666m (2023: £581m).

Whilst we remain focused on delivering double digit rates of loan book growth, we have not compromised on credit quality and have also maintained a disciplined approach to pricing, given the value and opportunity our lending products unlock for our customers.

We have selectively increased our lending customers to 1,334 (2023: 1,182) and now support 88 (2023: 89) manufacturer partners, who meet our current credit standards and represent scalable ongoing relationships. Total credit lines pledged to customers were £1,142m (2023: £1,030m). The number of dealers in arrears held strong at 33 (2023: 30), with arrears classified as a payment of at least one day past due, representing less than 3% of the Group's entire dealer customer base. The Group's total arrears closed the year at £4.3m (2023: £14.0m), equal to 0.64% (2023: 2.4%) of total lending.

Net Interest Margin (NIM) increased marginally through the year to 7.9% (2023: 7.6%), a significant driver of our year-over-year profit improvement.

Our operating platform is significantly scalable and, whilst costs have increased overall given new hires, investments in technology and product capabilities, as well as general inflationary pressures, our cost-to-income ratio broadly held at 59% (2023: 58%). We expect this cost income ratio to continue to fall over the medium term as the Group scales its loan book, and expect this ratio to be less than 50% by 2028.

The Group's adjusted return on equity, excluding the RoyaleLife write back, is on the cusp of exceeding 10% at 9.8% (2023: 6.7%).

Continued momentum in core lending product builds market share

In our core inventory finance product, the range of end-user markets we support remains stable and our portfolio continues to be well diversified across multiple sectors. Undoubtedly, it has been another unpredictable year from a macro-economic perspective, impacted further by the change in Government during the second half of the year.

During the year we have grown our market share, demonstrated through the increase in new loan origination, which reached £1.44bn. It is clear in some sectors that the measures from the UK Government's budget caused a number of dealers to be more cautious in ordering and holding inventory over the festive period and winter months, traditionally a period where dealers would build up stock in readiness for the spring and the period where end-user sales ordinarily increase. This reticence has continued through the start of 2025, whilst some dealers consider the wider impact on their business of anticipated business rates increases, alongside an increase in employers' national insurance contributions and an expectation of interest rates continuing to be elevated.

Average stock days, which measures the average age of loans outstanding, was 145 days for the year remaining consistent with the prior year (2023: 145 days). We saw a modest reduction during Q4 2024 to 140 days (Q4 2023: 148 days).

Overall, we are pleased with where our loan book closed the year at £666m, up 15% on 2023. We continue to make significant strides forward in the motorhomes and caravans, marine, motorcycles and automotive sectors, where we have grown our market share materially during the year despite some of the market challenges.

Motorhome and caravan end-user demand has been particularly high during the second half of the year given the better weather conditions, encouraging people to seek out domestic holidays. This increase in demand and a rebalance of production by manufacturers has allowed dealers to adjust their stock levels to better align to anticipated demand. Elevated end-user demand for motorhomes and pre-orders saw an unprecedented number of sales during the first half of the year, reaching more normalised levels after the summer months.

In the caravan tourer market, much of the year has been characterised by stock overhang from prior years, with manufacturers adjusting production to better match dealer orders meaning that fewer new units have been manufactured during the year. End-user demand was slower in the first half having been adversely impacted by poor weather conditions.

The holiday home and lodge sector has continued to work through more challenging times, caused by severe weather conditions and the aftermath of the failure of RoyaleLife. That being said, having now adjusted production levels, sales are increasing as park operators fill stock gaps and rebalance their existing stock towards larger units in line with demand. The market has seen some shift to short-term holiday rental bookings versus sales of units; the Group's flexible lending products ably help unlock this opportunity for the park operators. Additionally, there continues to be a healthy level of activity among those with sizeable pension pots looking to make investments in prefabricated holiday homes to enjoy during retirement.

Like other sectors, marine manufacturers have also adjusted their production levels to align better with end-user demand, particularly at the leisure craft / smaller boat end of the market. Larger boats continue to see strong demand.

Generally, end-users in these leisure focused markets are resilient to the impact of elevated interest rates and cost of living pressures, leaving dealers buoyant about prospects in 2025 and beyond.

Whilst growing from a low base, the automotive sector has seen consistent levels of demand across higher value cars, with more challenging times relating to conventional and electric vehicles in particular. This more challenging landscape has been mirrored in the transport sector, particularly the light commercial vehicles space where some market participants have ran significant discount campaigns, adding pressure to our distributor partners who operate in this market. Government policy on electric vehicles has also materially impacted demand for new EVs more generally.

The industrial sectors, which is predominantly plant and machinery, correlates closely with government plans of major infrastructure projects. Constraints to the HS2 programme and project delays due to change in government impacted much of the year, although as we closed out 2024, we started to see green shoots of optimism.

The agricultural sector has seen investment tightening, firstly driven by the poor weather that impacted crop harvesting, but more recently aligned to government policy which has created uncertainty amongst farming community. Groundscare and forestry have remained buoyant throughout, although are small sectors for us.

Our diversification across these sectors, whilst maintaining intimacy in our relationships, whether dealers or manufacturers, allows us to successfully navigate market challenges and support lending opportunities. We have demonstrated our commitment to providing funding solutions that help our customers through more unpredictable times whilst also allowing them to capitalise on opportunities presented to them and support their growth.

Looking forward, we believe adding new manufacturer partners and entering new sectors will provide further downside protection should markets deteriorate. Our recent entry into the renewables asset class, specifically solar panels and batteries, is a great example of how we continue to innovate and develop our proposition around a common capability and financial product offering.

Structuring finance solutions that deepen relationships

Through the year we have been presented with more opportunities to support existing customers, partners or known industry participants with structured or bespoke lending solutions. Drawing on the extensive experience and expertise we have across the bank, we have been able to provide an array of ancillary lending products to our customers, which includes short-term working capital, wholesale funding (i.e. lending to non-bank lenders), business related bridging, receivables financing or business to business hire purchase loans. These opportunities are tailored to an individual customer or partner's need and offer us attractive risk-adjusted returns.

Following the launch of these bespoke lending solutions in Q1 2023, we have successfully grown lending in this area to almost £75m in 2024 (2023: £18m). Whilst always expected to be relatively small, and not representing more than 10-15% of our entire lending balance, having this lending capability is important and allows us to deepen our relationships with existing customers and play an active role in supporting opportunities and sector participants right across the spectrum of markets in which we operate.

We are particularly excited about the recently announced relationship with Satago Financial Solutions Limited ("Satago"), a leading provider of Lending as a Service software solutions and invoice financing, which will unlock invoice discounting capabilities for our existing customers sitting alongside an inventory finance facility. This arrangement will also enable us to selectively tap into Satago's partnerships, where they have their lending capability integrated to accounting platforms and alike.

Over and above this, we have also continued to leverage our Euro-zone lending capabilities, to support selective dealers in Republic of Ireland and Netherlands. At the end of the year, we had lent approximately €5m across this customer cohort. Whilst we do not have immediate plans to expand into Europe in any meaningful way, having this capability and being able to selectively support our existing dealer and manufacturer relationships is helpful. Equally, this capability allows us to build knowledge and experience operating on a multi-currency basis, providing optionality for the future as we continue to scale.

Asset Finance unlocks significant future growth and our multi-product lending ambitions

Having ruled out the pursuit of inorganic product development opportunities through M&A, we started the self-build of an asset finance capability in early 2024. We believe this is the natural extension to our existing manufacturer and dealer relationships by unlocking the opportunity to finance assets "beyond the forecourt", supporting the retail sales of our dealer customers and thereby deepening our relationships with those dealers even further. Hire purchase and leasing, commonly known as asset finance, are typical lending products required by end-users in order to purchase dealers' products and is viewed as a welcomed addition to our proposition.

Having identified the leisure market, specifically motorhomes and caravans, as the best entry point for us, we are now well progressed in both the product build and onboarding of dealers. In February 2025, as previously announced, we were granted the relevant regulatory permissions in order to provide asset finance to consumer borrowers. Distributed through existing dealer customers, these markets are significant in size, many times larger than those in which we operate today. Importantly, this lending is also much longer tenor (three to five years) than our traditional core inventory finance product which averaged c145 days during 2024. This will provide the basis of a 'stickier' loan book and fuel an acceleration of our medium term loan book growth.

There has been much publicity around the challenges facing the motor finance sector following both the FCA's motor finance review and the Court of Appeal's ruling in relation to commission disclosure. This has proven highly beneficial to us in the build of our own capability. Having completed our application to the FCA, responded to their questions and ensured our own capabilities address all elements of the motor finance sector challenges, we enter the consumer asset finance market with no legacy issues, a proposition and offering that aligns to the most stringent standards, whilst being a platform for further growth at a time when other lenders could find themselves distracted by remediation activities.

Strength of deposit raising supports our lending ambitions

We have demonstrated over the four years or so since we were fully authorised as a bank, that having great savings rates coupled with exceptional customer service resonates with depositors. We continue to iterate our savings service proposition, making it even easier for customers to transact with us, whilst always knowing that they can quickly, efficiently and effectively speak to one of our Manchester-based savings team when they need to.

Nothing has changed about how we do business in this regard. Our savings products are available using "Best Buy Tables" as a route to attract savers, with a super-fast application journey that allows customers to open an account in minutes, being issued with a dedicated sort-code and account number immediately on successful application.

We received feefo's Platinum Trusted Service Award in 2024 and again in 2025, building on their Exceptional Award from 2023. We consistently achieve 4.8 feefo stars from our depositor customers for the service we offer.

We closed the year with £650m of deposits (2023: £575m) with over 15,600 accounts (2023: c.15,200 accounts) up 3% on the prior year. Having diversification to our saving product maturity profile remains a significant focus for us, and we raised over £430m of new deposit or reinvestments through the year in the easy access, notice and fixed rate markets. The average rate for new deposits was 5.1%.

Fostering a positive culture

Achieving consistent world class levels of employee engagement is at the heart of what we do. We have long believed that having employees that are highly invested in our strategic ambitions, understand what we are looking to achieve and do the right thing for our customers, communities, the environment and their colleagues define the quality of shareholder return.

DF Capital has been ranked amongst the best places to work in the UK by Best Companies. We are recognised as offering world class levels of employee engagement as a 3-star organisation and ranked:

- #5 Top Companies to Work For in the Financial Services Sector
- #21 Top Mid-Sized Companies to Work For in the UK
- #36 Top Companies to Work For in the North West

We believe giving back to our local communities is core to being a great place to work. We punch above our weight in this regard and were recognised by Best Companies as the Top Mid-Sized Company for community initiatives. Our "Mega Give Back" day is now firmly engrained in our operating rhythm, alongside many hours of voluntary work the

DF Capital team consistently offer to community initiatives.

In creating an environment where our employees feel they can thrive, fulfil their careers ambitions and seek out opportunities to grow and develop, I believe we've nailed a key ingredient to having a highly sustainable business model. Accordingly, the extent of financial return is no surprise to me.
I am proud of the culture at DF Capital and what the team has achieved since being authorised as a bank in September 2020.

Outlook

We are at an exciting point in the Group's strategic journey. 2025 will see us truly become a multi-product lender, with significant opportunity to grow our lending and further scale the bank. With scale comes increasing returns and, being on the cusp of double digit returns in 2024 already, we believe we are well on our way to achieve the high-teens ROE we have talked about for some time.

The Group is not short of opportunities to grow, and our plans touch three key areas:-

Core inventory finance

- Grow market share in current sectors with existing and new relationships
- Enter new sectors and specifically leverage new technology to allow lending against other types of serialised assets

Asset Finance

- Unlock lending in existing sectors that support dealer sales

Structured finance

- Providing bespoke lending solutions to existing customers and market participants
- Working capital / invoice discounting for existing and new customers through Satago relationship

As we look beyond 2025, we will continue to diligently and ruthlessly ensure our capital is put to work where we can achieve the best risk adjusted returns.

We are now generating meaningful levels of annualised profit, organically delivering capital that unlocks further growth. With scale we become even more cost efficient, underpinning our medium-term guidance. We do not require additional dilutive Tier 1 capital to be raised from shareholders to support our medium-term growth plans and can develop our loan book and scale at a healthy level year-on-year.
The opportunities ahead of us are immense, I'm excited about our future plans, whilst always cautious and vigilant about the uncertainties presented by the global macro-economic environment.

Carl D'Ammassa

Chief Executive Officer

Chief Financial Officer's Report

We are delighted to report another year of strong and increasing profitability with continued momentum, delivering pre-tax profit of £19.1m for the year, including a £4.7m recovery on a previously impaired loan, up 317% on the prior year (2023: £4.6m). As we scale the business, we continue to increase returns with an adjusted return on equity for the year of 9.8% (2023: 6.7%) and adjusted basic earnings per share for the year of 5.9p (2023: 3.7p).

Significant revenue growth whilst maintaining a strong Net Interest Margin

Gross revenues, which are predominantly comprised of interest and similar income, increased by 27% to £76.8m (2023: £60.4m). The increase is a result of the 15% year-on-year loan book growth combined with a 10% increase in gross yield for the year at 12.2% (2023: 11.1%). This increase in gross yield reflects our ability to pass on the base rate rises that occurred through 2023 into newly originated loans.

Net Interest Margin (NIM), which is gross yield less interest expense, increased by 4% during the period to 7.9% (2023: 7.6%).

The average cost of retail deposits increased during the year to 5.16% (2023: 4.27%) driven by base rate increases over the life of the deposit book. As the Group's deposit book is predominantly an array of fixed rate tenors, it takes time for increasing deposit rates to fully flow through to the deposit book as a whole, only impacting as older maturing deposits are replaced by newer deposits at higher rates. Accordingly, during a period of rising base rates the loan book has repriced more quickly than the deposit book given its shorter average tenor with this effect seen during 2023 and H1 2024. Additionally, since base rates started increasing from late 2021, the underlying increase in the cost of new and retention of maturing existing deposits has not increased to the same extent as the base rate increase leading to an additional increase in the underlying NIM over this period of base rate increase.

Summarised Statement of Comprehensive Income	**2024 £'000**	**2023 £'000**
Gross revenues	76,805	60,350
Interest expense	(31,208)	(22,336)
Net income	**45,597**	**38,014**
Operating expenses	(26,714)	(21,843)
Impairment charges	241	(11,598)
Provisions for commitments and other liabilities	(50)	
Profit before taxation	**19,074**	**4,573**
Taxation	(5,053)	(1,418)
Profit after taxation	**14,021**	**3,155**
Other comprehensive income	75	183
Total comprehensive profit	**14,095**	**3,338**

Net income, which is gross revenues less interest expense, increased by 20% to £45.6m (2023: £38.0m) given the movement in these underlying components set out above.

Investing in future growth

During the year we commenced the organic build of our asset finance lending capability. This has included, in late 2024, onboarding some senior hires to support these new products. Following FCA approval received in February 2025, we expect the launch of the new consumer lending products during H1 2025. Recruitment of personnel to support this asset finance lending is currently underway and we expect, given the early development of this product that it will have a c£2m drag on the Group's overall pre-tax profit in 2025, targeting breakeven of asset finance lending in 2026.

Since the firm's inception we have focussed on, and have delivered, a highly digitised platform. However, to service our proposition as a competitive differentiator, we continue to recognise the importance of further automation and leveraging technology to provide continuous enhancements. During the year, these investments in robotic process automation and character-recognition technologies, as well as deploying new market leading technology solutions have enabled us to provide new products to our customers. Additionally, as a maturing bank, we continue to enhance our underlying controls, with further investment in cyber security and in our risk management technology during the year.

The Group's headcount reached 137 employees at the year end (31 December 2023: 133 employees) with an average headcount during the year of 136 employees (2023: 126 employees). This headcount reflects that the people resource required over the near term to scale our existing lending and retail deposit propositions (excluding the new asset finance proposition) are already substantively embedded in the business, allowing us to unlock further operational leverage on the existing loan book as we continue to grow our lending.

Total operating expenses for the year were £26.7m (2023: £21.8m) comprising £16.0m of staff costs (2023: £13.4m) and £10.7m of other operating expenses (2023: 8.4m).

Strong credit risk performance

Despite the challenging macro-economic and higher interest rate environment the Group's overdue accounts have continued to perform exceptionally well. This reflects the quality of our customer base, underpinned by the strength of our credit risk and portfolio management. The number of customers with arrears one day past due at 31 December 2024 was 33 (31 December 2023: 30) comprising less than 3% of the Group's entire customer base, which includes 19 cases in legal recovery. The Group's total arrears closed the year at £4.3m (31 December 2023: £14.0m), equal to just 0.6% of total lending.

As at 31 December 2023 an almost full provision of c£10m had been made in respect of RoyaleLife and associated companies ("RoyaleLife") being equivalent to the customers entire outstanding unrecoverable balance at that time. During 2024 we have diligently and proactively looked to make the fullest recovery possible. Due to this we have recovered assets and cash of £1.7m and completed the successful negotiation of a £3m settlement against property that is currently pending sale and is subject to a new counterparty loan. This has resulted in the write back of £4.7m of the provision, reducing impairment losses in the year accordingly.

	31-Dec-24	**31-Dec-23**	**31-Dec-22**	**31-Dec-21**
Arrears - principal repayment, fees and interest				
1-30 days past due	271	696	136	105
31-60 days past due	1,146	265	1,084	834
61-90 days past due	199	946	25	0
91 days + past due	2,646	12,102	5,885	164
	4,262	**14,009**	**7,130**	**1,103**
% Loan book	**0.6%**	**2.4%**	**1.6%**	**0.4%**
Associated principal balance				
1-30 days past due	1,305	1,253	2,016	951
31-60 days past due	2,623	717	1,512	834
61-90 days past due	449	1900	214	0
91 days + past due	3,912	12,821	16,317	184
	8,289	**16,691**	**20,058**	**1,970**
% Loan book	**1.2%**	**2.9%**	**4.6%**	**0.8%**

Cost of risk for the year was a gain in 2024 of 0.04% (2023: cost 2.28%), however excluding this RoyaleLife impact, the adjusted cost of risk for the year would have been 0.75% (2023: 1.36%). We are very pleased with this underlying cost of risk which reflects our proactive credit risk management supported by the ability to remediate dealer defaults by product redistribution through our customer network or sale of our secured assets to other parties.

Portfolio ageing

We use average outstanding loan tenor as the most appropriate stock days measure to determine how our portfolio is ageing compared to our historical experience and our sector tolerance levels used for portfolio oversight. Our historical data, which covers 2018 to 2023, is significantly impacted by both pandemic and post-pandemic market dynamics. During 2024, for the first time since 2020, we have seen normalised seasonality returning to the leisure sectors with high levels of repayments over the spring/summer "selling" season and reduced repayments during the autumn/winter "stocking" season.

Overall, there has been a modest reduction in stock days at year end to 140 days (December 2023: 148 days). This reduction is a factor of both underlying sector movements and portfolio sector mix change.

The diversity of the portfolio sector characteristics means stock days have increased across some sectors and decreased in others. Motorhome and caravan stock days has increased to 125 days (December 2023: 98 days), with strong ongoing demand through the year but with manufacturers rebalancing production to align with demand. The lodges sector has seen an increase in stock days to 278 days (December 2023: 239 days) driven by dealers earlier in the year not acquiring new stock whilst they reduced stock levels, although manufacturer orders increased in the second half with the stock days reducing towards the year end accordingly. In the transport sector dealers have been better managing their inventory levels to match muted demand with a reduction in stock days to 93 days (December 2023: 122 days). Marine stock days has reduced to 119 days (December 2023: 147 days) as manufacturers better align their production to customer demand.

The main mix change driving a decrease in overall portfolio stock days has been the below portfolio average stock turning motorhome and caravan sector seeing significant growth to 35% of the inventory finance portfolio at December 2024 (December 2023: 23%), whilst the above portfolio average stock days in the lodge sector has reduced to 15% of the inventory finance portfolio at December 2024 (December 2023: 26%).

Overall, all sectors of the portfolio operate well within our tolerances.

Strong underlying security position

In our core inventory finance lending product, we take legal title against individual assets to provide working capital to fund dealers' inventory or stock. The Group's lending relative to its security position continues to remain strong with a Loan to Wholesale Value ('LTV') of 84% (31 December 2023: 85%). We do not advance funds measured against retail prices, which typically represent a mark-up of approximately 20% on the wholesale invoice price. Accordingly, for the Group to incur losses on recovery of an asset in the event of default there would need to be an average reduction of approximately 30% in retail prices across the sectors and products we lend against.

We have manufacturer repurchase or redistribution agreements in place across c60% of our inventory finance loan book (2023: c.60%) which further mitigate credit losses. Also, we often hold additional security in the form of personal and/or cross company guarantees.

Growth ambitions underpinned by a well-capitalised balance sheet

As at 31 December 2024 the Group's equity stood at £115.4m (31 December 2023: £100.4m). Regulatory capital which is the Common Equity Tier 1 (CET1) capital together with Tier 2 capital increased to £109.0m (31 December 2023 £89.5m). This includes £10m drawn in 2023 under the £20m Tier 2 capital facility with British Business Investments.

During the year the ENABLE Guarantee with the British Business Bank, which was entered in 2023, was upsized from £250m to £350m. The strong retained earnings and increased utilisation of the ENABLE Guarantee has meant that despite an increase in the loan book of 15%, the CET1 ratio only reduced by a small amount ending the year at 21.6% (31 December 2023: 22.8%). This CET1 ratio is well above our regulatory minimum.

Given the combination of an existing well capitalised balance sheet, the sizeable retained earnings expected to be generated going forwards, increasing utilisation of the ENABLE Guarantee and full utilisation of the Tier 2 facility, the business expects to be able to meet its medium term financial targets without the need to raise any additional Tier 1 capital.

Gavin Morris

Chief Financial Officer

	Recent trend vs expected norms				**Actual**	**Actual**
	New Loans	**Repayments**	**Historical Annual Average**	**Tolerance Level**	**31-Dec-24**	**31-Dec-23**
Agriculture	In line	In line	119	240	153	141
Automotive	In line	In line	73	200	84	83
Industrial	In line	In line	120	250	179	167
Lodges	Lower	Slower	154	300	278	239
Marine	Higher	Faster	132	250	119	147
Motorcycle	Higher	Faster	107	200	107	113
Motorhome & Caravan	Higher	In line	105	200	125	98
Transport	Lower	Faster	86	200	93	122
Loan book average			**128**	**240**	**150**	**148**

Report of the Directors

The Directors present their Annual Report on the affairs of the Group, together with the consolidated financial statements, company financial statements and auditor's report, for the year ended 31 December 2024.

Details of significant subsequent events are contained in note 45 to these consolidated financial statements. An indication of likely future developments in the business of the Group are included in the Strategic Report section.

Information about the use of financial instruments by the Group is detailed within note 39 to the consolidated financial statements.

Principal activity
The principal activity of the Group is as a specialist savings and commercial lending bank group. The Group provides niche working capital funding solutions to dealers and manufacturers across the UK, enabled by competitively priced customer savings products.

Results and dividends
The total comprehensive profit for the year, after taxation, amounted to £14,096,000 (2023: £3,338,000). The Directors do not recommend the payment of a dividend (2023: £nil)

not recommend the payment of a dividend (2023: £nil).

Directors'
The Directors who held office during the year and up to the date of the Directors' report were as follows:

Mark Stephens
Sheryl Lawrence
Nicole Coll
Thomas Grathwohl
Haakon Stenrød
Carl D'Ammassa
Gavin Morris

Directors' shareholdings
As at 31 December 2024, the Directors held the following ordinary shares in the Company:

Director	Position	No. of ordinary shares	Voting rights (%)
Mark Stephens	Independent Board Chair	62,500	0.03%
Thomas Grathwohl	Independent Non-Executive Director	533,312	0.30%
Carl D'Ammassa	Chief Executive Officer	638,666	0.36%
Gavin Morris	Chief Financial Officer	470,816	0.26%

Significant shareholders
As at 31 December 2024, the following parties held greater than 3% of issued share capital in the Company in accordance with the requirements of Rule 5 of the Disclosure Guidance and Transparency Rules:

	No. of ordinary shares	Voting rights (%)
Watrium AS	28,827,593	16.07%
Davidson Kempner Capital Management	23,899,990	13.32%
Lombard Odier Investment Managers	17,856,408	9.96%
Janus Henderson Investors	17,299,501	9.64%
River Global Investors	16,925,000	9.44%
Premier Miton Investors	12,745,000	7.11%
Crucible Clarity Fund	8,149,922	4.54%
BlackRock	7,388,910	4.12%
Allianz Global Investors	6,266,736	3.49%

Political and charitable donations
The Group made charitable donations of £23,335 (2023: £11,703) and no political donations during the year ended 31 December 2024 (2023: £nil).

Annual General Meeting
The Company anticipates holding its Annual General Meeting in June 2025. The Notice of AGM and Form of Proxy will be posted to shareholders in due course and a copy will be available at www.dfcapital-investors.com. The AGM will be held at the Company's registered office in Manchester.

Directors' insurance and indemnities
The Group has maintained Directors and Officers liability insurance for the benefit of the Group, the Directors, and its officers. The Directors consider the level of cover appropriate for the business and will remain in place for the foreseeable future.

Statement of Going Concern
The Directors have completed a formal assessment of the Group's financial resources. In making this assessment the Directors have considered the Group's current available capital and liquidity resources, the business financial projections and the outcome of stress testing. Based on this review, the Directors believe that the Group is well placed to manage its business risks successfully within the expected economic outlook. See note 1.6 for further details.

Accordingly, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for a period of at least 12 months from the date of approval of the financial statements. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report and Financial Statements.

Corporate Governance
The Corporate Governance Report on pages 63 to 99 contains information about the Group's corporate governance arrangements.

Subsequent events
Details relating to significant events occurring between 31 December 2024 and the date of approval of the financial statements are detailed further within Note 45 of the consolidated financial statements.

Disclosure of information to the auditor
Each of the persons who is a Director at the date of approval of this annual report confirms that:

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

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

Reappointment of auditor
Deloitte LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board on 01 April 2025 and signed on its behalf by:

……………………………………….
Carl D'Ammassa
Director

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the Group and parent Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and parent Company financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom adopted International Accounting Standards. The financial statements also comply with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB). The Directors have chosen to prepare the parent Company financial statements on the same basis.

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 Group and parent Company and of their profit or loss of the Group for the year.

In preparing these consolidated financial statements and Company financial statements, the Directors are required to:

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, and Corporate Governance Statement that complies with that law and those regulations.

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

Responsibility statement of the Directors in respect of the annual financial report

Each of the persons who is a Director at the date of approval of this report confirms, to the best of their knowledge, that:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;

- the Strategic Report/Directors' Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and

- the annual report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

Consolidated Statement of Comprehensive Income

	Note	2024 £'000	2023 £'000
Interest and similar income	4	76,820	59,970
Interest and similar expenses	6	(31,208)	(22,336)

Net interest income		**45,612**	**37,634**
Fee income	7	1,237	1,393
Fee expenses	8	(1,626)	(719)
Net gains/(losses) from derivatives and other financial instruments at fair value through profit or loss	22	372	(303)
Other income		2	9
Total operating income		**45,597**	**38,014**
Staff costs	9	(16,044)	(13,431)
Other operating expenses	11	(10,670)	(8,412)
Net impairment gain/(loss) on financial assets	14	241	(11,598)
Other provisions	13	(50)	-
Total operating profit		**19,074**	**4,573**
Profit before taxation		**19,074**	**4,573**
Taxation	16	(5,053)	(1,418)
Profit after taxation		**14,021**	**3,155**
Other comprehensive income/(loss): Items that may subsequently be transferred to the income statement:			
FVOCI investment securities:			
Amounts transferred to the income statement		75	-
Fair value movements		-	183
Total other comprehensive income for the year, net of tax		**75**	**183**
Total comprehensive income for the year		**14,096**	**3,338**
Earnings per share:		**pence**	**pence**
Basic EPS	40	7.8	1.8
Diluted EPS	40	7.4	1.7

The notes on pages 120 to 184 are an integral part of these financial statements.

The financial results for all periods are derived entirely from continuing operations.

Consolidated Statement of Financial Position

	Note	2024 £'000	2023 £'000
Assets			
Cash and balances at central banks		110,030	89,552
Loans and advances to banks	28	3,771	3,475
Investment securities	21	769	14,839
Derivatives held for risk management (asset)	22	295	537
Loans and advances to customers	20	660,772	568,044
Trade and other receivables	24	4,678	5,335
Current taxation asset	25	-	55
Deferred taxation asset	27	3,980	7,111
Property, plant and equipment	17	1,093	1,145
Right-of-use assets	18	202	1,227
Intangible assets	19	950	618
Total assets		**786,540**	**691,938**
Liabilities			
Customer deposits	35	649,665	574,622
Amounts due to banks	22	180	-
Derivatives held for risk management (liability)	22	6	565
Fair value adjustments on hedged liabilities	23	136	424
Financial liabilities	36	90	1,255
Trade and other payables	38	9,335	4,297
Provisions	13	285	67
Current taxation liability	26	1,259	73
Subordinated liabilities	37	10,230	10,221
Total liabilities		**671,186**	**591,524**

Equity			
Issued share capital	31	1,793	1,793
Share premium	31	-	-
Merger relief	31	94,911	94,911
Merger reserve	33	(20,609)	(20,609)
Own shares	32	(440)	(401)
Retained earnings		39,699	24,720
Total equity		**115,354**	**100,414**
Total equity and liabilities		**786,540**	**691,938**

The notes on pages 120 to 184 are an integral part of these consolidated financial statements.

These financial statements were approved by the Board of Directors and authorised for issue on01 April 2025. They were signed on its behalf by:

…………………………
Carl D'Ammassa
Director
01 April 2025

Registered number: 11911574

Consolidated Statement of Changes in Equity

	Issued share capital	Share premium[3]	Merger relief	Merger reserve	Own shares[2]	Retained earnings/(loss)	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 January 2023	**1,793**	**39,273**	**94,911**	**(20,609)**	**(364)**	**(18,765)**	**96,239**
Profit after taxation	-	-	-	-	-	3,155	3,155
Other comprehensive income	-	-	-	-	-	183	183
Total comprehensive income	-	-	-	-	-	3,338	3,338
Share-based payments[1]	-	-	-	-	-	905	905
Employee Benefit Trust[2]	-	-	-	-	(37)	(31)	(68)
Share premium account cancellation[3]	-	(39,273)	-	-	-	39,273	-
Balance at 31 December 2023	**1,793**	**-**	**94,911**	**(20,609)**	**(401)**	**24,720**	**100,414**
Profit after taxation	-	-	-	-	-	14,021	14,021
Other comprehensive income	-	-	-	-	-	75	75
Total comprehensive income	-	-	-	-	-	14,096	14,096
Share-based payments[1]	-	-	-	-	-	985	985
Employee Benefit Trust[2]	-	-	-	-	(39)	(102)	(141)
Balance at 31 December 2024	**1,793**	**-**	**94,911**	**(20,609)**	**(440)**	**39,699**	**115,354**

[1] Refer to note 10 for details on share-based payments during the year.

[2] The Group has adopted look-through accounting (see note 1.3) and recognised the Employee Benefit Trust as Own Shares. Refer to note 32 for further details of the movements in the year.

[3]In the year ended 31 December 2023, the Company cancelled its share premium account - refer to note 31 of the consolidated financial statements for details

The notes on pages 120 to 184 are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

	Note	2024 £'000	2023 £'000
Cash flows from operating activities:			
Profit before taxation		19,074	4,573
Adjustments for non-cash items and other adjustments			
Included in the income statement	29	3,822	13,000
Increase in operating assets	29	(92,390)	(149,456)
Increase in operating liabilities	29	79,376	94,171
Taxation paid	25,26	(681)	-
Net cash generated from/(used in) operating activities		**9,201**	**(37,712)**
Cash flows from investing activities:			
Purchase of investment securities	21	(9,918)	(14,554)
Proceeds from sale and maturity of investment securities	21	25,000	23,000
Dividend income on money market funds	21	25	-
Interest income on investment securities	21	75	383
Purchase of property, plant and equipment	17	(397)	(418)
Purchase of intangible assets	19	(623)	(117)
Net cash generated from investing activities		**14,162**	**8,294**
Cash flows from financing activities:			
Repayment of lease liabilities	34	(252)	(227)
Issuance of subordinated liabilities	37	-	10,000
Acquisition of subordinated liabilities	29	-	(51)
Coupon paid on subordinated liabilities	29	(1,273)	-
Purchase of own shares	32	(142)	(67)
Net cash (used in)/generated from financing activities		**(1,667)**	**9,655**
Net increase/(decrease) in cash and cash equivalents		**21,696**	**(19,763)**
Cash and cash equivalents at start of the period	29	90,867	110,630
Cash and cash equivalents at end of the period	**29**	**112,563**	**90,867**

Notes to the Financial Statements

1. Basis of preparation

1.1 *General information*

The consolidated financial statements of Distribution Finance Capital Holdings plc (the "Company" or "DFCH plc") include the assets, liabilities, and results of its wholly owned subsidiaries, DF Capital Bank Limited (the "Bank"), DF Capital Financial Solutions Limited and DF Capital Retail Finance Limited, which together form the "Group".

DFCH plc is registered and incorporated in England and Wales whose company registration number is 11911574. The registered office is St James' Building, 61-95 Oxford Street, Manchester, England, M1 6EJ. The Company's ordinary shares are listed on the Alternative Investment Market ("AIM") of the London Stock Exchange.

The principal activity of the Company is that of an investment holding company. The principal activity of the Group is as a specialist savings and commercial lending banking group. The Group provides niche working capital funding solutions to dealers and manufacturers, enabled by competitively priced savings products.

These financial statements are presented in pounds sterling, which is the currency of the primary economic environment in which the Group operates, and are rounded to the nearest thousand pounds, unless stated otherwise.

1.2 Basis of preparation

The Group consolidated financial statements and the Company financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the United Kingdom (UK) and interpretations issued by the IFRS Interpretations Committee (IFRS IC).

The consolidated and Company financial statements are prepared on a going concern basis and under the historical cost convention except for the treatment of certain financial instruments, including the revaluation of investment securities held at fair value through other comprehensive income (FVTOCI), and derivative contracts and other financial assets or liabilities held at fair value through profit or loss (FVTPL).

By including the Company financial statements, here together with the Group consolidated financial statements, the Company is taking advantage of the exemption in Section 408 of the Companies Act 2006 not to present its individual income statement and related notes that form a part of these approved financial statements.

For the year ended 31 December 2024, subsidiary undertakings DF Capital Financial Solutions Limited (Company number: 14891201) and DF Capital Retail Finance Limited (Company number: 15788832) were exempt from the requirements of the Companies Act 2006 relating to the audit of individual accounts by virtue of section 479A of the Companies Act 2006. The Company, as the ultimate parent company, is providing a guarantee for DF Capital Financial Solutions Limited and DF Capital Retail Finance Limited in accordance with section 479C of the Companies Act 2006 as at 31 December 2024.

1.3 Basis of consolidation

The Group financial statements include the results of the Company and its subsidiary undertakings. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and are deconsolidated from the date that control ceases. Accounting policies of the Company and its subsidiaries are consistent. The Group 'controls' an entity if it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Upon consolidation, all intra-group transactions, balances, income, and expenses are eliminated within the consolidated financial statements within this Annual Report and Financial Statements. The consolidated financial statements contained in this Annual Report consolidate the statements of total comprehensive income, statements of financial position, cash flow statements, statements of changes in equity and related notes for Distribution Finance Capital Holdings plc, DF Capital Bank Limited, DF Capital Financial Solutions Limited and DF Capital Retail Finance Limited, which together form the "Group", which have been prepared in accordance with applicable IFRS accounting standards. Accounting policies have been applied consistently throughout the Group and its subsidiaries.

The Group's Employee Benefit Trust (EBT) is controlled and recognised by the Company using the look-through approach, i.e. as if the EBT is included within the accounts of the Company.

1.4 Adoption of new and revised standards and interpretations

International financial reporting standards issued and adopted for the first time in the year ended 31 December 2024
In the preparation of these financial statements no accounting standards are being applied for the first time.

International financial reporting standards issued but not yet effective which are applicable to the Group
In April 2024 the IASB issued IFRS18 - "Presentation and Disclosure in Financial Statements". This is expected to impact the way in which information is disclosed in financial statements without impacting materially on the underlying accounting.

IFRS18 is expected to apply to the Group with effect from the financial year ending 31 December 2027, if the standard is endorsed for use in the UK. A detailed exercise to determine the impact of the new standard on the Group's annual reporting will be carried out before the implementation date.

Other than IFRS18 there are no new reporting standards and interpretations in issue but not effective which address matter relevant to the Group's accounting and reporting.

1.5 Principal accounting policies

The principal accounting policies adopted in the preparation of this financial information are set out below. These policies have been applied consistently to all the financial periods presented.

1.6 Reclassification

During the year ended 31 December 2024, the Group invested into a low volatility money market fund. This is a type of investment security which required presentation under a new financial statement caption. In addition to this fund, the Group also hold debt securities in the form of UK treasury bills (and previously government gilts) which represent a subcategory of investment securities. These balances which were previously presented as 'debt securities' within the statement of financial position will now be presented under 'investment securities' in addition to the balance invested into the money market fund.

For the year ended 31 December 2024, the Group has reclassified £nil from 'debt securities' to 'investment securities' (31 December 2023: £14,839,000). Both debt and investment securities operate under the same accounting policy, IFRS 9 - financial instruments, with the policy remaining unchanged.

1.7 Going concern

The financial statements are prepared on a going concern basis as the Directors are satisfied that the Group has adequate resources to continue operating for a period of at least 12 months from the date of approval of the financial statements. In making this assessment the Directors have considered:

- The Group's financial projections;
- The Group's current available capital and liquidity resources and surplus over regulatory and risk appetite requirements;
- The stress testing and capital and liquidity planning performed as a part of the ICAAP and ILAAP indicate adequate capital and liquidity buffers and the ability to effectively manage stresses and resources. A number of severe and plausible scenarios were considered as part of the stress testing process with a combination of severe idiosyncratic and macroeconomic scenarios. The scenarios included a global supply chain disruption impacting the amount of assets our dealers are able to source from manufacturers, combined with rising inflation and unemployment reducing consumer disposable income;
- Banking sector failures in recent years and any implications for the Group. This included consideration of our deposit base, which is made up predominantly of retail customers, of which 92% are fully covered by the Financial Services Compensation Scheme ('FSCS'). The liquid assets of the Group being predominantly either cash held at the Bank of England or in UK treasury bills. The Group's asset and liability maturity profile;
- In respect of climate change, the Board recognises the long-term risks and these are considered as part of the annual ICAAP.

Based on this review, the Directors believe that the Group is well placed to manage its business risks successfully within the expected economic outlook. Accordingly, the Directors have adopted the going concern basis in preparing the financial statements.

Information on the Group's business strategy, performance and outlook are detailed in the Chair's Statement, Chief Executive Officer's review and Chief Financial Officer's review. The Risk Overview sections further detail the key risks faced by the Group and mitigants and provides an overview of the Group's Risk Management Framework.

1.8 Critical accounting estimates and judgements

In accordance with IFRS, the Directors of the Group are required to make judgements, estimates and assumptions in certain subjective areas whilst preparing these financial statements. The application of these accounting policies may impact the reported amounts of assets, liabilities, income and expenses and actual results may differ from these estimates.

reported amounts of assets, liabilities, income and expenses and actual results may differ from these estimates.

Any estimates and underlying assumptions used within the statutory financial statements are reviewed on an ongoing basis, with revisions recognised in the period in which they are adjusted, and any future periods affected.

Further details can be found in note 3 on the critical accounting estimates and judgements used within these financial statements.

1.9 Foreign currency translation

The financial statements are expressed in Pound Sterling, which is the functional and presentational currency of the Group.

Transactions in foreign currencies are translated to the Group's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign exchange differences arising on translation are recognised in the statement of income.

2. Summary of material accounting policies

2.1 Revenue recognition

Net interest income

Interest income and expense for all financial instruments except for those classified as held for trading or measured or designated as at fair value through profit and loss ("FVTPL") are recognised in "Net interest income" as "Interest income" and "Interest expenses" in the income statement using the effective interest method.

The effective interest rate ("EIR") is the rate that exactly discounts estimated future cash flows of the financial instrument through the expected life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. The future cash flows are estimated taking into account all the contractual terms of the instrument.

The calculation of the EIR includes all fees and points paid or received between parties to the contract that are incremental and directly attributable to the specific lending arrangement, transaction costs, and all other premiums or discounts.

In calculating the EIR, management have taken into consideration the behavioural characteristics of the underlying loans in the lending portfolio which includes evaluating the expected duration of loans and any additional behavioural fees.

The EIR is adjusted where there is a movement in the reference interest rate (SONIA, or base rate) affecting portfolios with a variable interest rate which will impact future cash flows.

The interest income/expense is calculated by applying the EIR to the gross carrying amount of non-credit impaired financial assets (that is, to the amortised cost of the financial asset before adjusting for any expected credit loss allowance), or to the amortised cost of financial liabilities.

For credit-impaired financial assets, as defined in the financial instruments accounting policy, the interest income is calculated by applying the EIR to the amortised cost of the credit-impaired financial assets (that is, to the gross carrying amount less the allowance for expected credit losses ("ECLs").

Interest income on investment securities is included in interest and similar income. Interest on derivatives is included in interest and similar income or interest and similar expenses charges following the underlying instrument it is hedging.

Fee income

All fee income relates to fees charged directly to customers based on their credit facility. These fees do not meet the criteria for inclusion within interest income. The Group satisfies its performance obligations as the services are rendered. These fees are billed in arrears of the period they relate to.

Fee income is recognised in accordance with IFRS 15 which sets out the principles to follow for revenue recognition which takes into consideration the nature, amount, timing and uncertainty of revenue and cash flows resulting from a contract with a customer. The accounting standard presents a five-step approach to income recognition to enable the Group to recognise the correct amount of income in the corresponding period(s):

- the contract has been approved by the parties to the contract;
- each party's rights in relation to the goods or services to be transferred can be identified;
- the payment terms for the goods or services to be transferred can be identified;
- the contract has commercial substance; and
- it is probable that the consideration to which the entity is entitled to in exchange for the goods or services will be collected.

All other income is currently recognised under IFRS 9 under the effective interest rate methodology, however, when new fees are implemented, they will be assessed as to whether they fall under IFRS 9 (EIR) or IFRS 15. IFRS 9 and IFRS 15 have been applied consistently to all the financial periods presented.

Fee expense

Fee and commission expense predominantly consists of non-incremental fees in relation to financial guarantee schemes, undrawn facility commitment facility fees, introducer commissions, and other non-incremental direct costs. Where these fees and commissions are incremental costs that are directly attributable to the issue of a financial instrument, they are included in interest income as part of the EIR calculation. Where they are not incremental costs that are directly attributable, they are recognised within fee and commission expense as the services are received.

Net gains / (losses) from derivatives and other financial instruments at fair value through profit or loss

Net gains/(losses) from derivatives and other financial instruments at fair value through profit or loss relate to non-trading derivatives held for risk management purposes. It includes all realised and unrealised fair value movements, interest and foreign exchange differences.

Other income from financial instruments

Investment securities are measured at fair value through other comprehensive income. The securities are measured at their closing bid prices at the reporting date with any unrealised gain or loss recognised through other comprehensive income. Once the assets have been disposed, the corresponding realised gain or loss is transferred from other comprehensive income into the income statement.

Other operating income

Other operating income predominantly consists of payroll subsidies, specifically in relation to Statutory Maternity/Paternity Pay (SMP/SPP) as levied by HM Revenue & Customs.

2.2 Property, plant and equipment

All property, plant and equipment is stated at historical cost (or deemed historical cost) less accumulated depreciation, and less any identified impairment. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

Depreciation is provided on all property, plant and equipment at rates calculated to write each asset down to its estimated residual value on a straight-line basis at the following annual rates:

Fixtures & fittings	3 years
Computer equipment	3 years
Telephony & communications	3 years
Leasehold improvements	1 - 10 years
Motor vehicles	3 years

Right-of-use assets are depreciated over the shorter period of the lease term and the useful life of the underlying asset. All current lease agreements have a maximum lease term of 7 years. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset.

Useful economic lives and estimated residual values are reviewed annually and adjusted as appropriate.

The gain or loss arising on the disposal of an asset is determined as the difference between the sales proceeds less any costs of disposal and the carrying amount of the asset, which is recognised in the Income Statement.

2.3 Intangible assets

Computer software

Computer software which has been purchased by the Group from third party vendors is measured at initial cost less accumulated amortisation and less any accumulated impairments.

Computer software is estimated to have a useful life of 3 years with no residual value after the period. These assets are amortised on a straight-line basis with the useful economic lives and estimated residual values being reviewed annually and adjusted as appropriate.

Internally generated intangible assets

Internally generated intangible assets are only recognised by the Group when the recognition criteria have been met in accordance with IAS 38: Intangible Assets as follows:

- expenditure can be reliably measured;
- the product or process is technically and commercially feasible;
- future economic benefits are likely to be received;
- intention and ability to complete the development; and
- view to either use or sell the asset in the future.

The Group will only recognise an internally generated asset should it meet all the above criteria. In the event of a development not meeting the criteria it will be recognised within the consolidated income statement in the period incurred.

Capitalised costs include all directly attributable costs to the development of the asset. Internally generated assets are measured at capitalised cost less accumulated amortisation less accumulated impairment losses.

The internally generated asset is amortised at the point the asset is available for use or sale. The asset is amortised on a straight-line basis over the useful economic life with the remaining useful economic life and residual value being assessed annually. The estimated useful economic life of internally generated assets is 3-5 years with no expected residual balance.

Any subsequent expenditure on the internally generated asset is only capitalised if the cost increases the future economic benefits of the related asset. Otherwise, all additional expenditure should be recognised through the income statement in the period it occurs.

2.4 Financial instruments

Initial recognition

Financial assets and financial liabilities are recognised in the statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of the financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are respectively added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs that are not directly attributable to the acquisition of financial assets and financial liabilities at FVTPL are recognised immediately in the consolidated income statement.

Classification

The Group classifies financial instruments based on the business model and the contractual cash flow characteristics of the financial instruments. Under IFRS 9, the Group classifies financial assets into one of three measurement categories:

- **Amortised cost** - assets in a business model whose objective is to hold financial assets to collect contractual cash flows, where the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding. The Group classifies non-derivative financial liabilities as measured at amortised cost.

- **Fair value through other comprehensive income (FVOCI)**- assets held in a business model whose objective is to collect contractual cash flows and sell financial assets where the contractual terms of the financial assets give rise on specified dates to cash flows that are SPPI on the principal amount outstanding. The Group measures investment securities under this category.

- **Fair value through profit or loss (FVTPL)**- assets not measured at amortised cost or FVOCI. The Group measures derivatives under this category.

The Group has no non-derivative financial assets or liabilities classified as held for trading.

The Group reassesses its business models each reporting period.

The Group classifies certain financial instruments as equity where they meet the following conditions:

- the financial instrument includes no contractual obligation to deliver cash or another financial asset on potentially unfavourable conditions;

- the financial instrument is a non-derivative that includes no contractual obligation for the issuer to deliver a variable number of its own equity instruments; or

- the financial instrument is a derivative that will be settled only by the issuer exchanging a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

Financial assets - measurement

I. Financial assets measured at amortised cost

These are initially measured at fair value plus transaction costs that are directly attributable to the financial asset. Subsequently, these are measured at amortised cost using the EIR method. The amortised cost is the amount advanced less principal repayments, plus or minus the cumulative amortisation using the EIR method of any difference between the amount advanced and the maturity amount, less impairment provisions for expected losses. The losses arising from impairment are recognised in the income statement and disclosed with any other similar losses within the line item "Net impairment loss on financial assets".

Financial assets measured at amortised cost mainly comprise loans and advances to customers, loans and advances to banks, and other receivables.

II. Fair value through other comprehensive income (FVTOCI)

These are initially measured at fair value plus transaction costs that are directly attributable to the financial asset. Subsequently, they are measured at fair value based on current, quoted bid prices in active markets for identical assets that the Group can access at the reporting date. Where there is no active market, or the investment securities are unlisted, the fair values are based on valuation techniques including discounted cash flow analysis, with reference to relevant market rates and other commonly used valuation techniques. Interest income is recognised in the income statement using the EIR method. Impairment provisions for expected losses are recognised in the income statement which does not reduce the carrying amount of the investment security but is transferred from the FVOCI reserve in equity. Other fair value movements are recognised in other comprehensive income and presented in the FVOCI reserve in equity. On disposal, the gain or loss accumulated in equity is reclassified to the income statement.

FVTOCI financial assets includes investment securities in the form of UK Treasury Bills and UK Gilts. These assets are not classified as: loans and receivables; held-to-maturity investments; or financial assets at fair value through profit or loss.

Regular purchases and sales of investment securities are recognised on the trade date at which the Group commits to purchase or sell the asset.

III. Financial assets at fair value through profit or loss (FVTPL)

These are measured both initially and subsequently at fair value with movements in fair value recorded in the income statement. Any costs that are directly attributable to their acquisition are recognised in profit or loss when incurred. The Group only measures derivative financial assets under this classification.

Financial assets - impairment

The Group recognises loss allowances for expected credit losses ("ECLs") on the following financial instruments that are not measured at FVTPL:

- Financial assets measured at amortised cost;

- Investment securities measured at fair value through other comprehensive income; and

- Loan commitments

IFRS 9 permits entities to apply a 'simplified approach' for trade receivables, contract assets and lease receivables. The simplified approach permits entities to recognise lifetime expected losses on all these assets without the need to identify significant increases in credit risk. The Group has adopted this simplified approach for assessing trade and other receivables balances. The Group confirms these trade and other receivable balances do not contain a significant financing component.

With the exception of purchased or originated credit impaired ("POCI") financial assets (which are considered separately below), ECLs are measured through loss allowances calculated on the following bases.

ECLs are a probability-weighted estimate of the present value of credit losses. The Group measures ECL on an individual basis, or on a collective basis for portfolios of loans that share similar economic risk characteristics. The loss allowance is measured as the difference between the contractual cash flows and the present value of the asset's expected cash flows using the asset's original EIR, regardless of whether it is measured on an individual basis or a collective basis.

A financial asset that gives rise to credit risk, is referred to (and analysed in the notes to this financial information) as being in "Stage 1" provided that since initial recognition (or since the previous reporting date) there has not been a significant increase in credit risk, nor has it has become credit impaired.

For a Stage 1 asset, the loss allowance is the "12-month ECL", that is, the ECL that results from those default events on the financial instrument that are possible within 12 months from the reporting date.

A financial asset that gives rise to credit risk is referred to (and analysed in the notes to this financial information) as being in "Stage 2" if since initial recognition there has been a significant increase in credit risk (SICR) but it is not credit impaired.

For a Stage 2 asset, the loss allowance is the "lifetime ECL", that is, the ECL that results from all possible default events over the life of the financial instrument.

A financial asset that gives rise to credit risk is referred to (and analysed in the notes to this financial information) as being in "Stage 3" if since initial recognition it has become credit impaired.

For a Stage 3 asset, the loss allowance is the difference between the asset's projected exposure at default (EAD) and the present value of estimated future cash flows discounted at an applicable EIR. Further, the recognition of interest income is constrained relative to the amounts that are recognised on Stage 1 and Stage 2 assets, as described in the revenue recognition policy set out above.

If circumstances change sufficiently at subsequent reporting dates, an asset is referred to by its newly appropriate Stage and is re-analysed in the notes to the financial information.

Where an asset is expected to mature in 12 months or less, the "12-month ECL" and the "lifetime ECL" have the same effective meaning and accordingly for such assets the calculated loss allowance will be the same whether such an asset is at Stage 1 or Stage 2. In order to determine the loss allowance for assets with a maturity of 12 months or more, and disclose significant increases in credit risk, the Group nonetheless determines which of its financial assets are in Stages 1 and 2 at each reporting date.

Significant increase in credit risk - policies and procedures for identifying Stage 2 assets
Whenever any contractual payment is past due, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition in order to determine whether credit risk has increased significantly.

See note 39 for further details about how the Group assesses increases in significant credit risk.

Definition of a default
Critical to the determination of significant increases in credit risk (and to the determination of ECLs) is the definition of default. Default is a component of the probability of default (PD), changes in which lead to the identification of a significant increase in credit risk, and PD is then a factor in the measurement of ECLs.

The Group's definition of default for this purpose is:

- A counterparty defaults on a payment due under a loan agreement and that payment is more than 90 days overdue;

- The collateral that secures, all or in part, the loan agreement has been sold or is otherwise not available for sale and the proceeds have not been paid to the Group; or

- A counterparty commits an event of default under the terms and conditions of the loan agreement which leads the lending company to believe that the borrower's ability to meet its credit obligations to the Group is in doubt.

The definition of default is similarly critical in the determination of whether an asset is credit-impaired (as explained below).

Credit-impaired financial assets - policies and procedures for identifying Stage 3 assets
A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. IFRS 9 states that evidence of credit-impairment includes observable data about the following events:

- A counterparty is 90 days past due for one or more of its loan receivables;

- Significant financial difficulty of the borrower or issuer;

- A breach of contract such as a default (as defined above) or past due event, or

- The Group, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the Group would not otherwise consider.

The Group assesses whether debt instruments that are financial assets measured at amortised cost or at FVTOCI are credit-impaired at each reporting date. When assessing whether there is evidence of credit-impairment, the Group takes into account both qualitative and quantitative indicators relating to both the borrower and to the asset. The information assessed depends on the borrower and the type of the asset. It may not be possible to identify a single discrete event - instead, the combined effect of several events may have caused financial assets to become credit-impaired.

See note 39 for further details about how the Group identifies credit impaired assets.

Purchased or originated credit-impaired ("POCI") financial assets
POCI financial assets are treated differently because they are in Stage 3 from the point of original recognition. It is not in the nature of the Group's business to purchase financial assets originated by other lenders, nor has the Group to date originated any loans or advances to borrowers that it would define as credit impaired.

Movements back to stages 1 and 2
Exposures will move out of stage 3 to stage 2 when they no longer meet the criteria for inclusion and have completed a minimum 3-month probation period as set according to the type of lending and default event circumstances. Movement into stage 1 will only occur when the SICR criteria are no longer met.

Presentation of allowance for ECL in the statement of financial position
Loss allowances for ECL are presented in the statement of financial position as follows:

- For financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets; and

- For loan commitments: as a provision.

Revisions to estimated cash flows
Where cash flows are significantly different from the original expectations used to determine EIR, but where this difference does not arise from a modification of the terms of the financial instrument, the Group revises its estimates of receipts and adjusts the gross carrying amount of the financial asset to reflect actual and revised estimated contractual cash flows. The Group recalculates the gross carrying amount of the financial asset as the present value of the estimated future contractual cash flows discounted at the financial instrument's original EIR.

The adjustment is recognised in the consolidated income statement as income or expense.

Modification of financial assets
A modification of a financial asset occurs when the contractual terms governing a financial asset are renegotiated without the original contract being replaced and derecognised. A modification is accounted for in the same way as a revision to estimated cash flows, and in addition;

- Any fees charged are added to the asset and amortised over the new expected life of the asset, and

- The asset is individually assessed to determine whether there has been a significant increase in credit risk.

Derecognition of financial assets
The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in the income statement.

On derecognition of a financial asset other than in its entirety (e.g. when the Group retains an option to repurchase part of a transferred asset), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in the consolidated statement of comprehensive income. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

Write-offs
Loans and advances are written off when the Group has no reasonable expectation of recovering the financial asset; either in its entirety or a portion of it. This is the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. A write-off constitutes a derecognition event. The Group may apply enforcement activities to financial assets written off. Recoveries resulting from enforcement activities will result in impairment gains.

Financial guarantees, letters of credit and undrawn loan commitments
Undrawn loan commitments and letters of credit are commitments under which, over the duration of the commitment, the Bank is required to provide a loan with pre-specified terms to the customer. These contracts are in the scope of the ECL requirements. The nominal contractual value of financial guarantees, letters of credit and undrawn loan commitments, where the loan agreed to be provided is on market terms, are not recorded in the statement of financial position. The nominal values of these instruments together with the corresponding ECLs are disclosed in note 39.

Forward-looking macroeconomic scenarios
ECLs and SICR take into account forecasts of future economic conditions in addition to current conditions. The Group has developed a macroeconomic model which adjusts the ECLs calculated by the credit models to provide probability weighted numbers based on a number of forward-looking macroeconomic scenarios.

Due to the assumptions and estimates within these forward-looking macroeconomic scenarios, refer to note 3 for further details of the Group's approach.

Financial liabilities
A financial liability is a contractual obligation to deliver cash or another financial asset or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Group or a contract that will or may be settled in the Group's own equity instruments, or a derivative contract over own equity that will or may be settled other than by the exchange of a fixed amount of cash (or another financial asset) for a fixed number of the Group's own equity instruments. Gains or losses on financial liabilities are recognised in the consolidated statement of comprehensive income.

Subordinated liabilities
Subordinated notes issued by the Group are assessed as to whether they should be treated as equity or financial liabilities. Where there is a contractual obligation to deliver cash or other financial assets, they are treated as a financial liability and measured at amortised cost using the EIR method after taking account of any discount or premium on the issue and directly attributable costs that are an integral part of the EIR. The amount of any discount or premium is amortised over the period to the expected call date of the instrument.

All subordinated notes issued by the Group are classified as financial liabilities.

Financial liabilities and equity
Debt and equity instruments that are issued are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments
The Group classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments. Where an instrument contains no obligation on the Group to deliver cash or other financial assets, or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Group, or where the instrument will or may be settled in the Group's own equity instruments but includes no obligation to deliver a variable number of the Group's own equity instruments, then it is treated as an equity instrument. Accordingly, the Group's share capital are presented as components of equity and any dividends, interest or other distributions on capital instruments are also recognised in equity. Any related tax is accounted for in accordance with IAS 12.

Financial liabilities - measurement
Financial liabilities are classified as either financial liabilities measured at amortised cost or financial liabilities at FVTPL.

I. Financial liabilities measured at amortised cost

Financial liabilities at amortised cost are recognised initially at fair value net of transaction costs incurred. They are subsequently measured at amortised cost. Any difference between the fair value and the redemption value is recognised in the income statement over the period of the borrowings using the EIR method.

Interest bearing loans and borrowings are measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in "Interest and similar expenses" in the Income Statement.

II. Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss may include financial liabilities held for trading. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term.

During the periods presented the Group has held no financial liabilities for trading, nor designated any financial liabilities upon initial recognition as at fair value through profit or loss.

Derecognition of financial liabilities
The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

Impairment of non-financial assets
The carrying amounts of the Group's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purposes of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets ('the cash-generating unit').

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit ("CGU") exceeds its estimated recoverable amount. Impairment losses are recognised in the income statement. Impairment losses recognised in respect of CGUs are allocated to reduce the carrying amounts of assets in the unit (or group of units) on a pro rata basis.

An impairment loss is reversed if and only if the reasons for the impairment have ceased to apply.

Impairment losses recognised in prior periods are assessed at each reporting date for any indication that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

had been recognised.

2.5 Derivative financial instruments

The Group uses derivative financial instruments (interest rate swaps) to manage its exposure to interest rate risk. In accordance with the Group Treasury Policy, the Group does not hold or issue derivative financial instruments for proprietary trading.

Derivative financial instruments are recognised at their fair value with changes in their fair value taken to profit or loss. Fair values are calculated by discounting cash flows at the prevailing interest rates. All derivatives are classified as assets when their fair value is positive and as liabilities when their fair value is negative. If a derivative is cancelled, it is derecognised from the Consolidated Statement of Financial Position. 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 due to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

2.6 Hedge accounting

Due to the simplistic nature of the Group's hedging activities, the Group has adopted to apply IFRS 9for portfolio assets and liabilities being hedged by applying fair value hedge accounting.

The Group designates certain derivatives held for risk management as hedging instruments in qualifying hedging relationships. On initial designation of the hedge, the Group formally documents the relationship between the hedging instruments and hedged items, including the risk management objective, the strategy in undertaking the hedge and the method that will be used to assess the effectiveness of the hedging relationship.

The Group makes an assessment, both at the inception of the hedge relationship, as well as on an ongoing basis, as to whether the hedging instruments are expected to be highly effective in offsetting the movements in the fair value of the respective hedged items during the period for which the hedge is designated.

The Group considers the following as key sources of hedge ineffectiveness:

- the mismatch in maturity date of the swap and hedged item, as swaps with a given maturity date cover a portfolio of hedged items which may mature throughout the month;
- the actual behaviour of the hedged item differing from expectations, such as early repayments or withdrawals and arrears; and
- minimal movements in the yield curve leading to ineffectiveness where hedge relationships are sensitive to small value changes.

Where there is an effective hedge relationship for fair value hedges, the Group recognises the change in fair value of each hedged item in profit or loss with the cumulative movement in their value being shown separately in the Consolidated Statement of Financial Position as fair value adjustments on hedged assets and liabilities. The fair value changes of both the derivative and the hedge substantially offset each other to reduce profit volatility.

The Group discontinues hedge accounting when the derivative ceases through expiry, when the derivative is cancelled or the underlying hedged item matures, is sold or is repaid.

If a derivative no longer meets the criteria for hedge accounting or is cancelled whilst still effective, the fair value adjustment relating to the hedged assets or liabilities within the hedge relationship prior to the derivative becoming ineffective or being cancelled remains on the Consolidated Statement of Financial Position and is amortised over the remaining life of the hedged assets or liabilities. The rate of amortisation over the remaining life is in line with expected income or cost generated from the hedged assets or liabilities. Each reporting period, the expectation is compared to actual with an accelerated run-off applied where the two diverge by more than set parameters.

Fair value hedge accounting for portfolio hedges of interest rate risk

The Group applies fair value hedge accounting for portfolio hedges of interest rate risk. As part of its risk management process, the Group identifies portfolios whose interest rate risk it wishes to hedge. The portfolios comprise of only liabilities. The Group analyses each portfolio into repricing time periods based on expected repricing dates, by scheduling cash flows into the periods in which they are expected to occur. Using this analysis, the Group designates as the hedged item an amount of the liabilities from each portfolio that it wishes to hedge.

The amount to hedge is determined based on a movement in the present value of the Group's balance sheet under a 200-basis point shift in the yield curve being used to value the instruments to ensure the mismatches in expected repricing buckets are within the limits set by the Board on the sensitivity analysis approach using a hypothetical shift in interest rates.

The Group measures monthly the movements in fair value of the portfolio relating to the interest rate risk that is being hedged. Provided that the hedge has been highly effective, the Group recognises the change in fair value of each hedged item in the income statement with the cumulative movement in their value being shown on the statement of financial position as a separate item, 'Fair value adjustment for portfolio hedged risk', either within assets or liabilities as appropriate.

The Group measures the fair value of each hedging instrument monthly. The value is included in derivatives held for risk management in either assets or liabilities as appropriate, with the change in value recorded in net gains from derivatives and other financial instruments at fair value through profit or loss in the income statement. Any hedge ineffectiveness is recognised in net gains/(losses) from derivatives and other financial instruments at fair value through profit or loss in the income statement as the difference between the change in fair value of the hedged item and the change in fair value of the hedging instrument.

2.7 Current and deferred income tax

Income tax on the result for the period comprises current and deferred income tax. Income tax is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable or receivable on the taxable income for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous periods.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. Deferred tax assets are recognised to the extent it is probable that taxable profits will be available against which the deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Deferred tax liabilities are recognised for all taxable temporary differences.

The Company and its UK subsidiaries are in the same VAT group.

2.8 Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash and non-mandatory deposits held with central banks, mandatory deposits held with central banks in demand accounts and amounts due from banks with an original maturity of less than three months that are available to finance the Group's day-to-day operations.

2.9 Employee benefits - pension costs

A defined contribution plan is a post-employment benefit plan under which the Group pays fixed contributions into a separate entity and will have a legal or constructive obligation to pay further amounts. Contributions to defined contribution schemes are charged to the statement of comprehensive income as they become payable in accordance with the rules of the scheme. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the statement of financial position.

2.10 Share-based payments

The Group has a number of long-term incentive share schemes for all employees, including some Directors, whereby they have been granted equity-settled share-based payments in the Group. The share schemes all have vesting conditions with some schemes for senior management being subject to specific performance conditions. All share schemes are equity settled share-based payments.

The fair value of equity settled share-based payment awards are calculated at grant date and recognised over the period in which the employees become unconditionally entitled to the awards (the vesting period). Fair value is measured by use of the Black-Scholes option pricing model. The variables used in the model are adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The share-based payments are recognised as staff costs in the income statement and expensed on a straight-line basis over the vesting period, based on estimates of the number of shares which may eventually vest. The amount recognised as an expense is adjusted to reflect differences between expected and actual outcomes, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and specific performance conditions at the vesting date. The change in estimations, if any, is recognised in the income statement at the time of the change with a corresponding adjustment in equity through the retained earnings account.

It is assumed where the Company grants awards to employees of the Company and its subsidiaries, the employee offers services to the respective employing entity only. Where the Company satisfies awards granted to an employee of its subsidiary, there is no obligation for the subsidiary to reimburse the Company. Consequently, all share-based payments are considered equity-settled with any awards to an employee of its subsidiary being deemed a capital contribution with a corresponding debit to investment in subsidiaries. As the Company is settling these awards through its own equity instruments, there is a corresponding credit to the retained earnings account. The Company recognises the expense of share-based payments in the respective entity of the employee.

See note 10 for further details on the share schemes.

2.11 Leasing

The Group presently is only a lessee with lease agreements with third-party suppliers. It does not hold any lessor contracts with customers.

IFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer for which these are deemed as right-of-use assets. The lessee is required to recognise a right-of-use asset representing the Group right of use and control over the leased asset. Furthermore, the Group is required to recognise a lease liability representing its obligation to make lease payments over the relevant term of the lease. The Group will recognise both interest expense and depreciation charges, which equate to the finance costs of the leases.

Furthermore, the classification of cash flows will also be affected because operating lease payments under IAS 17 are presented as operating cash flows; whereas under the IFRS 16 model, the lease payments will be split into a principal and an interest portion which will be presented as financing and operating cash flows respectively.

Lease liability
The lease liability is initially measured at the present value of the lease payments that are not paid at that date. The Group assesses on a lease-by-lease payments the contractual terms of the lease and likelihood of the Group enacting on available extension and break clauses within the lease in order to determine the expected applicable term of the lease. Once determined, the Group analyses the expected future payments of the lease over this applicable term, which are discounted. The interest rate used to discount the cashflows is the interest rate implicit to the lease agreement. Where this is not available, the Group has applied their incremental borrowing rate. The incremental borrowing rate is the rate of interest that the Group would have to pay to borrow, over a similar term and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst other variables. The interest expense of the lease liability is calculated under the effective interest rate where the interest expense equates to the lease payments over the remaining term.

Right-of-use asset
The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability.

The cost at initial recognition is calculated as the initial lease liability plus initial direct costs, expected restoration costs and remaining prepayment balances at the commencement date.

The right-of-use asset is subsequently measured at cost, less accumulated depreciation, and any accumulated impairment losses. Any remeasurement of the lease liability results in a corresponding adjustment to the right-of-use asset.

The Company calculates depreciation of the right-of-use asset in accordance with IAS 16 'Property, Plant and Equipment' and is consistent with the depreciation methodology applied to other similar assets. All leases are depreciated on a straight-line basis over the shorter of the lease term and the useful life of the right-of-use asset.

Restoration costs will be estimated at initial application and added to the right-of-use asset and a corresponding provision raised in accordance with IAS 37 'Provisions, contingent liabilities, and contingent assets. Any subsequent change in the measurement of the restoration provision, due to a revised estimation of expected restoration costs, is accounted for as an adjustment of the right-of-use asset.

Short-term leases and leases of low value assets
The Group leases some smaller asset classes, such as computer hardware, which either has a value under £5,000 per annum or has a lease period of 12 months or shorter. For such leases, the Group has elected under IFRS 16 rules to treat these as operating leases and hold off-balance sheet. These leases are charged to the income statement on a straight-line basis over the lease term.

2.12 Provisions for commitments and other liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (discounted at the Company's weighted average cost of capital when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset only if it is virtually certain that reimbursement will be received, and the amount of the receivable can be measured reliably.

2.13 Operating segments

IFRS 8 Operating segments requires particular classes of entities (essentially those with publicly traded securities) to disclose information about their operating segments, products and services, the geographical areas in which they operate, and their major customers. Information is based on the Group's internal management reports, both in the identification of operating segments and measurement of disclosed segment information.

The Group's products and the markets to which they are offered are so similar in nature that they are reported as one class of business. As a result, the chief operating decision maker uses only one segment to control resources and assess the performance of the entity, while deciding the strategic direction of the Group.

2.14 Earnings per share

In accordance with IAS 33, the Group will present on the face of the statement of comprehensive income basic and diluted EPS for:

- Profit or loss from continuing operations attributable to the ordinary equity holders of the Company; and
- Profit or loss attributable to the ordinary equity holders of the Company for the period for each class of ordinary shares that has a different right to share in profit for the period.

Basic EPS is calculated by dividing profit or loss attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the period.

Diluted EPS is calculated by adjusting the earnings and number of shares for the effects of dilutive options and other dilutive potential ordinary shares.

2.15 Merger relief

Merger relief is relief granted under the Companies Act 2006 section 612 which removes the requirement for the Company to recognise the premium on issued shares to acquire another company within the share premium account. Merger relief is recognised where all the following criteria are satisfied:

- The Company secures at least a 90% equity holding of all share classes in another company as part of the arrangement; and

- The Company provides either of the following as consideration for the allotment of shares in the acquired company:

    - Issue or transfer of equity shares in the Company in exchange for equity shares in the acquired company; or

- The cancellation of any such shares in the acquired company that the Company does not already hold.

2.16 Merger accounting

Business combination and merger accounting
IFRS 3 Business Combinations prescribes the accounting treatment for business combinations, however, the change in control and ownership of a company under common control is outside the scope of IFRS 3 Business Combinations. In the absence of appropriate IFRS, the Directors sought other applicable accounting standards, and elected to apply FRS 102 in the form of Merger Accounting which provides accounting guidance for transactions of this nature.

The principles of merger accounting are as follows:

- Assets and liabilities of the acquired entity are stated at predecessor carrying values. Fair value measurement is not required;
- No new goodwill arises in merger accounting; and
- Any difference between the consideration given and the aggregate book value of the assets and liabilities of the acquired entity at the date of transaction is included in equity in retained earnings or in a separate "Merger Reserve" account.

By way of using the merger accounting methodology for preparing these consolidated financial statements, comparative information will be prepared as if the Group had existed and been formed in prior periods. The Directors agree this will enable informative comparatives to users given the underlying activities and management structure of the Group remain largely unchanged following the formation of the Group.

Merger reserve
Where merger accounting has been applied this prescribes that any difference between the consideration given and the aggregate book value of the assets and liabilities of the acquired entity at the date of transaction is included in equity in retained earnings or in a separate reserve account. Therefore, on consolidation of the Group financial statements, the difference between the consideration paid and the book value of the acquired entity is recognised as a Merger Reserve, in accordance with relevant accounting standards relating to businesses under common control.

2.17 Own Shares

Own equity instruments of the Group which are acquired by it or by any of its subsidiaries (treasury shares) are deducted from equity. Consideration paid or received on the purchase, sale, issue, or cancellation of the Group's own equity instruments is recognised directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue, or cancellation of own equity instruments.

Own shares represents shares of the Company that are held by the Employee Benefit Trust.

3. Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial information in accordance with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Judgements

The Group has made the following key judgements in applying the accounting policies:

3.1. Expected credit losses loan impairment

Significant increase in credit risk for classification in stage 2
Counterparties are classified into stage 2 where the risk profile of the borrower profile has significantly increased from inception of the exposure. This increase in credit risk is signified by either increases in internal or external credit ratings, the counterparty becoming over 30 days past due, or forbearance measures being applied.

The Group has aligned its assessment of significant increases in credit risk to its internal threshold criteria for prompting customer pricing reviews for consistency.

Due to the short-term behavioural term of the majority of the current lending portfolio, the Group has not applied a probationary ("cooling off") period to exposures which are no longer triggering the stage 2 threshold criteria so these will move back to stage 1 once the classification criteria is no longer met.

Definition of default
The Group aligns its definition of default to the regulatory definition for default in all periods presented. The Group applies the regulatory guideline of 90+ days in arrears and also uses internal and external information, along with financial and non-financial information, available to the Group to determine whether a default event has either occurred or is perceived to have occurred.

Should a default event occur the Group applies a probationary ("cooling off") period to Stage 3 counterparties before being transferred back to either stage 1 or 2. The probationary period is typically 3 months but is extended up to 12 months for more severe scenarios. During the probationary period the counterparty must no longer meet the criteria for Stage 3 inclusion for the entire applicable period.

Estimates

The Group has made the following estimates in the application of the accounting policies that have a significant risk of material adjustment to the carrying amount of assets and liabilities within the next financial year:

3.2. Expected credit losses loan impairment

Probability of default ("PD")
In the absence of sufficient internal historical default data, the Group uses an external credit rating agency to provide credit ratings and corresponding probability of defaults ("PDs") for the vast majority of the Group's counterparties. These are "Through-the-Cycle" PDs which represents a long-run average probability of default, opposed to Point-in-Time PDs which are shorter term and partially reflect the current economic outlook. Further, the primary data points which impact credit ratings and PDs are derived from past events, therefore, PDs are inherently a lagging indicator of expected default activity over the following 12 month period and longer.

Consequently, the Group utilises external macro-economic forecast data sourced from an external economics research company to adjust PDs from Through-the-Cycle to Point-in-Time, and further consider how default activity may evolve in the future. Following this exercise, as at 31 December 2024 the Group has applied a c.34% scalar increase to its PDs consistent to the c.34% scalar increase as at 31 December 2023.

A 100% deterioration in PDs from average PD of 2.62% to 5.25% (excluding stage 3 exposures, which are already in default), would result in an additional impairment charge of £1,445,000 at 31 December 2024 (31 December 2023: £1,901,000).

Loss given default ("LGD")
The Group reviewed its LGD modelling assumptions as at 31 December 2024 by comparing observed loss given default rates against modelled LGD. The Group analyses historical default events by different sectors, products, and counterparty activity to validate whether its current LGD methodology is reasonable. The Group may apply managerial overlays to its LGD assumptions to accommodate for deviations in expected LGD rates over the following 12 month period and longer from historical observed LGD rates.

Although the Group has observed strong performance in default recoveries within the year ended 31 December 2024, the Group has elected to review its LGD modelling assumptions to reflect an uncertain economic outlook, specifically within industries identified as having higher potential loss rates. Collateral haircuts have been reviewed at industry-level, along with an adjustment of "sold-out-trust" (SOTs) probabilities, which weaken the Group's recovery position due to becoming uncollateralised.

A 10% reduction in the expected discounted cashflows from the collateral held by the Group would result in an additional impairment charge of £1,355,000 at 31 December 2024 (31 December 2023: £967,000).

Forward looking macroeconomic scenarios
The Group considers four economic stress scenarios within its impairment modelling whereby the Group stresses PD and LGD inputs in accordance with expected macro-economic outlooks. This provides an ECL impairment allowance for each scenario which is multiplied by the likelihood of occurrence over the next 12-month period from the balance sheet date to give a probability weighted ECL.

The following forward-looking macroeconomic scenarios, together with their probability weighting and key economic variables, were used in calculating the ECLs used for determining impairment provisions:

Scenario	Probability Weighting (%)	ECL Impairment (£'000)	ECL Coverage[1] (%)
31 December 2024			
Upside	20%	4,618	0.68%
Base	50%	5,621	0.83%
Downside	20%	7,384	1.08%
Severe downside	10%	13,656	2.01%
Weighted Total	**100%**	**6,577**	**0.97%**
31 December 2023			
Upside	20%	13,181	2.22%
Base	50%	13,816	2.33%
Downside	20%	15,243	2.57%
Severe downside	10%	20,036	3.38%
Weighted Total	**100%**	**14,596**	**2.46%**

[1] ECL Coverage is calculated by dividing the ECL impairment by the Exposure at Default (EAD). EAD is typically higher than the gross loan receivable balance.

The following table details the additional impairment allowance charge/(credit) should one of the macroeconomic scenarios be assigned a 100% probability weighting:

Scenario	2024 £'000	2023 £'000
Upside	(1,959)	(1,415)
Base	(956)	(780)
Downside	807	647
Severe downside	7,079	5,441

4. Interest and similar income

	2024 £'000	2023 £'000
At amortised cost (using effective interest rate method):		
On loans and advances to customers	71,619	55,203
On loans and advances to banks	4,930	4,246

On money market fund	28	-
	76,577	**59,449**
<u>At FVOCI:</u>		
On investment securities	243	521
Total interest and similar income	**76,820**	**59,970**

5. Operating segments

It is the Director's view that the Group's products and the markets to which they are offered are so similar in nature that they are reported as one class of business. As a result, it is considered that the chief operating decision maker uses only one segment to control resources and assess the performance of the entity, while deciding the strategic direction of the Group. For this purpose, the chief operating decision maker of the Group is the Board of Directors.

6. Interest and similar expenses

The Group is solely funded by customer deposits and Group reserves. See note 35 and 36 for further detail of the movements in customer deposits and financial liabilities during the year.

	2024 **£'000**	**2023** **£'000**
<u>At amortised cost (using effective interest rate method):</u>		
On customer deposits	29,482	21,799
On subordinated liabilities	1,272	269
	30,754	**22,068**
<u>At FVTPL:</u>		
Net interest expense on financial instruments hedging liabilities	454	268
Total interest and similar expense	**31,208**	**22,336**

7. Fee income

	2024 **£'000**	**2023** **£'000**
Facility-related fees	1,237	1,393
Total fee income	**1,237**	**1,393**

8. Fee expense

	2024 **£'000**	**2023** **£'000**
Enable guarantee charges	988	648
Financial guarantee charges	576	19
Undrawn commitment facility fees	20	8
Non-incremental direct costs	23	44
Broker Fees	19	-
Total fee expense	**1,626**	**719**

9. Staff costs

<u>Analysis of staff costs:</u>

	2024 **£'000**	**2023** **£'000**
Wages and salaries	12,367	10,437
Share-based payments	985	905
Contractor costs	59	22
Social security costs	1,784	1,314
Pension costs arising on defined contribution schemes	849	753
Total staff costs	**16,044**	**13,431**

Contractor costs are recognised within personnel costs where the work performed would otherwise have been performed by employees. Contractor costs arising from the performance of other services is included within other operating expenses.

<u>Average number of persons employed by the Group (including Directors):</u>

	2024 **No.**	**2023** **No.**
Management	13	13
Finance	10	8
Credit & Risk	30	26
Sales & Marketing	36	35
Operations	31	28
Technology	16	16
Total average headcount	**136**	**126**

Total average headcount	**130**	**120**

Directors' emoluments:

	Fees/basic salary	Bonuses	Employer pension contributions	Benefits in kind	2024 total	2023 total
	£'000	£'000	£'000	£'000	£'000	£'000
Executive Directors:						
Carl D'Ammassa	529	477	53	9	1,068	808
Gavin Morris	299	120	30	10	459	427
	828	**597**	**83**	**19**	**1,527**	**1,235**
Non-executive Directors:						
Mark Stephens	150	-	-	-	150	150
Thomas Grathwohl	75	-	-	-	75	75
Nicole Coll	85	-	-	-	85	85
Sheryl Lawrence	95	-	-	-	95	95
Haakon Stenrød[1]	-	-	-	-	-	-
	405	**-**	**-**	**-**	**405**	**405**
Total Director remuneration	**1,233**	**597**	**83**	**19**	**1,932**	**1,640**

[1] Haakon Stenrød holds his position as Non-Executive Director by virtue of major shareholding by Watrium AS exercising their right to appoint a Director under their Relationship Agreement. He is compensated by Watrium AS.

[2] Taxable gain on share awards exercised during the year.

The pension for the year ended 31 December 2024 to Carl D'Ammassa and Gavin Morris of £53,000 (2023: £44,000) and £30,000 (2023: £29,000) respectively is the sum of payments made to these individuals in lieu of Group pension contributions.

Carl D'Ammassa and Gavin Morris have received share options as part of long-term incentive schemes - further details of these share option schemes can be found in note 10.

Carl D'Ammassa is the highest paid Director with total remuneration of £1,068,000 (2023: £808,000) in the year ended 31 December 2024. Carl D'Ammassa has been awarded share options of which none have been exercised yet as at 31 December 2024 (2023: nil). Refer to note 10 for further details of these awards.

10. Share-based payments

The share-based payment expense during the year comprised the following:

	2024 £'000	2023 £'000
Performance Share Plan (PSP)	958	860
Sharesave Scheme (SAYE)	27	45
Total share-based payments expense	**985**	**905**

The Group has the following share options scheme for employees which have been granted and remain outstanding at 31 December 2024:

Plan	No. of options outstanding 31 December 2024	Options outstanding value 31 December 2024 £'000	Grant dates	Vesting dates	Exercise price	Performance conditions attached	Settlement method	Charge for year ended 31 December 2024 £'000
General Award 2020	105,000	39	Jun-20	Jun-23	Nil	No	Equity	(2)
General Award 2021	106,150	65	Jun-21	Jun-24	Nil	No	Equity	15
General Award 2022	304,836	97	May-22	May-25	Nil	No	Equity	36
General Award 2023	285,739	54	Apr-23	Apr-26	Nil	No	Equity	32
General Award 2024	841,881	38	Apr-24	Apr-27	Nil	No	Equity	38
Manager CSOP Award	384,298	31	Aug-20 Aug-20 Aug-20	Jun-21 Jun-22 Jun-23	40.5p	No	Equity	-
Manager PSP Award	301,904	122	Aug-20 Aug-20 Aug-20	Aug-20 Jun-21 Jun-22	Nil	No	Equity	-
CEO Recruitment Award	900,000	338	Jun-20	Jun-23	Nil	Yes	Equity	-
Senior Manager Award 2020	430,720	156	Jun-20	Jun-23	Nil	Yes	Equity	-
Senior Manager	113,394	68	Jun-21 Jun-21	Sep-22 Jun-24	Nil	No	Equity	7

Senior Manager Award 2021	113,394	68	Jun-21 Nov-21	Jun-24 Nov-24	Nil	No	Equity	7
Senior Manager Award 2022	1,314,170	406	May-22 Sep-22	May-25 Sep-25	Nil	Yes	Equity	151
Senior Manager Award 2023	4,689,317	921	Apr-23 Aug-23 Oct-23	Apr-26 Aug-26 Aug-26	Nil	Yes	Equity	493
Senior Manager Award 2024	2,250,000	104	Jan-24 Apr-24 Jul-24 Nov-24	Jan-27 Apr-27 Jul-27 Nov-27	Nil	No	Equity	105
Leader & High Performer Award 2022	179,133	57	May-22 Feb-23	May-25 May-25	Nil	No	Equity	21
Leader & High Performer Award 2023	524,644	103	Apr-23	Apr-26	Nil	No	Equity	61
Sharesave Scheme	2,312,987	83	Nov-21 Jun-22 May-23 May-24	Jan-25 Aug-25 Aug-26 May-27	46.3p 30p 30.72p 18p	No	Equity	28
TOTAL	**15,044,173**	**2,682**						**985**

All awards are equity-settled, and the shares awarded for all schemes are Distribution Finance Capital Holdings plc ordinary shares of £0.01 each of the current share capital of the Company which are listed on the Alternative Investment Market (AIM). The awards were granted to employees and Directors within the Group with the majority of the employees being employed by DF Capital Bank Limited.

During the year ended 31 December 2024, the movements in share options granted, forfeited, and exercised were as follows:

Plan	Options outstanding at start of year No.	Options granted during the year No.	Options forfeited during the year No.	Options exercised during the year No.	Options outstanding at end of the year No.	Options exercisable at end of the year No.
Year ended 31 December 2024						
General Award 2020	143,350	-	(4,233)	(34,117)	105,000	105,000
General Award 2021	134,130	-	2,329	(30,309)	106,150	106,150
General Award 2022	337,422	-	(32,586)	-	304,836	-
General Award 2023	325,739	-	(40,000)	-	285,739	-
General Award 2024	-	920,000	(78,119)	-	841,881	-
Manager CSOP Award	384,298	-	-	-	384,298	384,298
Manager PSP Award	821,668	-	-	(519,764)	301,904	301,904
CEO Recruitment Award	900,000	-	-	-	900,000	900,000
Senior Manager Award 2020	581,080	-	-	(150,360)	430,720	430,720
Senior Manager Award 2021	113,394	-	-	-	113,394	113,394
Senior Manager Award 2022	1,314,170	-	-	-	1,314,170	-
Senior Manager Award 2023	5,592,609	-	(903,292)	-	4,689,317	-
Senior Manager Award 2024	-	2,350,000	(100,000)	-	2,250,000	-
Leader & High Performer Award 2022	200,876	-	(21,743)	-	179,133	-
Leader & High Performer Award 2023	586,820	-	(62,176)	-	524,644	-
Sharesave Scheme	1,418,952	1,977,620	(1,083,585)	-	2,312,987	-
Total	**12,854,508**	**5,247,620**	**(2,323,405)**	**(734,550)**	**15,044,173**	**2,341,466**
Year ended 31 December 2023						
General Award 2020	222,500	-	(26,151)	(52,999)	143,350	143,350
General Award 2021	160,248	-	(26,118)	-	134,130	-
General Award 2022	385,511	-	(48,089)	-	337,422	-
General Award 2023	-	365,000	(39,261)	-	325,739	-
Manager CSOP Award	384,298	-	-	-	384,298	384,298
Manager PSP Award	853,334	-	-	(31,666)	821,668	821,668
CEO Recruitment Award	900,000	-	-	-	900,000	900,000
Senior Manager Award 2020	885,000	-	(173,200)	(130,720)	581,080	581,080
Senior Manager Award 2021	144,370	-	(11,291)	(19,685)	113,394	19,685
Senior Manager Award 2022	1,765,000	-	(450,830)	-	1,314,170	-
Senior Manager Award 2023	-	5,673,292	(80,683)	-	5,592,609	-

Leader & High Performer Award 2022	201,022	5,000	(5,146)	-	200,876	-
Leader & High Performer Award 2023	-	615,000	(28,180)	-	586,820	-
Sharesave Scheme	1,068,212	717,166	(366,426)	-	1,418,952	-
Total	**6,969,495**	**7,375,458**	**(1,255,375)**	**(235,070)**	**12,854,508**	**2,850,081**

The fair value at grant date is calculated by taking into consideration any restrictive vesting criteria, including any market and/or non-market performance conditions. The below table summarises the share schemes including the weighted average remaining contractual years and the weighted average fair value at grant date:

	2024			**2023**		
Plan	**Options outstanding at end of the year (No.)**	**Weighted average remaining contractual life (years)**	**Weighted average fair value at grant date (pence)**	**Options outstanding at end of the year (No.)**	**Weighted average remaining contractual life (years)**	**Weighted average fair value at grant date (pence)**
General Award 2020	105,000	-	37.50	143,350	-	37.50
General Award 2021	106,150	-	61.00	134,130	0.4	61.00
General Award 2022	304,836	0.4	37.00	337,422	1.4	37.00
General Award 2023	285,739	1.3	38.50	325,739	2.3	38.50
General Award 2024	841,881	2.3	23.50	-	-	-
Manager CSOP Award	384,298	-	8.00	384,298	-	8.00
Manager PSP Award	301,904	-	40.50	821,668	-	40.50
CEO Recruitment Award	900,000	-	37.50	900,000	-	37.50
Senior Manager Award 2020	430,720	-	37.50	581,080	-	37.50
Senior Manager Award 2021	113,394	-	60.27	113,394	0.5	60.27
Senior Manager Award 2022	1,314,170	0.4	34.85	1,314,170	1.4	34.85
Senior Manager Award 2023	4,689,317	1.4	36.75	5,592,609	2.4	36.75
Senior Manager Award 2024	2,250,000	2.6	31.71	-	-	-
Leader & High Performer Award 2022	179,133	0.4	37.03	200,876	1.4	37.03
Leader & High Performer Award 2023	524,644	1.3	38.50	586,820	2.3	38.50
Sharesave Scheme	2,312,987	2.1	13.96	1,418,952	2.0	13.98
	15,044,173			**12,854,508**		

Where a share award scheme has an exercise price that is equal to £nil, valuation models such as the Black Scholes valuation model cannot be used to determine the fair value of the award at the grant date, therefore, it is assumed the market price of the share is assumed to be the fair value. For schemes which have an exercise price greater than £nil, the Group has used the following variables for the respective schemes:

	Manager CSOP Award	**Sharesave Scheme**	**Sharesave Scheme**	**Sharesave Scheme**	**Sharesave Scheme**
Grant date	Aug-20	Nov-21	Jun-22	May-23	May-24
Contractual life (years)	3	3	3	3	3
Share price at issue (pence)	40.50	57.50	37.50	38.40	29.00
Exercise price (pence)	40.50	46.30	30.00	30.72	18.00
Expected volatility (%)	30.00%	30.00%	30.00%	30.00%	30.00%
Risk-free rate (%)	0.20%	0.55%	2.08%	3.91%	4.30%
Dividend yield (%)	0.00%	0.00%	0.00%	0.00%	0.00%

The terms of the individual schemes are as follows:

<u>General Award</u>
In the year ended 31 December 2024, nil cost options over ordinary shares of £0.01 each of the current share capital of the Company were granted to all employees (excluding Directors). These options vest over a 3-year period and are not subject to specific performance conditions.

<u>Manager PSP and CSOP Award</u>

As part of a Group reorganisation of its existing share capital and employee loan agreements in the year ended 31 December 2020, managers and former managers were awarded share options so that they were not disadvantaged by this exercise. PSP scheme nil cost options and Company Share Option Scheme shares ("CSOP") were issued over ordinary shares of £0.01 each of the share capital of the Company. The CSOP Options have an exercise price per share of 40.5p equal to the market value of Ordinary Shares as at the time of grant and the PSP Options are nil cost options. The PSP and CSOP Options became exercisable on the same timeline, and in the same proportions, that the corresponding original Ordinary Shares would have become freely transferable on the terms on which they were held. The Options are not subject to the satisfaction of performance conditions.

The fair value of the CSOP was measured at the grant date using the Black-Scholes model, see table above for further

The fair value of the CSOP was measured at the grant date using the Black-Scholes model- see table above for further details of the inputs into this valuation model.

No further awards under this scheme were granted in the years ended 31 December 2024 and 31 December 2023.

Senior Manager Award

Nil cost options over ordinary shares of £0.01 each of the current share capital of the Company were granted to certain senior managers. All of these share awards have been granted in line with our PSP rules and have performance conditions aligned to financial performance, risk management and cultural objectives.

In the year ended 31 December 2024, Senior Managers were granted additional awards based on either promotion, recruitment incentives, or performance. No performance conditions are included for all of the 2,350,000 awards granted in the year ended 31 December 2024, and all awards vest over a 3-year period subject to service conditions being met.

Sharesave Scheme

The Group has operated a 'Save As You Earn' scheme ('SAYE' or 'Sharesave Scheme') for several years which is available to all UK-based employees. This is a HMRC-approved share scheme, whereby the scheme allows employees to purchase options by saving a fixed amount of between £10 and £500 per month over a period of three years at the end of which the options, subject to leaver provisions, are usually exercisable. If not exercised, the amount saved is returned to the employee. During the year ended 31 December 2024, the Group has offered a scheme with a grant date of May 2024 and a vesting date of July 2027. The option price is calculated using the closing bid-market price of a Distribution Finance Capital Holdings plc ordinary share over the five dealing days prior to the Invitation Date and applying a discount of 20%.

The fair value at grant date for the schemes is calculated by using the Black-Scholes Model - see table above for further details of the inputs into this valuation model.

Director share awards:

The below table summarises share options which have been awarded to Directors as part of long-term incentive schemes:

Plan	Options outstanding at start of year No.	Options granted during the year No.	Options forfeited during the year No.	Options exercised during the year No.	Options outstanding at end of the year No.	Options exercisable at end of the year No.
Year ended 31 December 2024						
Carl D'Ammassa:						
General Award 2020	5,000	-	-	-	5,000	5,000
CEO Recruitment Award	900,000	-	-	-	900,000	900,000
Senior Manager Award 2022	400,000	-	-	-	400,000	-
Senior Manager Award 2023	1,168,000	-	-	-	1,168,000	-
Senior Manager Award 2024	-	1,000,000	-	-	1,000,000	-
Sharesave Scheme	60,000	-	(60,000)	-	-	-
	2,533,000	**1,000,000**	**(60,000)**	**-**	**3,473,000**	**905,000**
Gavin Morris:						
General Award 2020	5,000	-	-	-	5,000	5,000
Manager CSOP Award	74,074	-	-	-	74,074	74,074
Manager PSP Award	19,733	-	-	-	19,733	19,733
Senior Manager Award 2020	130,720	-	-	-	130,720	130,720
Senior Manager Award 2022	200,000	-	-	-	200,000	-
Senior Manager Award 2023	753,000	-	-	-	753,000	-
Senior Manager Award 2024	-	200,000	-	-	200,000	-
Sharesave Scheme	60,000	-	-	-	60,000	-
	1,242,527	**200,000**	**-**	**-**	**1,442,527**	**229,527**
Total Director Awards	**3,775,527**	**1,200,000**	**(60,000)**	**-**	**4,915,527**	**1,134,527**
Year ended 31 December 2023						
Carl D'Ammassa:						
General Award 2020	5,000	-	-	-	5,000	5,000
CEO Recruitment Award	900,000	-	-	-	900,000	900,000
Senior Manager Award 2022	400,000	-	-	-	400,000	-
Senior Manager Award 2023	-	1,168,000	-	-	1,168,000	-
Sharesave Scheme	60,000	-	-	-	60,000	-
	1,365,000	**1,168,000**	**-**	**-**	**2,533,000**	**905,000**
Gavin Morris						
General Award 2020	5,000	-	-	-	5,000	5,000
Manager CSOP Award	74,074	-	-	-	74,074	74,074
Manager PSP Award	19,733	-	-	-	19,733	19,733
Senior Manager Award 2020	200,000	-	(69,280)	-	130,720	130,720
Senior Manager Award 2022	200,000	-	-	-	200,000	-
Senior Manager Award 2023	-	753,000	-	-	753,000	-
Sharesave Scheme	60,000	-	-	-	60,000	-
	558,807	**753,000**	**(69,280)**	**-**	**1,242,527**	**229,527**
Total Director Awards	**1,923,807**	**1,921,000**	**(69,280)**	**-**	**3,775,527**	**1,134,527**

See above section within this note for further details of the schemes, including the fair value (market price) at grant date. No performance conditions are attached to the Senior Manager Award 2024 for both Carl D'Ammassa and Gavin Morris. All awards are subject to service conditions being met over the vesting period.

11. Other operating expenses

	Note	2024 £'000	2023 £'000
Finance costs	12	103	76
Depreciation	17,18	641	498
Amortisation of intangible assets	19	285	376
Loss on disposal of fixed assets	17	5	-
Loss on disposal of intangible assets	19	6	-
Professional services expenses		2,998	2,189
Audit and accountancy fees	15	480	418
IT-related expenses		3,502	2,506
Other operating expenses		2,546	2,349
Foreign currency loss		104	-
Total other operating expenses		**10,670**	**8,412**

12. Finance costs

	2024 £'000	2023 £'000
Interest on lease liabilities	103	76
Total finance costs	**103**	**76**

13. Provisions

Analysis for movements in provisions:

	Leasehold dilapidations £'000	Other provisions £'000	Total £'000
Year ended 31 December 2024			
At start of period	67	-	**67**
Additions	-	50	**50**
Utilisation of provision	-	-	**-**
Unused amounts reversed	-	-	**-**
Unwinding of discount	6	-	**6**
Lease modification	162	-	**162**
At end of year	**235**	**50**	**285**
Year ended 31 December 2023			
At start of period	77	-	**77**
Additions	25	-	**25**
Utilisation of provision	-	-	**-**
Unused amounts reversed	(10)	-	**(10)**
Unwinding of discount	5	-	**5**
Lease modification	(30)	-	**(30)**
At end of year	**67**	**-**	**67**

As detailed in note 18, the Group currently leases office premises at its Manchester headquarters. During the year, the Group agreed to enact the contractual break clause which will terminate the lease in August 2025. This resulted in a lease modification which increased the estimated total restoration costs. These amounts have been discounted to present value by using an applicable discount factor.

14. Net impairment (gain)/loss on financial assets

	2024 £'000	2023 £'000
Movement in impairment allowance in the year	(8,062)	11,034
Write-offs	7,821	564
Total net impairment (gains)/losses on financial assets	**(241)**	**11,598**

During the year ended 31 December 2024, the Group released the entire expected credit loss provision in respect of

RoyaleLife. As at 31 December 2023 this balance was c.£9.8m. The related write off was c.£4.9m following a recovery of c. £4.7m. See notes 20 and 24 for further analysis of the movement in impairment allowances on loans and advances to customers and trade receivables respectively.

Analysis of write-offs:

	Note	2024 £'000	2023 £'000
Realised losses on loan receivables	20	7,286	355
Realised losses on trade receivables	24	223	8
Realised losses on other receivables		-	-
Recovery transaction costs		351	251
Bad debt VAT relief		(39)	(50)
Total write-offs		**7,821**	**564**

15. Profit before taxation

Profit before taxation is stated after charging:

	2024 £'000	2023 £'000
Depreciation of property, plant and equipment	444	318
Depreciation of right-of-use assets	197	180
Amortisation of intangible assets	285	376
Loss on disposal of property, plant and equipment	(5)	-
Loss on disposal of intangible assets	(6)	-
Allowance for credit impaired assets	(8,062)	11,034
Staff costs	16,044	13,431
Auditor's remuneration	480	418
	9,377	**25,757**

Analysis of auditor's remuneration:

	2024 £'000	2023 £'000
Audit services:		
Fees payable to the Company's auditor for the audit of the Company's annual accounts	85	72
Fees payable to the Company's auditor for the audit of its subsidiaries	255	215
Fees paid to the Company's auditors relating to prior periods	40	39
Total audit services fees	**380**	**326**
Assurance services:		
Interim review	78	69
Net profit verification	22	23
Total assurance services fees	**100**	**92**
Total auditor's remuneration	**480**	**418**

16. Taxation

Analysis of tax charge recognised in the period:

	2024 £'000	2023 £'000
Current taxation charge:		
UK corporation tax on profit for the current period	1,925	73
Adjustments in respect of prior years	(3)	-
Total taxation charge	**1,922**	**73**
Deferred taxation charge:		
Current period	3,135	1,345
Adjustments in respect of prior years	(4)	-
Total deferred taxation charge	**3,131**	**1,345**
Total taxation charge	**5,053**	**1,418**

Reconciliation of profit before taxation to total tax charge recognised:

	2024 £'000	2023 £'000
Profit on ordinary activities before taxation	19,074	4,573

Taxation on Profit on ordinary activities at standard corporation tax rate of 25% (2023: 23.5%)	4,769	1,076
Effects of:		
Fixed asset differences	14	3
Disallowable expenses	322	275
Other permanent differences	(45)	(18)
Other short-term timing differences for which no deferred tax asset has been recognised	-	-
Current year losses for which no deferred tax asset has been recognised	-	3
Adjustments in respect of prior years	(3)	-
Remeasurement of deferred tax for changes in tax rates	(4)	79
Total tax charge	**5,053**	**1,418**

Current tax on profits reflects UK corporation tax levied at a rate of 25% for the year ended 31 December 2024 (31 December 2023: 23.5%). The Company is not subject to the banking surcharge levied at a rate of 3% (31 December 2023: 3%) on the profits of banking companies chargeable to corporation tax after an allowance of £100 million (31 December 2023: £100m) per annum.

Expenses that are not deductible in determining taxable profits/losses include impairment losses, amortisation of intangible assets, depreciation of fixed assets, client and staff entertainment costs, and professional fees which are capital in nature.

A deferred tax asset is only recognised to the extent the Group finds it probable that the prior taxable losses can be utilised against future taxable profits. As at 31 December 2024, the Group has an estimated unrecognised deferred tax asset of £nil (31 December 2023: £0.7m) from prior taxable losses.

In the year ended 31 December 2024, the Group has recognised a deferred tax asset in respect of future taxable profits. Further detail on the deferred taxation asset is provided in note 27.

17. Property, plant and equipment

	Leasehold Improvements £'000	Furniture, Fixtures & Fittings £'000	Computer Hardware £'000	Telephony & Communications £'000	Motor Vehicles £'000	Total £'000
Cost:						
As at 1 January 2023	**10**	**24**	**159**	**-**	**954**	**1,147**
Additions	13	129	121	-	155	418
Disposals and write offs	-	(1)	(16)	-	-	(17)
As at 31 December 2023	**23**	**152**	**264**	**-**	**1,109**	**1,548**
Additions	166	13	111	4	103	397
Disposals and write offs	-	-	(8)	-	-	(8)
As at 31 December 2024	**189**	**165**	**367**	**4**	**1,212**	**1,937**
Accumulated depreciation:						
As at 1 January 2023	**5**	**12**	**69**	**-**	**16**	**102**
Charge for the year	4	32	65	-	217	318
Disposals and write offs	-	(1)	(16)	-	-	(17)
As at 31 December 2023	**9**	**43**	**118**	**-**	**233**	**403**
Charge for the year	47	55	105	2	235	444
Disposals and write offs	-	-	(3)	-	-	(3)
As at 31 December 2024	**56**	**98**	**220**	**2**	**468**	**844**
Carrying amount:						
At 31 December 2023	14	109	146	-	876	1,145
At 31 December 2024	**133**	**67**	**147**	**2**	**744**	**1,093**

In the year ended 31 December 2024, the Group wrote off fully depreciated assets of £nil (2023: £17,000).

18. Right-of-use assets

	Buildings £'000
Cost:	
As at 1 January 2023	**1,153**
Additions	407
Disposals and write offs	-
Lease modifications	567
As at 31 December 2023	**2,127**
Additions	8
Disposals and write offs	-
Lease modifications	(836)
As at 31 December 2024	**1,299**

Accumulated depreciation:	
As at 1 January 2023	**720**
Charge for the year	180
Disposals and write offs	-
As at 31 December 2023	**900**
Charge for the year	197
Disposals and write offs	-
As at 31 December 2024	**1,097**

Carrying amount:	
At 31 December 2023	1,227
At 31 December 2024	**202**

During the year, the Group agreed to enact the contractual break clause which will terminate the lease in August 2025. This resulted in a lease modification which reduced the right-of-use asset by £836,000, predominantly due to a significant reduction in future lease payments.

The maturity analysis of lease liabilities is presented in note 34.

Amounts recognised in the income statement:

	2024 £'000	2023 £'000
Depreciation expense on right-of-use assets	197	180
Interest expense on lease liabilities	103	76
Expense relating to short-term leases	-	3
Expense relating to leases of low value assets	13	9
Expenses relating to variable lease payments not included in measurement of lease liability	126	112
Total amounts recognised in the income statement	**439**	**380**

Some of the property leases in which the Group is the lessee contain variable lease payment terms relating to service charges and insurance costs which are included within the contractual terms of the lease agreement. The breakdown of the lease payments for these property leases are as follows:

	2024 £'000	2023 £'000
Buildings:		
Fixed payments	109	227
Variable payments	126	118
Total lease payments	**235**	**345**

19. Intangible assets

	Computer software £'000
Cost	
At 1 January 2023	**1,941**
Additions from internal development	117
Additions from separate acquisitions	-
Disposals and write offs	(538)
At 31 December 2023	**1,520**
Additions from internal development	623
Additions from separate acquisitions	-
Disposals and write offs	(53)
As at 31 December 2024	**2,090**

Accumulated amortisation	
At 1 January 2023	**1,064**
Charge for the year	376
Disposals and write offs	(538)
At 31 December 2023	**902**
Charge for the year	285
Disposals and write offs	(47)
As at 31 December 2024	**1,140**

Carrying amount	
At 31 December 2023	618
At 31 December 2024	**950**

In the year ended 31 December 2024, the Group capitalised £623,000 (2023: £117,000) of consultancy costs in relation to the development of software platforms to provide an asset finance capability, improving the commercial lending processes, enhancing the customer journey for commercial clients and development of the customer deposits platform. The amortisation period for these software costs is within a range of 3-5 years following an individual assessment of the asset's expected life. The Group performed an impairment review at 31 December 2024 and concluded an impairment of £nil (2023: £nil).

In the year ended 31 December 2024, the Group wrote off fully depreciated intangible assets of £nil (2023: £538,000).

20. Loans and advances to customers

	2024 £'000	2023 £'000
Loan book principal	665,709	580,525
Accrued interest and fees	4,067	3,602
Gross carrying amount	**669,776**	**584,127**
less: impairment allowance	(6,577)	(14,596)
less: effective interest rate adjustment	(2,427)	(1,487)
Total loans and advances to customers	**660,772**	**568,044**

During the year ended 31 December 2024, the Group released the entire expected credit loss provision in respect of RoyaleLife. As at 31 December 2023 this balance was c.£9.8m.
Refer to note 39 for details on the expected maturity analysis of the gross loans receivable balance.

Refer to note 14 and 39 for further details on the impairment losses recognised in the periods.

Ageing analysis of gross loan receivables:

	2024 £'000	2023 £'000
Not in default:		
Not yet past due	661,391	566,503
Past due: 1 - 30 days	435	467
Past due: 31 - 60 days	168	35
Past due: 61 - 90 days	5	-
Past due: 90+ days	-	-
	661,999	**567,005**
Defaulted:		
Not yet past due and past due 1 - 90 days	6,143	5,020
Past due 90+ days	1,634	12,102
	7,777	**17,122**
Total gross carrying amount	**669,776**	**584,127**

Analysis of gross loans and advances to customers:

	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
As at 1 January 2024	**545,952**	**21,052**	**17,123**	**584,127**
Transfer to Stage 1	38,281	(38,204)	(77)	-
Transfer to Stage 2	(82,317)	82,416	(99)	-
Transfer to Stage 3	(10,714)	(7,327)	18,041	-
Net lending/(repayment)	152,311	(39,433)	(19,943)	92,935
Write-offs	-	(20)	(7,266)	(7,286)
Total movement in gross loan receivables	**97,561**	**(2,568)**	**(9,344)**	**85,649**
As at 31 December 2024	**643,513**	**18,484**	**7,779**	**669,776**
Loss allowance coverage at 31 December 2024	0.57%	0.90%	34.95%	0.98%

	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
As at 1 January 2023	**410,756**	**13,323**	**17,205**	**441,284**
Transfer to Stage 1	42,913	(42,913)	-	-
Transfer to Stage 2	(88,983)	89,328	(345)	-
Transfer to Stage 3	(2,617)	(3,728)	6,345	-
Net lending/(repayment)	183,883	(34,958)	(5,727)	143,198

Write-offs	-	-	(355)	(355)
Total movement in gross loan receivables	**135,196**	**7,729**	**(82)**	**142,843**
As at 31 December 2023	**545,952**	**21,052**	**17,123**	**584,127**
Loss allowance coverage at 31 December 2023	0.46%	0.76%	69.58%	2.50%

Analysis of impairment losses on loans and advances to customers:

	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
As at 1 January 2024	**2,522**	**160**	**11,914**	**14,596**
Transfer to Stage 1	277	(275)	(2)	-
Transfer to Stage 2	(425)	479	(54)	-
Transfer to Stage 3	(69)	(173)	242	-
Remeasurement of impairment allowance	(1,274)	560	3,191	2,477
Net lending/(repayment)	2,661	(582)	(3,837)	(1,758)
Write-offs	-	(3)	(8,735)	(8,738)
Total movement in loss allowance	**1,170**	**6**	**(9,195)**	**(8,019)**
As at 31 December 2024	**3,692**	**166**	**2,719**	**6,577**

	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
As at 1 January 2023	**1,943**	**84**	**1,693**	**3,720**
Transfer to Stage 1	365	(365)	-	-
Transfer to Stage 2	(464)	606	(142)	-
Transfer to Stage 3	(16)	(174)	190	-
Remeasurement of impairment allowance	(1,668)	266	10,870	9,468
Net lending/(repayment)	2,362	(257)	(342)	1,763
Write-offs	-	-	(355)	(355)
Total movement in loss allowance	**579**	**76**	**10,221**	**10,876**
As at 31 December 2023	**2,522**	**160**	**11,914**	**14,596**

21. Investment Securities

	2024 £'000	2023 £'000
Investments not measured at fair value:		
Money market fund	769	-
Investment securities measured at FVOCI		
UK government gilts	-	14,839
	769	**14,839**
Analysis of movements during the period:		
At 1 January 2024	**14,839**	**22,964**
Purchased investment securities	10,659	14,554
Proceeds from sold or maturing securities	(25,000)	(23,000)
Coupons received	(75)	(383)
Interest income	271	521
Unrealised gains	-	183
Amounts transferred to the income statement	75	-
At 31 December 2024	**769**	**14,839**
Maturity profile of investment securities:		
Within 12 months	769	14,839
Over 12 months	-	-

In May 2024 the Group entered into a cross-currency swap to support lending denominated in non-GBP currencies. Surplus funds from the swap were invested into a low volatility money market fund to earn a return whilst retaining same day liquidity. The fund invests in a range of cash holding and short dated securities which are held to maturity. This materially removes exposure to market movements, meaning the fund consistently trades at par value

The fund is a type of investment security which required presentation under a new financial statement caption. In addition to this fund, the Group also held investment securities in the form of UK government gilts which matured during the year that represent a sub-category of investment securities.

In the year ended 31 December 2024, the Group purchased treasury bills which matured before year end. The impact of the purchase and maturity has been reflected within the analysis of movements during the period table above.

In accordance with IFRS 9, all investment securities were assessed for impairment and treated as Stage 1 assets in both reporting periods.

22. Derivatives

The table below reconciles the gross amount of derivative contracts to the carrying balance shown in the consolidated statement of financial position:

	Gross amount of recognised financial assets/(liabilities)	Net amount of financial assets/(liabilities) presented in the Statement of Financial Position	Cash collateral paid/(received) not offset in the Statement of Financial Position	Net amount
	£'000	£'000	£'000	£'000
31 December 2024				
Derivative assets:				
Interest rate risk hedging	154	154	180	334
Foreign currency risk hedging	141	141	-	141
Derivative liabilities:				
Interest rate risk hedging	(6)	(6)	-	(6)
31 December 2023				
Derivative assets:				
Interest rate risk hedging	537	537	(372)	165
Foreign currency risk hedging	-	-	-	-
Derivative liabilities:				
Interest rate risk hedging	(565)	(565)	222	(343)

All interest rate derivative instruments which have been entered into are transacted against SONIA. All foreign currency risk derivative instruments which have been entered into are transacted against the Euro.

Margin call collateral is either paid or received with the swap counterparties on all active swap contracts - this has been included in the above table. As at 31 December 2024, the Group has a variation margin payable of £180,000 (2023: £150,000 receivable) with swap counterparties. Further, the Group holds £2,000,000 (2023: £2,000,000) of independent collateral with banks for the swap facility, which is not included within the above table. See note 28 for the balance of cash collateral held with banks.

The table below profiles the maturity of nominal amounts for interest rate risk hedging derivatives based on contractual maturity:

	Total nominal amount	Less than 3 months	3 - 12 months	1 - 5 years	More than 5 years
	£'000	£'000	£'000	£'000	£'000
31 December 2024					
Derivative assets					
Interest rate risk hedging	10,000	-	-	10,000	-
Foreign currency risk hedging	4,283	-	4,283	-	-
Derivative liabilities					
Interest rate risk hedging	5,000	-	5,000	-	-
	19,283	**-**	**9,283**	**10,000**	**-**
31 December 2023					
Derivative assets					
Interest rate risk hedging	45,000	-	30,000	15,000	-
Foreign currency risk hedging	-	-	-	-	-
Derivative liabilities					
Interest rate risk hedging	100,000	45,000	55,000	-	-
	145,000	**45,000**	**85,000**	**15,000**	**-**

The Group has 3 (2023: 10) interest rate swap contracts with an average fixed rate of 4.50% (2023: 4.65%).
The Group has 1 FX swap and 1 cross currency swap contract which make up the foreign currency risk hedging balance.

23. Hedge Accounting

	2024	2023
	£'000	£'000

	£'000	£'000
Hedged liabilities:		
Current hedge relationships	167	407
Swap inception adjustment	(31)	17
Fair value adjustments on hedged liabilities	**136**	**424**

As at the year ended 31 December 2024, the Group only hedges liabilities in the form of its customer deposits and subordinated liabilities. The Group does not hedge its loans and advances to customers given these assets are expected to reprice within a short time frame.

Refer to note 39 for further details on the Group's interest rate risk management.

The swap inception adjustment relates to hedge accounting adjustments arising when hedge accounting commences, primarily on derivative instruments previously taken out against new hedged liabilities.

At present, the Group expects its hedging relationships to be highly effective as the Group hedges only fixed term deposit accounts and subordinated liabilities for which the fair value movements between the hedged item and hedging instrument are expected to be highly correlated. Further, the Group does not anticipate having to rebalance the relationship once entered into due to the contractual terms of these financial liabilities. In the year ended 31 December 2024, there has been no cancelled or de-designated hedge relationships due to failed hedge accounting relationships.

The tables below analyse the Group's portfolio hedge accounting for fixed rate amounts owed to retail depositors:

	2024		**2023**	
	Hedged item £'000	**Hedging instrument £'000**	**Hedged item £'000**	**Hedging instrument £'000**
Customer deposits:				
Carrying amount of hedged item/nominal value of hedging instrument	15,167	15,000	150,639	145,000
Cumulative fair value adjustments of hedged item/fair value of hedging instrument	(136)	148	(424)	(28)
Changes in the fair value adjustment of hedged item/hedging instrument used for recognising the hedge ineffectiveness for the period	(251)	(56)	(542)	133

In the Consolidated Statement of Financial Position, £295,000 (2023: £537,000) of hedging instruments were recognised within derivative assets; and £6,000 (2023: £565,000) within derivative liabilities.

24. Trade and other receivables

	2024 £'000	**2023 £'000**
Trade receivables	3,316	3,965
Impairment allowance	(216)	(259)
	3,100	**3,706**
Other debtors	528	452
Accrued income	-	-
Prepayments	1,050	1,177
	1,578	**1,629**
Total trade and other receivables	**4,678**	**5,335**

All trade receivables are due within one year, refer to note 39 for the expected maturity profile.

The trade receivable balances are assessed for expected credit losses (ECL) under the 'simplified approach', which requires the Group to assess all balances for lifetime ECLs and is not required to assess significant increases in credit risk.

Ageing analysis of trade receivables:

	2024 £'000	**2023 £'000**
Not in default:		
Not yet past due	3,125	3,513
Past due: 1 - 30 days	45	21
Past due: 31 - 60 days	5	176
Past due: 61 - 90 days	8	12
Past due: 90+ days	-	1
	3,183	**3,723**
Defaulted:		
Not yet past due and past due 1 - 90 days	94	65
Past due 90+ days	39	177
	133	**242**

Total trade receivables	**3,316**	**3,965**

Analysis of movement of impairment losses on trade receivables:

	2024 £'000	2023 £'000
At 1 January	**259**	**101**
Amounts written off	(223)	(8)
Amounts recovered	-	-
Change in loss allowance due to new trade and other receivables originated net of those derecognised due to settlement	180	166
At 31 December	**216**	**259**

25. Current taxation asset

	2024 £'000	2023 £'000
At 1 January	**55**	**55**
Repayments	(55)	-
At 31 December	**-**	**55**

26. Current taxation liability

	2024 £'000	2023 £'000
At 1 January	**(73)**	**-**
Charge to profit and loss account	(1,925)	(73)
Payments	736	-
Adjustments in respect of prior years	3	
At 31 December	**(1,259)**	**(73)**

Refer to note 27 for further details of the deferred taxation asset.

27. Deferred taxation asset

Deferred tax assets and liabilities are recognised on temporary differences between the carrying amounts of assets and liabilities in the balance sheet and the amounts attributed to such assets and liabilities for tax purposes. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent it is probable that future taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is determined using tax rates and legislation in force at the balance sheet date and is expected to apply when the deferred tax asset is realised, or the deferred tax liability is settled.

The table below shows the movement in net deferred tax assets:

	2024 £'000	2023 £'000
At 1 January	**7,111**	**8,457**
Charge to profit and loss account	(3,135)	(1,346)
Adjustments in respect of prior years	4	-
At 31 December	**3,980**	**7,111**

See below for an analysis of the deferred taxation asset balance:

	2024 £'000	2023 £'000
Losses	4,232	7,402
Short term timing differences	8	8
Fixed assets	(260)	(299)
Deferred taxation asset	**3,980**	**7,111**

The Group has recognised a deferred tax asset in relation to tax losses carried forward of £17m, short term timing difference of £30,000, and a deferred tax liability in relation to tangible fixed assets differences of £1m.

The Group has an unrecognised deferred tax asset value of £0.7m (2023: £0.7m).

28. Loans and advances to banks

	2024 £'000	2023 £'000
Unencumbered:		
Included in cash and cash equivalents: balances with less than three months to maturity at inception	1,764	1,315
Encumbered:		
Cash collateral on derivatives placed with banks	2,007	2,160
Total loans and advances to banks	**3,771**	**3,475**

29. Notes to the cash flow statement

See below for reconciliation of balances classified as cash and cash equivalents, which are recognised within the consolidated cash flow statement:

	2024 £'000	2023 £'000
Cash and balances at central banks	110,030	89,552
Loans and advances to banks	1,764	1,315
Euro liquidity fund	769	-
Total cash and cash equivalents	**112,563**	**90,867**

Adjustments for non-cash items and other adjustments included in the income statement:

	Note	2024 £'000	2023 £'000
Depreciation of property, plant and equipment	17	444	318
Depreciation of right-of-use assets	18	197	180
Loss on disposal of property, plant and equipment	17	5	-
Amortisation of intangible assets	19	285	376
Loss on disposal of intangible assets	19	6	-
Loss on lease modification		30	-
Share based payments	10	985	905
Impairment allowances on receivables	14	(241)	11,598
Movement in other provisions	13	50	(15)
Dividend income on money market funds	21	(28)	-
Interest income on investment securities	21	(243)	(521)
Finance costs	12	103	76
Unwind of discount	13	6	5
Interest on subordinated liabilities	6	1,272	269
Amortisation of subordinated liabilities acquisition costs	29	10	3
Movement in effective interest rate adjustment	20	941	(194)
Total non-cash items and other adjustments		**3,822**	**13,000**

Net change in operating assets:

	2024 £'000	2023 £'000
Increase in loans and advances to customers	(93,048)	(141,648)
Derivative financial instruments	241	(480)
Decrease in other assets	417	(7,328)
Increase in operating assets	**(92,390)**	**(149,456)**

Net change in operating liabilities:

	2024 £'000	2023 £'000
Increase in customer deposits	75,043	94,886
Derivative financial instruments	(559)	522
Fair value adjustments for portfolio hedged risk	(288)	508
Increase in other liabilities	5,180	(1,745)
Increase in operating liabilities	**79,376**	**94,171**

Changes in liabilities arising from financing activities:

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

	2024				2023			
	Lease liabilities (see note 34) £'000	Subordinated Liabilities (see note 37) £'000	Own Shares (See note 32) £'000	Total £'000	Lease liabilities (see note 34) £'000	Subordinated Liabilities (see note 37) £'000	Own Shares (See note 32) £'000	Total £'000
At 1 January	**1,205**	**10,221**	**(401)**	**11,025**	**395**	**-**	**(364)**	**31**
<u>Financing cash flows:</u>								
Recognition of subordinated liabilities	-	-	-	**-**	-	10,000	-	**10,000**
Subordinated liabilities acquisition costs	-	-	-	**-**	-	(51)	-	**(51)**
Interest payments	(252)	(1,273)	-	**(1,525)**	(227)	-	-	**(227)**
Purchase of own shares	-	-	(142)	**(142)**	-	-	(67)	**(67)**
<u>Non-cash movements:</u>								
Interest expense on subordinated liabilities	-	1,272	-	**1,272**	-	269	-	**269**
Amortisation of subordinated liabilities acquisition costs	-	10	-	**10**	-	3	-	**3**
Recognition of lease liabilities	-	-	-	**-**	365	-	-	**365**
Interest expense on lease liabilities	103	-	-	**103**	76	-	-	**76**
Lease modification	(966)	-	-	**(966)**	596	-	-	**596**
Settlement of employee share awards	-	-	103	**103**	-	-	30	**30**
At 31 December	**90**	**10,230**	**(440)**	**9,880**	**1,205**	**10,221**	**(401)**	**11,025**

30. Investment in subsidiaries

Subsidiary	Principal activity	Shareholding %	Class of shareholding	Country of incorporation	Registered address
DF Capital Bank Limited	Financial Services	100%	Ordinary	UK	St James' Building, 61-95 Oxford St, Manchester, M1 6EJ
DF Capital Financial Solutions Limited	Financial Services	100%	Ordinary	UK	St James' Building, 61-95 Oxford St, Manchester, M1 6EJ
DF Capital Retail Finance Limited	Financial Services	100%	Ordinary	UK	St James' Building, 61-95 Oxford St, Manchester, M1 6EJ

31. Equity

	2024 No.	2023 No.	2024 £'000	2023 £'000
<u>Authorised:</u>				
Ordinary shares of 1p each	179,369,199	179,369,199	1,793	1,793
Allotted, issued and fully paid: Ordinary shares of 1p each	179,369,199	179,369,199	1,793	1,793

Analysis of the movements in equity:

The below table details equity movements within the share capital, share premium and merger relief accounts during the years ended 31 December 2024 and 31 December 2023:

	Date	No. of shares #	Issue Price £	Share Capital £'000	Share Premium £'000	Merger Relief £'000	Total £'000
Balance at 1 January 2023		**179,369,199**		**1,793**	**39,273**	**94,911**	**135,977**
Share premium account cancellation	29-Jun-23	-	-	-	(39,273)	-	(39,273)
Balance at 31 December 2023		**179,369,199**	**-**	**1,793**	**-**	**94,911**	**96,704**
No movements in the year		-	-	-	-	-	-
Balance at 31 December 2024		**179,369,199**		**1,793**	**-**	**94,911**	**96,704**

32. Own shares

At 31 December 2024 the Group's Employee Benefit Trust held 2,677,998 (2023: 2,926,617) ordinary shares in Distribution Finance Capital Holdings plc to meet obligations under the Company's share and share option plans. The shares are stated at cost and their market value at 31 December 2024 was £990,859 (2023: £658,489).

	2024 £'000	2023 £'000
At 1 January	(401)	(364)
Acquisition of shares	(142)	(67)
Settlement of employee share awards	103	30
At 31 December	**(440)**	**(401)**

33. Merger reserve

There were no movements relating to the merger reserve account during years ended 31 December 2024 and 31 December 2023.

34. Lease liabilities

	2024 £'000	2023 £'000
At 1 January	**1,205**	**395**
Initial recognition	-	365
Interest expense	103	76
Lease payments	(252)	(227)
Lease modification	(966)	596
At 31 December	**90**	**1,205**

During the year, the Group agreed to enact the contractual break clause which will terminate the lease in August 2025. This resulted in a lease modification which reduced the lease liability by £966,000, predominantly due to a significant reduction in future lease payments

The Group does not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored within the Group's treasury function.

All lease obligations are denominated in currency units.

The maturity analysis of lease liabilities is as follows:

	2024 £'000	2023 £'000
Analysed as:		
Current	90	148
Non-Current	-	1,057
Total lease liabilities	**90**	**1,205**
Maturity analysis of expected lease payments:		
Year 1	109	253
Year 2	-	252
Year 3	-	252
Year 4	-	253
Year 5	-	252
Onwards	-	360
Total expected lease payments	**109**	**1,622**

Total expected lease payments	**109**	**1,622**
Less: unearned interest	(19)	(417)
Total lease liabilities	**90**	**1,205**

35. Customer deposits

	2024 £'000	2023 £'000
Customer deposits	649,665	574,622
Total customer deposits	**649,665**	**574,622**
Amounts repayable within one year	513,226	512,168
Amounts repayable after one year	136,439	62,454
	649,665	**574,622**

Refer to note 39 for the maturity profile of the customer deposit balances.

36. Financial liabilities

	2024 £'000	2023 £'000
Lease liabilities	90	1,205
Preference Shares	-	50
Total financial liabilities	**90**	**1,255**

Lease liabilities:

See note 34 for further details on the lease liabilities of the Group.

Preference shares:

In April 2019, a sole member decision was granted the allocation of 50,000 non-voting paid up redeemable preference shares of £1.00 each. The preference shares had no attached interest rate, dividends or return on capital. These preference shares were deemed as paid in full with the Director undertaking to pay the consideration of the preference shares by 1 April 2024. The preference shares were redeemed in full in March 2024.

The maturity profile of the financial liabilities are as follows:

	2024 £'000	2023 £'000
Current liabilities	90	148
Non-current liabilities	-	1,107
Total financial liabilities	**90**	**1,255**

Refer to note 39 for changes in financial liabilities balances during the year, including both cash and non-cash changes, as classified within the Group's consolidated cash flow statement under cash flows from financing activities.

37. Subordinated liabilities

	2024 £'000	2023 £'000
Tier 2 notes	10,000	10,000
Accrued interest	268	269
Deferred acquisition costs	(38)	(48)
Total subordinated liabilities	**10,230**	**10,221**

Refer to note 39 for the maturity profile of the subordinated liabilities.

38. Trade and other payables

	2024 £'000	2023 £'000
Current liabilities		
Trade payables	524	528
Social security and other taxes	62	132
Other creditors	4,165	875
Pension contributions	77	71

Pension contributions	77	71
Accruals	4,427	2,621
Total current liabilities	**9,255**	**4,227**
Non-current liabilities		
Social security and other taxes	80	70
Total non-current liabilities	**80**	**70**
Total trade and other payables	**9,335**	**4,297**

Refer to note 39 for the maturity profile of the trade payables.

39. Financial instruments

The Directors have performed an assessment of the risks affecting the Group through its use of financial instruments and believe the principal risks to be: Treasury (covering capital management, liquidity and interest rate risk); and Credit risk.

This note describes the Group's objectives, policies and processes for managing the material risks and the methods used to measure them. The significant accounting policies regarding financial instruments are disclosed in note 2.

Capital management

The Group manages its capital to ensure that it will be able to continue as a going concern while providing an adequate return to shareholders.

The capital structure of the Group consists of equity (comprising issued capital, merger relief, reserves, own shares and retained earnings - see notes 31 to 33) and subordinated liabilities (see note 37).

As a regulated banking Group, the Group is required by the Prudential Regulation Authority (PRA) to hold sufficient regulatory capital. The Group is required by the PRA to conduct an Internal Capital Adequacy Assessment Process ("ICAAP") to assess the appropriate amount of regulatory capital to be held by the Group as a measure of its risk weighted assets ("RWAs"), in accordance with the Group's risk management framework. The ICAAP identifies all key risks to the Bank and how the Group manages these risks. The document outlines the capital resources of the Group, its perceived capital requirements, and capital adequacy over a 3-year period. Within this process the Group conducts a stress testing process to identify key risks, the potential capital requirements and whether the Group has sufficient capital buffers to sustain such events. The Group uses the Standardised Approach (SA) for calculating the capital requirements for credit risk, and Counterparty Credit Risk (SA-CCR) and the Basic Indicator Approach (BIA) for operational risk. The ICAAP is approved by the Group Board at least annually.

The regulatory capital resources of the Group were as follows (unaudited):

	2024 **£'000**	**2023** **£'000**
CET1 capital: instruments and reserves		
Called up share capital	1,793	1,793
Share premium accounts	-	-
Retained earnings account	39,624	24,537
Accumulated other comprehensive income & other reserves	73,937	74,084
CET1 capital before regulatory adjustments	**115,354**	**100,414**
CET1 capital: regulatory adjustments		
Intangible assets	(950)	(618)
Investment in own shares	(1,549)	(2,120)
Prudent valuation adjustment	-	(15)
Deferred tax asset	(3,980)	(7,111)
Exposure amount qualifying for a RW of 1250%	(10,095)	(11,281)
CET1 capital	**98,780**	**79,269**
Tier 1 capital	**98,780**	**79,269**
Tier 2 capital	**10,230**	**10,269**
Total regulatory capital	**109,010**	**89,538**

This table is not subject to audit.

The return on assets of the Group (calculated as profit after taxation divided by average total assets) was 1.96% (2023: 0.49%).

Information disclosure under Pillar 3 of the Capital Requirements Directive is published on the Group's website at www.dfcapital-investors.com

Principal financial instruments

The principal financial instruments to which the Group is party, and from which financial instrument risk arises, are as follows:

- Cash and balances at central banks, which are considered risk free;
- Loans and advances to banks, which can be a source of credit risk but are primarily liquid assets available to further business objectives or to settle liabilities as necessary;
- Loans and advances to customers, primarily credit risk, interest rate risk, and liquidity risk;
- Investment securities, source of interest rate risk;

- Derivative instruments, credit and liquidity risk;
- Customer deposits, primarily interest rate risk and liquidity risk;
- Subordinated liabilities, primarily interest rate risk and liquidity risk;
- Trade receivables, primarily credit risk and liquidity risk;
- Trade and other payables, primarily credit risk and liquidity risk;

Summary of financial assets and liabilities:

Below is a summary of the financial assets and liabilities held on the Group's statement of financial position at the reporting dates. These values are reflected at their carrying amounts at the respective reporting date:

31 December 2024	Amortised cost £'000	Fair value through other comprehensive income £'000	Fair value through profit or loss £'000	Total £'000
Financial assets:				
Cash and balances at central banks	110,030	-	-	110,030
Loans and advances to banks	3,771	-	-	3,771
Investment securities	769	-	-	769
Derivative assets	-	-	295	295
Loans and advances to customers	660,772	-	-	660,772
Trade receivables	3,100	-	-	3,100
Other receivables	528	-	-	528
Total financial assets	**778,970**	**-**	**295**	**779,265**

31 December 2024	Amortised cost £'000	Fair value through other comprehensive income £'000	Fair value through profit or loss £'000	Total £'000
Financial liabilities:				
Customer deposits	649,665	-	-	649,665
Derivative liabilities	-	-	6	6
Other financial liabilities	90	-	-	90
Subordinated liabilities	10,230	-	-	10,230
Trade payables	524	-	-	524
Other payables	4,384	-	-	4,384
Preference shares	-	-	-	-
Total financial liabilities	**664,893**	**-**	**6**	**664,899**

31 December 2023	Amortised cost £'000	Fair value through other comprehensive income £'000	Fair value through profit or loss £'000	Total £'000
Financial assets:				
Cash and balances at central banks	89,552	-	-	89,552
Loans and advances to banks	3,475	-	-	3,475
Investment securities	-	14,839	-	14,839
Derivative assets	-	-	537	537
Loans and advances to customers	568,044	-	-	568,044
Trade receivables	3,706	-	-	3,706
Other receivables	452	-	-	452
Total financial assets	**665,229**	**14,839**	**537**	**680,605**

31 December 2023	Amortised cost £'000	Fair value through other comprehensive income £'000	Fair value through profit or loss £'000	Total £'000
Financial liabilities:				
Customer deposits	574,622	-	-	574,622
Derivative liabilities	-	-	565	565
Other financial liabilities	1,205	-	-	1,205
Subordinated liabilities	10,221	-	-	10,221
Trade payables	528	-	-	528
Other payables	1,148	-	-	1,148
Preference shares	50	-	-	50
Total financial liabilities	**587,774**	**-**	**565**	**588,339**

Analysis of financial instruments by valuation model

The Group measures fair values using the following hierarchy of methods:

- Level 1 - Quoted market price in an active market for an identical instrument

- Level 2 - Valuation techniques based on observable inputs. This category includes instruments valued using quoted market prices in active markets for similar instruments, quoted prices for similar instruments that are considered less than active, or other valuation techniques where all significant inputs are directly or indirectly observable from market data
- Level 3 - Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

Financial assets and liabilities that are not measured at fair value:

31 December 2024	**Carrying amount £'000**	**Fair value £'000**	**Level 1 £'000**	**Level 2 £'000**	**Level 3 £'000**
Financial assets not measured at fair value:					
Cash and balances at central banks	110,030	110,030	110,030	-	-
Loans and advances to banks	3,771	3,771	3,771	-	-
Investment securities	769	769	769	-	-
Loans and advances to customers	660,772	660,772	-	-	660,772
Trade receivables	3,100	3,100	-	-	3,100
Other receivables	528	528	-	-	528
	778,970	**778,970**	**114,570**	**-**	**664,400**
Financial liabilities not measured at fair value:					
Customer deposits	649,665	650,736	-	-	650,736
Other financial liabilities	90	90	-	-	90
Subordinated liabilities	10,230	10,567	-	10,567	-
Trade payables	524	524	-	-	524
Other payables	4,384	4,384	-	-	4,384
	664,893	**666,301**	**-**	**10,567**	**655,734**

31 December 2023	**Carrying amount £'000**	**Fair value £'000**	**Level 1 £'000**	**Level 2 £'000**	**Level 3 £'000**
Financial assets not measured at fair value:					
Cash and balances at central banks	89,552	89,552	89,552	-	-
Loans and advances to banks	3,475	3,475	3,475	-	-
Loans and advances to customers	568,044	568,044	-	-	568,044
Trade receivables	3,706	3,706	-	-	3,706
Other receivables	452	452	-	-	452
	665,229	**665,229**	**93,027**	**-**	**572,202**
Financial liabilities not measured at fair value:					
Customer deposits	574,622	574,177	-	-	574,177
Other financial liabilities	1,205	1,205	-	-	1,205
Subordinated liabilities	10,221	10,742	-	10,742	-
Trade payables	528	528	-	-	528
Other payables	1,148	1,148	-	-	1,148
Preference shares	50	50	-	-	50
	587,774	**587,850**	**-**	**10,742**	**577,108**

Where assets and liabilities are not measured at fair value, the Group has calculated their fair values at the reporting date as follows:

Cash and balances at central banks

This represents cash held at central banks where fair value is considered to be equal to carrying value.

Loans and advances to banks

This mainly represents the Group's working capital current accounts with other banks with an original maturity of less than three months. Fair value is not considered to be materially different to carrying value.

Investment securities

The investment securities carried at amortised cost represent the Groups investment in a money market fund. Due to the short-term nature of the underlying investments which are held to maturity, the fund has never deviated from par value. The carrying value is therefore considered to be approximately equal to the fair value.

Loans and advances to customers

Due to the short-term nature of loans and advances to customers, their carrying value is considered to be approximately equal to their fair value. These items are short term in nature such that the impact of the choice of discount rate would not make a material difference to the calculations.

Customer deposits

The fair value of fixed rate customer deposits has been estimated by discounting future cash flows at current market rates of interest. Customer deposits at variable rates and deposits payable on demand are considered to be at current market rates and as such fair value is estimated to be equal to carrying value.

Subordinated liabilities

The fair value of the subordinated liabilities is estimated by discounting the expected cashflows using an interest rate for similar liabilities with the same remaining maturity rate and credit profile.

Trade and other receivables, other borrowings and other liabilities

These represent short-term receivables and payables and as such their carrying value is considered to be equal to their fair value.

Financial assets and liabilities included in the statement of financial position that are measured at fair value:

31 December 2024	Carrying amount £'000	Principal amount £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
Financial assets measured at fair value:					
Investment securities	-	-	-	-	-
Derivative assets	295	10,000	-	295	-
	295	**10,000**	**-**	**295**	**-**
Financial liabilities measured at fair value:					
Derivative liabilities	6	5,000	-	6	-
	6	**5,000**	**-**	**6**	**-**

31 December 2023	Carrying amount £'000	Principal amount £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
Financial assets measured at fair value:					
Investment securities	14,839	15,000	14,839	-	-
Derivative assets	537	45,000	-	537	-
	15,376	**60,000**	**14,839**	**537**	**-**
Financial liabilities measured at fair value:					
Derivative liabilities	565	100,000	-	565	-
	565	**100,000**	**-**	**565**	**-**

Investment securities

The investment securities carried at fair value by the Company are treasury bills and government gilts. Treasury bills and government gilts are traded in active markets and fair values are based on quoted market prices.

There were no transfers between levels during the periods, all investment securities have been measured at level 1 from acquisition.

Derivatives

Derivative instruments fair values are provided by a third party and are based on the market values of similar financial instruments. The fair value of investment securities held at FVTPL is measured using a discounted cash flow model.

Financial risk management

The Group's activities and the existence of the above financial instruments expose it to a variety of financial risks.

The Board has overall responsibility for the determination of the Group's risk management objectives and policies. The overall objective of the Board is to set policies that seek to reduce ongoing risk as far as possible without unduly affecting the Group's competitiveness and flexibility.

The Group is exposed to the following financial risks:

- Credit risk
- Liquidity risk
- Interest rate risk

Further details regarding these policies are set out below.

Credit risk

Credit risk is the risk that a customer or counterparty will default on its contractual obligations resulting in financial loss to the Group. One of the Group's main income generating activities is lending to customers and therefore credit risk is a principal risk. Credit risk mainly arises from loans and advances to customers. The Group considers all elements of credit principal risk. Credit risk mainly arises from loans and advances to customers. The Group considers all elements of credit risk exposure such as counterparty default risk, geographical risk and sector risk for risk management purposes.

Credit risk management

The Group has a dedicated credit risk function, which is responsible for individual credit assessment, portfolio management, asset monitoring, collections and recoveries. Furthermore, it manages the Group's credit risk by:

- Ensuring that the Group has appropriate credit risk practices, including an effective system of internal control;
- Identifying, assessing and measuring credit risks across the Group from an individual instrument to a portfolio level;
- Creating relevant policies to protect the Group against the identified risks including the requirements to obtain collateral from borrowers, to perform robust ongoing credit assessment of borrowers and to continually monitor exposures against internal risk limits;
- Limiting concentrations of exposure by type of asset, counterparty, industry, credit rating, geographic location;
- Establishing a robust control framework regarding the authorisation structure for the approval and renewal of credit facilities;
- Established practises to identify and manage risks within the portfolio;
- Developing and maintaining the Group's risk grading to categorise exposures according to the degree of risk default. Risk grades are subject to regular reviews; and
- Developing and maintaining the Group's processes for measuring Expected Credit Loss (ECL) including monitoring of credit risk, incorporation of forward-looking information and the method used to measure ECL.

Significant increase in credit risk

The Group continuously monitors all assets subject to Expected Credit Loss as to whether there has been a significant increase in credit risk since initial recognition, either through a significant increase in Probability of Default ("PD") or in Loss Given Default ("LGD").

The following is based on the procedures adopted by the Group for the year ended 31 December 2023:

Granting of credit
The commercial team prepare a Credit Application which sets out the rationale and the pricing for the proposed loan facility, and confirms that it meets the Group's product, manufacturer programme and pricing policies. The Application will include the proposed counterparty's latest financial information and any other relevant information but as a minimum:

- Details of the limit requirement e.g. product, amount, tenor, repayment plan etc;
- Facility purpose or reason for increase;
- Counterparty details, background, management, financials and ratios (actuals and forecast);
- Key risks and mitigants for the application;
- Conditions, covenants & information (and monitoring proposals) and security (including comments on valuation);
- Pricing;
- Confirmation that the proposed exposure falls within risk appetite;
- Clear indication where the application falls outside of risk appetite.

Other information which can be considered includes (where necessary and available):
- Existing counterparty which has met all obligations in time and in accordance with loan agreements;
- Counterparty known to credit personnel who can confirm positive experience;
- Additional security, either tangible or personal guarantees where there is verifiable evidence of personal net worth;
- A commercial rationale for approving the application, although this mitigant will generally be in addition to at least one of the other mitigants.

The credit risk function will analyse the financial information, obtain reports from a credit reference agency, allocate a risk rating, and make a decision on the application. The process may require further dialogue with the Business Development Team to ascertain additional information or clarification.

Each mandate holder is authorised to approve loans up to agreed financial limits and provided that the risk rating of the counterparty is within agreed parameters. If the financial limit requested is higher than the credit authority of the first reviewer of the loan facility request, the application is sent to the next credit authority level with a recommendation.

Transactional Credit Committee considers all applications that are outside the credit approval mandate of the Director - Credit due to the financial limit requested. There is an agreed further escalation to the Board Risk Committee for the largest transactions which fall outside of the Transactional Credit Committee.

Identifying significant increases in credit risk
The short tenor of the current loan facilities reduces the possible adverse effect of changes in economic conditions and/or the credit risk profile of the counterparty.

The Group nonetheless measures a change in a counterparty's credit risk mainly on payment performance and end of contract repayment behaviour. The regular collateral audit process and interim reviews may highlight other changes in a counterparty's risk profile, such as the security asset no longer being under the control of the borrower. The Group views a significant increase in credit risk as:
- A two-notch reduction in the Company's counterparty's risk rating, as notified through the credit rating agency alert system;
- a presumption that an account which is more than 30 days past due has suffered a significant increase in credit risk. IFRS 9 allows this presumption to be rebutted, but the Group believes that more than 30 days past due to be an appropriate back stop measure and therefore has not rebutted the presumption;

an appropriate back stop measure and therefore has not rebutted the presumption;

- A counterparty defaults on a payment due under a loan agreement;
- Late contractual payments which although cured, re-occur on a regular basis;
- Counterparty confirmation that it has sold Group financed assets but delays in processing payments;
- Evidence of a reduction in a counterparty's working capital facilities which has had an adverse effect on its liquidity;
- Evidence of actual or attempted sales out of trust or of double financing, of assets funded by the Group.

An increase in significant credit risk is identified when any of the above events happen after the date of initial recognition.

Identifying loans and advances in default and credit impaired

The Group's definition of default for this purpose is:

- A counterparty defaults on a payment due under a loan agreement and that payment is more than 90 days overdue;
- A counterparty commits an event of default under the terms and conditions of the loan agreement which leads the lending company to believe that the borrower's ability to meet its credit obligations to the lending company is in doubt; or
- The Group is made aware of a severe deterioration of the credit profile of the customer which is likely to impede the customers' ability to satisfy future payment obligations.

In the normal course of economic cyclicality, the short tenor of the loans extended by the Group means that significant economic events are unlikely to influence counterparties' ability to meet their obligations to the Group.

Exposure at default (EAD)

Exposure at default ("EAD") is the expected loan balance at the point of default. Where a receivable is not classified as being in default at the reporting date, the Group have included reasonable assumptions to add unaccrued interest and fees up to the receivable becoming 91 days past due, which is considered to be the point of default.

Expected credit losses (ECL)

The ECL on an individual loan is based on the credit losses expected to arise over the life of the loan, being defined as the difference between all the contractual cash flows that are due to the Group and the cash flows that it expects to receive. This difference is then discounted at the original effective interest rate on the loan to reflect the disposal period of such assets underlying the original contract.

Regardless of the loan status stage, the aggregated ECL is the value that theGroup expects to lose on its current loan book having assessed each loan individually.

To calculate the ECL on a loan, the Group considers:

1. Counterparty PD; and
2. LGD on the asset

whereby: ECL = EAD x PD x LGD

Forward looking information

In its ECL models, the Group applies sensitivity analysis of forward-looking economic inputs. When formulating the economic scenarios, the Group considers both macro-economic factors and other specific drivers which may trigger a certain stress scenario. The impact of movements in these macro-economic factors are assessed on a 12-month basis from the reporting date (31 December).

Maximum exposure to credit risk:

	2024	**2023**
	£'000	**£'000**
Loans and advances to banks	3,771	3,475
Derivative assets	295	537
Loans and advances to customers	660,772	568,044
Trade and other receivables	3,627	4,158
	668,465	**576,214**

Collateral held as security:

	2024	**2023**
	£'000	**£'000**
Fully collateralised:		
Loan-to-value* ratio:		
Less than 50%	15,539	14,261
51% to 70%	75,391	56,482
71% to 80%	120,027	93,582
81% to 90%	104,174	108,833
91% to 100%	305,906	291,266
Total collateralised lending	**621,037**	**564,424**
Partially collateralised lending	**-**	**-**
Unsecured lending	**48,739**	**19,703**

* Calculated using wholesale collateral values. Wholesale collateral values represent the invoice total (including applicable VAT) from the invoice received from the supplier of the product. The wholesale amount is less than the recommended retail price (RRP) of the product.

The Group's lending activities are asset based so it expects that the majority of its exposure is secured by the collateral value of the asset that has been funded under the loan agreement. The Group has title to the collateral which is funded under loan agreements. The collateral includes boats, motorcycles, recreational vehicles, caravans, light commercial vehicles, industrial and agricultural equipment. The collateral has low depreciation and is not subject to rapid technological changes or redundancy. There has been no change in the Group's assessment of collateral and its underlying value in the reporting period.

value in the reporting period.

The assets are generally in the counterparty's possession, but this is controlled and managed by the asset audit process. The audit process checks on a periodic basis that the asset is in the counterparty's possession and has not been sold out of trust or is otherwise not in the counterparty's control. The frequency of the audits is initially determined by the risk rating assessed at the time that the borrowing facility is first approved and is assessed on an ongoing basis.

Additional security may also be taken to further secure the counterparty's obligations and further mitigate risk. Further to this, in many cases, the Group is often granted, by the counterparty, an option to sell-back the underlying collateral.

Based on the Group's current principal products, the counterparty repays its obligation under a loan agreement with the Group at or before the point that it sells the asset. If the asset is not sold and the loan agreement reaches maturity, the counterparty is required to pay the amount due under the loan agreement plus any other amounts due. In the event that the counterparty does not pay on the due date, the Group's customer management process will maintain frequent contact with the counterparty to establish the reason for the delay and agree a timescale for payment. Senior Management will review actions on a regular basis to ensure that the Group's position is not being prejudiced by delays.

In the event the Group determines that payment will not be made voluntarily, it will enforce the terms of its loan agreement and recover the asset, initiating legal proceedings for delivery, if necessary. If there is a shortfall between the net sales proceeds from the sale of the asset and the counterparty's obligations under the loan agreement, the shortfall is payable by the counterparty on demand.

As at 31 December 2024, 92.7% of the loan portfolio was fully collateralised (2023: 96.6%).

Concentration of credit risk

The Group maintains policies and procedures to manage concentrations of credit at the counterparty level and industry level to achieve a diversified loan portfolio.

The below table analyses gross carrying amount and impairment allowance by counterparty industry sector:

	31 December 2024		**31 December 2023**	
	£'000	**Portfolio %**	**£'000**	**Portfolio %**
Gross carrying amount:				
Leisure:				
Lodges and holiday homes	91,473	13.7%	148,441	25.4%
Motorhomes and caravans	207,948	31.0%	131,478	22.5%
Marine	72,120	10.8%	55,981	9.6%
Motorsport	35,264	5.3%	27,458	4.7%
Automotive	31,562	4.7%	8,366	1.4%
	438,367	65.4%	371,724	63.6%
Commercial:				
Transport	93,314	13.9%	130,982	22.4%
Industrial equipment	33,128	4.9%	35,926	6.2%
Agricultural equipment	24,720	3.7%	26,995	4.6%
	151,162	22.6%	193,903	33.2%
Wholesale and receivables funding	80,247	12.0%	18,500	3.2%
Total gross carrying amount	**669,776**	**100%**	**584,127**	**100%**

	£'000	**ECL coverage %**	**£'000**	**ECL coverage %**
Impairment allowance:				
Leisure:				
Lodges and holiday homes	(944)	1.0%	(11,428)	7.7%
Motorhomes and caravans	(1,439)	0.7%	(454)	0.3%
Marine	(342)	0.5%	(773)	1.4%
Motorsport	(387)	1.1%	(312)	1.1%
Automotive	(912)	2.9%	(40)	0.5%
	(4,024)	0.9%	(13,007)	3.5%
Commercial:				
Transport	(330)	0.4%	(563)	0.4%
Industrial equipment	(126)	0.4%	(87)	0.2%
Agricultural equipment	(830)	3.4%	(688)	2.5%
	(1,286)	0.9%	(1,338)	0.7%
Wholesale and receivables funding	(1,267)	1.6%	(251)	1.4%
Total impairment allowance	**(6,577)**	**1.0%**	**(14,596)**	**2.5%**

Credit quality

The Risk Rating is an internal rating system of counterparty credit risk whereby the Group will allocate a rating from 1 to 9, 1 being the highest level of credit quality and 9 being the lowest level of credit quality. The Group uses Experian Delphi scores to set Risk Ratings which in turn determine the probability of default for each Counterparty. In the majority of cases, the Experian Delphi score will be used without management override adjustments. However, where the Delphi score differs from the Group's assessment of credit risk and/or where a Delphi score cannot be derived such as in the case of sole traders or unincorporated partnerships, either a Delphi score uplift or a Delphi score equivalent is utilised to calculate DFC's internal risk rating. The Risk Rating for each counterparty is reviewed on an ongoing basis and recorded as at the

DFC's internal risk rating. The Risk Rating for each counterparty is reviewed on an ongoing basis and recorded as at the reporting date.

An analysis of the Group's credit risk exposure for loan and advances to customers, internal rating and "stage" is provided in the following tables. A description of the meanings of Stages 1, 2 and 3 was given in the accounting policies set out above. See below table of gross loan receivables by Risk Rating and IFRS 9 stage allocation:

31 December 2024	**Stage 1**		**Stage 2**		**Stage 3**		**Total**	
	£'000	**Portfolio %**	**£'000**	**Portfolio %**	**£'000**	**Portfolio %**	**£'000**	**Portfolio %**
Gross carrying amount:								
Above average (Risk rating 1-2)	459,277	68.6%	13,996	2.1%	4,075	0.6%	477,348	71.3%
Average (Risk rating 3-5)	173,037	25.8%	2,092	0.3%	1,157	0.2%	176,286	26.3%
Below average (Risk rating 6+)	11,199	1.7%	2,396	0.4%	2,547	0.4%	16,142	2.4%
Total gross carrying amount	**643,513**	**96.1%**	**18,484**	**2.8%**	**7,779**	**1.2%**	**669,776**	**100.0%**
	£'000	**ECL coverage %**	**£'000**	**ECL coverage %**	**£'000**	**ECL coverage %**	**£'000**	**ECL coverage %**
Impairment allowance:								
Above average (Risk rating 1-2)	(1,686)	0.4%	(89)	0.6%	(1,700)	41.7%	(3,475)	0.7%
Average (Risk rating 3-5)	(1,839)	1.1%	(11)	0.5%	(430)	37.1%	(2,280)	1.3%
Below average (Risk rating 6+)	(167)	1.5%	(66)	2.8%	(589)	23.1%	(822)	5.1%
Total impairment allowance	**(3,692)**	**0.6%**	**(166)**	**0.9%**	**(2,719)**	**35.0%**	**(6,577)**	**1.0%**

31 December 2023	**Stage 1**		**Stage 2**		**Stage 3**		**Total**	
	£'000	**Portfolio %**	**£'000**	**Portfolio %**	**£'000**	**Portfolio %**	**£'000**	**Portfolio %**
Gross carrying amount:								
Above average (Risk rating 1-2)	432,493	74.0%	-	0.0%	763	0.1%	433,256	74.2%
Average (Risk rating 3-5)	93,568	16.0%	17,729	3.0%	1,850	0.3%	113,147	19.4%
Below average (Risk rating 6+)	19,891	3.4%	3,323	0.6%	14,510	2.5%	37,724	6.5%
Total gross carrying amount	**545,952**	**93.5%**	**21,052**	**3.6%**	**17,123**	**2.9%**	**584,127**	**100.0%**
	£'000	**ECL coverage %**	**£'000**	**ECL coverage %**	**£'000**	**ECL coverage %**	**£'000**	**ECL coverage %**
Impairment allowance:								
Above average (Risk rating 1-2)	(1,483)	0.3%	-	0.0%	(526)	68.9%	(2,009)	0.5%
Average (Risk rating 3-5)	(860)	0.9%	(150)	0.8%	(315)	17.0%	(1,325)	1.2%
Below average (Risk rating 6+)	(179)	0.9%	(10)	0.3%	(11,073)	76.3%	(11,262)	29.9%
Total impairment allowance	**(2,522)**	**0.5%**	**(160)**	**0.8%**	**(11,914)**	**69.6%**	**(14,596)**	**2.5%**

See note 20 for analysis of the movements in gross loan receivables and impairment allowances in terms of IFRS 9 staging.

Analysis of credit quality of trade receivables:

	2024 £'000	**2023 £'000**
Status at balance sheet date:		
Not past due, nor defaulted	3,125	3,513
Past due but not in default	58	210
Defaulted	133	242
Total gross carrying amount	**3,316**	**3,965**
Impairment allowance	(216)	(259)
Carrying amount	**3,100**	**3,706**

See note 24 for analysis of the movements in gross trade receivables and impairment allowances in terms of IFRS 9 staging.

Financial guarantee schemes
In the year ended 31 December 2023, the Group entered into financial guarantee schemes which allow the Group to reduce its regulatory capital requirements.

In January 2023 the Group entered into the ENABLE guarantee scheme with the British Business Bank for an initial facility of £175m, in August 2023 the facility size was increased to £250m, and in July 2024 the facility size was increased to its maximum of £350m. The Group has considered the impact of the ENABLE guarantee scheme on its expected credit losses which has been deemed to have an immaterial net impact on the Group's impairment allowances given the recourse criteria thresholds on the scheme. The ENABLE guarantee is a mitigant against significant systemic, portfolio-level loss events but is very unlikely to be drawn upon in the natural course of business.

In December 2023, the Group entered into a trade credit insurance policy covering a portion of the Group's loan book exposure in the case of default. Given the scheme size at the year-end it is deemed to have an immaterial net impact on the Group's impairment allowances.

<u>Amounts written off</u>
The contractual amount outstanding on financial assets that were written off during the reporting period and are still subject to enforcement activity is £nil at 31 December 2024 (31 December 2023: £208,000).

Liquidity risk

Liquidity risk is the risk that the Group does not have sufficient financial resources to meet its obligations as they fall due or will have to do so at an excessive cost. This risk arises from mismatches in the timing of cash flows which is inherent in all finance operations and can be affected by a range of Group-specific and market-wide events.

Liquidity risk management
The Group has in place a policy and control framework for managing liquidity risk. The Group's Asset and Liability Management Committee (ALCO) is responsible for managing the liquidity risk via a combination of policy formation, review and governance, analysis, stress testing, limit setting and monitoring. The ALCO meets on a monthly basis to review the liquidity position and risks.

The Bank has a comprehensive suite of liquidity management processes in place, which allow the Bank to monitor liquidity risk on a daily basis. Daily liquidity reporting is supplemented by Early Warning Indicators and a Liquidity Contingency Plan.

Liquidity stress testing
Stress Testing is a key risk management tool for the Bank and is used to inform the setting of risk appetite limits and required buffers.

A range of liquidity stress scenarios has been conducted (as detailed in the Internal Liquidity Adequacy Assessment Process "ILAAP" document), which demonstrates that the Group's liquidity profile is sufficient to withstand a severe stress.

<u>Maturity analysis for financial assets:</u>

The following maturity analysis is based on **expected** gross cash flows:

31 December 2024	Carrying amount £'000	Gross nominal inflow £'000	Less than 1 month £'000	1 - 3 months £'000	3 months to 1 year £'000	1 - 5 years £'000	>5 years £'000
Cash and balances at central banks	110,030	110,030	110,030	-	-	-	-
Loans and advances to banks	3,771	3,771	1,951	-	-	1,820	
Investment securities	769	769	769	-	-	-	-
Derivative assets	295	295	-	-	141	154	-
Loans and advances to customers	660,772	666,484	120,052	169,333	293,082	83,417	600
Trade receivables	3,100	3,316	3,251	26	39	-	-
Other receivables	528	528	188	22	217	1	100
	779,265	**785,193**	**236,241**	**169,381**	**293,479**	**85,392**	**700**

31 December 2023	Carrying amount £'000	Gross nominal inflow £'000	Less than 1 month £'000	1 - 3 months £'000	3 months to 1 year £'000	1 - 5 years £'000	>5 years £'000
Cash and balances at central banks	89,552	89,552	89,552	-	-	-	-
Loans and advances to banks	3,475	3,475	1,325	(49)	(173)	2,372	
Investment securities	14,839	15,075	-	-	15,075	-	-
Derivative assets	537	537	-	-	7	530	-
Loans and advances to customers	568,044	573,485	77,060	174,366	280,617	41,442	-
Trade receivables	3,706	3,965	3,965	-	-	-	-
Other receivables	452	452	145	1	51	4	251
	680,605	**686,541**	**172,047**	**174,318**	**295,577**	**44,348**	**251**

<u>Maturity analysis for financial liabilities:</u>

The following maturity analysis is based on **contractual** gross cash flows:

31 December 2024	Carrying amount £'000	Gross nominal outflow £'000	Less than 1 month £'000	1 - 3 months £'000	3 months to 1 year £'000	1 - 5 years £'000	>5 years £'000
Customer deposits	649,665	667,834	115,854	52,120	352,490	147,370	-

Derivative liabilities	6	6	-	-	6	-	-
Other financial liabilities	90	109	-	63	46		-
Subordinated liabilities	10,230	15,080	-	318	953	13,809	-
Trade payables	524	524	524	-	-	-	-
Other payables	4,384	4,702	4,197	(72)	101	476	-
Preference shares	-	-	-	-	-	-	-
	664,899	**688,255**	**120,575**	**52,429**	**353,596**	**161,655**	**-**
Loan commitments	**-**	**5,972**	**5,972**	**-**	**-**	**-**	**-**

31 December 2023	**Carrying amount £'000**	**Gross nominal outflow £'000**	**Less than 1 month £'000**	**1 - 3 months £'000**	**3 months to 1 year £'000**	**1 - 5 years £'000**	**>5 years £'000**
Customer deposits	574,622	588,866	82,022	83,486	355,709	67,649	-
Derivative liabilities	565	565	-	220	345	-	-
Other financial liabilities	1,205	1,622	-	64	189	1,008	361
Subordinated liabilities	10,221	16,350	-	318	953	15,079	-
Trade payables	528	528	528	-	-	-	-
Other payables	1,148	1,337	1,045	27	7	258	-
Preference shares	50	50	-	-	50	-	-
	588,339	**609,318**	**83,595**	**84,115**	**357,253**	**83,994**	**361**
Loan commitments	**-**	**7,833**	**7,833**	**-**	**-**	**-**	**-**

Market risk
Market risk is the risk that movements in market factors, such as foreign exchange rates, interest rates, credit spreads, equity prices and commodity prices will reduce the Group's income or the value of its assets.

The principal market risk to which the Group is exposed is interest rate risk.

Interest rate risk management
The Group is exposed to the risk of loss from fluctuations in the future cash flows or fair values of financial instruments because of the change in market interest rates.

The Group's borrowings are either fixed rate, or administered, (being products where the rate is set at the DFC's discretion). The Group has no exposure to LIBOR. These borrowings fund loans and advances to customers at fixed rate.

The limited average duration of the loan and deposit book provide a natural mitigant against interest rate risk. The Bank aims to naturally hedge interest rate risk through raising funding of a similar profile of the loans being funded. Where this is not possible, interest rate swaps are used to manage repricing mismatches.

The Bank evaluates changes in the economic value of equity calculated under the following six supervisory shock scenarios referred to in Rule 9.7 of the ICAA Part of the PRA Rulebook as issued by the Prudential Regulation Authority (PRA).

The impact of changes in interest rates has been assessed in terms of economic value of equity (EVE) and profit or loss. Economic value of equity (EVE) is a cash flow calculation that takes the present value of all asset cash flows and subtracts the present value of all liability cash flows. This is a long-term economic measure used to assess the degree of interest rate risk exposure.

The estimate that a 200bps upward and downward movement in interest rates would have impacted the economic value of equity (EVE) is as follows:

	2024 £'000	**2023 £'000**
Change in interest rate (basis points):		
Sensitivity of EVE +200bps	(186)	(268)
Sensitivity of EVE -200bps	156	273

The estimate of the effect on the next 12 months net interest income using a 200bps upward and 200bps downward movement in interest rates is as follows:

	2024 £'000	**2023 £'000**
Change in interest rate (basis points):		
Sensitivity of profit +200bps	1,040	911
Sensitivity of profit -200bps	(2,233)	(1,755)

In preparing the sensitivity analyses above, the Group makes certain assumptions consistent with the expected and contractual re-pricing behaviour as well as behavioural repayment profiles under the two interest rate scenarios.

40. Earnings per share

Earnings attributable to ordinary shareholders	2024 £'000	2023 £'000
Profit after tax attributable to the shareholders	14,021	3,155
Weighted average number of shares, thousands		
Basic	179,369	179,369
Dilutive impact of share-based payment schemes	9,669	8,125
Diluted	189,038	187,494
Earnings per share, pence per share		
Basic	7.8	1.8
Diluted	7.4	1.7

41. Controlling party

As at 31 December 2024 there was no controlling party of the ultimate parent company of the Group, Distribution Finance Capital Holdings plc.

42. Country by country reporting (CBCR)

CBCR was introduced through Article 89 of CRD IV, aimed at the banking and capital markets industry. The name, nature of activities and geographic location of the Group's companies are presented below:

Jurisdiction	Country	Name	Activities
UK	England	Distribution Finance Capital Holdings plc	Holding company
		DF Capital Bank Limited	Commercial lending and specialist personal savings
		DF Capital Financial Solutions Limited	Commercial lending
		DF Capital Retail Finance Limited	Retail lending

Other disclosures required by the CBCR directive are provided below:

UK totals	2024	2023
Average number of employees	136	126
Turnover, £'000	76,805	60,350
Profit before taxation, £'000	19,074	4,573
Taxation charge/(credit), £'000	5,053	1,418

The table below reconciles tax charged and tax paid during the year.

UK totals	2024 £'000	2023 £'000
Taxation charge/(credit)	**5,053**	**1,418**
Effects of:		
Deferred taxation asset recognition	-	(1,345)
Deferred taxation asset utilisation	(3,178)	(73)
Movement in current tax liability	(1,192)	-
Other timing differences	-	-
Taxation paid	**683**	**-**

All activities relating to the Group are conducted within the United Kingdom and the Group is not subject to non-domestic taxation.

43. Related party disclosures

In the year ended 31 December 2024, Directors were awarded share-based payments, refer to note 10 for further details.

Directors' emoluments are disclosed in note 9 of these consolidated financial statements.

In the year ended 31 December 2024, there were no other related party transactions.

44. Transactions with key management personnel

All related party transactions were made on terms equivalent to those that prevail in arm's length transactions. During the year, there were no related party transactions between the key management personnel and the Group other than as described below.

The Directors and Senior Leadership team are considered to be key management personnel. Directors' remuneration is disclosed in note 9 and in the Directors' Remuneration Report on pages 82-85. The Senior Leadership team are all employees of the Group. The aggregate remuneration of the key management personnel (including Directors) is shown in the table below:

	2024 £'000	2023 £'000
Short-term employment benefits	5,072	3,808
Share-based payments	-	54
Total key management personnel remuneration	**5,072**	**3,862**

Key management personnel held deposits with the Group of £256,000 (2023: £117,000).

45. Subsequent events

In January 2025 the Group announced the commencement of a share buyback programme to purchase ordinary shares of £0.01 each in the capital of the Company up to a maximum aggregate consideration of the lower of either £5 million or 17.5 million Ordinary Shares.

In February 2025, the Group's subsidiary, DF Capital Retail Finance Limited, was granted the relevant regulatory permissions by the Financial Conduct Authority in order to provide asset finance to consumer borrowers.

The Company Statement of Financial Position

	Note	2024 £'000	2023 £'000
Assets			
Loans and advances to banks	5	132	81
Trade and other receivables	7	106	157
Amounts receivable from Group Undertakings		443	86
Investment in subsidiaries	8	136,225	135,604
Total assets		**136,906**	**135,928**
Liabilities			
Trade and other payables	10	1,027	836
Financial liabilities	11	-	50
Amounts payable to Group Undertakings	9	8,270	6,742
Total liabilities		**9,297**	**7,628**
Equity			
Issued share capital	12	1,793	1,793
Share premium	12	-	-
Merger relief	12	94,911	94,911
Retained earnings		31,345	31,997
Own shares	13	(440)	(401)
Total equity		**127,609**	**128,300**
Total equity and liabilities		**136,906**	**135,928**

The notes on pages 188 to 194 are an integral part of these financial statements.

Distribution Finance Capital Holdings plc recorded loss after taxation for the year ended 31 December 2024 of £1,535,000 (2023: loss of £779,000). These financial results are derived entirely from continuing operations.

These financial statements were approved by the Board of Directors and authorised for issue on 01 April 2025. They were signed on its behalf by:

……………………………
Carl D'Ammassa
Director
01 April 2025

Registered number: 11911574

The Company Cash Flow Statement

	Note	2024 £'000	2023 £'000
Cash flows from operating activities:			
Loss before taxation		(1,892)	(865)

Adjustments for non-cash items and other adjustments included in the income statement	6	(1,175)	(1,970)
Decrease in operating assets		1	(2)
Increase in operating liabilities		192	137
Taxation paid		-	-
Net cash used in operating activities		**(2,874)**	**(2,700)**
Cash flows from investing activities:			
Net cash used in investing activities		**-**	**-**
Cash flows from financing activities:			
Proceeds from intercompany loan		3,067	2,702
Purchase of own shares	13	(142)	(67)
Net cash generated from financing activities		**2,925**	**2,635**
Net decrease in cash and cash equivalents		**51**	**(65)**
Cash and cash equivalents at start of the year	5	81	146
Cash and cash equivalents at end of the year	**5**	**132**	**81**

The Company Statement of Changes in Equity

	Issued share capital £'000	**Share premium[3] £'000**	**Merger relief £'000**	**Own shares[2] £'000**	**Retained earnings/(loss) £'000**	**Total £'000**
Balance at 1 January 2023	**1,793**	**39,273**	**94,911**	**(364)**	**(7,371)**	**128,242**
(Loss) after taxation	-	-	-	-	(779)	(779)
Share-based payments[1]	-	-	-	-	905	905
Employee Benefit Trust[2]	-	-	-	(37)	(31)	(68)
Share premium account cancellation[3]	-	(39,273)	-	-	39,273	-
Balance at 31 December 2023	**1,793**	**-**	**94,911**	**(401)**	**31,997**	**128,300**
(Loss) after taxation	-	-	-	-	(1,535)	(1,535)
Share based payments[1]	-	-	-	-	985	985
Employee Benefit Trust[2]	-	-	-	(39)	(102)	(141)
Share premium account cancellation	-	-	-	-	-	-
Balance at 31 December 2024	**1,793**	**-**	**94,911**	**(440)**	**31,345**	**127,609**

[1]Refer to note 10 of the consolidated financial statements for further details of movements in the year.

[2]The Company has adopted look-through accounting (see note 1.3 to the Group's consolidated financial statements) and recognised the Employee Benefit Trusts within the Company. Refer to note 13 for further details on movements in the year.

[3]In the year ended 31 December 2023, the Company cancelled its share premium account - refer to note 31 of the consolidated financial statements for details.

Noes to the Company Financial Statements

1. Basis of preparation

1.1 Accounting basis
These standalone financial statements for Distribution Finance Capital Holdings plc (the "Company") have been prepared and approved by the Directors in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the United Kingdom (UK) and interpretations issued by the IFRS Interpretations Committee (IFRS IC).

1.2 Going concern
As detailed in note 1 to the consolidated financial statements, the Directors have performed an assessment of the appropriateness of the going concern basis. The Directors consider that it is appropriate to continue to adopt the going concern basis in preparing the financial statements.

1.3 Income statement
Under Section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own income statement.

2. Summary of material accounting policies

These financial statements have been prepared using the material accounting policies as set out in note 2 to the consolidated financial statements. Any further accounting policies provided below are solely applicable to the Company financial statements.

2.1 Investment in subsidiaries

In accordance with IAS 27 Separate Financial Statements the Company has elected to account for an investment in subsidiary at cost. The Company performs an impairment assessment on the investment in subsidiary at each reporting date to assess whether the cost basis reflects an accurate value of the investment at the reporting date.

3. Critical accounting judgements and key sources of estimation uncertainty

In the financial statements for the year ended 31 December 2024, the Company has not made any critical accounting judgements and key sources of estimation which are considered to be material in value or significance to the performance of the Company.

4. Net loss attributable to equity shareholders of the Company

	2024 £'000	2023 £'000
Net loss attributable to equity shareholder of the Company	(1,535)	(779)

5. Loans and advances to banks

	2024 £'000	2023 £'000
Included in cash and cash equivalents: balances with less than three months to maturity at inception	132	81
Total loans and advances to banks	**132**	**81**

6. Notes to the cash flow statement

See below for reconciliation of balances classified as cash and cash equivalents, which are recognised within the cash flow statement:

	2024 £'000	2023 £'000
Loans and advances to banks	132	81
Total cash and cash equivalents	**132**	**81**

Adjustments for non-cash items and other adjustments included in the income statement:

	2024 £'000	2023 £'000
Management fee recharge	(1,540)	(2,287)
Share-based payments	365	317
Total non-cash items and other adjustments	**(1,175)**	**(1,970)**

Changes in liabilities arising from financing activities:

Please see note 9 for changes in the Company's liabilities arising from financing activities, including both cash and non-cash changes, for the years ended 31 December 2024 and 31 December 2023.

7. Trade and other receivables

	2024 £'000	2023 £'000
Other debtors	-	50
Indirect taxes	55	11
Prepayments	51	96
Total trade and other receivables	**106**	**157**

8. Investment in subsidiaries

	£'000
Balance at 1 January 2023	**134,213**
Capital contribution - parent equity-settled share-based payments	1,391
Balance at 31 December 2023	**135,604**
Capital contribution - parent equity-settled share-based payments	621

Capital contribution - parent equity settled share based payments	[illegible]
Balance at 31 December 2024	**136,225**

For the year ended 31 December 2024, the Company conducted an impairment assessment of the investment in subsidiaries and concluded that there is no impairment required (2023: £nil).

9. Amounts payable to Group undertakings

	2024 £'000	2023 £'000
Amounts payable to DF Capital Bank Limited	8,270	6,742
Total amounts payable to Group undertakings	**8,270**	**6,742**

All amounts drawn and outstanding under the intercompany loan facility, including all accrued interest and costs, are payable on demand by the lender DF Capital Bank Limited. Interest on the loan shall accrue daily and is charged at 4% over the Sterling Overnight Indexed Average (SONIA) rate at the end of each calendar month. This contractual agreement has an expiry date of 31 December 2024.

10. Trade and other payables

	2024 £'000	2023 £'000
Trade payables	194	187
Accruals	678	593
Social security taxes	155	56
Total trade and other payables	**1,027**	**836**

11. Financial liabilities

	2024 £'000	2023 £'000
Preference shares	-	50
Total financial liabilities	**-**	**50**

Reconciliation of movements in financial liabilities:

	Preference Shares £'000
Balance at 1 January 2023	**50**
No transactions in the year	-
Balance at 31 December 2023	**50**
Preference shares redemption	(50)
Balance at 31 December 2024	**-**

12. Share capital

	2024 No.	2023 No.	2024 £'000	2023 £'000
Authorised:				
Ordinary shares of 1p each	179,369,199	179,369,199	1,793	1,793
Allotted, issued and fully paid: Ordinary shares of 1p each	179,369,199	179,369,199	1,793	1,793

	Date	No. of shares £	Issue Price £	Share Capital £'000	Share Premium £'000	Merger Relief £'000	Total £'000
At 1 January 2023		**179,369,199**		**1,793**	**39,273**	**94,911**	**135,977**
Share premium account cancellation	29-Jun-23	-	-	-	(39,273)	-	(39,273)
At 31 December 2023		**179,369,199**		**1,793**	**-**	**94,911**	**96,704**
No transactions in the year		-	-	-	-	-	-
At 31 December 2024		**179,369,199**		**1,793**		**94,911**	**96,704**

At 31 December 2024	179,369,199	1,793	-	94,911	96,704

13. Own shares

	£'000
Balance at 1 January 2023	**(364)**
Acquisition of shares	(67)
Settlement of employee share awards	30
Balance at 31 December 2023	**(401)**
Acquisition of shares	(142)
Settlement of employee share awards	103
Balance at 31 December 2024	**(440)**

14. Financial instruments

The Group monitors and manages risk management at a group-level and, therefore, the Risk Management Framework stipulated in note 39 of the consolidated financial statements encompasses the Company risk management environment.

The Company and Directors believe the principal risks of the Company to be credit risk, liquidity risk and capital risk. The Directors have evaluated the following risks to either not be relevant to the Company or of immaterial significance: market risk, interest rate risk and exchange rate risk.

The regulatory capital requirements in respect of capital risk are assessed at both a consolidated group level and for DF Capital Bank Limited at an entity level.

See note 39 of the consolidated financial statements for further details on how the Company defines and manages credit risk, liquidity risk and capital risk.

Financial assets and financial liabilities included in the statement of financial position that are not measured at fair value:

31 December 2024	Carrying amount £'000	Fair value £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
Financial assets not measured at fair value					
Loans and advances to banks	132	132	132	-	-
Other receivables	55	55	-	-	55
Amounts receivable from Group Undertakings	144	144	-	-	144
	331	**331**	**132**	**-**	**199**

31 December 2024					
Financial liabilities not measured at fair value					
Trade payables	194	194	-	-	194
Other payables	155	155	-	-	155
Preference shares	-	-	-	-	-
Amounts payable to Group Undertakings	8,270	8,270	-	-	8,270
	8,619	**8,619**	**-**	**-**	**8,619**

31 December 2023	Carrying amount £'000	Fair value £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
Financial assets not measured at fair value:					
Loans and advances to banks	81	81	81	-	-
Other receivables	61	61	-	-	61
Amounts receivable from Group Undertakings	86	86	-	-	86
	228	**228**	**81**	**-**	**147**

31 December 2023					
Financial liabilities not measured at fair value:					
Trade payables	187	187	-	-	187
Other payables	56	56	-	-	56
Preference shares	50	50	-	-	50
Amounts payable to Group Undertakings	6,742	6,742	-	-	6,742
	7,035	**7,035**	**-**	**-**	**7,035**

Maximum exposure to credit risk:

	2024 £'000	2023 £'000
Loans and advances to banks	132	81
Trade and other receivables	55	61
Amounts receivable from Group Undertakings	144	86
	331	**228**

Maturity analysis for financial assets

The following maturity analysis is based on **expected** gross cash flows:

31 December 2024	Carrying amount £'000	Gross nominal inflow £'000	Less than 1 months £'000	1 - 3 months £'000	3 months to 1 year £'000	1 - 5 years £'000	>5 years £'000
Loans and advances to banks	132	132	132	-	-	-	-
Other receivables	55	55	55	-	-	-	-
Amounts receivable from Group Undertakings	144	144	-	-	144	-	-
	331	**331**	**187**	**-**	**144**	**-**	**-**

31 December 2023	Carrying amount £'000	Gross nominal inflow £'000	Less than 1 months £'000	1 - 3 months £'000	3 months to 1 year £'000	1 - 5 years £'000	>5 years £'000
Loans and advances to banks	81	81	81	-	-	-	-
Other receivables	61	61	11	-	50	-	-
Amounts receivable from Group Undertakings	86	86	-	-	86	-	-
	228	**228**	**92**	**-**	**136**	**-**	**-**

Maturity analysis for financial liabilities

The following maturity analysis is based on **contractual** gross cash flows:

31 December 2024	Carrying amount £'000	Gross nominal outflow £'000	Less than 1 months £'000	1 - 3 months £'000	3 months to 1 year £'000	1 - 5 years £'000	>5 years £'000
Trade payables	194	194	194	-	-	-	-
Other payables	155	265	59	-	33	173	-
Preference shares	-	-	-	-	-	-	-
Amounts payable to Group Undertakings	8,270	8,270	-	-	8,270	-	-
	8,619	**8,729**	**253**	**-**	**8,303**	**173**	**-**

	Carrying amount	Gross nominal outflow	Less than 1 months	1 - 3 months	3 months to 1 year	1 - 5 years	>5 years

31 December 2023	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Trade payables	187	187	187	-	-	-	-
Other payables	56	111	33	-	-	78	-
Preference shares	50	50	-	-	50	-	-
Amounts payable to Group Undertakings	6,742	6,742	-	-	6,742	-	-
	7,035	**7,090**	**220**	**-**	**6,792**	**78**	**-**

15. Subsequent events

In January 2025 the Company announced the commencement of a share buyback programme to purchase ordinary shares of £0.01 each in the capital of the Company up to a maximum aggregate consideration of the lower of either £5 million or 17.5 million Ordinary Shares.

Appendix - Alternative Performance Measures

Certain financial measures disclosed in this Annual Report do not have a standardised meaning prescribed by International Financial Reporting Standards (IFRS) and may therefore not be comparable to similar measures presented by other issuers. These measures (defined below) are deemed to be alternative performance measures ("APMs").

APMs may be considered in addition to, but not as a substitute for, the reported IFRS results. The Group believes that these APMs, when considered together with reported IFRS results, provide stakeholders with additional information to better understand the Group's financial performance.

Gross revenues (£m)

	2024	2023
Interest and similar income	76.8	60.0
Fee income	1.2	1.4
Fee expenses	(1.6)	(0.7)
Net gains/(losses) on derivatives at fair value through profit or loss and other operating income	0.4	(0.3)
Total gross revenues	**76.8**	**60.4**

Sum of interest and similar income, fee income less fee expenses, net gains/ (losses) on disposal of financial assets at fair value through other comprehensive income, net losses from derivatives measured at fair value through profit or loss and other operating income.

Gross yield (%)

	2024	2023
Interest and similar income on loans and advances to customers (£m)	71.6	55.2
Fee income (£m)	1.2	1.4
	72.9	56.6
Average gross receivables (£m)	595.0	508.8
Gross yield (%)	**12.2%**	**11.1%**

The effective interest rate we charge our customers including fees.

Net interest margin (%)

	2024	2023
Total operating income (£m)	45.6	38.0
Add back: Fee expenses (£m)	1.6	0.7
Adjusted total operating income (£m)	47.2	38.7
Average gross receivables (£m)	595.0	508.8
Net interest margin (%)	**7.9%**	**7.6%**

Total operating income adding back fee expense, as a % of gross receivables at the year end.

Cost of risk (%)

	2024	2023
Impairment charges (£m)	0.2	(11.6)
Average gross receivables (£m)	595.0	508.8
Cost of risk (%)	**0.04%**	**(2.28%)**

Impairments charges in the year as a % of average gross receivables

Cost to income ratio (%)

	2024	2023
Staff costs (£m)	16.0	13.4
Other operating expenses (£m)	10.7	8.4
Total operating expenses (£m)	26.7	21.8
Total operating income (£m)	45.6	38.0

Cost to income ratio (%)	**59%**	**58%**

Total operating expenses as a % of total operating income

Tangible net asset value per share

	2024	2023
Total assets (£m)	786.5	691.9
Total liabilities (£m)	(671.2)	(591.5)
Net assets (£m)	115.4	100.4
Less: Intangible assets (£m)	(1.0)	(0.6)
Net assets less intangible assets	114.4	98.8
Weighted average number of shares in issue ('000)	179,369	179,369
Tangible net asset value per share (p)	**63.8p**	**55.6p**

Net assets less intangible assets divided by the weighted average number of shares in issue during the year.

Impairment loss coverage on loans to customers (%)

	2024	2023
Impairment allowance on loans and advances to customers (£m)	6.6	14.6
Gross carrying amount of loans and advances to customers (£m)	669.8	584.1
Impairment loss coverage on loans to customers (%)	**0.98%**	**2.50%**

Impairment allowance as a % of gross carrying amount of loans and advances to customers at the year end.

Adjusted profit before tax (£m)

	2024	2023
Profit before tax	19.1	4.6
Reallocation of RoyaleLife write back from 2024 to 2023	(4.7)	4.7
Adjusted profit before tax	**14.4**	**9.3**

This adjusted profit before tax figure reallocates the 2024 write back on RoyaleLife to 2023 to match the timing of when the original provision was recognised.

Adjusted cost of risk (%)

	2024	2023
Impairment charges (£m)	0.2	(11.6)
Reallocation of RoyaleLife write back from 2024 to 2023	(4.7)	4.7
Adjusted impairment charges (£m)	(4.5)	(6.9)
Average gross receivables (£m)	595.0	508.8
Adjusted cost of risk (%)	**0.75%**	**1.36%**

Impairments charges in the year as a % of average gross receivables reallocating the 2024 write back on RoyaleLife to 2023 to match the timing of when the original provision was recognised.

Adjusted return on customer assets (%)

	2024	2023
Profit after tax (£m)	14.0	3.2
Post tax reallocation of RoyaleLife write back from 2024 to 2023	(3.5)	3.5
Adjusted profit after tax (£m)	10.5	6.7
Average gross receivables (£m)	595.0	508.8
Adjusted return on customer assets (%)	**1.8%**	**1.3%**

Profit after tax adjusted to reallocate the post-tax 2024 write back on RoyaleLife to 2023 to match the timing of when the original provision was recognised. This is then divided by average gross receivables during the year.

Adjusted return on equity (%)

	2024	2023
Profit after tax (£m)	14.0	3.2
Post tax reallocation of RoyaleLife write back from 2024 to 2023	(3.5)	3.5
Adjusted profit after tax (£m)	10.5	6.7
Average equity (£m)	107.4	100.3
Adjusted return on customer assets (%)	**9.8%**	**6.7%**

Profit after tax adjusted to reallocate the post-tax 2024 write back on RoyaleLife to 2023 to match the timing of when the original provision was recognised. This is then divided by average equity during the year.

Adjusted basic earnings per share

	2024	2023
Profit after tax (£m)	14.0	3.2

Profit after tax (£m)	14.0	3.2
Post tax reallocation of RoyaleLife write back from 2024 to 2023	(3.5)	3.5
Adjusted profit after tax (£m)	10.5	6.7
Weighted average number of ordinary shares outstanding ('000)	179,369	179,369
Adjusted basic earnings per share (pence)	**5.9p**	**3.7p**

Adjusted basic EPS is calculated by dividing profit attributable to ordinary equity holders of the Company, after adjusting to reallocate the post-tax 2024 write back on RoyaleLife to 2023 to match the timing of when the original provision was recognised, by the weighted average number of ordinary shares outstanding during the period.

Regulatory capital (£m)

	2024	**2023**
Common Equity Tier 1 capital	98.8	79.3
Tier 2 capital	10.2	10.3
Regulatory capital	**109.0**	**89.5**

Regulatory capital is the Common Equity Tier 1 capital together with Tier 2 capital.

Number of dealers

Number of borrower relationships.

Number of manufacturer partners

Number of vendors and manufacturers with whom we have programs that support our lending.

Total credit available to dealers

Amount of credit available to our customers to draw (uncommitted) including existing drawings.