DF Capital

Distribution Finance Capital Holdings plc

Annual Report and Financial Statements 2024

WORLD CLASS
TO WORK FOR
2024
cert.b.co.uk

Company information

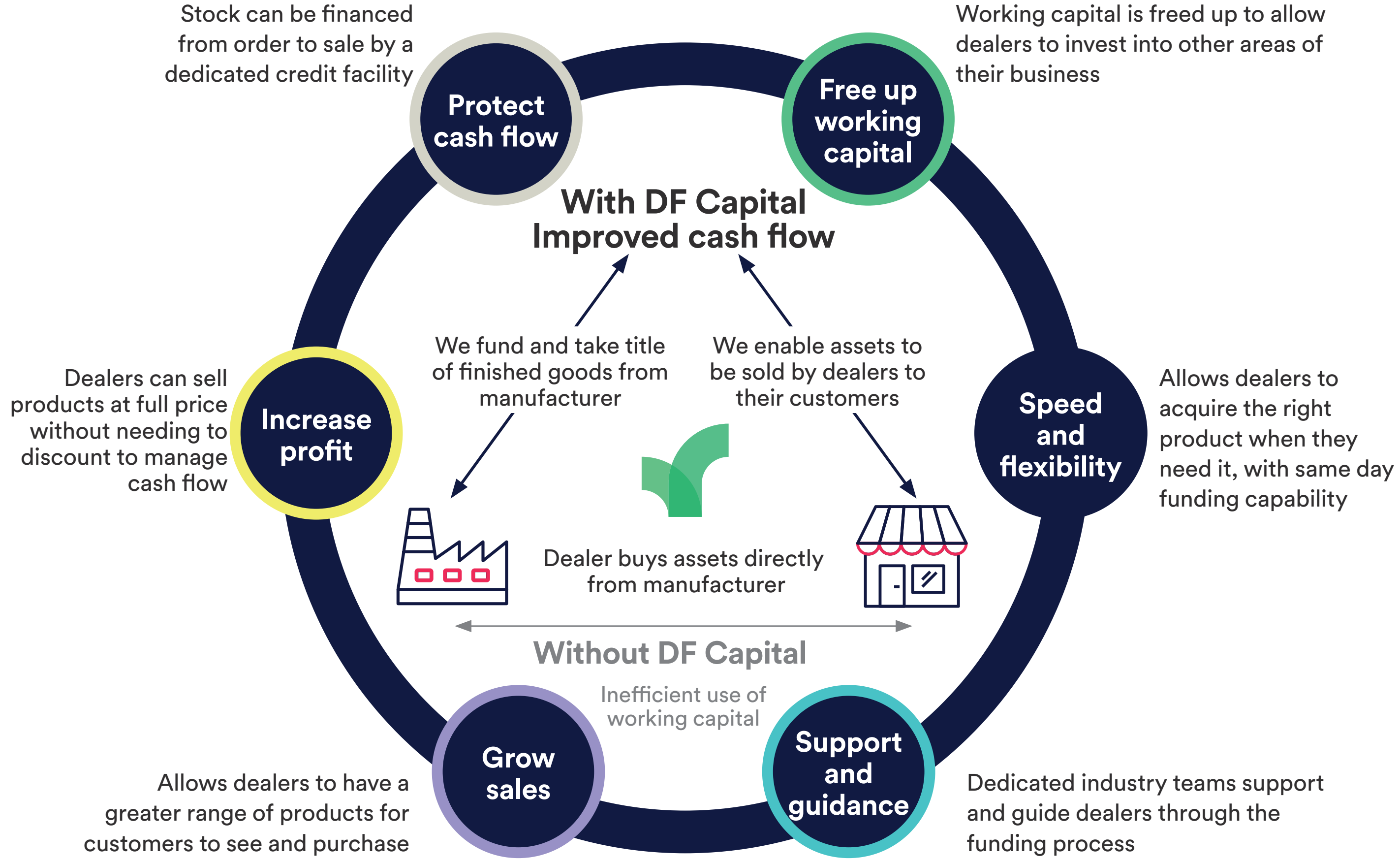
Distribution Finance Capital Holdings plc

Registered office	St James' Building, 61-95 Oxford Street, Manchester M1 6EJ
Directors	**Mark Stephens** Independent Board Chair **Sheryl Lawrence** Independent Non-Executive Director **Nicole Coll** Independent Non-Executive Director **Thomas Grathwohl** Independent Non-Executive Director **Haakon Stenrød** Non-Executive Director **Carl D'Ammassa** Chief Executive Officer **Gavin Morris** Chief Financial Officer
Company Secretary	Karen D'Souza
Registered Number	11911574
Independent Auditors	Deloitte LLP, 100 Embankment, Cathedral Approach, Manchester, M3 7FB
Nominated Adviser and Broker	Panmure Liberum Capital Limited, Level 12 25 Ropemaker Street London EC2Y 9LY
Principal Solicitors	Travers Smith LLP, 10 Snow Hill, London EC1A 2AL
Registrars	Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA
Group structure	Distribution Finance Capital Holdings plc was incorporated in April 2019 'DF Capital Bank Limited' (formerly 'Distribution Finance Capital Limited') (company number 10198535) is a wholly owned subsidiary of Distribution Finance Capital Holdings plc. 'DF Capital Financial Solutions Limited' (company number 14891201) was incorporated on 24 May 2023 and is a wholly owned subsidiary of DF Capital Bank Limited. 'DF Capital Retail Finance Limited' (company number 15788832) was incorporated on 19 June 2024 and is a wholly owned subsidiary of DF Capital Bank Limited.

DF Capital is a trading name of Distribution Finance Capital Holdings plc.: Distribution Finance Capital Holdings plc is referred to throughout this report in the following ways: 'the Company', 'the Group', 'DF Capital', 'DFC' and 'DFCH plc'.

Strategic Report

The benefits of distribution finance



Supported by award winning savings

Over 13,000 customers

Over 15,600 unique accounts

c£650m deposits

feefo 4.8

Fast account opening

Online banking

Telephone support

Great rates

Highlights

£19.1m pre-tax profit

WORLD CLASS TO WORK FOR 2024 cert.b.co.uk

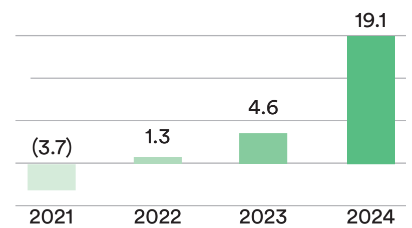
Platinum Trusted Service Award 2025 feefo

LeasingWorld GOING FURTHER GOLD AWARDS WINNER 2024 EXCEPTIONAL COMMUNITY SUPPORT AWARD

LeasingWorld GOING FURTHER GOLD AWARDS WINNER 2024 TOP INVENTORY & FLOOR-PLAN FUNDER

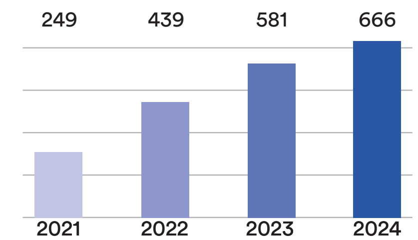
Financial performance

Profit/(loss) before tax (£m)



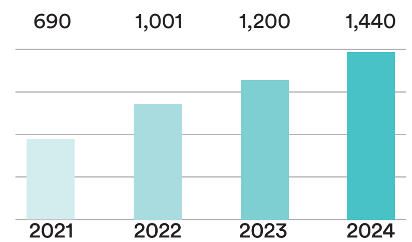
Profit/(loss) before tax per the Statement of Comprehensive Income

Loan book (£m)



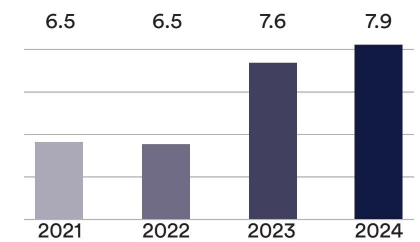
Lending to our customers at period end

New loans advanced to customers (£m)



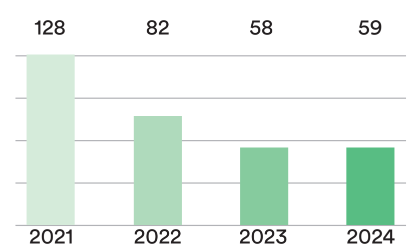
Volume of business our lending has supported during the year

Net interest margin (%) [1]



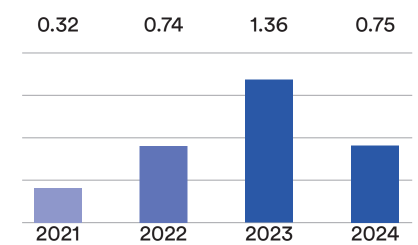
The amount of income earned from lending less the cost of funding

Cost to income ratio (%) [1]



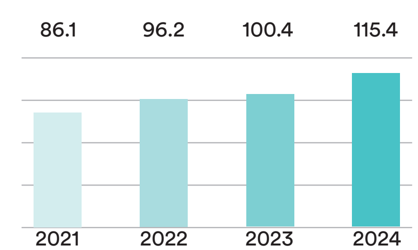
Operating cost as a % of total operating income

Adjusted cost of risk (%) [1]



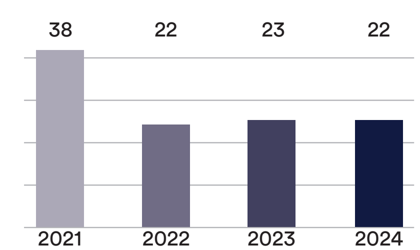
Impairments and provisions in the period as a % of average gross receivables

Net assets (£m)



The equity held in the group

CET1 ratio (%)



Common Equity Tier 1 capital as a percentage of risk weighted assets

1 Certain financial measures disclosed in the Strategic 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 are deemed to be alternative performance measures ("APMs") and are defined in the Appendix.

Chair's Statement

Mark Stephens
Independent
Non-Executive Chair

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.

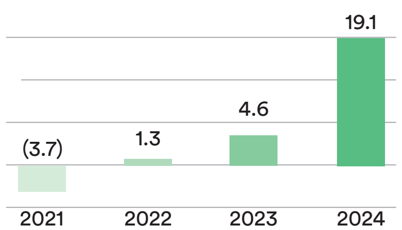
Whilst the global macro-economic uncertainty and some negative business sentiments in the UK remain, I'm optimistic about DF Capital's future prospects. We are at a point of transformation for the firm as we accelerate our multi-product lending ambitions and drive further scale across the bank, unconstrained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

Mark Stephens
Independent Non-Executive Chair

Chief Executive Officer's Report

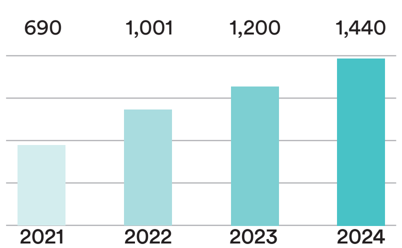
Carl D'Ammassa
Chief Executive Officer

Profit/(loss) before tax (£m)



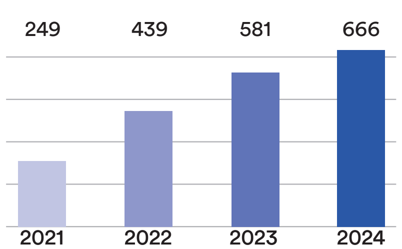
Profit/(loss) before tax per the Statement of Comprehensive Income

New loans advanced to customers (£m)



Volume of business our lending has supported during the year

Loan book (£m)



How much we have lent our customers

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[1] 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.

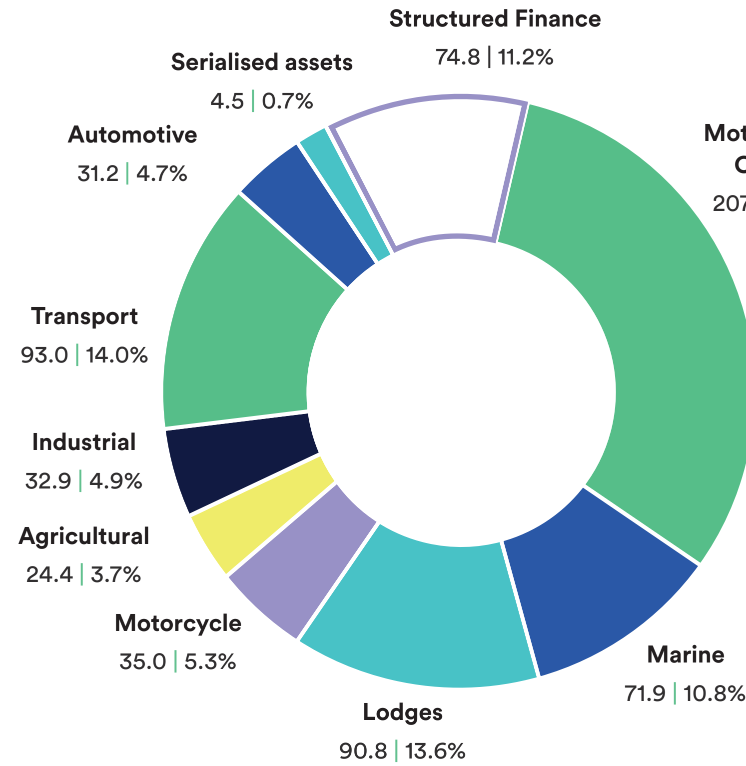
Net Interest Margin ("NIM") increased marginally through the year to 7.9% (2023: 7.6%), a significant driver of our year-over-year profit improvement.

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[1], excluding the RoyaleLife write back, is on the cusp of exceeding 10% at 9.8% (2023: 6.7%).

1 Adjusted pre-tax profit and adjusted return on equity are alternative performance measures defined in the Appendix.

Portfolio by sector - year end 2024 (£m)



Continued momentum in core lending product builds market share

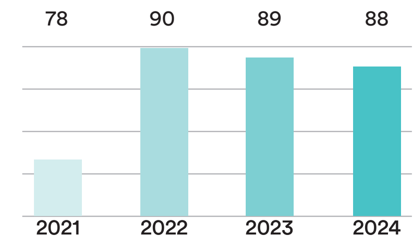
In our core inventory finance product, the range of end-user markets we support remains stable and our portfolio continues to be well diversified across multiple sectors. Undoubtedly, it has been another unpredictable year from a macro-economic perspective, impacted further by the change in Government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

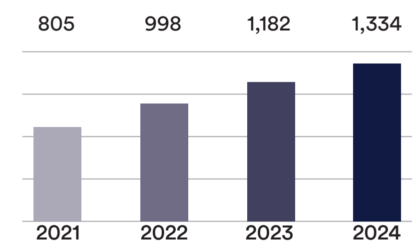
Overall, we are pleased with where our loan book closed the year at £666m, up 15% on 2023. We continue to make significant strides forward in the motorhomes and caravans, marine, motorcycles and automotive sectors, where we have grown our market share materially during the year despite some of the market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

Number of manufacturer partners



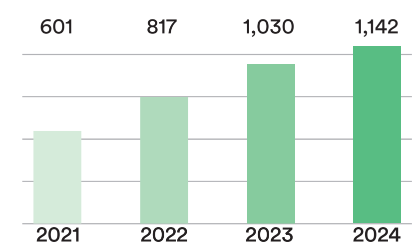
Number of vendors and manufacturers with whom we have programmes that support our lending

Number of dealer customers



Number of borrower relationships

Total credit lines (£m)



Amount of credit available to our customers to draw

+38 2024 NPS score

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.

2 YEARS RUNNING

Platinum Trusted Service Award

2025 feefo

feefo 4.8

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.

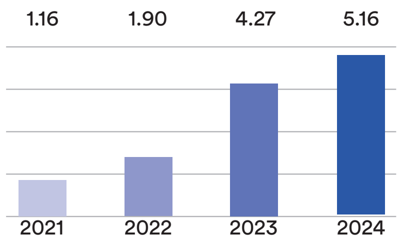
We are particularly excited about the recently announced relationship with Satago Financial Solutions Limited ("Satago"), a leading provider of Lending as a Service software solutions and invoice financing, which will unlock invoice discounting capabilities for our existing customers sitting alongside 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

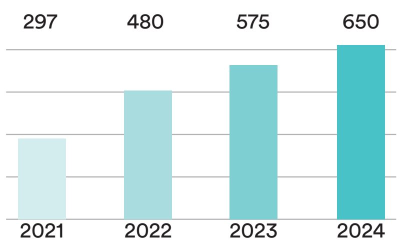
Having ruled out the pursuit of inorganic product development opportunities through M&A, we started the self-build of an asset finance capability in early 2024. We believe this is the natural extension to our existing manufacturer and dealer relationships by unlocking the opportunity to finance assets "beyond the forecourt", supporting the retail sales of our dealer customers and thereby deepening our relationships with those dealers even further. Hire purchase and

Average cost of retail deposits %



The weighted average interest rate we pay our depositors

Retail deposits (£m)



Aggregate total of retail deposits held by the bank

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 c.145 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.

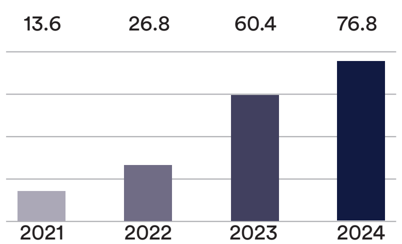
The opportunities ahead of us are immense, I'm excited about our future plans, whilst always cautious and vigilant about the uncertainties presented by the global macro-economic environment.

Carl D'Ammassa
Chief Executive Officer

Chief Financial Officer's Report

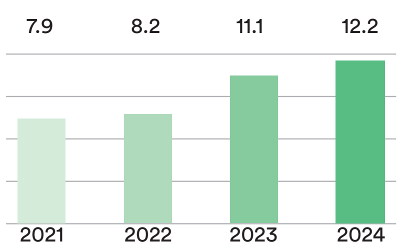
Gavin Morris
Chief Financial Officer

Gross revenue (£m)



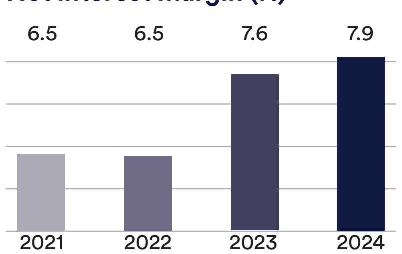
The interest and fees we earn on our loans, bank balances and investment securities, and net gains from derivatives

Gross yield (%)



The effective interest rate we charge our customers including fees

Net interest margin (%)



The amount of income earned from lending less the cost of funding (deposits and wholesale)

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[1] 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	**14,096**	**3,338**

1 Adjusted basic earnings per share is an alternative performance measure defined in the Appendix.

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.

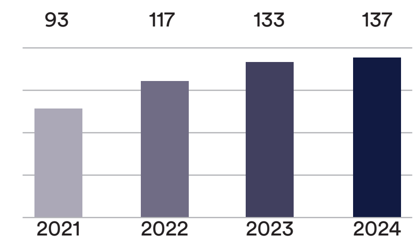
Total operating expenses for the year were £26.7m (2023: £21.8m) comprising £16.0m of staff costs (2023: £13.4m) and £10.7m of other operating expenses (2023: 8.4m).

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.

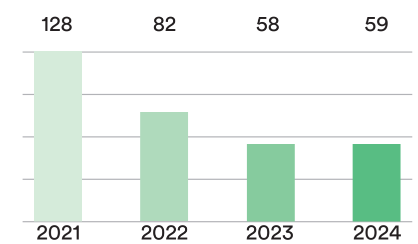
As at 31 December 2023 an almost full provision of c£10m had been made in respect of RoyaleLife and associated companies ("RoyaleLife") being equivalent to the customers entire outstanding unrecoverable balance at that time. During 2024 we have diligently and proactively looked to make the fullest recovery 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.

Headcount FTE



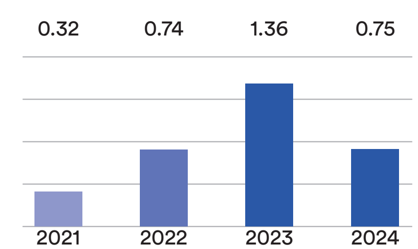
Total number of full time equivalent employees

Cost to income ratio (%)



Operating cost as a % of total operating income

Adjusted cost of risk (%)



Impairments and provisions in the period as a % of average gross receivables

Arrears (£'000)

Arrears - principal repayment, fees and interest

	31-Dec-24	31-Dec-23	31-Dec-22	31-Dec-21
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

	31-Dec-24	31-Dec-23	31-Dec-22	31-Dec-21
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	1,900	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[1] 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.

1 Adjusted cost of risk is an alternative performance measure defined in the Appendix.

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.

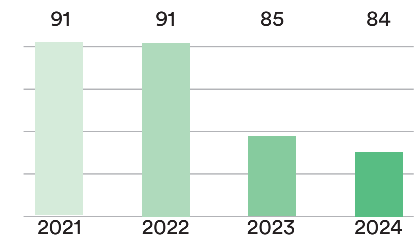
Growth ambitions underpinned by a well-capitalised balance sheet

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.

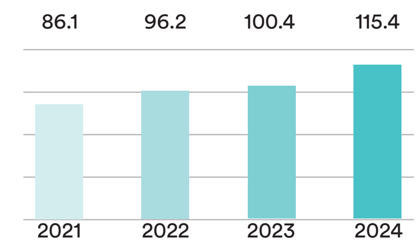
Given the combination of an existing well capitalised balance sheet, the sizeable retained earnings expected to be generated going forwards, increasing utilisation of the ENABLE Guarantee and full utilisation of the Tier 2 facility, the business expects to be able to meet its medium term financial targets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

LTV %



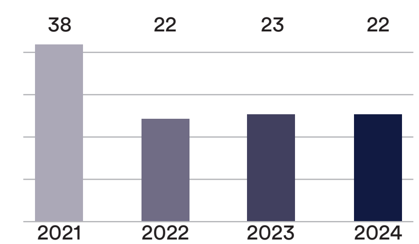
Value of dealer loans outstanding compared to wholesale value

Net assets (£m)



The equity held in the group

CET1 ratio (%)



Common Equity Tier 1 capital as a percentage of risk weighted assets

Gavin Morris

Chief Financial Officer

Stock turn (average age of loan outstanding - days)

	Recent trend vs expected norms		Historical Annual Average	Tolerance Level	31-Dec-24	31-Dec-23
	New Loans	Repayments				
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**	**140**	**148**

Pay as sold inventory only - excludes rental ending and recovery cases, equivalent to 6% at 31 December 2024.

Acting Sustainably

Celebrating Pride 2024

Charlie Michael
Chief People and Sustainability Officer

At DF Capital, our sustainability journey is powered by the passion, innovation, and commitment of our colleagues. It's their drive and shared belief in our purpose that bring our commitments to life—supporting customer growth, creating value for shareholders, strengthening communities, and doing our bit to champion a greener planet.

Our colleagues are more than employees; they are partners in making a positive impact. Together, we foster a workplace culture where everyone feels empowered to lead, innovate, and advocate for sustainable practices. Their dedication to our values enables us to continuously raise the bar for what we can achieve here at DF Capital.

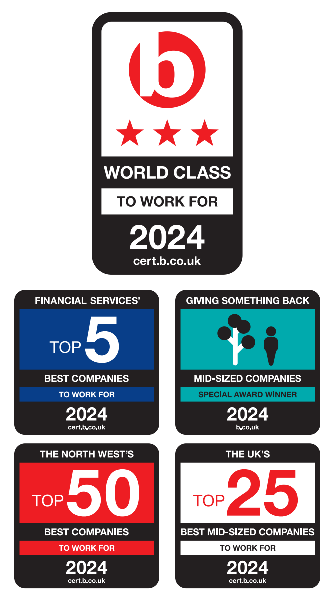
Measuring progress remains central to our approach. Our 'measure and act' philosophy, reflected in our Sustainability Scorecard, ensures that we track and deliver tangible outcomes against our goals. This framework, which evolves with experience, drives accountability and alignment with broader sustainability objectives, allowing us to build on our achievements year after year.

2024 highlights

2024 has been a standout year for the Group in both recognition and action.

A highlight was being awarded the Special Award for **Giving Something Back** by Best Companies. This accolade reflects our commitment to community support and environmental stewardship. We also maintained our coveted 3-star Best Companies accreditation - recognising us as offering world-class levels of employee engagement - and achieved notable rankings in the Best Companies league tables:

- #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



This marks the third consecutive year we've featured in these rankings, a testament to our unwavering focus on fostering an engaged and high-performing workforce.

Our partnership with The Manchester College also achieved a major milestone as we received their Platinum **"Industry Excellence Partnership"** award. This recognition highlights our dedication to providing opportunities and learnings to students and young people across Manchester. Our sponsorship of the T-level Finance qualification focusses on inspiring the next generation and improving the narrative around the accessibility of the financial services sector. Stretching into other disciplines our programmes is centred around giving students real-world experience, through insight sessions, workshops, and industry placements. In total, during the 2023/2024 academic year, we provided students with 90 hours of dedicated delivery time and over 1,200 hours of paid industry placements, offering invaluable hands-on experience and continuous support.

Additionally, we were honoured with the **feefo 2024 Platinum Trusted Service Award** for exceptional customer service and won the prestigious **Leasing World Gold Award for Community and Charity Impact**. We were also recognised by The Leasing Foundation with the **Business Contribution to Charitable Causes award**, further underscoring our commitment to the community.

Looking ahead to 2025

The coming year will see us deepen our commitment to sustainability and workplace excellence. Our priorities include:

Building a world-class workplace for high-performing, engaged teams; we're committed to creating an exceptional workplace that fosters engagement, collaboration, and innovation. To maintain our top-level colleague engagement accreditation, we'll conduct a thorough employee survey and implement feedback-driven action plans.

Building our own talent: grassroots recruitment and development; developing talent from the ground up is a key priority in our 5-year plan. We'll expand partnerships with local colleges and universities, ensuring alignment with T-Level and apprenticeship programs. Together, we'll design impactful placement programs focused on skills training and project exposure. Additionally, we'll create a "return offer" framework, by providing high-performing students with clear pathways to internships and permanent roles.

Driving greater Equity, Diversity, and Inclusion; Equity, Diversity, and Inclusion (ED&I) are at the heart of our long-term vision. We will develop and implement a comprehensive ED&I strategy, defining actionable steps to ensure a more inclusive and diverse environment across DF Capital. This will be a cornerstone of our efforts to create a workplace where everyone can thrive.

As we reflect on our 2024 achievements, I'm inspired by the dedication and resilience of our team. Their efforts exemplify our commitment to driving sustainable, meaningful change that underpin our financial and business performance. I look forward to what we can accomplish together in 2025 as we continue to innovate, collaborate, and make a difference.

Thank you reading about our progress and plans. I hope you find this report as inspiring as the journey itself.

Charlie Michael

Chief People and Sustainability Officer

For our customers

Providing great outcomes

Customer Scorecard

			Our target	2024 actual	2023 actual
Satisfied customers	Net promoter score	Measure of lending customers recommendation of our products and services	+30 or greater	+38	+37
	feefo	Savers rating of our products and services out of 5 stars	>4.5 stars	4.8 stars + Platinum Trusted Service Provider	4.7 stars + Platinum Trusted Service Provider
	Complaints ratio	No. of complaints per customer (savers + dealers + manufacturers)	<0.5% of customers	0.44% of customers	0.5% of customers

Putting customer needs first continued to be a core component of our strategy in 2024. We're a bank that's striving to be different. For our customers that means providing great service levels and great products, that not only resonate well, but deliver great outcomes too.

The c.13% growth in savings deposits and c. 15% growth in our loan book is testament to our strong focus placed on delivering for customers – something that we continually measure and monitor at multiple touchpoints.

By the end of the year, we supported 88 manufacturers (compared to 89 the previous year), 1,334 dealers (up c.13%) and over 15,600 depositor accounts (up c.3%). We have continued to enhance the way we deliver our products and services through our digitally enabled platforms. In September we launched a newly refreshed website with better navigation, easier access, and better insights to Help & FAQ topics and more thorough product information to inform prospective savers of product features. Overall, this has significantly enhanced the experience for our depositors, reflected in the positive customer feedback captured in our verified reviews received through feefo.

Throughout the year, we maintained a consistently high overall satisfaction score for service quality provided to our depositors. We achieved an average rating of 4.8/5 from over 1,300 reviews (up from 4.7/5 in 2023) and closed the year even stronger, achieving an impressive 4.9/5 for the month of December alone. As a result, we were awarded a Platinum Trusted Service Awards from feefo for the second year running.

Our surveying also tracks how well customers understand the products we offer, the communication they receive, and whether they believe these products offer fair value, in line with the FCA's Consumer Duty regime. We saw excellent levels of satisfaction with at least 98% of customers positively or strongly agreeing with statements across these areas.

Not only do we meticulously review our feefo review data, but this also shapes our product offerings, design, and future improvement strategies. In 2024 we launched our first Business Savings accounts and launched additional options for how interest is earned and paid on some of our longer-term propositions. We continued to offer existing customers highly competitive rates upon maturity, and we also upgraded savers with dormant accounts by migrating them to a more beneficial easy access account.

Understanding the importance of real-time communication and customer support, our knowledgeable and friendly team remain easy to reach, with the average caller wait time across the whole of 2024 just 22 seconds, and 93% of all incoming calls being answered in under a minute. We have no long unnecessary wait times or complicated menu options.

Our impressive retention rate of c. 65% underscores the trust and satisfaction our customers place in us.

Deep understanding of our lending customers

We continue to be highly visible to our dealer and manufacturer partners. It's an integral part of our aim to put customer needs first. Our client and programme management teams are in regular contact with our borrowers to ensure we have a good sense of how we are doing, understand their current and future funding requirements, help them bring their business ambitions to life and to explore ways to make their lives easier. We conduct an annual customer survey, using a Net Promoter Score ("NPS") as a benchmark as to how we are doing holistically. Our benchmark target is to achieve a score greater than +30, which our research suggests is achieved by companies offering high levels of customer satisfaction through digitised distribution models. Once again, this year, our NPS score exceeds the benchmark at +38.

We continued to conduct transactional surveys at critical times in our lending journey too. In 2024 we achieved average scores of +76 (2023: +48) following account opening, +51 (2023: +68) after funding an asset, and +74 (2023: +46) following a physical audit being conducted.

We also continued to measure how trusted we are by our customers (Trust Equation), how easy it is to do business with us (Customer Effort Score), as well as how suitable our products are for our customer's needs (Product Suitability). The 'Trust Equation' looks to measure our overall trustworthiness through four objective variables: Our Credibility; Our Reliability; Our Intimacy; and our Self-Orientation. To measure our Customer Effort Score, we ask our lending customers how far they agree that DF Capital makes it easy to do business. Whilst these measures have no external benchmarks, they provide a useful internal assessment as to how we are doing. For 2024, our Customer Effort Score slightly increased, from a very strong result in 2023, to 92% (up from 91%), our Trust Worthiness Score remained broadly flat at 8.90 (2023: 8.93) and likewise for Product Suitability, 95% of respondents agreed that our products met their needs, broadly flat on prior year (2023: 96%).

We believe that these results demonstrate a robust and consistent performance in our drive to deliver excellent service levels to our customers and becoming a trusted partner for their business.

Creating additional value

We have continued to leverage robotics process automation, successfully implementing new processes in 2024, saving over 15,000 hours of processing time. This advancement allows our teams to spend more hours providing our customers with a rich experience rather than processing transactions.

Our commitment to technological innovation and continuous improvement remains steadfast as we delivered over 20 new system integrations, 27 change projects and further investment in AI to drive smarter decision making. These initiatives are aimed at enhancing the efficiency and seamlessness of our processes, ultimately providing our customers with quicker and more streamlined services.

In Q2 2024 we delivered on our promise to launch an exclusive customer forum for a select group of our commercial lending customers. Designed to provide additional insights, deepen engagement, strengthen relationships, and foster greater collaboration, our first "Inner Circle" event received excellent feedback from attendees. Front of everyone's mind was carbon accounting and delivering on green initiatives. The event facilitated conversations on optimising energy and carbon accounting strategies and attendees learned from renowned experts on the topic.

Credibility, reliability and intimacy are scored 1-10, with 10 being high. Self-orientation is scored 1-10 with 1 being high.

For our employees

We will provide an inclusive, progressive and sustainable environment where our employees thrive

Employee Scorecard

			Our target	2024 actual	2023 actual
Developing our people	Retaining talent	Rolling 12 month average employee retention rate [1]	>90%	91%	92%
Developing our people	Building a career	Employees taking on a new opportunity in the Group or via colleague referral	>20% (baseline)	10% of our workforce took on a new opportunity	10% of our workforce took on a new opportunity
Developing our people	Growing our own leaders	Employees stepping in to a leadership role	>30% (baseline)	27% of our promotions were into leadership roles	25% of our promotions were into leadership roles
Developing our people	Developing our people	Formal or qualification spend per employee [2]	£1,500 -2024	£617	£1,028
Thriving workforce	Best Companies participation	% of employees participating in our annual employee survey	>90%	97%	97%
Thriving workforce	Best Companies score	Result of annual employee survey	Retain 2 STAR	3 star	3 star
An inclusive workplace	Board diversity	Diversity composition of board (gender and ethnicity) [3, 4]	50% -2024	50%	50%
An inclusive workplace	Diverse workforce	Diversity composition of the workforce [3]	>60% -2024	53%	54%
An inclusive workplace	Gender pay gap	Male pay relative to female pay [5]	<30% -2024	33%	8%

Text in brackets represents the timeline we expect to achieve the target

1. Employee retention is calculated using voluntary attrition of employees who have passed their probation and does not include retirees or those who leave on medical grounds
2. Based on total headcount at the end of the performance year
3. The Group counts employees who declare one or more of the following diversity characteristics: gender (non-male), sexual orientation (non-heterosexual), ethnicity (non-white British), religious belief (declaring a religion that is non-Christian or similar)
4. Board membership is defined as independent non-executive directors only
5. % pay difference between median male relative to the median female employee ranked by salary. The Group is not required to publish its gender pay gap in detail as it does not currently have more than 250 employees

We are committed to providing an inclusive, progressive, and sustainable environment where our employees can thrive.

Our best is your best

At DF Capital, "Our best is your best" reflects our unwavering commitment to fostering a workplace where colleagues feel valued, supported, and empowered to excel. This philosophy drives everything we do and underpins our focus on creating a culture that attracts and retains the best talent.

Our recognition as a Best Companies 3-Star Accredited organisation with "world-class" levels of employee engagement is a testament to the strength of our culture and the collective effort we put into making DF Capital an exceptional place to work.

In 2024, we also secured strong positions in the Best Companies annual rankings, including:

- #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

These achievements reflect more than just numbers; they symbolise our dedication to building an environment where employees feel pride in their work, are supported in their development, and are empowered to contribute to our collective success. Our rolling 91% employee retention rate further highlights our ability to foster an environment where people want to build long-term careers. Retaining talented and engaged employees allows us to maintain continuity, deepen expertise, and deliver exceptional results for our customers.

Feeling fulfilled – building careers

We understand that a thriving business depends on the growth and development of our people. Providing opportunities for career advancement and professional development is central to our mission, as it ensures that our colleagues are continually challenged, engaged, and supported.

In 2024:

10% of our workforce transitioned into new roles, demonstrating our commitment to internal mobility and career progression. Although this is below our 20% target, it reflects our strong employee retention, which limits internal opportunities to growth rather than attrition. With the launch of our new consumer business, we expect a significant increase in internal mobility in 2025.

27% of promotions were into leadership roles, showcasing our commitment to building leadership from within. By developing future leaders internally, we ensure that those who know our culture and values are shaping the direction of the business.

We invested £617 per employee in formal training. While this falls short of our target for formal training spend, it doesn't account for the side-by-side training, our internal programs led by colleagues with specific expertise, or involvement in new projects. As a young, growing, and agile business, these opportunities ensure that employees are continuously developing and applying new skills. This investment in learning not only empowers individuals but also strengthens our business by fostering innovation, adaptability, and a deep sense of ownership among our workforce. By focusing on development, we empower our employees to reach their full potential while ensuring that DF Capital remains a dynamic, forward-thinking organisation.

Feeling included – embracing diversity

Diversity and inclusion are fundamental to our success. We believe that a diverse workforce brings unique perspectives, drives innovation, and fosters a more creative and collaborative environment.

As of 2024:

50% of our Board [1] demonstrate diversity characteristics, ensuring diverse viewpoints guide our strategic decision-making.

53% of our workforce identify with diverse characteristics, reflecting our ongoing commitment to creating a workplace that is representative of the communities we serve.

In reviewing our gender pay gap, we acknowledge that our current figure of 33% is higher than where we aim to be, with a target of <30%. This gap is primarily driven by the relatively small dataset, with fewer women in senior roles across the firm. However, we want to emphasise that this gap is not indicative of unfair pay practices. We are confident that we pay our employees fairly, with rigorous benchmarking and a strong commitment to applying an equity, diversity, and inclusion (ED&I) lens across all people-related activities. We recognise that improving this gap is a key priority for us moving forward, and as outlined in this report, it will be a focal point for our ED&I objectives in 2025 and beyond.

These achievements are not only milestones but also a call to continue pushing forward. A diverse and inclusive workplace is essential for attracting top talent, retaining engaged employees, and driving sustainable growth. We remain committed to addressing pay equity and commit to ambitious ED&I goals for 2025 to further enhance our culture of inclusion.

Feeling valued – supporting wellbeing

Our people are at the heart of our success, and we know that thriving employees are key to delivering exceptional outcomes for our customers and communities. Supporting their well-being - financially, mentally, and physically - is a priority for DF Capital.

As a Living Wage employer, we continue to pay 10% above the Living Wage, underscoring our commitment to fair and competitive compensation. Beyond pay, we provide tools like PayCaptain, enabling colleagues to manage their finances effectively, save for the future, and access emergency support when needed. This holistic approach ensures that our employees feel secure and valued.

Recognising the importance of mental health, we are reviewing our mental health support proposition to enhance sustainable practices that promote long-term well-being. Proactive initiatives like these not only improve individual outcomes but also strengthen our collective resilience as an organisation.

To further prioritise employee well-being, we now support a comprehensive Menopause Treatment Plan through Bupa. This initiative ensures employees experiencing menopause have access to quick answers and round-the-clock assistance tailored to their specific needs. This programme demonstrates our commitment to creating a supportive and inclusive workplace by addressing health challenges that are often overlooked. It's another step in fostering a culture where all employees feel seen, valued, and cared for.

We are proud to offer a robust and compelling suite of benefits and support to help our colleagues thrive in all aspects of their lives. From physical health initiatives, including our fitness programmes and wellness resources, to mental health support like the Menopause Treatment Plan and enhanced mental health services, we are committed to creating an environment that nurtures our employees' overall well-being as outlined below.

Why it matters

At DF Capital, we believe that our success as a business is inextricably linked to the success and satisfaction of our employees. By investing in their growth, celebrating their individuality, and supporting their well-being, we create an environment where they can thrive. In turn, this drives better outcomes for our customers, stronger performance for our business, and a positive impact on the communities we serve.

1 Board membership is defined as independent non-executive directors only

Ducati motorbike donated to Greater Manchester Blood Bikes

For our communities

For our communities, we will contribute to building stronger communities, wherever we do business

Communities Scorecard

			Our target	2024 actual	2023 actual
Giving back	Total raised for charities	Donations made to charity following fund-raising efforts	£5,000	£27,581	£7,855
	Employee volunteering hours	No. of hours spent by employees giving back to their communities	>22.5 hours per employee -2024	22 hours per employee	14 hours per employee

We're all about making a real difference in the communities we work in. Our commitment to social responsibility is something we're always growing and improving, building on the positive impact we've already made. Recently, we've received some great recognition that highlights our dedication to giving back:

- 100% of our team feels DF Capital supports charitable initiatives.
- 96% of our team believes we have a strong social conscience.
- 93% feel we're doing enough to protect the environment.

These numbers show how committed we are to making a positive, lasting impact on society.

Building stronger communities

This year, our colleagues dedicated more of their time, skills, and resources to support local causes, furthering our commitment to making a positive impact.

The Mega Giveback: Our annual day of community initiatives brought together nearly 120 colleagues, who volunteered over 400 hours across 10 charities in Greater Manchester. With a focus on giving back to our local communities, we supported a wide range of causes, including stocking shelves and preparing essential bags at Trussell and local foodbanks, caring for animals at rescue centres, assisting LifeShare with their HQ move, participating in environmental conservation projects, and more. This year, we went a step further by making donations to each of these organisations to further support their work.

Volunteering leave: We continue to offer our colleagues four days of paid volunteering leave, encouraging greater participation in community-building initiatives. During this time, they support our community and charity partnerships, as well as causes close to their hearts. Colleagues have used their volunteering leave for a variety of impactful activities, including mentoring students, providing sports coaching, delivering talks on important issues, running marathons, competing in sports competitions, online gaming with children in long-term hospital care, and offering companionship to elderly individuals living alone.

Charity donations: Our fundraising initiatives raised £27,581 overall and DF Capital colleagues volunteered over 2,802 hours, contributing to our overall mission of community support.

New partnerships, powerful impact

We are proud to have launched new impactful partnerships with local charities in 2024, including:

The Milk Bank at Chester: We first supported The Milk Bank at Chester by funding 10 transport boxes, specifically designed to safely carry donor breast milk. We continue our support by ongoing volunteering in their centre, through our expertise and sharing their story.

Greater Manchester Blood Bikes: Through our partnership with The Milk Bank at Chester we were introduced to Greater Manchester Blood Bikes. As part of our ongoing support for these vital organisations, we donated a Ducati Multistrada V2S motorcycle, supplied by our customer Ducati Manchester Group, to Greater Manchester Blood Bikes, alongside a £1,500 donation to cover running costs. This reflects our deep commitment to supporting those in need, especially through impactful healthcare initiatives.

LifeShare: Manchester's oldest charity supporting homelessness and vulnerable people across Greater Manchester. This year, we've supported them through volunteering, providing van assistance via our customer Chadderton Motor Company, and donations.

Empowering the next generation

2024 saw a continued commitment to fostering social mobility, with key educational initiatives:

The Manchester College Partnership: We received the prestigious Platinum "Industry Excellence Partnership" award from The Manchester College for our outstanding support in fostering talent through placements, sponsoring a T-level qualification in Finance, and co-delivered curriculum.

Girls Out Loud Big Sister Programme: We continued to empower young girls through mentorship and life skills workshops, providing opportunities for them to make informed choices and build successful futures.

Sustainability competitions and CV workshops: In collaboration with The Manchester College, we hosted sustainability challenges and career preparation events, helping equip the next generation with the skills they need to succeed.

Raising awareness

A key part of our commitment to building stronger communities is raising awareness for the causes we care about and support. Internally, we recognise, celebrate, and educate around important awareness days such as International Women's Day, Pride Month, Ovarian Cancer Awareness Month, Mental Health Awareness Month, International Men's Day, Earth Day, and Recycling Week. We do this through educational posts, sharing personal stories, and offering support. Additionally, we use our social media platforms to highlight causes that align with our community partnerships, including The Milk Bank at Chester, Greater Manchester Blood Bikes, and The Manchester College.

Awards and recognition: celebrating excellence

Our community and charity efforts have been recognised through several prestigious awards in 2024, including:

- Leasing World Gold Awards: Community and Charity Impact
- Business Contribution to Charitable Causes Award at the Leasing Foundation Summer Party
- Special Award for 'Giving Something Back' from Best Companies

2024 Mega Giveback supporting LifeShare

Fundraising and giving back

In addition to volunteering, we organised a series of fundraising events to raise essential funds for causes like The Proud Trust, Macmillan, and City of Trees. These efforts, ranging from bake-offs and sporting challenges to community nights, highlight our commitment to supporting charitable causes through both our time and resources.

Looking ahead: a year of giving more

For an organisation of our size, we punch well above our weight, but as we look toward 2025, we are committed to going deeper and further with our levels of community engagement. Our ongoing goal is to offer even more opportunities for our colleagues to give back and amplifying our positive impact on society. The future is bright, and we are excited to continue being a force for good in the communities we serve.

In 2025, we will broaden our collaborations with local colleges and universities, aligning more closely with T-Level and apprenticeship programmes. Together, we will co-create impactful placement opportunities that offer valuable skills training and hands-on project experience. Additionally, we'll introduce a "return offer" framework, providing high-performing students with clear pathways to internships and permanent roles with us, ensuring their long-term success and career growth as a member of the DF Capital team.

For the environment

We will play our part in the transition towards a climate friendly world

Environment Scorecard

			Our target	2024 actual	2023 actual
Managing our own carbon impact	Carbon footprint	The impact of our business on the environment	Determine our net zero target roadmap by 2026	122,581 $tCO_{2}e$ or 950 $tCO_{2}e$ per employee [1]	120,765 $tCO_{2}e$ or 1,015 $tCO_{2}e$ per employee [2]
	Employee participation in carbon reduction initiatives	Employees participating in electric vehicle and bicycle salary sacrifice schemes, electric vehicle company car benefit or using season ticket loans for public transport	>15%	30%	10%

1. Intensity ratio based on total emissions and 2024 average headcount. See breakdown in Energy and Emissions data on pages 38 -39
2. We have updated the 2023 figure following updated data and inclusion of new categories

NB: Our total emissions have witnessed a notable increase since 2023, attributed to the expansion of disclosure categories during the reporting period from 2023 to 2024.

Taking action

At the start of the year, we signed up to ethy Sustainability Standards. Developed in line with UN Sustainable Development Goals, the ethy standards framework comprises of ecolabels in six categories. We are proud to have achieved 4 ecolabels, complying with the rigorous ethy process and substantiated the claims with the required evidence, central to the integrity of ethy verification and key to reassuring consumers that we take sustainability seriously.

Community Champion

The brand is involved in projects or initiatives that benefit the community and which go beyond their typical products, services and activities for direct commercial gains.

Gives to Charity

The brand provides either a monetary donation or other tangible support to a registered charity on an ongoing basis.

Living Wage

The brand pays the Living Wage to all directly employed staff, ensuring a decent standard of living in the UK and London. Real Living Wage is independently-calculated annually by the Resolution Foundation and overseen by the Living Wage Commission.

Empowered Employees

The brand takes action to empower its employees to be happier, healthier and live more sustainably.

2024 Mega Giveback supporting Groundwork Greater Manchester

Our working environment

We value the importance of acting in a more environmentally friendly way as we continue to grow as a business. To support this, we have upgraded our office recycling to include Terracycle's Zero Waste Box™ and lead on implementing food waste bins, diverting over 780kg of waste a year from general waste.

As part of our commitment to 'measure and act', last year we reported emissions associated with our office electricity with a 38% renewable energy mix, since then we have switched to a 100% renewable energy tariff.

Understanding our own impact – expanding Scope 3

We are fully committed to understanding our impact on the environment and recognise the importance of data in achieving this. Our continued partnership with Normative supports our CO_2e emissions calculations in line with the Streamlined Energy and Carbon Reporting (SECR) requirements, split into Scope 1, Scope 2 and various categories under scope 3.

In 2024, we expanded our reporting categories to include Upstream Waste data and Category 15 Financed Emissions data - emissions linked to our lending activities. This is a major milestone in carbon accounting, as these emissions often represent a significant portion of a company's overall footprint. For 2024 we reported 99.45%, down from 99.6% in 2023. This means of all our reported emissions, direct and indirect, 99.45% are associated to the customers we lend to through the assets that they sell. Detail on how this figure is calculated is disclosed under the Energy and Emissions data section.

Recognising the importance of this data, we share it with the British Business Bank as part of our submission for the ENABLE Guarantee scheme, helping to improve our reporting and support their ESG ratings.

Further to our work on incorporating additional Scope 3 categories we have also advanced our reporting by utilising Normative's supplier engagement tool; using suppliers reported emissions within our own Scope 3 reporting. We consider sustainability measures when onboarding new suppliers and it is now a feature of our annual reviews with them. We want to encourage our partners to play their own part in improving their own environmental impact.

Whilst our total reported emissions, disclosed under the Energy and Emissions Data section, have increased since 2023, this is mainly attributed to the expansion of disclosure categories during the reporting period from 2023 to 2024. All assumptions made for the calculation are listed alongside the disclosures.

Measure and act

We are committed to integrating all our emissions into our reporting framework by the end of 2026, laying the foundation for setting sustainable targets in line with our reduction-first strategy; our goal is to reduce emissions wherever possible before investing in carbon credits. To achieve this, we will work closely with climate advisors and specialists from Normative to establish clear targets, milestones, and regular assessment points.

Energy and Emissions data

	2024		2023		
	tCO_2e	%	tCO_2e	%	Assumptions
Scope 1	**0**	**0%**	**0**	**0%**	Scope 1 is 0 as all direct owned assets are EVs. EVs are carbon-neutral during operation, due to their absence of greenhouse gas emissions while in use. Emissions from charging are deferred to Scope 2.
Scope 2	**70.6**	**0.1%**	**62.41**	**0.1%**	Location-based, in line with SECR requirements. Scope 2 intensity metric 2024: 0.55tCO_2e per employee and 2023 0.52tCO_2e per employee[1]
Electricity (EV Charging)	30.26	43%	28.63	46%	Electricity related with charging of company owned EVs (off-site). Calculated using miles driven, car type (battery electric vehicle) and size with the UK grid average energy mix.
Electricity (Manchester office)	40.35	57%	33.78	54.1%	Calculated using kWh provided by electricity supplier, Unify Energy. With a 38% renewable energy mix January - February 2024, 100% renewable from March 2024[2].
Scope 3	**122,511**	**99.9%**	**120,703**	**99.9%**	
Purchased goods and services	270.76	0.22%	247.01	0.20%	Calculated using supplier, spend data and supplier GHG where available.
Capital goods and services	202.41	0.17%	93.63	0.08%	
Fuel and energy	22.71	0.02%	18.49	0.02%	Relates to the losses during the transmission and distribution of energy to our facilities, categorised as Fuel and Energy Related Activities. This effectively accounts for any electricity that is lost during the process of transporting it.
Upstream transportation and distribution	0.21	<0.01%	0.29	<0.01%	Expenses only in relation to courier, postage and transport of goods and services supplied to The Group.
Waste generated in operations	0.03	<0.01%	n/a	n/a	All general office waste was measured for 1-month and averaged over the full year, this does not include waste of building materials or outsourced services.
Business travel	57.45	0.05%	64.51	0.05%	All expensed business travel including journeys by taxi, tram, train, hire car, plane, bus and expensed miles, and hotel stays. Where achievable car and fuel types included in calculations, where both unknown 'ukown average car type' has been used.
Employee commuting	49.46	0.04%	57.63	0.05%	Calculated for all office and remote workers by including average weekly commute and work from home days.
Investments	121,907.80	99.45%	120,221.27	99.60%	Emissions associated with our loan book; financed emissions. Further detail of methodology used included in Definitions and assumptions.
Total	**122,581**		**120,765**		

Definitions and assumptions

2023 data may appear differently from the 2023 Annual Report, due to:
- Identification and resolution of data gaps since the release of the last report
- Inclusion of supplier data
- Updated methodology in line with Partnership for Carbon Accounting Financials (PCAF) and Normative updates.

Electricity
1. Based on average headcount per year
2. Although our office is on a renewable energy tariff this is not reflected in the data as under the location-based approach, the percentage of renewable electricity is not considered. Instead, emissions are calculated based on the average emissions intensity of the grid where the energy consumption takes place

Investments
The Group has calculated its Financed Emissions in line with the PCAF, which provides a framework for financial institutions to measure and disclose greenhouse gas (GHG) emissions linked to their loans and investments. The estimates of The Groups financed emissions are based on a PCAF Score of 4. We have used the following metrics:

Outstanding Amount – The principal balance outstanding per dealer as at 31/12/24.

Company Value – Calculated as Shareholders Equity + Total Liabilities, from the latest company balance sheet filed at Companies House. If unavailable at Companies House, recent accounts we have been provided with have been used. Where this data is unavailable, an average of the lowest 15% of each values per industry has been used.

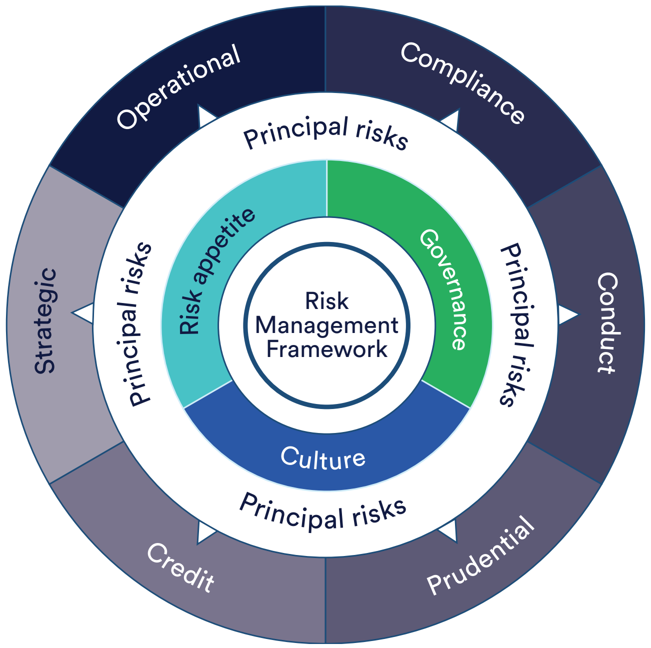
Revenue – The turnover from the latest filed accounts at Companies House has been used. If a turnover figure is not filed at Companies House (e.g. Turnover < £10m or for Sole Traders) then the turnover from the most recent accounts has been used. If data was still unavailable the total credit turnover through the bank account in the 12 months to Dec-24 from CATO information has been used as a proxy. If this information is unavailable, then the average turnover by industry for those companies with turnover < £10m held by us has been used as a proxy.

Industry NACE Code – The SIC code provided by the company to Companies House has been used and converted to NACE Rev 2. For Sole Traders / Partnerships the NACE code has been determined internally based on the most appropriate sector.

Where 'Outstanding Amount' was greater than 'Company Value' we have applied a 1:1 ratio, so that 100% of the company emissions are attributed, as advised by Normative.

Risk Management

Risk Management Framework



DF Capital's Risk Management Framework ("RMF") creates a structured approach and common language to support the day-to-day management of risks across the firm. The framework allows us to efficiently and effectively identify, measure, monitor and control risks in line with our governance, culture and risk appetite.

Governance

DF Capital has a well-defined governance accountability framework across the firm and has put in place structures to ensure the effective management of DF Capital's operations to deliver against its strategic plan and risk appetite. There is a formal overarching governance framework document which outlines the principles of corporate governance followed by the Group, in line with corporate governance best practice.

This document specifies the distribution of roles and responsibilities between the Board, executive committees, functions, and individuals. The aim is to create clear accountability and responsibilities, whilst facilitating effective decision making. The Board has adopted the QCA Code of Corporate Governance, which is an industry code designed for smaller listed companies.

Culture

Culture is a key component of effective risk management. Our Code of Ethics ("CoE") defines our high-level corporate values (aligned to the DF Capital brand values) and provides structure and guidance for decision making. It is consistent with and complements the regulations and control environment under which the Group operates.

The Board and management are committed to creating an effective risk culture across the firm and to that end assess the effectiveness of DF Capital's risk culture on a regular basis. Since 2021 we have participated in the Best Companies To Work For survey, which provided us with insight on employee engagement and the culture across the firm.

Risk appetite

The Board has defined a risk appetite which sets the context and the boundaries for the Group's activities and controls. It establishes the quantum and type of risks the Group is willing to accept. There is a formal framework in place which establishes the granularity, requirement and responsibilities for setting and allocating the risk appetite of DF Capital across the firm to support its strategic vision. This framework quantifies risk appetite through a number of risk metrics and limits which are monitored by the Group on an ongoing basis.

The Board owns and reviews the RMF and its three overarching components – governance, culture, and risk appetite – at least annually. We then have more granular policies in place which underpin the effective management of risk and are subject to regular review by relevant Board or management committees.

Three lines of defence

The risk management model established at DF Capital follows a 'Three Lines of Defence' ("3LOD") model. This approach ensures a clear delineation of responsibilities between risk ownership, risk oversight and independent assurance.

The 3LOD model is important as it provides clarity for individuals and functions about their role, their responsibilities and accountabilities, and is a core component of the RMF. The emphasis on the responsibilities of each line of defence is as follows:

First line of defence ("1LOD")

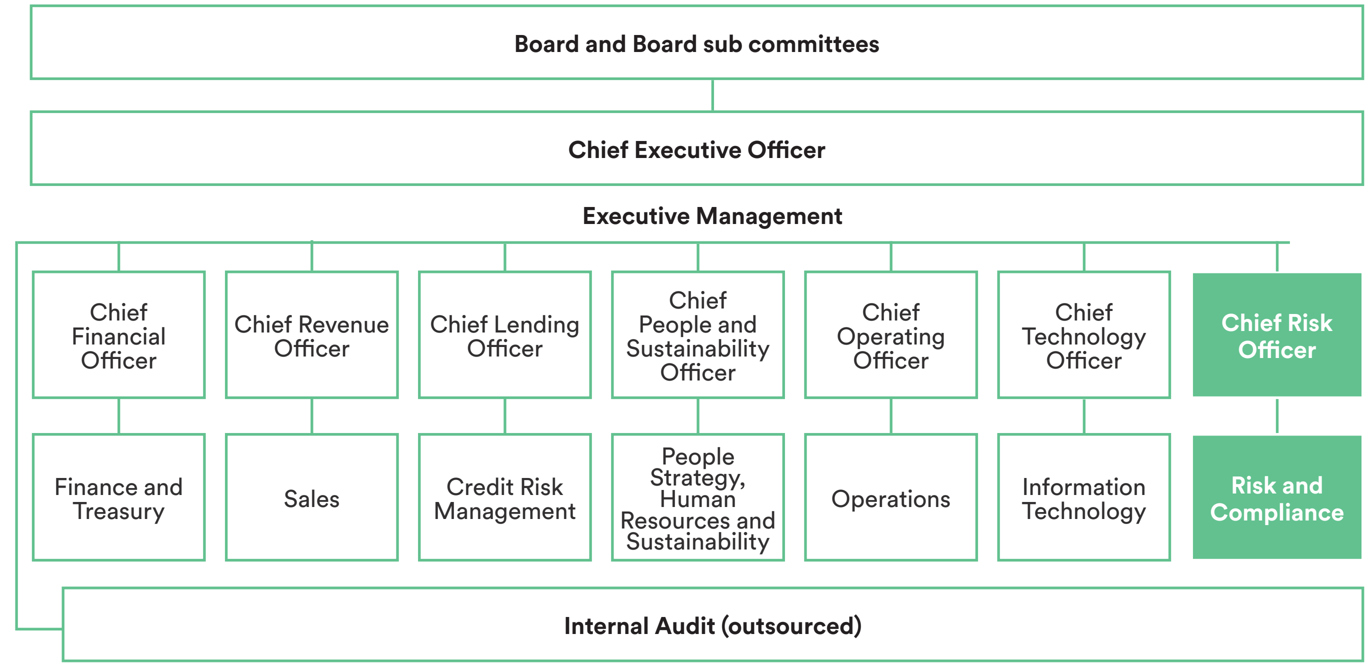
Business lines, Credit, Finance, Treasury, Technology and Operations functions act as the first line of defence and are responsible for identifying, assessing, mitigating, managing and reporting risk.

Second line of defence ("2LOD")

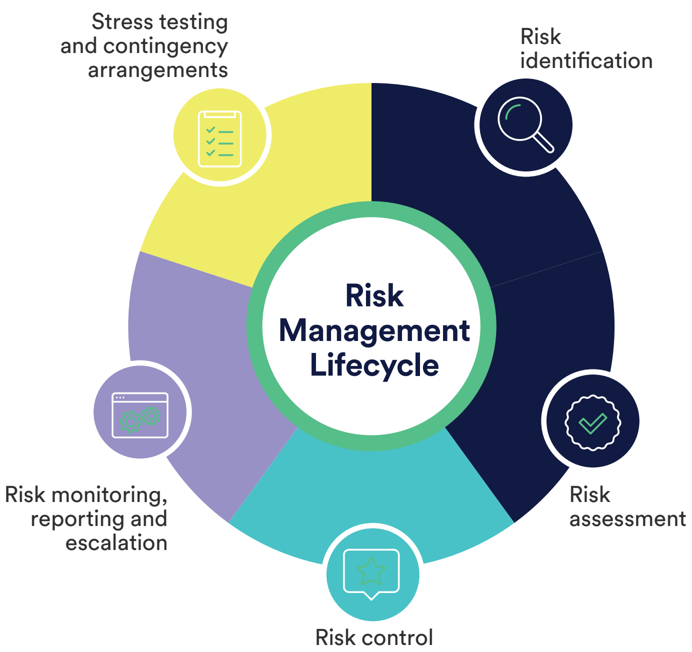
The Risk and Compliance function acts as the second line of defence and provide oversight, effective challenge, and technical advice to the first line to ensure risks are identified and controlled effectively.

Third line of defence

The third line of defence is provided by Internal Audit which independently reviews the design, implementation, and effectiveness of the first and second lines.



Risk Management Lifecycle



Taking and managing risk is fundamental to our business. DF Capital's risk strategy is based upon a proactive and continuous approach to the management of all risks faced by the Group. Ownership of risk and the responsibilities for risk management and risk oversight are allocated throughout the Group, following the 3LOD model. This risk management approach ensures that both risk taking and management are aligned to our business model and strategy. Risk frameworks, policies, procedures as well as department and individual job descriptions operationalise our approach to risk management. Employees have risk-based objectives incorporated into their personal objectives and these form part of their annual appraisal. The management of risk is undertaken using clearly defined limits, in line with risk appetite, which are measured, monitored, and managed through a robust control environment, risk governance structure and risk aware culture. The following pages summarise the core stages of the continuous lifecycle of risk management employed by the Group.

Risk identification

Risk identification involves continuously identifying risks that might occur in connection with the Group's business (e.g. changes in services and products, changes in the legislation, market developments) and have a detrimental impact upon business objectives, customers, staff or the Group's reputation. The identification process takes into account the principal risks described within the RMF. The identification process also considers new and emerging risks which might not already be sufficiently covered by these principal risks and existing controls.

Risk workshops, deep-dives, projects and strategic planning, horizon scanning and stress testing exercises are common points where risk identification will always be incorporated. Risk events are also used as a risk identification tool. This is in addition to the regular committee and department meetings where risk horizon scanning is a standing agenda item. The identification process will consider risks which may be emerging or more remote, to ensure that if these risks become more likely to occur then there is already recognition of the Group's exposure to such risks.

Risk assessment

This involves assessing the identified risks in terms of the probability and potential impact on the Group. The risk measurement process includes evaluations of existing controls to determine consequences and the likelihood of the risk, as well as assessing estimated levels of exposure.

Risks will be scored for their inherent risk. This involves defining the most likely scenario for the event, determining the total exposure for the risk before controls are taken into account. The risk is then assessed against the controls that are in place to arrive at a quantification of residual risk.

Once the assessment of risks and controls has been completed, if the risk profile is considered too high, then action will be taken to reduce, share or avoid the risk. Typically, the means to reducing the risk is through tightening and/or improving controls and limits. The assessment process therefore considers the existing risk appetite limits.

Risk control

DF Capital operates a control environment governed by its principal risk framework, policies, procedures, and systems which are monitored by the risk and compliance function, through the 3LOD model. These risk controls are reported up through oversight Board and executive level risk committees as outlined in the Corporate Governance Framework. There is a schedule in place which maps out each framework and policy across our principal risks, with respective document owner, the Senior Management Function ("SMF") role-holder responsible, and approval committee.

An effective Control Environment is a core part of the RMF and is critical to the safe and sound performance of DF Capital and to the management of risk. A successful system of internal controls improves the reliability and effectiveness of operations, supports the strategic objectives, and helps to ensure compliance with external rules and regulations.

Risk monitoring, reporting and escalation

Risk metrics

Reporting covering the metrics underpinning all principal risks, including movements in risk exposures and supporting commentary, is provided to Board and management risk committees at each regular meeting. This is in addition to the monitoring of any specific risks at the risk committees below the Executive Risk Committee (ERC) (and the Committees which oversee and grant credit). It is also in addition to more frequent monitoring of certain risk metrics (e.g. daily liquidity reporting).

A Red, Amber, Green ("RAG") status is used to measure risk metric performance. However, metric performance is supplemented with commentary and qualitative judgement to ensure there is a balanced and meaningful view of performance relating to the Group's risk appetite. Where any risk appetite trigger or limit has or may be breached, this will be escalated in accordance with the defined escalation process set out in the Risk Appetite Framework.

Enterprise-wide risk dashboard

A report showing the main enterprise-wide key and emerging risks is discussed at Board and management risk committees on a quarterly basis. This exercise allows the committee to consider the top risks being faced by DF Capital alongside the associated risk mitigation actions from a top-down perspective.

External environment

A number of macroeconomic and financial metrics are reported to the ERC and BRC at each meeting. These include statistics specific to the sectors where DF Capital operates. It is complemented by commentary covering key publications (e.g. Bank of England reports).

Regulatory monitor

The bank maintains a regulatory monitor which lists all changes in regulation and new regulations that can impact DF Capital. This monitor identifies the actions required by each function in response to the new or changed regulation. The regulatory monitor is presented to Management and Board risk committees.

Stress testing and contingency arrangements

Stress testing

Stress testing is a very important risk management tool, with specific approaches documented for the major regulatory exercises in the ICAAP and ILAAP, used to determine the adequacy of capital and liquidity in relation to the risks being run. Stress testing aims to improve the Board and management's understanding of the key risks, scenarios and sensitivities that may adversely impact the financial or operational position of DF Capital.

Stress testing is used to assess the adequacy of DF Capital's financial resources, the potential management actions available to mitigate the effect of adverse events, identify any gaps in DF Capital's RMF (such as potential weaknesses in controls), and provide input into DF Capital's risk appetite setting.

Internal Capital Adequacy Assessment Process

The Internal Capital Adequacy Assessment Process ("ICAAP") is an assessment of DF Capital's total capital requirements based on its risk profile under normal and stressed operating conditions, incorporating all material risks and is based on active cooperation between Finance, Treasury, and the business areas, led by the CFO with review and challenge performed by Risk.

The CFO has executive responsibility for the ICAAP which is prepared at least annually, but more frequent stresses can be run if internal or external factors change materially.

Individual Liquidity Adequacy Assessment Process

The Individual Liquidity Adequacy Assessment ("ILAAP") is an assessment of DF Capital's funding and liquidity position under normal and stressed conditions. The ILAAP is used to inform management and the Board of the ongoing assessment and quantification of liquidity risk and the manner in which it is measured, monitored, controlled, and mitigated.

The CFO has executive responsibility for the ILAAP, which is prepared on an annual basis, with review and challenge of the ILAAP performed by Risk. More frequent ILAAP stresses can be run if external or internal factors change materially.

Recovery Plan and Resolution Pack

The Recovery plan considers the bank's capacity to return to viability after a severe shock. The Recovery plan sets out the governance for developing and executing recovery options and protocols to ensure that selected options can be executed at speed.

The Resolution Pack provides regulatory authorities with information and analysis relating to DF Capital's business, organisation, and structure to enable them to carry out an orderly resolution, if required.

The Recovery Plan and Resolution Pack are owned by the CFO and supported by the CRO.

Contingency arrangements

Contingency plans exist for unexpected severe events, or scenarios when the risk profile of the Group could go beyond acceptable levels, including the Board's risk appetite. In addition to the ICAAP, ILAAP, and Recovery Plan, the Group also prepares a Solvent Wind-Down Plan ("SWD") which considers a more extreme stress scenario where the Group becomes financially unviable. The plan evidences that in such a scenario, the business could be wound down in a solvent and orderly manner. The CFO has executive responsibility for the SWD, which is prepared on an annual basis, with review and challenge of the SWD led by the CRO.

Contingency plans also exist for severe risk scenarios of an operational nature. Incident management plans are in place to cover such events, supported by Business Continuity Plans ("BCP") and Disaster Recovery ("DR") to deal with more severe business interruption scenarios. These are owned by the Chief Technology Officer with review and challenge led by the CRO.

Risk & Control Self-Assessment ("RCSA")

All risks need to be included within the RCSA, reflecting the risk identification, assessment, and controls in place. The inclusion of all risks in the RCSA helps to identify risk concentrations when underlying risks are aggregated. The RCSA is reviewed by relevant Board and executive level risk committees on a regular basis to ensure that any rising, new or emerging risks are identified and monitored.

Any risks which are 'accepted' but are outside of risk appetite will need to be formally accepted by the relevant management or Board committee as part of the 'Risk Acceptance' process defined in the RCSA framework.

Risk training

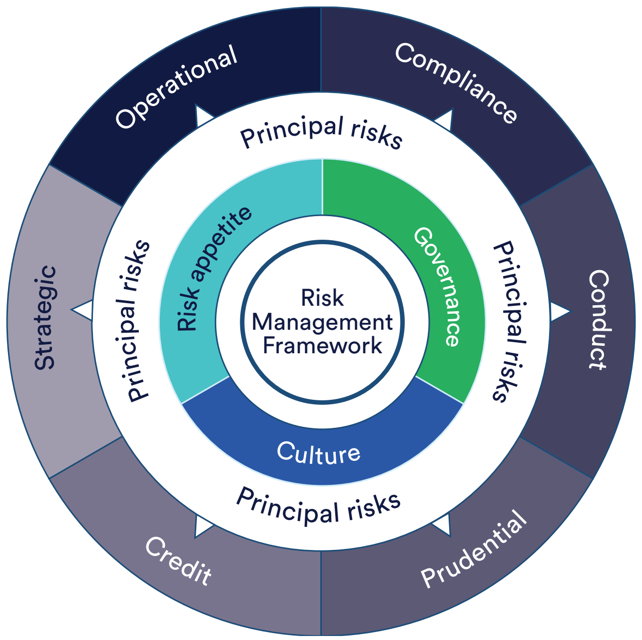
All employees are required to complete risk management and compliance training as part of new joiner training as well as regular refreshers thereafter. Risk and compliance training may vary depending on the role of the staff member (e.g. SMF role holder, Certified Function, functional manager, or customer- facing role) as well as the business or central function performed. Risk and compliance, our 2LOD, are responsible for ensuring appropriate risk and compliance training is delivered across the organisation, with support from the People team. All training will continuously look to reinforce the 3LOD risk model principles as well as the core components of the Group's RMF – Governance, Culture, and Risk Appetite.

Arksen Discovery

Principal Risks

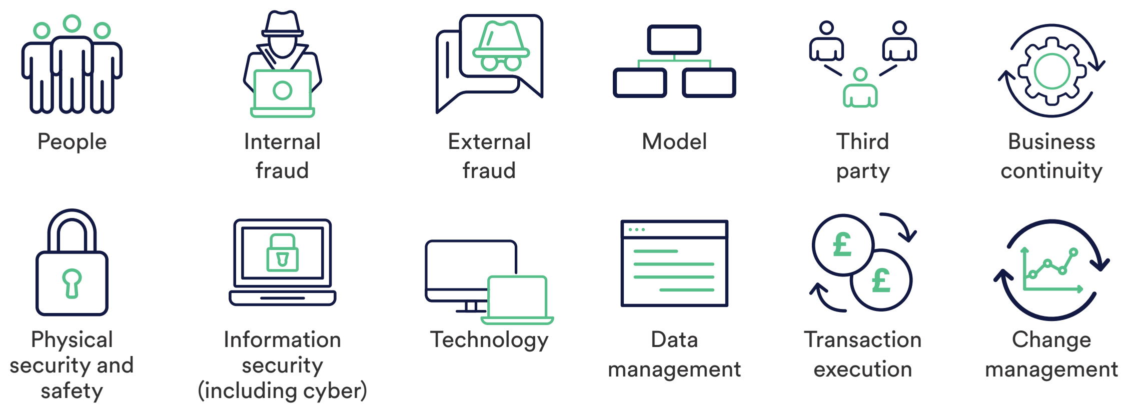
Based on the bank's strategy and business model, there are six principal risk categories used to help shape our policy and control framework. This categorisation creates structure for the risk policy framework and clear ownership/responsibility for assessing risk performance.

There are certain risk themes that run across many or all of these risk types. We have chosen at this stage to not pull them out individually, but instead to manage them across the principal risks framework. A good example of this are the risks created by climate change. Whilst these risks may crystallise in full over longer-time horizons, they are already being considered in our business operations and cut across more than one of the principal risk categories below.



Risk type — Principal risks

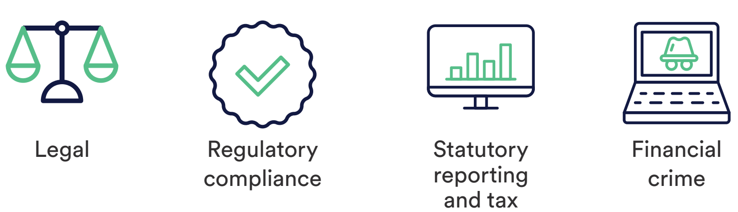
Operational risk



Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. We have a framework in place which sets out our approach to Operational risk, with associated roles and responsibilities further defined in a number of risk policies and standard operating procedures covering the various types of Operational risk. Although the overall scope of Operational risk would cover areas of Conduct and Compliance (i.e. regulatory) risks, we believe it makes sense to separate these items out as individual principal risks - Conduct Risk and Compliance Risk respectively - given the importance of these risks in the context of the bank's activities and regulatory environment.

Key risk mitigation tools: operational risk policies, standard operating procedures, Risk and Control Self Assessments ("RCSAs"), risk event analysis, key controls testing, ongoing monitoring of risk metrics and limits, scenario analysis, information security and cyber defences, operational risk training, Operational Forums aligned to defined customer and internal journeys, change management framework, operational resilience framework, physical security and safety, regular risk training, Executive Risk Committee oversight

Compliance risk



Compliance risk is the risk of legal or regulatory sanctions, material financial loss, or loss to reputation the firm may suffer due to its failure to comply with laws, regulations, rules, related self-regulatory organisation standards and codes of conduct applicable to its activities. The scope of compliance risk includes AIM requirements, with policies such as a Market Abuse Policy (including Share Dealing Code) and a Substantial and Related Party Transactions Policy. DF Capital operates within the context of the UK legal and regulatory environment. Our Compliance Framework sets out the responsibilities within the firm to ensure awareness of both current and upcoming legal and regulatory changes and how the firm plans and implements those requirements. Compliance risk also includes the bank's obligations under the Money Laundering Regulations and covers the Group's exposure to customer-specific risk.

Key risk mitigation tools: compliance policies, regulatory monitor, enterprise-wide compliance and customer-specific risk assessments, compliance monitoring plan, ongoing monitoring of risk metrics and limits, customer risk assessments, regulatory compliance training, Executive Risk Committee oversight

Risk type | Principal risks

Conduct risk

Customer conduct

Market conduct

Improper behaviour

We define **Conduct risk** as the risk of detriment caused to DF Capital's customers or financial markets due to inappropriate execution of its business activities and processes, including the sale of unsuitable products and inappropriate behaviours.

The Conduct Risk Framework outlines our approach for ensuring good customer outcomes in line with the Consumer Duty. It is supported by specific policies covering topics such as product governance, complaints, and vulnerable customers, which detail the specific steps and responsibilities across the firm. The scope of conduct risk coverage includes our AIM requirements, with policies such as a Market Abuse Regime Policy (including Share Dealing Code) and a Substantial and Related Party Transactions Policy.

Key risk mitigation tools: conduct risk policies, product governance, enterprise-wide conduct risk assessment, ongoing monitoring of risk metrics and limits, customer outcome monitoring and MI dashboard, monitoring of complaints and customer feedback, customer value assessment, key controls testing, Code of Ethics, conduct risk training and Executive Risk Committee oversight

Credit risk

Client default

Credit concentration

Repurchase

Security

Counterparty

Credit risk is the risk of financial loss arising from a client, customer or counterparty failing to meet their financial obligations to DF Capital or repay in accordance with agreed terms. Credit Risk is considered the most significant risk faced by DF Capital and can be broken down into the following categories:

- **Client default risk**: The risk of loss arising from a failure of a borrower to meet their obligations under a credit agreement.
- **Credit concentration risk**: The risk of loss due to the concentration of credit risk to a specific customer, counterparty, geography, or industry.
- **Repurchase risk**: The risk of loss arising from the failure of a manufacturer to meet a claim under a repurchase agreement.
- **Security risk**: The risk that an asset used as security to mitigate a credit loss does not provide the protection to the Group that is expected, leading to unanticipated losses. This includes a sale out of trust.
- **Counterparty risk**: The failure of a bank counterparty or derivative provider.

A credit framework and policies are in place to manage DF Capital's credit risk exposure, covering the roles and responsibilities across the Company's lending and investment activities.

Key risk mitigation tools: credit underwriting criteria, asset audits, sector deep-dive reviews, portfolio monitoring, ongoing monitoring of risk metrics and limits, hindsight reviews of default events, monitoring of external environment, Credit Committee and Executive Risk Committee oversight

Risk type — Principal risks

Prudential risk

Capital

Market risk (incl. interest rate risk)

Funding and liquidity

Prudential risk covers three financial risks relating to the bank maintaining sufficient resources to ensure it is financially resilient.

- **Funding and liquidity risk:** The risk that DF Capital is not able to meet its financial obligations as they fall due or that it does not have the appropriate tenor and composition of funding and liquidity to support its assets.
- **Capital risk:** The risk that DF Capital has an insufficient amount or quality of capital to support the regulatory requirements of its business activities through normal and stressed conditions.
- **Market risk (including interest rate risk):** The risk of financial loss through un-hedged or mismatched asset and liability positions due to interest rate and FX rate changes. This also includes the risk that assets and liabilities reference different interest rate bases and the risk of adverse financial impact from movements in market prices in the value of assets and liabilities.

Roles, responsibilities, and requirements for Liquidity and Capital management are outlined in the Treasury Policy, with risk appetite taking into account the results of the bank's ILAAP and ICAAP. The Treasury Policy also outlines the roles and responsibilities required for identifying, measuring, monitoring and controlling any interest rate risk which arises due to the mismatch between assets and liabilities.

Key risk mitigation tools: treasury policies, ICAAP, ILAAP, funds transfer pricing policy, additional stress testing, ongoing monitoring of risk metrics and limits, financial planning and forecasting, monitoring of external environment, ALCO and Executive Risk Committee oversight

Strategic risk

Strategic planning

Execution

Projects

External

Strategic risks are the risks which can adversely impact the ability of DF Capital in achieving its strategic objectives. These risks may impact shareholder value, earnings or growth through poor strategic decisions, improper implementation of business strategies or from external events.

The level 2 principal risks which fall under this category include:

- **Strategic planning risk:** The risk of strategic plans being unachievable or unrealistic.
- **Execution risk:** The risk of failing to execute the bank's strategy and failing to deliver key strategic initiatives required to meet the financial and commercial targets of the bank.
- **Strategic projects risk:** The risk of delay or failure of strategic projects and programmes.
- **External environment:** The risk of failing to address the impact of external events and competitive threats.

Strategic risks are considered as part of DF Capital's strategic and financial plans. Stress scenarios are modelled as part of the ICAAP and ILAAP to determine what level of capital and liquidity the bank will need to hold in support of its strategic and financial plans.

Key risk mitigation tools: Executive Committee and Board oversight, comprehensive risk assessments of strategic and financial plans, stress testing, horizon scanning, ongoing monitoring of macro- and micro-economic environment, change management framework

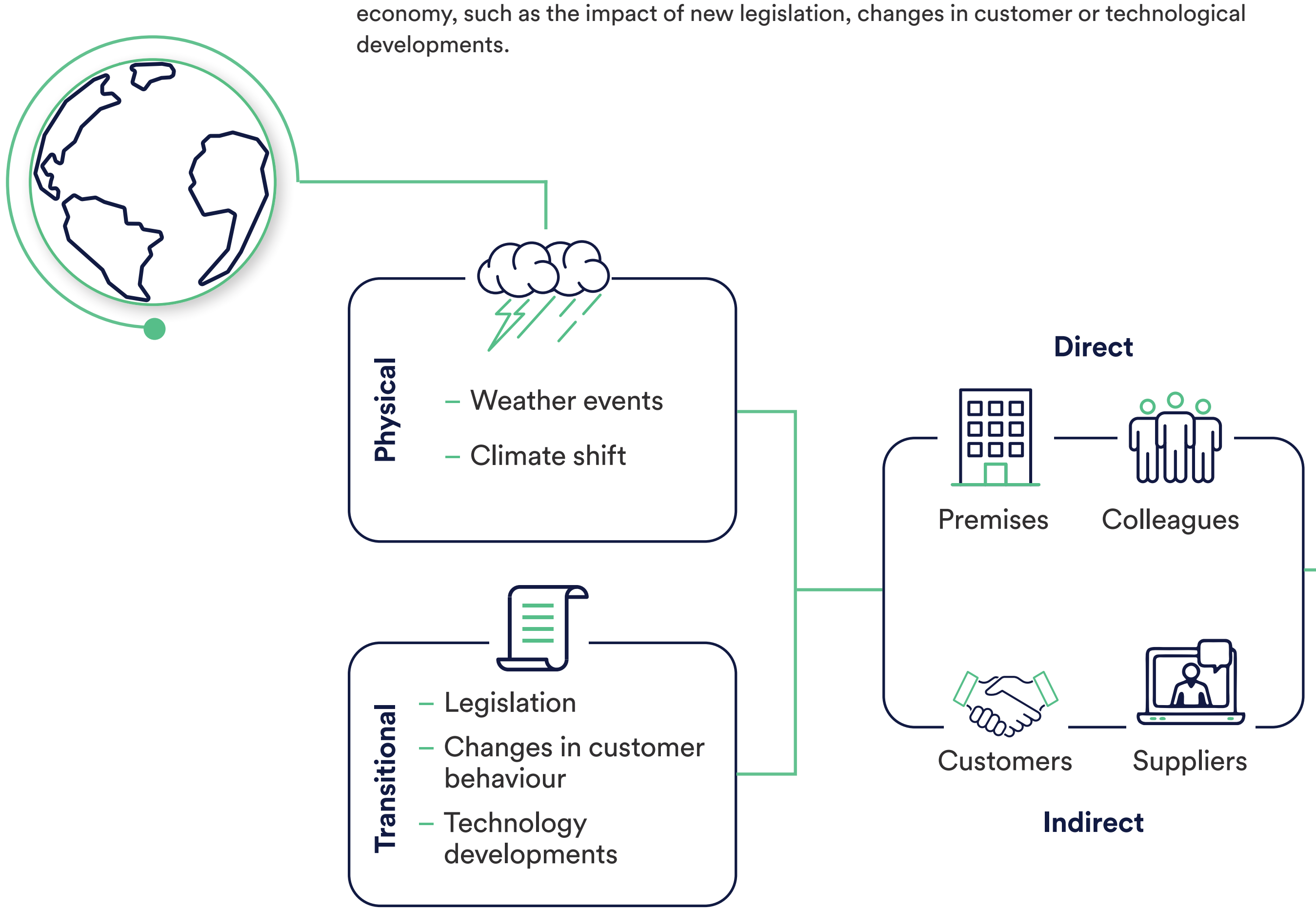
Climate Change Risks

Since 2020 DF Capital has been developing its approach to managing the risks arising from climate change. The framework in place at DF Capital and summarised in this section is based on Climate Financial Risk Forum ("CFRF") guidance. Our approach will continue to evolve over time in line with developments in regulatory and industry best practices and commensurate to the firm's exposures to climate-related risks.

Definition, scope and assessment

The risks arising from climate change cut across a number of, if not all of the firm's principal risks. As such, rather than designating climate change risk as a principal risk, we consider it as a key cross-cutting risk. In line with industry and regulatory standards, our management approach uses the categorisation of climate-related risks into two types – transition and physical risks – which can be summarised as follows based on CFRF guidance:

- Physical risks from climate change can arise from specific weather events (such as heatwaves, floods, wildfires, and storms) and longer-term shifts in the climate (such as changes in precipitation, extreme weather variability, sea level rise, and rising mean temperatures).
- Transition risks may arise from the process of adjustment towards a net-zero carbon economy, such as the impact of new legislation, changes in customer or technological developments.



Climate-related risk touches all parts of our business and operations. The Group is exposed to climate change directly - e.g. premises and staff – and indirectly – e.g. customers and suppliers. Given this very widespread scope, it is crucial that the Group regularly identifies and assesses the climate-related risks it is most exposed to. The first risk identification and assessment exercise was conducted in 2021. We have now embedded climate risk analysis into our frameworks, and now monitor physical and transitional risks on a monthly basis. We also review the climate risk RCSAs on a three year cycle. Climate risks and opportunities are now carried out as part of the annual strategic planning round. We have reviewed the IFRS reporting standards and will consider how to implement these once they have flowed through to the UK standards.

Risk management and governance arrangements

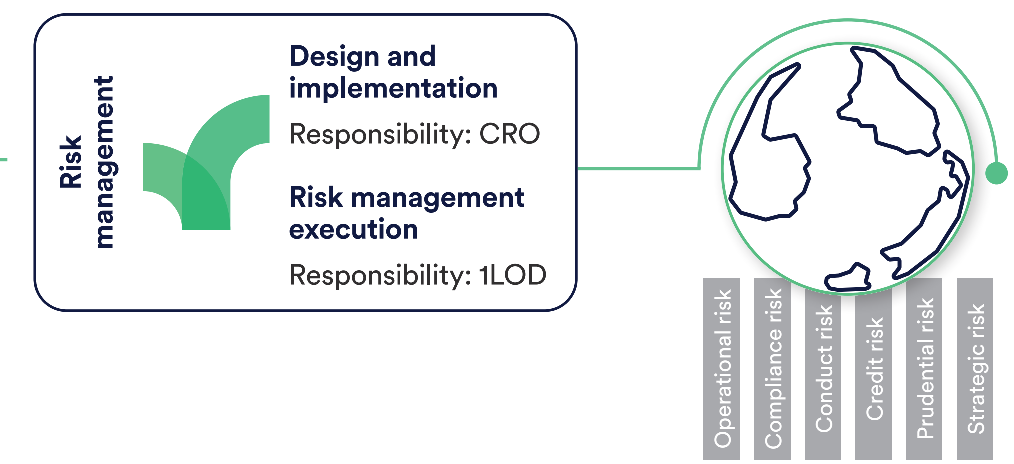
Senior responsibility for implementing and continuously developing an approach to managing the risks from climate change has been allocated to the CRO. In line with the firm's 3LOD model, the execution of the risk management of those risks sits with the relevant 1LOD senior executives (e.g. climate-related credit risks are under the responsibility of the Chief Lending Officer).

Risk management oversight is performed by the 2LOD Risk and Compliance team. This oversight is shared across the 2LOD team for the respective risk areas (e.g. credit risk elements will be overseen by Head of Credit Risk), whilst compliance with the PRA's relevant rules and expectations is led by the Head of Prudential Risk.

Governance oversight of climate-related risks sits within the Group's existing risk committees, in line with the committee coverage of principal risks. This means that ERC and BRC have overall oversight responsibility over all climate-related risk management at Management and Board level, respectively. This is supported by the Oversight Credit Committee (OCC) for credit and ALCo for prudential-risk-related climate risks, respectively. The Bank's Corporate Governance Framework is described in detail in the next section of the Annual Report.

Equally, existing Risk Frameworks, Policies and Procedures incorporate the specific risk controls associated with climate change risks where relevant.

Scenario analysis (or stress testing) for climate change risks is performed as part of the Bank's ICAAP, following the defined ICAAP production and governance process.



Enterprise-wide key and emerging risks

Risk title
Principal Risks which are primarily impacted

Risk overview and mitigation actions

Macro-economic risks

Credit, Prudential, Strategic

The widely anticipated contraction in the economy mentioned in the previous annual report, proved to be short lived, with a shallow technical recession ending in Q1 2024. However, the economic and financial response to the October 2024 budget has re-ignited concerns. There has been a widespread deterioration in business confidence and there is an anticipated and crystallising slow down in consumer spending in Q4. At the time of writing there has also been a significant increase in government borrowing costs. Whilst the latter is partly an international response to anticipated higher inflation in the US, it is not helpful for the internationally exposed UK.

Despite this backdrop, our confidence in the performance of the portfolio has proven to be well placed. Whilst there has been activity in both arrears and watchlist, these are at levels consistent with pre-covid levels, rather than signaling an overall deterioration in the creditworthiness of the book, which remains robust. Nevertheless, we have tightened parameters around portfolio performance to ensure more rapid investigation of any deteriorating areas.

We also note that the global geopolitical climate remains difficult and that the incoming US administration is both more protectionist than its predecessors and may have the potential to throw up supply side and supply chain shocks.

Whilst we are not at this stage unduly pessimistic about the economic conditions in 2025, and the consensus forecast is still for reasonable growth rates and further cuts in the base rate, we will continue to position ourselves carefully.

Assets sold out of trust (“SOT”) & credit concentration risk

Credit, Operational

The Group is exposed to the risk that borrowers sell financed assets and do not repay their loans (a situation termed as ‘sold out of trust’ or “SOT”), leaving the bank in an un/under-secured position. In some cases, the sale of an asset out of trust can take place as a means of intentional fraud. Credit concentration risk is another key structural source of credit risk for the Group given its still relatively concentrated loan book on a single-name basis.

Both of these areas are central to the management of credit risk at DF Capital. Effective risk management ensures due focus is targeted at larger and higher risk dealers. Our focus on portfolio management and asset audits remains a key component of risk management at DF Capital. We smartly and efficiently prioritise physical asset audits of various customer sites across the country using a risk sensitive model. We use an innovative remote audit solution (‘DF Check’) which allows dealers to conduct their own audits, subject to a risk-based model. In addition, we monitor early-warning risk indicators (such as asset turn levels) which allow us to take pre-emptive action to mitigate this risk, or, if necessary, take steps swiftly towards asset recovery.

Challenging economic conditions typically exacerbate our exposure to SOT risks due to the increased likelihood of customers facing financial difficulties and therefore struggling to repay assets in line with contractual terms. This risk is therefore heightened in the current environment.

Risk title
Principal Risks which are primarily impacted

Risk overview and mitigation actions

Operational execution and change

Operational, Conduct

As a young, growing firm we remain exposed to the operational risks arising from a fast pace of change in systems, processes, and people; a significant, albeit declining reliance on ‘manual’ back-office processes; and, conversely, the technological rollout of process automation. The bank’s framework for operational risk management has continued to mature, including recent and ongoing enhancements to the Risk and Control Self Assessment (“RCSA”) and Operational Resilience frameworks.

The Group regularly reviews its change and technology roadmap, which currently include a mix of investments in customer-facing and internal systems and processes. This is supported by regular business assurance work, independent 2LOD risk and compliance reviews, risk event reporting including root cause analysis, as well as horizon scanning of emerging internal and external risks.

Where DF Capital follows a cloud-based service and infrastructure model, adopting Software-as-a-Service (“SaaS”) technology from a number of suppliers, these are reviewed and contracted under appropriate due diligence and after proportionate risk assessments, ensuring equivalent levels of risk management comparable to internal services.

Cyber risk

Operational, Conduct

As with any financial institution, DF Capital is exposed to cyber risk on both internal and external facing systems. A cyber-attack impacting our core operating and banking systems could have a number of severe implications such as the inability to conduct business operations or loss of customer data. Cyber deficiencies can also often give rise to severe reputational damage, significant financial losses, and/or risk non-compliance with legal and regulatory requirements.

Therefore, information and Cybersecurity remain critical in keeping DF Capital systems and data safe. DF Capital continues to align its controls against several industry standards including the National Cyber Security Centre (NCSC) “Top 10 Steps to Cyber Security”, the National Institute of Standards and Technology (NIST) “Cybersecurity Framework” (NIST SP 800-53) and the ISO 27001 Annex A controls, alongside being Cyber Essentials Plus certified for the 5th year in a row. External parties are often engaged to support InfoSec control development and independent testing, such as system penetration tests.

2024 saw continued improvements to our security controls and measures, including cyber security insurance and the implementation of a new threat detection system which integrates an outsourced 24/7 Security Operations Centre, supplementing an existing suite of well-established controls. 2025’s security roadmap includes a mixture of people, process, and technology enhancements to safeguard sensitive data, client trust, and ensure resilience against the potential cyber threats faced.

Risk title

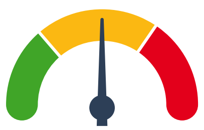
Principal Risks which are primarily impacted

Risk overview and mitigation actions

Near-term growth plan

Prudential, Strategic

Moderate



Risk assessment

The uncertain macroeconomic environment described above, continues to pose downside risks to the successful achievement of the firm's near-term strategic objectives and growth plans.

The rollout of new product, geographical expansion and other initiatives is ongoing, aimed at diversifying the business model, increasing growth options and complementing the continued expansion of the Group's existing core products. Growth targets in current products and sectors are backed by a pipeline of existing and new manufacturer relationships. Delivery against this pipeline is monitored regularly through various commercial KPIs, reported up and down the Group.

Looking ahead, the trajectory and speed of future interest rate movements carries risks to the Group's net interest margin, which are managed and hedged in line with the bank's interest rate risk appetite. The two main risk channels for the Group, both of which are currently seen as unlikely scenarios, would be a very rapid decline in interest rates or a material spread opening up between the UK base rate and savings rates. The Group manages and hedges interest rate risk to stress scenarios in line with an agreed risk appetite.

Climate change

Credit, Operational, Reputational

Low

Risk assessment

Through its commercial lending business, the Group is exposed to both physical and transition climate change risks. On the physical risks side, climate events are likely to become a source of losses for the Group in the coming decades, via damage to the physical assets funded by DF Capital (e.g. due to flood damage). On the transition risks side, it is evident that some industry segments in which DF Capital operates are transitioning at pace towards electric-powered vehicles, and the Group is proudly involved in supporting that transition with many of its dealer customers. Risks may arise where legacy non-electric assets become less attractive and devalue as a result.

As covered above, careful credit risk and portfolio management is central to the Group's risk management framework. The consideration of climate change risks within that framework continues to evolve at pace and the Group is continuing to both gather data and develop approaches which will enable it to manage climate change risks as these become more material. To that effect, we are also staying close to industry and regulatory developments with respect to climate change, and will engage with dealers and manufacturers partners as products and customer expectations evolve. Our intention is not just to mitigate the potential risks arising from climate change; as a business, DF Capital want to be at the forefront of supporting the transition to climate-friendly assets within our industry segments – both as a commercial opportunity, social responsibility and in line with our Sustainability Philosophy.

Maeving Vincent

Corporate Governance

Romans of St Albans, a luxury car dealer and DF Capital customer

Corporate Governance

Mark Stephens
Independent
Non-Executive Chair

Dear Shareholder

I am pleased to introduce this year's Corporate Governance Report.

The Board is committed to the principles of corporate governance contained in the Quoted Companies Alliance Code ("QCA") and this Annual Report sets out how we comply with the principles of the QCA Code and commit to ensuring high standards of corporate governance throughout business activities and decision-making. In line with the requirements of the QCA Code we have outlined below how the Company addresses each of the core principles in turn.

Principle 1

Establish a purpose, strategy and business model which promotes long-term value for shareholders

The Company's business model, purpose and strategy are clearly defined and explained in the Annual Report, most notably in both the Chair's and CEO's statements.

Principle 2

Promote a corporate culture that is based on ethical values and behaviours

The Board sets the Company's values and standards and seeks to maintain the highest level of integrity and probity in the conduct of its operations. These values are outlined in the written policies and working practices adopted by all employees. The Board regularly monitors the Company's cultural environment and seeks to address any concerns that may arise. The Board and management are committed to creating an effective culture across the firm covering all staff and to assess the effectiveness of the Company's culture on a regular basis.

Principle 3

Seek to understand and meet shareholder needs and expectations

The Board values the views of its shareholders and recognises their interest in our strategy and performance.

The Annual General Meeting ("AGM") is the main method of communication with the shareholders. All directors are available to shareholders at the AGM. The Chairs of each Board committee, together with all other Directors, will be available to answer any relevant questions raised by the shareholders. The Chair will also be involved in material shareholder discussions from time to time.

The Chief Executive Officer makes formal presentations to the Company's institutional shareholders and analysts each year following the release of the full-year and half-year results. The Board is kept informed of the views and concerns of shareholders by briefings from the Chief Executive Officer. Any significant Investment Reports from analysts are also circulated to the Board.

Existing and potential shareholders can get in touch with the Company at: investor.relations@dfcapital-investors.com.

Principle 4

Take into account wider stakeholder interests, including social and environmental responsibilities, and their implications for long-term success

The Company is aware of its corporate social responsibilities and the need to maintain effective working relationships across a range of stakeholder groups. In addition to the shareholders, these include the Company's employees, directors, regulatory authorities, customers, creditors (including the DFC Group's lending banks) and all those of its subsidiaries. The Company's operations take account of the need to balance the needs of all of these stakeholder groups while maintaining focus on the Board's primary responsibility, to promote the success of the Company. The Company endeavours to understand and act on the needs and requirements of each of these stakeholder groups where appropriate and in line with the Company's long-term goals. The principal ways in which feedback on the DFC Group is gathered are via meetings, conversations and correspondence with stakeholders.

We engage positively with our employees via regular communications in our day-to-day activities and via formal employee surveys and feedback requests.

The Company has a direct regulatory relationship with the PRA and FCA operating in a manner to ensure effective compliance with its regulatory obligations and complying with the fundamental rule of cooperation with the regulatory authorities.

The Company's approach to sustainability is detailed in the Annual Report.

Principle 5

Embed effective risk management, internal controls and assurance activities, considering both opportunities and threats, throughout the organisation

The Board has overall responsibility for ensuring that risk is appropriately managed within the DFC Group. As well as external reviews and audits from the DFC Group's statutory auditors, the DFC Group has internal checks and policies. Responsibility rests with the Company's management team for identifying and managing risks arising in the business.

The DFC Group manages such risks, among other things, with robust systems and processes, guidelines and policies which are forward-looking, clearly articulated, documented and communicated throughout the businesses and which enable the accurate identification and control of potential areas of risk.

Principle 6

Establish and maintain the board as a well-functioning, balanced team led by the chair

Mark Stephens is the Independent Chair and is responsible for the leadership of the Board and ensuring the effective running and management of the Board. The Chair regularly assesses the effectiveness of the Board. The structure of the Board of Directors and committees is set out in pages 70-71. The Board is satisfied that it has an appropriate balance between executive and non-executive directors together with suitable levels of independence. Biographies of each Director can be found on pages 66-67.

Principle 7

Maintain appropriate governance structures and ensure that individually and collectively the directors have the necessary up-to-date experience, skills and capabilities

The Company has in place a detailed corporate governance framework which sets out the principles of governance and how this is implemented and embedded through the business. The appropriateness and effectiveness of the governance framework, Board structures and processes are regularly reviewed and assessed through a formal Board evaluation process.

The Board is satisfied that, between the Directors, the Board has an appropriate balance of skills and experience to perform its oversight function effectively and to guide the business throughout its long term journey. Each Director takes responsibility for maintaining their skill set, which includes roles and experience with other boards as well as formal training and seminars.

Principle 8

Evaluate board performance based on clear and relevant objectives, seeking continuous improvement

An evaluation of the Board's own performance, that of its committees and individual Directors is undertaken by the Board on an annual basis. This review assesses the effectiveness of all aspects of the Board, its committees and individual Directors and includes composition, experience, dynamics, contribution, commitment, independence, the Chair's leadership and the Board's role and responsibilities in connection with the strategy, oversight of risk and succession planning.

Principle 9

Establish a remuneration policy which is supportive of long-term value creation and the company's purpose, strategy and culture

The Board considers appropriate remuneration to be an important part of attracting, retaining talent and incentivising performance to promote the long-term success of the Group. Under delegated authority from the Board, the Remuneration Committee reviews and recommends remuneration proposals for employees across the Group, including the executive directors and senior leadership team. The Annual Report outlines the approach of the Remuneration Committee and policies.

Principle 10

Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders

The Company communicates with its shareholders through its Annual and Interim Reports and Accounts, at the AGM and formal meetings with existing or potential new shareholders. Results of shareholder votes are made public. The Company communicates progress throughout the year through Regulatory News Service Announcements.

The Chair ensures that the views of shareholders are communicated to the Board.

Board of Directors

Key

- R Board Risk Committee
- A Board Audit Committee
- Re Remuneration Committee
- N Nomination Committee
- Committee chair

Chair

Mark Stephens

Independent Non-Executive Chair

Committees

R A Re N

Mark has over 40 years of experience in UK banking across a wide range of functional areas. He was formerly the Chief Executive Officer (CEO) of Allica Bank and of Harrods Bank, and prior to those was Deputy CEO and one of the founders of Aldermore Bank.

Notable appointments:

Crowd Property Limited, CSBF Capital Partners Limited.

Executive Directors

Carl D'Ammassa

Chief Executive Officer (CEO)

Carl has spent more than 25 years working in commercial, regulated and SME lending, with extensive divisional managing director and CEO experience built across a number of UK based businesses. As CEO, Carl successfully led the Group to full authorisation as a bank in September 2020. Previously, Carl was Group Managing Director at Aldermore Bank, leading its growing business lending franchise. He spent over a decade at GE Capital, and held roles at White Oak UK, Hitachi Capital (now Novuna) and Hydrex Ltd. Carl has been Chair and Director of The Leasing Foundation and was a Non-Executive Director of AFS Group Holdings Ltd.

Gavin Morris

Chief Financial Officer (CFO)

Gavin was appointed Chief Financial Officer in May 2018 and has played a key role in navigating the business through an IPO, full authorisation as a bank, and a capital raise, with the business now delivering a third consecutive year of profit. Gavin possesses over 30 years of financial services experience across banking and commercial and SME lending. Gavin has deep finance expertise in a regulated environment from his time at GE Capital Bank in the role of Acting CFO and in a number of "Head of" finance roles including Treasury, Regulatory Reporting, Controllership, Pricing and FP&A. Gavin is a qualified Chartered Accountant and spent 10 years with KPMG.

Company Secretary

Karen D'Souza

General Counsel and Company Secretary

Karen has 10 years' experience at Addleshaw Goddard working principally on general banking, corporate restructuring and debt advisory matters. This was followed by a role as Head of Legal (Transactions) working across transactions, investments, and general corporate advisory and governance matters at a pan-European investment fund manager.

Non-Executive Directors

Nicole Coll

Independent Non-Executive Director

Committees

R A Re N

Nicole is a qualified chartered accountant with over 25 years' global financial services experience, as a Chief Finance Officer including serving as Chief Financial Accountant at the Bank of England and senior finance roles at Société Générale.

Notable appointments:

Dudley Building Society, Atrium Underwriting and Société Générale International Limited (SGIL).

Thomas Grathwohl

Independent Non-Executive Director

Committees

R A Re N

Tom is a former GE Capital Senior Managing Director with over 40 years' of distribution finance industry experience. Tom assisted in the sale process of GE Capital Commercial Distribution Finance to Wells Fargo in 2016. During his tenure at Wells Fargo, Tom assisted in the global integration of the GE Capital Commercial Distribution Finance Business.

Notable appointments:

Member of the Advisory Board of Camp Sunshine, a paediatric cancer support organisation.

Sheryl Lawrence

Senior Independent Non-Executive Director

Committees

R A Re N

Sheryl is a chartered accountant and holds an MBA from London Business School and an LLM from the Institute of Advanced Legal Studies. She has held senior executive roles at Barclays, Lloyds Bank, Santander, Coventry Building Society, Nationwide Building Society and Provident Financial Group.

Notable appointments:

RCI Bank UK Ltd, Habib Bank Zurich plc, Vocalink Limited, St Andrew's Healthcare, The Royal Foundation of St Katharine.

Haakon Stenrød*

Non-Executive Director

Haakon is an Investment Director at Watrium, a private investment firm based in Oslo. He follows up several investments on behalf of Watrium and serves on the Board of The Vertus Collective and Sixa Conference. He was previously a partner with ABG Sundal Collier, the leading Nordic investment banking group. He has broad transaction experience in M&A, equity capital markets, debt and restructuring advisory. He holds an M.Sc. in Industrial Economics and Technology Management from the Norwegian University of Science and Technology.

Notable appointments:

The Vertus Collective Limited.

* Haakon Stenrød holds his position as a Non-Executive Director by virtue of Watrium AS, a major shareholder, exercising its right to appoint a Director under its Relationship Agreement with the Company.

Corporate Governance Framework

The Board

The Company's Board is established with senior practitioners from the banking industry and has shareholder representation. The Directors act within the powers granted by the Company's Articles of Association and are cognisant of their overarching duty to promote the Company's success and to drive long term shareholder value. The experienced Directors challenge the work of the executive, using care, skill and diligence and exercising their independent judgment.

The Board has the overarching responsibility for establishing an effective and proportionate Corporate Governance Framework in line with the following criteria:

- Corporate values and governance principles established under its founding principles;
- The QCA Code and the Basel Committee on Banking Supervision's Corporate Governance Principles for Banks, as adopted by the PRA and FCA;
- UK banking regulatory requirements;
- A strong customer focus, embracing the values of Consumer Duty, Treating Customers Fairly ("TCF") and Conduct Risk;
- Provision of good value savings products; and
- Aligned to the Board approved and agreed Risk Appetite Framework.

The organisation structure sets out clearly defined roles and responsibilities, lines of accountability and of defence, and levels of authority to ensure effective and independent stewardship. Matters which are reserved for the Board's approval and delegation of powers to the Board committees are expressly set out in the relevant Terms of Reference and in an approved framework on limits of authority.

Over the year, the Board has had oversight of a full update to the Corporate Governance Framework which now reflects the revised QCA Code. This development has been embraced and led by the Board and has involved an update of the framework together with Committee structures, terms of reference and responsibilities. The Board is pleased to note that the new QCA Code is now incorporated in its entirety and applied to the business as outlined above. The updated Framework puts in place the foundations for supporting the business as it develops its medium to long term strategy ensuring Board and Executive Committees are established to focus on appropriate areas and with suitable expertise from attending members. The changes include establishing a new Consumer Lending Committee designed to have oversight across the consumer lending product with reporting lines to the relevant executive committees.

The Chair

The Chair is responsible for leadership of the Board and its overall effectiveness whilst the Board has charged the Chief Executive Officer ("CEO") to ensure that all policies and procedures in relation to the governance of the Company are fully integrated into its operations. Implementation of the Group's strategies and day-to-day business is delegated to management via the Executive Committees. The Chair provides effective leadership, promoting a culture of openness and debate within the Boardroom and sets "the tone from the top" leading by example in ensuring principles of good governance are championed.

Board meetings

The Board's primary responsibility is to provide leadership, set strategic objectives and develop robust corporate governance and risk management practices. Before each Board meeting, the directors receive, on a timely basis, comprehensive reports on issues to be discussed at the meeting. In addition to Board papers, directors are provided with relevant information between meetings and this can consist of offline approvals which are then ratified at subsequent meetings.

Any director wishing to do so may take independent professional advice at the expense of the Company. All directors are able to consult with the Company Secretary, who is responsible for ensuring that Board procedures are followed.
The directors also have direct access to the advice and services of the outsourced Internal Audit function in addition to other members of the senior management team. There is an agreed audit plan and the Internal Audit function reports directly to the Audit and the Risk committees.

The Board has regular scheduled meetings. During the year there were 10 scheduled Board meetings. As and when the need arises, additional meetings are held to deal with any specific time-critical business matters. In 2024, seven ad hoc meetings were called to deal with matters including the approval of the full and half year results, voting at the AGM and potential M&A opportunities and other strategic initiatives. Directors' attendance at Board and committee meetings is detailed in the table on page 71.

Board balance and independence

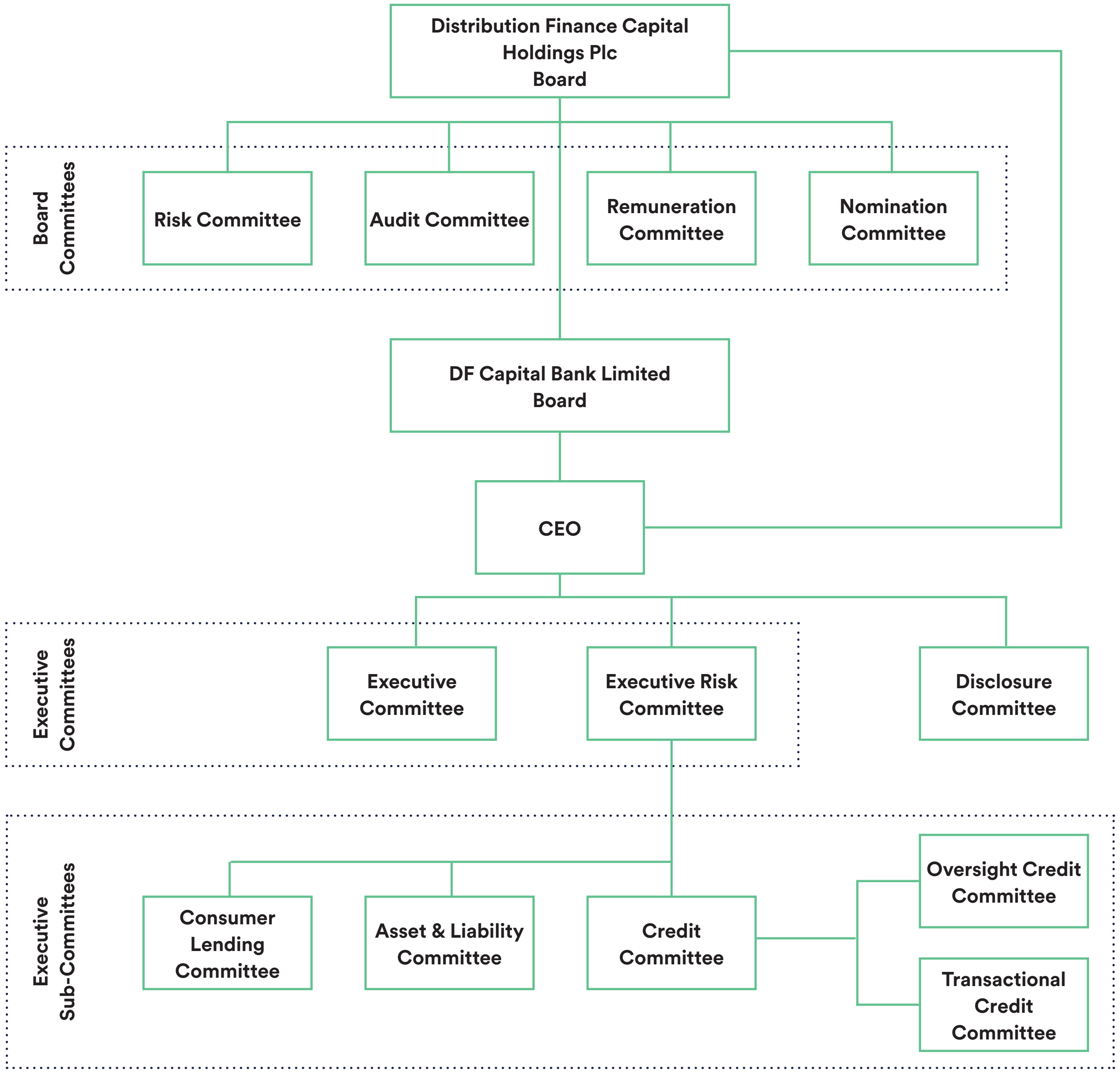
The Board currently consists of four independent Non-Executive Directors, one of whom is Board Chair, one Non-Executive Director, two Executive Directors and its Company Secretary. Biographical details of each Board member can be found on page 66-67.

The Board regularly reviews its skills and expertise and this is also assessed during the Board Effectiveness evaluation referred to on page 72. Board members bring a wealth of experience at various financial institutions and lenders with direct expertise in business and retail lending activities across a wide range of products and services something which will increasingly support the business as it pivots to a multi-product lender. Oversight experience is also in place in respect of consumer lending activities as well as broad risk matters such as cyber-security and ESG matters. In addition, the Board considers its mix of experience and capabilities to be appropriate and it is pleasing that the Board members display a range of diversity characteristics suitable to its ongoing support of the strategic aims of the business and appropriate to minimise the risk of "groupthink" during Board discussions.

The Board considers its non-executive directors remain sufficiently independent and of such calibre and number that their views may be expected to be of sufficient weight that no individual or small group can dominate the Board's decision-making process. The Board maintains a mix of independent and non-independent directors in the interests of balance and good governance, and in accordance with a relationship agreement entered into with one of its major shareholders, as disclosed in DF Capital's listing documents.

Succession planning

The Board has established a well-defined succession plan with focus on ensuring an orderly process thereby minimising any potential disruption and aligning the Board with the strategic goals and ambitions of the business. The succession planning process involved early identification of key skills and experience of existing board members evaluated against the business strategy and the intention to ensure that the Board has a breadth and depth of skills covering a wide range of banking activities. Stakeholder engagement identified that at this stage, a specialist Board member would not be appropriate although this would be re-visited as the business grows. As noted at pages 88-89, the Board will be having close oversight in 2025 of the appointment of a new director following Thomas Grathwohl's intention not stand for re-election at the Company's Annual General Meeting in 2026.



Board and Board sub-committees

Details for the Board sub-committees and their responsibilities can be found on the following pages:

- Board Risk Committee - page 74
- Board Audit Committee - page 78
- Remuneration Committee - page 82
- Nomination Committee - page 88

Management committees

The CEO is supported by a number of management committees, created under their delegated authority. Details for the management committees can be found on the following pages:

- Executive Committee - page 92
- Executive Risk Committee – page 92
- Asset and Liability Committee - page 93
- Credit Committee - page 94
- Disclosure Committee - page 94

Attendance at meetings

The attendance of the directors at the Board and the principal committee meetings that took place during the year are shown below. On an annual basis, the Chair has discussions with each Board members on the time commitment expected by the business which is further deliberated at the Nominations Committee. The Board considers that the time committed to by its Board members continues to be suitable and proportionate to the nature of the business and Non-Executive Board members are able to properly manage any additional external appointments they each may have and dedicate sufficient time to ensuring the Board of the business operates effectively.

	Board	Risk	Audit	Remuneration	Nomination
Number of meetings held (exc specific ad hoc meetings)	10	8	5	4	3
Independent Non-Executive Directors					
Mark Stephens (Chair)	10	8	5	4	3
Sheryl Lawrence	10	8	4	3	3
Nicole Coll	10	7	5	4	3
Thomas Grathwohl	10	8	5	4	3
Non-Executive Directors					
Haakon Stenrød	10	-	-	-	-
Executive Directors					
Carl D'Ammassa	10	-	-	-	-
Gavin Morris	10	-	-	-	-

Board effectiveness

The effectiveness of the Board is the responsibility of the independent non-executive chair. Board performance is reviewed internally on an annual basis and an external review is held every three years. The review looks at what is working effectively and areas that can be improved. An action plan is then put together to monitor developments.

Following the external Board effectiveness evaluation conducted in 2023, an internal Board effectiveness evaluation was carried out in 2024 which included feedback from the Senior Management Team to ensure a holistic review of the Board's performance was provided. The review involved an online survey covering various topics such as Board composition, governance and effectiveness of the Chair. It is pleasing that the review continued to build on the strong report conducted by the external review in 2023 and evidenced that the Board is operating satisfactorily. There were particularly commendable remarks regarding the Board's composition, collaboration, culture and ability to provide constructive challenge, all of which contributes towards strong decision making. Recommendations were largely focused on ensuring the wider business had exposure to Board members to foster a collaborative working environment something which Board members are keen to take on board. It is also pleasing that the recommendations from the external review in 2023 including formalising a Board succession plan, were all implemented swiftly by the Board and a further external review is currently anticipated to take place in 2026.

The Board effectiveness review identified that Board skills are in tune with the business both in its current form and in terms of its long term ambitions. Nonetheless, the Board remains alive to its responsibilities in keeping its skills up to date and this includes, Board training sessions included on a rolling basis at various Board meetings covering key topics with external providers where appropriate, additional training on products as well as ad hoc training on notable developments affecting the business.

Board committees

The Board is supported by a number of established Board sub-committees, namely the Board Audit Committee ("BAC"), Board Risk Committee ("BRC"), Nomination Committee ("NomCo") and Remuneration Committee ("RemCo") to which responsibility for certain matters have been delegated and to empower these Committees to carry out targeted debate and discussion on key areas. The Board (and each of its sub-committees) has adopted and maintains Terms of Reference ('ToRs'), setting out the committee's roles and responsibilities – they key delegations are highlighted in a delegations of authority matrix document. The ToRs also set out the independence, duties, and responsibilities that the members of each committee must observe in the performance of their duties. Each set of ToRs is subject to review on an annual basis and are published on our website.

The committee structure is shown on page 71, and reports from each committee are set out later in this Report, providing further details of the roles, responsibilities and activities undertaken during the year.

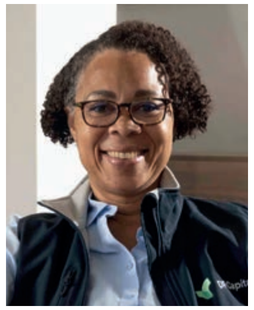
Stakeholder engagement

Consideration of the Group's full range of stakeholders, including our employees, customers, shareholders, and regulators continued to be an integral part of the Board's discussions and decision-making. An overview of the Board's engagement activities with each of our key stakeholder groups can be found on pages 95-97 of this report.

Key topics discussed by the Board

Topic	Activity
Business performance	- Operational resilience, material outsourcing and important business services - Initiative reviews - Commercial updates - Material contract approvals
Financials (eg budgets)	- ICAAP & ILAAP stress scenarios, Solvent Wind Down Plan, Resolution Pack - Full and half year results, Pillar 3 disclosures - Management representation letters - 2024 budget - Intercompany funding arrangements
Investor Relations	- Investor roadshows and feedback - Appointment of new Financial PR partner
Governance	- Board training sessions: Takeover Code and AIM Rule obligations - Board Effectiveness Review - Corporate Governance Framework - AGM voting and arrangements - Terms of Reference - Modern Slavery Statement
Risk Management	- 3LoD continuous development plan - Annual review and updates to all frameworks, policies and SOPs - Material recoveries and arrears management - Consumer Duty - Conduct & Compliance
Strategy	- M&A opportunities - New products and strategic development - Multi-year and strategy plan
Technology	- Automation opportunities - Change roadmap - Cyber and information security
People	- Best Companies Results - Pay and Bonus recommendations including performance share awards and SAYE scheme launch - Office relocation

Board Risk Committee Report



Sheryl Lawrence
Chair of Risk Committee

- The BRC is chaired by the Senior Independent Non-Executive Director ("SID")
- The BRC meets at least six times per year

I am delighted to share with you the Risk Committee Report for the year ended 31 December 2024, a year of considerable uncertainty and change domestically and, as the year drew to a close, internationally. The economic conditions have cycled through the gears very quickly, with the end of a mild recession, an apparently robust economic bounce back, but a disappointingly muted fourth quarter. We have managed the credit cycle carefully through this period, to ensure that our book remains resilient, whilst structurally we have conducted a thorough review of our three lines of defence model and established plans to ensure that it matures alongside the bank and as we branch out into new areas.

Risk oversight

DF Capital has a maturing Risk Management Framework ("RMF") through which risks are managed across the firm in line with the Board's defined risk appetite both overall and for each of its principal risks, be they credit, prudential, operational, compliance, strategic or climate change risks. I have asked the Chief Risk Officer to report on the individual components of the RMF to the Risk Committee on a regular basis, to ensure that coverage is effective and comprehensive and the Committee reviewed this in November, to ensure that we are prioritising our time effectively, and using the skills and capacities of all three lines of defence to derive beneficial outcomes.

Through regular scheduled meetings, management regularly provides the Committee with insight on these principal risks through dashboards, Key Risk Indicators and thematic reports.

Credit risk oversight is a significant component of the Committee's duties, given the bank's business model. In addition to scheduled reports, the Committee has held additional meetings to receive proactive reports from management on specific complex or large transactions, arrears cases and situations of default, as well as new lending opportunities. The Committee also maintains oversight of significant credit decisions taken in the executive Transaction Credit Committee.

The focus of credit risk has changed over the year as new economic and operating conditions emerged. In the first half, the focus of both the executive and the Committee tightened and revised key risk indicators and early warning indicators to ensure vigilance as the economy emerged from recession. This has ensured a strong focus on arrears and collateral throughout the year, and case-by-case oversight of individual counterparties. The Board Risk Committee has also kept a focus on the Royale Parks case as we took recovery action and is pleased with the recoveries made.

Together with the Board Audit Committee, the Committee has also considered and challenged the performance of loss drivers and the economic assumptions and adjustments to the Group's IFRS9 impairment accounting.

The Committee has placed particular emphasis this year on ensuring that the Operational Risk Management Framework is being adhered across the business. The MI around Risk and Control Self Assessments ("RCSAs") and Control Testing has been upgraded and first line adherence is being tracked and challenged. Our focus has also included in-depth reviews of operational resilience ahead of the March 2025 deadline to ensure a clear view of the developments to date and items which needed to be completed. The Committee gained assurance that the outstanding items are manageable and will be tracked to completion ahead of the deadline.

The Committee has received the regular Bank Wide Risk Assessment and Annual Report from the Money Laundering Reporting Officer ("MLRO"). It is clear that the framework and approaches are effective, with the focus shifting from embedding to maturing. The Committee continues to track this area closely and notes the satisfactory audit report which was delivered to Board Audit Committee. The Committee has also provided oversight of Financial Conduct Authority's ("FCA") requirements on Consumer Duty, which form part of the regular conduct and compliance reporting suite.

Finally, the Committee has tracked the strategic plans, regulatory application and development of the proposed consumer asset finance business and ensured that no less rigour will be applied in risk management and oversight over this line than that already applied to the bank's core inventory finance business.

Overseeing capital and liquidity

The Committee receives regular reports and challenges management on all aspects of prudential risk. This is critical to ensuring that the Group has adequate capital headroom to support its lending ambitions, that its liquidity requirements are managed effectively and that prudential regulatory requirements are strictly complied with.

Two core activities which help the Committee oversee and challenge these risks are the annual Individual Capital Adequacy Assessment ("ICAAP") and equivalent liquidity ("ILAAP") processes. The Committee has carefully reviewed and challenged new stress scenarios which are fundamental to both, the modelling approaches and the management actions proposed. The ICAAP and ILAAP form a key component of our Capital and Liquidity Supervisory Review and Evaluation Processes ("SREPs") which were carried out around the mid-year point and were an opportunity for the bank to test out its approaches, with the benefit and scrutiny of its prudential regulator, the PRA. The Bank places significant weight on regulatory feedback and seeks to implement suggestions for improvement rapidly, which are then tracked through the Committee.

From time to time, the Group is required to consider its Recovery Plan, Solvent Wind Down Plan and work through stress test scenarios to refine thinking and the firm's tactical actions should either plan be invoked. This work has been a feature of the Committee's oversight through the year, with constructive challenge given to the executive on the comprehensiveness of risk coverage, the design of stress scenarios and the credibility of both management actions identified and the overall outcome of the prudential and business metrics.

Along with the management team, the Committee has an open and transparent relationship with the firm's regulators and has been kept updated on key firm specific and thematic topics, that feature in the team's regular engagement with both regulators, and in their proactive horizon scanning.

Risk Management Framework review

Ensuring that we have an appropriate and proportionate attitude and competence towards risk across the bank is a primary objective of the RMF and the Committee reports to the Board on its adequacy and effectiveness.

I treat the regulatory imperative to constantly challenge and upgrade our risk management approaches as an important part of the mission of the Board Risk Committee. As part of our strategy and multi-year planning exercise, the bank sought to implement this through a strategic review of its 3 lines of defence model and has put in place a series of proposed improvements, updates and simplification opportunities as a continuous improvement plan. This was discussed at the November meeting resulting in concrete agreed actions which provide a direction of travel for the Committee over the coming three years and the Committee will hold management accountable for their delivery.

I continue to be encouraged by the proactive manner in which good risk management and compliance are embraced and pursued right across the organisation. It gives me a high degree of confidence in our future plans to grow the firm and diversify our product range, which reduces the structural risks of operating as a monoline. It is undoubted that as the firm becomes more complex and scales, we need to ensure our risk frameworks, policies and structures remain well calibrated to our growth, while avoiding over-engineering, so that we reap the benefits for all stakeholders.

Sheryl Lawrence
Chair of Risk Committee

Board Risk Committee (“BRC”)

The BRC is a Board-level committee with responsibility for ensuring that DF Capital’s operations are adequately supported by a comprehensive and proportionate Risk Management Framework (“RMF”). The BRC reviews and recommends for Board approval all of the Company’s overarching risk frameworks, as well as its regulatory documents: ICAAP, ILAAP, Recovery Plan, Solvent Wind-down Plan, and Resolution Plan.

The BRC reviews, reports and makes recommendations to the Board the Company’s overall risk appetite, tolerance and strategy, in order to achieve its long-term strategic objectives. This is underpinned by the Risk Appetite Framework (“RAF”). It is also responsible for the management of assets and liabilities, including liquidity, funding and capital management, the lending portfolio and associated credit policy and has oversight of all matters arising out of Company operations, together with responsibility for the Company’s ethical and business standards in line with the Code of Ethics.

Key responsibilities of the BRC include:

- Overseeing the development, implementation and maintenance of the Company’s overall risk management framework including its risk appetites, principles and policies; in agreement with the CRO;
- Overseeing adherence to the Company’s risk principles, policies and standards and any action taken resulting from material policy breaches;
- Reviewing the capital and liquidity stress testing implementation (including the design of scenarios) and challenge, approve and act based on the results of the stress tests covering ICAAP, ILAAP and Recovery Plan, Solvent Wind-down Plan and Resolution Plan;
- Overseeing the Company’s key risk exposures and risk versus return strategy (including risk to the Company’s business model and solvency/liquidity risks);
- Review the Company’s values, culture and reward systems for managing risk and internal controls;
- Review adequacy of risk and compliance resource and its authority and standing within the Company;
- Approving statements on internal controls and risk management in the annual report;
- Approving new products under NAPA;
- Ensuring that all legal and regulatory requirements, including the disclosure of information, are fulfilled;
- Maintaining oversight of the Executive Risk Committee (“ERC”);
- Working and liaising with other Board committees where necessary, including ensuring alignment with the Remuneration Committee in the assessment of remuneration and effective risk management; and Board Audit Committee in terms of compliance; and
- Reviewing the effectiveness of the Chief Risk Officer, with whom the Chair of the BRC has a dotted reporting line, signifying the CRO’s direct access to the Board.

Key topics discussed by the Board Risk Committee

Topic	Activity
Risk frameworks and policies	- Risk Management, Risk Appetite Operational Risk Management & RCSA, Credit Risk, Conflicts of Interest, Health & Safety, AML, Fraud Risk policies
Risk monitoring	- Key and emerging risks including separate macro-economic deep dives. - Risk metrics against risk appetite - Cyber security - Recoveries and arrears monitoring - Transaction Credit Committee oversight - Compliance Monitoring Plan
Risk appetite and strategy	- Large exposure & concentration risk appetite - MLRO Annual Report, including Financial Crime & AML Risk Assessment - Concentration limits - Operational Resilience - Climate change risks and reporting - 3LOD continuous development plan
Governance	- MAR Policy / Share dealing code - Terms of Reference - Consumer duty - FCA & PRA letters, reviews and supervisory statements
Capital, liquidity, and stress testing	- ICAAP & ILAAP areas for improvement and stress tests - Shadow banking - Review of Recovery Plan, Solvent Wind Down Plan and Resolution Pack

Board Audit Committee Report

Nicole Coll
Chair of Audit Committee

The Audit Committee has oversight of both internal and external audit, alongside the financial policies of the Group. Additionally, focusing on ensuring the integrity of the financial statements and any formal announcements relating to financial performance, through monitoring the effectiveness of the Group's internal control systems.

The committee works in close collaboration with the Risk Committee monitoring the macro-economic outlook, to keep a close watch on the assumptions and our assessment of the impact of this outlook on the firm and its financial reporting.

Internal audit

The Group's internal audit function remains outsourced to Grant Thornton LLP ("GT") who report directly to the Audit Committee. The Committee received regular reports from GT which included results of audits undertaken, progress updates against the audit plan, a summary of outstanding audit actions together with sharing of industry insights and horizon scanning.

The Committee uses internal audit findings and reports, alongside the work of the firm's own second line risk oversight team, to assess the effectiveness of the Group's control framework, compliance with policies and overall approach to risk management.

This year's audit plan covered another cross-section of themes, in line with the multi-year audit plan which ensures critical areas of risk controls are assessed on rotation whilst considering changes in the risk landscape. Audits included: -

- Risk Management Framework effectiveness and embeddedness
- New Product Approval Process
- Anti-Money Laundering
- Operational Resilience
- Recovery Plan
- Consumer Duty
- Cyber and IT security

External audit

Deloitte LLP ("Deloitte") was reappointed the Group's external auditor. The Committee is responsible for overseeing the relationship with the external auditor, including assessing their effectiveness. The Committee has ensured the enduring independence of Deloitte including an assessment of non-audit services they provided.

The Committee considers and approves the remuneration of the external auditor. The Committee agreed an increased fee for the external auditors to £340,000 (2023: £327,000). This increase considered changes in scope, growth in the business and associated changes in materiality, control changes and inflation. The Committee satisfied itself that the fee was appropriate relative to the audit services provided by Deloitte.

During the period, the Committee considered the planning of the external audit, including scope, materiality, risk evaluation and other areas of audit focus, and the results of the audit.

- The BAC is chaired by an INED, who is also the Whistleblowing Champion
- The BAC meets on at least a quarterly basis

Policy reviews

As part of the regular policy update cycle, the Committee considered and approved a number of the Group's policies again this year. These included; significant transactions and strategic projects, IFRS9 impaired assets, accounting policies and substantial and related parties.

Reporting disclosure and subjective accounting matters

An important role for the Committee is ensuring the integrity of the Group's external disclosures. Under the Committee's assessment of the financial reporting of the Group, all material subjective accounting matters were considered, in relation to the Group's interim and full year results. The Committee reviewed and challenged reports from the management team, with each area of subjective judgements being supported by management's extensive analysis and accompanying explanation.

The Committee also reviewed and challenged management's assessment of going concern, including consideration of the results from stress testing activities. Based on its review, the Committee concluded that the adoption of the going concern assumption to prepare the financial statements remains appropriate.

Additionally, the Committee received insight from Deloitte as external auditors setting out their own views on the appropriateness of the relevant accounting treatment of these matters including consideration of the supporting analysis provided by management.

The Group issued its Pillar 3 disclosures alongside the publication of the annual report and accounts, with the Committee assessing the disclosure against the relevant requirements in addition to consideration of the governance around the preparation process.

Share-based payments

During the year, share-based awards were granted to employees across the Group adding to the existing share-based awards already granted. Share-based awards are an important component of the Group's remuneration strategy to reward the achievement of the Group's longer terms performance objectives. Given their nature, these awards can be significant and, in many cases, are dependent on the achievement of performance conditions. Accordingly, the determination of the value of these share-based awards, both new and existing, requires management to make several subjective judgements as to the outcome of future performance and awards being achieved. The Committee, working with the Remuneration Committee, considered the ongoing accounting treatment of granted awards and the established methodology used to calculate their value and the expense to be shown in the Group's financial statements. A total charge of £1.0m (2023: £0.9m) was made during the year.

IFRS9 and expected credit loss provisioning

Credit loss remains the Group's largest principal risk being under regular consideration by the Committee, working alongside the Risk Committee. Prior to each reporting date, the Committee received extensive analysis in relation to expected credit losses, including back-testing of underlying Loss Given Default ("LGD") and Probability of Default ("PD") model assumptions. The Group continues to evolve and enhance its approach to credit loss provisioning under IFRS 9.

The Committee has challenged and approved management's analysis, methodologies and approach in this area, being satisfied that credit loss provisions remain adequate and appropriate for the uncertain macro-economic environment.

Nicole Coll
Chair of Audit Committee

Board Audit Committee ("BAC")

The BAC is a Board-level committee with responsibility for ensuring that DF Capital's functions are adequately supported by a comprehensive and proportionate audit and internal controls framework.

The BAC provides confidence to the Board and shareholders on the integrity of the financial results of the Company expressed in the annual report and accounts and other relevant public announcements, filings and reports of the Company. The BAC reviews the effectiveness of DF Capital's financial controls and considers management's response to findings and recommendations made in external and internal audit reviews. The BAC oversees the Company's fraud and whistleblowing policies and procedures, as well as monitoring compliance with any disclosure requirements. The Committee's chair is the Company's designated "Whistle-blower's Champion".

Key responsibilities of the BAC include:

- Challenging both the external auditors and management of the Company;
- Reviewing and reporting to the Board on any significant reporting issues, estimates and judgements made in connection with the preparation of the Company's financial statements;
- Ensuring appropriateness of the Company's accounting policies;
- Reviewing the statutory accounts, financial statements, and other regulatory disclosures;
- Reviewing the effectiveness of the Company's systems of internal control;
- Overseeing the relationships with both the internal and external auditors, including their appointment, terms of engagement, effectiveness, remuneration, provision of non-audit services and the employment of former employees of the external auditor or outsourced internal auditor;
- The establishment and ongoing maintenance of a robust and comprehensive audit framework alongside an annual external audit plan; and
- Oversight over DF Capital's compliance with regulatory and reporting requirements.

Key topics discussed by the Board Audit Committee

Topic	Activity
External Audit	- Statutory accounts timetabling and approval (including interim accounts) - Statutory to management accounts reconciliation - Interim review and full year audit, including going concern review - Subjective accounting consideration, including IFRS9 provisioning, deferred tax and share based payments - Net profit verification - Approval of statutory audit fees
Internal Audit	- 2024 and 2025 Audit Plan - Annual internal audit report - Review of internal audit reports including Risk Management Framework effectiveness and embeddedness, New Product Approval Process, Anti-Money Laundering, Operational resilience, Recovery Plan, Consumer Duty and Cyber and IT security
Internal controls	- IFRS9 impaired assets policy - Significant transactions and strategic projects policy - Substantial related parties policy
Financial & Governance	- Pillar 3 Review and Disclosures - Terms of Reference review - Conduct & Culture - Annual whistleblowing report

Remuneration Committee Report

Mark Stephens
Chair of Remuneration Committee

I am pleased to present this year's Remuneration Report, which sets out the key remuneration themes and considerations of the Committee during the year ended 31 December 2024.

This year, the Committee's focus has been on ensuring the approach to remuneration aligns with not only the success of the business to date but also its strategic ambitions and long-term goals, specifically focusing on the retention of individuals critical to the Group's future success.

The Group's remuneration objectives remain to promote the long-term success of the firm and delivery of its strategic plan by attracting, motivating, and retaining high calibre and talented employees, through a market competitive set of benefits. We ensure that our policies and approach align to the relevant remuneration codes and policy statements of the Prudential Regulation Authority ("PRA") and Financial Conduct Authority ("FCA").

Our aim is to ensure our approach to remuneration encourages the continued development of the Group, delivery of sustainable performance, appropriate and effective management of the firm's risk profile, strong customer outcomes and the creation of an inclusive and engaging environment for our employees. As has been proven to date, we remain firm in our view that having an engaged, motivated and well incentivised workforce unlocks the delivery of the Group's strategic ambitions. This report sets out the key remuneration matters considered by the Committee together with the basis of the remuneration and also includes the Directors' Remuneration Policy (the "Policy") which we will be presenting to shareholders at the 2025 AGM for an advisory vote.

Remuneration of senior management executives (including Executive Directors)

The retention of the senior leadership team including the Executive Directors has been considered closely by the Committee this year. There is no doubt, given the success of the firm and what has been achieved since authorisation as a bank in 2020, that the skills, expertise and drive of our talented team is in high demand across the market by other organisations looking to embark on or progress a similar growth journey as ours.

Having an experienced and committed senior team who understand the business and are incentivised in accordance with the broad principles outlined above is critical to the long-term delivery of the business strategic goals.

The Committee is tuned in to the constraints presented by the structural challenges in the UK small-cap stock market and illiquidity of shares in DFCH plc that has held back the Group's share price, in our opinion, despite the significant progress of the firm in delivering on its strategic ambitions. Additionally, caps on shares available to provide PSP awards, as well as potential earnings volatility caused by substantial share-based payments, present further constraint to offering meaningful awards to critical contributors.

In light of this, the Committee has reviewed the long-term incentivisation approach for senior managers, alongside existing award grants, and has considered and approved a long-term retention approach consisting of the deferral of any award for a period of three years from the date of grant of the deferred award. Whilst the Executive Directors did not participate in this bonus deferral arrangement for the financial year ended 31 December 2024, the Committee has determined that such awards would be appropriate for the Executive Directors for the current financial year ending 31 December 2025. Further details will be included in the annual report for 2025.

- The RemCo is chaired by an INED
- The RemCo meets twice a year (and as necessary beyond that)

The Committee believes that this approach provides a meaningful long-term incentivisation and retention approach, aligned with the broad remuneration principles of the Group and the behaviours required from senior management for long-term success.

Remuneration of Executive Directors

Noting the Committee's belief that the commitment of the CEO to support the next phase of the firm's strategic ambition is critical for success, the Committee has considered the CEO's remuneration via external benchmarking against peer organisations and giving due consideration to known recruitment processes for similar roles across the sector. The exercise evidenced that the CEO's base remuneration was materially out of step with the market. The Committee further considered that previous salary reviews for the CEO had either been waived by the CEO voluntarily in light of the Group's early loss-making position or had been constrained to no more than inflation rather than scaling with the firms relative success and delivery of the strategic objectives set of him. Accordingly, the Committee determined that the CEO's base salary be realigned to £600,000.00 per annum effective from 1 July 2024. Alongside this, on 26 July 2024 the CEO was granted a retention award under the PSP in the form of a nil-cost option to acquire 1m shares vesting three years from the grant date. subject to the CEO's continuing employment with the Group (and the rules of the PSP more generally). Also on 26 July 2024, the CFO was granted a retention award under the PSP in the form of a nil-cost option to acquire 200,000 shares, vesting three years from the grant date, subject to the CFO's continuing employment with the Group (and the rules of the PSP more generally).

Given the CFO's retirement from the Group scheduled for 31 December 2025, no market adjustment to his salary was considered for him, however through the recruitment of a replacement, the Committee will ensure that the compensation arrangements for the incoming CFO aligns with Group's remuneration objectives and reflects both market benchmarks and the relative experience of any appointed candidate.

The following table summarises the total remuneration of the Directors who served during the year to 31 December 2024:

	Fees/basic salary £'000	Bonuses £'000	Employer pension contributions £'000	Benefits in kind £'000	2024 total £'000	2023 total £'000
Executive Directors:						
Carl D'Ammassa	529	477	53	9	1,068	808
Gavin Morris	299	120	30	10	459	427
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]	-	-	-	-	-	-
Total Director remuneration	**1,233**	**597**	**83**	**19**	**1,932**	**1,640**

Group wide salary reviews

The Group continues to provide a competitive salary and comprehensive suite of benefits. Effective 1st April, the Committee has approved annual salary reviews and market adjustments that average 5%, continuing the approach taken in previous years to provide proportionately more support to employees impacted by cost of living increases. Whilst the Group noticed some changes in the labour market over the course of the year especially following the budget changes in October 2024, it is pleasing to see that retention rates remain high and the Group continues to be an attractive place to work both from a culture and reward perspective. Retaining that experienced talent with knowledge of how the business operates is now critical as the Group continues to grow and pivot to become a multi-product lender.

Annual incentive plan

AIP awards are paid to employees during the first quarter following the financial year end. The Committee has determined that 2024 has been another exceptional year of delivery for the firm across the balanced scorecard of objectives used to measure performance. This balance scorecard includes:-

- Financial objectives (profit and loss; lending; net interest margin; capital management; cost of risk);
- Customer satisfaction scores (net promoter score; feefo);
- Risk management;
- Culture and employee engagement scores; and
- Personal objectives.

In 2023, the Committee made the decision to cap the general bonus pool available to distribute to employees to reflect the RoyaleLife provision and the impact this had on the Group's profit before tax, even though results for the year ended 31 December 2023 exceeded expectations. It was noted that this cap was borne proportionately to a larger extent by the senior management team enabling junior colleagues to receive close (if not all) of the on-target bonus potential. The Committee was of the view that this was a prudent and appropriate recommendation at the time and in 2024, cognisant of the recovery made in the RoyaleLife matter (as noted at page 17) recommended that an additional "top-up" award be made proportionate to the RoyaleLife recovery, reducing the impact of the cap felt by employees in 2023.

Separately, the CEO's performance is assessed against a balance scorecard of objectives. These included: achievement of financial results; product development (including consumer asset finance); contribution to the business; pursuit of inorganic (M&A) and organic opportunities and partnerships; customer satisfactions; risk management scorecard; change, automation and digitalisation initiatives; continued evolution of the firm's culture and employee engagement; and investor/ key stakeholder engagement.

The AIP awards made for the CEO and CFO are detailed in the table below.

	2024				2023			
	AIP Payment £	% relative to fixed pay[1]	Maximum %	% of Maximum range	AIP Payment £	% relative to fixed pay[1]	Maximum %	% of Maximum range
Carl D'Ammassa	476,850	79.5	100.0	79.5	310,625	69.0	100	69.0
Gavin Morris	120,000	39.8	50.0	79.6	101,500	35.0	50	70.0

1. Fixed pay is defined as base salary at time of award

Share awards

During the year ended 31 December 2024, a small number of recruitment or promotion awards were made to senior leaders across the Group, under the PSP, with the quantum of the award generally aligned to the role and/or value of awards made by the former employer forfeited, or as negotiated pre-employment. Additional awards were made to certain members of the senior management team to recognise a requirement to regularise the position amongst that cohort and following a benchmarking of executive directors' remuneration. The total number of shares granted in this award cycle totalled 3,270,000 and details of the share awards granted and specifically those made to the Executive Directors are available on pages 140-146 of the annual report.

Notwithstanding the Committee being mindful of the caps on share awards holistically and therefore determining that an all-employee PSP award during the year would not be appropriate, the Group remains committed to offering regular opportunities for employees (including Executive Directors) to become shareholders through Save As You Earn schemes, the latest which was launched again last year (the "2024 SAYE Scheme"). The total number of options outstanding pursuant to the 2024 Schemes totals 2,312,987 and details of the share awards granted and specifically those made to the Executive Directors are available on pages 145-146 of the annual report.

Mark Stephens

Independent Chair
Chair of the Remuneration Committee

Remuneration policy including Executive Directors

The following section summarises the key elements of the Policy and how it supports the Groups short and long term strategic objectives. The Policy applies to all employees of the Group and the remuneration elements for Executive Directors are aligned with those of the wider workforce. In 2024, given the changing regulatory environment and market competitive dynamics, the shareholders approved the proposal by the Group to anchor the remuneration policy to any limits or constructs proposed by its regulators.

Element and link to strategy	Operation	Maximum potential value	Performance conditions and assessment
Fixed base salary Supports the recruitment and retention of individuals, reflecting their role, skills, experience and development	Basic salary is paid monthly in arrears and reviewed on an annual basis	Fixed base salary is set at an appropriate level taking into account benchmarking of comparable sized AIM listed companies	N/A
Discretionary variable pay Support the retention of individuals and rewards for delivering on key strategic and financial goals, encouraging appropriate risk management and sustainable performance of the Group	Comprises of annual incentive payment paid in cash and may have an additional bonus deferral, which represents a cash value payment deferred for a mandatory period of up to 3 years where an award is made Malus and clawback provisions will apply	In line with regulatory requirements and market practice, no voluntary cap is applied	Based on performance against financial metrics together with delivery of personal financial and non-financial objectives, cultural behaviours, and approach to risk management
Performance Share Plan (“PSP”) Supports the retention of individuals and incentivises long term delivery of strategic objectives encouraging sustainable performance of the Group	Discretionary awards made from to time comprising share awards	Value is capped in accordance with the PSP Rules which limit awards to the lower of (i) 200% of the salary and (ii) 2% of the ordinary share capital, both at the date of grant	Generally based on performance conditions assessed at the time of vesting which is typically a three year period and includes- individual risk assessment and risk management
Benefits Supports the retention and recruitment of individuals	Non-contributory pension of 10% (or cash in lieu for those eligible); Life Assurance benefit; Access to Private Medical Insurance; Income Protection Insurance; Save As You Earn participation; Electric Vehicle and Cycle to Work Salary Sacrifice schemes; Gym membership. Annual leave and volunteering days	The benefits can be elected for and the value is not capped and aligned with the wider workforce	N/A

Remuneration Committee (“RemCo”)

The RemCo is appointed by the Board and is responsible for considering and recommending to the Board an overall remuneration strategy aligned to its long-term objectives and risk appetite. It ensures that remuneration decisions compensate directors, executives, and other employees fairly and responsibly.

Key responsibilities of the RemCo include:

- Ensuring that the remuneration arrangements are aligned to support the implementation of company strategy and effective risk management for the medium to long-term, taking account of the interests of shareholders;
- Overseeing the establishment and maintenance of a remuneration policy and benefits structure that motivates and rewards the right behaviours, values, and culture to support the delivery of business objectives in the short, medium, and long-term;
- Ensuring that the structure and mix of fixed and variable pay meets legal and regulatory requirements and guidelines; ensuring to make relevant disclosures in the annual reporting;
- Satisfying itself as to the adequacy of performance measures that determine incentives and overseeing any performance related pay schemes or share incentive plans in operation;
- Agreeing the scope of pension arrangements for all employees;
- Ensuring that remuneration levels are benchmarked to industry peers on a periodic basis and remuneration structures and incentives are adjusted for risk; sometimes supported by remuneration consultants; and
- Ensuring that members of the committee commit sufficient time to the role and develop the necessary skills and knowledge (including, for example, current market practice, taxation, and legal requirements).

Key topics discussed by the Remuneration Committee

Topic	Activity
Governance	- Terms of Reference - Remuneration Policy - Bonus Scheme Rules & Sales Incentive Scheme Rules
Individual remuneration	- Executive & Non-Executive Director remuneration and benchmarking - Remuneration package of senior/material recruitment hires - CEO salary review
Performance related	- PSP awards and performance conditions - Recruitment and promotion awards, including LTIPs
Remuneration for wider employees	- Benefit review & individual life plans - Save As You Earn Scheme launch - Discretionary share award

Nomination Committee Report

Mark Stephens
Chair of Nomination Committee

Dear Shareholder,

The Nomination Committee has continued to assess ongoing effectiveness, composition and expertise of the Board and its Committees together with supporting on organisation design and succession planning to ensure the business is well placed to develop its multi-product growth ambitions.

Board Effectiveness Review

There have been no further changes to the Board or Committee compositions this year with the focus being on ensuring Board effectiveness and appropriate oversight of senior management. A Board effectiveness evaluation was carried out by an external firm in 2023 and this was followed up in 2024 with an internal evaluation which also encapsulated feedback from the senior management team to ensure a holistic and 360 review of the Board effectiveness was captured. Full details are contained in the Corporate Governance update at pages 63-99. The Nomination Committee will continue to work closely with the Board to implement the findings from the evaluation including the ongoing skills, training and board succession (further commented on below).

Additionally, in my capacity of Chair of the Board, I have completed 1-2-1 performance reviews with each of the firm's non-executive directors and the CEO.

Management appointments and succession planning

The Committee has laid out a clear succession planning process for Board appointments noting that it is the intention of Thomas Grathwohl to not stand for re-election at the Company's Annual general Meeting in 2026. Thomas has served the business with distinction for a number of years and has brought invaluable expertise and insight to the Board and its Committees especially as the business reached profitability. The Committee will look to ensure a smooth appointment process and transition over the coming year continuing its attention to the skills and experience of Board members.

The Committee continues to have visibility of and provide support to the CEO in respect of succession planning, organisation design and senior team appointments. During the year, the Committee has provided guidance to the CEO on the senior team structure including the creation of new roles to support the business development as a multi-product lender. The Committee has worked in conjunction with the Remuneration Committee in relation to management appointments.

Nomination Committee going forward

It has been determined that the responsibilities of the Nomination Committee will be incorporated into the Remuneration Committee commencing in 2025. Given the synergies between the two committees, and the impact that the Nomination Committee has on the design and proper functioning of remuneration policies and practices, it was determined that this would foster efficiencies from a governance perspective and support effective collaboration across the Committees. This combined Committee will have oversight of all remuneration and nomination responsibilities working together to ensure that the Group has the right skills and expertise in place to achieve its strategic objectives as well as maintaining strong corporate governance responsibilities.

Mark Stephens
Chair of Nomination Committee

- The NomCo is chaired by an INED
- The NomCo meets twice a year (and as necessary beyond that)

Nomination Committee ("NomCo")

Key responsibilities of the NomCo include:

- Reviewing the structure, size, and composition (including the skills, knowledge, experience and diversity) of all Board committees and making recommendations to the Board with regard to any changes, in consultation with the Chairs of those Committees;
- Reviewing the structure, size and composition of the senior management team and making recommendations to the Board concerning the appointment of individuals to senior management positions in consultation with the CEO who carries the responsibility for apportionment under the Senior Managers Regime;
- Considering succession plans and possible internal candidates for future Board roles;
- Reviewing and assessing the adequacy of DF Capital's corporate governance policies, practices, and overall organisation;
- Supporting and advising the Board on the Company's overarching policy on diversity and inclusion;
- Reviewing and assessing the Board's and Board sub-committees' practices to ensure the Board's effectiveness and recommend any changes for the Board's approval;
- Reviewing and assessing any existing or prospective conflicts of interest of the Board members and keeping any authorised conflicts under regular review; and
- Annually reviewing the performance of the NEDs and providing support to the Chair to remove any underperforming executive director or NED.

Key topics discussed by the Nomination Committee

Topic	Activity
Board appointments	- Succession planning
Senior manager appointments	- Ratification of senior/material recruitment hires
Governance	- Equality, diversity & inclusion - Board effectiveness review - Committee structure and reporting

Senior Leadership Team

Senior Leadership Team

DR Direct report to CEO

As executive directors, Carl D'Ammassa and Gavin Morris are part of the senior leadership team. Their biographies can be found on page 66.

Goi Ashmore DR

Chief Risk Officer (CRO)

Joined: August 2023

Goi has over 20 years' senior management experience in Risk and Treasury gained at Metro Bank (UK), Barclays and Atradius. His senior risk management responsibilities include compliance and financial crime. He has in-depth experience of implementing systems and controls in a regulated environment, a thorough understanding of cyber security in the sector and deep expertise in financial risks for both SME and retail sectors. Goi is currently Pro Chancellor and Chair of Council for Swansea University.

Paul Atherton DR

Chief Technology Officer

Joined: May 2018

Paul has over 20 years' experience in the banking and financial services industry, specialising in technology, operations and transformation. As Chief Technology Officer at DF Capital, he leads the company's technology strategy, driving innovation, efficiency and scalability. Paul has a strong track record in start-up and challenger banks, having played a key role in the mobilisation of OakNorth and held senior operational and transformation leadership positions at Aldermore Bank. His expertise spans technology, data management, digital transformation, customer services, lending and savings products, and all aspects of operations.

Richard Baxter DR

Chief Revenue Officer

Joined: May 2021

Richard has over 35 years' commercial, risk and business change experience, across the asset based lending ("ABL"), SME finance and the wider banking spaces. Richard has previously held roles at Aldermore where he led the portfolio risk team, covering the invoice and specialist finance product lines. Before Aldermore, he built a strong portfolio of experience at the Royal Bank of Scotland in its ABL, invoice discounting and working capital product divisions. Richard is a Trustee of the charity Chrysalis Prevention of Men's Suicide.

Karen D'Souza DR

General Counsel and Company Secretary

Joined: January 2023

Karen has 10 years' experience at Addleshaw Goddard working principally on general banking, corporate restructuring and debt advisory matters. This was followed by a role as Head of Legal (Transactions) working across transactions, investments, and general corporate advisory and governance matters at a pan European investment fund manager.

Charlie Michael DR

Chief People and Sustainability Officer

Joined: December 2020

Charlie has more than 20 years' financial services experience, including 10 years at Aldermore Bank as well as spending time at Merrill Lynch and Formation Asset Management. Charlie has worked across all HR disciplines, including business partnering, HR support services, training and development, as well as talent management and recruitment. Charlie is a member of the Chartered Institute of Personnel and Development and is a Trustee of JustLife, a temporary accommodation charity for the homeless.

Liam Missen DR

Chief Operations Officer

Joined: November 2024

Liam has over 25 years' experience in consumer and commercial finance with a background in both traditional banking and innovative start-up environments. Liam worked most recently at Zopa as Auto Commercial Director and has held roles in strategy, credit, product management and transformational change. Liam holds a Professional Diploma in Banking and Finance, a Post Graduate Certificate in M&A, and is an alumni of the Credit 500 Club, as nominated by his industry peers.

John Wood DR

Chief Lending Officer

Joined: March 2025

John has over 35 years' financial services experience, mainly in risk management. Previously with Royal Bank of Scotland, Aldermore, and most recently Allica Bank as Head of Enterprise Risk, John has extensive experience in senior credit and risk roles, overseeing risk management frameworks and appetites across a commercial lending portfolio. Before Allica Bank, John was Aldermore Bank's Chief Credit Officer and Financial Risk Director, responsible for portfolios including property, asset, invoice, and structured finance

Corvin Baks

Director - Product

Joined: August 2017

Corvin joined DF Capital shortly after the business was founded in 2016. Over the last 17 years he had various commercial leadership roles within financial services and SME lending, such as GE Capital in Europe, Australia and New Zealand. Corvin has a proven track record in business development and is specialised in the origination, structuring and delivery of distribution finance and working capital solutions.

Dave Burton

Director - Financial and Regulatory Reporting

Joined: August 2018

Dave has more than 25 years' financial services experience, including 8 years at Aldermore Bank, as well as spending time with the Bank of Scotland, Freedom Finance Group and KPMG Transaction Services. Dave has worked across a number of finance disciplines, including FP&A, financial control and has extensive M&A experience. Dave qualified as a Chartered Accountant with Coopers & Lybrand.

James Felton

Director - Financial Analysis and Capital Management

Joined: February 2023

James has over 12 years of experience in regulated financial services across the UK and Europe advising lenders on strategy, growth, partnerships and M&A opportunities. Prior to joining DF Capital, James previously served as Chief Operating Officer and Board Director for White Oak UK, the UK non-bank SME lender, and before that spent 7 years within the Financial Services M&A team at KPMG, where he qualified as a Chartered Accountant.

Management Committees

Executive Committee (ExCo)

ExCo is the senior management committee with responsibility for supporting the CEO in managing and conducting DF Capital's business as designated by the Board. ExCo reviews and manages DF Capital's financial performance, risk management framework and the overall running of the business.

Key responsibilities of ExCo include:

- Meeting the strategic direction and objectives agreed by the Board by developing and delivering the operating plan and budget for DF Capital as necessary;
- Oversee the Company's financial performance, including reviews of monthly management accounts, annual forecasts, plans and budgets, multi-year strategic planning, financial accounts, annual reports and Pillar 3 disclosures;
- Oversee the Company's operations, including monthly reporting on operational performance, product development, and oversight of IT, systems data management and outsourcing, and acting as necessary to deliver agreed objectives;
- Monitor the Company's performance of its obligations under the Senior Management and Certification Regimes, including the management responsibilities map and the allocation of prescribed responsibilities;
- Ensure that products, promotions, systems, procedures, processes (including sales processed) are effective in delivering the Company's business activities compliantly within applicable regulation and regulatory limits/ratios and to the DR and BCP arrangements;
- Cascade through the Company 'culture and tone' set by the Board relating to the conduct of business; and
- Review reports and approve where appropriate the recommendations from management committees, operational forums, internal or external audit, and ensuring appropriate actions are taken.

In addition to the general legal and regulatory responsibilities of executive directors set out in their Senior Manager's Regime ("SMR") Statement of Responsibilities, executive directors' more specific responsibilities under the QCA Code include:

- The executive directors of the Company are charged with the delivery of the business model within the strategy set by the Board; and
- Executive directors keep the chair and NEDs up to date with operational performance, risks, and other issues to ensure that the business remains aligned with the strategy.

ExCo is chaired by the CEO.

ExCo meets on a monthly basis (at least 10 times per year).

Executive Risk Committee (ERC)

ERC has responsibility for oversight and control of all risk types, supporting the CRO, in accordance with Board approved risk policies and limits. ERC reviews and recommends the RMF for approval by the Board together with its underlying policies and procedures. ERC also ensures that the ICAAP, ILAAP, Solvent Wind-down and Recovery Plans, and Resolution Packs reflect DF Capital's strategies, policies, processes, and systems relating to risk management.

ERC also reviews DF Capital's ongoing compliance related to Anti- Money Laundering ("AML"), Consumer Duty, Treating Customers Fairly and other regulatory requirements.

Key responsibilities of the ERC include:

- Overseeing the development, implementation, and maintenance of the Group's overall Risk Management Framework and its risk appetite, strategy, principles and policies to ensure that they are in line with regulatory expectations and industry best practice;
- Recommending, for approval by the Board, all risk related policies, on at least an annual basis;
- Reviewing the risks arising in the business, the adequacy of associated controls and limits, and making appropriate recommendations to BRC when deemed to challenge the accepted risk appetite;
- Reviewing the Risk Appetite metrics and controls to maintain the risk profile within the Board approved risk appetites;
- Implementing corporate governance, AML and compliance procedures and reviewing DF Capital's compliance with regulatory requirements; and
- Monitoring appropriate disclosure to the Board of areas of governance and compliance.

ERC is chaired by the CRO.

ERC meets on a monthly basis (at least 10 times per year).

Asset and Liability Committee (ALCo)

ALCo is a subcommittee of ERC and oversees the activities of the treasury function, supporting the CFO, in managing the Company's market and liquidity risk management activities. It reviews and proposes liquidity risk appetite statement and limits, for approval by the Board. ALCo also ensures that the ICAAP, ILAAP, Solvent Wind-down and Recovery Plans, and Resolution Packs reflect DF Capital's strategies, policies, processes, and systems relating to the management of Liquidity and Capital Risk, before recommendation for approval by the Board.

Key responsibilities of ALCo include:

- Overseeing the activities of the treasury and ALM ("Asset and Liability Management") function;
- Overseeing the utilisation of capital; monitoring of capital in line with the agreed strategy and appetite;
- Recommending strategies for managing DF Capital's assets and liabilities, market risks, trading and funding activities, capital, and liquidity;
- Establishing policies and limits within which the Company's asset and liability management strategies are to be executed; reviewing the asset-liability profile in line with the wider risk profile of DF Capital;
- Reviewing the investment portfolio and the review of counterparties used for investment;
- Reviewing and recommending, for approval by the Board, liquidity, and market risk related policies and the ILAAP, on at least an annual basis;
- Reviewing and recommending, for approval by the Board, the capital requirements in support of the ICAAP, on at least an annual basis; and
- Overseeing management of liquidity and market risk to ensure adherence to the appetite and policy.

ALCo is chaired by the CFO.

ALCo meets on a monthly basis (at least 10 times per year).

Credit Committee

The Credit Committee is a subcommittee of ERC and has responsibility for oversight and control of credit risk and portfolio management (under its Oversight Credit Committee function) and has authority for the approval of large or complex credit transactions (under its Transactional Credit Committee function).

Key responsibilities of the Credit Committee include:

Oversight Credit Committee

- Overseeing credit risk and portfolio management risk metrics including risk ratings, sector concentrations, and large exposures;
- Overseeing the management of watchlist, arrears and forbearance;
- Reviewing regular sector deep dives;
- Overseeing asset audit activity;
- Horizon scanning of internal and external factors impacting credit risk; and
- Overseeing credit strategy, adherence to risk appetite, and credit policy exceptions.

Transactional Credit Committee

- Reviewing and approving large or complex credit transactions.

Oversight Credit Committee meets (at least) monthly and is chaired by the Head of Credit Risk Oversight

Transactional Credit Committee meets as and when required and is chaired by the Chief Credit Officer.

Disclosure Committee (DisCo)

DisCo is established by the CEO, under delegated authority from the Board, to assist him in the discharge of his duties. DisCo is responsible for overseeing the disclosure of information by the Company as a listed entity.

Key responsibilities of DisCo include:

- Overseeing the disclosure of information by the Company, to meet its obligations under the Market Abuse Regulation (596/2014) which is part of domestic UK law pursuant to the Market Abuse (Amendment) (EU Exit) Regulations (SI 2019/310) ("UK MAR") ("the Market Abuse Regulation" or "MAR"), as detailed in the Company's MAR Policy.
- DisCo's responsibilities cover procedures, systems, and controls for the identification, treatment, and disclosure of inside information and for complying with the obligations falling on the Company and its directors and employees under MAR.
- DisCo agenda includes regulatory announcements, shareholder circulars, prospectuses and other documents the Company is required to disclose to the market under any legal or regulatory requirements.

DisCo is chaired by the CEO.

DisCo meets on an ad-hoc basis and as necessary to deal with market disclosures.

Section 172 Statement

Section 172 of the Companies Act 2006 requires the Directors to have acted in a way that they considered, in good faith, to be most likely to promote the success of the Group for the benefit of its members as a whole, and in doing so have due regard, amongst other matters, to: the likely consequences of any decision in the long term; the interests of the Group's employees; the need to foster the Group's business relationships with suppliers, customers and others; the impact of the Group's operations on the community and the environment; the desirability of the Group maintaining a reputation for high standards of business conduct; and the need to act fairly as between members of the Group.

Careful consideration is given by the Board, and by management acting under delegated authority from the Board to the factors set out above in discharging their duties under section 172. The stakeholders we consider in this regard are our customers, our employees, our regulators, and our shareholders.

The Board recognises building strong relationships with all stakeholders will help deliver the firm's longer-term strategy, whilst operating in line with the firm's stated values and ensuring sustainability of our business model as well as being a corner stone of the revised QCA code which the business follows.

The governance framework of the Group supports the Directors in discharging their responsibilities and aligns their decision making with section 172. Due consideration to all stakeholders is a focal point of all Board and Executive committee meetings. As a maturing listed and licensed bank, the Directors continue to evolve and improve oversight of the firm's activities and interactions with its stakeholder groups, together with their understanding of the impact of Board decisions on those groups. Below are some examples of stakeholder engagement undertaken in 2024.

Employees

The Board recognises that much of the firm's success is due to the quality of our people; their level of engagement and the conduct disciplines they employ. Accordingly, achieving consistent world class levels of employee engagement is at the heart of what we do.

We participate in the "Best Companies to Work For" survey ranking amongst the best places to work in the UK. We are recognised as offering world class levels of employee engagement as a 3-star organisation and during 2024 we were ranked: #5 Top Companies to Work For in the Financial Services Sector; #21 Top Mid-Sized Companies to Work For in the UK; and #36 Top Companies to Work For in the North West. The Board uses these surveys to analyse what is working well and identify areas needing improvement to ensure our people remain committed to the success of the Group.

The Board receives regular updates on employee-related matters to guide wider decision making. The Board regularly receives presentations from members of the wider team, not just executive management and has delivered all employee Q&A sessions. As a relatively small firm, Executive Directors are accessible and visible to all employees which allows feedback to flow freely, including all employee Q&A sessions. The Group's whistleblowing champion, independent NED Nicole Coll, is required to engage with whistleblowing investigations, supporting colleagues directly and actively raising awareness of the whistleblowing process across the firm.

The wellbeing and mental health of our employees is a key area of focus, which is carefully supported through our People team together with access to employee helplines and healthcare support. Our onboarding process is structured to ensure we provide adequate support to new employees on joining the firm enabling them to assimilate the Group's culture whether in the office or homeworking.

During 2024, for the fifth consecutive year, the Group gave share options to all employees (excluding Executive Directors). The Group also offers employees the opportunity to participate in a Save As You Earn share scheme. The Board believes that share ownership is a key part of our recruitment, retention and reward strategy, giving our employees ownership in the business and aligning them with our long term business goals.

The Board believe giving back to our local communities is a core component to being a great place to work for our employees. We worked throughout the year to support various charitable and community initiatives, this includes providing up to four days of paid volunteering leave to provide more time for our workforce to establish meaningful connections across the community. During 2024, as in 2023, the entire DF Capital workforce volunteered for one day in community initiatives across Manchester as part of our "Mega Give Back" day. This was in addition to the many hours of voluntary work the DF Capital team consistently offer to community initiatives.

Further information on key outputs in relation to our employees can be found in the Sustainability section of this report, pages 20-39.

Customers

The Board receives regular insights from the commercial team on customer sentiments and trends. The Board encourages development and innovation in the firm's lending proposition and the use of market leading technology solutions. This has seen us provide an array of new lending products, including 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, with these products tailored to an individual customer or partner's need.

In respect of our retail deposit activities, the Board receive regular updates on the deposit raising and sentiments from customers including details of the feefo customer satisfaction scores. The Group has been awarded feefo's "Platinum Trusted Service Award" in both 2024 and 2025 based on the excellent ratings and reviews received from our personal savings customers over a sustained period. We consistently achieve 4.8 feefo stars from our depositor customers for the service we offer.

The Corporate Governance Framework includes a strong customer focus, embracing the values of Consumer Duty, Treating Customers Fairly ("TCF") and Conduct Risk. KPIs and metrics around these areas are reported to the Risk Committee to assess ongoing compliance and identifying trends. Further information on key outputs in relation to our customers can be found in the Sustainability section of this report, pages 20-39.

Shareholders

Fulfilling the firm's strategy depends significantly on the support of its shareholders. The Board receives regular updates from the Chief Executive Officer and the Head of Investor Relations including a note of views expressed by shareholders during meetings held with Directors or as reported to Directors through the Company's brokers, together with copies of analysts' notes, press articles and other relevant information. This investor feedback was one of the key considerations prior to the Company implementing a share buyback programme that was announced in January 2025.

Direct shareholder representation is provided by Haakon Stenrød, a representative of the company's largest shareholder (Watrium AS). Haakon was appointed to the Board in May 2020, pursuant to a Relationship Agreement with the shareholder and the Company.

The Board's primary engagement with investors comes through the Group's Chief Executive Officer, Chief Financial Officer and Head of Investor Relations who meet with existing and potential investors to present the Group's results and strategic updates. A combined total of over 30 meetings were held with existing and prospective institutional shareholders during 2024. The Group's Chair also met a number of our shareholders during the year.

In addition, Board members were available to meet shareholders in person at the AGM. Further information on key outputs in relation to our shareholders can be found in the Sustainability section of this report, pages 20-39.

Regulators

The Group is subject to the regulation of both the Prudential Regulation Authority ("PRA") and the Financial Conduct Authority ("FCA") and has a duty to engage transparently and proactively with them. The Executive Directors have regular interactions with both the PRA and FCA providing updates on performance and strategic developments.

In line with its oversight of the firm's operations, the Board regularly receives regulatory submissions and policy revisions from executive management and accordingly conducts appropriate consideration, review, and challenge of those documents, drawing on their extensive experience in the regulated banking environment.

Decision making

All the decisions we make consider the regulatory context and the full range of stakeholders mentioned previously. The example below shows how Directors have had regard to matters set out in section 172(1)(a)-(f) when discharging their duties under section 172 and the effect on the key strategic decision taken by them during the year in respect of the organic build of an asset finance capability with the associated application to the Financial Conduct Authority for consumer lending permissions to enable the business to provide consumer asset finance.

Stakeholder	Considerations
Customers	The implementation of an asset finance product will enable us to work with our dealer and manufacturer partners in a deeper way, unlocking the opportunity to finance assets "beyond the forecourt", supporting our dealers retail sales by providing loans to their customers and supporting further sales. Additionally, this will open up a new customer base supporting consumers asset finance requirements.
Employees	A number of new roles have already been created to support the new asset finance product with more planned in the coming months. These roles provide significant developmental and learning opportunities both for staff who take on these new roles but also for other staff who will support the new product to various extents within their roles. Additionally, the continued growth of the business supported by the new product is a clear indication to our employees of the ambitions and potential of the Group and provides greater employment certainty for them going forwards.
Regulators	The future implementation of an asset finance proposition was a component of the business' Regulatory Business Plan submitted to the PRA as part of the bank licence application prior to receipt of our banking licence in September 2020. We kept the PRA regularly informed of our plans in respect of the organic build of the asset finance product, in particular this included providing them with addendums to our ILAAP and ICAAP documents setting out how we would address the liquidity and capital risks respectively of the implementation of the asset finance product. During 2024 we applied to the FCA for consumer lending permissions to enable us to provide consumer asset finance. This process involved initial discussions with the FCA prior to application, the submission of our Regulatory Business Plan together with supporting documents, responding to due diligence requests together with several meetings with the FCA during the process. This resulted in us receiving in February 2025 the relevant regulatory permissions from the FCA to conduct consumer asset finance.
Shareholders	Becoming a multi-product lender with the implementation of an asset finance product provides us with significant opportunity to grow our lending and further scale the business. This scale should lead to increasing returns with the associated benefit to our shareholders. We have consistently communicated to our shareholders that becoming a multi-product lender underpins our medium-term growth ambitions. We have kept our investors informed of our asset finance product considerations with the decision made in H1 2024 to go ahead with the organic build of this product. We have provided ongoing updates at the interim and full year results presentations and informed them via Regulated News Service (RNS) notifications of any material strategic changes outside of these times.

Kelvin Mini 15 Forklift

Compliance with section 172 of the Companies Act 2006

The Directors confirm that they have acted in a way that they consider, in good faith, to be most likely to promote the success of the Group for the benefit of its members as a whole, and in doing so had regard, amongst other matters, to:

- the likely consequences of any decision in the long term;
- the interests of the Group's employees;
- the need to foster the Group's business relationships with suppliers, customers and others; the impact of the Group's operations on the community and the environment;
- the desirability of the Group maintaining a reputation for high standards of business conduct; and
- the need to act fairly as between members of the Group.

Detail on how the Directors have had regard to the factors in section 172 of the Companies Act 2006 when performing their duties and the Directors' statement required under section 414CZA of the Companies Act 2006 are set out on pages 95 - 97.

Non-financial information statement

The Group has complied with the requirements of S414CB of the Companies Act 2006 by including:

- The Group's business model is covered in the Strategic Report and is also laid out on page 6;
- Information regarding the following matters, including a description of relevant policies, the due diligence process followed in pursuance of the policies and outcomes of those policies, can be found in the following sections of this report:
    - Environmental matters in the Acting Sustainably section;
    - Employees in the Acting Sustainably section;
    - Social matters in the Acting Sustainably section;
    - Respect for human rights in the Acting Sustainably section; and
    - Anti-corruption and anti-bribery matters in the Risk Management at DF Capital section.
- Where principal risks have been identified in relation to any of the matters listed above, these can be found in the Risk Management at DF Capital section, including a description of how the principal risks are managed;
- All key performance indicators of the Group, including those non-financial indicators are contained throughout this Strategic Report.

Cautionary statement

This Strategic Report has been prepared solely to provide information to shareholders to assess how the Directors have performed their duty to promote the success of the Group.

The Strategic Report contains certain forward-looking statements. These statements are made by the Directors in good faith based on the information available to them up to the time of their approval of this report and such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward-looking information.

Report of the Directors

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).

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 will hold its Annual General Meeting on 4 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 63-99 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

1 April 2025

Registered number: 11911574

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.

Independent Auditor's Report to the Members of Distribution Finance Capital Holdings plc

Report on the audit of the financial statements

1. Opinion

In our opinion:

- the financial statements of Distribution Finance Capital Holdings Plc (the 'parent company') and its subsidiaries (the 'group') give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2024 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards and IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB);
- the parent company financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated statement of comprehensive income;
- the consolidated statement of financial position;
- the consolidated statement of changes in equity;
- the consolidated cash flow statement;
- the consolidated related notes 1 to 45;
- the parent company statement of financial position;
- the parent company cash flow statement;
- the parent company statement of changes in equity; and
- the parent company related notes 1 to 15.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law, United Kingdom adopted international accounting standards and IFRSs as issued by the IASB. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006.

2. Basis for opinion

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

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: Expected credit loss provisioning Within this report, key audit matters are identified as follows: Similar level of risk
Materiality	The materiality that we used for the group financial statements was £1.1m which was determined on the basis of 1% of group's net assets.
Scoping	The scope of our audit covered substantially the entire group, with the following entities in scope, in addition to the parent company: – DF Capital Bank Limited – DF Capital Financial Solutions Limited
Significant changes in our approach	In the current year, we have not taken a controls reliance approach over loans and advances to customers, and the associated interest receivable balance and customer deposits, and the associated interest payable balance. We were unable to obtain a SOC report over the Mambu IT system to cover the entire period up to the year- end date. We have changed our materiality benchmark from gross loans and advances to customers to net assets, aiming to align with industry peers and select an appropriate benchmark more relevant to the users of the financial statements.

4. Conclusions relating to going concern

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

Our evaluation of the directors' assessment of the group's and parent company's ability to continue to adopt the going concern basis of accounting included:

- obtaining an understanding of directors' going concern assessment in order to assess the key judgements and assumptions made by management;
- evaluating the assumptions used in management's forecasts and stress scenarios, including obtaining an understanding of the relevant controls over management's assessment of going concern;
- with the assistance of our prudential regulatory risk specialists, reading the most recent Internal Capital Adequacy Assessment Process ("ICAAP") and Internal Liquidity Adequacy Assessment Process ("ILAAP") documents, and assessing management's capital and liquidity projections, key liquidity risk drivers, and the results of management's reverse stress testing; and
- evaluating the appropriateness of disclosures in relation to going concern in the financial statements.

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

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

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

5.1 Expected credit loss provisioning

Key audit matter description	As stated in note 20, the group has gross loans and advances to customers balance of £669.8m (2023: £584.1m) and associated expected credit losses ("ECL") of £6.6m (2023: £14.6m), representing 0.98% of the total loans and advances to customers balance (2023: 2.50%). As detailed in the summary of critical accounting judgements and estimates in note 3, the estimation of ECL is inherently uncertain and requires significant management judgement. The key judgement in the assessment of ECL for the group is the loss given default ("LGD") assumption for originated loans, being the estimation of sales proceeds realised from collateral held against these loans. As detailed in note 39, collateral is held against all of the loans and, at 31 December 2024, 92.7% of the loan portfolio was fully collateralised (2023: 96.6%). However, there is a risk that the LGD is understated due to either a reduction in the value of the collateral, including consideration of any forced sale discount in the event that the group takes possession of the collateral, or that the collateral cannot be realised in the event of default (e.g., if the collateral has been "sold out of trust" by the dealer). We have, therefore, identified ECL provisioning as a key audit matter, particularly in relation to the potential risk of error in or manipulation of the LGD assumptions in the ECL model.
How the scope of our audit responded to the key audit matter	We gained an understanding of the relevant controls over the calculation of ECL for loans originated by the group in accordance with IFRS 9. **LGD – existence and valuation of collateral** For a sample of loans, we tested the existence of the assets held by assessing whether the collateral was appropriately identified as part of management asset verification audits; and For a sample of loans, we have tested the existence and valuation of assets held by confirming to original purchase invoices, recent realisation value for similar assets and assessing market indicators for each asset type for signs of distress or deterioration on future asset prices. **LGD – collateral haircut and sold out of trust ("SOT") assumptions** With the involvement of our credit modelling specialists assessed management's methodology for determining LGD collateral haircuts and challenged the appropriateness of the haircuts applied to each asset type, utilising underlying historical data; We have challenged management's assumptions in relation to the level of likely assets sold out of trust, with reference to recent historical actual experience and other available industry benchmarks on future market conditions for each of the asset types; We have recalculated management's collateral haircut percentage for each asset type to confirm the mechanical accuracy of the model inputs; and We have assessed whether the underlying data feeding into management's LGD calculations are subject to manipulation and bias.
Key observations	Based on the work performed, we are satisfied that management's approach to the determination of ECL is compliant with IFRS 9 and we concluded that the ECL provision as at 31 December 2024 is appropriate.

6. Our application of materiality

6.1. Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Parent company financial statements
Materiality	£1.1m (2023: £2.5m)	£1.0m (2023: £2.4m)
Basis for determining materiality	1% of net assets (2023: 0.4% of gross loans and advances to customers)	Parent company materiality is capped at 90% of group materiality (2023: 95%).

We note that this equates to less than 3% of shareholders' equity of the parent company.

Rationale for the benchmark applied	Given the continuing maturity of the business, the change in our materiality benchmark aims to align with industry peers and select an appropriate benchmark more relevant to the users of the financial statements.	The parent company primarily holds investments in group entities and, therefore, shareholders equity is considered to be the key focus for users of the financial statements

6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole.

	Group financial statements	Parent company financial statements
Performance materiality	70% (2023: 70%) of group materiality	70% (2023: 70%) of parent company materiality
Basis and rationale for determining performance materiality	In determining performance materiality, we considered our risk assessment, including our understanding of the business, consideration of the group's control environment and the nature, volume and size of misstatements (corrected and uncorrected) in the previous audit, which has indicated a low number of corrected and uncorrected misstatements identified in prior periods.	

6.3. Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £57,000 (2023: £125,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

7.1. Identification and scoping of components

Our group audit was scoped by obtaining an understanding of the group and its environment, including group-wide controls, and assessing risks of material misstatement at a group level. Based on that assessment, we performed an audit of the entire financial information of the parent company and its subsidiaries, providing coverage of 100% (2023: 100%) revenue, profit before tax, and net assets of the group. This was executed at levels of performance materiality applicable to each individual entity, component performance materiality ranged from £0.7m to £0.8m.

We, as the group auditor, were responsible for performing the audit of each subsidiary entity within the group. At the group level we also tested the consolidation process.

7.2. Our consideration of the control environment

Our initial audit strategy included an intention to rely on the operating effectiveness of internal controls within the Mambu IT system ("Mambu"), as well as the loans and advances to customers, and the associated interest receivable balance and customer deposits, and the associated interest payable business cycles. In line with this approach, we tested the General IT Controls (GITC) and tested relevant automated controls within Mambu. However, we were unable to take a control reliance approach over the Mambu for the entire period of intended reliance due not being able to obtain a SOC report to cover the entire period up to the year- end date. Therefore, we were unable to obtain sufficient and appropriate audit evidence for the effectiveness of certain controls for the entirety of the year. In response, we revisited our risk assessment and altered the nature and extent of our planned testing.

We have also obtained an understanding of the relevant controls within the financial reporting and loan impairment processes.

The Audit Committee has performed their own assessment of the internal control environment as set out on pages 78-81.

7.3. Our consideration of climate-related risks

In planning our audit, we have considered the potential impact of climate change on the group's business and its financial statements. The group continues to develop its assessment of the potential impacts of climate related risks, as outlined on pages 54-55.

As a part of our audit, we have obtained an understanding of the potential climate-rated risks and performed our own qualitative risk assessment of the potential impact of these risks on the group's account balances and classes of transactions. We have read the disclosures in the Annual Report to consider whether it is materially consistent with the financial statements and our knowledge obtained in the audit.

8. Other information

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

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

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

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

We have nothing to report in this regard.

9. Responsibilities of directors

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

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

10. Auditor's responsibilities for the audit of the financial statements

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

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

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

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

11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the group's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management, internal audit, the directors and the audit committee about their own identification and assessment of the risks of irregularities, including those that are specific to the group's sector;
- any matters we identified having obtained and reviewed the group's documentation of their policies and procedures relating to:
    - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
    - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
    - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team and relevant internal specialists, including IT, tax, financial instruments, prudential risk, economic, credit modelling and industry specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following area: expected credit loss provisioning. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory frameworks that the group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act 2006, and tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the group's ability to operate or to avoid a material penalty. These included the Financial Conduct Authority ("FCA") and the Prudential Regulatory Authority ("PRA"), including those relating to regulatory capital and liquidity requirements.

11.2. Audit response to risks identified

As a result of performing the above, we identified expected credit loss provisioning as a key audit matter related to the potential risk of fraud. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to that key audit matter.

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

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the audit committee and external legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with the PRA, the FCA and HMRC; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

12. Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

13. Opinion on other matter prescribed by the Capital Requirements (Country-by-Country Reporting) Regulations 2013

In our opinion the information given in note 42 to the financial statements for the financial year ended 31 December 2024 has been properly prepared, in all material respects, in accordance with the Capital Requirements (Country-by-Country Reporting) Regulations 2013.

14. Matters on which we are required to report by exception

14.1. Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

14.2. Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made.

We have nothing to report in respect of this matter.

15. Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Nick Graham (Senior statutory auditor)

For and on behalf of Deloitte LLP
Statutory Auditor
Manchester, United Kingdom

01 April 2025

Financial Statements

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 120-184 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 120-184 are an integral part of these consolidated financial statements.

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

1 April 2025

Registered number: 11911574

Consolidated Statement of Changes in Equity

	Issued share capital £'000	Share premium [3] £'000	Merger relief £'000	Merger reserve £'000	Own shares [2] £'000	Retained earnings/(loss) £'000	Total £'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 120-184 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	18	(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 undertaking 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.

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.

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 9 for 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**
At FVOCI:		
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
At amortised cost (using effective interest rate method):		
On customer deposits	29,482	21,799
On subordinated liabilities	1,272	269
	30,754	**22,068**
At FVTPL:		
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

Analysis of staff costs:

	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.

Average number of persons employed by the Group (including Directors):

	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**

Directors' emoluments:

	Fees/basic salary £'000	Bonuses £'000	Employer pension contributions £'000	Benefits in kind £'000	2024 total £'000	2023 total £'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 Award 2021	113,394	68	Jun-21 Jun-21 Nov-21	Sep-22 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.

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**

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 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:

General Award

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.

Manager PSP and CSOP Award

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 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**

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 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	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	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:	
At 1 January 2023	720
Charge for the year	180
Disposals and write offs	-
At 31 December 2023	**900**
Charge for the year	197
Disposals and write offs	-
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**

	2024 £'000	2023 £'000
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**

	2024 £'000	2023 £'000
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) £'000	Net amount of financial assets/ (liabilities) presented in the Statement of Financial Position £'000	Cash collateral paid/(received) not offset in the Statement of Financial Position £'000	Net amount £'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 £'000	Less than 3 months £'000	3 - 12 months £'000	1 - 5 years £'000	More than 5 years £'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 £'000	2023 £'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		
Encumbered:	1,764	1,315
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
Financing cash flows:								
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)**
Non-cash movements:								
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
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

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**
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
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				
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**
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**

31 December 2024	Carrying amount £'000	Fair value £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
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 liabilities 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 liabilities 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 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;

- 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 the Group 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 £'000	2023 £'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 £'000	2023 £'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.

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 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.

Amounts written off

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.

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 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**

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 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 188-194 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 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 payments1	-	-	-	-	985	985
Employee Benefit Trust2	-	-	-	(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.

Notes 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
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**

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**	**-**

31 December 2023	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	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
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.

DF Capital