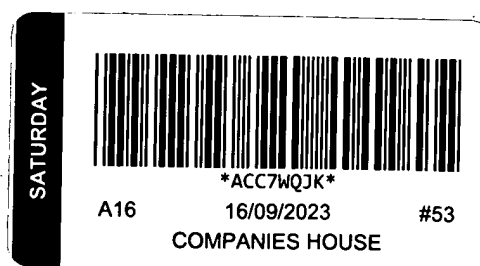


Admiral Financial Services Limited

Strategic Report, Directors' Report and Financial Statements

Registered number 10255225

For the year ended 31 December 2022



Contents

Directors and advisors	2
Strategic Report	3
Directors' Report.....	8
Statement of Directors' responsibilities in respect of the Strategic Report, Directors' Report and the Financial Statements.....	10
Independent auditor's report to the members of Admiral Financial Services Limited	11
Statement of Profit or Loss	16
Statement of Financial Position	17
Statement of Changes in Equity.....	18
Notes to the financial statements.....	19

Directors and advisors

Directors

K Atwal
B J Brand
M C Brierley
S W Cargill
D O Cobley
S J Gulliford
G A Jones
D G Stevens

Company Secretary

D J Caunt (resigned 29 September 2022)
J Wade (appointed 29 September 2022)

Registered office

Tŷ Admiral
David Street
Cardiff
United Kingdom
CF10 2EH

Auditor

Deloitte LLP
Statutory Auditor
4 Brindleyplace
Birmingham
B1 2HZ

Strategic Report

Admiral Financial Services Limited (the "Company") was incorporated on 28 June 2016 and is a 100% subsidiary of Admiral Group plc. The Company is a member of the Admiral Group of companies, headed by its listed parent Admiral Group plc (the "Group") and acts as a provider of unsecured personal loans and car finance products to UK customers through the price comparison channel and direct to customers via the Admiral website.

Business review

2022 has been a difficult and complex year for many businesses in the UK, however it was a very positive and pleasing year for the Company. The Company continued its philosophy of safe, efficient growth despite the uncertain external economic environment.

The Company is now a significant participant in what is a large lending market in the UK. It has opened over 250,000 loans to date and disbursed over £2 billion in lending. The gross book balance now stands at £887.4 million, (2021: £606.8m), whilst focus has been retained on prime lending. The Company's 2022 NPS score of 71 and Trust Pilot score of 4.6 is further evidence of exceptional customer propositions and service commitment within the consumer lending market. The Company was also winner of the Moneyfacts Consumer Awards best car finance provider of the year award for the second year running.

Progress in building the Company's capabilities in 2022 has been strong. The continued adoption of open banking has improved decision making and the onboarding journey. Enhancing the self-service functionality now results in 80% of customer transactions being processed digitally and new machine learning models are used to support decision making across the business.

UK inflation and the subsequent cost of living pressure it creates has seen the Company make early decisive moves to increase the hurdles in its affordability models to ensure that the Company is lending responsibly, and the customer can maintain the loan through any reasonable stress.

The Company also continued to make progress on integrating more closely with the UK insurance business to offer loans to insurance customers of the the company's fellow Admiral Group subsidiary, with almost double the amount of new business to Admiral Insurance customers in 2022 compared to 2021.

The Company expects to benefit from its strong position in a large and resilient market as distribution continues to shift to comparison and credit score marketplaces. Admiral has built successful businesses by doing the common things uncommonly well and the Company enters 2023 in good shape to achieve the same success in lending.

Performance

At the close of 2022, gross loan balances grew to £887.4 million (2021: £606.8 million), with a £63.6 million (2021: £50.0 million) expected credit loss provision, leading to a net loans balance of £823.8 million (2021: £556.8 million).

The result for the year was a pre-tax loss of £1.1 million (2021: £8.7 million loss). Interest income increased during the year as a result of the larger book, as did the associated funding costs as a result of book growth and UK market interest rates rising.

The book is funded through a combination of external banking warehouse facilities that issue senior and junior loan notes, and funding from its parent company and external funding partners. The banking warehouse facilities provide funding via Special Purpose Entities ("SPE") and while beneficial title of the impacted loans lies with each SPE, the loans remain on the Company's Statement of Financial Position reflecting the economic ownership of the risks and rewards. During H1 2022 one of the SPEs was extended, providing funding with improved terms for the next three years.

The Company's net liabilities at the end of 2022 stood at £0.5 million (2021: £0.6 million net assets). The decrease is the result of the loss of the period coupled with a deferred tax charge. The Company does not hold any financial investments as at 31 December 2022 (2021: £nil).

Capital structure

Details of the authorised and issued share capital, together with details of the movements in the Company's issued share capital during the year are shown in note 17. The Company has one class of ordinary shares which carry no right to fixed income. Each share carries the right to one vote at general meetings of the Company.

All of the Company's share capital is derived from the ordinary shares in issue.

There are no specific restrictions on the size of a holding nor on the transfer of shares, which are both governed by the general provisions of the Articles of Association and prevailing legislation. The Directors are not aware of any agreements that may result in restrictions on the transfer of securities or on voting rights.

Section 172(1) statement

The Directors of the Company must act in accordance with the duties set out in section 172 of the UK Companies Act 2006. This requires a director of a company to act in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its shareholders as a whole, and in doing so have regard (amongst other matters) to the likely consequences of any decisions in the long-term, the interests of the company's employees, the impact of the company on the community and the environment, as well as the need to foster the company's business relationships with suppliers, customers and others.

Having reviewed the recurring items on its agenda as well as the content of presentations and workshops that have been held during the year, the Board has identified the following stakeholders that are of the critical strategic importance to its operations; its customers, employees, shareholder, and external partners including regulators and communities.

The Company engages with these stakeholders as follows:

Our customers

The Company engages with its customers through:

- the Sales and Servicing Team
- the Customer Payment Support Team
- the Complaints Team
- customer feedback from surveys and other monitoring tools.

The Board reviews the results of the surveys, customer feedback and complaints as well as customer-focussed key performance indicators. The Board also receives periodic reporting which shows how the Company is meeting its regulatory and conduct requirements.

During the year, the Board received detailed updates on several key projects including those relating to technological improvements and development of both existing and new products.

Additionally, the Company's affordability model has been tailored to reflect the cost of living pressures many customers face, as part the Company's commitment to lend responsibly.

Our employees

The Company has committed to ensuring it is transparent, fun, creative, curious and challenging. It engages with employees through:

- The Admiral Group Employee Consultation Group
- Regular employee surveys
- Regular all-team video conferences providing business updates and discussing selected topics in-depth, giving employees an opportunity to ask questions
- A quarterly "Connect day" bringing all employees together to discuss strategy and allowing people to connect outside of a virtual world
- 1:2:1s and performance appraisals

The Board monitors the results of the surveys and looks at metrics such as attrition, sickness and appraisal completion to gauge employee engagement. In addition, the Board considers the ongoing appropriateness and sufficiency of the Company's people, resourcing and culture on at least an annual basis.

Our external partners

The Company works closely with external partners, particularly information technology providers, distribution networks and funding providers. Items of strategic importance are brought to the Board for discussion as required.

The Company maintains an open, constructive and cooperative relationship with regulators, principally through the Group's dedicated Regulatory Relationships team and ensures that its regulatory returns and notifications are made in line with regulatory requirements.

Our shareholders

The Company's shareholder is represented on the Board by two non-executive Directors, including the chair, who are also on the Admiral Group Board. This ensures that the interests of our shareholder are well

represented on the Board and the long-term consequences of strategic priorities are consistent with those of the wider Admiral Group.

Key decisions and approvals

Some of the key decisions and approvals by the Board in the year and how stakeholders were considered in these are outlined below:

- The approval of the renewal of one of the warehouse facilities, offering increased funding to support continued book growth;
- The approval of the 2023 and beyond strategy. The strategy is set within the context of the strategy of the parent company, Admiral Group plc. It focusses on ensuring that the company becomes one of the best personal loan providers in the UK. The strategy identifies three key focus areas: grow the business safely and efficiently, transform to ensure the business stays ahead in the long term, and being the best place to work for its people.

Principal risks and uncertainties

The Company has established a risk appetite and monitoring framework, encompassing financial and non-financial risks. These include, amongst others: (a) the risk of bad debt, through a deterioration in the macro-economic environment or company-specific underwriting criteria; (b) fair customer outcomes; (c) operational risk, including but not limited to culture, employees, IT and other operational processes and practices; (d) funding risk, notably the Company's ability to reliably access funds to support its growth plans; and (e) regulatory risk.

These risks are actively monitored, discussed and managed by the Company to ensure compliance with the risk appetite approved by the Board. With respect to bad debt, the Company has a targeted Probability of Default for its portfolio in aggregate, and actively monitors the rate of new accounts into arrears and associated cure rates of loans that are in arrears. Acquisition credit rules and pricing points are continuously monitored and adjusted as experience and data emerges.

The Company continues to be funded through a combination of banking warehouse facilities and funds provided by Admiral Group, sufficient to enable delivery of the medium-term business plan. The facility has certain concentration and performance triggers that are actively monitored to ensure compliance. In addition, the facilities have stipulated certain quality requirements on loans that are to be sold into the warehouses.

The Company is conscious of the UK macro-economic backdrop, the current uncertainty and its impact on short and long-term economic performance. It undertakes scenario and stress tests both as part of its annual planning process and on an ad hoc basis as required. The Board has discussed and assessed the impact, and any actions that may be taken pre-emptively, of an economic downturn on customer demand, arrears, funding cost and availability, market pricing and competition and employees.

The impact of climate change is considered at a Group level and is not considered significant for the Company in the near term. For further detail please refer to the Admiral Group plc Annual Report available on the Admiral Group website.

Following Russia's invasion of Ukraine in late February 2022, financial markets volatility increased and a range of international sanctions were imposed on Russia. At the date of this report, no significant changes to the Company's principal risks and uncertainties are noted as a result.

Going Concern

The Directors have considered the appropriateness of the going concern basis of preparation in these financial statements, as set out in note 1.3. Given the result of this assessment, the Directors are satisfied that the going concern basis of preparation is appropriate.

Post balance sheet events

No events have occurred since the reporting date that materially impact these financial statements.

Objectives and policies for mitigating financial risks

The Company's activities expose it primarily to financial risks of credit risk, interest rate risk and liquidity risk. Further detail is included in note 14g to the financial statements.

This report was approved by the Board and signed on its behalf on 26 May 2023.

By order of the Board,

DocuSigned by:



18FE79EE58B5408...

J Wade

Company Secretary

26 May 2023

Directors' Report

The Directors present their report and the financial statements for the year ended 31 December 2022. The comparative period is the year ended 31 December 2021.

Results and dividends proposed

The loss for the year after taxation amounted to £0.8 million (2021 loss: £7.0 million).

No dividend was declared or paid in respect of the year ended 31 December 2022 (2021: £nil).

Directors

The following served as Directors of the Company during the year and up to the date of signing the financial statements:

K Atwal
B J Brand
M C Brierley
S W Cargill
D O Cobley
S J Gulliford
G A Jones
D G Stevens

Charitable and political donations

During the year the Company donated £1,200 (2021: £1,500) to various local and national charities. Details of the parent company charitable scheme that staff take part in are included in the Group Annual Report. The Company has never made any political donations.

Future developments

The priority for the Company for the forthcoming year is to continue to grow its loan book through both direct and price comparison channels whilst operating a tightly controlled cost base.

Employee involvement

The Company provides employees with regular information on its performance and other information that concerns them.

Every employee is invited to attend an annual staff general meeting ("SGM") to achieve a common awareness throughout the Company of the financial and economic factors that affect the performance of the Company and the wider Admiral Group.

Disabled employees

In considering applications for employment from disabled people the Company seeks to ensure that fair consideration is given to the abilities and aptitudes of the applicant while having regard to the requirements of the job for which they have applied. Employees who become unable to carry out the job for which they were employed are given individual consideration and depending on the nature, severity and duration of the disability may be considered for alternative work, and the Company continues to train and encourage the career development of disabled persons in its employment.

Engagement with other key stakeholders

Detailed information on the Company's engagement with its key stakeholders is set out in the Strategic Report on pages 3 to 7.

Disclosure of information to auditor

Each of the persons who are Directors at the time when this Directors' Report is approved has confirmed that:


- so far as that Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- each Director has taken all the steps that ought to have been taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Appointment of auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and will therefore continue in office.

By order of the Board,

DocuSigned by:

18FE79EE5B85408...

J Wade

Company Secretary

26 May 2023

Statement of Directors' responsibilities in respect of the Strategic Report, Directors' Report and the Financial Statements

The Directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 "Reduced Disclosure Framework".

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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.

Independent auditor's report to the members of Admiral Financial Services Limited

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of Profit or Loss;
- the statement of Financial Position;
- the statement of Changes in Equity; and
- the related notes 1 to 23.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

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

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

Conclusions relating to going concern

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

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

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

Other information

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

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

We have nothing to report in this regard.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included the UK Companies Act (2006) and relevant tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty. These included Financial Conduct Authority regulations.

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

As a result of performing the above, we identified the greatest potential for fraud in the following area, and our procedures performed to address it are described below:

Loan loss provision in respect to the loans and advances to customers is inappropriately valued, specifically the selection of the macro-economic scenarios ("MES") and post model adjustments ("PMAs") applied in the IFRS 9 expected credit loss model.

Our audit work over the specific significant risk identified included:

- Obtaining an understanding of relevant key controls surrounding the calculation process of the expected credit loss model.
- Engaging with our internal specialists (economists and credit modellers) to review and challenge management's application of the MES and PMAs.
- Compared the appropriateness of the Company's MES and PMAs to those used by peers.
- Assessing the expected credit loss provision, and application of MES and PMAs, for compliance against IFRS 9.

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

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

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

Use of our report

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



Neil Reed, FCA (Senior statutory auditor)

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

26 May 2023

Statement of Profit or Loss

For the year ended 31 December 2022

		Year ended 31 December 2022 £000	Year ended 31 December 2021 £000
Interest receivable on loans and advances to customers	3	58,819	36,590
Interest payable and other similar charges	4	(14,094)	(8,761)
Net interest income		44,725	27,829
Other operating income	5	232	669
Net operating income		44,957	28,498
Administrative expenses	6	(25,184)	(26,498)
Movement on provision on loans and advances to customers	14	(20,837)	(10,692)
Operating loss		(1,064)	(8,692)
Interest receivable and other similar income	10	–	23
Loss before tax		(1,064)	(8,669)
Tax credit on loss	11	290	1,719
Total Comprehensive loss for the financial year		(774)	(6,950)

The Company had no items of comprehensive income for the current or preceding financial year other than the loss for the year and, accordingly, no statement of comprehensive income is presented.

The notes on pages 19 to 49 form part of these financial statements.

Admiral Financial Services Limited
Registered number: 10255225
31 December 2022

Statement of Financial Position

As at 31 December 2022

		31 December 2022 £000	Restated (Note 23) 31 December 2021 £000
	Note		
Assets			
Intangible assets	12	1,537	230
Property, plant and equipment	13	210	209
Loans and advances to customers	14	823,762	556,829
Trade and other receivables	14	—	720
Prepayments and accrued income	14	5,192	3,936
Corporation tax recoverable	11	171	1,842
Deferred tax asset	15	342	498
Cash at bank and in hand	14	33,770	29,007
Total assets		864,984	593,271
Capital and reserves			
Called up share capital	17	44,500	44,500
Other reserve	18	161	447
Profit and loss account		(45,168)	(44,394)
Total equity		(507)	553
Liabilities			
Trade and other payables	16	865,491	592,718
Total liabilities		865,491	592,718
Total equity and liabilities		864,984	593,271

The notes on pages 19 to 49 form part of these financial statements.

These financial statements were approved by the Board of Directors and signed on its behalf on 26 May 2023 by:

DocuSigned by:

429621D3B5F4438...

SW Cargill
Director

Company Number: 10255225

Statement of Changes in Equity

For the year ended 31 December 2022

	Note	Share capital £000	Other reserves £000	Retained profit and loss £000	Total equity £000
At 1 January 2021		44,500	203	(37,444)	7,259
Loss for the period		–	–	(6,950)	(6,950)
Total comprehensive expense for the period		–	–	(6,950)	(6,950)
Transactions with equity holders					
Deferred tax credit on share scheme charges	15	–	244	–	244
Total transactions with equity holders		–	244	–	244
At 31 December 2021 (restated, note 23)		44,500	447	(44,394)	553
Loss for the period		–	–	(774)	(774)
Other comprehensive income					
Total comprehensive expense for the period		–	–	(774)	(774)
Transactions with equity holders					
Deferred tax charge on share scheme charges	15	–	(286)	–	(286)
Total transactions with equity holders		–	(286)	–	(286)
At 31 December 2022		44,500	161	(45,168)	(507)

The notes on pages 19 to 49 form part of these financial statements.

Notes to the financial statements

For the year ended 31 December 2022

Authorisation of financial statements

The financial statements of Admiral Financial Services Limited for the year ended 31 December 2022 were authorised for issue by the Board of Directors on 25 May 2023 and the Statement of Financial Position was signed on the Board's behalf on 26 May 2023 by S W Cargill, Director.

Admiral Financial Services Limited (the "Company") is a limited company incorporated and domiciled in the United Kingdom and registered in England and Wales.

1. Accounting policies

1.1 Basis of preparation

These financial statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* ("FRS 101") and the Companies Act 2006. The financial statements are prepared on the historical cost basis.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the UK ("Adopted IFRSs") but makes amendments where necessary in order to comply with the Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies. See note 2 for further details.

In accordance with Section 400 of the Companies Act 2006, the Company has elected to take the exemption available to not prepare consolidated financial statements and as a result, these financial statements are for the Company only. The consolidated financial statements of Admiral Group plc, incorporated in England and Wales, can be obtained from the Company Secretary at the registered office of Tŷ Admiral, David Street, Cardiff, CF10 2EH.

The financial statements are presented in pounds sterling, the Company's presentational currency, rounded to the nearest thousand.

1.2 Disclosure exemptions applied under FRS 101

The Company's parent undertaking, Admiral Group plc, includes the Company in its consolidated financial statements. The consolidated financial statements of Admiral Group plc are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from the Company Secretary at the registered office – Tŷ Admiral, David Street, Cardiff, CF10 2EH.

The Company has taken advantage of the following disclosure exemptions under FRS 101:

Notes to the financial statements (continued)

- FRS 101.8 (eA): the requirements of the second sentence of paragraph 110 and paragraph 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers which requires disclosure of disaggregated revenue and related performance obligations.
- FRS 101.8 (eB): the requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91, 93 of IFRS 16 Leases to disclose Statement of Profit or Loss amounts and qualitative & quantitative explanations for changes in the net investment in finance leases (as a Lessor) and to produce a stand-alone maturity analysis of the outstanding lease liability (as a Lessee).
- FRS 101.8 (f): the requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of paragraph 118(3) of IAS 38 Intangible Assets.
- FRS 101.8 (g): the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134 to 136 of IAS 1 Presentation of Financial Statements to produce a cash flow statement, a third Statement of Financial Position, to make an explicit and unreserved statement of compliance with IFRSs, and to disclose the entity's objectives, policies and processes for managing capital.
- FRS 101.8 (h): the requirements of IAS 7 Statements of Cash Flows to produce a cash flow statement.
- FRS 101.8 (i): the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to include a list of new IFRSs that have been issued but that have yet to be applied.
- FRS 101.8 (k): the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.
- FRS 101.8 (l): the requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets to disclose details of valuation techniques and assumptions used for assets held at fair value less cost to sell categorised as Level 2 and Level 3 in accordance with the IFRS 13 fair value hierarchy (where equivalent disclosures are made in the Group's consolidated financial statements).

The Company proposes to continue to adopt the reduced disclosure framework of FRS 101 in its next financial statements.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

1.3 Going concern

The Directors have assessed going concern taking into account both current performance and the Company's outlook.

The Board reviewed cashflow forecasts produced by management over the period to June 2024, with appropriate stresses around default assumptions of loans. This indicated that even when the stresses are

Notes to the financial statements (continued)

applied, the Company remains able to meet its obligations as they fall due over at least the next 12 months from the date of this report, with appropriate headroom above the cash requirements of the business.

The Directors have considered the regulatory and legal environment and any potential conduct risks that could arise. The Company has been proactively adhering to FCA guidelines and has adapted its processes to ensure it is fully compliant and ensuring continuous monitoring of enhancements to meet future guidance. The Company has set up a project team to ensure it meets the new Consumer Duty regulations being introduced by the FCA, and has appointed a Consumer Duty “champion” at the Board.

As set out in note 2 to these financial statements, a number of scenarios have been modelled to consider the impact on the expected credit loss provision, and whilst these impact the profit and equity position of the Company, cashflow forecasts indicate that the Company remains in a strong cash surplus position over the next 12 months.

As a result of this assessment, the Directors believe it remains appropriate to adopt the going concern basis of accounting in preparing the Company’s financial statements.

Further information regarding the Company’s business activities, together with the factors likely to affect its future development, performance and position, is set out in the Strategic Report and Directors’ Report on pages 3 to 9. In addition, note 14 to the financial statements includes the Company’s objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and its exposures to credit risk and liquidity risk.

1.4 Impact of new international reporting standards, amendments and interpretations

The Company has adopted the following IFRS and interpretations during the year, which have been issued and endorsed:

- Amendments to IFRS 3 Reference to the Conceptual Framework (effective 1 January 2022)
- Amendments to IAS 16 Property, Plant and Equipment - Proceeds before Intended Use (effective 1 January 2022)
- Amendments to IAS 37 Onerous Contracts - Cost of Fulfilling a Contract (effective 1 January 2022)
- Annual Improvements to IFRS Standards 2018-2020 Cycle: Amendments to IFRS 1 First-time Adoption of International Financial
- Reporting Standards, IFRS 9 Financial Instruments, and IFRS 16 Leases (effective 1 January 2022)

1.5 Interest receivable on loans and advances to customers, interest receivable and other similar income

Interest income received in relation to loans and advances to customers is credited to the Statement of Profit or Loss using the effective interest method which allocates interest, direct and incremental fees and costs over the expected lives of the assets and liabilities. There has been no change in recognition of interest income from the comparative period. The interest income is recognised on a month by month earned basis, resulting in a portion of the interest being recognised but not yet received.

Notes to the financial statements (continued)

Interest receivable and other similar income relates to interest receivable on an intercompany loan from the Company to its parent, Admiral Group plc.

1.6 Interest payable and other similar charges

Interest expenses are incurred on the funding outstanding for loans and advances to customers. These are debited to the Statement of Profit or Loss using the effective interest method and presented underneath interest receivable on loans and advances to customers to present a net interest income.

The external funding balances are held with or by fellow group undertakings or those under common control, with the related interest expense being recharged to the Company.

1.7 Intangible assets

Purchased software is recognised as an intangible asset and stated in the Statement of Financial Position at cost less accumulated amortisation and impairment losses. Amortisation is provided to write off the cost of the software over its expected useful life which is generally the license term (between 3 and 5 years), up to a maximum of 5 years.

In addition, an intangible asset is recognised for the development of the loan servicing system and subsequently amortised over its expected useful life (around 2 years on average).

Expenditure on development activities is capitalised only if the product or process is technically and commercially feasible and the Company intends and has the technical ability and sufficient resources to complete development for future use, future economic benefits are probable and if the Company can measure reliably the expenditure attributable to the intangible asset during its development.

Amortisation commences from the date that the intangible assets are available for use.

1.8 Property, plant and equipment

Property, plant and equipment ("PPE") under the cost model is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method. The estimated useful life of PPE, which was exclusively computer equipment at the end of the reporting period, is 3 years.

The assets residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Profit or Loss.

Notes to the financial statements (continued)**1.9 Financial assets and liabilities****i) Financial assets**

Financial assets held by the Company include cash and cash equivalents, loans and advances to customers, trade and other receivables, prepayments and accrued income.

Classification and measurement

The classification and subsequent measurement of the financial asset under IFRS 9 depends on:

- the Company's business model for managing the financial assets; and
- the contractual cash flow characteristics of the financial asset.

Based on these factors, the financial asset is classified into one of the following categories:

- Amortised cost – assets which are held in order to collect contractual cash flows, and the contractual terms of the financial asset give rise to cash flows which are solely payments of principal and interest on the principal amount outstanding, where the asset is not designated as fair value through profit and loss ("FVTPL")
 - An expected credit loss allowance is calculated for all assets held at amortised cost, as detailed further in the impairment section below.
 - Assets measured at amortised cost include cash and cash equivalents, trade and other receivables, prepayments and accrued income and loans and advances to customers.
- Fair value through other comprehensive income ("FVOCI") – assets which are held both to collect contractual cash flows and to sell the asset, where the contractual terms of the financial asset give rise to cash flows which are solely payments of principal and interest on the principal amount outstanding, where the asset is not designated as FVTPL.
 - The Company has no financial assets classified as FVOCI.
- Fair value through profit or loss ("FVTPL") – assets which do not meet the criteria for amortised cost or FVOCI, or which are designated as FVTPL.
 - The Company has no financial assets classified as FVTPL.

Impairment

IFRS 9 outlines an expected credit loss (ECL) model for impairments. Under IFRS 9, an ECL should be calculated for all assets measured at amortised cost, as well as debt instruments measured at FVOCI. Further detail on the ECL model is provided in notes 2 and 14.

Notes to the financial statements (continued)***Derecognition***

A financial asset is derecognised when the rights to receive cash flows from that asset have expired, or when the Company transfers the asset and all the attached substantial risks and rewards relating to the asset to a third party.

ii) Financial liabilities

All financial liabilities are classified as subsequently measured at amortised cost using the effective interest method.

Movements in the amortised cost are recognised through the Statement of Profit or Loss.

Financial liabilities for the Company include amounts owed to group undertakings and Special Purpose Entities, accruals and deferred income, other tax and social securities and other payables.

Amounts owed to group undertakings primarily consist of external funding held by fellow group undertakings for the purpose of funding loans and advances to customers.

Amounts owed to Special Purpose Entities represents external funding drawn to fund loans and advances to customers whereby beneficial title has been transferred to the SPEs, less cash repayable to the Company.

Classification and subsequent measurement

Subsequent measurement of financial liabilities, is at amortised cost using the effective interest method. Movements in the amortised cost are recognised through the Statement of Profit or Loss.

Derecognition

A financial liability is derecognised when the obligation under that liability is discharged, cancelled or expires.

1.10 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty of notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value. All cash and cash equivalents are measured at amortised cost.

1.11 Share based payments

The Company's ultimate parent undertaking, Admiral Group plc, operates a number of equity-settled compensation schemes for its employees.

The total charge expensed over the vesting period is determined by reference to the fair value of the free shares granted as determined at the grant date (excluding the impact of non-market vesting conditions). Non-market conditions such as profitability targets as well as employee attrition rates are included in assumptions over the number of free shares to vest under the applicable scheme. At each Statement of

Notes to the financial statements (continued)

Financial Position date, management of Admiral Group plc revise their assumptions on the number of shares to be granted with the impact of any change in the assumptions recognised through income.

Admiral Group plc recharges share scheme expenses to the Company in respect of the employees of Admiral Financial Services Limited, as the Company has received the benefit of the employees' services.

1.12 Finance leases***Company as the Lessor***

Included within loans and advances to customers are personal contract purchase ("PCP") and hire purchase ("HP") arrangements which are classified as finance leases under IFRS 16. A receivable equal to the net investment in the lease has been recognised. The net investment is equal to the gross investment in the lease discounted at the rate implicit in the lease. The impairment requirements of IFRS 9 have been applied to the finance leases held.

Lease interest income is recognised within interest income on loans and advances to customers in the Statement of Profit or Loss over the term of the lease using the effective interest method.

The title to the underlying vehicle remains with the Company until the lessee has made all contractual payments, at which point ownership is transferred to the lessee. In the event of breach of contract, such as non-payment, the vehicle itself acts as collateral for the finance lease, becoming available for repossession in most cases.

Some of the ways in which the Company maintains its rights to the vehicle, and thus manages the risk of loss associated with the finance lease, include:

- The Company does not enter into any finance leases with a maximum loan-to-value limit, reducing the risk of shortfall on termination of the contract
- The Company requires the lessee to insure the underlying vehicle at all times, reducing the risk of non-recovery if the asset is stolen or destroyed
- The estimated future value of each vehicle, which is sourced externally, is considered in the pricing of the lease contracts to provide protection against deterioration in value.

1.13 Pensions***Defined contribution pension plan***

Fellow group undertaking EUI Limited operates a defined contribution plan on behalf of employees of the Company. A defined contribution plan is a pension plan under which the Company pays fixed contributions to a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in the Statement of Profit or Loss when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the Company in independently administered funds.

Notes to the financial statements (continued)**1.14 Current and deferred taxation**

The tax expense for the year comprises current and deferred tax. Current and deferred tax is recognised in the Statement of Profit or Loss, except where it relates to items recognised in other comprehensive income or directly in equity. In this case, the corresponding tax is also recognised in either other comprehensive income or directly in equity, respectively. In particular, where the estimated future tax deduction related to share-based payments exceeds the cumulative remuneration expense, the excess of the associated current or deferred tax is recognised directly in equity.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of Financial Position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

2. Critical accounting judgements and key sources of estimation uncertainty

In applying the Company's accounting policies as described in the notes to the financial statements, the Directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical accounting judgements

The following are the critical judgements, apart from those involving estimations (which are presented separately below), that the Directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

Notes to the financial statements (continued)**a) Securitisation of loans and advances to customers**

The Company has set up two Special Purpose Entities ("SPE") which are both active at the reporting date. The Company has securitised certain loans by the transfer of the loans to the SPEs. The securitisations enable subsequent issue of debt by the SPEs to both the Company and third-party investors via senior and junior notes with interest and principal repayment flowing first to the senior note investors.

The accounting treatment has been assessed and it has been concluded that the loans that have been sold to the SPEs should remain an asset in the Statement of Financial Position of the Company. Only beneficial title to the receivables has been sold to the SPE, whilst legal ownership and substantially all of the risks and rewards associated with the loans remain with the Company. The Company recognises an intercompany payable to the SPEs for the securitised loans.

The Company adopts a net accounting approach for retained interests in the securitisation transactions, disclosing the net amount owed to Special Purpose Entities. See note 16 for further details.

b) Expected credit loss provision on loans and advances to customers

The Company is required to calculate an ECL allowance in respect of the carrying value of the loan portfolio in line with the requirements of IFRS 9. Measurement of the ECL allowance requires the use of complex models and significant assumptions about future economic conditions and credit behaviour.

A number of significant judgements are required when applying the accounting requirements for measuring the ECL, including:

- Determining the appropriate modelling solution for measuring the ECL
- Calibrating and selecting appropriate assumptions
- Setting the criteria for what constitutes a significant increase in credit risk
- Identification of key scenarios to include and determining the credit loss in these instances.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting period end that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Though none of the sensitivities in this section cause any material adjustment to the carrying amounts, this information has been disclosed as it is considered important to the users of the financial statements.

The most significant areas where estimations have been made which give rise to estimation uncertainty include:

- The Probability of Default in the base scenario for stage 1 and 2 assets; and
- Determination, impact assessment and weighting of the forward-looking scenarios.

Notes to the financial statements (continued)***Measurement of the ECL***

The ECL model is a three-stage model based on forward looking information regarding changes in the credit quality since origination. Credit risk is measured using the Probability of Default ("PD"), Exposure at Default ("EAD") and Loss Given Default ("LGD") defined as follows:

- **Probability of Default:** The likelihood of an account defaulting; calibrated through analysis of historic customer behaviour. Where customers have already met the definition of default this is 100%. For customers that are not in default the PD is determined through analysis of historic data at a credit grade level. A behavioural PD is used after two months based on observed default rates by month on book and risk grade.
- **Exposure at Default:** The amount of balance at the time of default. For loans that are in arrears the EAD is taken as the current balance plus any expected interest arrears. For up-to-date loans the EAD is calculated as the expected balance three months prior to each period, plus three months of interest arrears to account for the time it takes to default following falling into arrears.
- **Loss Given Default:** The amount of the asset not recovered following a borrower's default, determined through analysis of historic recovery performance.

The PD is applied to the EAD to calculate the expected loss excluding recoveries. The LGD is then applied to this loss to calculate the total expected loss including recoveries. A forward-looking provision is also calculated, as set out later in this note.

Loan assets are segmented into three stages of credit impairment:

- Stage 1 – no significant increase in credit risk of the financial asset since inception
- Stage 2 – significant increase in credit risk of the financial asset since inception
- Stage 3 – financial asset is credit impaired.

For assets in stage 1, the allowance is calculated as the expected credit losses from events within 12 months after the reporting date. For assets in stages 2 and 3 the allowance is calculated as the expected credit loss from events in the remaining lifetime of each asset.

Significant increase in credit risk (SICR) (Stage 2)

As explained above, stage 1 assets have an ECL allowing for losses in the next twelve months, stage 2 or 3 assets have an ECL allowing for losses over the remaining lifetime of the contract. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not prescribe a definition of significant increase in credit risk but does include a rebuttable presumption that this does occur for loan assets which are 30 days past due (which the Company does not rebut).

The Company has deemed a SICR occurred where:

- The loan is one to two loan payments in arrears; or
- The behavioural PD has moved outside a specified threshold from the application PD; or

Notes to the financial statements (continued)

- The customer is identified as being two or more payments in arrears on a product reported to the credit reference agency.

Credit impaired (Stage 3)

The Company does not rebut the presumption within IFRS 9 that default has occurred when an exposure is greater than 90 days past due, which is consistent with a customer being three or more payments in arrears. In addition, a loan is deemed to be credit impaired where:

- There is an Individual Voluntary Arrangement ("IVA") agreement confirmed or proposed; or
- The customer has started or progressed bankruptcy action; or
- A repayment plan is in place; or
- A customer is deceased.

Post-model adjustments (PMA)

As at 31 December 2022, the expected credit loss allowance included PMAs totalling £11.3 million (2021: £9.1 million).

	31 December 2022 £m	31 December 2021 £m
Model performance	3.9	2.0
Inflation	4.0	2.5
Economic scenarios	0.9	4.6
Mortgage contagion	2.5	-
Total post model adjustments	11.3	9.1

PMAs are calculated using management judgement and analysis. The key categories of PMA are as follows:

Model Performance

The model has been calibrated on historical data that may not fully reflect the risk of losses in the recent and ongoing, highly volatile macro-economic period. For this reason, a model performance PMA has been made, which effectively recalibrates the modelled probability of default of the loans to reflect recent monitored performance.

Inflation

This PMA has been updated to reflect the inflation outlook which has increased significantly since the end of 2021. Inflation could adversely impact the ability of some customers to make their loan repayments. A PMA is held to acknowledge this.

Notes to the financial statements (continued)**Economic scenarios**

An uncertainty factor determined by management judgement has been added to reflect the recent volatility in unemployment forecasts. This factor has been reduced as variability between successive forecasts has fallen.

Mortgage contagion

Captures the risk that following increases in mortgage rates from their historic lows, customers may experience payment shocks when their standard variable or fixed term mortgages come to an end and may have to prioritise mortgage payments over other debts.

Write off policy

Loans are written off where there is no reasonable expectation of recovery. The Company's policy is to write off balances to their estimated net realisable value. Write offs are actioned on a case-by-case basis taking into account the operational position and the collections strategy.

Forward-looking information

Under IFRS 9 the provision must reflect an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes. The means by which the Company has determined this is to run scenario analysis.

Management judgement has been used to define the weighting and severity of the different scenarios based on available data.

The key economic driver of credit losses from the scenarios is the likelihood of a customer entering hardship through unemployment. Unemployment forecasts include a risk grade split of PD based on the correlation between grade-level default rates observed relative to the change in unemployment rates in the previous downturn, adjusted for the unemployment forecast expected in the current economic environment.

The scenario weighting assumptions used are detailed below, along with the unemployment rate assumed in each scenario at 31 December 2022.

	31 December 2022 Scenario peak Unemployment rate	31 December 2022 Weighting	31 December 2021 Scenario peak Unemployment rate	31 December 2021 Weighting
Base	4.8%	40%	4.3%	40%
Upturn	3.5%	10%	4.0%	10%
Downturn	6.0%	40%	6.3%	30%
Severe	7.9%	10%	6.6%	20%

The economic scenarios and forecasts have been updated in conjunction with a third-party economics provider. The probability weightings reflect the view that there is a probability of 90% attached to recessionary outcomes.

Notes to the financial statements (continued)***Sensitivities to key areas of estimation uncertainty***

The key areas of estimation uncertainty identified are in the PD and the forward-looking scenarios.

	31 December 2022 Weighting	31 December 2022 Sensitivity £m	31 December 2021 Weighting	31 December 2021 Sensitivity £m
Base	40%	(1.3)	40%	(2.5)
Upturn	10%	(6.9)	10%	(9.7)
Downturn	40%	1.4	30%	6.9
Severe	10%	5.7	20%	11.1

The sensitivities in the above table show the variance to ECL that would be expected if the given scenario unfolded rather than the weighted position the provision is based on. At 31 December 2022 the implied weighted peak unemployment rate is 5.5%: the table shows that in a downturn scenario with a 6.0% peak unemployment rate the provision would increase by £1.4 million, whilst the upturn would reduce the provision by £6.9 million, base case reduce by £1.3 million and severe increase the provision by £5.7 million.

Stage 1 assets represent 82% of the total loan assets; 0.1% increase in the stage 1 PD, i.e. from 2.4% to 2.5% would result in a £0.7 million increase in ECL.

3. Interest receivable on loans and advances to customers

	2022 £000	2021 £000
Unsecured personal loans	56,146	33,965
Finance leases	2,673	2,625
Total interest income	58,819	36,590

4. Interest payable and other similar charges

	2022 £000	2021 £000
Interest expense	14,094	8,761
	14,094	8,761

Interest on asset-backed senior loan note facilities of £1.0 billion (2021: £650.0 million) is recharged from Seren One and Seren Two, fellow group undertakings. Interest recharged during 2022, including interest on swap contracts, totalled £11.7 million (2021: £5.5 million).

Interest on other external borrowings is recharged from the Company's parent, Admiral Group plc. During 2022, the total interest expense payable to Admiral Group plc was £2.4 million (2021: £3.3 million). Further detail on outstanding balances as at the Statement of Financial Position date is included in note 16.

Notes to the financial statements (continued)**5. Other income**

Other income of £232,000 (2021: £669,000) relates to supplementary income generated in relation to loans and advances receivable, and includes revenue generated on sales which have been declined by the Company for various reasons and passed to other lenders for them to decision and lend to if they deem appropriate. This revenue falls within the scope of IFRS 15 for which Reduced Disclosure Exemptions have been taken.

6. Operating loss

The operating loss is stated after charging:

	2022 £000	2021 £000
Depreciation of property, plant and equipment	125	80
Amortisation of intangible fixed assets	254	597

7. Auditor's remuneration

	2022 £000	2021 £000
Fees payable to the Company's auditor and its associates for the audit of the Company's annual accounts for the current reporting period	85	82
Fees payable to the Company's auditor and its associates for the audit of the Company's annual accounts for prior reporting periods	22	–
Fees payable for the audit of the Company's subsidiary accounts	26	10
Fees payable for audit related assurance services	–	24
	133	116

8. Employees

Employee costs, including Directors' remuneration, were as follows:

	2022 £000	2021 £000
Wages and salaries	10,096	8,133
Social security costs	1,093	851
Share scheme costs	3,071	3,026
Company contributions to defined contribution pension schemes	401	320
	14,661	12,330

Notes to the financial statements (continued)

The average monthly number of employees, including the Directors, during the year was:

	2022 No.	2021 No.
Direct customer contact employees	88	66
Support employees	120	113
	208	179

Employees are employed and remunerated by fellow group undertaking EUJ Limited. Employee costs are recharged from EUJ Limited to the Company.

9. Directors' remuneration

	2022 £000	2021 £000
Directors' emoluments	691	588
Amounts receivable on long term incentive schemes	531	768
Company contributions to defined contribution pension schemes	30	19
	1,252	1,375

During the year retirement benefits were accruing to two (2021: four) Directors in respect of defined contribution pension schemes. No share options were granted or exercised during the year by the highest paid director (2021: nil).

The highest paid Director received total remuneration of £790,000 (2021: £1,022,000).

The value of the Company's contributions paid to a defined contribution pension scheme in respect of the highest paid Director amounted to £15,000 (2021: £15,000).

10. Interest receivable and other similar income

Interest receivable and other similar income of £nil (2021: £23,000) is in relation to interest receivable on an intercompany loan from the Company to its parent, Admiral Group plc.

Notes to the financial statements (continued)**11. Taxation**

	2022 £000	2021 £000
Corporation tax		
Current tax on losses for the period	(171)	(1,842)
Adjustments in respect of previous periods	11	1
Total current tax	(160)	(1,841)
Deferred tax		
Origination and reversal of timing differences	(130)	122
Adjustments in respect of previous periods	—	—
Total deferred tax	(130)	122
Tax on loss	(290)	(1,719)

Factors affecting tax charge for the period

The tax assessed for the period is lower (2021: lower) than the standard rate of corporation tax in the UK of 19.0% (2021: 19.0%). The differences are explained below:

	2022 £000	2021 £000
Loss before tax	(1,064)	(8,669)
Loss multiplied by standard rate of corporation tax in the UK of 19.0%	(202)	(1,647)
Effects of:		
Expenses not deductible for tax purposes	(5)	(6)
Adjustments to tax charge in respect of prior periods	26	1
Difference in tax rate on deferred tax	(109)	(67)
Total tax (credit) for the period	(290)	(1,719)

Total corporation tax receivable as at 31 December 2022 was £171,000 (2021: £1,842,000).

Factors that may affect future tax charges

The average effective rate of tax for 2022 is 19.0% (2021: 19.0%). An increase to the main rate of corporation tax in the UK to 25% was announced in the 2021 Budget and will come into effect in 2023. This will increase the Company's future tax charge accordingly.

Notes to the financial statements (continued)**12. Intangible assets**

Cost	Software £000
As at 1 January 2022	3,423
Additions	2,156
Disposals	—
As at 31 December 2022	5,579

Amortisation	
As at 1 January 2022	3,193
Charge for the period	849
Disposals	—
As at 31 December 2022	4,042

Net book value	
As at 1 January 2022	230
As at 31 December 2022	1,537

Cost	Software £000
As at 1 January 2021	3,034
Additions	389
Disposals	—
As at 31 December 2021	3,423

Amortisation	
As at 1 January 2021	2,596
Charge for the period	597
Disposals	—
As at 31 December 2021	3,193

Net book value	
As at 1 January 2021	438
As at 31 December 2021	230

Notes to the financial statements (continued)**13. Property, plant and equipment**

	Computer Equipment £000
Cost	
As at 1 January 2022	322
Additions	126
Derecognition	—
As at 31 December 2022	448
Depreciation	
As at 1 January 2022	113
Charge for the period	125
Derecognition	—
As at 31 December 2022	238
Net book value	
As at 1 January 2022	209
As at 31 December 2022	210

	Computer Equipment £000
Cost	
As at 1 January 2021	115
Additions	207
Derecognition	—
As at 31 December 2021	322
Depreciation	
As at 1 January 2021	33
Charge for the period	80
Derecognition	—
As at 31 December 2021	113
Net book value	
As at 1 January 2021	82
As at 31 December 2021	209

Notes to the financial statements (continued)**14. Financial assets and liabilities****14a. Financial assets and liabilities**

The Company's financial assets and liabilities can be analysed as follows:

		31 December 2022 £000	Restated (note 23) 31 December 2021 £000
Financial assets measured at amortised cost	<i>Note</i>		
Loans and advances to customers	14b	823,762	556,829
Trade and other receivables	14d	—	720
Cash and cash equivalents	14e	33,770	29,007
Prepayments and accrued income	14f	5,192	3,936
Total financial assets		862,724	590,492
Financial liabilities			
Trade and other payables	16	865,491	592,718
Total financial liabilities		865,491	592,718

The maturity profile of financial assets and liabilities at 31 December 2022 is as follows:

	On demand £000	< 1 year £000	Between 1 and 2 years £000	Between 2 and 5 years £000	>5 years £'000
Financial assets					
Loans and advances to customers	—	235,127	237,273	322,803	28,559
Amounts owed by group undertakings	—	—	—	—	—
Trade and other receivables	—	—	—	—	—
Cash and cash equivalents	33,770	—	—	—	—
Prepayments and accrued income	—	5,192	—	—	—
Total financial assets	33,770	240,319	237,273	322,803	28,559
Financial liabilities					
Other payables	—	6,015	—	—	—
Other tax and social security	—	105	—	—	—
Accruals and deferred income	—	1,808	—	—	—
Amounts owed to group undertakings	—	26,189	152,511	—	—
Amounts owed to Special Purpose Entities	—	216,730	187,847	274,286	—
Total financial liabilities	—	250,847	340,358	274,286	—

Notes to the financial statements (continued)

The maturity profile of financial assets and liabilities at 31 December 2021 (restated, Note 23) is as follows:

	On demand £000	< 1 year £000	Between 1 and 2 years £000	Between 2 and 5 years £000	>5 years £'000
Financial assets					
Loans and advances to customers	—	171,294	174,695	210,840	—
Amounts owed by group undertakings	—	—	—	—	—
Trade and other receivables	720	—	—	—	—
Cash and cash equivalents	29,007	—	—	—	—
Prepayments and accrued income	—	3,936	—	—	—
Total financial assets	29,727	175,230	174,695	210,840	—
Financial liabilities					
Other payables	—	3,883	—	—	—
Other tax and social security	—	89	—	—	—
Accruals and deferred income	—	2,285	—	—	—
Amounts owed to group undertakings	—	21,360	—	155,774	—
Amounts owed to Special Purpose Entities	—	134,256	122,266	152,805	—
Total financial liabilities	—	161,873	122,266	308,579	—

14b. Loans and advances to customers

	31 December 2022 £000	31 December 2021 £000
Loans and advances to customers - gross carrying amount	887,410	606,844
Loans and advances to customers - provision	(63,648)	(50,015)
Total loans and advances to customers	823,762	556,829

Loans and advances to customer are comprised of the following:

	31 December 2022 £000	31 December 2021 £000
Unsecured personal loans	855,834	566,699
Finance leases	31,576	40,145
Total loans and advances to customers, gross	887,410	606,844

Of the total gross loans and advances to customers £822,553,000 (2021: £560,001,000) relates to loans which have been securitised via Special Purpose Entities which had not met the derecognition criteria of IFRS 9 and so continue to be reflected in the Company's Statement of Financial Position.

Notes to the financial statements (continued)***Classification***

Loans and advances to customers are measured at amortised cost. This is because the assets are held in order to collect contractual cash flows, and the contractual terms of the financial asset give rise to cash flows which are solely payments of principal and interest on the principal amount outstanding.

Fair value measurement

The loans and advances are recognised at fair value at the point of origination and then subsequently on an amortised cost basis. This is deemed a reasonable approximation of fair value.

Expected credit losses

The expected credit loss model is a three-stage model based on forward-looking information regarding changes in the credit quality since origination. Credit risk is measured using a Probability of Default ("PD"), Exposure at Default ("EAD") and Loss Given Default ("LGD"). These terms are defined in note 2, alongside other relevant details on the calculation of the ECL.

Amounts arising from ECL: loans and advances to customers

The Company is exposed to credit risk from the loan book.

The following tables set out information about the credit quality of the loans and advances to customers measured at amortised cost. Credit grades are used to segment customers by apparent credit risk at the time of acquisition. Higher grades are the lowest credit risk with each subsequent grade increasing in expected credit risk. The Company does not have any purchased or originated credit impaired assets. These tables are inclusive of the finance lease assets which are held by the Company, further analysis of these balances can be found in note 14.

All probability of default figures included in this paragraph allow for forward-looking information, i.e. the PDs are a weighted average from the economic scenarios considered. The average probability of default in for stage 1 assets is 2.7% (2021: 2.4%) reflecting the expectation of defaults within 12 months of the reporting date. The average PD for assets in stage 2 is 36.6% (2021: 30.0%) reflecting expected losses over the remaining life of the assets. The PD for assets in stage 3 is 100.0% (2021: 100.0%) as these assets are deemed to have defaulted.

Notes to the financial statements (continued)

The credit quality of loans and advances to customers at 31 December 2022 is as follows:

	Stage 1 £000	Stage 2 £000	Stage 3 £000	Total £000
Credit Grade^{*1}				
Higher	506,355	94,036	—	600,391
Medium	175,945	23,970	—	199,915
Lower	45,851	7,216	—	53,067
Credit impaired	—	—	34,037	34,037
Gross carrying amount	728,151	125,222	34,037	887,410
Expected credit loss allowance	(13,393)	(23,478)	(26,186)	(63,057)
Other loss allowance ^{*2}	(561)	(27)	(3)	(591)
Carrying amount	714,197	101,717	7,848	823,762

*1 Credit grade is the internal credit banding given to a customer at origination. This is based on external credit rating information.

*2 Other loss allowance covers losses due to a reduction in current or future vehicle value or costs associated with recovery and sale of vehicles and those as a result of changes in the performance of the EIR asset.

The credit quality of loans and advances to customers at 31 December 2021 is as follows:

	Stage 1 £000	Stage 2 £000	Stage 3 £000	Total £000
Credit Grade^{*1}				
Higher	350,176	54,969	—	405,146
Medium	130,253	11,627	—	141,880
Lower	30,175	1,812	—	31,987
Credit impaired	—	—	27,832	27,832
Gross carrying amount	510,604	68,408	27,832	606,844
Expected credit loss allowance	(13,629)	(12,722)	(23,262)	(49,613)
Other loss allowance ^{*2}	(402)	—	—	(402)
Carrying amount	496,573	55,686	4,570	556,829

*1 Credit grade is the internal credit banding given to a customer at origination. This is based on external credit rating information.

*2 Other loss allowance covers losses due to a reduction in current or future vehicle value or costs associated with recovery and sale of vehicles.

The following tables reconcile the opening and closing gross carrying amount and expected credit loss allowance at 31 December 2022.

	Stage 1 £000	Stage 2 £000	Stage 3 £000	Total £000
Gross carrying amount as at 1 January 2022	510,604	68,408	27,832	606,844
Transfers				
Transfers from Stage 1 to Stage 2	(62,581)	62,581	—	—
Transfers from Stage 1 to Stage 3	(9,444)	—	9,444	—
Transfers from Stage 2 to Stage 1	25,266	(25,266)	—	—
Transfers from Stage 2 to Stage 3	—	(4,219)	4,219	—
Transfers from Stage 3 to Stage 1	202	—	(202)	—
Transfers from Stage 3 to Stage 2	—	360	(360)	—
Principal redemption payments	(235,205)	(39,875)	(5,902)	(280,982)
Write-offs	(19)	(17)	(7,205)	(7,241)
EIR adjustment	3,423	394	46	3,863
New financial assets originated or purchased	495,905	62,856	6,165	564,926
Gross carrying amount as at 31 December 2022	728,151	125,222	34,037	887,410

Notes to the financial statements (continued)

The EIR adjustment represents incremental acquisition costs incurred when advancing loans. These costs are spread over the expected economic lives of the loans under the effective interest rate method.

	Stage 1 £000	Stage 2 £000	Stage 3 £000	Total £000
Expected credit loss allowance as at 1 January 2022	13,629	12,722	23,262	49,613
Movements with a profit and loss impact				
Transfers				
Transfers from Stage 1 to Stage 2	(1,503)	4,373	—	2,870
Transfers from Stage 1 to Stage 3	(365)	—	968	603
Transfers from Stage 2 to Stage 1	1,808	(3,861)	—	(2,053)
Transfers from Stage 3 to Stage 1	15	—	(115)	(100)
Changes in PDs/ LGDs/ EADs	(10,073)	(2,418)	4,684	(7,807)
New financial assets originated or purchased	9,901	12,677	4,593	27,171
Total net profit and loss charge in the period	(217)	10,771	10,130	20,684
Write-offs	(19)	(17)	(7,205)	(7,241)
Expected credit loss allowance as at 31 December 2022	13,393	23,476	26,187	63,057
Other movements with no profit and loss impact				
Transfers				
Transfers from Stage 2 to Stage 3		(1,273)	1,273	—
Transfers from Stage 3 to Stage 2		44	(44)	—

The following tables reconcile the opening and closing gross carrying amount and expected credit loss allowance at 31 December 2021.

	Stage 1 £000	Stage 2 £000	Stage 3 £000	Total £000
Gross carrying amount as at 1 January 2021	342,603	37,517	21,033	401,153
Transfers				
Transfers from Stage 1 to Stage 2	(42,174)	42,174	—	—
Transfers from Stage 1 to Stage 3	(4,691)	—	4,691	—
Transfers from Stage 2 to Stage 1	17,678	(17,678)	—	—
Transfers from Stage 2 to Stage 3	—	(5,549)	5,549	—
Transfers from Stage 3 to Stage 1	353	—	(353)	—
Transfers from Stage 3 to Stage 2	—	332	(332)	—
Principle redemption payments	(162,683)	(22,496)	(2,893)	(188,072)
Write-offs	—	—	(2,448)	(2,448)
New financial assets originated or purchased	359,518	34,108	2,585	396,211
Gross carrying amount as at 31 December 2021	510,604	68,408	27,832	606,844

Notes to the financial statements (continued)

	Stage 1 £000	Stage 2 £000	Stage 3 £000	Total £000
Expected credit loss allowance as at 1 January 2021	10,892	12,647	17,753	41,292
Movements with a profit and loss impact				
Transfers				
Transfers from Stage 1 to Stage 2	(1,336)	2,316	—	980
Transfers from Stage 1 to Stage 3	(364)	—	621	257
Transfers from Stage 2 to Stage 1	3,100	(5,080)	—	(1,980)
Transfers from Stage 3 to Stage 1	129	—	(217)	(88)
Changes in PDs/ LGDs/ EADs	(8,929)	(4,725)	5,503	(8,151)
New financial assets originated or purchased	10,137	7,564	1,973	19,674
Total net profit and loss charge in the period	2,737	75	7,880	10,692
Write-offs	—	—	(2,371)	(2,371)
Expected credit loss allowance as at 31 December 2021	13,629	12,722	23,262	49,613
Other movements with no profit and loss impact				
Transfers				
Transfers from Stage 2 to Stage 3	—	(4,035)	4,035	—
Transfers from Stage 3 to Stage 2	—	89	(89)	—

14c. Finance leases

Loans and advances to customers include the following finance leases. The Company is a lessor of motor vehicles.

	31 December 2022 £000	31 December 2021 £000
Gross investment in finance leases, receivable		
Less than 1 year	9,844	11,682
Between 1 and 5 years	25,736	33,255
More than 5 years	—	—
	35,580	44,937
Unearned finance income	(4,004)	(5,194)
Net investment in lease receivables	31,576	39,743
Less impairment allowance	(811)	(1,256)
	30,765	38,487
Net investment in finance leases, receivable		
Less than 1 year	7,863	9,203
Between 1 and 5 years	23,713	30,540
More than 5 years	—	—
	31,576	39,743

The net investment in finance leases shown above includes unguaranteed residual value of £316,000 (2021: the net investment in finance leases shown above is net of the unguaranteed residual value of £402,000).

Notes to the financial statements (continued)**14d. Trade and other receivables**

	31 December 2022 £000	31 December 2021 £000
Other debtors	—	720
Trade and other receivables	—	720

14e. Cash and cash equivalents

	31 December 2022 £000	31 December 2021 £000
Cash at bank and in hand	33,770	29,007
	33,770	29,007

As at the year-end, all cash and cash equivalents are of investment grade or above (e.g. BBB rated or higher) and are considered low risk under IFRS 9. Given the short-term duration and low risk of these assets, no impairment provision has been recognised.

14f. Prepayments and accrued income

	31 December 2022 £000	31 December 2021 £000
Prepayments and accrued income	5,192	3,936
	5,192	3,936

Accrued income relates to accrued interest and fee income due on loans and advances to customers.

14g. Objective, policies and procedures for managing financial assets and liabilities

The Company's activities expose it primarily to credit risk, liquidity risk and interest rate risk. The Board of Directors has responsibility for monitoring risk management and receives regular reporting from the Company's Risk Management Committee to assist with this monitoring.

Credit risk

The Company defines credit risk as the risk of loss if another party fails to perform its obligations. The key area of exposure to credit risk for the Company results through its loans and advances to customers.

Notes to the financial statements (continued)***Loans and advances to customers***

The risk appetite for the Company is set with respect to anticipated loan losses over a 12-month period. Management has defined an amber and a red loan loss limit, representing points at which action is required. These limits have been defined by management to reflect the business maturity, the business ambitions and the economic climate. Risk appetite is assessed at least annually, while the limits are continuously monitored.

Other assets

All other assets are assessed as low credit risk under IFRS 9, with no significant amounts past due or impaired.

The Company's maximum exposure to credit risk as at 31 December 2022 is £890.1 million (2021: £591.6 million), being the carrying value of loans and advances to customers, interest accrued but not yet earned on loans and advances to customers, amounts due from group undertakings and the carrying value of cash and cash equivalents.

£20.8 million (2021: £10.7 million) was charged to the Statement of Profit or Loss in respect of loans and advances to customers. Further details are provided in note 14b above.

There were no further significant financial assets that were past due at the close of 2022.

Market risk

Market risk refers to the potential loss arising from changes in interest rates, foreign currency rates, price or rate volatilities and other market rates and prices such as commodity prices.

Interest Rate risk

The Company considers interest rate risk to be the risk that unfavourable movements in interest rates could adversely impact on the capital values of financial assets and liabilities.

The Company's loan portfolio consists of fixed rate loans which are generally funded at a floating variable rate. These rates are matched through an interest rate swap hedging policy conducted at an SPV level. As a result of such policy, interest rate is not considered material to the Company and so disclosures around sensitivity analysis required by IFRS 7 are not presented.

Notes to the financial statements (continued)***Liquidity risk***

Liquidity risk is defined as the risk that the Company does not have sufficient, available financial resources to enable it to meet its obligations as they fall due or can only secure them at excessive cost. The primary areas of potential liquidity risk are having insufficient cash to fund loan originations and being unable to renew funding agreements with lenders.

Liquidity to fund loan originations is monitored and managed on a daily basis, so as to ensure that the Company has sufficient liquidity to manage outflows. In addition, the Company has metrics in place to assess overall funding capacity. As of year-end, one of its liquidity providers is Admiral Group plc, while the others are banks. The facilities provided by these sources have defined maturity dates. In order to manage liquidity risk, the Company has an active planning process in respect of renewal dates of these relative to loans and advances to customers repayment profiles.

A legal maturity analysis of these assets and liabilities are set out at the start of this note in section 14a.

15. Deferred tax asset/liability

	£000
Balance brought forward at 1 January 2021	376
Credit to profit or loss	(122)
Credit to other reserves	244
Balance carried forward at 31 December 2021	498
Charge to profit or loss	130
Charge to other reserves	(286)
Balance carried forward at 31 December 2022	342

Notes to the financial statements (continued)

The deferred tax asset/liability is made up as follows:

	2022 £000	2021 £000
Accelerated capital allowances	25	11
Share scheme	317	487
Deferred tax (liability) / asset	342	498

The deferred tax asset/liability at 31 December 2022 has been calculated based on the enacted rate at which each timing difference is most likely to reverse.

16. Trade and other payables

	31 December 2022 £000	31 December 2021 £000
Amounts owed to group undertakings	178,700	177,134
Amounts owed to Special Purpose Entities	678,863	409,327
Other payables	6,015	3,883
Other tax and social security	105	89
Accruals and deferred income	1,808	2,285
Trade and other payables	865,491	592,718

Amounts owed to group undertakings relate primarily to external funding held by fellow group undertakings for the purpose of funding loans and advances to customers.

As at 31 December 2022, £152.5 million (2021: £155.8 million) was payable to Admiral Group plc in relation to intercompany loans. An additional £20.3 million (2021: £20.1 million) was payable in relation to an external loan drawn via Admiral Group plc and passed to the Company. There are no amounts outstanding (2021: £nil) to Admiral Group plc in relation to the revolving credit facility of £100.0 million (2021: £100.0 million).

An additional £5.9 million (2021: £1.3 million) was payable to fellow Group subsidiary EUI Limited in relation to invoices settled on the Company's behalf by EUI Limited and recharged via the intercompany account.

The net amount payable to Special Purpose Entities as at the year-end was £678.9 million (2021: £409.3 million). This represents external funding taken out to fund loans and advances to customers whereby beneficial title has been transferred to the SPEs, less cash repayable to the Company.

Although the external funding is held by the SPEs, it is ultimately payable by the Company in the form of an asset-backed senior loan facility of which £714.6 million (2021: £446.5 million) was utilised as at the year-end. As a result, the equivalent value of loans and advances to customers are pledged as collateral as at each year-end.

Notes to the financial statements (continued)**17. Share capital**

	31 December 2022 £	31 December 2021 £
Authorised, allotted and called up:		
44,500,001 (2020: 44,500,001) Ordinary shares of £1 each	44,500,001	44,500,001
	<u>44,500,001</u>	<u>44,500,001</u>

No new share capital was issued in 2022 (2021: £nil). As at 31 December 2022, all shares were subscribed and allotted.

Objectives, policies and procedures for managing capital

The Company manages its capital to ensure that it can continue as a going concern.

18. Reserves***Other reserves***

Other reserves relate to deferred tax credits on share schemes. See Statement of Changes in Equity for further details.

19. Controlling party

The immediate and ultimate parent undertaking of the Company is Admiral Group plc, a company registered in England and Wales. The consolidated accounts of Admiral Group plc are the only consolidated accounts in which the results of the Company are included.

Copies of the financial statements of Admiral Group plc can be obtained from the Company Secretary at the registered office Tŷ Admiral, David Street, Cardiff, CF10 2EH.

20. Post balance sheet events

No events have occurred since the reporting date that materially impact these financial statements.

21. Guarantees

During 2022, an extension to a loan of £20.0 million (2021: £20.0 million) was secured for the Company, via Admiral Group plc. The Company acts as guarantor for this loan, for which no fee was paid.

Notes to the financial statements (continued)**22. Related party transactions**

The Company has taken advantage of the exemptions permitted by Financial Reporting Standard 101.8 (k) and not disclosed details of transactions with other wholly owned group undertakings.

Subsidiary by virtue of control

SPEs are typically designed so that voting rights are not the dominant factor in deciding who controls the entity, the activities of the company being largely laid out in the transaction documents and the contractual arrangements entered into on or before closing of the transaction.

On consideration of the purpose and design of the Company's SPEs, it was clear that the Company has a right to variable returns from its involvement with both SPEs and has the ability to affect those returns through its power over the SPEs, and thus despite the legal ownership set up, the Company retains control over both SPEs under IFRS 10.

Company name	Registered Office	Principal activity	Class of shares	Holding
Seren One Limited	10 th Floor, 5 Churchill Place, London, England, E14 5HU	Special Purpose Entity purchasing financial assets of the Company	N/A	N/A
Seren Two Limited	10 th Floor, 5 Churchill Place, London, England, E14 5HU	Special Purpose Entity purchasing financial assets of the Company	N/A	N/A

Company name	Transaction value 31 December 2022 £000	Amount due from/(to) 31 December 2022 £000	Transaction value 31 December 2021 £000	Amount due from/(to) 31 December 2021 £000
Seren One Limited (subsidiary by virtue of control)	234,710	(430,069)	189,487	(277,778)
Seren Two Limited (subsidiary by virtue of control)	58,071	(248,798)	6,352	(131,550)

In accordance with Section 400 of the Companies Act 2006, the Company has elected to take the exemption available to not prepare consolidated financial statements. The results of the SPE are included in the consolidated accounts of Admiral Group plc, which can be obtained from the Company Secretary at the registered office of Tŷ Admiral, David Street, Cardiff, CF10 2EH.

Notes to the financial statements (continued)

23. Prior year restatement

The results for prior year have been restated to remove derivative instruments entered into by Seren One Limited and Seren Two Limited, which were previously recognised in these financial statements. The impact on the 2021 financial statements is as follows:

	<i>Statement of Financial Position 31 December 2021 £000</i>
Derivative Instrument – Assets	
As originally stated	3,033
Derecognition	(3,033)
As restated	-
	<i>Statement of Financial Position 31 December 2021 £000</i>
Hedging Reserve – Capital and Reserves	
As originally stated	3,033
Derecognition	(3,033)
As restated	-

The subsequent hedge accounting applied has also been removed from the financial statements. The restatement had no impact on the 2021 Statement of Profit or Loss.