Everyday Lending Limited
Annual report and financial statements
for the year ended 31 December 2012

Registered Number 05850869

SATURDAY

A27O4VK1

A23 04/05/2013 #241

COMPANIES HOUSE

Contents

1	Directors' report
3	Independent auditor's report
4	Statement of comprehensive income
5	Statement of financial position
6	Statement of changes in equity
8	Principal accounting policies
12	Notes to the financial statements
19	Corporate contacts & advisers

Directors' report

The directors submit their annual report and the audited financial statements for the year ended 31 December 2012

Principal activities and business review
The principal activity of Everyday Lending Limited ("the Company") during 2012 was the provision of secured and unsecured personal instalment loans

As the business matures, loans and advances to customers is a more prominent key performance indicator As at the date of this report, loans and advances to customers amounted to £69 7 million, an increase of 10% over the prior year

Compliance plays an important part in the success of the Company and the immediate parent company, Everyday Loans Limited, continues to be authorised by the Financial Services Authority to sell loan related and ancillary insurance products

The Company made an operating profit before interest on subordinated debt in the year as the loans and advances to customers grew faster than the Group's expense base, generating economies of scale In addition, credit costs were lower as the performance of the portfolio continued to improve The loans and advances to customers and related revenues are expected to continue to outgrow servicing costs which will enable the Company to become increasingly profitable at an operating level

The Statement of Comprehensive Income for the year is set out on page 4 The directors are satisfied with the performance of the Company during the year and do not envisage any change in the principal activities in the ensuing year

Results for the year
The directors do not recommend the payment of a dividend (2011 £nil) The profit for the year of £791 thousand (2011 loss for the year of £3,661 thousand) has been transferred to reserves

Directors

D Malone		
M Ridlington		
T Williams		
J Bowers	Non-Executive Director	(appointed 8 June 2012)
P Marrow	Non-Executive Director	(appointed 8 June 2012)

Directors' interests
None of the directors holding office at 31 December 2012 were directors of the ultimate parent company Arbuthnot Banking Group PLC

Of the directors holding office at 31 December 2012, Mr Marrow is a director of the intermediate parent company, Secure Trust Bank PLC His interests in the share capital of that company are shown in that company's Directors' Report

No director had a beneficial interest in shares of the Company during the year

Risk management
The Company regards the monitoring and controlling of risks as a fundamental part of the management process Consequently, senior management are involved in the development of risk management policies and in monitoring their application The Company's overall approach to managing internal control and financial reporting is described in note 4

Political and charitable contributions
No political or charitable contributions were made by the Company during the year (2011 £nil)

Going concern
After making appropriate enquiries which assessed strategy, profitability, funding and capital resources, the directors are satisfied that the Company has adequate resources to continue in operation for the foreseeable future The financial statements are therefore prepared on the going concern basis

Statement of directors' responsibilities in respect of the Directors' Report and the financial statements
The directors are responsible for preparing the 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 they have elected to prepare the financial statements in accordance with IFRSs as adopted by the EU and applicable law

Directors' report

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 judgments and estimates that are reasonable and prudent,
- state whether they have been prepared in accordance with IFRSs as adopted by the EU, 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities

Statement of disclosure of information to auditor

So far as each of the directors are aware, there is no relevant audit information of which the Company's auditor is unaware and the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information

Auditor

In accordance with Section 487(2) of the Companies Act 2006, the auditor, KPMG Audit Plc, will be deemed to be reappointed and therefore continue in office

By order of the Board

D Malone

D Malone

Secretary
19 April 2013

Independent auditor's report

to the members of Everyday Lending Lımited

We have audıted the financıal statements of Everyday Lendıng Lımıted for the year ended 31 December 2012 set out on pages 4 to 18 The financıal reportıng framework that has been applıed ın theır preparatıon ıs applıcable law and Internatıonal Fınancıal Reportıng Standards (IFRSs) as adopted by the EU

Thıs report ıs made solely to the company's members, as a body, ın accordance wıth Chapter 3 of Part 16 of the Companıes Act 2006 Our audıt work has been undertaken so that we mıght state to the company's members those matters we are requıred to state to them ın an audıtor's report and for no other purpose To the fullest extent permıtted by law, we do not accept or assume responsıbılıty to anyone other than the company and the company's members, as a body, for our audıt work, for thıs report, or for the opınıons we have formed

Respective responsıbilıties of directors and audıtor
As explaıned more fully ın the Dırectors' Responsıbılıtıes Statement set out on pages 1 and 2, the dırectors are responsıble for the preparatıon of the financıal statements and for beıng satısfied that they gıve a true and faır vıew Our responsıbılıty ıs to audıt, and express an opınıon on, the financıal statements ın accordance wıth applıcable law and Internatıonal Standards on Audıtıng (UK and Ireland) Those standards requıre us to comply wıth the Audıtıng Practıces Board's Ethıcal Standards for Audıtors

Scope of the audıt of the financial statements
A descrıptıon of the scope of an audıt of financıal statements ıs provıded on the Fınancıal Reportıng Councıl's websıte at www frc org uk/audıtscopeukprıvate

Opınıon on financıal statements
In our opınıon the financıal statements

- gıve a true and faır vıew of the state of the company's affaırs as at 31 December 2012 and of ıts profit for the year then ended,
- have been properly prepared ın accordance wıth IFRSs as adopted by the EU, and
- have been prepared ın accordance wıth the requırements of the Companıes Act 2006

Opınion on other matters prescnbed by the Companıes Act 2006
In our opınıon the ınformatıon gıven ın the Dırectors' Report for the financıal year for whıch the financıal statements are prepared ıs consıstent wıth the financıal statements

Matters on whıch we are requlred to report by exceptıon
We have nothıng to report ın respect of the followıng matters where the Companıes Act 2006 requıres us to report to you ıf, ın our opınıon

- adequate accountıng records have not been kept, or returns adequate for our audıt have not been receıved from branches not vısıted by us, or
- the financıal statements are not ın agreement wıth the accountıng records and returns, or
- certaın dısclosures of dırectors' remuneratıon specıfied by law are not made, or
- we have not receıved all the ınformatıon and explanatıons we requıre for our audıt

Peter Lomax

Peter Lomax (Senior Statutory Auditor)
for and on behalf of KPMG Audıt Plc, Statutory Auditor

Chartered Accountants

Arlıngton Busıness Park
Theale
Readıng
RG7 4SD
25 ~~19~~ Aprıl 2013

Statement of comprehensive income

	Note	Year ended 31 December 2012 £000	Year ended 31 December 2011 £000
Interest, fees and similar income		25,208	22,443
Interest expense and similar charges		(2,457)	(1,261)
Operating income		**22,751**	**21,182**
Impairment losses on loans and advances		(5,139)	(6,099)
Interest payable on subordinated debt		(2,628)	(4,852)
Operating expenses	5	(15,182)	(13,892)
Loss before income tax		**(198)**	**(3,661)**
Income tax credit	7	989	-
Profit / (loss) for the year		**791**	**(3,661)**
Profit attributable to:			
Equity holders of the Company		**791**	**(3,661)**
Total comprehensive income attributable to:			
Equity holders of the Company		**791**	**(3,661)**

The Company has no recognised gains and losses other than those included in the results above

The notes on pages 8 to 18 are an integral part of these financial statements

Statement of financial position

	Note	At 31 December 2012 £000	At 31 December 2011 £000	At 1 January 2011 £000
ASSETS				
Cash		1,518	2,775	1,178
Loans and advances to customers	8	66,177	58,976	52,638
Deferred tax assets	12	989	-	-
Other assets	10	2,054	2,076	2,367
Total assets		**70,738**	**63,827**	**56,183**
EQUITY AND LIABILITIES				
Liabilities				
Bank borrowings		72,115	37,375	36,800
Bank loans and overdrafts		-	201	160
Other liabilities	11	12,517	40,936	30,248
Total liabilities		**84,632**	**78,512**	**67,208**
Equity attributable to the Company's equity holders				
Share capital	13	-	-	-
Retained earnings		(13,894)	(14,685)	(11,025)
Total equity		**(13,894)**	**(14,685)**	**(11,025)**
Total equity and liabilities		**70,738**	**63,827**	**56,183**

The financial statements on pages 4 to 18 were approved by the Board of Directors on 19 April 2013 and were signed on its behalf by

D Malone - Director

Company number 05850869

The notes on pages 8 to 18 are an integral part of these financial statements

Statement of changes in equity

	Share capital	Retained earnings	Total
	£000	£000	£000
Balance at 1 January 2011	-	(11,024)	(11,024)
Total comprehensive income for the period	-	**(3,661)**	**(3,661)**
Balance at 31 December 2011	-	**(14,685)**	**(14,685)**
Total comprehensive income for the period	-	**791**	**791**
Balance at 31 December 2012	-	**(13,894)**	**(13,894)**

The notes on pages 8 to 18 are an integral part of these financial statements

Statement of cash flows

	Note	Year ended 31 December 2012 £000	Year ended 31 December 2011 £000
Cash flows from operating activities			
Profit/(loss) for the year		791	(3,661)
Adjustments for			
Income tax expense		(989)	-
Impairment losses on loans and advances		5,139	6,099
Cash flows from operating profits before changes in operating assets and liabilities		4,941	2,438
Changes in operating assets and liabilities			
- net increase in loans and advances to customers		(12,340)	(12,437)
- net decrease in other assets		22	291
- net increase in other liabilities		266	5,837
Net cash flow from operating activities		**(7,111)**	**(3,871)**
Cash flows from financing activities			
Increase in other borrowed funds		6,055	5,427
Net cash used in financing activities		**6,055**	**5,427**
Net (decrease)/increase in cash and cash equivalents		(1,056)	1,556
Cash and cash equivalents at 1 January		2,574	1 018
Cash and cash equivalents at 31 December	14	**1,518**	**2,574**

The notes on pages 8 to 18 are an integral part of these financial statements

Principal accounting policies

The prıncıpal accountıng polıcıes applıed ın the preparatıon of these financıal statements are set out below These polıcıes have been consıstently applıed to all the years presented, unless otherwıse stated

1 1 Reporting entity

Everyday Lendıng Lımıted ıs a company domıcıled ın the Unıted Kıngdom The regıstered address of the Company ıs One Arleston Way, Solıhull, B90 4LH The Company ıs prımarıly ınvolved ın the provısıon of secured and unsecured loans

1 2 Basis of presentation

The Company has first tıme adopted IFRS ın 2012 and therefore the Company's financıal statements have been prepared ın accordance wıth IFRSs (as adopted and endorsed by the EU), IFRIC Interpretatıons and the Companıes Act 2006 applıcable to companıes reportıng under IFRS The Company's financıal statements were prevıously prepared under Unıted Kıngdom Generally Accepted Accountıng Practıce (UK GAAP) and the Company has not taken advantage of any exemptıon under IFRS 1 'Fırst-tıme Adoptıon of Internatıonal Fınancıal Reportıng Standards'

The financıal statements have been prepared under the hıstorıcal cost conventıon

Thıs first tıme adoptıon of IFRS by the Company requıred prıor years' restatement of fee and commıssıon ıncome, loans and advances to customers and retaıned earnıngs Fees prevıously recognısed on ınceptıon of the loan, to reflect the admınıstratıon costs of settıng up the loan under the prevıous accountıng framework, are now ıncluded wıthın the calculatıon of ıncome under the effectıve ıncome method Interest rate swaps whıch were prevıously classıfied as provısıons under UK GAAP have been reclassıfied as financıal lıabılıtıes recognısed at faır value through P&L under IFRS The first tıme adoptıon of IFRS by the Company has had no materıal ımpact on ıts statement of cash flows

	UK GAAP	Effect of transıtıon to IFRSs	IFRSs
	Year ended 31 December 2011		
	£000	£000	£000
Impact on statement of comprehensıve ıncome (extract)			
Fee and commıssıon ıncome	22,596	(153)	22,443

	UK GAAP	Effect of transıtıon to IFRSs	IFRSs	UK GAAP	Effect of transıtıon to IFRSs	IFRSs
	as at 31 December 2010			as at 31 December 2011		
	£000	£000	£000	£000	£000	£000
Impact on statement of financıal posıtıon (extract)						
Loans and advances to customers	54,707	(2,069)	52,638	61,199	(2,223)	58,976
Retaıned earnıngs	8,956	2,069	11,025	12,462	2,223	14,685

The preparatıon of financıal statements ın conformıty wıth IFRSs requıres the use of certaın crıtıcal accountıng estımates It also requıres management to exercıse ıts judgement ın the process of applyıng the Company's accountıng polıcıes The areas ınvolvıng a hıgher degree of judgement or complexıty, or areas where assumptıons and estımates are sıgnıficant to the financıal statements are dısclosed ın note 2

The Dırectors have assessed, ın the lıght of current and antıcıpated economıc condıtıons, the Company's abılıty to contınue as a goıng concern The Dırectors confirm they are satısfied that the Company has adequate resources to contınue ın busıness for the foreseeable future For thıs reason, they contınue to adopt the 'goıng concern' basıs for preparıng accounts

Principal accounting policies

a) Standards, interpretations and amendments effective in 2012 – relevant to the Company

- IFRS 7 (Revised), 'Disclosures - Transfers of Financial Assets' (endorsed for use in the EU on 22 November 2011) The revised standard requires additional disclosures for transfers of financial assets and where there are a disproportionate amount of transactions undertaken around the period end

- Improvements to IFRSs Sets out minor amendments to IFRS standards as part of annual improvements process

The above changes did not have any material impact on the financial statements

b) Standards, amendments and interpretations to existing standards (applicable to the Company) that are not yet effective and have not been early adopted by the Company

The following standards and amendments to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 1 January 2013 or later periods, but the Company has not early adopted them

- IAS 1 (Revised), 'Presentation of Financial Statements - Presentation of items of other comprehensive income' (effective 1 July 2012) The revised standard requires that an entity present separately the items of other comprehensive income that may subsequently be reclassified to profit or loss from those items that will not be reclassified to profit or loss

- IFRS 7 (Revised), 'Disclosures - Offsetting Financial Assets and Financial Liabilities' (effective 1 January 2013) The revised standard amend the required disclosures to include information that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position

- IFRS 10, 'Consolidated Financial Statements' and IAS 27 (Revised), 'Separate Financial Statements' (effective 1 January 2013) IFRS 10 supersedes IAS 27 and SIC-12, and provides a single model to be applied in the control analysis for all investees There are some minor clarifications in IAS27, and the requirements of IAS 28 and IAS 31 have been incorporated into IAS 27

- IFRS 11, 'Joint Arrangements' (effective 1 January 2013) This standard replaces the existing accounting for subsidiaries and joint ventures (now joint arrangements) and removes the choice of equity or proportionate accounting for jointly controlled entities, as was the case under IAS 31

- IFRS 12, 'Disclosure of Interests in Other Entities' (effective 1 January 2013) This standard replaces the existing accounting for subsidiaries and joint ventures (now joint arrangements) and contains the disclosure requirements for entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities

- IFRS 13, 'Fair Value Measurement' (effective 1 January 2013) This standard replaces the existing guidance on fair value measurement in different IFRSs with a single definition of fair value, a framework for measuring fair values and disclosures about fair value measurements

- IAS 32 (Revised), 'Offsetting Financial Assets and Financial Liabilities' (effective 1 January 2014) This standard was amended to clarify the offsetting criteria, specifically when an entity currently has a legal right of set off, and when gross settlement is equivalent to net settlement

- IFRS 9 'Financial instruments' (effective from 1 January 2015) This standard deals with the classification and measurement of financial assets and will replace IAS 39 The requirements of this standard represent a significant change from the existing requirements in IAS 39. The standard contains two primary measurement categories for financial assets amortised cost and fair value The standard eliminates the existing IAS 39 categories of 'held to maturity', 'available for sale' and ' loans and receivables' The potential effect of this standard is currently being evaluated but it is not expected to have a pervasive impact on the Company's financial statements, due to the nature of the Company's operations [1]

The above standards are unlikely to have a material impact on the Company

[1] *These standards have not yet been endorsed by the EU*

Principal accounting policies

1 3 Interest, fees and similar income

Interest income represents interest receivable on advances to customers Interest income is recognised in the statement of comprehensive income for all instruments measured at amortised cost using the effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset When calculating the effective interest rate, the Company takes into account all contractual terms of the financial instrument but does not consider future credit losses The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts

Fees and commissions which are not considered integral to the effective interest rate are generally recognised on a cash basis These consist principally of arrears fees

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss

Interest is effectively provided on accounts which are more than 90 days past due

1 4 Interest expense and similar charges

Interest expense comprises bank interest payable on loans used to finance customer receivables as well as interest paid to the intermediate parent company Secure Trust Bank PLC, in respect of its loan to the company to finance customer receivables

1 5 Financial assets

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market They arise when the Company provides money, goods or services directly to a debtor with no intention of trading the receivable Loans are recognised on origination Loans and receivables are carried at amortised cost using the effective interest method

Amortised cost measurement

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition, minus principal payments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment

1 6 Impairment of financial assets

(a) Assets carried at amortised cost

On an ongoing basis the Company assesses whether there is objective evidence that a financial asset or group of financial assets is impaired Objective evidence is the occurrence of a loss event after the initial recognition of the asset that impacts on the estimated future cash flows of the financial asset or group of financial assets, and can be reliably estimated

The criteria that the Company uses to determine that there is objective evidence of an impairment loss include, but are not limited to, the following

- Delinquency in contractual payments of principal or interest,
- Cash flow difficulties experienced by the borrower, and
- Initiation of bankruptcy proceedings

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the loan amount multiplied by the likelihood of eventual loss, based on prior experience with similar loans The carrying amount of the asset is reduced through the use of a provision and the amount of the loss is recognised in the statement of comprehensive income

When a loan is uncollectible, it is written off against the related provision for loan impairment Such loans are written off when they reach 180 days contractually past due or after all the necessary procedures have been completed and the amount of the loss has been determined if earlier Subsequent recoveries of amounts previously written off decrease the amount of the provision for loan impairment in the statement of comprehensive income

(b) Renegotiated loans
A customer's account may be modified to assist customers who are in or have recently overcome financial difficulties and have demonstrated both the ability and willingness to meet the current or modified loan contractual payments Loans whose terms have been renegotiated are no longer considered to be past due but are treated as new loans, so long as they keep up with the renegotiated terms

1 7 Income taxation
Current income tax which is payable on taxable profits is recognised as an expense in the period in which the profits arise Income tax recoverable on tax allowable losses is recognised as an asset only to the extent that it is regarded as recoverable by offset against current or future taxable profits

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the statement of financial position date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled

Deferred tax assets are recognised where it is probable that future taxable profits will be available against which the temporary differences can be utilised

1 8 Dividends
Dividends on ordinary shares are recognised in equity in the period in which they are approved by the Company's shareholders

1 9 Cash and cash equivalents
For the purposes of the statement of cash flows, cash and cash equivalents comprise cash in hand and demand deposits, and cash equivalents comprise highly liquid investments that are convertible into cash with an insignificant risk of changes in value with a maturity of three months or less at the date of acquisition, including certain loans and advances to banks and building societies and short-term highly liquid debt securities Bank loans and overdrafts which are repayable on demand and which form an integral part of an entity's cash management are also included as a component of cash and cash equivalents

1 10 Financial liabilities
Financial liabilities are contractual obligations to deliver cash or another financial asset Financial liabilities are recognised at fair value through profit or loss

Notes to the financial statements

2. Critical accounting estimates and judgements in applying accounting policies

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances

Impairment losses on loans and advances
The Company reviews its loan portfolios to assess impairment at least on a half-yearly basis In determining whether an impairment loss should be recorded in the statement of comprehensive income, the Company makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio Management uses estimates based on historical loss experience for assets with similar credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience

3. Maturity analysis of assets and liabilities

The table below shows the contractual maturity analysis of the Company assets and liabilities as at 31 December 2012

At 31 December 2012	Due within one year £000	Due after more than one year £000	Total £000
ASSETS			
Cash	1,518	-	1,518
Loans and advances to customers	23,846	42,331	66,177
Deferred tax assets	414	575	989
Other assets	2,054	-	2,054
Total assets	**27,832**	**42,906**	**70,738**
LIABILITIES			
Bank borrowings	72,115	-	72,115
Other liabilities	12,517	-	12,517
Total liabilities	**84,632**	-	**84,632**

The table below shows the contractual maturity analysis of the Company assets and liabilities as at 31 December 2011

At 31 December 2011	Due within one year £000	Due after more than one year £000	Total £000
ASSETS			
Cash	2,775	-	2,775
Loans and advances to customers	21,999	36,977	58,976
Other assets	2,076	-	2 076
Total assets	**26,850**	**36,977**	**63,827**
LIABILITIES			
Bank borrowings	37,375	-	37,375
Bank loans and overdrafts	201	-	201
Other liabilities	12,252	28,684	40,936
Total liabilities	**49,828**	**28,684**	**78,512**

Notes to the financial statements

4. Financial risk management

Strategy
Key risks identified by the directors are formally reviewed and assessed at least once a year by the Board, in addition to which key business risks are identified, evaluated and managed by operating management on an ongoing basis by means of procedures such as physical controls, credit and other authorisation limits and segregation of duties The Board also receives regular reports on any risk matters that need to be brought to its attention Significant risks identified in connection with the development of new activities are subject to consideration by the Board There are budgeting procedures in place and reports are presented regularly to the Board detailing the results of each principal business unit, variances against budget and prior year, and other performance data

The principal risks inherent in the Company's business are credit and liquidity risk

(a) Credit risk
The Company takes on exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due Impairment provisions are provided for losses that have been incurred at the statement of financial position date Significant changes in the economy could result in losses that are different from those provided for at the statement of financial position date Management therefore carefully manages its exposures to credit risk as they consider this to be the most significant risk to the business

The Company structures the levels of credit risk by placing limits on the amount of risk accepted in relation to individual borrowers or groups of borrowers The limits on the level of credit risk are approved periodically by the Board of Directors

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate The assets undergo a scoring process to mitigate risk and are monitored by the Board

The Company's maximum exposure to credit risk is as follows

	2012 £000	2011 £000
Credit risk exposures relating to on-balance sheet assets are as follows		
Loan and advances to customers	66,177	58,976
At 31 December	**66,177**	**58,976**

The above table represents the maximum credit risk exposure (net of impairment) to the Company at 31 December 2012 and 2011 without taking account of any collateral held or other credit enhancements attached For on-balance-sheet assets, the exposures are based on the net carrying amounts as reported in the statement of financial position

The Company's policy on forbearance is that a customer's account may be modified to assist customers who are in, or have recently overcome, financial difficulties and have demonstrated both the ability and willingness to meet the current or modified loan contractual payments These may be modified by way of a reschedule or deferment of repayments Rescheduling of debts retains the customers contractual due dates, whilst the deferment of repayments extends the payment schedule up to a maximum of four payments in a 12 month period As at 31 December 2012 the gross balance of rescheduled loans included in the statement of financial position was £12 3 million, with an allowance for impairment on these loans of £1 2 million The gross balance of deferred loans was £2 9 million with an allowance for impairment on these of £0 4 million

(b) Operational risk
The Company's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Company's reputation with overall cost effectiveness and to avoid control procedures that restrict initiatives and creativity

The primary responsibility for the development and implementation of controls to address operational risk is assigned to the senior management within the Company

Compliance with Company standards is supported by a programme of periodic reviews undertaken by Internal Audit The results of the Internal Audit reviews are discussed with the company's senior management, with summaries submitted to the intermediate parent company Secure Trust Bank PLC

Notes to the financial statements

(c) Market rısk
Market rısks arıse from open posıtıons ın ınterest rate and currency products, all of whıch are exposed to general and specıfic market movements

(ı)Currency rısk
The Company has no exposures ın foreıgn currencıes

(ıı)Interest rate rısk
Interest rate rısk ıs the potentıal adverse ımpact on the Company's future cash flows from changes ın ınterest rates and arıses from the dıfferıng ınterest rate rısk characterıstıcs of the Group's assets and lıabılıtıes In partıcular, fixed rate products expose the Company to the rısk that a change ın ınterest rates could cause eıther a reductıon ın ınterest ıncome or an ıncrease ın ınterest expense relatıve to varıable rate ınterest flows

(d) Lıquıdıty rısk
Lıquıdıty rısk ıs the rısk that the Company wıll not be able to meet ıts financıal oblıgatıons as they fall due, or can only do so at excessıve cost The Company's lıquıdıty polıcy ıs to maıntaın suffıcıent lıquıd resources to cover cash flow ımbalances and fluctuatıons and to enable the Company to meet ıts financıal oblıgatıons as they fall due

The table below analyses the contractual undıscounted cash flows for the Company ınto relevant maturıty groupıngs at 31 December 2012

At 31 December 2012	Carryıng amount £000	Gross nomınal ınflow/ (outflow) £000	Not more than 3 months £000	More than 3 months but less than 1 year £000	More than 1 year but less than 5 years £000	More than 5 years £000
Non-derivative lıabılıties						
Other lıabılıtıes	84,632	(84,632)	(84,632)	-	-	-
	84,632	**(84,632)**	**(84,632)**	-	-	-

The table below analyses the contractual undıscounted cash flows for the Company ınto relevant maturıty groupıngs at 31 December 2011

At 31 December 2011	Carryıng amount £000	Gross nomınal ınflow/ (outflow) £000	Not more than 3 months £000	More than 3 months but less than 1 year £000	More than 1 year but less than 5 years £000	More than 5 years £000
Non-derıvative lıabılities						
Bank borrowıngs	37,375	(37,375)	-	-	(37,375)	-
Bank loans and overdrafts	201	(201)	(201)	-	-	-
Other lıabılıtıes	40,484	(40,484)	(11,800)	-	(28,684)	-
	78,060	**(78,060)**	**(12,001)**	-	**(66,059)**	-

The maturıtıes of assets and lıabılıtıes and the abılıty to replace, at an acceptable cost, ınterest-bearıng lıabılıtıes as they mature are ımportant factors ın assessıng the lıquıdıty of the Company and ıts exposure to changes ın ınterest rates and exchange rates

5. Operating expenses

The Company had £15,182 thousand of operatıng expenses ın 2012, of whıch £15,126 thousand related to management charges from the ımmedıate parent company Everyday Loans Lımıted (2011 £13,892 thousand, of whıch £13,833 thousand related to management charges)

The audıt fees for the current and prıor year are borne by Everyday Loans Lımıted, the Company's ımmedıate parent company

Notes to the financial statements

6. Employee information

The Company had no employees during 2012 (2011 none) Human resources are provided by the immediate parent company Everyday Loans Limited, for which a management charge is levied

Directors' emoluments were paid by the immediate parent company Everyday Loans Limited, which makes no recharges to the Company for their services

7. Income tax expense

	2012 £000	2011 £000
United Kingdom corporation tax at 24 5% (2011 26 5%)		
Current taxation		
Corporation tax charge - current year	-	-
	-	-
Deferred taxation		
Deferred tax asset recognised - current year	297	-
Deferred tax asset recognised - adjustments in respect of prior years	(1,286)	-
	(989)	-
Income tax credit	**(989)**	-
Tax reconciliation		
Loss before tax	(198)	(3,661)
Tax at 24 5% (2011 26 5%)	(49)	(970)
Expenses not deductible for tax purposes	488	929
Timing differences	(122)	(53)
Losses carried forward	228	94
Deferred tax asset recognised	(989)	-
Prior period adjustments	(545)	-
Corporation tax credit for the period	**(989)**	-

As at 31 December 2012, the Company has accumulated tax losses of £4,300 thousand (2011 £3,370 thousand) In the view of the directors, tax losses accrued will now be recovered within future periods This is due to the more secure and cheaper funding of the Company by its intermediate parent company Secure Trust Bank PLC Consequently the Company has recognised a deferred tax asset and a tax credit in the statement of comprehensive income of £989 thousand (2011 unrecognised amount of £968 thousand)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability settled, based on tax rates that have been enacted or substantially enacted at the balance sheet date

During the year the Government substantively enacted a reduction in UK corporation tax rate to 24% with effect from 1 April 2012 and to 23% with effect from 1 April 2013 Deferred tax has been calculated based on a rate of 23% to the extent that the related temporary and timing differences are expected to reverse Furthermore, on 5 December 2012 the Government announced its intention to further reduce the UK corporation tax rate to 21% by April 2014 This will reduce the Company's future current tax charge accordingly

Notes to the financial statements

8. Loans and advances to customers

	2012 £000	2011 £000	2010 £000
Gross loans and advances	69,717	63,072	56,768
Less allowances for impairment on loans and advances (Note 9)	(3,540)	(4,096)	(4,130)
	66,177	**58,976**	**52,638**

The fair value of loans and advances to customers is considered to be in excess of their book value due to the interest rate being priced for credit risk

For a maturity profile of loans and advances to customers, refer to Note 3

Loans and advances to customers can be further summarised as follows

	2012 £000	2011 £000
Neither past due nor impaired	63,852	57,407
Past due up to 90 days	3,857	3,678
Past due after 90 days	2,008	1 987
Gross	69,717	63,072
Less allowance for impairment	(3,540)	(4 096)
Net	**66,177**	**58,976**

The neither past due nor impaired category include amounts which have been rescheduled as part of a forbearance programme but are currently up to date with their revised payment schedule

The portfolio does not have a significant concentration to any individuals Gross amounts of loans and advances to customers that were past due up to 90 days were as follows

	2012 £000	2011 £000
Past due up to 30 days	1,773	1,746
Past due 30 - 60 days	1,115	1,087
Past due 60 - 90 days	969	845
Total	**3,857**	**3,678**

9. Allowances for impairment of loans and advances

A reconciliation of the allowance account for losses on loans and advances is as follows

	2012 £000	2011 £000
At 1 January	4,096	4,130
Utilised during the year	(4,096)	(3,430)
Increase in provision	3,540	3,396
At 31 December	**3,540**	**4,096**

During the year the Company recovered £538 thousand (2011 £185 thousand) against amounts previously written off

Notes to the financial statements

10. Other Assets

	2012 £000	2011 £000
Prepayments and accrued income	2,054	2,076
	2,054	**2,076**

11. Other liabilities

	2012 £000	2011 £000
Trade payables	148	147
Amounts due to related companies	12,324	40,186
Accruals and deferred income	45	151
Financial liabilities recognised at fair value through profit or loss	-	452
	12,517	**40,936**

The Group to which Everyday Lending Limited is a part was sold to Secure Trust Bank PLC (STB) on 8 June 2012 As part of this arrangement, the Group's existing debts were waived, capitalised or repaid and a new funding arrangement put in place with STB, which is shown as bank borrowings in the statement of financial position

12. Deferred taxation

	2012 £000	2011 £000
Tax losses	989	-
Deferred tax asset	**989**	-
At 1 January	-	-
Deferred tax on tax losses recognised in year	989	-
Deferred tax asset at 31 December	**989**	-

During the year the Government substantively enacted a reduction in UK corporation tax rate to 24% with effect from 1 April 2012 and to 23% with effect from 1 April 2013 This will reduce the Company's future current tax charge accordingly Deferred tax has been calculated based on a rate of 23% to the extent that the related temporary or timing differences are expected to reverse

On 5 December 2012 the Government announced its intention to further reduce the UK corporation tax rate to 21% by April 2014 It has not yet been possible to quantify the full anticipated effect of the announced further 2% reduction, although this will further reduce the Company's future tax charge and reduce the Company's deferred tax assets and liabilities accordingly As this change has not been substantively enacted, this has not been reflected in the calculation of the deferred tax asset

13. Share capital

Allotted, called up and fully paid	Number	£000
At 1 January and at 31 December 2012	1	-

There was no movement in the issued share capital in the current or prior year

Notes to the financial statements

14. Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprises of the following balances with less than three months maturity from the date of acquisition

Company	2012 £000	2011 £000
Cash	1,518	2,775
Bank overdrafts	-	(201)
	1,518	**2,574**

15. Related-party transactions

Amounts due to related companies
Amounts due to related companies have no fixed date for repayment and are therefore technically repayable on demand They are accounted for as financial liabilities, measured at amortised cost and the fair value is not considered to be significantly different from the carrying value Transactions between related parties are on an arms length basis

Of the bank borrowings shown in the Statement of Financial Position, £72,115 thousand (2011 £nil) are due to Secure Trust Bank PLC, an intermediate parent company Amounts due to related companies in other liabilities are due to the immediate parent company Everyday Loans Limited

16. Immediate and ultimate parent company

The directors regard Arbuthnot Banking Group PLC, a company registered in England and Wales, as the ultimate parent company Henry Angest, the Group Chairman and Chief Executive has a beneficial interest in 53 6% of the issued share capital of Arbuthnot Banking Group PLC and is regarded by the directors as the ultimate controlling party A copy of the consolidated financial statements of Arbuthnot Banking Group PLC may be obtained from the Secretary, Arbuthnot Banking Group PLC, One Arleston Way, Solihull, B90 4LH

The immediate parent company is Everyday Loans Limited A copy of the financial statements of Everyday Loans Limited, may be obtained from Everyday Loans Limited, One Arleston Way, Solihull, B90 4LH

17. Events after the balance sheet date

There were no post balance sheet events

Corporate contacts & advisers

Secretary & Registered Office
D Malone
One Arleston Way
Solihull
B90 4LH

Advisers
Independent Auditor
KPMG Audit Plc
Chartered Accountants
Arlington Business Park
Theale
Reading
RG7 4SD

Principal Banker
Barclays Bank PLC
1 Churchill Place
London
E14 1NP