



Everyday Lending Limited

Directors' report and financial statements

Registered number 5850869

31 December 2009

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Directors' report

The directors present their directors' report and financial statements for the year ended 31 December 2009

Principal activities

The principal activity of the Company is the provision of secured and unsecured personal installment loans

As the business matures, customer accounts receivable is a more prominent KPI as the business grows towards profitability. As at the date of this report, customer accounts receivable amounted to £52,599,891, an increase of 11% over the prior year.

As a company operating in the financial services industry, the principal business risks are assessed as interest rate risk, credit risk and liquidity risk. The Company seeks to mitigate interest rate risk by entering into appropriate hedging instruments, such as interest rate swaps, and has developed credit risk measurement and performance monitoring tools to ensure the desired credit risk profile is achieved. The Company seeks to mitigate liquidity risk by maintaining committed funding for as long a period as possible.

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

Business review

The Company's operating loss increased slightly in the year as the customer receivable base grew at a slower rate than in the prior year and cost of credit and servicing costs were higher on a more mature portfolio. The customer receivable base is expected to generate revenues that outgrow cost of credit and servicing costs which will enable the Company to become profitable at an operating level.

Principal risks and uncertainties

As the Company's principal activity is the provision of consumer finance, the majority of its key risks and uncertainties arise from its loan book. These risks are set out below.

Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet current and future financial commitments as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions.

Liquidity is managed by operating a dual strategy approach which seeks to identify and minimise the likelihood of unforeseen demands for settlement of liabilities, whilst identifying and maintaining immediate or near term sources of additional cash should they prove necessary.

Directors' report *(continued)*

Liquidity risk (continued)

The Company uses bank funding as its principal source of liquidity. With the normal funding routes through the banking market severely constrained, the Company's strategic priorities have been realigned to manage new originations consistent with the level of funding available.

Interest rate risk

Interest rate risk exists when assets and liabilities attract rates set according to a different base or which are reset at different times. The Company minimises its exposure to interest rate risk by transacting interest rate swap contracts to ensure the interest rate characteristics of its assets and liabilities are similar.

Credit risk

Credit risk arises from a customer not being able to meet their obligations as they fall due. The Company has established high level credit policies which are used to secure the quality of lending and the management of any customer repayment arrears. The Company places a strong emphasis on establishing a borrower's ongoing ability to service their loan obligations. Management and the Board regularly monitor default and loss performance and profitability performance for the Company and provide relevant information to funding banks. Customer loan delinquency levels increased in Q1, 2009 as the recession impacted but have reduced steadily ever since and are expected to continue at these, lower levels ongoing.

Economic environment risk

Economic risk is the risk that deterioration in the general economy may adversely affect all aspects of the Company's business. To manage this risk, management and the Board regularly monitor default and loss performance and profitability performance for the Company.

The Company has taken proactive steps to create a capital and funding structure that will support its medium term prospects in a more challenging economic environment. The Company is encouraged by the support received from its funders, particularly recognising a more challenging economic environment.

In addition, tight control of costs remains a high priority.

The Company's strategic business model, prudent underwriting criteria and emphasis on customer affordability leave us well placed for the future. Although the Company is growing modestly within its current resources, we look forward to the time when the effects of the credit crunch inevitably begin to wane and we can expand the business again.

Directors

The directors who held office during the financial year and up to the date of this financial report were

Danny Malone	Executive Director
Mark Ridlington	Executive Director
Terry Williams	Executive Director

None of the directors who held office at the end of the financial year had any disclosable interest in the shares of the Company.

Directors' report *(continued)*

Proposed dividend

The directors do not recommend the payment of a dividend (2008 nil)

Political and charitable contributions

No political or charitable donations were made by the Company during the year (2008 nil)

Going concern

The financial statements have been prepared on the going concern basis, notwithstanding net liabilities of £6,033,138 as the Directors project profitability sufficient to sustain operations and will continue to receive funding from Everyday Loans Limited and Everyday Loans Holdings Limited. The Company also has sufficient liquidity to allow it to grow to a profitable level of operating profit, before interest on subordinated debt, without any new or increased debt facilities. The bank facilities are committed until November 2011 and all covenants are expected to be met. The subordinated debt interest of £2,806,709 in the year is all accrued and no interest has been paid to date. The subordinated debt facilities run to March 2012 and October 2013 and include £4,957,237 of accrued interest, which has contributed to the net liabilities position.

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors

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

By order of the board



Danny Malone
Director

22nd March 2010

10 Norwich Street
London
EC4A 1BD

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 UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

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 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 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.



KPMG LLP

Arlington Business Park
Theale
Reading
RG7 4SD
United Kingdom

Independent auditors' report to the members of Everyday Lending Limited

We have audited the financial statements of Everyday Lending Limited for the year ended 31 December 2009 set out on pages 7 to 16. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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 auditors' 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.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www.frc.org.uk/apb/scope/UKNP.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2009 and of its loss for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Independent auditors' report to the members of Everyday Lending Limited (continued)

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you 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



D McAllan (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Arlington Business Park
Theale
Reading
RG7 4SD
22nd March 2010

Profit and loss account
for the year ended 31 December 2009

	Note	2009 £	2008 £
Turnover	2	17,387,887	15,421,095
Cost of sales		<u>(10,318,043)</u>	<u>(9,734,661)</u>
Gross profit		7,069,844	5,686,434
Administrative expenses	3	<u>(7,339,166)</u>	<u>(5,771,802)</u>
Operating loss		(269,322)	(85,368)
Other interest receivable and similar income	5	754	64,036
Interest payable and similar charges	6	<u>(2,853,469)</u>	<u>(1,422,055)</u>
Loss on ordinary activities before taxation	3	(3,122,037)	(1,443,387)
Tax on profit on ordinary activities	7	-	-
Loss for the financial year		<u>(3,122,037)</u>	<u>(1,443,387)</u>

All amounts relate to continuing activities

There is no difference between the results reported and their historical cost equivalents

There were no recognised gains or losses for 2009 or 2008 other than those included in the profit and loss account

Balance sheet
At 31 December 2009

	Note	2009 £	2009 £	2008 £	2008 £
Current assets					
Debtors amounts falling due within one year	8-9	21,785,578		16,318,777	
Debtors amounts falling due after more than one year	8-9	28,576,552		28,160,800	
Cash at bank and in hand		<u>811,795</u>		<u>1,445,436</u>	
		51,173,925		45,925,013	
Creditors amounts falling due within one year	10	<u>(6,458,536)</u>		<u>(4,787,587)</u>	
Net current assets		44,715,389		41,137,426	
Creditors amounts falling due after more than one year	11	<u>(50,748,527)</u>		<u>(44,048,527)</u>	
Net liabilities		<u>(6,033,138)</u>		<u>(2,911,101)</u>	
Capital and reserves					
Called up share capital	12	-		-	
Profit and loss account	13	<u>(6,033,138)</u>		<u>(2,911,101)</u>	
Equity shareholders' deficit		<u>(6,033,138)</u>		<u>(2,911,101)</u>	

These financial statements were approved by the board of directors on 22nd March 2010 and were signed on its behalf by



Danny Malone
Director

Reconciliation of movements in shareholders' deficit
for the year ended 31 December 2009

	2009 £	2008 £
Loss for the financial year	<u>(3,122,037)</u>	<u>(1,443,387)</u>
Net increase in equity shareholders' deficit	(3,122,037)	(1,443,387)
Opening equity shareholders' deficit	<u>(2,911,101)</u>	<u>(1,467,714)</u>
Closing equity shareholders' deficit	<u>(6,033,138)</u>	<u>(2,911,101)</u>

Notes **(forming part of the financial statements)**

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements

1 Accounting policies

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards, and under the historical cost accounting rules. The accounts have been prepared on a going concern basis.

Under FRS 1 the Company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the Company in its own published consolidated financial statements.

As the Company is a wholly owned subsidiary of Everyday Loans Holdings Limited, the Company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties). The consolidated financial statements of Everyday Loans Holdings Limited, within which this Company is included, can be obtained from the address given in note 15.

Turnover

Turnover comprises interest and fees on finance agreements, net of broker commissions.

Interest income represents interest receivable on advances to customers and on placements with banks. Interest income is recognised on the accruals basis. Where there is doubt over the collection of interest receivable, interest is not accrued but is recognised in the profit and loss account when received in cash.

Fees receivable are accrued over the life of the underlying transaction except to the extent they represent compensation for arranging the transaction, which is recognised to the profit and loss account on signing the agreement.

Broker commission is capitalised against each specific loan and amortised over the original term of the loan or, actual term if less.

Cost of Sales

Cost of sales comprises bank interest payable on loans used to finance customer receivables, credit losses and loan loss provisions.

Credit losses on unsecured loans are recognised at the earlier of 180 days past due or, earlier if specific events make loss certain. Credit losses on secured loans are recognised when the underlying security has been sold and the loss crystallised or, earlier at 180 days past due if loss is deemed certain.

Notes *(continued)*

1 Accounting policies (continued)

Cost of sales *(continued)*

Loan loss provisions

It is Company policy to make provisions for bad and doubtful debts promptly where required. Loans are designated as non-performing as soon as management has doubts as to the ultimate collectability of principal or interest or when contractual payments of principal or interest are overdue.

There are two types of provisions, specific and general.

Specific provisions

Specific provisions represent the quantification of actual and expected losses from identified accounts and are deducted from customer accounts receivable on the balance sheet. The amount of specific provision raised is assessed on a case-by-case basis.

The amount of specific provision raised is the Company's conservative estimate of the amount needed to reduce the carrying value of the asset to the expected ultimate net realisable value, and in reaching a decision consideration is given, among other things, to the following factors:

- the financial standing of the customer, including a realistic assessment of the likelihood of repayment of the loan within an acceptable period,
- The realisable value of any security for the loan, and
- The costs associated with obtaining repayment and realisation of the security.

General provisions

General provisions augment specific provisions and provide cover for loans, which are impaired at balance sheet date but which will not be identified as such until some time in the future. General provisions are deducted from customer accounts receivable in the balance sheet.

If the collection of interest is doubtful, it is credited to a suspense account and excluded from interest income in the profit and loss account. Although it continues to be charged to the customers' account, the suspense account in the balance sheet is netted against the relevant loan. Loans on which interest is suspended are not reclassified as accruing interest until interest and principal payments are up to date and future payments are reasonably assured.

Taxation

The charge for taxation is based on the loss for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19. Recognition of deferred tax assets is limited to the extent that the Company and Group anticipates to make sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Notes (continued)

1 Accounting policies (continued)

Cash and liquid resources

Cash comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand

2 Turnover

	2009 £	2008 £
Finance Income	15,143,253	13,656,105
Fee Income	2,244,634	1,764,990
	17,387,887	15,421,095

All activity is wholly undertaken within the United Kingdom

3 Loss on ordinary activities before taxation

	2009 £	2008 £
<i>Loss on ordinary activities before taxation is stated after charging</i>		
Management charge	7,336,521	5,764,039
Auditors' remuneration		
Audit of these financial statements	-	-

The Company has no employees. Human resources are provided by the immediate parent company, Everyday Loans Limited, for which a management charge is levied.

No audit remuneration is paid by the company as the audit remuneration for the Group is paid by the immediate parent company, Everyday Loans Limited.

4 Remuneration of directors

Remuneration of directors arising from managing the affairs of the Company has been paid for by the parent company, Everyday Loans Limited.

5 Other interest receivable and similar income

	2009 £	2008 £
Treasury deposits	754	64,036

Notes (continued)

6 Interest payable and similar charges

	2009 £	2008 £
Bank charges	46,760	72,190
Finance charges on subordinated debt	2,806,709	1,349,865
	2,843,469	1,422,055

Of the above amount £2,806,709 (2008 £1,349,865) was payable to group undertakings

7 Taxation

Analysis of charge in year

	2009 £	2008 £
<i>UK corporation tax</i>		
UK Corporation tax based on loss for the year	(357,571)	(404,148)
Adjustment to prior year's Current Tax	108,684	-
Current tax on loss for the year	(248,887)	(404,148)
<i>Deferred tax</i>		
Unrelieved tax losses not recognised due to uncertain recovery	125,687	
Deferred tax assets not recognised due to uncertain recovery	123,200	
	248,887	404,148
Deferred tax asset		
	248,887	404,148
Tax on loss on ordinary activities	-	-

As at 31 December 2009, the Company has accumulated tax losses of £3,359,982 (2008 £2,911,101). In the view of the directors, tax losses accrued within the financial year will not be recovered within the next twelve months and recoverability is therefore relatively uncertain. Consequently, in accordance with the provisions of FRS19, the Company has neither recognised a deferred tax asset in the balance sheet nor a tax credit in the profit and loss account.

Should the Company achieve sufficient taxable profits in future years, the Company would recognise a deferred tax asset amounting to £1,063,995 (2008 £815,108) and a credit to tax on profit on ordinary activities of £1,063,995 (2008 £815,108) relating to the year ended 31 December 2009.

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.

Notes (continued)

8 Debtors

	2009 £	2008 £
Customer accounts receivable	52,599,891	46,780,753
Provision for bad and doubtful debts (Note 9)	(4,540,337)	(4,180,419)
Net finance receivables	48,059,554	42,600,334
Prepaid broker commission	2,302,576	1,879,243
	50,362,130	44,479,577

Remaining maturity of customer accounts receivable is as follows

	2009 £	2008 £
Repayable on demand	2,503,851	1,211,894
Repayable in not more than three months	4,016,042	3,143,753
Repayable in more than three months but less than one year	12,963,109	10,083,887
Repayable in more than one year but less than five years	25,522,948	24,280,453
Repayable in more than five years	3,053,604	3,880,347
	48,059,554	42,600,334

Debtors: amounts repayable within one year

	2009 £	2008 £
Net finance receivables	19,483,002	14,439,534
Prepaid broker commissions	2,302,576	1,879,243
	21,785,578	16,318,777

Debtors: amounts repayable after more than one year

	2009 £	2008 £
Net finance receivables	28,576,552	28,160,800

Notes (continued)

9 Provisions for bad and doubtful debts

	2009 £	2008 £
Balance as at 1 January	4,180,419	1,807,857
Utilised during the year	(4,030,419)	(1,807,857)
Increase in provision	4,390,337	4,180,419
Balance as at 31 December	4,540,337	4,180,419

10 Creditors: amounts falling due within one year

	2009 £	2008 £
Borrowings - Revolving Credit Facility	-	-
Amounts owed to group undertakings	6,099,566	4,312,233
Bank loans and overdrafts	134,605	180,162
Trade creditors	89,061	71,735
Accruals and deferred cost of debt	135,304	223,457
	6,458,536	4,787,587

11 Creditors: amounts falling due after more than one year

	2009 £	2008 £
Borrowings - Revolving Credit Facility	36,200,000	29,500,000
Amounts owed to group undertakings	14,548,527	14,548,527
	50,748,527	44,048,527

On 8 October 2008, the Company reached agreement with Barclays Bank Plc for a three year extension to its revolving credit facility amounting to a total of £37,378,099. As at 31 December 2009, the Company has utilised £36,200,000 of this facility. The facility is repayable on 8 October 2011.

On 6 November 2006, the Company reached agreement with its parent entity Everyday Loans Limited, to establish a subordinated debt facility up to a sum of £30,000,000 for the purposes of providing working capital to the Company and funding consumer finance lending to customers. As at 31 December 2009, the Company has utilised £14,548,527 of this facility. The Subordinated loan balance is repayable within five years.

Notes (continued)

12 Called up share capital

	2009 £	2008 £
Authorised		
1,000,000 Ordinary shares of £0.01 each	<u>10,000</u>	<u>10,000</u>
Allotted, called up and fully paid		
1 Ordinary share of £0.01	<u>-</u>	<u>-</u>

13 Retained loss

	Profit and loss account £
At beginning of year	(2,911,101)
Loss for the year	<u>(3,122,037)</u>
At end of year	<u>(6,033,138)</u>

14 Related party disclosures

The Company is 100% owned by Everyday Loans Holdings Limited and therefore, as permitted by FRS8, has taken advantage of the exemption to disclose any transactions with entities that are part of the Everyday Loans Holdings Limited group of companies, as consolidated financial statements which include the results of this company are publicly available

15 Ultimate parent company and parent undertaking of larger group of which the Company is a member

The entire issued share capital of this company is owned by Everyday Loans Limited, a company incorporated in Great Britain and registered in England and Wales. The entire issued share capital of Everyday Loans Limited is owned by Everyday Loans Holdings Limited, a company incorporated in Great Britain and registered in England and Wales. The Group accounts of Everyday Loans Holdings Limited can be obtained from 10 Norwich Street, London, EC4A 1BD. 72% of the issued share capital of Everyday Loans Holdings Limited is held by Alchemy Partners Nominees Limited on behalf of investors in its Plan. The Plan is managed by Alchemy Partners (Guernsey) Limited.