Everyday Lending Limited
Annual report and financial statements
for the year ended 31 December 2021

Registered Number 05850869

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Strategic report

Principal activities and business review
The principal activity of Everyday Lending Limited ("the Company") is the provision of personal instalment loans. The company offers products through both a branch-based lending division and a guarantor loans division. Following a challenging trading period the Directors made the decision to cease trading in the Guarantor Loans Division, and at the date of signing the financial statements it is in a managed run-off.

Compliance plays an important part in the success of the Company. The Company is authorised by the Financial Conduct Authority (FCA) to sell loan related products.

On 3 August 2020 the Company's ultimate parent company Non-Standard Finance Plc "NSF" announced that, as part of a multi-firm review into the guarantor loans sector, the FCA had a number of concerns regarding certain aspects of the operating procedures at the Company's guarantor loans division ('GLD'). Furthermore, the FCA raised concerns regarding possible read-across for branch-based lending division ('BBL') from their multi-firm review into guarantor loans and from recent decisions at the Financial Ombudsman Service. The NSF Group launched an immediate and in-depth review, working closely with the FCA, to clarify the scope and scale of its concerns. Progress has been made during 2021, with the FCA concluding that there were no issues for BBL and confirming the proposed redress methodology in GLD, although management continue to discuss the operational practicalities of the scheme with the regulator.

On 30 June 2021 having completed a detailed review of GLD and its prospects, the Board of NSF Plc concluded that shareholder interests would be best served by placing the division into a managed run-off and ultimately closing the business. Whilst hugely disappointing, collecting out the loan book is the only rational conclusion given the combined impact of the pandemic, the FCA review into guarantor loans and the expected increase in costs in order to meet revised FCA requirements that would necessarily impede any potential recovery in profitability in the future.

Following the FCA's detailed review of the Company's proposed redress methodology, the Company is continuing to work with the FCA on finalising the operational mechanics of the scheme. The NSF Board is hopeful that this will soon be finalised in order to provide certainty for NSF investors, so that it can then proceed with the Capital Raise (the 'Capital Raise') during 2022. The Capital Raise, if successful, will be used to fund customer redress as well as strengthen the NSF Group's balance sheet and transform its prospects. Further information on the Capital Raise is available from the NSF Plc Annual Report for the year ended 31 December 2021, via the website nsfgroupplc.com.

Key performance indicators
The value of Company's portfolio of loans is considered to be the most important key performance indicator. As at the date of this report, the portfolio amounted to £184 million (2020: £231 million), a decrease of 21% (2019: decrease of 28%) over the prior year. Having returned to month-on-month loan book growth in June 2021 and with the removal of most government restrictions on social contact in England in July 2021, a trend of month-on-month growth in the loan book continued until the fourth quarter when, despite a good flow of leads, lending volumes were impacted by a more cautious approach to lending as well as the emergence of the Omicron coronavirus variant. At the same time however, collections remained strong throughout 2021 and so while the number of new borrower loans booked was up 15% and the total volume of loans written was up 13%, this was not sufficient to restore annual loan book growth and the net loan book declined by 21%.

As a face-to-face lender, restrictions on social distancing as a result of the pandemic placed a significant strain on the Company business model, impacting our ability to deliver benefits for key stakeholders. However, the business was able to adapt and maintain a high level of service to our customers. Given the continued uncertainty regarding the impact of the pandemic on the UK economy and the outlook for consumer credit generally, we remained cautious on expanding our footprint and opened just one of the branches that had been mothballed in 2020 taking the total number to 75 (2020: 74 branches).

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Key performance indicators in relation to the Everyday Lending Limited's loan portfolio:	2021	2020
Number of branches	75	74
Period-end customer numbers (000)	80.5	94.3
Period-end loan book (£m)	183.8	231.3
Average loan book (£m)	203.9	279.2
Loan book liquidation	(20.5%)	(27.8%)
Revenue yield	33.5%	42.8%
Risk adjusted margin	25.9%	22.9%
Impairment/revenue	22.8%	46.5%
Impairment/average loan book	10.5%	19.9%
Return on assets	1.2%	(12.8)%

Principal risks and uncertainties
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 risk management policies are set out in note 5 of the financial statements.

The Company faces a number of potential risks that could have a material impact on its overall performance as a result of the manifestation of the risks that it faces, which might cause financial results to differ materially from both expected and historic results.

A highly uncertain macroeconomic environment and a number of business specific issues meant that the overall risk profile facing the Company remained high during 2021. Key risks included that: the costs of customer redress in guarantor loans might be higher than expected; the independent review into branch-based lending might identify some systemic issues, triggering a possible requirement for substantial redress to current and/or former customers; the Capital Raise is not successful, or takes longer to execute than planned; the financial performance of the NSF Group ('the Group') is worse than expected; and so as a result, the Group breaches its loan covenants and the firm could become insolvent.

Throughout 2021, Xactium, the Group's integrated risk management system, helped the Company to record and manage such key risks as they emerged and/or evolved. The framework provided supported our first line risk management activity and also helped to provide executive management and the Board with clear second line oversight across the Company. It also helped the Board to identify those areas where third line oversight might be required.

As well as having a well-founded risk management framework in place, the dedication and hard work of all of our staff were instrumental in helping the Company to navigate what was a significant macroeconomic shock.

The principal risks facing the Company are set out below.

Funding and liquidity
The Company may not be able to meet its financial obligations because:
- it is unable to borrow to fund lending;
- it has failed to renew/replace existing debt facilities as they become payable;
- it cannot fund growth;
- declines in net book value may impact the Company's ability to access existing debt facilities.

Regulation
The Company faces significant operational and financial risk through changes to regulations, changes to the interpretation of regulations or a failure to comply with existing rules and regulations. All authorised firms are subject to a rigorous approval process as well as ongoing supervision by the FCA. Non-compliance can result in fines, the payment of redress to customers or loss of authorisation to operate. Decisions by the FOS may change the way in which FCA rules are interpreted, increasing the likelihood that complaints may be upheld and increasing the total cost of redress to customers that may have suffered harm.

Conduct
Risk of poor outcomes for the Company's customers or other key stakeholders as a result of that Company's actions.

Credit
Risk of loss through poor underwriting or a diminution in the credit quality of the Company's customers.

Business strategy
Risk that the Company's strategy, or that of its direct subsidiary undertakings fail to deliver the outcomes expected.

Business risks
- Operational – the Company activities are large and complex and so there are many areas of operational risk that include technology failure, fraud, staff management and recruitment risks, underperformance of key staff, the risk of human error, taxation, increasing numbers of customer complaints, health and safety as well as disaster recovery and business continuity risks;
- Reputational – a failure to manage one or more of the Company's principal risks may damage the reputation of the Company or its parent NSF Plc, which in turn may materially impact the future operational and/or financial performance of the Company;
- Cyber – increased connectivity in the workplace coupled with the increasing importance of data and data analytics in operating and managing consumer finance businesses means that this risk has been identified separately from operational risk; and
- COVID-19 – a large pandemic such as COVID-19, coupled with restrictions on face-to-face contact as required by HM Government during 2020 and 2021, may cause significant disruption to the operations of the Company and severely impact the supply and level of demand for their products. Any sustained period where such measures are in place could result in the Company suffering significant financial loss.

Section 172(1) of the Companies Act 2006; Duty to promote the success of the Company
A director of a company must act in the way he/she considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

(a) *the likely consequences of any decision in the long term;*
This means the directors are not just thinking about short-term needs and also considers carefully the likely impact of its decisions on the Company's long-term prospects and value.

(b) *the need to foster the company's business relationships with suppliers, customers and others;*
The Company draws upon the services and skills of a variety of different suppliers and other stakeholders to provide a quality service to its customers. Building and sustaining these relationships is an important factor for the Company's long-term success.

(c) *the impact of the Company's operations on the community and the environment;*
If the Company fails to respect how it affects communities, it may face significant challenges to its business from a variety of stakeholders including customers, regulators and government.

(d) *the desirability of the company maintaining a reputation for high standards of business conduct;*
A company's reputation is hard won and easily lost, maintaining high standards through a strong and positive culture as well as good governance is vital for building and sustaining long-term value.

(e) *the need to act fairly as between members of the company;*
The interests of all members are considered and treated fairly.

Strategic report

Engaging with our stakeholders

Stakeholder	Why we engage	Key issues	How we manage	Actions and outcomes
Customers	Our customers are at the centre of our business model. Should we deliver a poor service or treat our customers unfairly, we are unlikely to meet our long-term financial and strategic objectives.	• We aim to design and tailor our products to meet our customers' needs at a price they can afford. • Ensuring we lend and collect responsibly and in compliance with latest FCA rules and guidance and take account of the latest decisions at the Financial Ombudsman Service. • Having an effective complaint handling process.	• Face-to-face contact represents an important part of the lending process in branch-based lending, providing immediate feedback on how we are performing and how we might improve. Whilst COVID-19 increased the appeal of remote channels for many customers, we continue to believe that meeting face-to-face is an important opportunity to gain a deeper understanding of the customer needs whilst also building a long-term relationship. • We also engage extensively via telephone, email and web. • Third-party customer satisfaction surveys and online recommendation engines. • We also work hard to ensure that if something goes wrong, our complaint handling processes deliver fair and appropriate outcomes. Numbers of complaints and root cause analysis are datapoints that we track and monitor closely.	• Updated processes and systems embedding FCA guidance on COVID-related forbearance. • Amended face-to-face lending processes to comply with government guidelines. • Key learnings from assurance reviews are captured and once understood and assessed, are embedded into our policies and procedures; training; organisation structure; and incentive arrangements. • All complaints are tracked, analysed and fed back into business practice and the Company's 'good customer outcomes dashboard'. Upheld decisions by the FOS are also taken into account. • Everyday Loans Limited has received a number of awards in recognition of its focus on consumers.
Regulators	Maintaining a regular and open relationship with regulators is key. Through our engagement we aim to respond promptly to questions and ensure the regulator remains well-informed about our own performance, market dynamics and how any existing or proposed regulatory changes may impact consumers and the workings of the non-standard finance market more generally. As outlined in the Strategic Report, during the last couple of years, the level of engagement has been extensive as we sought to resolve a number of outstanding regulatory issues.	• Completing the regulatory reviews into branch-based lending. • Finalising the proposed redress methodology for certain customers of the guarantor loans business. • Sustaining a positive business culture is a key driver of behaviour within firms. • Creditworthiness and affordability – ensuring that appropriate and proportionate checks are conducted at the point of lending. • Vulnerable customers – ensuring their circumstances are taken into account throughout the customer lifecycle. • Claims management – proper handling of claims in a timely manner with root cause analysis and noting any implications from recent and relevant FOS cases.	• We maintain a regular dialogue with the FCA, as part of its ongoing supervision process. • We also engage at a more strategic level through periodic face-to-face meetings and by responding to relevant consultations, policy documents and research. • We continue to keep the FCA and other regulatory bodies, including HM Treasury, fully informed regarding the Company's broader strategic plans.	• Culture is monitored closely at both Company and NSF Plc Board level through a series of measures that are monitored as part of a continuous assessment process. • A 'three lines of defence' model is in place to identify and address any potential regulatory risks. • Following the FCA's review into guarantor loans we developed a redress methodology for customers deemed to have suffered harm to ensure that all affected customers receive their full redress amount. • We also take note of other sector developments to ensure that any read-across to our own business is assessed and any adjustments to processes and procedures made. • We respond to periodic information requests from the FCA that continues to track the performance and dynamics of the market.

Strategic report

Employees	As a relationship lender, our workforce is a key enabler in the execution of our business strategy and in the deployment of our business model.	• Despite the challenges of the past couple of years, our staff appear to be generally happy in their work. • Areas for management focus include work/life balance, opportunities for career progression, remuneration and benefits, management processes as well as ideas to improve working practices and profitability. • Promotion of a positive business culture and our core values and behaviours through a variety of different channels.	• Comprehensive induction process for new joiners. • Continuous programme of training and development for staff. • Online training modules provide a clear audit trail for each participant. • Regular intranet communications and engagement surveys. • Regular meetings by senior management online as well as face-to-face, whenever possible. • Management conferences and workforce forums.	• Whilst most businesses are now 'back in the office', there is still a proportion of staff that are continuing to work from home with reduced levels of personal contact with colleagues. As a result, we continue to work hard to ensure that all staff remained connected to the business through regular video/phone calls as well as through other channels (newsletters, intranet, email). • We continue to review best practice and monitor government advice as we seek to ensure that appropriate safeguards are in place to ensure a safe working environment for our people. • A number of staff were made redundant in 2021 and we always approach such situations professionally and sensitively. • We seek to maintain regular contact with all staff, including those that may be working from home to identify any mental health or other issues.
Partners and suppliers	Culturally, we are focused on ensuring we are professional at all times and want to establish a reputation as being a reliable customer with whom other firms can and want to do business.	• Maintaining an effective procurement process. • Ensuring that the quality of the services being supplied meets the standards expected. • Confirmation that suppliers are also fulfilling their broader obligations of good business practice including issues such as diversity, gender pay, modern slavery and anti-bribery and corruption. • We monitor supplier payment terms to ensure we pay them within the constraints of the Prompt Payment Code.	• We have clear procurement policies with proper oversight over all material contracts. • We seek to maintain strong relationships through regular meetings and contact by phone. • For a limited number of services such as insurance, we can sometimes arrange supply on a Group-wide basis. Other key suppliers include financial brokers, credit reference agencies and providers of data storage.	• If a supplier falls short of the standards we expect or if there is a risk that continuing our relationship may compromise the Company's reputation or business prospects, then we will look to replace them with a comparable alternative, having already identified a number of these at the time of the original tender.

Environment	It is clear that environmental, social and governance ('ESG') issues are becoming increasingly important for many of our key stakeholders including customers, staff, investors and HM Government.	• Determining our impact on the environment as well as how the environment might create additional risks and opportunities for the NSF Group. Formulating a strategy to address and manage such risks and opportunities, including targets and milestones over the short, medium and long term. • Use of energy and natural resources as well as the level of CO_2 and other emissions produced directly and indirectly. • Supply chain, workforce management. • Preparing disclosures to assist stakeholders in assessing the potential impact of such risks and opportunities on the current and future prospects of the NSF Group.	• Whilst we are a small company compared with many others and given the nature of our business, we do not believe that we have a material impact on the environment. However, we are keen to minimise any impact that our activities might have. • The NSF Group qualified for the Energy Savings Opportunity Scheme ('ESOS'), established by the Energy Savings Opportunity Scheme Regulations 2014. • Having implemented a strategy to comply with the ESOS requirements, since confirmed by a third-party review and submitted to the Environment Agency, a further audit will be conducted in two years' time.	• A full period of office working meant that resource usage increased although a smaller fleet in home credit meant that mileage and CO_2 emissions reduced in 2021. • The NSF Group are developing a strategy and plan to enhance the Group's assessment and disclosure of ESG targets and related issues so that we will comply with future regulations and to help drive better decisions and long-term performance. • An update on the estimated volume of CO_2 production from car mileage and volume of water and electricity used during 2021 together with comparisons with 2020 is available in the NSF Plc Annual Report for the year ended 31 December 2021, via the website nsfgroupplc.com.
Communities and charity	A key feature of our business is that we seek to meet our customers face-to-face through extensive national networks. As a result, being a valued member of the towns and cities where we have a physical presence is key. With 75 branches across the UK, we are already embedded within the communities where our customers, suppliers, regulators and other key stakeholders are based.	• Providing credit to many that have perhaps been excluded by mainstream providers can be an important lifeline and places a significant responsibility on us to get things right. • If we make poor lending decisions this can harm customers, damage company's reputation in the community and damage our long-term business prospects.	• Our cultural focus of 'doing the right thing' is embedded within our lending practices. • As well as being a stand-out employer providing quality services to our customers, we also aim to put something back into local communities through both physical as well as financial contributions. • We support debt-related charities such as Loan Smart and also ask our staff which other charities they would wish to support at the beginning of each year.	• In 2021 the NSF Group donated a total of £16,050 (2020: £132,260) to a range of charities including Loan Smart that seeks to help raise awareness about the dangers of illegal lending. • As well as financial donations, our staff also take part in community-based events such as the 'Bite back action week' that took place in Milton Keynes in November 2021. A series of events, in conjunction with Loan Smart, Milton Keynes Council, Thames Valley Police and the Illegal Money Lending Team were organised to help raise awareness about the dangers of using illegal lenders as an alternative source of credit.

Strategic report

Business model
The pandemic placed a significant strain on the business model of the Company, impacting the ability to deliver benefits for key stakeholders. But, despite the challenges faced, we remained focused on delivering high levels of service to our customers – a service that they recognise and value.

Long term funding
The NSF Group uses equity and significant long-term debt facilities to help fund its business.

Culture
Providing customers with 'a helping, but firm hand' is an approach that is embedded deeply within our Company.

Infrastructure
The branch-based lending division within the Company is well-invested and highly scalable.

Compliance and risk management
Managing risk is a key area of focus, we don't cut corners and know when something is not right.

Management
Attracting and retaining the best talent is key for our long-term success.

Business developments in 2021
The continued challenges presented by the pandemic meant that while the Company delivered a much-improved financial performance versus the prior year, the Company was still loss making both before and after tax. The re-introduction of restrictions interrupted the recovery in lending within the Company which, in conjunction with a robust collections performance, meant that the combined net loan book fell by 21% to £184m.

The Company's guarantor loans division has been placed into a managed run-off and did not write any new loans in 2021 but has continued to collect out existing loan balances.

During 2021, the NSF Group commissioned an independent review of the Company's branch-based lending division, to consider the read-across from the multi-firm review into guarantor loans and from recent decisions at the Financial Ombudsman Service. The review concluded that there is no requirement for any customer redress in the branch-based lending division.

Effective 1 January 2022 the trading operations, assets and employees of the Company's immediate parent Company, Everyday Loans Limited, were transferred to Everyday Lending Limited, in order to simplify the Group. Assets transferred exclude any inter-company loans and cash. The net book value of the assets and liabilities resulted in a net liability transfer of £1.5m.

Actions and plans for 2022
Whilst the fallout from the pandemic, Brexit and more recently the Ukrainian crisis means that macroeconomic uncertainty remains high, recent trading in the Company has been slightly ahead of management's expectations. Whilst lending volumes in January and February 2022 were a little better than expected, collections and impairment performance has been much better with the result that the NSF Group (the 'Group') overall early performance for the year to-date has been promising.

The outlook for the Group is entirely dependent upon concluding the discussions with the FCA and completing the Capital Raise as planned. If successful, such a capital raise would fund the payment of agreed customer redress, strengthen the Group's balance sheet and significantly reduce the prospect of any future covenant breach. The Board believes that the Capital Raise is the best course of action in order to avoid insolvency, to safeguard the interests of shareholders and other stakeholders and to underpin future growth.

However, should the Capital Raise be unsuccessful or take longer than expected to execute, then it is expected that the Group would remain in a net liability position from a balance sheet perspective, would breach certain borrowing covenants and as a result would likely not be able to access further funding over the period of breach and would require additional waivers from its lenders. In such circumstance, there would be a material risk of the Group going into insolvency. However, the Directors continue to believe there is a reasonable prospect of resolving this position.

Assuming the Capital Raise is completed as planned, our focus in 2022 is to recover the ground lost due to the pandemic and following the enormous structural changes to our business over the past two years. As outlined in the 2021 financial review, this recovery will be dependent on us restoring the momentum in Everyday Lending Limited's branch-based lending business through a combination of investment in staffing, technology and process-driven productivity improvements and a steady recovery in demand for non-standard consumer credit.

Given the Group's pre-eminent position in branch-based lending, the Board continues to believe that, subject to funding, the current business environment represents a significant opportunity for the Group. In the past, when UK consumers have faced periods of macroeconomic difficulty and stress, the non-standard consumer lending sector enjoyed a marked increase in demand as the number of consumers that were unable to access mainstream credit increased. At the same time, we have seen a significant reduction in the supply of regulated non-standard consumer credit that may provide an additional opportunity for the Group to take market share as we continue to serve the very large numbers of UK consumers that are unable or unwilling to access regulated mainstream credit.

Approved and signed by the Board of Directors by

J Wiggins
Director
Date:

31/5/2022

Directors' report

The directors submit their annual report and the audited financial statements for the year ended 31 December 2021.

Results for the year
The loss for the year was £2.7m (2020: £42.8m loss).

Directors
The following directors served throughout the year, except where noted below:

J Wiggins	Executive Director
M Flint	Executive Director (Resigned 15 July 2021)
A Forsyth	Executive Director (Appointed 26 March 2021)
P Reynolds	Non-Executive Director (Resigned 6 May 2022)
P Gill	Non-Executive Director (Resigned 31 March 2022)
J Gillespie	Non-Executive Director
J de Blocq van Kuffeler	Non-Executive Director (Appointed 19 May 2020, Resigned 31 August 2021)

J Gillespie is also director of the ultimate parent company, Non-Standard Finance plc.

Directors' interests
No director had a beneficial interest in shares of the Company during the financial year and up to the date of signing of this report (2020: nil). All directors benefited from qualifying third party indemnity provisions in place during the financial year and at the date of this report.

Matters covered in the Strategic Report
The Company has chosen to set out the following information within the Strategic report, principal risks and uncertainties and future developments.

Political donations
No political donations were made by the Company during the year (2020: £nil).

Environmental, Social and Governance-related risks and opportunities
The directors regularly review the Company's impact on the environment and has concluded that at present, due to the small size of the Company and the nature of its business, it has a minimal impact. However, the Company's ultimate parent company NSF Plc has now captured certain environmental data and during the course of 2019 undertook the necessary assessment to comply with the ESOS, and the confirmation of our compliance has been notified to the Environment Agency.

In addition, NSF Plc is developing a strategy to meet the requirements of the Taskforce on Climate-Related Disclosures ('TCFD') that are expected to come into force in April 2022, for disclosure in 2023. Climate related disclosures however are only one part of the three-legged stool that is ESG. Both social and governance-related disclosures, many of which the NSF Group is already making, will also continue to be required as part of the NSF Group's annual reporting cycle.

Meeting these requirements will require some additional work and 'good management' of ESG risks will inevitably come with some additional cost to the Company. However, the Board believes that poor understanding and management of such risks will incur much greater costs for the Company (operational inefficiencies, regulatory sanction, poor reputation amongst consumers, investors and lenders) and society at large as a result of climate change.

As a result, the NSF Group is developing: (i) a clear process of governance to ensure proper oversight of the management of such risks and opportunities; (ii) a clear strategy to address such risks and opportunities that will be embedded within the overall Group's business strategy; (iii) a process to assess and manage any material risks and opportunities identified; and (iv) a series of KPIs to track the performance of such risks and opportunities against clear goals and targets.

Directors' report

Financial instruments
Details of the financial risk management objectives and policies of the Company and the exposure of the Company to market, interest rate, credit, capital management and liquidity risk are included in note 5 to the financial statements.

Branch-based lending review
In April 2021 the NSF Group commissioned a detailed and independent review of its lending and complaints handling activities within the branch-based lending division of the Company's direct subsidiary undertakings. The review concluded that there is no requirement for any customer redress in the division.

Subsequent events
Effective 1 January 2022 the trading operations, assets and employees of the company's immediate parent, Everyday Loans Limited, were transferred to Everyday Lending Limited. Assets transferred exclude any inter-company loans and cash. The net book value of the assets and liabilities resulted in a net liability transfer of £1.5m.

Going concern
In adopting the going concern assumption in preparing the financial statements, the Company Directors have considered the activities of the Company and that of its ultimate parent Non-Standard Finance plc ('NSF'). The principal activity of the Company is the provision of personal instalment loans. Where necessary, the Company receives intercompany funding from NSF Finco Limited (another subsidiary within the Non-Standard Finance Group (the "Group")) to support its business activities. NSF Finco Limited acts as a debt financing vehicle for the Group and holds the external debt facilities in the form of term loan and revolving credit facilities (RCF) which in turn, have the benefit of guarantees from the Company. As the Company is a guarantor under the Group's external financing facilities and any equity contributions received would ultimately come from its ultimate parent NSF, its going concern status is directly impacted by the ultimate going concern position of the Group and therefore whilst the assessment for the purposes of these financial statements reflects that of the Company, consideration has also been made in regards to that of the Group in order to reach a conclusion on going concern.

During the year, the Directors assessed the forecast levels of net debt, headroom on existing borrowing facilities (which comprise a £285m term loan and a £45m RCF facility, both of which are fully drawn) and compliance with debt covenants of the NSF Group. As part of its going concern assessment, the Directors reviewed both the Group and Company's access to liquidity and its future balance sheet solvency for at least the next 12 months.

Background
The Company's guarantor loans division ('GLD') was placed into a managed run-off in June 2021. Throughout 2021, the Group was actively engaged with the FCA in order to finalise its proposed redress methodology for certain customers of GLD. Whilst there have been no significant amendments to the methodology since 2020, with the movement in provision from the prior year primarily attributable to additional penalty interest accrued as a result of the delays in commencing the programme, the Group is currently working with the FCA in order to finalise the operational mechanics of the redress programme. Therefore, as the redress programme has yet to be agreed in its entirety with the FCA, there remains uncertainty as to the costs of such programme and, although the NSF Directors believe their best estimate represents a reasonably possible outcome, there is a material risk of a less favourable outcome. The Directors note that should the Group not be able to reach agreement with the FCA regarding the mechanics of the programme such that there remains significant uncertainty regarding the quantum of potential redress liabilities, the Group will need to consider other options that can reduce such uncertainty, including a scheme of arrangement. Whilst such schemes are complex, time consuming and not guaranteed to be successful, the NSF Board believes that, were such a scheme to be pursued it would stand a reasonable chance of success and would, along with needing to extend lending facilities, allow it to proceed with its planned capital raise. The Directors therefore believe that it remains a going concern. The proceeds of the planned capital raise will be used, among other things, to fund redress payments to eligible GLD customers.

As noted in the prior year, the Group commissioned independent reviews of both its branch-based lending and home credit businesses to ensure that there were no implications for either division as a result of the multi-firm review into guarantor loans, or from recent decisions at the Financial Ombudsman Service. Whilst the review into branch-based lending (Everyday Lending Limited) concluded that there was no requirement for any customer redress, in home credit the conclusion was that there may have been harm. Following extensive yet ultimately inconclusive discussions with the FCA about how harm should be defined and the implications for future lending, the directors of S.D Taylor Limited (trading as 'Loans at Home') reluctantly concluded that the Loans at Home business was no longer viable, leading to the business being placed into administration on 15 March 2022. The boards of Loans at Home and of NSF were clear that this was the only option available in order to preserve value for creditors. As the operations and activities of Loans at Home are separate from the rest of the Group, having received certain waivers from the Group's lenders, the administration of Loans at Home will have minimal impact on the existing funding arrangements of the Group and Company.

Going concern assessment
In light of having completed the independent review in relation to the branch-based lending division, the ongoing discussions regarding the redress programme with respect to GLD, and the fact that the home credit division has been put into administration, the Group has produced two reasonably possible scenarios as part of its going concern assessment:

(i) the base case scenario includes a substantial equity injection in 2022 (the 'Capital Raise'); assumes the receipt of waivers from lenders for covenant breaches prior to the Capital Raise completing; assumes that there is no change to the estimate of the amount of redress payable in guarantor loans (other than additional interest); and assumes the extension of the Group's debt facilities on acceptable terms;
(ii) the downside scenario applies stresses in relation to the key risks identified in the base case and does not include the Capital Raise.

A summary of the key assumptions used in the scenarios are as follows:

(i) Base case
The base case forecast assumes:
- the Group has obtained extensions to the testing dates and/or other forms of waivers from its lenders for potential covenant breaches to enable it to proceed with the Capital Raise;
- the extension of the Group's debt facilities on terms acceptable to investors;
- additional capital is raised during 2022 and reflects a business plan where the Group achieves further growth in later years driven by its branch-based lending division;
- that GLD remains in managed run-off, continues to perform in line with recent trends and that the ultimate cost of the redress programme does not differ materially from the NSF Directors' best estimate as at the date of this Annual Report (other than additional interest) and/or is an amount acceptable to potential investors;
- the home credit division remains in administration.

(ii) Downside scenario
This scenario assumes that no additional equity is raised in 2022 and also reflects stresses to the key risks described above.

Under this scenario we have assumed:
- the Capital Raise is not successful;
- the Group is unable to agree the operational mechanics of the GLD redress programme with the FCA and fails to implement a scheme of arrangement (should this be pursued) such that the Group is unable to raise sufficient capital or unable to raise sufficient capital within the required timeframes;
- higher complaint levels than expected under the base case and;
- uncertainty in the macroeconomic environment leads to higher delinquency and lower lending than expected under the base case.

Whilst the Group has obtained waivers from its lenders in relation to the administration of the home credit division (Loans at Home), its loan to value ratio was higher as at the quarter date on 31 March 2022 than the level permitted under its loan to value covenant following large interest payments made during the quarter. However, the loan to value covenant will not be formally tested, and no covenant breach or event of default will arise, until the Group provides its compliance certificate for the March 2022 quarter date. The Group has received an extension to the date on which it is required to supply this compliance certificate until 15 June 2022, with a mechanism for this date to be extended further with lender support. However, if the Group is unable to agree similar extensions or other forms of waivers for any future covenant breaches prior to the completion of the Capital Raise and obtain extensions to the term of its existing debt facilities on terms acceptable to investors, then the likelihood of the Group ending up in the downside scenario would be increased, and there would be a material risk of the Group and Company entering insolvency.

Under the base case scenario and assuming successful completion of the Capital Raise, the Group and Company would be in a net asset position from a balance sheet perspective; achieving this outcome however is dependent upon a number of factors including:

- the Group receiving extensions to the testing dates or other form of waivers from its lenders future covenant breaches beyond 15 June 2022 and/or prior to completion of the Capital Raise;
- the Group having raised sufficient additional capital and secured extensions to the term and/or refinancing of the Group's debt facilities;
- the Group having reached a conclusion in regards to the GLD redress programme with the estimated costs not varying materially from management's best estimate;
- the assumptions not varying materially from the base case; and
- any mitigating actions which could be implemented to offset any adverse movement from the base case (such as reductions to costs which are within management's control, for example employee and marketing expenses).

In the absence of the Capital Raise, the Group and Company is forecast to remain in a net liability position from a balance sheet perspective over the next 12 months and beyond.

Under the downside scenario it is expected that the Group would not comply with its loan to value covenant at subsequent quarter dates during the next 12 months and as a result, additional extensions of those testing dates or other forms of waivers would be required from its lenders (and, depending on the terms of those waivers) the Group may not be able to access further funding. If such waivers or extensions were not forthcoming, or if the NSF Directors were not otherwise able to identify an alternative course of action which, if successfully implemented, would enable them to conclude that there was a reasonable prospect of the Group returning to a net asset position such that the Group will be able to meet its liabilities (including to redress creditors) as they fall due, there would be a material risk of the Group and Company going into insolvency.

The Directors acknowledge the considerable challenges presented by uncertainty around the GLD redress programme (as the operational mechanics have not yet been finalised with the FCA) and the continued impact of COVID-19 and other macroeconomic uncertainties on the financial performance of the Group and so have concluded that there exists a material uncertainty around the going concern status of the Group and Company. The Directors recognise that the Capital Raise is dependent on a number of factors including (i) the costs associated with the GLD redress programme being within levels that are acceptable to potential investors; (ii) the Group's lenders continuing to grant appropriate extensions to the testing dates or other forms of waivers for covenant breaches prior to the Capital Raise completing and; (iii) the Group obtaining extensions to the term of its existing debt facilities on terms acceptable to investors. The Directors continue to maintain a regular dialogue with key stakeholders including the FCA, Alchemy and the Group's lenders regarding the above matters. Despite the material uncertainties associated with the forecast assumptions, the Directors note that Alchemy has confirmed its continued support for a capital raise. The Directors believe that if a satisfactory outcome regarding the redress mechanics in guarantor loans is reached, the proposed extension to the term of the Group's existing facilities by its lenders is concluded on terms acceptable to investors (which itself is likely to be dependent on a successful capital raise), and the actual outcomes do not differ materially from the assumptions outlined in the base case, the Group and Company can reasonably expect to raise sufficient new capital to enable them to continue to operate and meet their respective liabilities as they fall due for the next 12 months. The Board has therefore adopted the going concern basis of accounting. The Board's position is, in part, informed by the fact that Alchemy remains supportive of a capital raise subject to: an outcome of the Group's engagement with its lenders that is acceptable to Alchemy; Alchemy's analysis of the outcome of the Group's discussions with the FCA regarding the regulatory position of the Group's divisions and the implications of that on (and Alchemy's assessment of) the Group's business plan and financial projections; and greater levels of certainty around redress and claims.

Conclusion

On the basis of the above analysis, the Directors note that material uncertainties exist regarding the impact of discussions with the FCA regarding the GLD redress programme, the successful and timely execution of the Capital Raise, the agreement of extensions to the testing dates or other forms of waivers from lenders in relation to potential future covenant breaches prior to completion of the Capital Raise, the Group obtaining extensions to the term of its existing debt facilities on terms acceptable to investors, and the current and future impact of COVID-19 and other factors on the macroeconomic outlook (such as inflation, any other unforeseen economic consequences of the conflict in Ukraine and their potential impact on customer repayment behaviours). The Directors note that, should the Group not be able to reach agreement with the FCA regarding the mechanics of the GLD redress programme such that there remains significant uncertainty regarding the quantum of potential redress liabilities, the Group will need to consider other options that can reduce such uncertainty, including a scheme of arrangement.

Whilst such schemes are complex, time consuming and not guaranteed to be successful, the Board believes that, were such a scheme to be pursued it would stand a reasonable chance of success and would, along with needing to extend lending facilities, allow it to proceed with its planned capital raise (as described in further detail below). The Board therefore believes that it remains a going concern. The proceeds of the planned capital raise will be used, among other things, to fund redress payments to eligible GLD customers. The
Directors note that certainty around the level of potential redress liabilities will likely be a key factor for Alchemy and other potential investors, in assessing whether they will, ultimately, support the Capital Raise. A successful scheme of arrangement would be subject to a number of variables, including court sanction, a positive creditor vote and the receipt of necessary waivers from lenders.

The Director's recognise as there are a high number of assumptions and variables in the modelling of the base case which are not directly within the Group's control and that, should the actual outcomes vary materially from the modelled assumptions, any consequent negative impact on the liquidity and solvency under the base case scenario may cast significant doubt on the ability of both the Group and Company to continue as a going concern. Under the downside scenario, there is a material risk of the Group going into insolvency.

In making their assessment, the Directors considered:

- the loan to value ratio being higher as at the quarter date on 31 March 2022 than the level permitted under its loan to value covenant and the likelihood of the lenders agreeing to extend the testing date or provide other forms of waivers in relation to this covenant and/or potential future covenant breaches beyond 15 June 2022 and/or prior to the Capital Raise completing;
- the ability of the Group to obtain extensions to the term of its existing debt facilities (which itself is likely to be dependent on a successful capital raise);
- the Group's current financial and operational positions;
- the status of conversations with the FCA and advisors as well as the Group's recent trading activity;
- the uncertainty around the quantum of potential redress liabilities due under the GLD redress programme and, if such uncertainty is not resolved, the potential use of a scheme of arrangement to allow the Capital Raise to proceed and fund redress payments to eligible GLD customers;
- the conditional nature of support for the Capital Raise received from Alchemy (as outlined above).;

In making their overall assessment, the Directors also considered both the balance sheet solvency and the liquidity position of the Group. In connection with the former, the Capital Raise would create a positive net asset position. In connection with the latter the Directors have taken into consideration the impact of the Capital Raise on the existing cash balances which would then be available to the business. This combination would provide ample liquidity throughout the going concern period. However, the Capital Raise is dependent on the factors listed above and this dependency creates a material uncertainty. The Directors also recognised that, in the absence of the lenders granting the necessary extensions to the testing dates or other forms of waivers in respect of potential future covenant breaches, cash balances may not be available to the Group or Company. With regard to the balance sheet solvency of the Group and Company, the Directors noted that under the base case scenario the Group and Company returns to a net asset position and remains there for the going concern period, however this remains dependent on the injection of additional capital into the Group. As noted above, if the Capital Raise is not achieved and the Directors cannot otherwise identify an alternative means of returning to a net asset position such that there is a reasonable prospect of the Group and Company being capable of meeting its liabilities as they fall due, then the Group and Company may enter insolvency.

The Directors recognise the considerable challenges presented and the material uncertainties which may cast significant doubt on the ability of both the Group and the Company to continue as a going concern. However, despite these challenges, the Directors currently have a reasonable expectation that the Group's outstanding regulatory and redress matters can be resolved close to the assumptions outlined in the base case (albeit recognising that there is a material risk in relation to this), the Group can obtain extensions to the testing dates or other forms of waivers from its lenders for potential future covenant breaches prior to completion of the Capital Raise such that it can raise sufficient equity in the timeframe required, the Group can obtain extensions to the term of its borrowings on a reasonable basis from its lenders and on terms acceptable to investors, and that potential investors remain supportive of the injection of (additional) capital. As a result, it is the Directors' reasonable expectation that the Group and Company can continue to operate and meet its liabilities as they fall due for the next 12 months. On that basis, the Directors continue to adopt the going concern basis in preparing these accounts.

As the possible outcomes detailed above remain dependent on a number of factors not directly within the Group's control, the Directors will continue to monitor the Company and Group's financial position (including access to liquidity and balance sheet solvency) carefully over the coming weeks and months as a better understanding of the impact of these various factors are developed. The Directors recognises the importance of the Capital Raise to mitigate the uncertainties noted above and to support the future growth prospects of the Group.

Directors' statement as to disclosure of information to auditor
Each Director at the date of approval of the financial statement confirms that so far as each Director is aware, there is no relevant audit information of which the Company's auditor is unaware. Each Director has taken all the steps that she/he ought to have taken as a director in order to make her/himself 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 section 418 of the Companies Act 2006.

Auditor

PKF Littlejohn LLP has signified its willingness to continue in office as auditor.

Approved and signed on behalf of the board of directors by

J Wiggins
Director

Date: 31/5/2022

Statement of directors' responsibilities

The directors are responsible for preparing the Annual 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 are required to prepare the financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

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, International Accounting Standard 1 requires that directors:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent.

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.

J Wiggins
Director

Date: 31/5/2022

Independent auditors' report

to the members of Everyday Lending Limited

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Everyday Lending Limited (the 'company') for the year ended 31 December 2021 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK-adopted international accounting standards.

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 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.

Material uncertainty related to going concern

We draw attention to note 1.3 in the financial statements, which indicates that the Company is dependent on the Group to continue as a going concern. There is a material uncertainty on the ability of the Group to continue as a going concern. This material uncertainty is as a result of the performance of the Group, of which the Company is a subsidiary, and is caused by the following factors:

- the successful and timely execution of the plan to raise additional capital
- the agreement of extensions to testing dates or other forms of waivers from lenders in relation to the March 2022 loan to value covenant and/or potential covenant breaches prior to completion of the capital raise
- the finalisation of the operational mechanics and ultimate cost of the Guarantor Loans Division (GLD) customer redress programme including the feasibility of the implementation of a scheme of arrangement.
- that debt maturing in August 2022 and August 2023 will be renewed on acceptable terms to the investors
- the impact of the administration of the home credit division on customer repayment behaviour
- the impact of the decision to place the GLD into run-off on customer repayment behaviour
- the actions of claims management companies and Financial Ombudsman Service decisions on the cost of complaints
- the current and future impact of COVID-19 and other factors on the macroeconomic outlook (such as inflation, any other unforeseen economic consequences arising from the conflict in Ukraine and their potential impact on customer repayment behaviors).

Independent auditors' report

to the members of Everyday Lending Limited

As stated in note 1.3, these events or conditions, along with the other matters as set forth in note 1.3 indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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

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.

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.

Matters on which we are required to report by exception

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 material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which 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.

Independent auditors' report

to the members of Everyday Lending Limited

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.

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 obtained an understanding of the company and the sector in which it operates to identify laws and regulations that could reasonably be expected to have a direct effect on the financial statements. We obtained our understanding in this regard through discussions with management, industry research, application of cumulative audit knowledge and experience of the sector.

- We determined the principal laws and regulations relevant to the company in this regard to be those arising from, Consumer Credit Regulations, FCA Rules,taxation and the Companies Act 2006.

- We designed our audit procedures to ensure the audit team considered whether there were any indications of non-compliance by the company with those laws and regulations. These procedures included, but were not limited to:

    - enquiries of management, review of minutes, review of legal / regulatory correspondence, reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations

- We also identified the risks of material misstatement of the financial statements due to fraud. We considered, in addition to the non-rebuttable presumption of a risk of fraud arising from management override of controls, the risk of fraud arsing through revenue recognition. The potential for management bias was identified in relation to the impairment of loans under IFRS 9 and the calculation of customer redress provisions and we addressed this by challenging the assumptions and judgements made by management in relation to these accounting estimates.

- As in all of our audits, we addressed the risk of fraud arising from management override of controls by performing audit procedures which included, but were not limited to: the testing of journals; reviewing accounting estimates for evidence of bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

Independent auditors' report

to the members of Everyday Lending Limited

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilitieshttp://www.frc.org.uk/auditors/audit-assurance/auditor-s-responsibilities-for-the-audit-of-the-fi/description-of-the-auditor's-responsibilities-forhttps://www.frc.org.uk/auditors/audit-assurance/standards-and-guidance/2010-ethical-standards-for-auditors-(1). This description forms part of our auditor's report.

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.

M Ling

Mark Ling (Senior Statutory Auditor)
For and on behalf of PKF Littlejohn LLP
Statutory Auditor

15 Westferry Circus
Canary Wharf
London E14 4HD

Date: 31 May 2022

Statement of comprehensive income

	Note	Year ended 31 December 2021	Year ended 31 December 2020
		£000	**£000**
Interest, fees and similar income	3	92,985	119,561
Interest expense and similar charges	4	(17,942)	(25,212)
Net income		**75,043**	**94,349**
Impairment losses on loans and advances	12	(18,721)	(55,640)
Modification loss	12	(2,861)	(6,282)
Derecognition loss	12	-	(2,643)
Other Operating Income		256	474
Operating expenses	8	(60,813)	(65,934)
Operating (loss)		**(7,096)**	**(35,676)**
Exceptional items	10	(2,251)	(5,509)
Loss before income tax		**(9,347)**	**(41,185)**
Income tax credit/(expense)	11	6,638	(1,580)
Loss for the year		**(2,709)**	**(42,765)**
Loss attributable to:			
Equity holders of the Company		**(2,709)**	**(42,765)**
Total comprehensive loss attributable to:			
Equity holders of the Company		**(2,709)**	**(42,765)**

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

The Company's results above are from continuing operations.

The notes on pages 24 to 53 are an integral part of these financial statements.

Statement of financial position

	Note	31 Dec 2021 £000	31 Dec 2020 £000
ASSETS			
Current assets			
Loans and advances to customers	12	183,944	231,255
Cash and cash equivalents	13	10,651	27,347
Current tax asset		318	288
Intercompany loan	15	5,274	3,566
Other assets	16	236	98
Total current assets		**200,423**	**262,554**
Total assets		**200,423**	**262,554**
EQUITY AND LIABILITIES			
Liabilities			
Intercompany liability	17	191,585	254,317
Non-current liabilities		191,585	254,317
Other liabilities	18	22,003	18,693
Current liabilities		22,003	18,693
Total liabilities		**213,588**	**273,010**
Equity attributable to the Company's equity holders			
Share capital	19	5	5
Share premium	19	49,374	49,374
Retained loss		(62,544)	(59,835)
Total equity		**(13,165)**	**(10,456)**
Total equity and liabilities		**200,423**	**262,554**

The financial statements on pages 20 to 53 were approved by the Board of Directors on 31/5/2022 and were signed on its behalf by:

AForsyth

A Forsyth
Director

Company number: 05850869

The notes on pages 24 to 53 are an integral part of these financial statement/.

Statement of changes in equity

	Note	Share capital	Share premium	Retained loss	Total
		£000	£000	£000	£000
Balance at 1 January 2020		**5**	**49,374**	**(17,070)**	**32,309**
Total comprehensive loss for the year:					
Loss for the year		-	-	(42,765)	(42,765)
Total comprehensive loss for the year		-	**-**	**(42,765)**	**(42,765)**
Balance at 31 December 2020		**5**	**49,374**	**(59,835)**	**(10,456)**
Total comprehensive loss for the year:					
Loss for the year		-	-	(2,709)	(2,709)
Total comprehensive loss for the year		**-**	**-**	**(2,709)**	**(2,709)**
Balance at 31 December 2021		**5**	**49,374**	**(62,544)**	**(13,165)**

The notes on pages 24 to 53 are an integral part of these financial statements.

Statement of cash flows

	Note	Year ended 31 December 2021 £000	Year ended 31 December 2020 £000
Cash flows from operating activities			
Loss for the year		(2,709)	(42,765)
Adjustments for:			
Income tax expense	10	(6,638)	1,580
Impairment losses on loans and advances		18,721	55,640
Modification loss		2,861	6,282
Derecognition loss		-	2,643
Income tax paid		-	1,165
Cash flows from operating profits before changes in working capital		**12,235**	**24,545**
Changes in operating assets and liabilities:			
Net decrease/(increase) in loans and advances to customers		25,729	24,477
Net decrease in other assets		(1,846)	1,479
Net increase in other liabilities		3,310	7,563
Net cash inflow/(outflow) from operating activities		**27,193**	**33,519**
Cash flows from financing activities			
(Decrease)/increase in other borrowed funds		(56,124)	(37,551)
Net cash (outflow)/inflow financing activities		**(56,124)**	**(37,551)**
Net increase/(decrease) in cash and cash equivalents		(16,696)	20,513
Cash and cash equivalents at 1 January		27,347	6,834
Cash and cash equivalents at 31 December	13	**10,651**	**27,347**

The notes on pages 24 to 53 are an integral part of these financial statements.

Notes to the financial statements

1. Principal accounting policies
The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

1.1 Reporting entity
The Company, Everyday Lending Limited, is a private company limited by shares that is registered in England and Wales, with company registration number 05850869. The registered address of the Company is 1st Floor North, 2 Dukes Meadow, Bourne End, Buckinghamshire, SL8 5XF. The principal activity of the Company is the sourcing, provision and servicing of secured and unsecured personal instalment loans.

1.2 Basis of presentation
As part of a listed Group, the Company elected to prepare its financial statements in accordance with UK adopted international accounting standards in conformity with the requirements of the Companies Act 2006.

The financial statements have been prepared under the historical cost convention, except for the revaluation of certain financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for measurements that have some similarities to fair value but are not fair value, such as value in use in IAS 36 Impairment of Assets.

The Company's financial statements are presented in pounds sterling, which is the currency of the primary economic environment in which the Company operates (its functional currency), and all values are rounded to the nearest thousand pounds (£000) except when otherwise indicated.

1.3 Going concern
Going concern
In adopting the going concern assumption in preparing the financial statements, the Company Directors have considered the activities of the Company and that of its ultimate parent Non-Standard Finance plc ('NSF'). The principal activity of the Company is the provision of personal instalment loans. Where necessary, the Company receives intercompany funding from NSF Finco Limited (another subsidiary within the Non-Standard Finance Group (the "Group")) to support its business activities. NSF Finco Limited acts as a debt financing vehicle for the Group and holds the external debt facilities in the form of term loan and revolving credit facilities (RCF) which in turn, have the benefit of guarantees from the Company. As the Company is a guarantor under the Group's external financing facilities and any equity contributions received would ultimately come from its ultimate parent NSF, its going concern status is directly impacted by the ultimate going concern position of the Group and therefore whilst the assessment for the purposes of these financial statements reflects that of the Company, consideration has also been made in regards to that of the Group in order to reach a conclusion on going concern.

During the year, the Directors assessed the forecast levels of net debt, headroom on existing borrowing facilities (which comprise a £285m term loan and a £45m RCF facility, both of which are fully drawn) and compliance with debt covenants of the NSF Group. As part of its going concern assessment, the Directors reviewed both the Group and Company's access to liquidity and its future balance sheet solvency for at least the next 12 months.

Background
The Company's guarantor loans division ('GLD') was placed into a managed run-off in June 2021. Throughout 2021, the Group was actively engaged with the FCA in order to finalise its proposed redress methodology for certain customers of GLD. Whilst there have been no significant amendments to the methodology since 2020, with the movement in provision from the prior year primarily attributable to additional penalty interest accrued as a result of the delays in commencing the programme, the Group is currently working with the FCA in order to finalise the operational mechanics of the redress programme. Therefore, as the redress programme has yet to be agreed in its entirety with the FCA, there remains uncertainty as to the costs of such programme and, although the NSF Directors believe their best estimate represents a reasonably possible outcome, there is a material risk of a less favourable outcome. The Directors note that should the Group not be able to reach agreement with the FCA regarding the mechanics of the programme such that there remains significant uncertainty regarding the quantum of potential redress liabilities, the Group will need to consider other options that can reduce such uncertainty, including a scheme of arrangement. Whilst such schemes are complex, time consuming and not guaranteed to be successful, the NSF Board believes that, were such a scheme to be pursued it would stand a reasonable chance of success and would, along with needing to extend lending facilities, allow it to

Notes to the financial statements

1.3 Going concern *(continued)*

proceed with its planned capital raise. The Directors therefore believe that it remains a going concern. The proceeds of the planned capital raise will be used, among other things, to fund redress payments to eligible GLD customers.

As noted in the prior year, the Group commissioned independent reviews of both its branch-based lending and home credit businesses to ensure that there were no implications for either division as a result of the multi-firm review into guarantor loans, or from recent decisions at the Financial Ombudsman Service. Whilst the review into branch-based lending (Everyday Lending Limited) concluded that there was no requirement for any customer redress, in home credit the conclusion was that there may have been harm. Following extensive yet ultimately inconclusive discussions with the FCA about how harm should be defined and the implications for future lending, the directors of S.D Taylor Limited (trading as 'Loans at Home') reluctantly concluded that the Loans at Home business was no longer viable, leading to the business being placed into administration on 15 March 2022. The boards of Loans at Home and of NSF were clear that this was the only option available in order to preserve value for creditors. As the operations and activities of Loans at Home are separate from the rest of the Group, having received certain waivers from the Group's lenders, the administration of Loans at Home will have minimal impact on the existing funding arrangements of the Group and Company.

Going concern assessment

In light of having completed the independent review in relation to the branch-based lending division, the ongoing discussions regarding the redress programme with respect to GLD, and the fact that the home credit division has been put into administration, the Group has produced two reasonably possible scenarios as part of its going concern assessment:

(iii) the base case scenario includes a substantial equity injection in 2022 (the 'Capital Raise'); assumes the receipt of waivers from lenders for covenant breaches prior to the Capital Raise completing; assumes that there is no change to the estimate of the amount of redress payable in guarantor loans (other than additional interest); and assumes the extension of the Group's debt facilities on acceptable terms;

(iv) the downside scenario applies stresses in relation to the key risks identified in the base case and does not include the Capital Raise.

A summary of the key assumptions used in the scenarios are as follows:

(i) Base case

The base case forecast assumes:

- the Group has obtained extensions to the testing dates and/or other forms of waivers from its lenders for potential covenant breaches to enable it to proceed with the Capital Raise;
- the extension of the Group's debt facilities on terms acceptable to investors;
- additional capital is raised during 2022 and reflects a business plan where the Group achieves further growth in later years driven by its branch-based lending division;
- that GLD remains in managed run-off, continues to perform in line with recent trends and that the ultimate cost of the redress programme does not differ materially from the NSF Directors' best estimate as at the date of this Annual Report (other than additional interest) and/or is an amount acceptable to potential investors;
- the home credit division remains in administration.

(ii) Downside scenario

This scenario assumes that no additional equity is raised in 2022 and also reflects stresses to the key risks described above.

Under this scenario we have assumed:

- the Capital Raise is not successful;
- the Group is unable to agree the operational mechanics of the GLD redress programme with the FCA and fails to implement a scheme of arrangement (should this be pursued) such that the Group is unable to raise sufficient capital or unable to raise sufficient capital within the required timeframes;
- higher complaint levels than expected under the base case and;
- uncertainty in the macroeconomic environment leads to higher delinquency and lower lending than expected under the base case.

Whilst the Group has obtained waivers from its lenders in relation to the administration of the home credit division (Loans at Home), its loan to value ratio was higher as at the quarter date on 31 March 2022 than the level permitted under its loan to value

Notes to the financial statements

1.3 Going concern ***(continued)***

covenant following large interest payments made during the quarter. However, the loan to value covenant will not be formally tested, and no covenant breach or event of default will arise, until the Group provides its compliance certificate for the March 2022 quarter date. The Group has received an extension to the date on which it is required to supply this compliance certificate until 15 June 2022, with a mechanism for this date to be extended further with lender support. However, if the Group is unable to agree similar extensions or other forms of waivers for any future covenant breaches prior to the completion of the Capital Raise and obtain extensions to the term of its existing debt facilities on terms acceptable to investors, then the likelihood of the Group ending up in the downside scenario would be increased, and there would be a material risk of the Group and Company entering insolvency.

Under the base case scenario and assuming successful completion of the Capital Raise, the Group and Company would be in a net asset position from a balance sheet perspective; achieving this outcome however is dependent upon a number of factors including:

- the Group receiving extensions to the testing dates or other form of waivers from its lenders future covenant breaches beyond 15 June 2022 and/or prior to completion of the Capital Raise;
- the Group having raised sufficient additional capital and secured extensions to the term and/or refinancing of the Group's debt facilities;
- the Group having reached a conclusion in regards to the GLD redress programme with the estimated costs not varying materially from management's best estimate;
- the assumptions not varying materially from the base case; and
- any mitigating actions which could be implemented to offset any adverse movement from the base case (such as reductions to costs which are within management's control, for example employee and marketing expenses).

In the absence of the Capital Raise, the Group and Company is forecast to remain in a net liability position from a balance sheet perspective over the next 12 months and beyond.

Under the downside scenario it is expected that the Group would not comply with its loan to value covenant at subsequent quarter dates during the next 12 months and as a result, additional extensions of those testing dates or other forms of waivers would be required from its lenders (and, depending on the terms of those waivers) the Group may not be able to access further funding. If such waivers or extensions were not forthcoming, or if the NSF Directors were not otherwise able to identify an alternative course of action which, if successfully implemented, would enable them to conclude that there was a reasonable prospect of the Group returning to a net asset position such that the Group will be able to meet its liabilities (including to redress creditors) as they fall due, there would be a material risk of the Group and Company going into insolvency.

The Directors acknowledge the considerable challenges presented by uncertainty around the GLD redress programme (as the operational mechanics have not yet been finalised with the FCA) and the continued impact of COVID-19 and other macroeconomic uncertainties on the financial performance of the Group and so have concluded that there exists a material uncertainty around the going concern status of the Group and Company. The Directors recognise that the Capital Raise is dependent on a number of factors including (i) the costs associated with the GLD redress programme being within levels that are acceptable to potential investors; (ii) the Group's lenders continuing to grant appropriate extensions to the testing dates or other forms of waivers for covenant breaches prior to the Capital Raise completing and; (iii) the Group obtaining extensions to the term of its existing debt facilities on terms acceptable to investors. The Directors continue to maintain a regular dialogue with key stakeholders including the FCA, Alchemy and the Group's lenders regarding the above matters. Despite the material uncertainties associated with the forecast assumptions, the Directors note that Alchemy has confirmed its continued support for a capital raise. The Directors believe that if a satisfactory outcome regarding the redress mechanics in guarantor loans is reached, the proposed extension to the term of the Group's existing facilities by its lenders is concluded on terms acceptable to investors (which itself is likely to be dependent on a successful capital raise), and the actual outcomes do not differ materially from the assumptions outlined in the base case, the Group and Company can reasonably expect to raise sufficient new capital to enable them to continue to operate and meet their respective liabilities as they fall due for the next 12 months. The Board has therefore adopted the going concern basis of accounting. The Board's position is, in part, informed by the fact that Alchemy remains supportive of a capital raise subject to: an outcome of the Group's engagement with its lenders that is acceptable to Alchemy; Alchemy's analysis of the outcome of the Group's discussions with the FCA regarding the regulatory position of the Group's divisions and the implications of that on (and Alchemy's assessment of) the Group's business plan and financial projections; and greater levels of certainty around redress and claims.

1.3 Going concern *(continued)*

Conclusion

On the basis of the above analysis, the Directors note that material uncertainties exist regarding the impact of discussions with the FCA regarding the GLD redress programme, the successful and timely execution of the Capital Raise, the agreement of extensions to the testing dates or other forms of waivers from lenders in relation to potential future covenant breaches prior to completion of the Capital Raise, the Group obtaining extensions to the term of its existing debt facilities on terms acceptable to investors, and the current and future impact of COVID-19 and other factors on the macroeconomic outlook (such as inflation, any other unforeseen economic consequences of the conflict in Ukraine and their potential impact on customer repayment behaviours). The Directors note that, should the Group not be able to reach agreement with the FCA regarding the mechanics of the GLD redress programme such that there remains significant uncertainty regarding the quantum of potential redress liabilities, the Group will need to consider other options that can reduce such uncertainty, including a scheme of arrangement. Whilst such schemes are complex, time consuming and not guaranteed to be successful, the Board believes that, were such a scheme to be pursued it would stand a reasonable chance of success and would, along with needing to extend lending facilities, allow it to proceed with its planned capital raise (as described in further detail below). The Board therefore believes that it remains a going concern. The proceeds of the planned capital raise will be used, among other things, to fund redress payments to eligible GLD customers. The Directors note that certainty around the level of potential redress liabilities will likely be a key factor for Alchemy and other potential investors, in assessing whether they will, ultimately, support the Capital Raise. A successful scheme of arrangement would be subject to a number of variables, including court sanction, a positive creditor vote and the receipt of necessary waivers from lenders.

The Director's recognise as there are a high number of assumptions and variables in the modelling of the base case which are not directly within the Group's control and that, should the actual outcomes vary materially from the modelled assumptions, any consequent negative impact on the liquidity and solvency under the base case scenario may cast significant doubt on the ability of both the Group and Company to continue as a going concern. Under the downside scenario, there is a material risk of the Group going into insolvency.

In making their assessment, the Directors considered:

- the loan to value ratio being higher as at the quarter date on 31 March 2022 than the level permitted under its loan to value covenant and the likelihood of the lenders agreeing to extend the testing date or provide other forms of waivers in relation to this covenant and/or potential future covenant breaches beyond 15 June 2022 and/or prior to the Capital Raise completing;
- the ability of the Group to obtain extensions to the term of its existing debt facilities (which itself is likely to be dependent on a successful capital raise);
- the Group's current financial and operational positions;
- the status of conversations with the FCA and advisors as well as the Group's recent trading activity;
- the uncertainty around the quantum of potential redress liabilities due under the GLD redress programme and, if such uncertainty is not resolved, the potential use of a scheme of arrangement to allow the Capital Raise to proceed and fund redress payments to eligible GLD customers;
- the conditional nature of support for the Capital Raise received from Alchemy (as outlined above).;

In making their overall assessment, the Directors also considered both the balance sheet solvency and the liquidity position of the Group. In connection with the former, the Capital Raise would create a positive net asset position. In connection with the latter the Directors have taken into consideration the impact of the Capital Raise on the existing cash balances which would then be available to the business. This combination would provide ample liquidity throughout the going concern period. However, the Capital Raise is dependent on the factors listed above and this dependency creates a material uncertainty. The Directors also recognised that, in the absence of the lenders granting the necessary extensions to the testing dates or other forms of waivers in respect of potential future covenant breaches, cash balances may not be available to the Group or Company. With regard to the balance sheet solvency of the Group and Company, the Directors noted that under the base case scenario the Group and Company returns to a net asset position and remains there for the going concern period, however this remains dependent on the injection of additional capital into the Group. As noted above, if the Capital Raise is not achieved and the Directors cannot otherwise identify an alternative means of returning to a net asset position such that there is a reasonable prospect of the Group and Company being capable of meeting its liabilities as they fall due, then the Group and Company may enter insolvency.

The Directors recognise the considerable challenges presented and the material uncertainties which may cast significant doubt on the ability of both the Group and the Company to continue as a going concern. However, despite these challenges, the Directors currently have a reasonable expectation that the Group's outstanding regulatory and redress matters can be resolved close to the

1.3 Going concern *(continued)*

assumptions outlined in the base case (albeit recognising that there is a material risk in relation to this), the Group can obtain extensions to the testing dates or other forms of waivers from its lenders for potential future covenant breaches prior to completion of the Capital Raise such that it can raise sufficient equity in the timeframe required, the Group can obtain extensions to the term of its borrowings on a reasonable basis from its lenders and on terms acceptable to investors, and that potential investors remain supportive of the injection of (additional) capital. As a result, it is the Directors' reasonable expectation that the Group and Company can continue to operate and meet its liabilities as they fall due for the next 12 months. On that basis, the Directors continue to adopt the going concern basis in preparing these accounts.

As the possible outcomes detailed above remain dependent on a number of factors not directly within the Group's control, the Directors will continue to monitor the Company and Group's financial position (including access to liquidity and balance sheet solvency) carefully over the coming weeks and months as a better understanding of the impact of these various factors are developed. The Directors recognises the importance of the Capital Raise to mitigate the uncertainties noted above and to support the future growth prospects of the Group.

1.4 Adoption of new and revised IFRS standards

New and amended standards and interpretations issued and effective for the financial year ending 31 December 2021

In the current year and in accordance with IFRS requirements, the following accounting standards have been issued and were effective from 1 January 2021: Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) (the Phase 2 amendments). The Company does not apply hedge accounting and its accounting policies are consistent with the new requirements. The Directors do not expect the adoption of these standards to have a significant effect on the financial statements of the Company in future periods. There are no other new standards not yet effective and not adopted by the Company from 1 January 2021 which are expected to have a material impact on the Company.

Management will continue to assess the impact of new and amended standards and interpretations on an ongoing basis.

1.5 Interest, fees and similar income

Interest income represents interest receivable on loans to customers.

Interest income is recognised in the statement of comprehensive income for all amounts receivable from customers and is measured at amortised cost using the effective interest rate ('EIR') method. The EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset or to the amortised cost of a financial liability. Under IFRS 9, the EIR is applied to the gross carrying amount of non-credit impaired customer receivables (i.e., at the amortised cost of the receivables before adjusting for any expected credit losses ('ECL')). For credit-impaired amounts receivable from customers (those in stage 3, see note 1.15), the interest income is calculated by applying the EIR to the amortised cost of the receivable (i.e., the gross carrying amount less the allowance for expected credit losses).

For details of interest income for the year ended 31 December 2021 under IFRS 9, see note 3.

1.6 Interest expense and similar charges

Interest expense comprises bank interest payable on loans used to finance customer receivables.

1.7 Other operating income

Other operating income relates to amounts received as a result of debt sales made, as well as other additional income which is not derived from the Company's main business. The debt sales made relate only to those amounts receivable from customers which have fallen into arrears and have subsequently been charged off. Therefore, as the Company makes every effort to collect on receivables and has no intention of selling loans when originated, the Company's business model remains consistent with the definition of hold and collect (further detail under Financial Assets).

1.8 Exceptional items

Exceptional items are items that are unusual because of their size, nature or incidence and which the Directors consider should be disclosed separately to enable a full understanding of the Company's results. The Company has incurred £2.2m of exceptional costs for the year ended 31 December 2021 (2020: £5.5m), refer to note 10 for details.

1.9 Income taxation

The tax credit/expense represents the sum of the tax currently receivable/payable and any deferred tax.

The current tax credit/charge is based on the taxable loss for the year. Taxable loss differs from net loss as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's asset/liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the year-end date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

1.9 Income taxation *(continued)*
Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled, or the asset realised. Deferred tax is charged or credited to comprehensive income, except when it relates to items charged or credited directly to other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle on a net basis.

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

1.11 Financial assets
Financial assets are measured on initial recognition at fair value. Under IFRS 9, the classification and subsequent measurement of financial assets is principally determined by the entity's business model and their contractual cash flow characteristics (whether the cash flows represent 'solely payments of principal and interest' ('SPPI')).

The standard sets out three types of business model:

- Hold to collect: the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. These assets are accounted for at amortised cost.
- Hold to collect and sell: this model is similar to the hold to collect model, except that the entity may elect to sell some or all of the assets before maturity as circumstances change. These assets are accounted for at fair value through other comprehensive income (FVOCI).
- Hold to sell: the entity originates or purchases an asset with the intention of disposing of it in the short or medium term to benefit from capital appreciation. These assets are held at fair value through profit or loss (FVTPL). An entity may also designate assets at FVTPL upon initial recognition where it reduces an accounting mismatch. An entity may elect to measure certain holdings of equity instruments at FVOCI, which would otherwise have been measured at FVTPL.

Classification and measurement of financial assets depends on the results of the SPPI and the business model test. The Company determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes considering all relevant evidence including how the performance of the assets is evaluated and their performance measured and the risks that affect the performance of the assets and how these are managed. The Company continually monitors whether the business model for which financial assets are held is appropriate and if it is not appropriate, whether there has been a change in business model and so a prospective change to the classification of those assets.

The Company has assessed its business models in order to determine the appropriate IFRS 9 classification for its financial assets. As part of this assessment, the Company has recognised that it has no intentions of selling the assets which it originates. The financial assets are held to collect contractual cash flows with the performance of the asset is assessed by reference to various factors such as collections performance and expected losses. In order to be accounted for at amortised cost, it is also necessary for individual instruments to have contractual cash flows that are SPPI. As the Company's financial assets meet both the hold to collect and SPPI criteria they are held and subsequently measured at amortised cost.

Financial assets and liabilities measured at amortised cost are accounted for under the EIR method. This method of calculating the amortised cost of a financial asset or liability involves allocating interest income or expense over the relevant period. The EIR rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset or to the amortised cost of a financial liability.

While cash and cash equivalents and intercompany loans are also subject to the impairment requirements of IFRS 9, the Company has concluded that the expected credit loss on these items is nil and therefore no impairment loss adjustment is required.

1.11 Financial assets *(continued)*
Intercompany receivables for the Company which fall under the scope of IFRS 9 are assessed for Expected Credit Losses (ECL) on an annual basis. This assessment involves an analysis of the ability of the entity to repay amounts owed as at the end of the reporting period and includes the consideration of the probability of default, loss given default and exposure at default. IFRS 9 requires ECL to always reflect both the possibility that a loss occurs and the possibility that no loss occurs, even if the most likely outcome is no credit loss.

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset. On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss recognised in other comprehensive income is recognised in profit or loss.

1.12 Trade and other receivables
Trade and other receivables are measured on initial recognition at fair value and are subsequently measured at amortised cost using the EIR method. Intercompany loans have been assessed for impairment, refer to note 15 and 17 for further detail.

1.13 Amounts receivable from customers
Amounts receivable from customers originated by the Company are initially recognised at the amount loaned to the customer plus directly attributable costs. Subsequently, amounts receivable from customers are increased by revenue and reduced by cash collections and any deduction for loan loss provisions.

1.14 Broker commission costs
Broker commission costs are capitalised to amounts receivable from customers (as directly attributable transaction costs) and recognised over the expected life of the financial asset using the effective interest rate method.

1.15 Recognition of expected credit losses
IFRS 9 introduces an impairment model which requires entities to recognise expected credit losses ('ECL') incorporating unbiased forward-looking information on assets that are carried at amortised cost. Credit losses are the difference between the present value (PV) of all contractual cashflows and the PV of the expected future cashflows. The present values are discounted at the original effective interest rate (EIR) of the loan agreement.

The Company applies the ECL impairment model when determining the loan loss provisions to be applied to amounts receivable from customers. This comprises three stages: (1) on initial recognition, a loan loss provision is recognised and maintained equal to 12 months of ECL; (2) if credit risk increases significantly relative to initial recognition, the loan loss provision is increased to cover full lifetime ECL; and (3) when a financial asset is considered credit-impaired, the loan loss provision continues to reflect lifetime ECL and interest revenue is calculated based on the carrying amount of the asset, net of the loan loss provision, rather than its gross carrying amount. Loan loss provisions are therefore calculated based on an unbiased probability-weighted outcome which takes into account historical performance and considers the outlook for macroeconomic conditions. The Company reviews its portfolio of amounts receivable from customers for impairment at each balance sheet date.

The Company applies the IFRS 9 staging methodology and calculates ECL on a collective basis with reference to the arrears stage of the customer loans, reflecting payment cycles. The Company recognises that the customer demographic and loans provided by each entity are inherently different in nature and therefore the assumptions and the methodology used to calculate ECL under IFRS 9 have been applied to reflect this, both of which are detailed below.

Customer accounts have been categorised into the three stages as defined in IFRS 9 with reference to the following criteria:

- Loans in stage 1 which comprise of amounts receivable from customers which have had no arrears for at least the last 6 months, and which are without a default event (in line with IFRS 9, the definition of default is over 90 days in arrears) or a modification in the last 12 months.
- Loans in stage 2 which comprise of amounts receivable from customers which show a significant increase in credit risk since origination, determined by management to be:
    - Loans which have been 5 or more days (but less than 90 days) past due at any time in the last 6 months
    - Loans which have been 90 or more days past due in the last 12 months, but have had no arrears in the last 6 months
    - Loans which have been subject to forbearance in the last 12 months.

1.15 Recognition of expected credit losses *(continued)*

- Loans in stage 3 which comprise of amounts receivable from customers with a default event in the last 12 months which have not demonstrated sufficient recovery to move to stage 2 (defined as no arrears in the last 6 months), as well as those accounts identified as insolvent.

Under IFRS 9, ECL assessment is based upon forward-looking modelled probability of default ('PD'), exposure at default ('EAD') and loss given default ('LGD') parameters which are run at account level, and applied across all receivables from initial recognition. ECL is estimated by reference to future cash flows based upon observed historical data and updated as management considers appropriate to reflect current and future conditions. Loan loss provisions are calculated by reference to their stage (criteria for categorisation into stages is as described above) and are measured as the difference between the carrying value of the loans and the present value of estimated future cash flows discounted at the original EIR of the loan. A receivable can move from having a provision calculated on a lifetime expected loss basis back to a 12-month expected losses basis (or vice versa) depending on the performance of the receivable at the review date. This methodology encapsulates PD, EAD and LGD collectively.

IFRS 9 also requires the external environment to be considered as part of the calculation of ECL in the form of a macroeconomic adjustment. Customers within the non-standard credit market are typically less sensitive to changes in and based on historical evidence, management has determined that the effect of traditional macroeconomic downside indicators is minimal. Management monitors external macroeconomic trends and considers their potential impact on repayment performance and will apply an adjustment where it is material and reasonable to do so. As with prior year, management have assessed the impact of the macroeconomy on customer behaviours in its derivation of ECL in the current year and applied adjustments as necessary.

2020 Coronavirus (COVID-19) pandemic impact on ECL

During the prior year ended 31 December 2020, the Company made adjustments in order to reflect the higher PD, LGD and EAD for the proportion of loan customers who were financially impacted by the pandemic. This was informed by the Company's detailed analysis of past repayment behaviours and expected repayments behaviour across the entire customer base. In branch-based lending, a COVID-19 overlay was derived by consideration of the recent collection performance on COVID-19 affected accounts and whether any impact on collection performance was deemed to be temporary or permanent. An overlay adjustment was therefore made to increase provisions for accounts for which the impact was deemed permanent and/or who were not making full payments. For the Guarantor Loans Division, recent payment performance of those customers who were impacted by COVID-19 but are no longer on an emergency payment freeze ('EPF') were used to inform expected delinquency trends of customers who had not yet resumed payment following an EPF. A provision overlay was then applied to reflect expected performance consistent with the recent performance behaviours observed.

For the current year ended 31 December 2021, collection performance and customer behaviours observed since the onset of COVID-19 have been incorporated and reflected in the derivation of ECL for the year and therefore no separate overlay has been applied.

Significant increase in credit risk ('SICR')

The Company monitors all financial assets that are subject to the impairment requirements to assess whether there has been a SICR since initial recognition. If there has been a SICR, the Company will measure the loss allowance based on lifetime rather than 12-month ECL.

1.15 Recognition of expected credit losses *(continued)*
In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument at the reporting date based on the remaining maturity of the instrument, with the risk of a default occurring that was anticipated for the remaining maturity at the current reporting date when the financial instrument was first recognised. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available.

There are three ways a customer account can demonstrate SICR:
1. 5 days past due performance bucket in the last 6 months;
2. All accounts subject to a curing treatment, including both reschedules and deferments, within the last 12 months;
3. All accounts which have had a default event (90 or more days past due) in the last 12 months.

In the guarantor lending division, the decision taken by the Board of NSF Plc, (the Company's ultimate parent Company), on 30 June 2021 to place the division into a managed run-off is deemed to represent a significant increase in credit risk and therefore the loss allowance for all loans is measured as the lifetime ECL.

Definition of default
The definition of default is used in measuring the amount of ECL and in the determination of whether the loan loss provision is based on 12-month or lifetime ECL, as default is a component of PD which affects both the measurement of ECL and the identification of a significant increase in credit risk.

The Company considers the following as constituting an event of default:
- the borrower is past due more than 90 days; or
- the borrower is insolvent or unlikely to pay its credit obligations to the Company in full.

When assessing if the borrower is unlikely to pay their credit obligation, the Company takes into account both qualitative and quantitative indicators. The Company uses a variety of sources of information to assess default which are either developed internally or obtained from external sources.

Modification of financial assets
A modification of a financial asset occurs when the contractual terms governing the cash flows of a financial asset are renegotiated or otherwise modified between initial recognition and maturity of the financial asset. A modification affects the amount and/or timing of the contractual cash flows either immediately or at a future date.

Forbearance will be granted on a loan in cases where although the borrower made all reasonable efforts to pay under the original contractual terms, there is a high risk of default or, default has occurred and the borrower is expected to be able to meet the revised terms. The revised terms in most of the cases include an extension of the maturity of the loan, changes to the timing of the cash flows of the loan (principal and interest repayment) or a reduction in the amount of cash flows due (principal and interest forgiveness). This is generally referred to as a rescheduled or deferred loan.

When a financial asset is modified the Company assesses whether this modification results in derecognition. In accordance with the Company's policy, a modification results in derecognition when the modification is considered substantial. To determine if the modified terms are substantially different from the original contractual terms the Company considers the following:
- qualitative factors, such as contractual cash flows after modification are no longer SPPI, change of counterparty, the extent of change in interest rates, and maturity. If these do not clearly indicate a substantial modification, then;
- a quantitative assessment is performed to compare the present value of the remaining contractual cash flows under the original terms with the contractual cash flows under the revised terms, both amounts discounted at the original effective interest.

If the contractual cash flows on a financial asset have been renegotiated or otherwise modified, the Company will assess whether there has been a significant increase in credit risk since initial recognition on the basis of all reasonable and supportable information that is available without undue cost or effort. This includes historical and forward-looking information and an assessment of the credit risk over the expected life of the financial asset, which includes information about the circumstances that led to the modification. For these loans, the estimate of PD reflects the Company's ability to collect the modified cash flows taking into account the Company's previous experience, as well as various behavioural indicators, including the borrower's payment performance against the modified contractual terms. If the credit risk remains significantly higher than what was expected at initial recognition the loss allowance will continue to be measured at an amount equal to lifetime ECL.

1.15 Recognition of expected credit losses *(continued)*
For loans where modification has resulted in derecognition of the original financial asset, a new financial asset is recognised at fair value upon reschedule (which reflects the new modified terms). The date of modification is treated as the date of initial recognition of the new financial asset and originates in stage 1 (where ECL is measured at an amount equal to 12-month ECL) until the requirements for the recognition of lifetime ECL are met. The exception is where a financial asset is considered credit-impaired at initial recognition.

When the contractual terms of a financial asset are modified and is not considered substantial so does not result in derecognition, the Company determines if the financial asset's credit risk has increased significantly since initial recognition by comparing:

- the remaining lifetime PD, estimated based on data at initial recognition and the original contractual terms; with
- the remaining lifetime PD at the reporting date based on the modified terms.

For financial assets modified as part of the Company's forbearance policy, where modification did not result in derecognition, the estimate of PD reflects the Company's ability to collect the modified cash flows taking into account the Company's previous experience of similar forbearance action, as well as various behavioural indicators, including the borrower's payment performance against the modified contractual terms. If the credit risk remains significantly higher than what was expected at initial recognition the loss allowance will continue to be measured at an amount equal to lifetime ECL.

Where a modification does not lead to derecognition the Company calculates the modification gain/loss comparing the gross carrying amount before and after the modification (excluding the ECL allowance). Then the Company measures ECL for the modified asset, where the expected cash flows arising from the modified financial asset are included in calculating the expected cash shortfalls from the original asset.

Write-off policy
For the purpose of accounting in the financial statements, loans are written-off when an account is greater than 180 days in arrears, at which point interest is no longer accrued and any subsequent recoveries are credited to the statement of comprehensive income. Whilst the customer account is written-off from our financial statements, it remains active whilst we explore any remaining methods of recovery. Ongoing collections activity is managed both internally and via FCA regulated external debt collection companies. When a debt is sold and the cash is received for the debt, the recoveries are credited to the income statement.

Impact of Coronavirus (COVID-19) pandemic impact on the write off policy
There was no change or impact of COVID-19 on the write off policy in the current year ended 31 December 2021.

During 2020, the guarantor loan division temporarily amended their write off policy to allow customers with emergency payment freezes "EPF" additional time to recover their financial situation. Although these customer's balances are greater than 180 days in arrears and have not been written off, they have been fully provided for. There was no change to the branch-based lending division in the current year. This process continued into 2021 and all payment freezes were removed in July 2021.

1.16 Cash and cash equivalents
Cash and cash equivalents comprise cash at bank.

1.17 Financial liabilities and equity
Financial liabilities and equity instruments issued by the Company are classified in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

1.18 Intercompany liability – NSF Finco Limited
Intercompany liability – NSF Finco Limited includes borrowings which are recognised initially at fair value, being issue proceeds less any transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between proceeds less transaction costs and the redemption value is recognised in the income statement over the expected life of the borrowings using the effective interest rate. Borrowings are classified as current liabilities unless the group or company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Notes to the financial statements

1.19 Provisions
A provision is recognised when there is a present obligation as a result of a past event, it is probable that the obligation will be settled, and the amount can be estimated reliably.

Contingent liabilities are possible obligations arising from past events, whose existence will be confirmed only by uncertain future events, or present obligations arising from past events which are either not probable or the amount of the obligation cannot be reliably measured. Contingent liabilities are not recognised but disclosed unless their probability is remote.

1.20 Equity instruments
An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

2. Critical accounting judgements and key sources of estimation uncertainty
The preparation of financial statements in conformity with generally accepted accounting practice requires management to make estimates and judgements that affect the reported amounts of assets and liabilities as well as the disclosure of contingent assets and liabilities at the year-end date and the reported amounts of revenues and expenses during the reporting period.

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 and in any future periods affected.

Critical accounting judgements:
Amounts receivable from customers – significant increase in credit risk
ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL assets for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk and therefore the Company makes assumptions to determine whether there are indicators that credit risk has increased significantly which indicates that there has been an adverse effect on expected future cash flows. In assessing whether the credit risk of an asset has significantly increased, the Company takes into account qualitative and quantitative reasonable and supportable forward-looking information.

Key sources of estimation uncertainty:
Going Concern
Assumptions made in the base case as part of the Company's going concern assessment form a significant judgement of the Directors in the context of approving the Company's going concern status. Refer note 1.3 of the financial statements for further detail.

Amounts receivable from customers
The Company assesses its portfolio of amounts receivable from customers for ECL at each balance sheet date. The following are key estimations that the Directors have used in the process of applying the Company's recognition of ECL policy:

- Probability of default: PD constitutes a key input in measuring ECL. PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.
- Loss given default: LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive over the life of the loan.

2. Critical accounting judgements and key sources of estimation uncertainty ***(continued)***

Sensitivity analysis of amounts receivable from customers – key sources of estimation uncertainty:

Branch based lending division:
The calculation of ECL in branch-based lending uses historical data to forecast future cash flows, discounted at the receivable's EIR. A sensitivity run on collections performance shows that a 5% increase or decrease in expected cash collections would result in a £7.8m increase/decrease in provisions. The suitability of the 5% sensitivity run has been reviewed and considered appropriate based on historical performance.

Guarantor loans division
The calculation of ECL in the Guarantor Loans Division uses historical data to forecast future cash flows, discounted at the receivable's EIR. A sensitivity run on collections performance shows that a 10% increase or decrease in expected cash collections would result in a £2.7m increase/decrease in provisions and of this amount, those customers deemed COVID-19 impacted comprise £0.6m of the increase/decrease in provision. The suitability of the 10% sensitivity run has been reviewed and considered appropriate based on historical performance.

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

Judgement is applied to determine whether the criteria for establishing and retaining a provision have been met. Provisions for customer redress are in respect of complaints received where the outcome has not yet been determined. Judgement is applied to determine the quantum of such provisions, including making assumptions regarding the extent to which the complaints received may be upheld, average redress payments and related administrative costs. Past experience is used as a predictor of future expectations with management applying overlays where necessary depending on the nature and circumstances. The cost could differ from the Company's estimates and the assumptions underpinning them and could result in a further provision being required. There is also uncertainty around the impact of proposed regulatory changes, claims management companies and customer activity.

The key assumptions in these calculations which involve management judgement and estimation relate primarily to the projected costs of existing complaints where it is considered likely that customer redress will be appropriate.

These key assumptions are:

- uphold rate percentage – the expected average uphold rate applied to existing complaint volumes where it is considered more likely than not that customer redress will be appropriate;
- average redress cost – the estimated compensation, inclusive of balance adjustments and cash payments, for upheld complaints included in the provision; and
- customer complaint volumes - the level of claims which would be due remediation in future based on recent experience of valid claims.

2. Critical accounting judgements and key sources of estimation uncertainty *(continued)*

These assumptions remain subjective due to the uncertainty associated with future complaint volumes and the magnitude of redress which may be required. Complaint volumes may include complaints under review by the Financial Ombudsman Service, cases received from complaint management companies or cases lodged directly by customers.

Customer complaints
A 50% increase/decrease in customer complaints volumes would result in a £1.48m increase/decrease in provisions for the Company, a 50% increase/decrease in average claim redress would result in a £1.48m increase/decrease in provisions for the Company, and a 50% increase/decrease in upheld rate would result in a £1.48m increase/ decrease in provisions for the Company.

Customer redress provision
Part of the provision included in the statement of financial position relates to a provision recognised for the proposed programme of redress for customers of the Company's Guarantor Loans Division totaling £16.9m (2020: £15.3m). The provision represents an accounting estimate of the expected future outflows arising using information available as at the date of signing these financial statements. Identifying whether a present obligation exists and estimating the probability, timing, nature and quantum of the redress payments that may arise from past events requires judgements to be made on the specific facts and circumstances relating to individual customers. It is possible that the eventual outcome may differ, perhaps materially, from the current estimate and this could impact the financial statements. This is due to the risks and inherent uncertainties surrounding the assumptions used in the provision calculation. The operational mechanics of the redress programme have not yet been agreed with the FCA and therefore whilst the quantum of provision for redress represents the Directors' best estimate of the ultimate cost of the redress, including penalty interest, as at the reporting date, it is possible that the eventual outcome may differ, perhaps materially, from the current estimate. Therefore, although the Directors believe their best estimate represents a reasonably possible outcome; there is a risk of a less favourable outcome. Refer to note 18 for more detail regarding the customer redress provisions.

The ultimate redress amount will be subject to a manual case-by-case review of customers who have incomplete electronic records, therefore a 10% increase/decrease in estimated customers who fall under the criteria for redress as a result of this will result in £0.04m increase/decrease in redress provision.

3. Interest income
Revenue is recognised by applying the EIR to the carrying value of a loan. The EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset or to the amortised cost of a financial liability.

	2021 £'000	2020 £'000
Interest income	92,985	119,561

4. Interest expenses and similar charges
Interest expenses during the year represent the interest paid to the ultimate parent company Non-Standard Finance plc for funding provided.

	2021 £'000	2020 £'000
Interest expense	17,942	25,212

5. Maturity analysis of assets and liabilities

The Company's financial assets and liabilities all mature within the next five years.

The table below shows the contractual maturity analysis of the Company's financial assets and liabilities as at 31 December 2021:

At 31 December 2021	Due within one year £000	Due after more than one year £000	Total £000
ASSETS			
Cash and cash equivalent	10,651	-	10,651
Loans and advances to customers	85,111	98,833	183,944
Current tax asset	-	318	318
Intercompany loan	-	5,274	5,274
Other assets	236	-	236
Total assets	**95,998**	**104,425**	**200,423**
LIABILITIES			
Intercompany liability	-	191,585	191,585
Other liabilities	22,003	-	22,003
Total liabilities	**22,003**	**191,585**	**213,588**

5. Maturity analysis of assets and liabilities *(continued)*

The table below shows the contractual maturity analysis of the Company's financial assets and liabilities as at 31 December 2020:

At 31 December 2020	Due within one year £000	Due after more than one year £000	Total £000
ASSETS			
Cash and cash equivalents	27,347	-	27,347
Loans and advances to customers	107,143	124,112	231,255
Intercompany loan	-	3,566	3,566 [2]
Other assets	98	-	98 [2]
Total assets	**134,588**	**127,678**	**262,266**
LIABILITIES			
Intercompany liability	-	254,317	254,317 [2]
Other liabilities	18,693	-	18,693 [2]
Total liabilities	**18,693**	**254,317**	**273,010**

[2] In the financial statements for the year ended 31 December 2019, other assets and other liabilities incorrectly included an intercompany loan asset balance of £813k and intercompany loan liability balance of £1,608k respectively. The 2019 maturity analysis of assets and liabilities table was restated to reflect this and the 2020 table reflects this classification.

6. Financial risk management

The Company's operations expose it to a variety of financial risks including credit risk, liquidity risk and interest rate risk. The Directors have delegated the responsibility of monitoring financial risk management to the Risk Committee.

The Company's objectives are to maintain a well-spread and quality-controlled customer base by applying strong emphasis on good credit management, both through strict lending criteria at the time of underwriting and continuously monitoring the collection process.

Market risk

Market risk is the risk that the FV or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk – interest rate risk, currency risk and other prices risk.

The Company does not undertake position taking or trading books of this type. The Company's exposure is primarily to the risk of changes in interest rates.

Interest rate risk

The Company has an exposure to interest rate risk arising on changes in interest rates which leads to an increase in the Company's cost of borrowing. The Company monitors interest rates but has not chosen to hedge this item given the much greater effective interest on financial assets as compared to the EIR on financial liabilities.

The Company is exposed to movements in LIBOR rates on its external borrowings. A 1% movement in the interest rate applied to financial liabilities during 2021 would not have had a material impact on the Company's result for the year.

There is minimal interest rate risk on financial assets including amounts receivable from customers as interest rates are fixed.

6. Financial risk management *(continued)*

LIBOR reform

The Company has closely monitored the market and the output from the various industry working groups managing the transition to new benchmark interest rates. This includes announcements made by IBOR regulators. Key benchmark interest rates and indices, such as the London Interbank Offered Rate ('LIBOR'), are being reformed in favour of risk-free rates such as the Sterling Overnight Index Average ('SONIA') in the UK. LIBOR was withdrawn at the end of 2021. The Company currently only has reference rate linked liabilities relating to the NSF Group's term loan and revolving credit facility which were fully drawn as at 31 December 2021, and its securitisation facility which remains undrawn as at year end. There is no impact to the Company's financial assets or fixed rate liabilities, which are all on administered rates. The NSF Group has transitioned to SONIA during the year ended 31 December 2021. This transition is not considered to have had a material impact on the NSF Group.

Credit risk

The Company's credit risk inherent in amounts receivable from customers is reviewed as part of the impairment assessment process as per note 12. This risk is minimised by the use of credit scoring techniques which are designed to ensure the Company lends only to those customers who we believe can afford the repayments. It should be noted that the credit risk at the individual customer level is managed by strict adherence to credit control rules which are regularly reviewed.

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

	2021 £000	2020 £000
Cash and cash equivalents	10,651	27,347
Loans and advances to customers	183,944	231,255
Intercompany loan	5,274	3,566
Other assets	236	6
At 31 December	**200,105**	**262,174**

Notes to the financial statements

6. Financial risk management ***(continued)***

The above table represents the maximum credit risk exposure (net of impairment) to the Company at 31 December 2021 and 2020, without taking into account any collateral held or other credit enhancements attached. The exposures are based on the net carrying amounts as reported in the statement of financial position.

The Company assessment to determine whether credit risk has increased significantly since initial recognition is outlined in note 1 to the financial statements.

The following tables present information in line with how credit risk is monitored and assessed by the credit committee. Within our branch-based lending division, credit risk is monitored by the use of defined score bands ranging from A1-A9 where A1 represents the lowest credit risk and the guarantor loans division by homeowner/non-homeowner status. This analysis assists management with identifying and monitoring credit risk within its customer base:

Year ended 31 December 2021:

Score bands	Stage 1 £000	Stage 2 £000	Stage 3 £000	Total £000
A1-A3	109,893	21,924	3,637	135,454
A4-A6	26,485	9,545	2,606	38,636
A7-A8+	5,601	2,254	893	8,748
Homeowner	-	14,934	2,683	17,617
Non-homeowner	-	15,834	3,594	19,428
Total gross receivables	**141,979**	**64,491**	**13,413**	**219,883**
Loan loss provision	(6,831)	(19,312)	(9,796)	(35,939)
At 31 December 2021	**135,148**	**45,179**	**3,617**	**183,944**

Year ended 31 December 2020:

Score bands	Stage 1 £000	Stage 2 £000	Stage 3 £000	Total £000
A1-A3	106,936	25,570	3,006	135,512
A4-A6	27,836	11,440	2,109	41,385
A7-A8+	5,646	2,463	656	8,765
Homeowner	4,742	2,788	2,173	9,703
Non-homeowner	29,824	23,043	18,975	71,842
Total gross receivables	**174,984**	**65,304**	**26,919**	**267,207**
Loan loss provision	(7,377)	(8,959)	(19,616)	(35,952)
At 31 December 2020	**167,607**	**56,345**	**7,303**	**231,255**

No individual customer contributed more than 10% of the revenue for the Group. For all divisions, there does not exist a concentration of credit risk as loans are to individual customers geographically spread across the UK. Individual loans are also small compared to the total loan book.

Trade and other receivables owed by external parties and cash at bank are not considered to have a material credit risk as all material balances are due from investment grade banking counterparties.

6. Financial risk management *(continued)*

Capital risk management
The Board of Directors assesses the capital needs of the Company on an ongoing basis and approves all capital transactions. The capital structure of the Company consists of net debt (borrowings after deducting cash and bank balances) and equity of the Company (comprising capital, reserves, retained earnings). The Company's objective in respect of capital risk management is to maintain a conservative loan-to-value ratio level with respect to market conditions, whilst taking account of business growth opportunities in a capital-efficient manner.

Liquidity risk
Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due or can only do so at excessive cost. The Company's liquidity policy is to maintain sufficient liquid resources to cover cash flow imbalances and fluctuations and to enable the Company to meet its financial obligations as they fall due.

At 31 December 2021	Carrying amount £000	Gross nominal inflow/ (outflow) £000	Due within one year £000	Due after more than one year £000
Non-derivative liabilities				
Intercompany liability	191,585	(191,585)	-	(191,585)
Other liabilities	22,003	(22,003)	-	(22,003)
	213,588	**(213,588)**	**-**	**(213,588)**

At 31 December 2020	Carrying amount £000	Gross nominal inflow/ (outflow) £000	Not more than 3 months £000	More than 3 months but less than 1 year £000
Non-derivative liabilities				
Intercompany liability	254,317[4]	(254,317)[4]	-	(254,317)[4]
Other liabilities	18,693[4]	(18,693)[4]	(18,693)[4]	-
	273,010	**(273,010)**	**(18,693)**	**(254,317)**

[4] In the financial statements for the year ended 31 December 2019, other liabilities incorrectly included an intercompany loan liability balance of £1,608k. The 2019 liquidity risk table was restated to reflect this and the 2020 table above reflects this classification.

7. Financial instruments

The tables below set out the carrying value of the Company's financial assets and liabilities in accordance with the categories of financial instruments set out in IFRS 9 as at 31 December 2020 and 2019. Assets and liabilities outside the scope of IFRS 9 are shown within non-financial assets/liabilities:

At 31 December 2021	Fair value through profit and loss account £000	Fair value through other comprehensive income £000	Amortised cost £000	Non-financial assets/ liabilities £000	Total £000
Assets					
Cash and cash equivalents	-	-	10,651	-	10,651
Loans and advances to customers	-	-	183,944	-	183,944
Current tax asset	-	-	-	318	318
Intercompany loan	-	-	5,274	-	5,274
Other assets	-	-	-	236	236
Total assets	**-**	**-**	**199,869**	**554**	**200,423**

7. Financial instruments *(continued)* Liabilities	Fair value through profit and loss account	Fair value through other comprehensive income	Amortised cost	Non-financial assets/ liabilities	Total
Intercompany liability	-	-	191,585	-	191,585
Other liabilities	-	-	22,003	-	22,003
Total liabilities	**-**	**-**	**213,588**	**-**	**213,588**

At 31 December 2020	Fair value through profit and loss account £000	Fair value through other comprehensive income £000	Amortised cost £000	Non-financial assets/ liabilities £000	Total £000
Assets					
Cash and cash equivalents	-	-	27,347	-	27,347
Loans and advances to customers	-	-	231,255	-	231,255
Current tax asset	-	-	-	288	288
Intercompany loan	-	-	3,566	-	3,566[5]
Other assets	-	-	6	92	98[5]
Total assets	**-**	**-**	**262,174**	**380**	**262,554**
Liabilities					
Intercompany liability	-	-	254,317	-	254,317[5]
Other liabilities	-	-	18,693	-	18,693[5]
Total liabilities	**-**	**-**	**273,010**	**-**	**273,010**

[5] In the financial statements for the year ended 31 December 2019, other assets and other liabilities incorrectly included an intercompany loan asset balance of £813k and intercompany loan liability balance of £1,608k respectively. The 2019 figures were restated to reflect this and the 2020 table also reflects this classification.

8. Operating expenses

Operating expenses comprise:	2021 £000	2020 £000
Bank service charges	299	454
Service charges	50,427	58,085
Marketing	2,268	1,547
NSF recharge	1,030	895
Legal and professional fees	345	328
Other administrative expenses	6,444	4,625
Total operating expenses	60,813	65,934

The Company had £60.8m of operating expenses in 2021, of which £50.4m related to management charges from the immediate parent company, Everyday Loans Limited (2020: £65.9m, of which £58.1m related to management charges).

The remuneration of the auditors in relation to the audit of these financial statements was £150k (2020: £259k) and was borne by the Company's immediate parent company Everyday Loans Limited, which made no recharge to the Company.

Notes to the financial statements

9. Employee information

The Company had no employees during 2021 (2020: none). Human resource services 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.

10. Exceptional items

During the year ended 31 December 2021, the Company incurred exceptional costs totaling £2.3m (2020: £5.5m charge) which related to an increase in the provision for the FCA redress programme. The £5.5m charge in the year ended 31 December 2020 included a £0.3m credit to the Statement of Comprehensive Income relating to a decrease in the provision for the FCA redress programme and £5.8m charge relating to arrangement fees associated with the securitisation facility opened in March 2020.

FCA redress programme

The Company has recognised a provision in the statement of financial position for the customer redress programme in the Company's Guarantor Loans Division totaling £16.9m (2020: £15.3m). The provision is based on the Directors' best estimate of the full and final costs of the programme using the proposed methodology. The estimate includes: the sum of all redress due to affected customers, including penalty interest, of £18.1m (2020: £16.6m), together with the cost of implementation of £0.3m (2020: £1.0m), offset by existing impairment provisions of £1.5m (2020: £2.3m), resulting in a net provision amount of £16.9m. The provision represents an accounting estimate of the expected future outflows arising using information available as at the date of signing these financial statements. Identifying whether a present obligation exists and estimating the probability, timing, nature and quantum of the redress payments that may arise from past events requires judgements to be made on the specific facts and circumstances relating to the individual customers concerned. The operational mechanics of the redress programme have not yet been agreed with the FCA and therefore whilst the quantum of provision for redress represents the Directors' best estimate of the ultimate cost of the redress, including penalty interest, as at the reporting date, it is possible that the eventual outcome may differ, perhaps materially, from the current estimate. Therefore, although the Directors believe their best estimate represents a reasonably possible outcome; there is a risk of a less favourable outcome.

Refer to note 2 for more detail regarding estimation uncertainty around the redress provision. It is anticipated that the redress will start to be paid during 2022.

The Company's Guarantor Loans Division continues to monitor its policies and processes and will continue to assess both the underlying assumptions in the calculation and the adequacy of this provision periodically using actual experience and other relevant evidence to adjust the provision where appropriate.

Securitisation facility

During the first half of 2020, the NSF Group put in place a new six-year securitisation facility provided by Ares Management Corporation and drew down £15m in April 2020. The onset of the COVID-19 pandemic resulted in the Company breaching certain performance triggers on the facility during the first half of 2020. As a result, the amount previously drawn down was repaid on 26 August 2020, removing the outstanding breach. Whilst the facility remains available for potential future use, given the uncertainty as at 31 December 2020 regarding the Company's ability to access the securitisation facility in the future, the capitalised fees associated with the securitisation facility of £5.8m were fully written off in that period. The facility remains unutilised as at the reporting date 31 December 2021.

The securitisation fees have been treated as non-deductible for tax purposes, whilst the FCA redress provision has been treated as a tax-deductible expense.

Notes to the financial statements

11. Income tax expense

	2021 £000	2020 £000
Current taxation		
Corporation tax charge/(credit) - current year	-	-
Adjustments in respect of prior periods	(6,638)	-
	(6,638)	-
Deferred taxation		
Deferred tax charge - current year	-	1,580
	-	1,580
Income tax expense	(6,638)	1,580
Tax reconciliation:		
Loss before tax	(9,346)	(41,185)
Tax credit at 19% (2020: 19%)	(1,776)	(7,825)
Unrelieved tax losses carried forward	-	5,402
Expenses not deductible for tax purposes	-	205
Group loss relief	(4,862)	2,218
Current year deferred tax charge/(credit)	-	1,580
Income tax expense for the year	(6,638)	1,580

12. Loans and advances to customers

	2021 £000	2020 £000
Gross loans and advances	219,883	267,207
Less: allowances for impairment on loans and advances	(35,939)	(35,952)
	183,944	231,255

Included within the gross carrying amount above are unamortised broker commissions, see table below:

	2021 £'000	2020 £'000
Total unamortised broker commissions	6,653	9,231

The fair value of amounts receivable from customers is approximately £240m (2020: £390m). Fair value has been derived by discounting expected future cash flows (net of collection costs) at the credit risk adjusted discount rate at the balance sheet date. Under IFRS 13, 'Fair value measurement', receivables are classed as Level 3 which defines fair value measurements as those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

For a maturity profile of loans and advances to customers, refer to note 5.

Analysis of loans and advances to customers

31 December 2021	Stage 1 £000	Stage 2 £000	Stage 3 £000	Total £000
Gross carrying amount	141,979	64,491	13,413	219,883
Impairment provision	(6,831)	(19,312)	(9,796)	(35,939)
Net amounts receivable	**135,148**	**45,179**	**3,617**	**183,944**

31 December 2020	Stage 1 £000	Stage 2 £000	Stage 3 £000	Total £000
Gross carrying amount	174,984	65,304	26,919	267,207
Impairment provision	(7,377)	(8,959)	(19,616)	(35,952)
Net amounts receivable	**167,607**	**56,345**	**7,303**	**231,255**

The loss allowance recognised in the period is impacted by a variety of factors, as described below:

- Transfers between stage 1 and stage 2 or 3 due to financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit-impaired in the period and the consequent 'step up' (or 'step down') between 12 months or lifetime ECL.
- Additional loan loss provisions for new financial instruments recognised during the period, as well as releases for financial instruments de-recognised in the period.
- Impact on the measurement of ECL due to changes in PDs, EADs and LGDs in the period, arising from regular refreshing of inputs to models.
- Impacts on the measurement of ECL due to changes made to models and assumptions.
- Discount unwind within ECL due to the passage of time, as ECL is measured on a present value basis.
- Financial assets de-recognised during the period and write-offs of loan loss provisions related to assets that were written-off during the period.
- Financial assets modified during the period.

12. Loans and advances to customers *(continued)*

The following tables explain the changes in the loan loss provision between the beginning and the end of the period due to these factors:

Loan loss provision	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
Loan loss provision as at 1 January 2021	7,377	8,959	19,616	**35,952**
Changes in the loss provision attributable to:				
New receivables originated or purchased	11,387	-	-	**11,387**
- Transfer from stage 1 to 2	(6,066)	6,066	-	-
- Transfer from stage 1 to 3	(3,048)	-	3,048	-
- Transfers from stage 2 to 1	(100)	100	-	-
- Transfers from stage 2 to 3	-	(1,256)	1,256	-
- Transfers from stage 3 to 2	-	2,548	(2,548)	-
- Transfers from stage 3 to 1	30	-	(30)	-
- Write offs	2,078	351	(33,978)	**(31,549)**
Net re-measurement of ECL arising from transfer of stages	538	6,490	37,117	**44,145**
Change in ECL resulting from repayment of loans	(5,365)	(3,946)	(14,685)	**(23,996)**
Loan loss provision as at 31 December 2021	**6,831**	**19,312**	**9,796**	**35,939**

Loan loss provision	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
Loan loss provision as at 1 January 2020	10,163	7,595	5,060	**22,818**
Changes in the loss provision attributable to:				
New receivables originated or purchased	9,771	-	-	9,771
- Transfer from stage 1 to 2	(2,770)	2,770	-	-
- Transfer from stage 1 to 3	(4,293)	-	4,293	-
- Transfers from stage 2 to 1	151	(151)	-	-
- Transfers from stage 2 to 3	-	(1,272)	1,272	-
- Transfers from stage 3 to 2	-	36	(36)	-
- Transfers from stage 3 to 1	31	-	(31)	-
- Write offs	(3,073)	(1,224)	(10,944)	(15,241)
Net re-measurement of ECL arising from transfer of stages	(63)	5,007	24,148	29,092
Change in ECL resulting from repayment of loans	(2,540)	(3,802)	(4,146)	(10,488)
Loan loss provision as at 31 December 2020	7,377	8,959	19,616	35,952

Notes to the financial statements

12. Loans and advances to customers *(continued)*

The following table further explains changes in the gross carrying amount of loans and advances to customers to help explain their significance to the changes in the loss allowance for the same portfolios as discussed previously.

Gross carrying amount - amounts receivable from customers	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
Gross carrying amount as at 1 January 2021	174,984	65,304	26,919	267,207
Changes in the gross carrying amount attributable to:				
New receivables originated or purchased	99,155	-	-	99,155
- Transfer from stage 1 to 2	(52,597)	52,597	-	-
- Transfer from stage 1 to 3	(8,457)	-	8,457	-
- Transfers from stage 2 to 1	12,883	(12,883)	-	-
- Transfers from stage 2 to 3	-	(4,726)	4,726	-
- Transfers from stage 3 to 2	-	6,386	(6,386)	-
- Transfers from stage 3 to 1	299	-	(299)	-
- Write offs	516	766	(43,468)	(42,186)
Changes due to modification that did not result in derecognition	(93)	(1,920)	(2,466)	(4,479)
Change in ECL resulting from repayment of loans	(85,105)	(45,242)	23,691	(106,656)
Derecognition of modified loans	394	4,209	2,239	6,842
Gross carrying amount as at 31 December 2021	**141,979**	**64,491**	**13,413**	**219,883**

Notes to the financial statements

12. Loans and advances to customers *(continued)*

Gross carrying amount - amounts receivable from customers	**Stage 1 £'000**	**Stage 2 £'000**	**Stage 3 £'000**	**Total £'000**
Gross carrying amount as at 1 January 2020	294,317	36,704	12,095	343,116
Changes in the gross carrying amount attributable to:				
New receivables originated or purchased	100,785	-	-	100,785
- Transfer from stage 1 to 2	(70,184)	70,184	-	-
- Transfer from stage 1 to 3	(28,373)	-	28,373	-
- Transfers from stage 2 to 1	21,643	(21,643)	-	-
- Transfers from stage 2 to 3	-	(6,423)	6,423	-
- Transfers from stage 3 to 2	-	2,543	(2,543)	-
- Transfers from stage 3 to 1	6,995	-	(6,995)	-
- Write offs	(3,071)	(1,226)	(44,912)	(49,209)
Changes due to modification that did not result in derecognition	(310)	(2,011)	(4,089)	(6,410)
Change in ECL resulting from repayment of loans	(146,858)	(12,295)	38,211	(120,942)
Derecognition of modified loans	40	(529)	356	(133)
Gross carrying amount as at 31 December 2020	174,984	65,304	26,919	267,207

Modification of loans and advances to customers
Financial assets with a loss allowance measure at an amount equal to lifetime ECL of £10.9m (2020: £10.1m) were subject to non-substantial modification during the year, with a resulting loss of £4.4m (2020: £3.7m). The gross carrying amount of financial assets for which the loss allowances has changed to a 12-month ECL during the year amounts to £0.003m (2020: £1.0m).

As a result of the Company's forbearance activities financial assets might be modified. The following tables refer to modified financial assets where modification has resulted in derecognition.

Financial assets (with loss allowance based on lifetime ECL) modified as at the balance sheet date	**2021 £000**	**2020 £000**
Gross carrying amount before modification	**40,740**	48,221
Loan loss provision before modification	**-**	(6,101)
Net loans and advances before modification	**40,740**	42,120
Net derecognition (loss)/gain	**(4,664)**	(3,823)
Net loans and advances after modification	**36,076**	38,297

Movement in derecognition loss in the year ended 31 December 2021 was £2.2m (2020: £2.6m).

12. Loans and advances to customers *(continued)*

A reconciliation of the allowance account for losses on loans and advances under IFRS 9 is as follows:

	2021 £000	2020 £000
At 1 January	**35,952**	22,818
Utilised during the year	**(31,549)**	(15,241)
Increase in provision	**31,536**	28,375
At 31 December	**35,939**	35,952

13. Cash and cash equivalents

Cash and cash equivalents comprise the following balances with less than three months maturity from the date of acquisition.

	2021 £000	2020 £000
Cash at bank	**10,651**	27,347

14. Deferred taxation

As at the 31 December 2021, the Company has continued not to recognise a deferred tax asset on its current year losses. Deferred tax assets not recognised in current and prior year losses as at 31 December 2021 totaled £7.5m (2020: £6.2m unrecognised deferred tax asset).

	2021 £000	2020 £000
At 1 January	-	1,580
Current year deferred tax	-	(1,580)
Deferred tax assets at 31 December	-	-

Future tax developments:

The Finance Bill 2021 had its third reading on 24 May 2021 and is now considered substantively enacted. This will have a consequential effect on the Group's future tax charge and means that the 25% main rate of corporation tax and marginal relief will be relevant for any asset sales or timing differences expected to reverse on or after 1 April 2023.

Notes to the financial statements

15. Intercompany loan

	2021 £000	2020 £000
Non-Standard Finance PLC	5,274	3,566
	5,274	3,566

Financial support is provided by the ultimate parent company Non-Standard Finance plc.

Amounts due from related companies have no fixed date for repayment and are therefore repayable on demand. It is a financial asset measured at amortised cost. Its fair value is not considered to be significantly different from its amortised cost carrying value.

In the prior year, amounts due from related companies were presented within other assets. In the current year, these balances have been disclosed separately. Refer to note 1.2 for further detail.

16. Other assets

	2021 £000	2020 £000
Prepayments and accrued income	236	92
Securitisation loan	-	6
	236	98

In the prior year, amounts due to/from related companies were presented within other assets. In the current year, these balances have been disclosed separately. Refer to note 1.2 for further detail.

17. Intercompany liabilities

	2021 £000	2020 £000
Everyday Loans Limited	11,144	8,066
George Banco.com Limited	-	1,608
NSF Finco Ltd	180,441	244,643
	191,585	254,317

During the year the Company paid a service charge of £50.4m (2020: £58.1m) to its immediate parent company Everyday Loans Limited, there were no other related party transactions between these entities during the year (2020: £nil).

Amounts due to related companies have no fixed date for repayment and are therefore repayable on demand. It is a financial liability measured at amortised cost. Its fair value is not considered to be significantly different from its amortised cost carrying value.

In the prior year, amounts due to/from related companies were presented within other assets. In the current year, these balances have been disclosed separately. Refer to note 1.2 for further detail.

Notes to the financial statements

18. Other liabilities

	2021 £000	2020 £000
Accruals and deferred income	**2,077**	1,684
Customer complaints provision	**2,996**	1,696
FCA redress provision	**16,930**	15,313
	22,003	18,693

The Company has recognised a provision for complaints of £3.0m as at 31 December 2021 (2020: £1.7m) in relation to potential outflows to customers related to past non-compliance with regulations relating to affordability assessments. Judgement is applied to determine the quantum of such provisions, including making assumptions regarding the extent to which the complaints already received may be upheld, average redress payments and related administrative costs. Refer to note 2 for sensitivity on this. As part of their assessment, the Directors also considered the independent review commissioned by the Company in April 2021 of the lending and complaints handling activities of the branch based-lending division. This review completed in Q1 2022 and the result was no requirement for customer redress.

FCA Redress programme for certain customers of the Guarantor Loans Division

The Company has recognised a provision in the statement of financial position for the customer redress programme in the Company's Guarantor Loans Division totaling £16.9m (2020: £15.3m). The provision is based on the Directors' best estimate of the full and final costs of the programme using the proposed methodology. The estimate includes: the sum of all redress due to affected customers, including penalty interest, of £18.1m (2020: £16.6m), together with the cost of implementation of £0.3m (2020: £1.0m), offset by existing impairment provisions of £1.5m (2020: £2.3m), resulting in a net provision amount of £16.9m. The provision represents an accounting estimate of the expected future outflows arising using information available as at the date of signing these financial statements. Identifying whether a present obligation exists and estimating the probability, timing, nature and quantum of the redress payments that may arise from past events requires judgements to be made on the specific facts and circumstances relating to the individual customers concerned. The operational mechanics of the redress programme have not yet been agreed with the FCA and therefore whilst the quantum of provision for redress represents the Directors' best estimate of the ultimate cost of the redress, including penalty interest, as at the reporting date, it is possible that the eventual outcome may differ, perhaps materially, from the current estimate. Therefore, although the Directors believe their best estimate represents a reasonably possible outcome; there is a risk of a less favourable outcome.

Refer to note 2 for more detail regarding estimation uncertainty around the redress provision. It is anticipated that the redress will start to be paid during 2022.

The Guarantor Loans Division continues to monitor its policies and processes and will continue to assess both the underlying assumptions in the calculation and the adequacy of this provision periodically using actual experience and other relevant evidence to adjust the provision where appropriate.

19. Share capital and share premium

Authorised:

	2021 £000	**2020 £000**
493,791 Ordinary shares of £0.01 each	4,938	4,938

	Number of shares	**Share capital £**	**Share premium £**
At 1 January 2020	493,791	4,938	49,374,062
Issue of shares	-	-	-
At 31 December 2020	493,791	4,938	49,374,062
Issue of shares	-	-	-
At 31 December 2021	**493,791**	**4,938**	**49,374,062**

All shares in issue are Ordinary shares of nominal value £0.01 each and are all fully paid up.

Notes to the financial statements

20. Contingent liabilities and commitments

A contingent liability is a possible obligation depending on whether some uncertain future event occurs. During the normal course of business the Company is subject to regulatory reviews and challenges, all such material matters are periodically reassessed, with the assistance of external professional advisors where appropriate, to determine the likelihood of the Company incurring a liability. In those instances, including future thematic reviews performed by the regulator in response to recent challenges noted in the industry, where it is concluded that it is more likely than not that a payment will be made, a provision is established to management's best estimate of the amount required at the relevant balance sheet date.

The Company recognises that there continue to be risks around Claims Management Company activity in the non-standard lending sectors and the Company continues to incur the cost of settling complaints as part of its normal business activity. The Company has included a provision within its financial statements for complaints where the outcome has not yet been determined (refer to provisions in note 18) and continues to robustly defend inappropriate or unsubstantiated claims and is working closely with the FOS in this regard. However, it is possible that claims could increase in the future due to unforeseen circumstances such as COVID-19 and/or if FOS were to change its policy with respect to how such claims are adjudicated. Should the final outcome of these complaints differ materially to management's best estimates, the cost of resolving such complaints could be higher than expected. It is however not possible to estimate any such increase reliably.

21. Related-party transactions

Summary of transactions with other related parties

During the year the Company paid a service charge of £50,427,367 (2020: £58,084,766) to its parent, Everyday Loans Limited. At the balance sheet date, the Company has an intercompany asset of £16.0m due from Everyday Loans Limited (2020: £8.0m intercompany asset).

Transactions with related parties are on an arm's length basis. Refer to note 15 and note 17 for further detail regarding intercompany balances.

22. Immediate and ultimate parent company

The immediate parent company of the Company is Everyday Loans Limited, a private company limited by shares, registered in England and Wales. A copy the financial statements for Everyday Loans Limited can be obtained from 1st Floor North, 2 Dukes Meadow, Bourne End, Buckinghamshire, SL8 5XF.

The ultimate parent company of the Company is Non-Standard Finance plc, a company registered in England and Wales. Non-Standard Finance plc heads the largest and smallest group in which the Company is consolidated. A copy of the consolidated financial statements of Non-Standard Finance plc may be obtained from Unit 26/27, Rear Walled Garden, The Nostell Business Estate, Wakefield, West Yorkshire, WF4 1AB, United Kingdom.

23. Controlling party

The immediate parent company of the Company, Everyday Loans Limited, is the controlling party of the Company.

24. Events after the balance sheet date

Effective 1 January 2022 the trading operations, assets and employees of the Company's immediate parent, Everyday Loans Limited, were transferred to Everyday Lending Limited. Assets transferred exclude any inter-company loans and cash. The net book value of the assets and liabilities resulted in a net liability transfer of £1.5m.

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