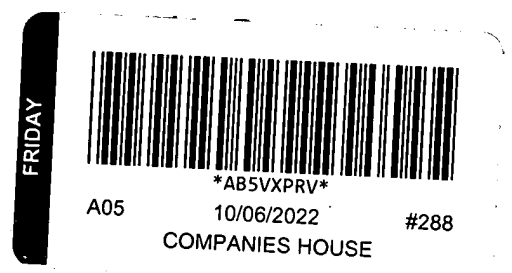


Company number: 10878351

NSF Finco Limited

**Report and financial statements
for the year ended 31 December 2021**



COMPANY INFORMATION for the year ended 31 December 2021

Directors

Jonathan Gillespie
Sarah Day (appointed 11 October 2021)
Katrina Lu (appointed 11 October 2021)
John van Kuffeler (resigned 31 August 2021)

Secretary

Sarah Day

Registered office

Unit 26/27 Rear Walled Garden, The Nostell
Business Estate, Wakefield, West Yorkshire,
United Kingdom, WF4 1AB.

Company registration number:

10878351 (England and Wales)

Statutory Auditor

PKF Littlejohn LLP
15 Westferry Circus
Canary Wharf
London
United Kingdom, E14 4HD

STRATEGIC REPORT

General information

NSF Finco Limited is a limited company, limited by shares, incorporated and domiciled in England and Wales, in the United Kingdom. The address of the registered office is Unit 26/27 Rear Walled Garden, The Nostell Business Estate, Wakefield, West Yorkshire, United Kingdom, WF4 1AB.

Principal activities

The Company is a holding company and financing company, its principal activity is to obtain and provide finance for the Group, which comprises of Non-Standard Finance plc and its subsidiaries. The principal activity of the Company's subsidiaries (please refer to note 8 for a full list of the entities) is the provision of and servicing of secured and unsecured personal instalment loans.

Copies of the Company's ultimate parent undertaking, Non-Standard Finance plc, consolidated accounts are available and can be found on the Non-Standard Finance plc's website www.nsfgroupplc.com. Non-Standard Finance plc's registered office is Unit 26/27 Rear Walled Garden, The Nostell Business Estate, Wakefield, West Yorkshire, United Kingdom, WF4 1AB.

Principal risks and uncertainties

The Company regards 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 managing their application. The principal risks inherent in the Company's business are market, capital, interest rate and liquidity.

Refer to note 19 for details of the financial risk management and the exposure of the Company to market risk, interest rate risk, capital and liquidity risk.

Impact of COVID-19 and regulatory environment

The macroeconomy and uncertain regulatory environment faced by the Company's trading subsidiaries has continued to impact the impairment charges to the Company's investments (refer note 8 for further detail). The Company continues to consider the carrying value of its assets and liabilities in the Balance Sheet, and on the ability of the subsidiaries to repay the interest on the intercompany receivable as and when they become due.

Future developments

The Directors do not envisage any change to the principal activity of the Company in the foreseeable future.

Approved by the Board on 30 May 2022 and signed by the order of the Board.



Katrina Lu
Director

DIRECTORS' REPORT

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

Results for the year

During the year, the Company received interest income from its subsidiaries of £18.9m (2020: £24.9m) for debt financing provided. External financing costs totalled £24.9m (2020: £26.4m) for the year. The Company does not operate to make profits but acts as a financing vehicle for the Group.

The Company's total debt facilities as at 31 December 2021 is comprised of a £285.0m term loan provided by institutional investors, and a £45.0m revolving loan facility provided by The Royal Bank of Scotland plc. As at 31 December 2021, £285.0m (2020: £285.0m) was drawn under the term loan facilities and £45.0m (2020: £45.0m) was drawn under the revolving loan facility. The term loan facility matures in August 2023 and the revolving loan facility matures in August 2022. The term loans bear an interest rate of LIBOR plus 7.25% per year with interest payable every six months. The revolving credit facility bears an interest rate of LIBOR plus 3.5% per year.

The Company has recognised an impairment charge to its investment of £22.1m (2020: £110.3m). Refer to note 8 for further detail.

Copies of the consolidated accounts of the Company's ultimate parent undertaking, Non-Standard Finance plc, are available and can be found on the Non-Standard Finance plc's website www.nsfgroupplc.com. Non-Standard Finance plc's registered office is Unit 26/27 Rear Walled Garden, The Nostell Business Estate, Wakefield, West Yorkshire, United Kingdom, WF4 1AB.

Directors

The directors who held office during the period and up to the date of signing the financial statements are given below:

Jonathan Gillespie
Sarah Day (appointed 11 October 2021)
Katrina Lu (appointed 11 October 2021)
John van Kuffeler (resigned 31 August 2021)

Directors' indemnities

Under article 135 of the Company's Articles of Association, the Company has qualifying third party indemnity provisions, in accordance with section 234 of the Companies Act 2006, for the benefit of its Directors and former Directors. No indemnities were provided and no payments were made during the year. There were no other qualifying indemnities in place during the year. The Company maintains Directors' and Officers' liability insurance which gives appropriate cover for any legal action brought against its Directors.

Dividends

The Company received a dividend of £nil from its subsidiary undertaking Non-Standard Finance Subsidiary II Limited during the year (2020: £1.2m).

The Company declared and paid dividends of £nil to its parent undertaking, Non-Standard Finance Subsidiary Limited during the year (2020: £12.0m).

No dividends were proposed by the Company as at 31 December 2021 (2020: £nil).

Post-balance sheet events

Refer note 20 to the financial statements.

Going concern

In adopting the going concern assumption in preparing the financial statements, the Directors have considered the activities of the Company and that of its ultimate parent Non-Standard Finance plc ('NSF'). As the Company's principal activity is to obtain and provide financing for the Non-Standard Finance Group (the "Group"), the Company's base case is highly dependent on that of the Group. The Company 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. In addition, any form of additional equity which might be received by the Company would be in the form of a contribution provided by its ultimate parent. Given the Company is a guarantor under the Group's external financing facilities, 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 Group'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 Loans) 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.

The Directors will continue to monitor the Group and Company's risk management, response to claims and the redress programme, access to liquidity, balance sheet solvency and internal control systems as well as the position of the Group.

Auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Appointment of Auditor

The Company's auditor is PKF Littlejohn LLP, who were appointed in the current year and have conducted the external audit since 19 July 2021.

Directors' responsibilities statement

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:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the company's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the 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.

Approved by the Board on 30 May 2022 and signed by the order of the Board.

A handwritten signature in black ink, appearing to read 'Katrina Lu', with a stylized flourish at the end.

Katrina Lu
Director

Independent auditor's report to the members of NSF Finco Limited

Opinion

We have audited the financial statements of NSF Finco Limited (the 'company') for the year ended 31 December 2021 which comprise of 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 international accounting standards in conformity with the requirements of the Companies Act 2006.

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 United Kingdom Generally Accepted Accounting Practice; 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 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. The following factors have resulted in the recognition of a material uncertainty in relation to going concern within the Group

- the successful and timely execution of a capital raise
- 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
- the 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 and
- 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 behaviours).

As stated in note 1, these events or conditions, along with the other matters as set forth in note 1, 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.

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, review of board minutes and performing walkthroughs of relevant controls.
- We determined the principal laws and regulations relevant to the company in this regard to be those arising from the Companies Act 2006 and tax regulations .
- We designed our audit procedures to ensure the audit team considered whether there were any indications of non-compliance by company with those laws and regulations. These procedures included, but were not limited to:
 - Enquiries of management,
 - Review of minutes
- 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 potential for management bias in relation to the impairment of investments.
- 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; evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business, preliminary and final analytical review to identify any unusual or unexpected variances or relationships.

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/auditorsresponsibilities. 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.


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

15 Westferry Circus
Canary Wharf
London E14 4HD

30 May 2022

Statement of Comprehensive Income for the year ended 31 December 2021

		Year ended 31 December 2021 £000	Year ended 31 December 2020 £000
Interest received	2	18,871	24,880
Income from fixed asset investment		-	1,200
Total revenue		18,871	26,080
Finance costs	5	(24,902)	(26,413)
Impairment of investment	8	(22,126)	(110,314)
Impairment of intercompany loans	10	(8,240)	(8,047)
Professional fees		(888)	(2,193)
Loss before exceptional costs		(37,285)	(120,887)
Exceptional costs	7	(1,580)	-
Loss before tax		(38,865)	(120,887)
Tax credit/(expense)	6	-	-
Loss for the period		(38,865)	(120,887)
Total comprehensive loss for the period		(38,865)	(120,887)

There are no recognised gains or losses other than those disclosed above and there have been no discontinued activities in the period.

The notes on page 16 to 31 form part of these financial statements.

Statement of Financial Position as at 31 December 2021

		31 December 2021 £000	31 December 2020 £000
Non-current assets			
Investment	8	9,726	31,852
Other assets	12	-	-
Total non-current assets		9,726	31,852
Current assets			
Trade and other receivables	10	224	425
Intercompany receivables	10	177,865	246,696
Cash and cash equivalents	11	101,804	47,231
Total current assets		279,893	294,352
Current liabilities			
Trade and other payables	13	(5,059)	(4,954)
Total current liabilities		(5,059)	(4,954)
Non-current liabilities			
Bank loans	14	(328,762)	(326,587)
Total non-current liabilities		(328,762)	(326,587)
Net assets		(44,202)	(5,337)
Equity			
Share capital	15	2,122	2,122
Retained earnings		(46,324)	(7,459)
		(44,202)	(5,337)

The notes on page 16 to 31 form part of these financial statements.

These financial statements were approved and authorised for issue by the Board of Directors on 30 May 2022

Signed on behalf of the Board of Directors



Katrina Lu
Director

Company number – 10878351

Statement of Changes in Equity for the year ended 31 December 2021

	Share capital	Share premium	Retained earnings	Total equity
Note	£000	£000	£000	£000
At 31 December 2019	2,122	-	125,378	127,500
Total comprehensive loss for the period	-	-	(120,887)	(120,887)
Transactions with owners, recorded directly in equity:				
Dividends paid	-		(11,950)	(11,950)
At 31 December 2020	2,122	-	(7,459)	(5,337)
Total comprehensive loss for the period	-	-	(38,865)	(38,865)
Transactions with owners, recorded directly in equity:				
Dividends paid	-	-	-	-
At 31 December 2021	2,122	-	(46,324)	(44,202)

Dividends paid during the period total £nil (2020: £nil) per ordinary share.

Statement of Cash Flows for the year ended 31 December 2021

	Note	Year ended 31 December 2021 £000	Year ended 31 December 2020 £000
Net cash from operating activities	17	79,475	72,047
Net cash from investing activities			
Dividend income		-	1,200
Net cash from investing activities		-	1,200
Cash flows from financing activities			
Finance cost	5	(24,902)	(26,413)
Dividends paid		-	(11,950)
Debt raising		-	8,975
Net cash from/(used in) financing activities		(24,902)	(29,388)
Net increase in cash and cash equivalents		54,573	43,859
Cash and cash equivalents at beginning of period		47,231	3,372
Cash and cash equivalents at end of period		101,804	47,231

As at 31 December 2021 the Company had cash of £101.8m (2020: £47.2m) with gross debt of £330.0m (2020: £330.0m).

The notes on page 16 to 31 form part of these financial statements.

Notes to the Financial Statements

1. Accounting policies

Basis of preparation

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

The Company is exempt from the obligation to prepare group accounts in line with section 400 of the Companies Act 2006. The Company is a wholly-owned subsidiary undertaking of Non-Standard Finance plc, which is established under the law of UK and prepares Group financial statements.

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.

Going concern

In adopting the going concern assumption in preparing the financial statements, the Directors have considered the activities of the Company and that of its ultimate parent Non-Standard Finance plc ('NSF'). As the Company's principal activity is to obtain and provide financing for the Non-Standard Finance Group (the "Group"), the Company's base case is highly dependent on that of the Group. The Company 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. In addition, any form of additional equity which might be received by the Company would be in the form of a contribution provided by its ultimate parent. Given the Company is a guarantor under the Group's external financing facilities, 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 Group'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 Loans) 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 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 Directors 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.

The Directors will continue to monitor the Group and Company's risk management, response to claims and the redress programme, access to liquidity, balance sheet solvency and internal control systems as well as the position of the Group.

Changes in accounting policies and disclosures

New and amended Standards and Interpretations issued but not 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) became effective on 1 January 2021. The Company does not apply hedge accounting and its accounting policies are consistent with the new requirements.

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. 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.

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

Revenue recognition

Interest income is recognised in the statement of comprehensive income for all loans and receivables measured at amortised cost using the effective interest rate ('EIR') method. The EIR is the rate that exactly discounts estimated future cash flows of financial instruments through their expected life, or where appropriate, a shorter period, to the net carrying amount of the financial asset or liability.

Finance costs

Finance costs comprise the interest expense on external borrowings which are recognised in the income statement in the period in which they are incurred and the funding arrangement fees which were prepaid and are being amortised to the income statement over the length of the funding arrangement. Finance costs also include any fair value movement on those derivative financial instruments held for hedging purposes which do not qualify for hedge accounting under IFRS 9.

Taxation

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

The current tax charge is based on the taxable profit for the year. Taxable profit differs from net profit 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 liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the year-end date.

Investments

Investments in subsidiaries and associates are stated at cost less, where appropriate, provisions for impairment.

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.

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.

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'). 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.

The Company has assessed its business model in order to determine the appropriate IFRS 9 classification for its financial assets. The Company's derivative asset (interest rate cap) does not meet the hold to collect criteria and thus is measured at fair value.

Financial assets and liabilities measured at amortised cost are accounted for under the Effective Interest Rate (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 flows through the expected life of the financial asset or liability, or where appropriate, a shorter period, to the gross carrying amount on initial recognition.

Intercompany receivables for the Company which fall under the scope of IFRS 9 are assessed for impairment 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.

The Company does not use hedge accounting.

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.

Derivative financial assets

The Company uses an interest rate cap to manage the interest rate risk arising from the long-term borrowing held. Derivatives are initially recognised at their fair value on the date a derivative contract is entered into and are subsequently re-measured at each reporting date to their fair value. The Company measures fair value in accordance with IFRS 13, which defines fair value as the price that would be received to sell the asset in an orderly transaction between market participants at the measurement date.

The Company does not apply hedge accounting and therefore movements in the fair value are recognised immediately within the statement of comprehensive income.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank.

Financial liabilities and equity

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

Borrowings

Borrowings 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 company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Other financial liabilities

Other financial liabilities are initially measured at fair value, net of transaction costs and are subsequently measured at amortised cost using the EIR method.

EIR method

The EIR method is a method of calculating the amortised cost of a financial asset or liability and allocating interest income or expense over the relevant period. The EIR is the rate that exactly discounts estimated future cash flows through the expected life of the financial asset or liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Critical accounting judgements and key sources of estimation uncertainty

Impairment of investment in subsidiaries

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired and recognises an allowance for impairment when such evidence exists. In addition to the objective evidence of impairment described, significant or prolonged decline in the fair value of the investment below its cost is considered in determining whether an investment is impaired.

Going concern

Assumptions made in the base case as part of the Group'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 of the financial statements for further detail.

Intercompany receivables

The Company assesses its intercompany receivables for expected credit losses ("ECL") at each balance sheet date. In estimating ECL, the Company has considered qualitative indicators of default (in addition failure to pay) which includes the ability of the subsidiary to refinance the loan with a third party, adverse changes to the subsidiary's initial business plans since granting the loan and the overall viability of the subsidiary's operations. The Company's estimate of ECL reflects an unbiased and probability-weighted amount, determined by evaluating a range of possible outcomes rather than based on a best- or worst-case scenario (the Company is not required to identify every possible scenario, but the estimate always reflects at least two scenarios: the probability that a credit loss occurs, even if this probability is very low; and the probability that no credit loss occurs). The below is therefore a key estimation that the Directors have used in the process of applying the Company's recognition of ECL policy:

- Various scenarios to which a specific probability of occurrence has been attached. These scenarios include a positive, base, downside and severe downside case.

A sensitivity analysis of the key source of estimation uncertainty has been provided in note 10 to the financial statements. The Company has made no other material accounting judgements or key sources of estimation uncertainty in the preparation of the financial statements for the period ended 31 December 2021.

2. Revenue

	Year ended 31 December 2021 £000	Year ended 31 December 2020 £000
Interest income	18,871	24,880
Total revenue	18,871	24,880

3. Directors' remuneration

The company has three Directors and no staff (2020: two Directors and no staff).

No Director received remuneration during the financial period ending 31 December 2021 (2020: £nil). The Directors of the Company were remunerated by the ultimate parent undertaking, Non-Standard Finance plc, for their services.

4. Auditors remuneration

Auditor's remuneration for the 2021 audit: £12,000 (2020: £15,983) of the Company financial statements, is borne by the Company's ultimate parent entity Non-Standard Finance plc.

No other remuneration has been paid to the auditors in relation to non-audit services (2020: £nil).

5. Finance cost

	Year ended 31 December 2021 £000	Year ended 31 December 2020 £000
Bank charges and interest payable	(24,908)	(26,424)
Bank interest receivable	6	11
Finance cost	(24,902)	(26,413)

6. Taxation

As at the year end the Company has continued to not recognise a deferred tax asset on its losses, resulting in a total £2.3m unrecognised deferred tax asset (2020: £0.4m deferred tax asset not recognised).

	Year ended 31 December 2021 £000	Year ended 31 December 2020 £000
Current tax credit		
Corporation tax credit	-	-
Total current tax credit	-	-
Deferred tax charge ¹	-	-
Total tax credit	-	-

¹ Unrecognised deferred tax assets arising from tax losses in the year were £1.3m (2020: £0.4m).

	Year ended 31 December 2021 £000	Year ended 31 December 2020 £000
Loss before taxation	(38,865)	(120,887)
Tax on loss on ordinary activities at standard rate of UK corporation tax of 19%:	7,385	22,969
Effects of:		
Non-deductible expenses/taxable income	(6,070)	(22,562)
Deferred tax assets not recognised	(1,315)	(407)
Total tax credit	-	-

The Finance Bill 2021 had its third reading on 24 May 2021 and is now considered substantively enacted. As a result 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.

7. Exceptional costs

Exceptional items during the current year comprised £1.6m advisory fees incurred (Equity related fees are treated as non-deductible for tax purposes) (2020: £nil).

8. Investment in subsidiaries

	2021 £000	2020 £000
Gross investment in subsidiaries	212,223	212,223
Accumulated impairment	(180,371)	(70,057)
Current year impairment charge	(22,126)	(110,314)
Net investment carrying amount	9,726	31,852

The Company tests the carrying value of its net investment in subsidiaries annually for impairment or more frequently if there are indications that the investment might be impaired. Determining whether an investment is impaired requires an estimation of the recoverable amount of each subsidiary. In line with IAS 36, the recoverable amount is the higher of its VIU or its fair value less cost to sell.

During the year ended 31 December 2021, the Company recognised a £22.1m (2020: £110.3m) impairment loss in its investment in subsidiaries. This impairment loss was determined by reference to the recoverable amounts and net asset values of all CGUs of the Non-Standard Finance Group (of which the Company is a subsidiary), with the totals compared against the carrying amount of the Company's investment in Non-Standard Finance Subsidiary Limited II and Non-Standard Finance Subsidiary III Limited. This approach is considered reasonable since the Group structure means that the CGUs tested for impairment comprise the principal trading subsidiaries of the Company.

The impairment losses recognised continue to be as a result of the increased uncertainty in the macroeconomic and regulatory environment. In addition the Company's indirect subsidiary S.D. Taylor Limited was placed into administration on 15 March 2022 (please refer note 20 for further detail).

For the current year ended 31 December 2021, the Company has assessed the carrying value of its investments against the recoverable amount (which is the higher of fair value less cost to sell and value in use) and net asset value of the underlying cash generating units ('CGU') in the current year. The calculation to determine the FV less cost to sell for investments uses actual and forecast earnings and carrying values as at 31 December 2021, 2022 and 2023 multiplied by the 31 December 2021 actual and 2022-2023 forecast PE and PB multiples for comparable companies. Earnings represents profit after tax before fair value adjustments, amortisation of intangibles and exceptional items. Disposal costs have been estimated at 2%. The VIU calculation uses cash flows derived from earnings projections for the years ended 31 December 2022 to 2025, together with a terminal value based on the cash flow forecast for 2025 at a perpetuity growth rate. The resulting cash flow forecasts are then discounted at a discount rate appropriate to the CGU to produce a VIU to. The Directors have estimated the discount rate using post-tax rates that reflect current market assessments of the time value of money and the risks specific to the market. The Company noted that both the recoverable amount and the net asset value of the CGU's remained below carrying amount of the investments and therefore additional impairment of £22.1m (2020: £110.3m) was recognised in the current year.

Details of the Company's subsidiaries which are included in the group consolidation, at the ultimate controlling party level, Non-Standard Finance plc, are as follows:

Name of company	Principal place of business and country of incorporation	Nature of business	% voting rights and shares held
Non-Standard Finance Subsidiary II Limited	Unit 26/27 Rear Walled Garden, The Nostell Business Estate, Wakefield, West Yorkshire, United Kingdom, WF4 1AB.	Holding company	100% of Ordinary Shares
Non-Standard Finance Subsidiary III Limited	As above	Holding company	100% of Ordinary Shares
SD Taylor Limited (trading as Loans at Home)**	7 Tumberry Park Road Gildersome, Morley Leeds LS27 7LE England	Provision of consumer credit	100% of Ordinary Shares
Loans at Home Limited*	As above	Dormant	100% of Ordinary Shares
Everyday Loans Holdings Limited*	1st Floor North 2 Dukes Meadow Bourne End Buckinghamshire SL8 5XF	Holding company	100% of Ordinary Shares

Everyday Loans Limited*	As above	Provision and servicing of secured and unsecured personal instalment loans	100% of Ordinary Shares
Everyday Lending Limited*	As above	Provision of secured and unsecured personal instalment loans	100% of Ordinary Shares
George Banco Limited*	Epsom Court 1st Floor, Epsom Road, White Horse Business Park, Trowbridge, BA14 0XF, United Kingdom	Holding company	100% of Ordinary Shares
George Banco.Com Limited*	As above	Holds legal title to bank account in its name on behalf of Everyday Lending Limited	100% of Ordinary Shares

*held indirectly by the Company.

** S.D. Taylor Limited was placed into administration on 15 March 2022, refer to note 20 for further detail.

Non-Standard Finance Subsidiary II Limited made a loss for the year ended 31 December 2021 of £19.7m (2020: £39.7m). Non-Standard Finance Subsidiary III Limited made a loss for the year ended 31 December 2021 of £2.4m (2020: £70.6m).

9. Financial instruments

The table below sets 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 2021. Assets and liabilities outside the scope of IFRS 9 are shown within non-financial assets/liabilities:

	FVT P&L assets/liabilities £000	Amortised cost £000	Non-financial assets/liabilities £000	2021 Total £000
At 31 December				
Assets				
Cash and cash equivalents	-	101,804	-	101,804
Intercompany receivables	-	-	177,865	177,865
Current tax asset	-	-	118	118
Trade and other receivables	-	106	-	106
Investments	-	-	9,726	9,726
Total assets		101,910	187,709	289,619
Liabilities				
Bank borrowing	-	328,762	-	328,762
Other liabilities	-	4,813	246	5,059
Total liabilities		333,575	246	333,821

	FVT P&L assets/liabilities £000	Amortised cost £000	Non-financial assets/liabilities £000	2020 Total £000
At 31 December				
Assets				
Cash and cash equivalents	-	47,231	-	47,231

equivalents				
Intercompany receivables	-	-	246,696	246,696
Current tax asset	-	-	118	118
Trade and other receivables	-	287	20	307
Derivative assets	1	-	-	1
Investments	-	-	31,852	31,852
Total assets		47,518	278,686	326,204
Liabilities				
Bank borrowing	-	326,587	-	326,587
Other liabilities	-	4,934	20	4,954
Total liabilities		331,521	20	331,541

10. Trade and other receivables and intercompany receivables

	2021	2020
	£000	£000
Other debtors	224	425
Amounts owed from subsidiaries	177,865	246,696
	178,089	247,121

Amounts owed from subsidiaries include £177.9m owed from Everyday Lending Limited in relation to intercompany financing. The amount owed from S.D. Taylor limited has been provided for in full following the business being placed into administration on 15 March 2022 (refer note 20 for further detail). £2.6m (2020: £nil) relating to amounts owed from Non-Standard Finance Subsidiary II Limited in relation to amounts paid by the Company on behalf of Non-Standard Finance Subsidiary II Limited in repayment of amounts owed to Non-Standard Finance plc has been provided for in full following the administration of S.D. Taylor Limited on 15 March 2022 for which Non-Standard Finance Subsidiary II is the immediate parent.

These amounts are interest bearing and repayable on demand..

There are no amounts included in trade and other receivables which are past due but not impaired. The carrying value of trade and receivables is not materially different to the fair value. An impairment charge of £8.2m (2020: £8.0m) was recognised during the year in relation to amounts owed from subsidiaries. As at 31 December 2021, a loan loss provision totalling £18.5m has been recognised against intercompany loan balances in the current year (2020: £10.2m), comprising of £nil in stage 1, £2.6m in stage 2 and £15.9m in stage 3 (2020: £0.1m in stage 1, £10.1m in stage 2 and £nil in stage 3). The increase in the loan loss provision in the current year is primarily in relation to S.D. Taylor Limited which was placed into administration on 15 March 2022 (refer to note 20) and in relation to the receivable owed by Non-Standard Finance Subsidiary II which is the immediate parent of S.D. Taylor Limited.

In the current year, the Non-Standard Finance Group utilised various scenarios and probabilities attached to these scenarios to determine the loan loss provision for the Everyday Lending Limited intercompany receivable. Adjusting the probability weighting assigned to the scenarios from their current weightings of 10% positive, 50% base, 40% downside and 0% severe downside, to weightings of 15% positive, 75% base, 10% downside and 0% severe downside, the ECL would decrease by £1.9m. Under a probability weighting of 50% base and 50% downside, the ECL would increase by £1.3m.

11. Cash and cash equivalents

	2021	2020
	£000	£000
Cash at bank and in hand	101,804	47,231

The Directors consider that the carrying amount of these assets is a reasonable approximation of their

fair value. The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings.

12. Derivative asset

The Group cancelled its interest rate cap on 30 November 2021 at £nil cost (2020 valuation: £nil).

13. Trade and other payables

	2021 £000	2020 £000
Accruals and deferred income	5,059	4,954
	5,059	4,954

The carrying value of trade and other payables is not materially different to the fair value.

14. Bank loans

	2021 £000	2020 £000
Due within one year	4,813	4,954
Due in more than one year	328,762	326,587

The Company's total debt facilities as at 31 December 2021 is comprised of a £285.0m term loan provided by institutional investors, and a £45.0m revolving loan facility provided by The Royal Bank of Scotland plc. As at 31 December 2021, £285.0m (2020: £285.0m) was drawn under the term loan facilities and £45.0m (2020: £45.0m) was drawn under the revolving loan facility. The term loan facility matures in August 2023 and the revolving loan facility matures in August 2022.

Maturity analysis of amounts due on external borrowings	At 31 Dec 2021 £000	At 31 Dec 2020 £000
Not later than one year	67,372	23,063
Later than one year and not later than five years	297,646	388,907
Later than five years	-	-
	365,018	411,970

Amounts due on external borrowings excludes the amortisation of debt transaction costs and includes the interest and principal amounts due in on maturity of the term loan and revolving facilities in future periods.

Borrowings are recognised initially at fair value and subsequently at amortised cost. The carrying value of other payables due in more than one year is not materially different to the fair value. The facility arrangements have the benefit of (i) guarantees from, and fixed and floating security granted by, the following entities: NSF Finco Limited, Non-Standard Finance Subsidiary II Limited, Non-Standard Finance Subsidiary III Limited, S.D. Taylor Limited, Everyday Loans Holdings Limited, Everyday Loans Limited, Everyday Lending Limited, George Banco Limited, George Banco.com Limited; and (ii) a charge over the shares in, and intercompany loans made to, NSF Finco Limited granted by Non-Standard Finance Subsidiary Limited.

15. Share capital

All shares in issue are Ordinary 'A' Shares consisting of £1 per share. All shares are fully paid up.

The Company's share capital is denominated in Sterling. The Ordinary Shares rank in full for all

dividends or other distributions, made or paid on the Ordinary Share capital of the Company.

	Total £000
Balance at 31 December 2020	2,122
Issue	-
Balance at 31 December 2021	2,122

16. Share premium

The share premium account is used to record the aggregate amount or value of premiums paid when the Company's shares are issued at a premium. No transaction costs directly relating to raising finance have been deducted from share premium in the period.

	Total £000
Balance at 31 December 2020	-
Balance at 31 December 2021	-

17. Net cash used in operating activities

	Year ended 31 December 2021 £000	Year ended 31 December 2020 £000
Operating profit	8,164	14,639
Taxation paid	-	-
(Increase)/Decrease in receivables	69,031	57,586
Increase/(Decrease) in payables	2,280	(178)
Cash from/(used) in operating activities	79,475	72,047

Reconciliation of liabilities arising from financing activities

The table below details changes in the Company's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the cash flow statement as cash flows from financing activities.

	Cash changes		Non-cash changes		
	1 Jan 2021 £'000	Financing cash flows £'000	Amortise d fees £'000	Interest charge £'000	31 Dec 2021 £'000
Total borrowings	326,587	-	2,175	-	328,762
Total	326,587	-	2,175	-	328,762

	Cash changes		Non-cash changes		
	1 Jan 2020 £'000	Financing cash flows £'000	Amortise d fees £'000	Interest charge £'000	31 Dec 2020 £'000
Total borrowings	317,612	6,800	2,175	-	326,587
Total	317,612	6,800	2,175	-	326,587

18. Related party transactions

The Company received dividend income of £nil (2020: £1.2m) from its subsidiary undertakings during the period and declared and paid dividends of £nil (2020: £12.0m) to its parent undertaking during the period. During the year, the Company made a payment of £2.6m to Non-Standard Finance plc on behalf of its subsidiary Non-Standard Finance Subsidiary II Limited in part repayment its liability with Non-Standard Finance plc. The Company has a net receivable from Non-Standard Finance Subsidiary II Limited £nil (fully impaired at year end) (2020: £nil)), SD Taylor Limited totalling £nil (fully impaired at year end) (2020: £12.2m), and a net receivable with Everyday Lending Limited of £177.9m (2020: £234.5m).

19. Financial instruments

The Company's operations expose it to market risk, interest rate risk and liquidity risk.

Market risk

Market risk is the risk of loss due to adverse market movements caused by active trading positions taken in interest rates, foreign exchange markets, bonds and equities. The Company does not undertake position taking or trading books of this type and therefore market risk is not a concern.

Capital risk management

The capital structure of the Company consists of equity (comprising of issued capital, reserves, and retained earnings). The Company is not subject to any externally imposed capital requirements.

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 SONIA 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.

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 Company's term loan and revolving credit facility which were fully drawn as at 31 December 2021. There is no impact to the Group's financial assets or fixed rate liabilities, which are all on administered rates. The Company has transitioned to SONIA during the year ended 31 December 2021. This transition is not considered to have had a material impact on the Company.

Liquidity risk

This is the risk that the Company has insufficient resources to fund its existing business and its future plans for growth. The Company has in place sufficient long-term committed debt facilities which are sourced from a number of different providers. Cash and covenant forecasting is conducted on a monthly basis as part of the regular management reporting exercise. The going concern position of the Company remains materially uncertain leading to a risk that the Company will have insufficient liquidity to fund its future plans beyond the next 12 months and this is reflected in the Company's going concern statement in note 1.

Exposure to Group risks

As a subsidiary within the Non-Standard Finance plc Group, the Company is exposed to the Group risks as described in note 32 of the Non-Standard Finance plc Group financial statements for the year ended 31 December 2021.

The Company monitors its levels of working capital to ensure that it can meet its debt repayments as they fall due.

20. Subsequent events

Subsequent to 31 December 2021, the Directors of the Company's indirect subsidiary 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. This has contributed to the impairment of investment balance recognised in the current year, refer note 8 for further detail.

Effective 1 January 2022 the trading operations, assets and employees of the Company's indirect subsidiary, Everyday Loans Limited, were transferred to its direct subsidiary 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